Raubex Group Limited

Integrated Report **2017**

Contents

All abbreviations and definitions are available in the terms of reference on page 179.

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.
- Delivery of quality products and services timeously 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.

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
up 13,6% to
R9,01 billion
(2016: R7,93 billion)

Operating profit
down 6,9% to
R661,7 million
(2016: R710,6 million)

Group operating
profit margin of
7,3%
(2016: 9,0%)

Headline earnings
per share down
14,0%
to 201,7 cents per share
(2016: 234,4 cents per share)

Cash flow
from operations
up 16,5%
to R1,22 billion
(2016: R1,05 billion)

Non-recurring Voluntary Rebuilding Programme ("VRP") expense of **R119,9 million**

Group operating profit
before VRP expense up
10,0% to
R781,6 million
(2016: R710,6 million)

Group operating profit
margin before VRP expense
of **8,7%**
(2016: 9,0%)

Headline earnings per
share before VRP expense
up
14,8% to **269,1**
cents per share
(2016: 234,4 cents per share)

Return on capital
employed of
12,2%
(2016: 13,3%)

Order book of
R8,03 billion
(2016: R8,27 billion)

Employs
9 871
people
(2016: 10 516 people)

Scope and boundary of the integrated report

The Board is pleased to present to you the integrated report of Raubex for the year ended 28 February 2017. This integrated report covers the activities and performance of Raubex and all of its operating subsidiaries, joint ventures and branches both local and international, a schedule of which is set out in notes 41 and 42 of the annual financial statements. This integrated report aims to provide a balanced, comprehensible and complete view of the business by reporting on the financial and non-financial performance of the group to enable stakeholders to make an informed assessment of Raubex. The Board acknowledges its responsibility to ensure the integrity of this integrated report. The Board has considered the volume and complexity of the information in the integrated report and is of the opinion that it does not warrant a summarised version.

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

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

In terms of paragraph 8.63(a) of the JSE Listings Requirements, the group has published its application of the Chapter 2 Principles of King III on its website at www.raubex.com which will be replaced with the application of the 17 Principles set out in King IV once the group has completed its transition.

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

Disclaimer

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

This integrated report for the year ended 28 February 2017 is published and was posted to shareholders on 31 July 2017. This integrated report is also available on the company's website.

Assurance

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

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

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

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

Approval of this integrated report

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

The integrated report was approved by the Board on 17 July 2017 and signed on its behalf by:

RJ Fourie
Chief Executive Officer

JF Gibson
Financial Director

1

ABOUT RAUBEX

RAUBEX CONSTRUCTION

Key services

- Construction of new roads and highways
- Upgrading of existing roads
- Rehabilitation of existing roads
- Construction of airport runways and associated infrastructure
- Construction of bridges
- Construction of concrete pavements
- Rehabilitation of concrete structures

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.

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

Construction Division

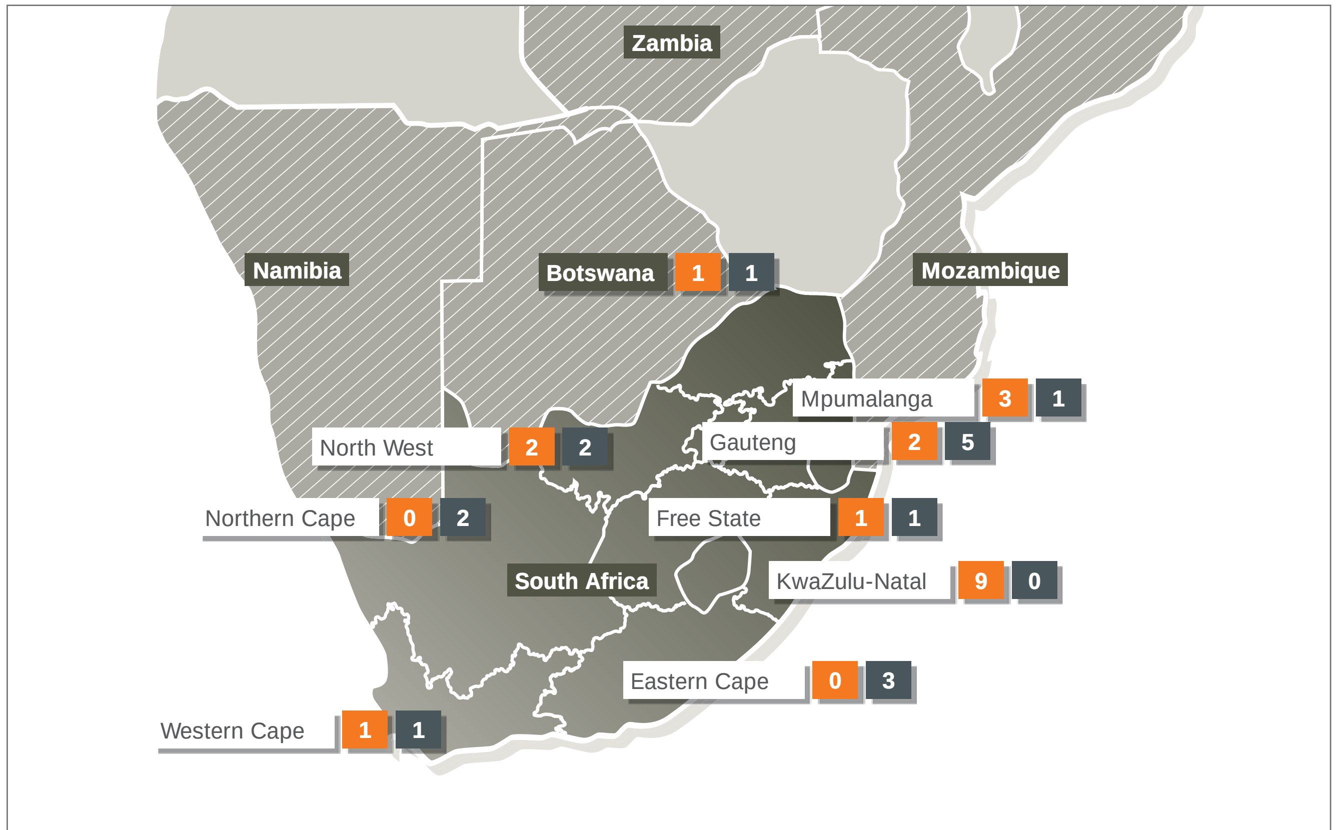
The **Construction Division** includes three main reporting segments, namely *Road Surfacing and Rehabilitation*, *Road Construction and Earthworks* and *Infrastructure*. This division specialises in all aspects of road construction, rehabilitation and related infrastructure development including bulk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

Materials Division

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

For more detail on each of these divisions and segments, refer to pages 26 to 34 of this integrated report.

Footprint Raubex operates in South Africa, Botswana, Namibia, Mozambique and Zambia.



19 asphalt plants

16 quarries

Timeline

- **'74** – Founded by Koos Raubenheimer and awarded first contract to construct a bridge over the Vet River near Bultfontein in the Free State.
- **'97** – Founded Roadmac Surfacing (Pty) Ltd
- **'01** – Founded Roadmac Surfacing Cape (Pty) Ltd
- **'06** – Acquired 100% of Milling Techniks (Pty) Ltd
- **'07**
  - **Listed on the JSE on 20 March 2007**
  - Acquired 100% of SPH Kundalila (Pty) Ltd
  - Acquired 100% of National Asphalt (Pty) Ltd
  - Acquired 100% of Queenstown Quarry and Aliwal Dolerite Quarry
- **'08**
  - Acquired 100% of Space Construction (Pty) Ltd
  - Acquired 100% of B&E International (Pty) Ltd
  - Acquired 100% of Thaba Bosiu Construction and Zamori Construction
  - Acquired 100% of the asphalt business of Akasia Road Surfacing
- **'11** – Acquired 51% of Burma Plant Hire (Pty) Ltd
- **'12**
  - Acquired 80% of Strata Civils (Pty) Ltd
  - Acquired 100% of Comar Plant Design and Manufacturing (Pty) Ltd
  - Established the Infrastructure division through the acquisition of 80% of L & R Civils (Pty) Ltd and the founding of Raubex Infra (Pty) Ltd, Raubex Building (Pty) Ltd and Raudev (Pty) Ltd
- **'13** – Acquired 100% of Tosas (Pty) Ltd
- **'14**
  - Acquired 70% of the aggregate and gypsum operations of OMV at Stilfontein and Potchefstroom
  - Acquired 60% of asphalt operations of Shisalanga Construction (Pty) Ltd
- **'15** – Acquired 74% of Belabela Quarries in Botswana
- **'16** – Acquired 100% of OMV Kimberley Quarry
- **'17**
  - Acquired 100% Buildmax Aggregates and Quarries operations including Crushco, Alphasand and Aflease
  - Acquired 70% of Empa Structures (Pty) Ltd
  - Acquired 74% of Lime Sales Ltd a metalurgical dolomite quarry in Moorreesburg

Raubex at a glance *continued*

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

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

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

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

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

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

The group's operations are managed under two divisions, namely the **Construction Division** and the **Materials Division**.

For further detail on Raubex's effective shareholding in each of its businesses, please refer to note 41 on pages 151 to 155 of this integrated report.

Strategic objectives

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

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

Objectives	Description	Focus for 2017	Progress during 2017	Focus for 2018
Drive to attain a more balanced portfolio of work in the construction and related services sector	*Reduce high level of exposure to a relatively small customer base i.e. SANRAL, South African Provincial and Municipal Governments*	▪ Execute solar projects efficiently and build on reputation to secure more work in the REIPPP programme. ▪ Maintain relationships with mining clients. ▪ Roll out the Woodwind Estates development in a phased approach. ▪ Look to secure more work opportunities in the Lufhereng Integrated Urban Development project. ▪ Look for strategic acquisition opportunities for the Materials Division.	▪ Successfully executed subcontract works on two solar projects in the Northern Cape, i.e. Ilanga 1 CSP and Kathu Solar Park. ▪ Secured a pipeline of future REIPPP work which is dependent on Eskom signoff. ▪ Maintained relationships with key mining clients. ▪ Secured a pipeline of opportunities in the affordable housing sector. ▪ Successfully completed and sold first phase of Woodwind Estates. ▪ Secured work in the Lufhereng Integrated Urban Development project. ▪ Acquired Kimberley Quarry, Lime Sales in Moorreesburg and Malmesbury Sand.	▪ Maintain relationships with key REIPPP clients while waiting for Eskom to sign off the Power Purchase Agreements. ▪ Maintain relationships with mining clients in anticipation of conditions improving in the mining sector. ▪ Continue to roll out the Woodwind Estates in a phased approach and look to secure more work opportunities in the affordable housing sector, including the Lufhereng Integrated Urban Development project. ▪ Look for strategic acquisition opportunities to strengthen the Materials Division.
Expand existing business models into new geographies	*Expand strategy in new geographic markets. Replicate current integrated business model outside of South Africa*	▪ Resolve Zambia Link 8000 payment delays. ▪ Investigate new geographies with a view to replacing international order book. ▪ Form strategic partnerships to unlock opportunities in Africa. ▪ Look for acquisition opportunities outside of Africa in more developed markets.	▪ Suspended work on Zambia Link 8000 due to payment delays and capped exposure to R150 million. ▪ Secured a well-balanced international order book in both the materials and construction divisions with operations active in Botswana, Mozambique, Namibia and Zambia. ▪ Pursued leads to new business opportunities and strategic partnerships in Africa and developed markets.	▪ Resolve Zambia Link 8000 payment delays 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.
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. ▪ Focus on staff retention and training.	▪ Maintained the secured order book at R8,03 billion. ▪ Executed the order book efficiently and realised above average margins on road construction and rehabilitation contracts. ▪ Improved the infrastructure division margin to 4,3% (2016: 3,1%). ▪ Approved 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. ▪ Implement retention scheme for key management.
Transformation in terms of South Africa's Black Economic Empowerment objectives	*Transformation and alignment to Black Economic Empowerment scorecards*	▪ Align to the revised Construction Charter. ▪ Maintain the required black ownership level of the quarrying entities under the Mining Charter. ▪ Improve on Employment Equity score. ▪ Look for strategic long-term BEE partners.	▪ Maintained a level 2 B-BBEE status in the construction entities on the Generic Codes of Good Practice. ▪ Planned for the implementation of the Construction Sector Code. ▪ Maintained the required 26% black ownership in the quarrying entities regulated by the Mining Charter. ▪ Reassessed employment equity plans at subsidiary company level. ▪ Signed VRP settlement agreement with government and elected to develop and mentor two emerging BEE contractors i.e. Enza Construction and Umso Construction.	▪ 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 on 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 i.e. Enza and Umso.

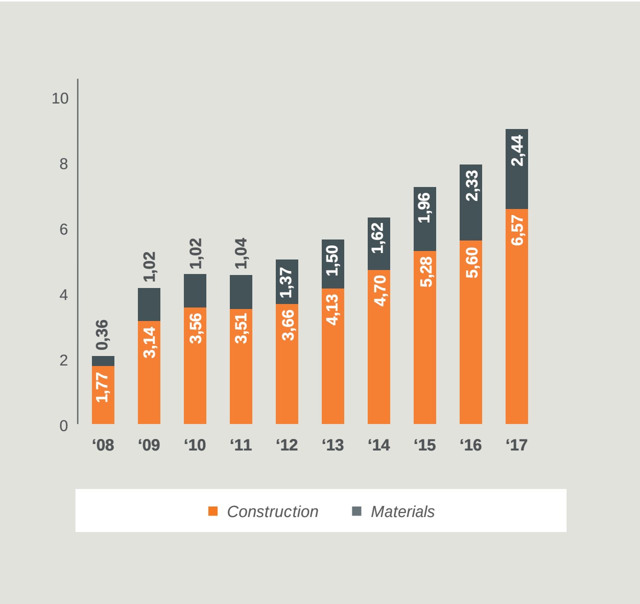
Five-year review

28 February		2017	2016	2015	2014	2013
Profit performance						
Revenue	R'm	**9 006**	7 926	7 245	6 325	5 636
Operating profit*	R'm	**662**	711	622	540	484
Depreciation	R'm	**373**	371	335	283	251
Profit before income tax*	R'm	**619**	662	607	534	477
Earnings*	R'm	**372**	445	400	356	301
Financial position						
Total assets	R'm	**6 994**	6 727	6 273	5 354	4 858
Total equity	R'm	**3 950**	3 833	3 533	3 241	2 959
Total liabilities	R'm	**3 044**	2 894	2 740	2 113	1 899
Total operating assets	R'm	**2 364**	2 336	2 172	1 842	1 561
Cash flow information						
Cash from operating activities	R'm	**1 224**	1050	785	751	859
Capital expenditure	R'm	**441**	550	511	483	461
Free cash flow	R'm	**665**	359	126	185	275
Cash and cash equivalent	R'm	**1104**	970	937	871	836
Ratio and statistics						
Operating profit margin*	%	**7,3**	9,0	8,6	8,5	8,6
EPS*	cents	**203,7**	236,9	213,4	191,3	163,2
Diluted EPS*	cents	**202,2**	234,3	209,9	187,9	160,3
HEPS*	cents	**201,7**	234,4	209,1	187,1	158,7
Total dividend per share	cents	**90,0**	78,0	71,0	65,0	65,0
Net asset value per share	cents	**2 173,2**	1 970,7	1 886,2	1 714,1	1 582,1
ROCE*	%	**12,2**	13,3	12,3	12,7	12,7
ROE*	%	**10,4**	12,2	12,1	11,7	10,8
Current ratio	times	**1,8**	1,8	1,9	2,0	2,0
Gearing (debt:equity)*	%	**24,1**	28,5	31,1	22,1	19,7
Head count		**9 871**	10 516	9 598	8 306	7 807
JSE statistics						
Market value per share						
– At year-end	cents	**2 451**	1 600	2 071	2 183	1 900
– Highest (year to 28 February)	cents	**2 643**	2 399	2 660	2 520	1 990
– Lowest (year to 28 February)	cents	**1 670**	1 267	1 822	1 753	1 250
Closing PE ratio	times	**9,5**	7	10	11	12
Market capitalisation – close	R'm	**4 455**	3 028	3 880	4 059	3 506
Volume traded						
(year to 28 February)	'000	**59 819**	69 822	49 584	77 387	54 716
Weighted number of shares	'000	**182 668**	187 961	187 330	185 900	184 536
Issued shares at 28 February	'000	**181 750**	189 250	187 330	185 900	184 536

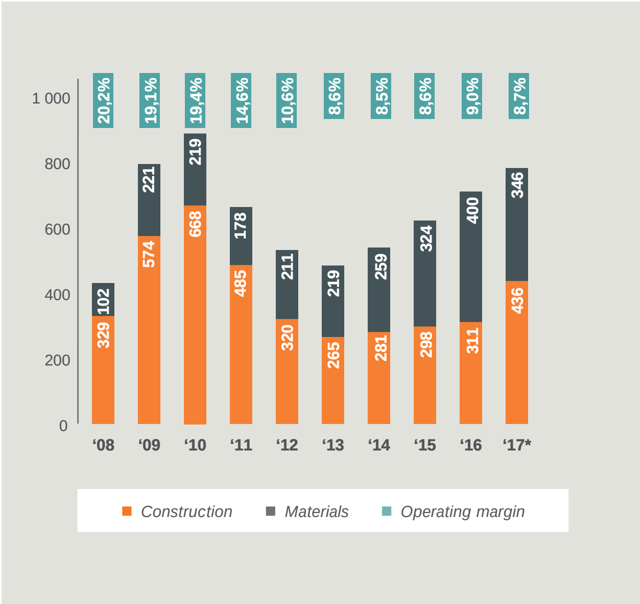
* *Includes non-recurring VRP expense for the year of R120 million.*

Post-listing performance indicators

Revenue
(R billion)

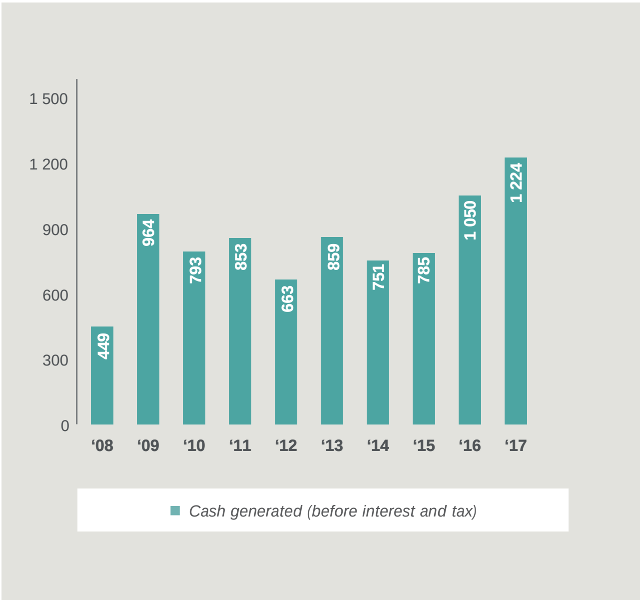


Operating profit
(R million)



Headline earnings per share and dividends per share
(cents)

Cash generated from operations
(R million)



* *2017 operating Profit excludes nonrecurring VRP expense of R120 million.*
** *Headline earnings excluding non-recurring VRP expense of R120 million.*

Material risks and opportunities

Underpinned by robust risk management

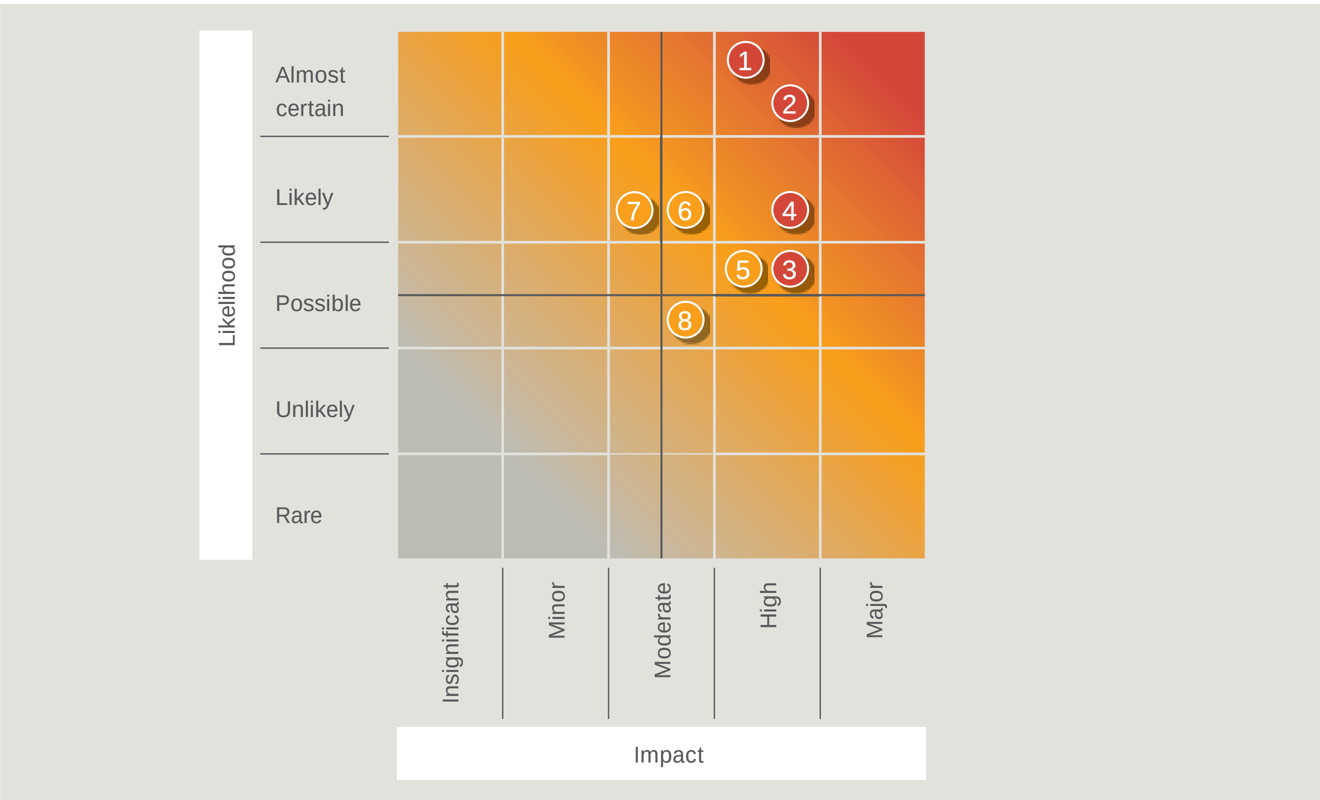
Risk management remains a critical process for Raubex in ensuring achievement of set goals and strategic objectives. A robust risk management process has been adopted by management which has enabled Raubex to remain healthy and deliver consistently good results under challenging conditions in a volatile construction industry.

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

As part of the governance system, the Risk Committee oversees risk management on behalf of the Board through regular reporting by divisional management on all risks and related mitigating controls. The Risk Committee continually assesses the risk management structure to ensure clear roles of identifying, assessing, managing and reporting of risks are defined.

The Risk Committee's responsibilities are set out in the corporate governance report on page 46 of this Integrated Report.

Residual risk ratings



Risks

1. Competitive conditions experienced leading to low margins
2. Tender award corruption
3. Volatility in commodity prices
4. Delay in roll out of renewable energy infrastructure projects (new risk)
5. Bitumen supply
6. Changes in B-BBEE legislation
7. Local labour and community unrests causing work stoppages (new risk)
8. Forex exposure

The diagram on page 12 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 risks 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, but rather managed 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.

Detailed risk register

Description of risk	Level of risk	Mitigation of risk
1 Competitive conditions experienced 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 seen in the market 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 model in order to enhance the group margin.
2 Tender award corruption		
The lack of transparency in award of provincial and municipal tenders effectively excludes the group from sources of revenue it would otherwise partake in.	High	▪ It is the group's policy to take a firm stance against tender award irregularities and challenge the award of tenders through formal legal process where the awards are not consistent with pricing, technical ability and other scorecard criteria.
3 Volatility in commodity prices		
The volatility in commodity prices has an impact on production volumes of mines. The group's material handling operations are particularly exposed to the cycles of the copper, diamond, gold and iron ore commodities.	High	▪ The group follows due diligence procedures before contracts are entered into and evaluate 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.
4 Delay in roll out of renewable energy infrastructure projects (new risk)		
Eskom's delay in signing off the power purchase agreements relating to the REIPPP will impact the growth in the Infrastructure Division. The signoff delays are affecting the timing of these projects coming to market and capacity in this discipline will need to be reallocated if signoff is not forthcoming.	High	▪ The group has been able to diversify its infrastructure order book and capitalise on growth in the affordable housing market. ▪ Teams are quick to adapt to changing conditions and skills are able to be transferred effectively to other construction disciplines.

Material risks and opportunities *continued*

Description of risk	Level of risk	Mitigation of risk
5 Bitumen supply		
The group has concerns around the ability of South African oil refineries to ensure an adequate and efficient supply of bitumen to the local market in light of the country's ageing coastal refineries which are prone to unplanned maintenance shutdowns.	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. ▪ The group's acquisition of Tosas and the related bitumen supply agreement with Sasol ensures approximately 50% of the group's monthly supply and goes some way to mitigating supply side risks.
6 Changes in B-BBEE legislation		
Changes in the B-BBEE legislation and Government's new Preferential Procurement Regulations.	Moderate	▪ The group has maintained its 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 the commercial quarries. ▪ The group proactively monitors changes to B-BBEE legislation in order to put timely compliance plans in place in order to remain competitive and achieve its transformation goals. ▪ In terms of the settlement agreement reached with the government, Raubex has elected to form an alliance with two emerging contractors and develop and mentor them over a period of seven years. This alliance should facilitate compliance with the new regulations.
7 Local labour and community unrests causing work stoppages (new risk)		
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 as a result of poor service delivery by Government and false expectations of employment on contracts that have been created by political rhetoric.	Moderate	▪ The group engages continually with the 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.

Description of risk	Level of risk	Mitigation of risk
8 Forex exposure		
Contracting in non-base currencies and the inability to effectively hedge most “African” currencies can have an adverse effect on the profitability of contracts. An increasing number of African states are experiencing foreign currency liquidity issues making it difficult to pay foreign suppliers and repatriate profits.	Moderate	▪ The group actively manages foreign currency exposure when operating in non-base currency geographies and has an extremely conservative approach to new contracts in such countries and evaluates country specific risk before entering into contracts in Africa. ▪ Where it is possible, the group specifies the allocation of payment into specific currencies in order to naturally hedge revenues against costs and mitigate the risk of foreign exchange losses.

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

The group is committed to conduct healthy business practices with honesty and integrity, which will not only ensure a stable employment environment for everyone but also ensure the continued future success of the group. For this reason, we subscribed to a service that will enable all stakeholders, but most specifically the 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:

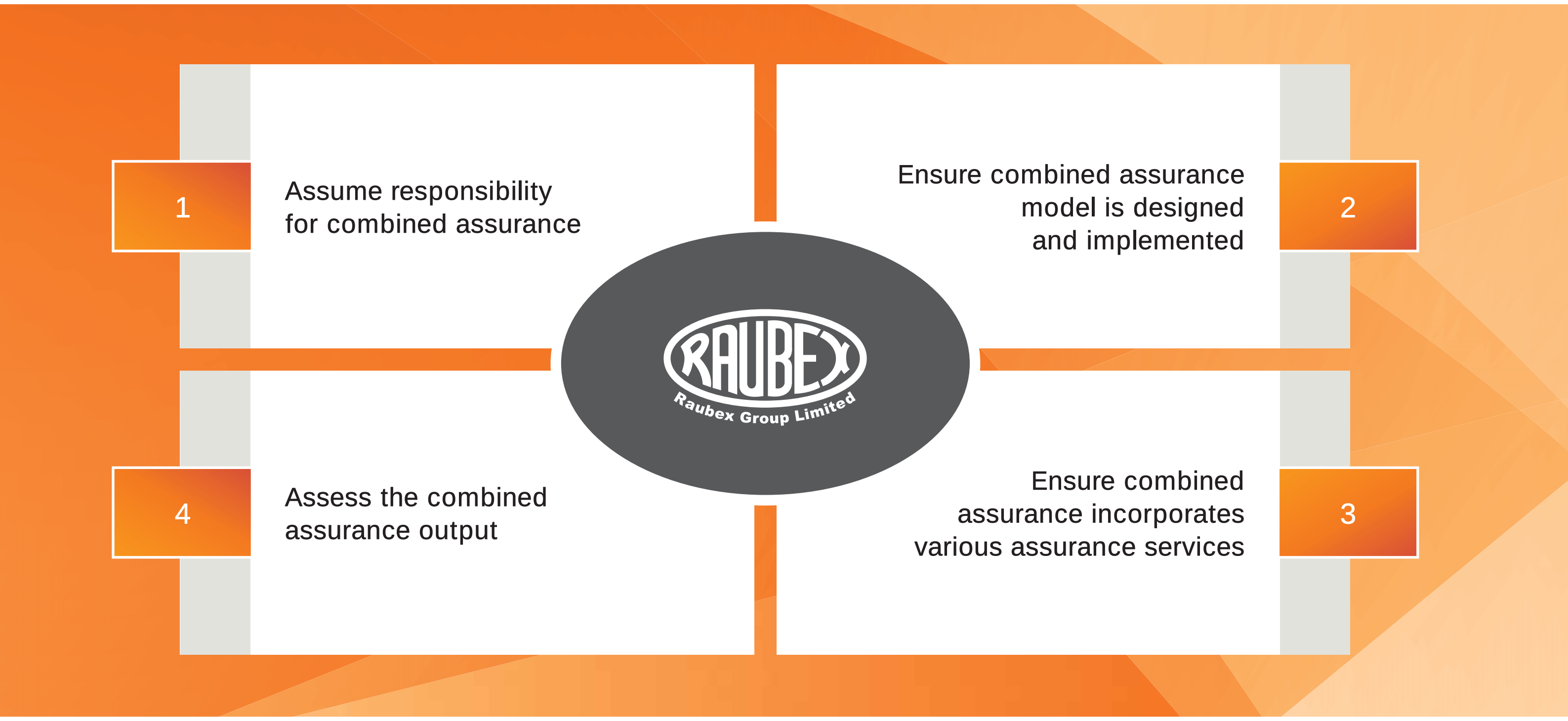
South Africa FreeCall		0800 20 53 14
Namibia FreeCall		0800 01 50 05
Malawi FreeCall		50800 (free for Airtel subscribers only)
Zambia FreeCall		847 (ZAIN TNM) 8000 0847 (MTL)
Email	@	raubex@tip-offs.com
Website		www.tip-offs.com
FreeFax		0800 00 77 88 (free for South Africa only)
FreePost		KZN 138 (free for South Africa only) Umhlanga Rocks, 4320

Material risks and opportunities *continued*

Combined assurance model

We are committed to implementing and maintaining an effective combined assurance process. The Board has assumed the responsibility for assurance by setting the tone and direction concerning the arrangements for assurance services and functions.

Our combined assurance model is based on the following objectives:



We apply the following three lines of defence to govern risk across the group and its subsidiaries. Our combined assurance policy and model assigns specific responsibilities to each line of defence:

First 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.

Second line

Management has established various risk management and compliance functions to help build and/or monitor the first line of defence controls. Enterprise risk management operating a formal, robust and effective risk management framework within which the group's policies and minimum standards are set. Legal, risk management, compliance, health and safety, and quality assurance are included in the second line of defence.

Third 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.

Opportunities

The risk management process of the group supports the business in achieving its strategic objectives by considering and realising the strategic opportunities. The opportunities the group has identified to further unlock and create stakeholder value include the following:

Opportunities in the current market	Transformation	Acquisitions
The South African National Roads Agency SOC Limited ("SANRAL") budget allocation for 2018	*Commitment to transformation*	*Acquisitive growth in the Materials Division*
Growth in the affordable housing market	*Level 2 B-BBEE*	*Geographical expansion of the group*
Improving prospects for material handling services to the mining sector	*VRP settlement agreement signed and now in place. Selected to develop and mentor two emerging contractors*	
Eskom Renewable Energy Independent Power Producer Procurement ("REIPPP") Programme	*Healthy working relationship with the South African Government*	
South African Government National Development Plan		

Opportunities in the current market

SANRAL budget allocation for 2018

The group's largest client is SANRAL which accounts for 23% of the group's order book of R8,03 billion. SANRAL currently have 21 490 km of roads under its administration and has a long-term strategic plan to increase this to 35 000 km through taking over sections of strategic road networks from provincial government. SANRAL has two primary sources of income; it receives funding for non-toll roads (comprising 85,5% of the national road network) from National Treasury while toll roads (constituting 14,5% of the total national road network) are funded either through public-private partnerships or from capital market borrowings. Raubex relies mainly on the non-toll road network funded from National Treasury for which SANRAL's budget allocation increased from R13 billion to R15 billion for the 2018 financial year. Raubex is well positioned to secure its fair share of this work in the year ahead.

Growth in the affordable housing market

Raubex has experienced and 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 accelerate in the run-up to the 2019 general elections as ruling parties try and improve voter perception.

Improving prospects for material handling services to the mining sector

Raubex has experienced an increasing number of enquiries from mining clients for both material handling and processing services as well as infrastructure solutions and mine housing. The group's current material handling operations are focused mainly on the diamond, gold, copper, iron-ore and coal commodities and are well positioned to secure more work relating to these operations if clients require increased production.

Eskom REIPPP Programme

The group's Infrastructure Division has successfully executed work on round 3 and 4 bid window projects and has established

Material risks and opportunities *continued*

a solid reputation in the market. Raubex is preferred subcontractor to many clients due to quality of work and on time delivery of projects. Raubex has secured in excess of R800 million of work relating to renewable energy projects (solar and wind) that have not been taken to the secured order book due to delay in signing of the power purchase agreement by Eskom and lack of clear policy on this matter. Raubex is ready to execute this work and is well positioned to secure more work in future rounds of the REIPPP, but this is dependent on Eskom.

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") that include energy, transport and logistics infrastructure. These projects cover all the key infrastructure platforms of rail, road and port; dams, irrigation systems and sanitation; new energy generation plants, transmission lines and distribution of electricity to households; communication and broadband infrastructure and social infrastructure in the form of hospitals, schools and universities. The group is well positioned to share in the execution of various projects within this infrastructure plan.

Transformation

The South African Government's ruling party, the African National Congress ("ANC") has embarked on a policy of radical economic transformation in an effort to address the inequalities of the past and make the South African economy more inclusive of historically disadvantaged South Africans. Raubex is committed to transformation and have made good progress in improving its Black Economic Empowerment credentials as measured by the Broad Based Black Economic Empowerment Scorecard set on page 64 of this report. Raubex has maintained a level two rating on the Generic Codes of good practice which makes competitive amongst its peers when it comes to tendering for construction work.

Raubex have also reached a settlement agreement with Government commonly known as the Voluntary Rebuilding Programme ("VRP") which paves the way for a healthy working relationship in future. As part of its commitments under the VRP, Raubex has reached agreement to develop and mentor two emerging contractors, Enza Construction and Umso Construction and look forward to a strong alliance with these contractors in the years ahead.

Acquisitions

Acquisitive growth in the Materials Division

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

Geographical expansion of the group

The group's strong balance sheet and healthy cash balance position it well to expand its current operations geographically throughout southern Africa and internationally through strategic partnerships and acquisition opportunities. Raubex is actively looking at acquisition opportunities in the domestic and international market in order to diversify revenue streams and customer base.

2

PERFORMANCE AND OUTLOOK

RAUBEX NAMIBIA

Key services

- Construction of new roads and highways
- Upgrading of existing roads
- Rehabilitation of existing roads
- Construction of airport runways and associated infrastructure
- Construction of bridges
- Construction of concrete pavements
- Rehabilitation of concrete structures

Chairman's report

The past year saw Raubex celebrate 10 years as a listed company on the JSE and deliver another consistent performance despite highly competitive conditions persisting in the construction industry. These results can be attributed to the healthy balance between the group's materials business units, who are operating under more favourable conditions and its construction businesses, which delivered exceptionally good results given the tough industry conditions in which they are operating.

Koos Raubenheimer Non-executive chairman

We celebrated our 10th year of listing on the JSE with another consistent performance and reported good results under very tough conditions in the construction industry. The past year also gave us the opportunity to create a platform to strengthen our relationship with Government through a settlement agreement that was reached, commonly known as the Voluntary Rebuilding Programme ("VRP"). Part of our agreement saw Raubex confirm its commitment to the transformation of the construction industry in South Africa through alliances and undertakings to develop and mentor selected emerging contractors.

The Materials Division experienced favourable conditions in the commercial aggregate market as well as activity in the mining sector. We continued with our stated strategy to expand the quarry business geographically and diversify the product mix. The OMV Kimberley quarry was bedded down successfully during the year and our national footprint was strategically expanded into the Western Cape where we acquired Lime Sales, a dolomitic quarry near Moorreesburg, as well as a sand reserve known as Malmesbury Sand.

The results of the Road Construction and Earthworks Division, where conditions were most competitive during the year, were supported by a good quality order book, secured as a result of selective tendering in the past when conditions were more favourable. Strong teams on these contracts resulted in very efficient execution of this work.

The Road Surfacing and Rehabilitation Division achieved solid results thanks to a stable order book and healthy road maintenance spend at both National and Local Government level as well as a consistent supply of bitumen. The South African National Roads Agency SOC Limited ("SANRAL"), our largest client, brought an increased number of reseal contracts out to tender during the year for the much-needed maintenance of road networks that were taken under its administration from Provincial Government.

The Infrastructure Division reported good growth for the year supported by increased construction work related to solar energy projects as well as growing activity in the division's property development business. The residential housing market, including GAP and RDP housing solutions, is showing a lot of upside potential with strong demand for affordable housing being experienced. Unfortunately, the roll-out of water infrastructure-related work in South Africa remained critically slow during the year.

Corporate governance and social responsibility

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

We are aware that our business activities have an impact on the environment and this is something that we remain very mindful of and consistently monitor. Our approach to supporting the communities in areas where we operate is critical and we continuously try to uplift these communities and make our engagements with them beneficial for all. The sustainability report covers developments and our approach across the group on those critical issues.

Transformation

The South African Government is the group's single largest client through various state-owned enterprises, including the South African National Roads Agency SOC Limited ("SANRAL"). The group's ability to adapt to the Government's radical economic transformation policies will be critical to its success in doing business with the state going forward. The advancement of B-BBEE remains high on the Board's agenda and realising meaningful transformation is a priority. As a proudly South African company we are committed to ensure that we contribute significantly to the long-term future of the construction industry in the country.

Directorate

In January, we announced the appointment of Ms Ntombi Felicia Msiza, who joined Raubex as an independent non-executive director in February 2011, as an executive director responsible for Governance, Risk and Compliance effective from 1 March 2017.

Post year-end, we also announced that Ms Setshego Bogatsu would be joining as an independent non-executive director with effect from 1 June 2017. Ms Bogatsu will be serving as a member of the Audit Committee as well as a member of the Remuneration and Nomination Committee.

I believe these candidates will strengthen the Board in their new roles and wish them well while looking forward to their contributions.

Prospects

The construction industry in broad remains highly competitive, but we believe that a our unique business model, including a diversified Materials Division and the group's ability to complete the full road construction cycle through a vertically integrated model will stand the group in good stead. This together with our strong balance sheet and cash balance will support our efforts to look for opportunities to expand, both local and international, to ensure that Raubex continues to grow from strength to strength in the years ahead.

Retirement and succession

One day in 1974, a young man together with a carpenter and four labourers, arrived on the site of the first Raubex contract. He was very unsure, very humble and had very little financial backing. This small band of people grew over the past 43 years into the present Raubex Group, who employ more than 9 000 people today.

I am now 74 years old and it is time for me to get out of the race. My last day as director and chairman of Raubex Group will be 8 September 2017, the date of our AGM. Mr Freddie Kenney has been appointed by the Board and will make himself available for election as Chairman at the AGM, while Mr Les Maxwell will continue to serve as the lead independent non-executive director.

On this long and exiting journey there were many people who were very loyal to the company and to me. These extraordinary people sacrificed a lot to build Raubex into a truly great South African company. Words will never be enough to thank them.

Appreciation

There are no doubts that we have proven our ability to successfully navigate a difficult sector in a tough operating environment. Our management team and employees all play a critical role in ensuring that we deliver the best results possible and remain respected by our peers and the broader stakeholder community.

I must express my thanks to Rudolf Fourie and his executive team for their commitment and effort during another challenging year and for positioning Raubex on a strong footing for the future. I would also like to sincerely thank all our business partners, including customers, suppliers and shareholders, for their support and to my fellow Board members for their experience and knowledge shared and for their contribution to the group during the past year.

Koos Raubenheimer
Non-executive chairman

Chief executive officer's report

The Materials Division is expected to continue to enjoy favourable operating conditions in both the commercial aggregate market and the mining sector where the division specialises in material handling and screening solutions for its clients.

"

Rudolf Fourie Chief executive officer

The group's performance was supported by a consistent supply of bitumen throughout the year enabling a strong recovery in the road surfacing and asphalt operations. The Road Construction Division is to be commended for exceptional performance in a very competitive market.

Despite slightly softer margins, the Materials Division experienced favourable conditions in the commercial aggregate market as well as activity in the mining sector, and continued with its strategy to expand its quarry business geographically.

From an industry perspective, we are pleased to have reached the settlement agreement with Government which paves the way for a healthy working relationship and affirms our commitment to the transformation of the construction sector. Raubex has reached agreement with two emerging contractors, Enza Construction and Umso Construction, and looks forward to a strong alliance with these contractors in the years ahead.

Operational review

Materials Division

The division's results for the year were supported by favourable conditions in the commercial aggregate market as well as activity in the mining sector where the division has materials handling and processing operations. Contract crushing operations continued to operate at low margins due to the competitive construction environment. Overall margins in the division decreased as a result of a reduction in iron-ore material handling activities in the Northern Cape, while crushing contracts in Mozambique were negatively affected by foreign exchange losses. The depreciation of the Mozambique Metical resulted in an R18,3 million foreign exchange loss being realised. Inclement weather particularly during the second half of the year affected commercial quarry operations in and around the Gauteng province.

Construction Division

Road Surfacing and Rehabilitation

The division reported good results supported by a stable order book and healthy road maintenance spend at both National and Local Government level. The South African National Roads Agency SOC Limited ("SANRAL") brought an increased number of reseal contracts out to tender during the year for the maintenance of road networks that were taken under their administration from Provincial Government. The severe bitumen supply shortage that affected the prior year as a result of unplanned refinery shut downs was resolved and a consistent supply of bitumen during the year led to a more normalised level of work and strong recovery in the results.

Road Construction and Earthworks

The division reported good results given the very tough competitive conditions in which it is operating. The results for the year were supported by a quality road construction order

book in South Africa and efficient work execution. In Africa, work on the Zambia Link 8000 contracts was suspended during the year due to funding constraints. The successful order book replacement in South Africa during the second half of the year relieved short-term pressure while longer term work flow continues to be pursued and ways to address the Zambian funding impasse are being explored.

Raubex Infrastructure

The division reported good growth for the year supported by increased construction works related to solar energy projects as well as activity in the affordable residential housing market, including GAP and RDP housing solutions. The division's property development business "Raudev" integrated well with the division's building and construction businesses. Good progress was made on the division's first affordable residential development "Woodwind Estates" with sales of completed units contributing to the results and releasing working capital. The roll-out of water infrastructure related work in South Africa remained critically slow during the year.

Financial review

Revenue increased 13,6% to R9,01 billion and operating profit decreased by 6,9% to R661,7 million from the corresponding prior year. Operating profit included a non-recurring expense of R119,9 million to account for the settlement agreement reached with the South African Government, commonly known as the Voluntary Rebuilding Programme ("VRP"). Operating profit before the VRP expense increased 10,0% to R781,6 million (2016: R710,6 million).

Profit before tax decreased 6,5% to R619,0 million (2016: R661,6 million) with and effective tax rate of 33,8% as a result of the VRP expense.

Profit before tax and before the VRP expense increased 12,2% to R742,1 million (2016: R661,6 million) with an effective tax rate before the VRP expense of 28,2% compared to 29,1% in the prior year.

Earnings per share decreased 14,0% to 203,7 cents with headline earnings per share decreasing 14,0% to 201,7 cents as a result of the VRP expense. If the VRP expense was excluded from the earnings per share calculation, earnings per share would have increased 14,4% to 271,1 cents and headline earnings per share would have increased 14,8% to 269,1 cents.

Group operating profit margin before the VRP expense decreased marginally to 8,7% (2016: 9,0%).

Cash generated from operations increased 16,5% to R1,22 billion (2016: R1,05 billion) before finance charges and taxation.

Net finance costs decreased to R43,6 million (2016: R49,2 million) due mainly to higher cash balances during the year and lower interest-bearing borrowings. Total non-cash finance costs amounted to R11,2 million (2016: R6,6 million) for the year which

Chief executive officer's report *continued*

includes R3,3 million unwinding of discount on the VRP, this bringing the total VRP expense for the year after finance costs to R123,2 million.

Strict working capital management saw marginal increases in both trade and other receivables and inventory, with trade and other receivables increasing by 5,7% to R1,63 billion (2016: R1,54 billion) and inventories increasing by 5,8% to R597,1 million (2016: R564,1 million). Trade and other payables increased 14,4% to R1,51 billion (2016: R1,32 billion). Construction contracts in progress decreased by 9,5% to R334,0 million (2016: R369,2 million) as a result of a higher percentage of certified work and recovery of retention monies.

Borrowings decreased 13,0% to R950,8 million (2016: R1,09 billion).

Capital expenditure on property, plant and equipment decreased 19,8% to R440,5 million (2016: R549,5 million).

The Group's net cash inflow for the year was R138,1 million with total cash and cash equivalents at the end of the year of R1,10 billion.

The increasing cash balance and decreasing borrowings resulted in the group moving from a net debt position of R123,7 million in the prior year to a net cash position of R152,8 million at year-end. The strengthening balance sheet allowed for a specific repurchase of 7,5 million Raubex shares on 20 July 2016 for a total consideration of R120 million. These shares were subsequently cancelled and the weighted average number of shares in issue during the period was adjusted accordingly.

The Board declared a final dividend of 45 cents per share, which combined with the interim dividend brings the total dividends paid to 90 cents per share for the year. We are pleased to be able to continue to deliver healthy returns to our shareholders in line with our policy.

Prospects

The Materials Division is expected to continue to enjoy favourable operating conditions in both the commercial aggregate market and the mining sector where the division specialises in material handling and screening solutions for its clients. The acquisition of OMV Kimberley quarry was bedded down during the year. The group will work to improve operational efficiencies at the plant and expand its market in the Northern Cape province in the year ahead. The acquisition of a dolomitic quarry near Moorreesburg in the Western Cape supports the group's strategy of geographical expansion and diversification of its product mix. The quarry supplies metallurgical dolomite, agricultural lime and aggregates. Raubex will continue to look for acquisitions in this division.

During recent months, the group has experienced an increasing number of enquiries from mining clients for both material handling and infrastructure solutions. Although no firm orders have been secured, with commodity prices at current levels, the prospects for future work in the mining sector are encouraging.

The Road Construction Division was able to relieve short-term order book pressure in the second half of the year and secured replacement work at similar margin. However, longer term work flow is being pursued more aggressively. The Road Surfacing and Rehabilitation Division maintained its order book at a satisfactory level. The increase from R13 billion to R15 billion in the maintenance budget allocated to SANRAL for the coming year bodes well for both these divisions which are well positioned to secure a fair share of this work in the upcoming tender season.

The Infrastructure Division order book has shown growth in the affordable housing sector including the roll out of Woodwind Estate in Midrand and opportunities to participate in the Lufhereng Integrated Urban Development project to the west of Soweto. While the renewable energy sector offers encouraging prospects, the division's secured order book in this sector is low with current contracts nearing completion. Further delays from Eskom cast doubt on the timing and award of the next round of the REIPPP projects.

It is expected that some large civil construction projects will come to market in the medium term inter alia the Msikaba and Mtentu bridges on the N2 Wild Coast Highway for which tenders have already closed, the Moloto Road upgrade for SANRAL, the expansion of the Durban Port for Transnet and various works for the Passenger Rail Agency of South Africa ("PRASA"). The timely award of these projects would go some way in absorbing the current overcapacity in the industry.

The Voluntary Rebuilding Programme ("VRP") settlement agreement reached with the Government of the Republic of South Africa, and Raubex's chosen approach to develop and mentor two established emerging contractors, affirms the group's commitment to the transformation of the construction industry in South Africa and sets the stage for a healthy working relationship with Government as they roll out plans for much needed infrastructure development and address economic transformation in the country.

The group has a secured order book of R8,03 billion (2016: R8,27 billion) with 23,7% of the order book representing contracts outside of South Africa in the rest of Africa.

This strong set of results underpins Raubex Group's celebration of its 10th year as a listed entity on the JSE Securities Exchange. The group's continued performance was achieved in a very competitive construction sector and is testimony to the management's strength, its ability to adapt and to find opportunities in changing and challenging conditions.

Acknowledgements

I would like to thank the Board for their guidance and my executive team for their hard work and dedication during another difficult year. I would also 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

Revenue increased
17,4% to R6,57 billion
(2016: R5,59 billion)

Operating profit
increased by 40,3%
to R436,0 million
(2016: R310,7 million)

Materials Division

Revenue increased
4,6% to R2,44 billion
(2016: R2,33 billion)

Operating profit
decreased by 13,6%
to R345,5 million
(2016: R399,8 million)

Divisional directors

Louis Johannes Raubenheimer (51)

Construction Division Director

(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.

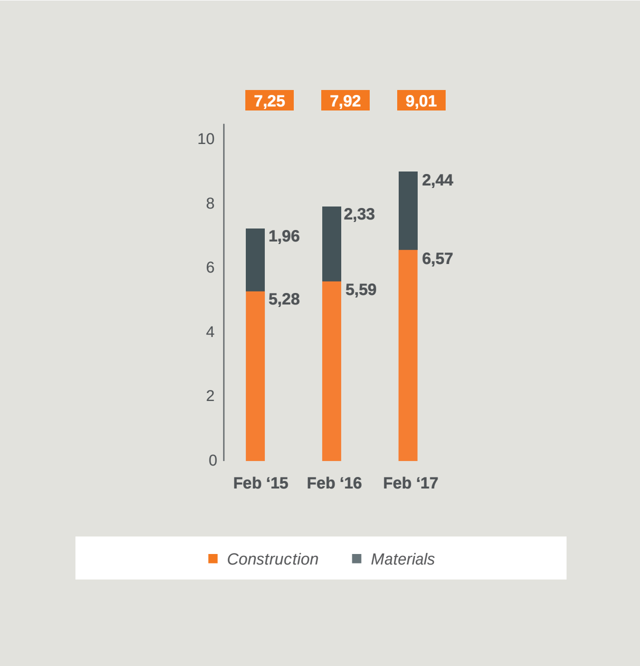
Tobias (Tobie) Gerhardus Wiese (65)

Materials Division Director

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

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

Revenue
(R billion)



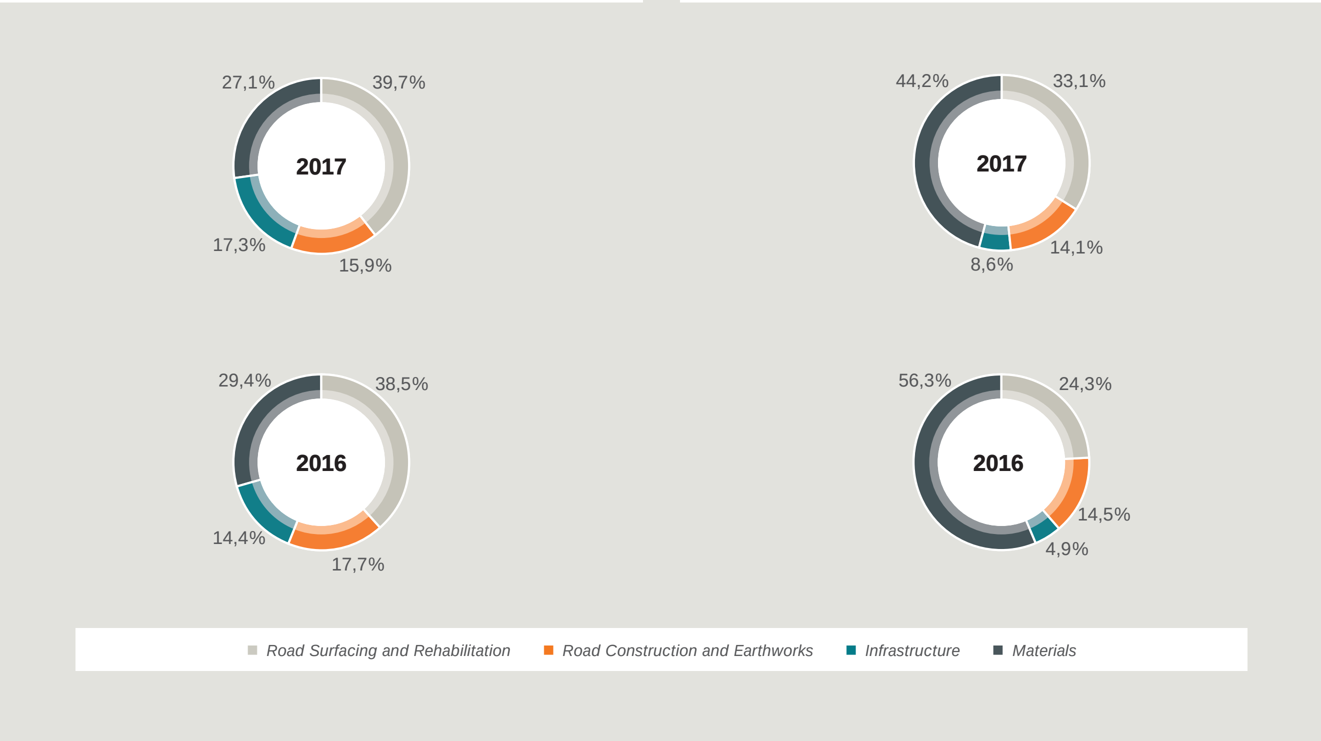
Operating profit
(R million)

* *2017 operating profit excludes the non-recurring VRP expense of R119,9 million*

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

Revenue

Operating profit



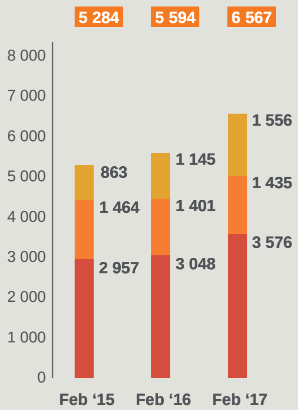
Divisional reviews *continued*

CONSTRUCTION DIVISION

The Construction Division comprises three reporting segments, namely Road Surfacing and Rehabilitation, Road Construction and Earthworks and Infrastructure.

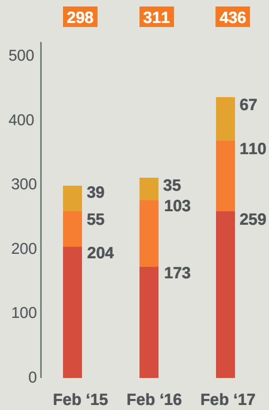
Revenue

(R million)

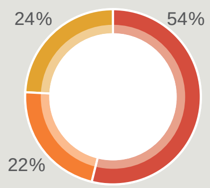


Operating profit

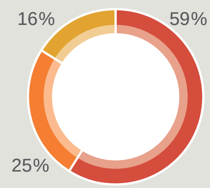
(R million)



Revenue

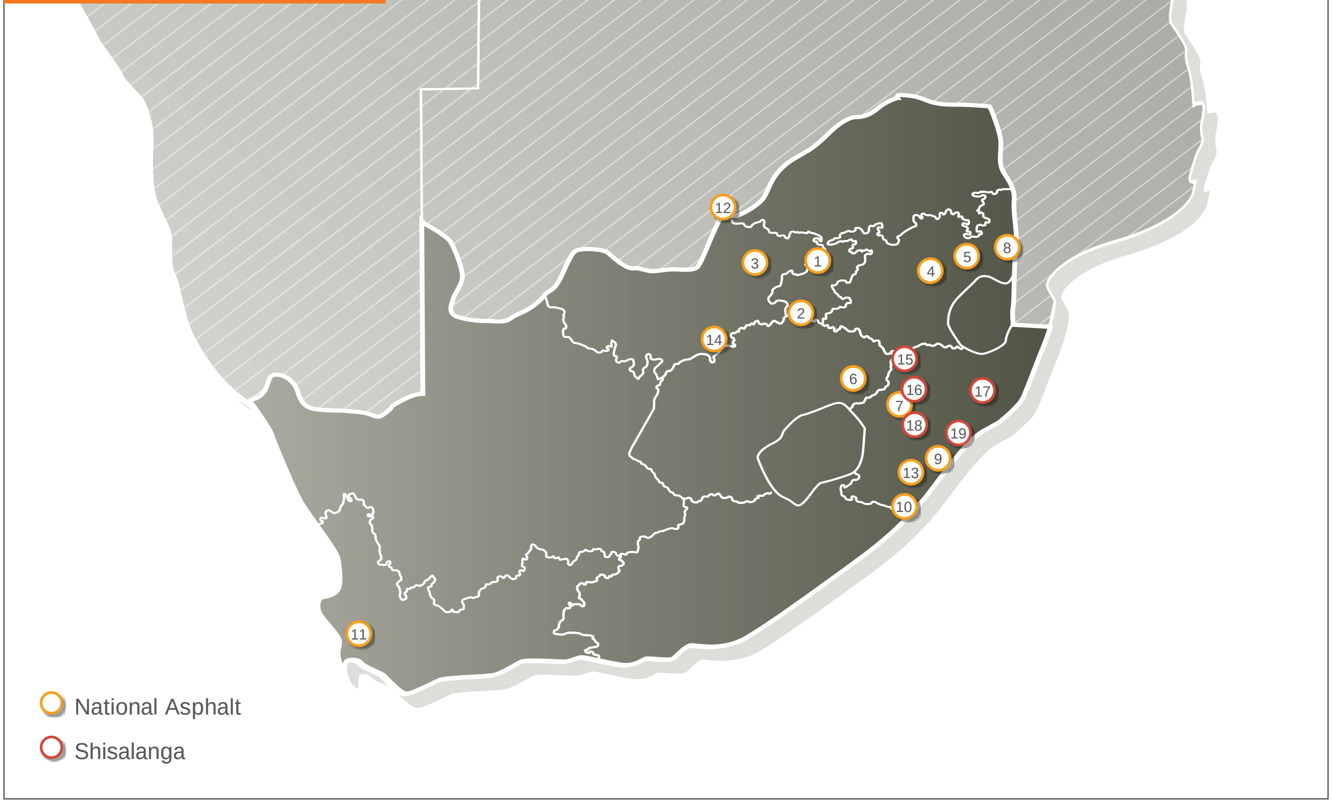


Operating profit



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

Asphalt plant locations



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

Divisional reviews *continued*

Road Surfacing and Rehabilitation

This segment specialises in the manufacturing and laying of asphalt, chip and spray, surface dressing, enrichments and slurry seals and includes the operations of Tosas, a company specialising in the manufacture and distribution of value added bituminous products. The geographical locations of the group's asphalt plants are set out on page 29.

Revenue for the division increased 17,3% to R3,58 billion (2016: R3,05 billion) and operating profit increased 49,9% to R258,9 million (2016: R172,7 million).

The divisional operating profit margin increased to 7,2% (2016: 5,7%).

The division incurred capital expenditure of R130,1 million during the year (2016: R128,4 million).

The division has a secured order book of R2,68 billion (2016: R3,09 billion), workflow is expected to remain consistent, with the decrease in order book at year-end due to the timing of the award and execution of works on the SANRAL reseal contracts.

Road Construction and Earthworks

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

Revenue for the division increased 2,5% to R1,44 billion (2016: R1,40 billion) with operating profit increasing 6,5% to R109,6 million (2016: R103,0 million).

The divisional operating profit margin increased to 7,6% (2016: 7,4%).

The division incurred capital expenditure of R50,7 million during the year (2016: R48,1 million).

The division has a secured order book of R2,09 billion (2016: R2,29 billion), R846,8 million of which relates to the suspended Link 8000 contracts in Zambia.

Infrastructure

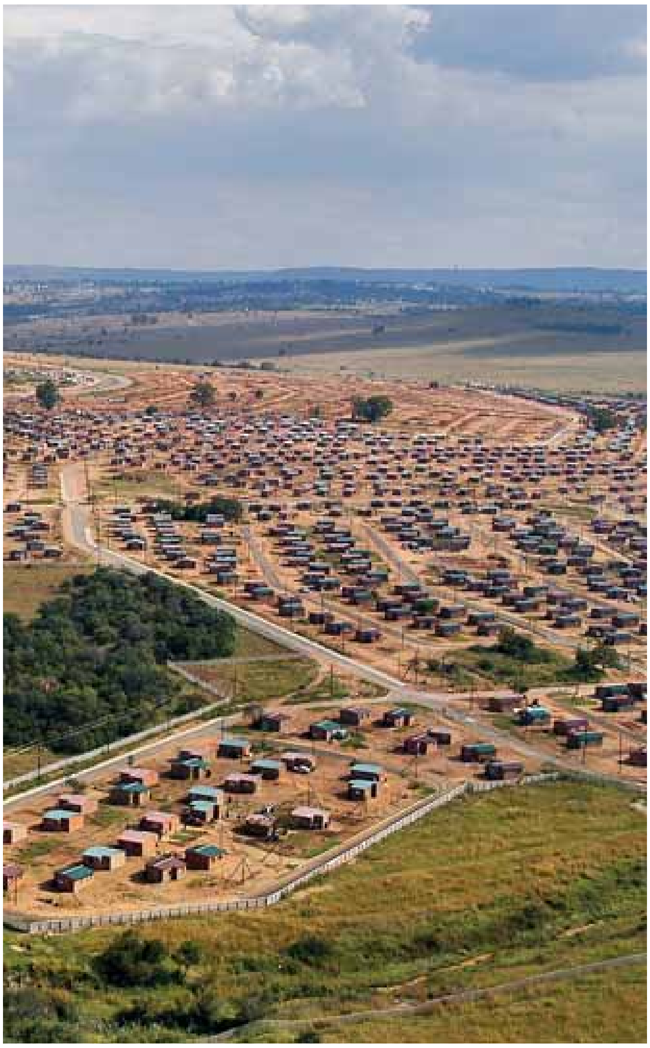
The infrastructure segment specialises in disciplines outside of the road construction sector, including energy (with a specific focus on renewable energy), rail, telecommunications, pipeline construction and housing infrastructure projects.

Revenue for the division increased 35,9% to R1,56 billion (2016: R1,14 billion) and operating profit increased 92,5% to R67,5 million (2016: R35,1 million).

The divisional operating profit margin increased to 4,3% (2016: 3,1%).

The division incurred capital expenditure of R29,6 million (2016: R49,9 million).

The division has a secured order book of R1,48 billion (2016: R1,12 billion).



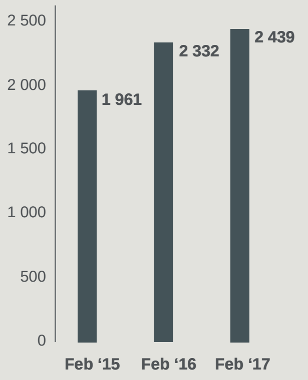
Divisional reviews *continued*

MATERIALS DIVISION

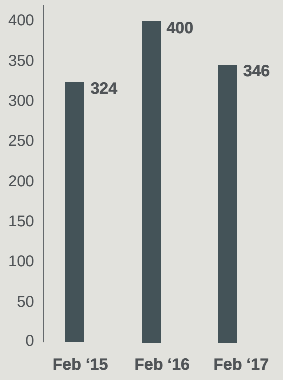
The Materials Division comprises three main disciplines including:

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

Revenue
(R million)

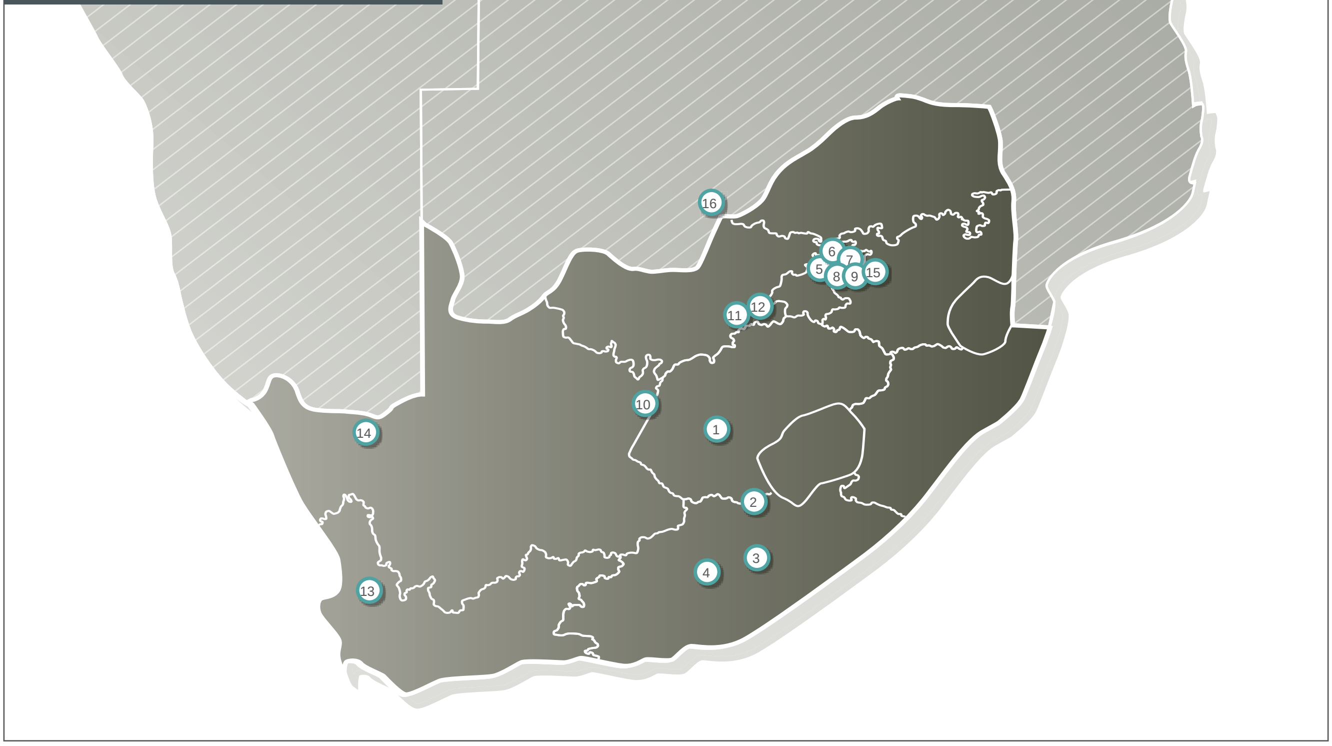


Operating profit
(R million)



■ *Materials*

Commercial quarry locations



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

Divisional reviews *continued*

Activities

The division controls and operates commercial quarries strategically located in the geographical areas set out on page 33.

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

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

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

Revenue for the division increased 4,6% to R2,44 billion (2016: R2,33 billion) while operating profit decreased by 13,6% to R345,5 million (2016: R399,8 million).

The divisional operating profit margin decreased to 14,2% (2016: 17,1%).

The division incurred capital expenditure of R230,1 million during the year (2016: R323,2 million).

The division has a secured order book of R1,78 billion (2016: R1,76 billion).

INTERNATIONAL OPERATIONS

The group's international operations ("the rest of Africa") have been stable with a balanced workflow from both the Materials Division and Construction Division. Operations during the year were focused mainly in Botswana, Mozambique, Namibia and Zambia.

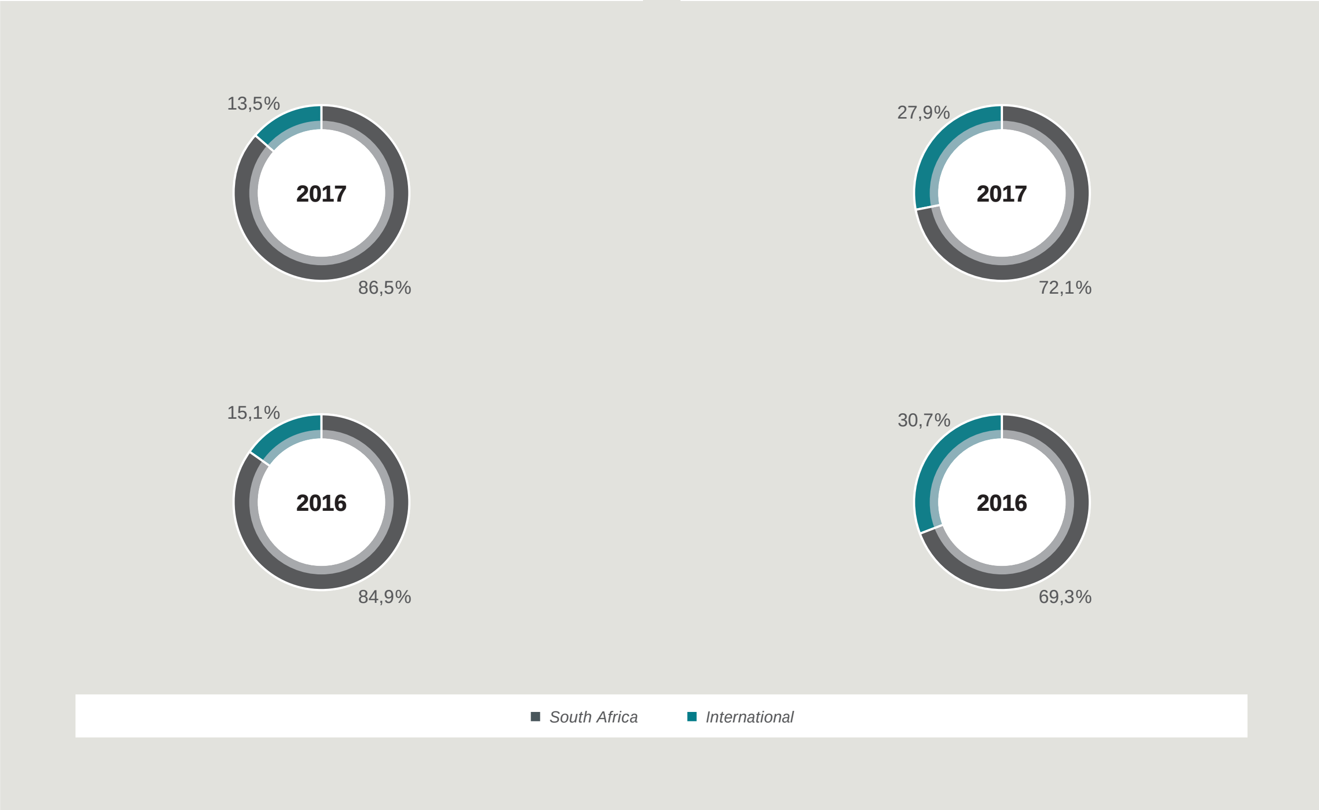
International revenue increased 1,3% to R1,22 billion (2016: R1,20 billion) with operating profit flat at R218,0 million (2016: R218,3 million).

Operating profit margin decreased slightly to 17,9% (2016: 18,2%).

The international order book stands at R1,90 billion (2016: R2,13 billion), and is included in the Materials and Construction Division's order book.

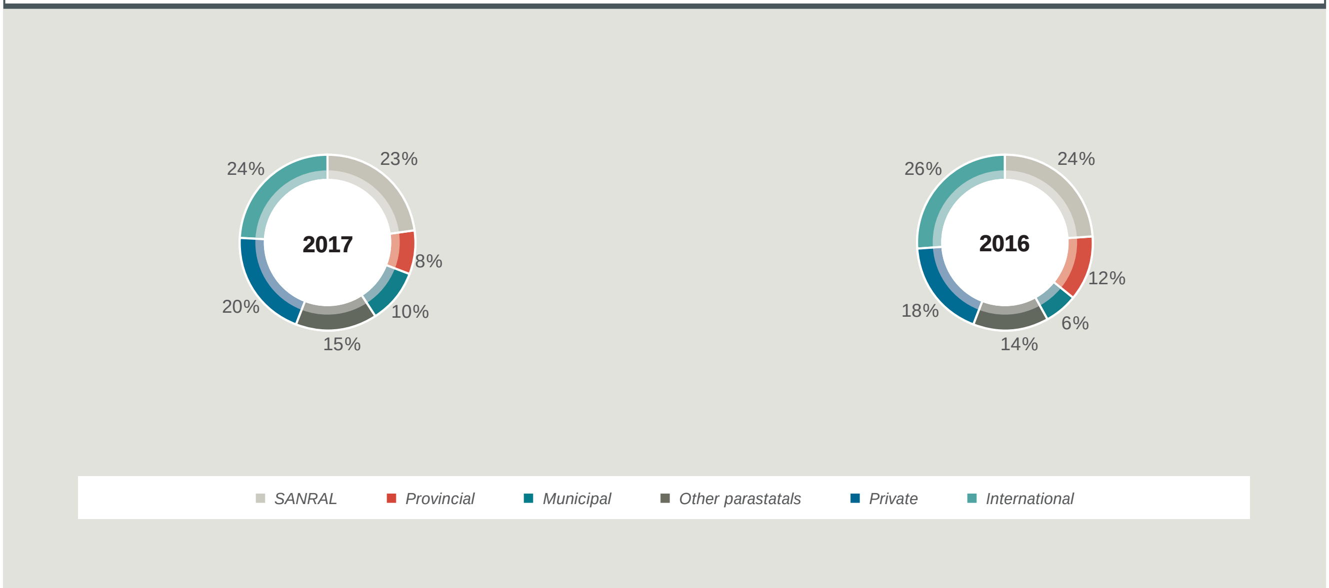
Divisional reviews *continued*

Revenue	Operating profit



Order book

Raubex has maintained a healthy order book of secured work amounting to R8,03 billion (2015: R8,27 billion). The order book is represented by the following customer categories:



3

CORPORATE GOVERNANCE

LR CIVIL

Key services

- Bulk water and sewer pipelines (steel, GRP, HDPE and concrete)
- Township infrastructure
- Mechanical installations
- Large bore horizontal drilling
- Construction of water treatment works

Board of directors

Executive directors


Rudolf Fourie


James Gibson


Felicia Msiza

Lead independent non-executive director


Les Maxwell

Non-executive directors


Koos Raubenheimer


Freddie Kenney

Independent non-executive directors


Bryan Kent


Setshego Bogatsu

Company secretary


Heike Ernst

Risk Committee

Remuneration and Nomination Committee

Audit Committee

Social and Ethics Committee

Executive directors

Rudolf Johannes Fourie (51)

NDip Marketing Management *Chief Executive Officer*

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

James Finlay Gibson (43)

BCom, CA(SA) *Financial Director*

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

Ntombi Felicia Msiza (42)

BCom, HDip (Tax), MBA Governance *Compliance and Risk Director*

Felicia joined Raubex as an independent non-executive director in February 2011. She has extensive experience in the field of governance, including internal audit, external audit and risk management. Felicia was appointed Executive Director, responsible for Governance, Risk and Compliance effective from 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 SizweNtsaluba 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.

Lead independent non-executive director

Leslie (Les) Arthur Maxwell (70)

BCom, CA(SA)

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

Non-executive directors

Jacobus (Koos) Esaias Raubenheimer (74)

BSc Eng (Civil) PrEng *Chairman*

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

Freddie Kenney (63)

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

Independent non-executive directors

Bryan Hugh Kent (72)

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 a director on the boards of Achor Yeast, Cadiz and Emira amongst others. Bryan was also a partner at PricewaterhouseCoopers for 13 years where he managed the national tax practice and gained considerable experience in the areas of property matters, financial structuring, leveraged buyouts, international taxation and listings.

Setshego Rebecca Bogatsu (54)

BCom, MBA

Setshego joined Raubex as independent non-executive director in June 2017. She has over 30 years' professional experience in financial management, procurement and strategic planning. Most recently, she served 10 years in senior financial management and procurement positions at Fluor South Africa (Pty) Ltd, and prior to that she was the Chief Financial Officer at the National Nuclear Regulator. She also held financial management roles at BMW South Africa and Sasol Limited. Setshego currently serves as a non-executive director on the board of Pikitup Johannesburg (SOC) Ltd and as a member of the Group Remuneration Panel of the City of Johannesburg.

Company secretary

Heike Elze Ernst (35)

LLB, Admitted Attorney

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

Corporate governance report

"Corporate governance is an integral part of our business philosophy. Our governance structure strengthens and supports the group's ability to create value and achieve our short, medium and long-term goals."

General

Corporate governance is an integral part of the group's business philosophy. The directors and senior management of the group accept full responsibility for the application of the principles necessary to ensure that effective corporate governance is practiced consistently throughout the group. The Board and management of Raubex are committed to maintaining the highest standards of good corporate governance and good corporate citizenship

We have achieved this by subscribing to and applying the principles of King III and IV and their best practice recommendations. In response to the King IV report, Raubex has commenced implementation of the requirements of the Code in the day-to-day operations of the group, how it engages with its key stakeholders, technology implemented and the strategy of the group as a whole. This demonstrates the Board's commitment to good corporate governance. The Board is of the opinion that the group substantially complies with the key requirements of King III and the International Integrated Reporting Framework of the International Integrated Reporting Council as well as the provisions of the Companies Act and the JSE Listings Requirements. The Board, with assistance from the internal audit function and the company secretary, reviews compliance with King III and the International Integrated Reporting Framework recommendations and monitors and evaluates areas of non-compliance.

Our management approach is reinforced by our commitment to good corporate governance principles which are essential for the strategic direction and operational success. The board of directors is the highest governing authority accountable to the shareholders and is operating in line with its key responsibilities as articulated in its Charter which is reviewed on an annual basis.

Our Board Charter

Is the foundation of our governance principles	*Defines the roles of the chairman and lead independent non-executive director*	*Outlines the mandate and responsibilities of the board and committees*

Business conduct

- The group supports the King Code on Corporate Governance and is committed to the highest standards of ethical behaviour in its business conduct. The Board acknowledges its responsibility to ensure that good corporate governance is practiced throughout the group. It is the responsibility of all employees to support good corporate governance practices in performing their daily duties and ensure that all deliberations, decisions and actions are based on the ethical values of responsibility, accountability, fairness and transparency.
- Directors and employees must assume responsibility for the assets and actions of the company under their control and be willing to take corrective actions to keep the company on a strategic path that is ethical and sustainable.

Raubex governance structure

Board of directors

Ultimate responsibility of governance and ensure a sustainable future

Executive Committee

Day-to-day running of the group and providing organisational direction on behalf of the Board

Board sub-committees

Social and Ethics Committee

Risk Committee

Remuneration and Nomination Committee

Audit Committee

IT Steering Committee

Core values

We subscribe to the following core values in our dealings with stakeholders and execution of work:

- Quality
- Integrity
- Professionalism

Risk and compliance

We have 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

Combined assurance

We have 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

Code of conduct

The group supports the King IV Code on Corporate Governance and is committed to the highest standards of ethical behaviour in its business conduct. Key areas of focus include:

- Corporate governance
- Disclosure of conflict of interest
- Gift and entertainment policy
- Confidentiality and insider trading
- Business disclosure and financial reporting
- Stakeholder engagement
- Intellectual property
- Use of company information

Corporate governance report *continued*

Key elements of corporate governance

Board

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

The Board provides effective leadership based on an ethical foundation and ensures that the company is and is seen to be a responsible corporate citizen and that all deliberations, decisions and actions are based on the four values of responsibility, accountability, fairness and transparency that underpin good governance. The Board ensures that the group's ethics are managed effectively and 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.

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

The Board has a policy on the promotion of gender diversity at board level, which policy is to appoint directors with the appropriate qualifications, skills and experience to fill board vacancies when they arise, while taking into consideration its composition with regards to gender diversity.

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

Chairman and chief executive officer

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

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

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

Directors of Raubex

The directors of the company and their credentials are set out on pages 38 and 39 of the integrated report.

Independence of the Board

The Board maintains its independence through:

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

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

Interests in contracts and conflicts of interest

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

Insurance

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

Board meeting attendance

The overall Board member attendance of the meetings for the year under review was satisfactory. We continue to receive commitment from our Board through the extensive work done through the various Board committees. The total number of Board meetings, board committee meetings and directors' attendance during the year is tabled below:

Name	Board	Executive Committee	Audit Committee	Risk Committee	Remuneration and Nomination	IT Steering Committee	Social and Ethics Committee	Total
Number of meetings	5	10	4	4	4	1	1	**29**
RJ Fourie[1]	5/5	10/10						**15/15**
JF Gibson[2]	5/5	10/10				1/1	1/1	**17/17**
JE Raubenheimer[3]	5/5				4/4			**9/9**
F Kenney[4]	5/5				4/4		1/1	**10/10**
LA Maxwell[5]	4/5		3/4		3/4			**10/13**
BH Kent[6]	5/5		4/4	4/4	4/4			**17/17**
NF Msiza[7]	4/5		4/4	4/4	3/4			**15/17**
TA Dale[8]							1/1	**1/1**
LJ Raubenheimer[9]		10/10				1/1		**11/11**
JA Louw[10]		10/10				1/1	1/1	**12/12**
RL Shedlock[11]		10/10		2/4		0/1		**12/15**
HE Ernst[12]		10/10						**10/10**
TG Wiese[13]		10/10						**10/10**
BL Gainsford[14]						1/1		**1/1**
IR van der Merwe[15]						1/1		**1/1**
Totals no	**33/35**	**70/70**	**11/12**	**10/12**	**18/20**	**5/6**	**4/4**	**151/159**
%	**94**	**100**	**92**	**83**	**90**	**83**	**100**	**95**

Notes:

1. Chief executive officer
2. Group financial director
3. Non-executive director
4. Non-executive director
5. Lead independent non-executive director
6. Independent non-executive director
7. Independent non-executive director
8. Group HR manager
9. Managing director – Construction Division
10. Group financial manager
11. Financial director – Materials Division
12. Company secretary and legal advisor
13. Managing director – Materials Division
14. Group IT manager
15. Financial manager – Infrastructure Division

Performance assessment and development

In August 2016, the Board members evaluated the performance of the Board by way of a self-assessment process reviewed by the chairman. The Board's overall performance was considered to be satisfactory and no material weaknesses were identified. Although no formal director development process has been adopted, performance evaluations have been structured in such a way as to identify the training needs of directors. The company secretary assists the Board with director induction and training requirements.

Corporate governance report *continued*

Board and Board sub-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

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. It reviews the effectiveness of the system of internal control environment and that effective internal control systems are maintained. Ensures integrity of accounting records.

Members: LA Maxwell, BH Kent, NF Msiza

The IT Steering Committee reports to the Audit Committee.

Board

Meets four times a year

Chairperson: JE Raubenheimer

The board of directors is the highest governing authority of the group and takes ultimate accountability for Raubex's adherence to sound corporate governance principles. It sets the strategy and ensures that business decisions and judgements are made with reasonable care.

Social and Ethics Committee

Meets two times a year

Chairperson: Freddie Kenney

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

Members: F Kenny, TA Dale, JA Louw

Remuneration and Nomination Committee

Meets four times 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, JE Raubenheimer, BH Kent, NF Msiza, F Kenny

Executive Committee

Meets monthly

Chairperson: Rudolf Fourie

Responsible for the effective management of the group and the execution of the strategy and is supported by the divisional management.

Members: RJ Fourie, JF Gibson, TG Wiese, LJ Raubenheimer, JA Louw, RL Shedlock, HE Ernst

Board sub-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:

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

Invitees

- RJ Fourie
- JF Gibson
- JA Louw
- Internal audit manager
- External auditors

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

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

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

The Audit Committee report is set out on pages 83 and 84 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 committee consists of five members, three independent non-executive directors and two non-executive directors.

The following members serve on the committee:

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

Invitees

- RJ Fourie
- JF Gibson

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

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

Directors are appointed through a formal process. In order to appoint a new director, the committee will source candidates and make proposals regarding candidates, which proposals will be followed up with 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 AGM.

Corporate governance report *continued*

The Remuneration and Nomination Committee report is set out on pages 50 to 56 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. The committee comprises two independent non-executive directors and one divisional financial executive. Exco members attend the Risk Committee meeting by invitation. The Board determines the levels of risk tolerance and has delegated to management the responsibility to implement and monitor the risk management plan and quarterly risk assessments.

The following members serve on the Risk Committee which convened four times during the year.

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

Invitees

- JF Gibson
- Internal audit manager

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; and
- 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 16 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 page 12. 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.

Social and Ethics Committee

The Companies Act requires all listed public companies to have a Social and Ethics Committee. In line with these requirements, the group has an established Social and Ethics Committee and the Social and Ethics Committee report is set out on page 57 of the integrated report.

The following members serve on the Social and Ethics Committee of the group:

- F Kenney (Chairman)
- JA Louw
- TA Dale

Invitees

- JF Gibson

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, and the Broad-Based Black Economic Empowerment Act;
- 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 Organisation Protocol on decent work and working conditions and the group's contribution toward the educational development of its employees; and
- 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 company'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 to 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 has been 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 following members serve on the committee:

- JF Gibson (Chairman)
- BL Gainsford
- JA Louw
- LJ Raubenheimer
- RL Shedlock
- IR van der Merwe

Invitees

- Internal audit manager

The IT Steering Committee is 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.

Executive Committee ("Exco")

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

The following members serve on the Exco of the group:

- RJ Fourie (Chairman)
- JF Gibson
- TG Wiese
- LJ Raubenheimer
- JA Louw
- RL Shedlock
- HE Ernst

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

Share dealing

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

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

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

Directors, officers and defined employees are required to instruct their portfolio or investment managers not to trade in the securities of the group without their written consent. They are required to advise the company secretary without delay and within three business days after the trade has taken place, who will then report the transaction to the JSE through SENS without

Corporate governance report *continued*

delay and within 24 hours after receipt of such information in accordance with the JSE Listings Requirements. A register of share dealings by directors is maintained by the company secretary and reviewed by the Board on a quarterly basis.

Company secretary

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

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

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

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

The position of company secretary is held by HE Ernst. She is not a director of the group or any of its subsidiaries and the Board is satisfied that an arm's length relationship is maintained between the company secretary and the Board. Mrs Ernst's curriculum vitae is set out on page 39 of this integrated report. During her tenure with the group, she has attended various workshops and seminars on matters relevant to the company secretarial function and is also a member of the Institute of Directors. The Board has assessed the abilities of the company secretary and remains satisfied with the competency and experience of Mrs Ernst.

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 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. The head of internal audit provides quarterly feedback to the Audit Committee and has a functional reporting line to the Audit Committee. Internal Audit 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 16. The Board also ensures that the company 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 company's risk management process and a compliance function has been established which is managed by a designated compliance officer who reports into the Risk Committee.

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 company'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; and
- 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.

Transition to King IV

With the publishing of the King IV report on Corporate Governance on 1 November 2016, the group has embarked on a gap analysis process in order to make the necessary changes to ensure compliance by the effective date. Policies and terms of reference will be reviewed and amended where applicable.

Board changes

In January 2017, Raubex announced the change in role and appointment of Ms Ntombi Felicia Msiza as an executive director responsible for Governance, Risk and Compliance effective from 1 March 2017. On the effective date Felicia stood down from the Remuneration and Nomination Committee and joined the Raubex Exco.

Post year-end, Raubex also announced that Ms Setshego Bogatsu would be joining the group as an independent non-executive director with effect from 1 June 2017. Ms Bogatsu will be serving as a member of the Audit Committee as well as a member of the Remuneration and Nomination Committee.

Stakeholder communication and relations

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

The communication with stakeholders is considered to be transparent and effective and the group has retained the services of public relations professionals to assist with stakeholder communication issues and investor relations. Further detail on the group's stakeholder communication is available on pages 68 to 70 of this Integrated Report.

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

Remuneration and Nomination Committee report

The Remuneration and Nomination Committee is an independent committee appointed by the Board. The Board supports the principles of King IV in that the governing body should ensure that the organisation remunerates fairly, responsibility and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

Conditions in the South African construction industry have been extremely challenging over the past few years with excess capacity and the slow roll-out of government infrastructure spend creating a very competitive operating environment for the group's construction-related business units. Despite these tough conditions, the group has continued to deliver consistent results, improve its key financial indicators and strengthen its balance sheet.

> Earnings per share, excluding the effect of the non-recurring Voluntary Rebuilding Programme ("VRP") expense which is described in more detail in note 5 of the financial statements, increased 14,4% to 271,1 cps (2016: 236,9 cps).
>
> Cash generated from operations increased 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%).

This performance has been achieved through a combination of strategic initiatives to grow the group's Materials Division as well as order book discipline and efficient execution of work within the Construction Division. The group's consistent performance over recent years and ability to deliver growth is ultimately attributable to the quality of management and the key personnel that are in its employ. With this background, the committee is pleased to present its report for the financial year ended 28 February 2017.

Non-binding advisory endorsement on remuneration policy

At the Annual General Meeting held on 2 September 2016, of the total shares voted, 78,5% (2016: 70,8%) voted in favour of the remuneration policy and 21,5% (2016: 29,2%) voted against the policy. The committee has subsequently reviewed the remuneration policy for members of the Board and Exco for the ensuing financial year to ensure alignment with the industry, shareholder interests and the retention of key executives. This review included the evaluation of various long-term incentive schemes to replace the group's deferred stock scheme where the final allocation was effective from 1 March 2014 and vested on 1 March 2017. Following this evaluation, the committee was of the opinion that the deferred stock scheme should not be replaced by another share-based payment scheme, but rather by a cash-settled retention scheme, the details of which are set out in the remuneration policy below.

Other than the retention scheme which will be effective 1 March 2017, there have been no material changes to the group's remuneration policy or practices during the financial year under review and the committee believes that the remuneration policy set out in this report is appropriate for the group.

Key areas of focus

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

- A review of fees payable to the chairman of the Board and the non-executive directors, and a recommendation to the Board on such fees for the ensuing year.
- A review of the remuneration of the executive directors and members of the Exco and a recommendation to the Board on the base pay for those parties for the ensuing year.
- A review of the performance, including KPI performance, of the executive directors and Exco members and a recommendation to the Board in respect of the short-term incentive payable to those parties during the year.
- A review of the KPIs of the executive directors and Exco members to ensure alignment with the strategic objectives and financial performance of the group.
- A review of the long term incentive arrangement applicable to the executive directors and Exco members and recommendation to the Board to implement a cash-settled retention scheme.
- A review of the results of the 2016 AGM vote on the non-binding advisory endorsement on the group's remuneration policy.

Fees payable to the chairman and non-executive directors

The fees payable to the chairman and non-executive directors are based on a fixed annual fee structure with no individual meeting fees payable. The current fees and the proposed fees for the ensuing year which will be tabled for shareholder approval at the group's forthcoming AGM, are set out below. The proposed increase of 6,5% is in line with the average annual increase awarded to management across the group.

	2017 Annual fees (R)	Proposed 2018 Annual fees (R)	Proposed percentage increase
Chairman	**907 360**	966 338	6,5%
Lead independent non-executive	**737 230**	785 150	6,5%
Independent non-executive	**567 100**	603 962	6,5%
Non-executive	**567 100**	603 962	6,5%

Review of the remuneration of executive directors and Exco

The review of the remuneration of executive directors and members of the Exco resulted in an increase in the base pay of the financial director, Mr JF Gibson, and an increase in the base pay of the Construction Division Head, Mr LJ Raubenheimer, effective 1 November 2016 as set out in the table below. The committee considered this necessary to more closely align the base pay of these two executives to that of the market.

	Annual base pay 1 March 2016 (R)	Annual base pay 1 November 2016 (R)	Increase (R)
JF Gibson	2 232 104	2 500 000	267 896
LJ Raubenheimer	2 433 356	2 660 000	226 644

Following the above review, the committee recommended an annual increase for all directors and Executive Committee members of 6,5% effective 1 March 2017.

Review of the performance of executive directors and Exco

The short-term incentive which was paid out in May 2016 was based on the financial results for the year ended 28 February 2016. In reviewing the performance of executive directors and Exco members for this period for purposes of recommending the appropriate short-term incentive, financial performance measured as a percentage of actual profit before tax compared to budget profit before tax accounted for 70% of the total maximum incentive. The group profit before tax for the year was R661,6 million compared to a budget profit before tax approved by the Board of R702,0 million for the year ended 28 February 2016. The actual result was effectively 94,25% of budget and within the 90% sub-minimum threshold set by the committee.

The bonus computation for the executive directors is set out below:

Name	Bonus component	Maximum % of bonus	Actual % achieved	% bonus participation
RJ Fourie	Actual profit before tax/budget profit before tax	70%	94%	66%
	Key performance indicators	30%	90%	27%
	Total	100%		93%
	Maximum bonus at 2 x CTC (R'000)	6 991		
	Actual bonus paid at 93% participation (R'000)			**6 502**
JF Gibson	Actual profit before tax/budget profit before tax	70%	94%	66%
	Key performance indicators	30%	83%	25%
	Total	100%		91%
	Maximum bonus at 2 x CTC (R'000)	4 236		
	Actual bonus paid at 91% participation (R'000)			**3 854**

Remuneration and Nomination Committee report *continued*

Review of the KPIs of executive directors

The review of the KPIs of the executive directors resulted in a reduction of the number of KPIs from five KPIs with 6% weighting each to three KPIs with a 10% weighting each so as to ensure closer alignment with the strategic objectives and financial performance of the group. The committee also considered and approved KPIs for Ms Ntombi Felicia Msiza appropriate to her change in function from a non-executive director to an executive director. The KPIs for the ensuing year effective 1 March 2017 are set out in the remuneration policy below.

Members and meeting attendance

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

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

	3 May 2016	17 Oct 2016	1 Feb 2017	21 Feb 2017
LA Maxwell	✓	✓	✓	×
JE Raubenheimer	✓	✓	✓	✓
F Kenney	✓	✓	✓	✓
BH Kent	✓	✓	✓	✓
NF Msiza	✓	✓	#	✓

✓ *Attended.*
× *Absent, with apology.*
\# *Recused from special meeting due to change in role from independent non-executive to executive director.*

General remuneration policy

The group's remuneration policy aims to attract, 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.

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

Base pay

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

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

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

Short-term incentive

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

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

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

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

When the committee reviews the annual bonus computation of eligible participants it also takes into consideration:

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

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

The current KPIs for the executive directors are set out below effective 1 March 2017:

Key performance indicator	% weighting		
	Chief Executive Officer	Financial Director	Governance, Risk and Compliance Director
Group profit before tax as % of budget*	70%	70%	70%
Individual KPIs			
■ Earnings per share	10%	10%	–
■ Return on capital employed	10%	10%	–
■ Strategic targets	10%	–	–
■ Cash management	–	10%	–
■ Internal audit and combined assurance reporting	–	–	10%
■ Compliance management	–	–	10%
■ Risk management	–	–	10%
Total	100%	100%	100%
Maximum incentive	200% of base pay	200% of base pay	100% of base pay

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

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

Long-term incentive

The group adopted a deferred stock scheme on 8 October 2010 for an initial period of five years effective from 1 March 2010. The final allocation under this scheme vested on 1 March 2017. The group has adopted a cash-settled retention scheme to replace the deferred stock scheme. Executive directors, Exco members and key management approved by the Remuneration Committee will participate in the retention scheme, the details of which are summarised as follows:

Retention scheme summary

- The award value offered to employees identified to participate in the scheme will be 1 x annual cost to company ("CTC") of the selected employee.
- The award will be settled in cash after the completion of three years of service from the effective date.
- The effective date of the initial award will be 1 March 2017.
- Scheme participants will only be eligible for new awards under the scheme after settlement of the initial award on 1 March 2020, i.e. three years from grant date.

The value of awards and cash settlement of the award for the executive directors of the group has been set out in the table below.

Executive director	Effective date	Conditions	Value of award (1 x CTC)	Cash payment 1 March 2020
RJ Fourie	1 March 2017	Three years' service	3 852 304	3 852 304
JF Gibson	1 March 2017	Three years' service	2 662 981	2 662 981
NF Msiza	1 March 2017	Three years' service	2 726 400	2 726 400

Remuneration and Nomination Committee report *continued*

Remuneration

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

R'000	Year	Salary[1]	Incentive bonus[2]	Retirement funding contribution[3]	Other benefits[4]	Total emoluments
Executive directors						
RJ Fourie	**2017**	**3 065**	**6 502**	**304**	**334**	**10 205**
	2016	2 614	6 286	287	355	9 542
JF Gibson	**2017**	**2 125**	**3 854**	**195**	**20**	**6 194**
	2016	1 769	3 848	177	25	5 819
Total	**2017**	**5 190**	**10 356**	**499**	**354**	**16 399**
	2016	4 383	10 134	464	380	15 361
Prescribed officers						
TG Wiese	**2017**	**2 299**	**5 566**	**625**	**582**	**9 072**
	2016	1 891	5 260	588	456	8 195
LJ Raubenheimer	**2017**	**2 046**	**4 050**	**209**	**300**	**6 605**
	2016	1 667	3 983	191	297	6 138
GM Raubenheimer	**2017**	**–**	**–**	**–**	**–**	**–**
	2016	1 414	1 772	164	252	3 602
RL Shedlock	**2017**	**3 082**	**3 408**	**454**	**540**	**7 484**
	2016	2 290	2 884	706	517	6 397
JA Louw	**2017**	**1 249**	**1 309**	**115**	**164**	**2 837**
	2016	1 088	1 326	109	150	2 673
HE Ernst	**2017**	**611**	**559**	**56**	**1**	**1 227**
	2016	514	571	51	–	1 136
Total	**2017**	**9 287**	**14 892**	**1 459**	**1 587**	**27 225**
	2016	8 864	15 796	1 809	1 672	28 141

Notes

1. 2017 figures include the 13th cheque, the 13th cheque was included under Incentive bonus in 2016.
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.

Prescribed officers

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

Contracts and severance

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

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

Non-executive directors' fees

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

	2017 R'000	2016 R'000
Non-executive directors		
JE Raubenheimer	**877**	819
LA Maxwell	**713**	665
F Kenney	**548**	512
BH Kent	**548**	512
NF Msiza	**548**	512
Total	**3 234**	3 020

Share options granted to directors and prescribed officers

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

	Year	Options outstanding at beginning of year	Options granted during year	Options exercised during year	Options outstanding at end of year	Deemed value of options exercised (R'000)
Executive directors						
RJ Fourie	**2017**	**206 890**	**–**	**102 278**	**104 612**	**1 800**
	2016	373 179	–	166 289	206 890	3 949
JF Gibson	**2017**	**159 869**	**–**	**79 033**	**80 836**	**1 391**
	2016	250 572	–	90 703	159 869	2 154
Prescribed officers						
TG Wiese	**2017**	**159 869**	**–**	**79 033**	**80 836**	**1 391**
	2016	288 365	–	128 496	159 869	3 052
LJ Raubenheimer	**2017**	**159 869**	**–**	**79 033**	**80 836**	**1 391**
	2016	288 365	–	128 496	159 869	3 052
GM Raubenheimer	**2017**	**–**	**–**	**–**	**–**	**–**
	2016	42 407	–	18 896	23 511	448
RL Shedlock	**2017**	**112 849**	**–**	**55 788**	**57 061**	**982**
	2016	150 642	–	37 793	112 849	898
JA Louw	**2017**	**70 531**	**–**	**34 868**	**35 663**	**614**
	2016	89 427	–	18 896	70 531	448
HE Ernst	**2017**	**23 511**	**–**	**11 623**	**11 888**	**205**
	2016	42 407	–	18 896	23 511	448

Remuneration and Nomination Committee report *continued*

Interests of directors in the share capital of Raubex

The aggregate beneficial holdings of the directors of the company and their immediate families in the issued ordinary shares of the company are detailed below. There have been no material changes in these shareholdings between 1 March 2017 and 8 May 2017, the date of approval of the annual financial statements.

	Number of shares held			
	28 February 2017		29 February 2016	
	Direct	**Indirect**	Direct	Indirect
Beneficial				
RJ Fourie	**4 546 140**	**–**	4 485 796	–
JF Gibson	**321 271**	**–**	242 238	–
F Kenney	**–**	**5 965 384**	–	14 965 384
LA Maxwell	**–**	**–**	16 000	–
Non-beneficial				
JE Raubenheimer	**–**	**25 650 000**	–	25 650 000
Total	**4 867 411**	**31 615 384**	4 744 034	40 615 384

There are no associate interests for the above directors.

During the year, F Kenney disposed of 9 000 000 Raubex shares as follows:

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

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

LA Maxwell

Chairman of the Remuneration and Nomination Committee

17 July 2017

Social and Ethics Committee report

Introduction

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

Members

For the year ended 28 February 2017, the Social and Ethics Committee was chaired by F Kenney, a non-executive director. The other two members who served on the committee during the year were JA Louw, an Exco member, and TA Dale, the group human resource manager. The Exco members of the group attend by invitation. The company secretary acts as the committee secretary and legal advisor. In line with the new requirements of King IV regarding the membership of the committee, the board is currently reviewing the membership to ensure the majority of the members are non-executive to strengthen independence.

Meetings

The Social and Ethics Committee held one meeting during the year. The meeting attendance register is set out in the table below:

	26 January 2017
F Kenney (Chairman)	✓
JA Louw	✓
TA Dale	✓

Statutory duties

This committee has a broad mandate in terms of the Companies Act 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 and the Broad Based Black Economic Empowerment Act.

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 2018 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

Freddie Kenney
Social and Ethics Committee Chairman

17 July 2017

4

SUSTAINABILITY

RAUMIX AGGREGATES

Producers of Aggregate for Construction

Key services

Raumix Aggregates manufactures and supplies a broad range of crushed aggregates (stone and sand) to the construction and associated industries.

Typical application for our products include the following:

- Road construction
- Readymix concrete
- Asphalt manufacturing
- Concrete bricks and blocks
- Precast products
- Metallurgical processes
- General construction aggregates

Sustainability report

Introduction and approach to sustainability

The sustainability report has been created to report, in more detail, on the group's approach to sustainability, its employees, health and safety, stakeholder engagement, CSI initiatives and the impact of operations on the environment. Our commitment to sustainability means the integration of ethical, environmental and social considerations in the execution of our strategy.

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

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

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

Standards, audits and external assurances

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

Internal standards

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

International and local standards

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

Audits and external assurance

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

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

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

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

Our employees

Employment equity

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

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

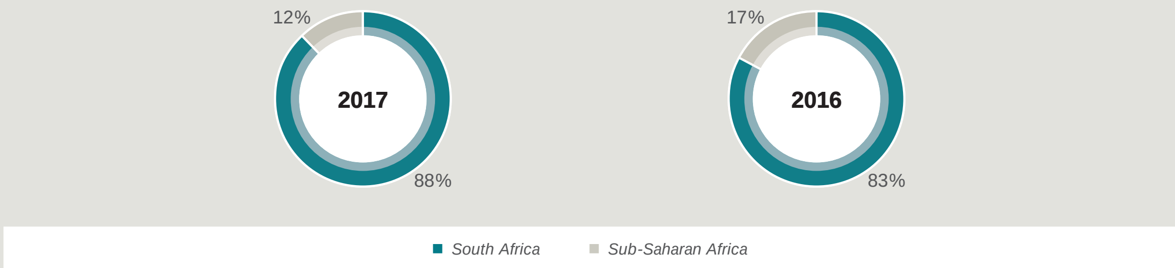
Sustainability report *continued*

Headcount

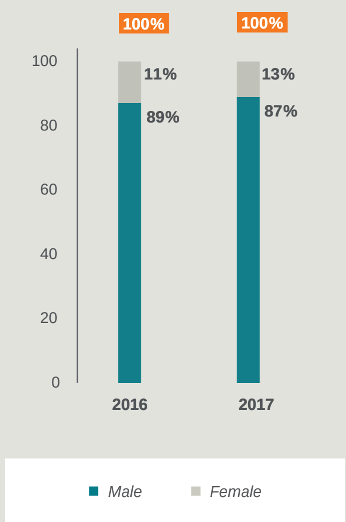
Employee headcount per geography

For the year ended 28 February 2017, Raubex employed 9 871 (2016: 10 516) employees, of whom 88% (2016: 83%) are based in South Africa and 12% (2016: 17%) based in sub-Saharan Africa.

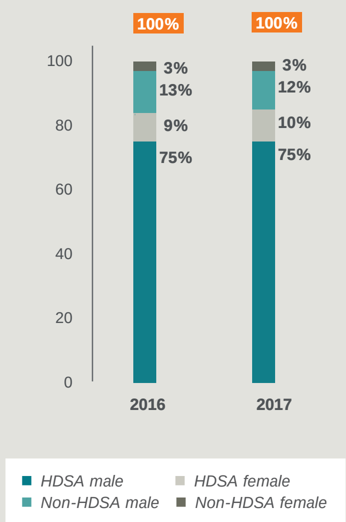
Country	Male	Female	2017	2016	2015
South Africa	7 556	1 156	**8 712**	8 752	8 654
Sub-Saharan Africa	1 036	123	**1 159**	1 764	944
Total employees	**8 592**	**1 279**	**9 871**	**10 516**	**9 598**



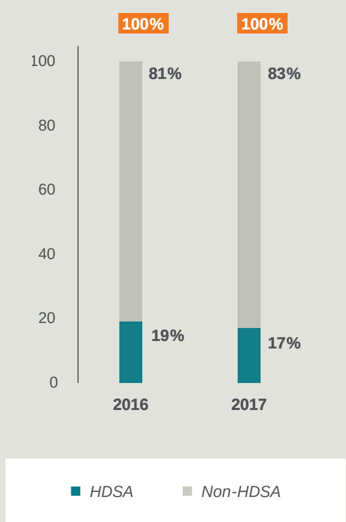
Employee headcount per gender



Employee headcount per HDSA classification (South Africa)



Raubex employees per top and senior management classification (South Africa)



As at 28 February 2017, of the 9 871 employees, 87% (2016: 89%) were male employees and 13% (2016: 11%) were female employees. The industry is very labour intensive in nature due to the types of construction works undertaken and there is a large percentage of unskilled labour in the workforce.

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

Code of conduct

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

- Corporate governance;
- Conflicts of interest;
- Gifts and entertainment;
- Confidentiality and insider trading;
- Competition Act compliance;
- Business disclosures and financial reporting;
- External communication;
- Company assets;
- Intellectual property;
- Safety, health and environment;
- Diversity, equal opportunity and harassment;
- Protection of personal information, employee confidentiality and privacy;
- Stakeholder relationships and company reputation; and
- Failure to comply and reporting procedures.

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

Skills development

Skills development 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 and to ensure the sustainability of the group and support its future growth. Skills and expertise that are unique to the construction industry, built up by senior management through years of contracting experience need to be transferred through ongoing training and mentorship programmes to ensure that there is no loss of institutional memory within the group.

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

The Raubex Group training centre situated in Bloemfontein and 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. In addition to this training, efforts are also complemented through the following services or interventions:

Operator competencies

During the period March 2016 to February 2017 the group's external competency assessors completed 889 operator competency assessments. A further 1 791 competency assessments and training sessions were conducted in-house.

Health and safety training

During the period March 2016 to February 2017, the safety trainers presented safety training to 440 candidates within the Raubex Group. Discussions have taken place between our group and an external service provider to develop and implement a health and safety learnership within the group.

Types of training and development offered:

Apprenticeships

- Diesel mechanic
- Earth moving mechanic
- Fitter
- Fitter and turner
- Auto-electrician
- Plumbing
- Electrician
- Skills programmes and short courses

The courses/training below are facilitated by the Raubex training centre through internal and external resources and presented either onsite or at the centralised training facility.

Various soft skills

- Microsoft and IT
- Occupational health and safety
- Management and leadership

Further SETA accreditation

- MQA – mainly for the Materials Division
- Services SETA – administration, financial, management training
- CETA – construction health and safety
- MERSETA – artisans

Sustainability report *continued*

	2017	2016	2015
Total trainees (including apprenticeships and learnerships)	**319**	296	169
Total workforce	**9 871**	10 516	9 598
% of total workforce	**3,2%**	2,8%	1,8%

The group's training programme for the year ended 28 February 2017 consisted of:

Type of training	2017	2016	2015
Apprentices	**130**	110	151
Business practice	**17**	–	–
Civil engineering students	**–**	4	4
End user computing	**62**	–	–
Administration students	**–**	–	1
Office admin learnerships	**–**	3	3
Technical students	**–**	10	10
Hygiene and cleaning	**–**	8	–
Human resource management	**12**	22	–
Junior office management	**18**	67	–
Office manager	**–**	1	–
IT technical support	**–**	4	–
IT web development	**–**	1	–
IT cad	**–**	2	–
Senior bookkeeping	**5**	6	–
Generic management	**3**	–	–
Project management	**41**	58	–
NC construction roadworks	**31**	–	–
Total trainees	**319**	296	169

Disabled employees on learnerships included above:

	HDSA male	HDSA female
Business practice	**12**	**5**

Apprenticeships

Raubex currently has enrolled 130 apprentices (2016: 110 apprentices) through MERSETA and the UIF Programme launched by the Department of Labour, which run over a period of three years on average.

Bursaries

Raubex offers bursaries to promising students within the construction industry. There are currently 30 active bursary holders (2016: 51) 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 through suitable employment in order to benefit from the investment made in them.

Type of bursary (course)	Total	Total HDSA males	Total HDSA females	Total non-HDSA	HDSA % of total
NDip Civil Engineering	**6**	4	2	–	100%
Masters Eng Civil	**1**	–	–	1	–
BEng Civil Engineering	**4**	3	–	1	75%
NDip Mechanical Engineering	**2**	2	–	–	100%
NDip Building	**3**	3	–	–	100%
Quantity Surveying	**1**	1	–	–	100%
Certificate in Accounting	**3**	–	2	1	67%
BSc Civil	**1**	–	1	–	100%
Others (BEd, social work, other certificates)	**4**	–	2	2	50%
BCom Financial	**1**	–	–	1	–
BCom Commercial Law	**1**	–	1	–	100%
Safety Management	**2**	–	1	1	50%
Marketing and Management	**1**	–	–	1	–
Total	**30**	13	9	8	73%

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 subsidiary. The programme has proven to be successful.

Employee relations and trade unions

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

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

Approximately 20,2% (2016: 25,8%) 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.

	NUM	AMCU	BCAWU	NUMSA	Small unions	Total
2017	**10,7%**	**5,1%**	**1,2%**	**1,7%**	**1,3%**	**20,2%**
2016	12,7%	8,4%	1,2%	1,2%	2,3%	25,8%
2015	16,6%	0%	2,3%	0,6%	2,3%	21,8%

The 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 CCMA or the BCCEI. Out of a total of 122 disputes to date for the financial year, the group settled 47 cases at the CCMA/BCCEI, and a total of 66 were ruled in favour of the group. There were nine rulings against the company during this period.

Bargaining Council

Wage negotiations

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

Transformation

Raubex supports transformation in the construction industry and is committed to conducting its business in a socially responsible and ethical manner, promoting the interdependence of performance and transformation, and supporting the communities in which the group operates through corporate

Sustainability report *continued*

social investment and also partnerships and capacity-building interventions with previously disadvantaged contractors. The group's employment equity policy together with its skills development strategy and enterprise development initiatives are aligned to South Africa's economic transformation strategy.

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

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

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

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

The group is proud of its empowerment credentials and the progress it has made with respect to transformation. The group has an overall consolidated rating of a Level 2 contributor to B-BBEE using the amended Generic Codes of Good Practice (2016: Level 2). 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 are areas for improvement and the increased focus that the group has placed on training in recent years is expected to go some way to addressing this inequality in employment equity in the medium term.

In the Materials Division, the commercial quarries involved in mining activities have been empowered through the establishment of an Employee Trust and a Community Development Trust which holds a 26% interest in the quarry entities in compliance with the requirements of the Department of Mineral Resources. Similar contract specific structures are put in place when tenders for mining-related contracts require it.

In terms of section 13G(2) of the Broad Based Black Economic Empowerment Act, all public companies listed on the JSE Securities Exchange 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 and the consolidated B-BBEE scorecard has been published on the group's website www.raubex.com.

Section B: information as verified by the B-BBEE verification professional as per scorecards

B-BBEE elements	Target score including bonus points	Bonus points achieved	Actual score achieved
Ownership	25 points	0 points	**25 points**
Management control	19 points	0 points	**7,67 points**
Skills development	25 points	2,16 points	**20,41 points**
Enterprise and supplier development	44 points	2 points	**39,83 points**
Socio-economic development	5 points	0 points	**5 points**
Total score	118 points	4,16 points	**97,91 points**
Priority elements achieved	Yes		
Empowering supplier status	Yes		
Final B-BBEE status level	Level 2		

Settlement agreement concluded with the South African Government commonly known as the Voluntary Rebuilding Programme or 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 (collectively, the "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 inter alia stipulates that:

Over the next 12 years, the construction companies will be required to make a collective annual payment into a fund (the "Fund"). In the case of Raubex, the annual payment amounts to R15 million. The Fund will be constituted as a trust (the "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 the construction companies have individually undertaken to either:

(i) launch development initiatives with the aim of identifying, developing and mentoring up to three emerging contractors (emerging contractors), to ensure 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 annual South African civil engineering and general building construction works turnover of the relevant construction company within seven years. Aligned to this obligation, are fixed interim period transformation targets on each construction company as well as penalties calculated in accordance with a formula, for a failure to meet such targets; or

(ii) to dispose of not less than a 40% economic interest in its South African civil engineering and general building construction business, to an enterprise that is more than 51% black owned, managed and controlled, in which case it is released from (i) above.

Raubex believes that the fixed transformation targets are achievable and confirms that it has elected to launch development initiatives as set out in (i) above. Raubex has selected and concluded agreements with two emerging contractors, i.e. Enza Construction (Pty) Ltd ("Enza") and Umso Construction (Pty) Ltd ("Umso") in order to achieve the objectives.

Occupational health and safety

The group remains committed to a safe and healthy working environment and ensures strict compliance with the South African legislation that is applicable to the different operations within the group. The HSE working group continues to meet with the objective of ensuring a high standard is implemented and maintained in the various companies. The standardisation of reporting structures has been implemented in order to ensure consistency of information distributed throughout the group. There is a high level of commitment from all involved and the backing from senior management has assisted in obtaining the level of professionalism 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:

Objectives

- Create a health, safety and environmental awareness culture.
  - All companies within the Raubex Group to implement a health, safety and environmental programme that is audited annually.
- Adopt a zero tolerance attitude towards accidents; injuries, poor practices and standards.
  - Commitment from top down.
  - Formalise the reporting and investigation of all accidents, injuries and property damages across the group.

Sustainability report *continued*

- Monitor performance statistics for all companies within the group.
- Limit the cost of quality non-conformances relevant to a project.
  - Formalise the reporting and investigation of all non-conformances.

Targets

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

It is the policy of the group to:

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

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

The use of sub-contractors has necessitated that specific attention be given to ensure their level of compliance, involvement and commitment meets our requirements.

The fatality rate for the group has decreased as well as that of the lost time injuries rate. These are depicted in the graphs below:

Fatal rate (financial years)

Lost time injury rate (financial years)

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

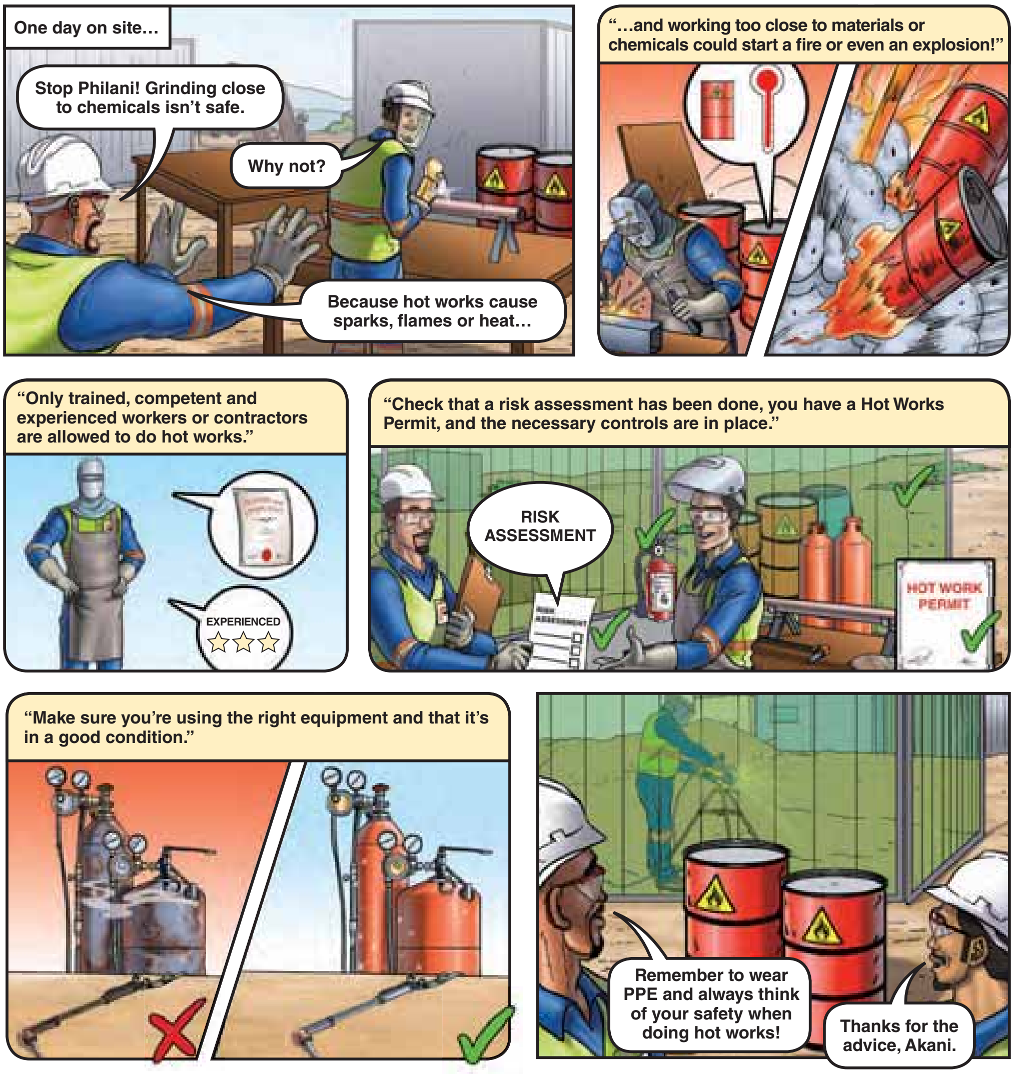
$$\text{Lost time injury rate} = \frac{\text{Number of LTIs x 200 000}}{\text{Total hours worked}}$$

The group reported three fatalities during the year (2016: six fatalities).

Safety campaign

A safety campaign was launched whereby pre-selected topics are designed and created in a cartoon like appearance by an external company. The A4 page is then distributed to all employees via printed copies and via email. It is used during toolbox talks, meetings and on notice boards. Regular follow up is done to ensure the campaign is communicated widely to all employees.

Hot Work Safety



Safety training

The Raubex Group has started the process of developing and obtaining accreditation for a training programme in order to develop in-house safety officers and will focus predominately on HDSA employees.

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 2016 to February 2017 the medical teams conducted a total of 5 821 occupational medical examinations on various sites nationally and where

Sustainability report *continued*

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

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

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

Stakeholder engagement

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 embrace engagement with its shareholders, employees, unions, communities and customers. The group's Social and Ethics Committee monitors and assists the Board with stakeholder engagement.

The group embraces open, transparent and constructive communication with all stakeholders. Raubex has a dedicated Human Resources department and where deemed necessary, external consultants are used to assist the Social and Ethics Committee in executing stakeholder engagement.

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

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

Stakeholder	Communication
Shareholders and analysts	Raubex views its relationships with its shareholders and potential investors as essential to the reputation and survival of the group as providers of financial capital as well as determining the true value of the share price. The media are also important as the publishers of articles and information about the group. The group engages with these stakeholders as follows: ▪ Twice yearly results presentations and 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 and open communication within the group between employees is encouraged. The group communicates and provides its employees with: ▪ A bi-annual internal newsletter ▪ Training sessions ▪ Performance reviews ▪ Staff meetings ▪ Email announcements
Communities	The communities impacted by the group's activities and operations are seen as a stakeholder as it impacts the welfare of the people living in these communities. The group's engagement with the communities includes contributions towards initiatives in respect of fund raising, donations, and community upliftment initiatives and involvement.
Customers and clients	Customers and clients are important stakeholders for the success of the group. The group has customers and clients that include large corporations and Government departments. The group engages with these stakeholders on various levels including the following: ▪ Regular operational meetings at the customer's site ▪ Customer service meetings ▪ Customer feedback surveys ▪ Processes to respond to complaints that meet the requirements of the Consumer Protection Act ▪ Appropriate customer entertainment and functions

Sustainability report *continued*

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

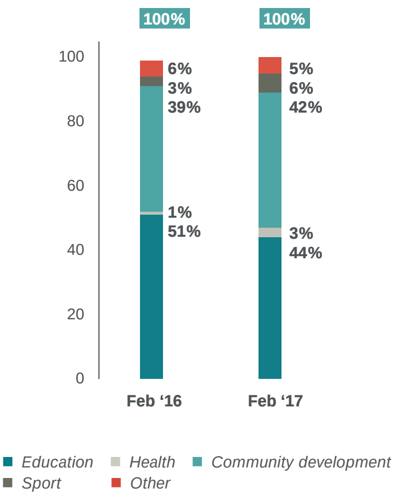
There have been no instances of any major non-compliance, fines or prosecutions during the period under review.

Corporate Social Investment ("CSI")

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

During the year a number of contributions were made towards improving school facilities in various communities in South Africa and also an additional contribution was made toward the construction of a kindergarten and reception block at the Matebeleng Primary School situated in the Matebeleng Village in Botswana to the value of R332 309.

The group contributed R5,2 million (2016: R4,3 million) which amounts to a combined 1,3% (2016: 0,9%) of profit after taxation towards social economic development projects which has been allocated according to the categories below.



Significant contributions were made to the following organisations:

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 improve their results and afford them opportunities to qualify for bursaries for tertiary education. The word "monyetla" means "opportunity" in Sesotho. The initiative was established in February 2007 and currently offers additional classes for 10 subjects. Every year the top 10 learners from 25 previously disadvantaged schools in the Free State are invited to be part of this elite group of students assisted by some of the most experienced educators the province has to offer.

During the 2016 school year a total of 1 038 grade 12 learners attended the programme. This group of learners achieved an overall pass rate of 98,4% including 212 distinctions. 80% of the learners received a Bachelor's pass, which qualifies them to study at a tertiary institution. The project is expected to reach 1 500 learners for the coming school year.

The Monyetla Project was supported with a financial contribution of R75 000 (2016: R75 000). This contribution allows learners to be exempted from programme fees, which Monyetla covers with the help of its sponsors.

Sustainability report *continued*

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, health care, 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 2016, 18 new beneficiaries were identified and tunnels were set up at these new households. Raubex funded the setup and mentorship process of these tunnels during the year. Currently there are 62 households in the townships of Mangaung benefiting from Raubex's contribution to the project.

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

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

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 R243 884 (2016: R330 050) 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 helps empower these individuals by giving them a chance to create a living through opening their own pre-schools, or to gain employment in existing ECD centres and also helps expose the young children in their communities to this vital form of education. Tshepang runs an 18-month programme which provides graduates with a Level 4 ECD certificate, authorised by ETDPSETA.

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

During the year 58 practitioners graduated from the programme with Level 4's and Level 5's in Early Childhood Development. In May 2016, Tshepang's special needs centre was awarded a national prize from NDA for the best ECD special needs centre in South Africa.

The Tshepang Educare Trust was supported with a financial contribution of R250 000 during the current year (2016: R250 000).

Environmental sustainability

Environmental policy

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

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

It is the policy of the group to:

- comply with all relevant legislation and regulatory requirements relating to the environment;
- identify significant environmental risks and put in place controls to mitigate these risks;
- promote sustainability strategies and the efficient use of materials and resources throughout the group, including water, electricity and raw materials including bitumen, aggregates, diesel and burner fuel;
- avoid the unnecessary use of hazardous materials and take all steps to protect human health and the environment when such materials are required to be used, stored and disposed of;
- promote the reuse and recycling of materials;
- promote environmental awareness among our employees and encourage them to work in an environmentally responsible manner;
- promote the implementation and audit of health, safety and environmental management systems and the attainment of industry recognised certifications;
- measure the group's carbon footprint annually and include the key data in the group's integrated report as well as submit to the CDP;
- develop environmental objectives and targets and compare these to actual results and industry standards;
- communicate this environmental policy throughout the organisation and make it publicly available to interested parties;
- communicate our environmental commitment to clients, customers and the public and encourage them to support it; and
- strive to improve our environmental performance and periodically review this environmental policy in light of current and planned future activities.

Compliance

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

Sustainability report *continued*

ISO accreditation

The operations continued to make progress towards their objective to obtain industry recognised certification across all segments. ISO accreditation is part of the group's sustainability strategy and the following accreditations were valid at 28 February 2017.

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

Carbon footprint

The group recently completed its seventh annual carbon footprint assessment in June 2017 and will continue to submit the results on a voluntary basis to the Carbon Disclosure Project. The group's carbon footprint assessment has been compiled by external service providers using the following methodology and data submitted by the group. No external assurance was provided.

- The carbon emissions were measured in accordance with the GHG Protocol (WRI & WBCSD, 2004).
- As per the 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.

A summary of the group's carbon footprint for the year ended 28 February 2017 is tabled below:

Carbon emissions	2017 Tonnes CO_2e	2016 Tonnes CO_2e
Scope 1 (vehicles, mobile machinery, stationary fuels)	**153 446**	148 634
Scope 2 (electricity – location)	**24 346**	21 725
Out of scope (non-Kyoto gases)	**194**	–
Total carbon emissions	**177 986**	170 359
	kWh	kWh
Electricity consumed	**24 346 231**	21 509 986

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

	2017	2016
Revenue (R'000)	**9 005 645**	7 925 754
CO_2e/Revenue (R'000)	**19,76 kg**	21,50 kg

Kg CO_2e/Asphalt production intensity

	2017	2016
Asphalt production (tonnes)	**1 449 147**	1 059 362
Asphalt production CO_2e (tonnes)	**26 903**	31 133
CO_2e/Asphalt tonnes produced	**18,6 kg**	29,4 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 is at the forefront in the implementation of warm mix asphalt ("WMA") technologies which will result in lower carbon emissions through reduced energy consumption. These asphalt mixes include a variety of technologies from leading suppliers and include bitumen foaming technology. The company has also developed a local "green" WMA technology from renewable sources called EcoNat and it is believed that Foaming and EcoNat will become the major warm asphalt mixes of the future.

Reclaimed asphalt pavement ("RAP")

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

Bio fuels and bag houses

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

New crumb rubber technology ("NCRT")

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

Rooftop photovoltaic system

During the design process of the Infrastructure Division's office buildings in Estoire, a rooftop mounted PV system was added in an effort to save on local utility costs. An added benefit and motivating factor was the contribution that solar energy could make to carbon emission savings. Calculations were done determining the forecasted energy usage in kWh over a 12 month period and based on these results it was decided to install a 20 kW rooftop mounted PV system on the main building's roof. The installation consists of 72 x 305 W monocrystaline PV modules, connected in four strings of 18 modules each to a 22 kW inverter which feeds into the grid at a 400 V 3 phase level. The system was commissioned on 1 December 2015 and has generated 33 251 kWh over the last 12 months of operation.

Other environmental sustainability initiatives

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

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

5

FINANCIAL PERFORMANCE

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

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

B&E PLANT & ENGINEERING

Key services

- Process plant optimisation and consulting
- Brownfield process plant optimization project
- Greenfield "projects" process plant EPCM projects
- Design and manufacture of mobile/modular processing equipment
- Contract/toll mineral processing services
- Plant engineering feasibility studies
- Plant/equipment manufacture and refurbishment
- Purpose designed and manufactured equipment

Statement of responsibility by the board of directors

for the year ended 28 February 2017

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 85 to 177 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 79 to 82.

The financial statements were approved by the board of directors on 3 May 2017 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 2017, and that all such returns are true, correct and up to date.

Mrs HE Ernst
Company secretary

3 May 2017

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 "holding company") and its subsidiaries (together the "Group") as at 28 February 2017, 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 Group and holding company financial statements, set out on pages 88 to 177 comprise:

- the Group and holding company statements of financial position as at 28 February 2017;
- 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.

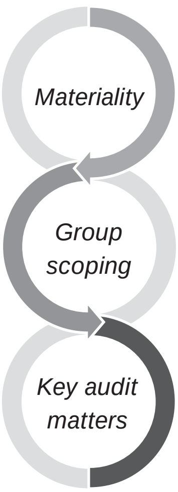
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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: R30,9 million, which represents 5% of profit before tax.

Group audit scope

- The Group consists of two divisions, the Construction Division and the Materials Division, operating across five different geographical locations – South Africa, Botswana, Namibia, Mozambique and Zambia. The consolidated financial statements are a consolidation of 23 reporting units, comprising the Group's operating businesses and centralised functions. Full scope audits in terms of the ISAs were conducted over all reporting units.

Key audit matters

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

- Construction contract accounting.

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.

Independent auditor's report *continued*

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	R30,9 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose 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-orientated 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 consists of the holding company and 23 reporting subsidiaries. We performed full scope audits on the holding company and all 23 reporting subsidiaries in terms of the ISAs.

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 Group 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 all the reporting segments comprises 81% (2016: 83%) of the Group's revenue. Revenue from construction contracts are recognised on the percentage-of-completion method (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.	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).

Key audit matter	How our audit addressed the key audit matter
Construction contract revenue within the Group results from Cost-plus, Re-measurable and Fixed Price contracts. Revenue recognition from all these types of contract revenue involves a higher degree of judgement and complexity. The assumptions and estimates used by management in the percentage-of-completion calculations include: ▪ Total contract revenue for the entire contract; ▪ Estimated percentage of completion; ▪ Profit margin on contract; and ▪ Any variation orders to be recognised based on negotiations with the contract client. These assumptions 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 significant judgement 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 has a significant impact on the financial statements.	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 (e.g. 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 (note 14) were agreed to the accounting records.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the 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 express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's 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 or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report *continued*

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 11 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: CJ Hertzog
Registered Auditor
Bloemfontein

3 May 2017

Audit committee report

The audit committee is pleased to present this report for the financial year ended 28 February 2017 in compliance with the Companies Act, 71 of 2008, and the recommendations of the King III report on corporate governance.

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

Audit committee terms of reference

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

Audit committee members, meeting attendance and assessment

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

Name	Designation	Date appointed	Qualifications
Mr LA Maxwell	Independent non-executive (Chairman)	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 NF Msiza	Independent non-executive	24 February 2011	BCom, HDip Tax, MBA

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

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

Name	3 May 2016	25 August 2016	1 November 2016	22 February 2017
Mr LA Maxwell	✓	✓	✓	×*
Mr BH Kent	✓	✓	✓	✓
Ms NF Msiza	✓	✓	✓	✓

* *With apology.*

Role and responsibilities

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

Statutory duties

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

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

External auditor appointment and independence

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

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted fees for the year ended 28 February 2017.

Financial statements and accounting practices

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

Audit committee report *continued*

Internal financial controls

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

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.

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

Internal audit

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

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

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

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

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 2017

Directors' report

This report presented by the directors is a constituent document of the group consolidated financial statements at 28 February 2017.

Nature of business

Raubex Group Limited is an investment holding company listed on the JSE Securities Exchange with interests in the Construction and Materials sector. The company does not trade and all of its activities are undertaken through a number of subsidiaries and joint arrangements. Details of the 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 2017 were R372,1 million (2016: R445,3 million), representing basic earnings per share of 203,7 cents (2016: 236,6 cents). Headline earnings per share were 201,7 cents (2016: 234,4 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 (2016: 1,9 million).

During the year 7,5 million shares were repurchased by group subsidiaries and cancelled.

Full details of the authorised and issued capital of the company at 28 February 2017 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 2017:

- Final dividend number 18 declared on 9 May 2016 of 42 cents per ordinary share (2016: 36 cps)
- Interim dividend number 19 declared on 7 November 2016 of 45 cents per ordinary share (2016: 36 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 2017 of 45 cents per share was proposed at the board of directors' meeting on 3 May 2017 and declared on the release of the group's results. These financial statements do not reflect this dividend payable.

Business combinations

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

On 9 March 2016, through its subsidiary Raumix Aggregates (Pty) Ltd, the group acquired 100% of OMV Kimberley for R37,5 million cash. OMV Kimberley is a commercial quarry operating in the Northern Cape province supplying aggregates to the construction industry. The revenue included in the consolidated statement of profit or loss since 9 March 2016 contributed by OMV Kimberley was R37,1 million with a net profit contribution of R1,9 million over the same period. The revenue and profit from 1 March 2016 is not considered to be significantly different to that from 9 March 2016.

Malmesbury Sand (Pty) Ltd ("Malmesbury Sand")

On 1 September 2016, through its subsidiary Inzalo Crushing and Aggregates (Pty) Ltd, the group effectively acquired 100% of the shares of Malmesbury Sand for a purchase price of R10,6 million to be settled in cash. Malmesbury Sand is a commercial quarry operating in the Western Cape. The acquisition improves the national footprint on the commercial quarry operations and strategically gives the group access to sand in the area, something the group currently does not have. The acquisition is in line with the expansion of the quarry business and will enhance the ability to supply our complete range of products nationally. The revenue included in the consolidated statement of profit or loss since 1 September 2016 contributed by Malmesbury Sand was R3,5 million with a net loss contribution of R0,2 million over the same period. Had Malmesbury Sand been consolidated from 1 March 2016 the consolidated statement of profit or loss would show pro forma revenue of R4,1 million and net loss of R0,3 million.

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.

Directors' report *continued*

Transactions with non-controlling interests

Belabela Asphalt (Pty) Ltd

Effective from 1 August 2016, the group entered into a sale of share agreement whereby 51% of Belabela Asphalt (Pty) Ltd were sold to a local Botswana non-controlling interests for R0,51 million. The group's interest was therefore reduced from 100% to 49%. The group still maintains control over Belabela Asphalt (Pty) Ltd in terms of IFRS 10.

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 R440,5 million (2016: R549,5 million). Property, plant and equipment acquired through the acquisition of subsidiaries during the year amounted to R35,3 million (2016: R29,1 million).

Contingencies

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

Voluntary rebuilding programme

The group entered into a settlement agreement with the government of the Republic of South Africa ("the Government"), 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

Limes Sales Limited ("Lime Sales")

Effective 1 March 2017, the group effectively acquired 74% of Lime Sales, through its subsidiary SPH Kundadlila (Pty) Ltd for a net 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 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 2016, unless such remuneration is proposed to be amended at the next AGM.

	Annual remuneration R
Chairman	**907 360**
Lead independent non-executive director	**737 230**
Non-executive director	**567 100**

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

Directorate and secretary

The names of the directors and secretary are set out on page 38 of these financial statements.

On 1 March 2017, Ms NF Msiza was appointed as an executive director of the Board.

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 2018 financial year.

Group statement of financial position

for the year ended 28 February 2017

	Notes	2017 R'000	2016 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**2 364 319**	2 335 748
Intangible assets	11	**851 102**	829 283
Investment in associates and joint ventures	12	**49 087**	50 682
Deferred income tax assets	21	**40 938**	42 478
Non-current inventories	13	**73 459**	81 954
Non-current trade and other receivables	15	**100 557**	114 438
Total non-current assets		**3 479 462**	3 454 583
Current assets			
Inventories	13	**523 600**	482 162
Construction contracts in progress and retentions	14	**334 016**	369 184
Trade and other receivables	15	**1 525 373**	1 423 371
Current income tax receivable		**27 713**	27 593
Cash and cash equivalents	16	**1 103 618**	969 736
Total current assets		**3 514 320**	3 272 046
Total assets		**6 993 782**	6 726 629
EQUITY			
Share capital	22	**1 817**	1 892
Share premium	22	**2 059 688**	2 179 613
Treasury shares	23	**(23 664)**	(46 599)
Other reserves	24	**(1 179 094)**	(1 148 951)
Retained earnings		**2 938 678**	2 718 123
Equity attributable to owners of the parent		**3 797 425**	3 704 078
Non-controlling interest	25	**152 300**	128 764
Total equity		**3 949 725**	3 832 842
LIABILITIES			
Non-current liabilities			
Borrowings	17	**562 573**	682 027
Provisions for liabilities and charges	18	**74 838**	65 741
Deferred income tax liabilities	21	**311 608**	310 041
Other financial liabilities	19	**150 120**	59 385
Total non-current liabilities		**1 099 139**	1 117 194
Current liabilities			
Trade and other payables	20	**1 514 324**	1 323 782
Borrowings	17	**388 227**	411 411
Current income tax liabilities		**25 120**	18 466
Other financial liabilities	19	**17 247**	22 934
Total current liabilities		**1 944 918**	1 776 593
Total liabilities		**3 044 057**	2 893 787
Total equity and liabilities		**6 993 782**	6 726 629

The notes on pages 93 to 160 are an integral part of these financial statements.

Group statement of profit or loss

for the year ended 28 February 2017

	Notes	2017 R'000	2016 R'000
Revenue	26	**9 005 645**	7 925 754
Cost of sales	29	**(7 762 882)**	(6 800 882)
Gross profit		**1 242 763**	1 124 872
Other income	27	**30 030**	27 966
Other gains/(losses) – net	28	**(8 319)**	12 695
Administrative expenses	29	**(482 915)**	(454 970)
Voluntary rebuilding programme expenses	30	**(119 884)**	–
Operating profit		**661 675**	710 563
Finance income	31	**57 366**	41 872
Finance costs	31	**(100 937)**	(91 116)
Finance costs – net	31	**(43 571)**	(49 244)
Share of profit of investments accounted for using the equity method	12	**855**	324
Profit before income tax		**618 959**	661 643
Income tax expense	32	**(209 105)**	(192 240)
Profit for the year		**409 854**	469 403
Attributable to:			
Owners of the parent		**372 062**	445 308
Non-controlling interests	25	**37 792**	24 095
		409 854	469 403
Basic earnings per share (cents)	5	**203,7**	236,9
Diluted earnings per share (cents)	5	**202,2**	234,3

The notes on pages 93 to 160 are an integral part of these financial statements.

Group statement of comprehensive income

for the year ended 28 February 2017

	Notes	2017 R'000	2016 R'000
Profit for the year		**409 854**	469 403
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**70**	149
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	24	**(8 762)**	(2 069)
Other comprehensive income for the year, net of tax		**(8 692)**	(1 920)
Total comprehensive income for the year		**401 162**	467 483
Attributable to:			
Owners of the parent		**363 370**	443 388
Non-controlling interests	25	**37 792**	24 095
Total comprehensive income for the year		**401 162**	467 483

The notes on pages 93 to 160 are an integral part of these financial statements.

Group statement of changes in equity

for the year ended 28 February 2017

	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 2015	1 873	2 179 613	–	(1 140 762)	2 381 905	3 422 629	110 788	3 533 417
Changes in equity:								
Shares issued in terms of equity-settled share option scheme	19	–	–	(25 995)	25 995	19	–	19
Share option reserve	–	–	–	19 875	–	19 875	–	19 875
Non-controlling interest arising on business combination	–	–	–	–	–	–	5 951	5 951
Disposal of interest to non-controlling interest	–	–	–	–	(54)	(54)	254	200
Acquisition of non-controlling interest	–	–	–	–	443	443	(6 043)	(5 600)
Acquisition of treasury shares	–	–	(46 599)	–	–	(46 599)	–	(46 599)
Total comprehensive income for the year	–	–	–	(2 069)	445 457	443 388	24 095	467 483
Dividends paid	–	–	–	–	(135 623)	(135 623)	(6 281)	(141 904)
Total changes	19	–	(46 599)	(8 189)	336 218	281 449	17 976	299 425
Balance at 29 February 2016	1 892	2 179 613	(46 599)	(1 148 951)	2 718 123	3 704 078	128 764	3 832 842
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**
Notes	22	22	23	24			25	

The notes on pages 93 to 160 are an integral part of these financial statements.

Group statement of cash flows

for the year ended 28 February 2017

	Notes	2017 R'000	2016 R'000
Cash flows from operating activities			
Cash generated from operations	36	**1 223 840**	1 050 461
Interest received	31	**57 366**	41 872
Interest paid	31	**(89 776)**	(84 522)
Income tax paid	36	**(206 977)**	(190 449)
Net cash generated from operating activities		**984 453**	817 362
Cash flows from investing activities			
Purchases of property, plant and equipment	10	**(440 512)**	(549 535)
Proceeds from sale of property, plant and equipment	36	**88 986**	48 825
Acquisition of subsidiaries	7	**(26 148)**	(47 049)
Loan repayment from/(granted to) associates and joint ventures	12	**2 450**	(39 650)
Net cash used in investing activities		**(375 224)**	(587 409)
Cash flows from financing activities			
Proceeds from borrowings		**377 903**	502 667
Repayment of borrowings		**(534 194)**	(509 725)
Proceeds from shares issued		**–**	19
Dividends paid to owners of the parent	6	**(160 087)**	(135 623)
Dividends paid to non-controlling interests	25	**(14 256)**	(6 281)
Disposal of interest in a subsidiary	7	**510**	200
Acquisition of non-controlling interest		**–**	(5 600)
Contingent consideration settled	19	**(20 989)**	–
Share buy-back transaction	22	**(120 000)**	–
Issue/(acquisition) of treasury shares	23	**13**	(46 599)
Net cash used in financing activities		**(471 100)**	(200 942)
Net increase in cash and cash equivalents		**138 129**	29 011
Cash and cash equivalents at the beginning of the year		**969 736**	937 275
Effects of exchange rates on cash and cash equivalents		**(4 247)**	3 450
Cash and cash equivalents at the end of the year	16	**1 103 618**	969 736

The notes on pages 93 to 160 are an integral part of these financial statements.

Notes to the group financial statements

for the year ended 28 February 2017

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:

- Estimates made in determining changes in estimated useful lives and residual value of property, plant and equipment (refer to note 10).
- Estimates regarding impairment of property, plant and equipment (refer to note 10).
- Estimated impairment of goodwill (refer to note 11).
- Construction contract revenue recognition and profit taking (refer to note 14).
  Each construction contract has specific estimates and judgements attributed to it. A meaningful sensitivity analysis on construction contract estimates and judgements 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 to note 18).
- Consolidation of entities in which the group holds less than 50% (refer to note 41).

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.

Notes to the group financial statements *continued*

for the year ended 28 February 2017

4. Segmental information *(continued)*

- *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 African (international) 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.

Segmental analysis

Operating segments	Materials R'000	Road surfacing and rehabilitation R'000	Road construction and earthworks R'000	Infrastructure R'000	Consolidated R'000
At 29 February 2016					
Revenue	2 332 083	3 048 219	1 400 823	1 144 629	7 925 754
Operating profit	399 823	172 682	102 989	35 069	710 563
Finance income	8 426	4 322	26 637	2 487	41 872
Finance costs	(70 537)	(11 977)	(5 448)	(3 154)	(91 116)
Share of profit of investments accounted for using the equity method	–	–	–	324	324
Taxation	(105 303)	(50 237)	(28 419)	(8 281)	(192 240)
Profit for the year	232 409	114 790	95 759	26 445	469 403
Segment assets	2 961 809	1 699 959	1 505 606	559 255	6 726 629
Segment liabilities	1 467 142	697 836	460 129	268 680	2 893 787
Depreciation and amortisation	228 993	83 213	40 070	19 701	371 977
Capital expenditure	323 167	128 399	48 106	49 863	549 535
Inter-segment revenue	169 928	259 910	100 625	60 548	591 011

4. Segmental information *(continued)*

Segmental analysis *(continued)*

Operating segments	Materials R'000	Road surfacing and rehabilitation R'000	Road construction and earthworks R'000	Infra-structure R'000	Other* R'000	Consolidated
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**

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

Approximately 17% (2016: 17%) of total revenue is derived from a single external customer, i.e. the South African National Roads Agency ("SANRAL"), these revenues are attributable to all the business segments.

Approximately 11% (2016: 8%) 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 29 February 2016				
Revenue	6 725 552	1 200 202	–	7 925 754
Operating profit	492 253	218 310	–	710 563
Finance income	40 700	1 172	–	41 872
Finance costs	(70 084)	(21 032)	–	(91 116)
Share of profit of investments accounted for using the equity method	324	–	–	324
Taxation	(131 183)	(61 057)	–	(192 240)
Profit for the year	332 010	137 393	–	469 403
Segment assets	5 684 346	1 042 283	–	6 726 629
Segment liabilities	2 453 444	440 343	–	2 893 787
Depreciation and amortisation	332 599	39 378	–	371 977
Capital expenditure	468 387	81 148	–	549 535
Inter-segment revenue	329 899	25 728	–	355 627

* *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 2017

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 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

* *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 13,5%% (2016: 15,1%) of total group revenue from external customers and were generated from operations in Botswana, 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.

	2017 R'000	2016 R'000
Profit attributable to owners of the parent entity	372 062	445 308
Weighted average number of ordinary shares in issue*	182 668	187 961
Basic earnings per share (cents)	203,7	236,9

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.

	2017 R'000	2016 R'000
Profit attributable to owners of the parent entity	372 062	445 308
Weighted average number of ordinary shares in issue*	182 668	187 961
Adjustments for:		
Shares deemed issued for no consideration (share options)	1 362	2 085
Weighted average number of ordinary shares for diluted earnings per share	184 030	190 046
Diluted earnings per share (cents)	202,2	234,3

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

5. Earnings per share *(continued)*

Headline

	2017 R'000	2016 R'000
Profit attributable to owners of the parent entity	**372 062**	445 308
Adjustments for:		
Profit on sale of property, plant and equipment (note 28)	**(17 972)**	(6 527)
Impairment of goodwill (note 28)	**7 906**	–
Add back: Non-controlling interests' portion of profit on sale of property, plant and equipment	**1 880**	–
Total tax effects of adjustments	**4 506**	1 827
Headline earnings	**368 382**	440 608
Weighted average number of shares*	**182 668**	187 961
Headline earnings per share (cents)	**201,7**	234,4
Headline earnings	**368 382**	440 608
Adjusted weighted average number of shares	**184 030**	190 046
Diluted headline earnings per share (cents)	**200,2**	231,8

* *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 2017 ('000)	Value 2017 R'000	Number of shares 2016 ('000)	Value 2016 R'000
Previous year final dividend paid	**189 250**	**79 485**	189 250	68 130
Current year interim dividend paid	**181 750**	**81 788**	189 250	68 130
Dividends received on treasury shares	**(1 362)**	**(1 186)**	(884)	(637)
Total dividends paid		**160 087**		135 623

After consideration was given to the solvency and liquidity test of the group, a final dividend in respect of the year ended 28 February 2017 of R81,8 million (45 cents per share) amounting to a total dividend for the year of R163,6 million (90 cents per share) was proposed at the board of directors' meeting on 3 May 2017 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.

Notes to the group financial statements *continued*

for the year ended 28 February 2017

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.

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 each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures (note 12) and joint operations (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.

7. Business combinations *(continued)*

Changes in ownership interests *(continued)*

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.

Acquisitions made during the financial period

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

On 9 March 2016 the group effectively acquired 100% of shares of OMV Kimberley for a purchase price of R37,5 million to be settled in cash. OMV Kimberley is a commercial quarry operating in the Northern Cape province supplying aggregates to the construction industry.

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	**27 500**
Deferred consideration*	**10 000**
Total consideration	**37 500**
Recognised amounts of identifiable assets and acquired liabilities assumed	
Property, plant and equipment	**35 347**
Intangible asset – mining right	**10 000**
Inventories	**1 387**
Trade receivables	**2 452**
Current income tax receivable	**1 944**
Cash and cash equivalents	**9 267**
Other financial assets	**1 607**
Deferred tax asset	**2 824**
Borrowings	**(13 654)**
Deferred tax liability	**(10 226)**
Trade and other payables	**(3 557)**
Rehabilitation provision	**(6 346)**
Total identifiable net assets	**31 045**
Non-controlling interest	**–**
Goodwill attributable to owners of the parent	**6 455**
Total	**37 500**
Purchased consideration settled in cash	**27 500**
Less: Cash and cash equivalents in the business combination acquired	**(9 267)**
Cash outflow on acquisition for cash flow statement	**18 233**

* *The deferred consideration is an amount of R10 million payable to the previous shareholders of OMV Kimberley 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 2018 financial year.*

Notes to the group financial statements *continued*

for the year ended 28 February 2017

7. Business combinations *(continued)*

Acquisitions made during the financial period *(continued)*

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

Acquisition-related costs of R1,4 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 R2,4 million which is the same as the gross contractual amount. The full amount is expected to be collectible.

The revenue included in the consolidated statement of profit or loss since 9 March 2016 contributed by OMV Kimberley was R37,1 million with a net profit contribution of R1,9 million over the same period. The revenue and profit from 1 March 2016 is not considered to be significantly different to that from 9 March 2016.

Malmesbury Sand (Pty) Ltd ("Malmesbury Sand")

On 1 September 2016 the group effectively acquired 100% of the shares of Malmesbury Sand for a purchase price of R10,6 million to be settled in cash. Malmesbury Sand is a commercial quarry operating in the Western Cape. The acquisition improves the national footprint on the commercial quarry operations and strategically gives the group access to sand in the area, something the group currently does not have. The acquisition is in line with the expansion of the quarry business and will enhance the ability to supply our complete range of products nationally.

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	**8 000**
Deferred consideration*	**2 600**
Total consideration	**10 600**
Recognised amounts of identifiable assets and acquired liabilities assumed	
Intangible asset – mining right	**7 256**
Deferred tax asset	**29**
Cash and cash equivalents	**85**
Current tax liability	**(3)**
Trade payables	**(77)**
Deferred tax liability	**(2 032)**
Rehabilitation provision	**(105)**
Total identifiable net assets	**5 153**
Non-controlling interest	**–**
Goodwill attributable to owners of the parent	**5 447**
Total	**10 600**
Purchased consideration settled in cash	**8 000**
Less: Cash and cash equivalents in the business combination acquired	**(85)**
Cash outflow on acquisition for cash flow statement	**7 915**

* *The deferred consideration is an amount of R2,6 million payable to the previous shareholders of Malmesbury Sand 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 2018 financial year.*

7. Business combinations *(continued)*

Acquisitions made during the financial period *(continued)*

Malmesbury Sand (Pty) Ltd ("Malmesbury Sand") (continued)

Acquisition-related costs of R0,1 million have been charged to administrative expenses in the consolidated statement of profit or loss for the year.

No trade receivables were acquired as part of the business combination.

The revenue included in the consolidated statement of profit or loss since 1 September 2016 contributed by Malmesbury Sand was R3,5 million with a net loss contribution of R0,2 million over the same period. Had Malmesbury Sand been consolidated from 1 March 2016 the consolidated statement of profit or loss would show pro forma revenue of R4,1 million and net loss of R0,3 million.

Transactions with non-controlling interests

Belabela Asphalt (Pty) Ltd ("Belabela Asphalt")

Effective from 1 August 2016, the group entered into a sale of share agreement whereby 51% of Belabela Asphalt would be sold to a local Botswana non-controlling interests for R0,51 million. The group's interest was therefore reduced from 100% to 49%. The group still maintains control over Belabela Asphalt in terms of IFRS 10, refer to note 41 for details in this regard.

Also refer to 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 to 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 2017

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.	Age analysis Credit ratings	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 29 February 2016					
Loans to associates and joint ventures	12	49 643	–	–	49 643
Non-current trade and other receivables	15	114 438	–	–	114 438
Construction contracts in progress and retentions	14	369 184	–	–	369 184
Trade and other receivables	15	1 326 668	–	–	1 326 668
Cash and cash equivalents	16	969 736	–	–	969 736
Borrowings	17	–	(1 093 438)	–	(1 093 438)
Other financial liabilities*	19	–		(82 319)	(82 319)
Trade and other payables	20	–	(1 279 780)	–	(1 279 780)
Total		2 829 669	(2 373 218)	(82 319)	374 132

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 2017					
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 has been changed 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 R75,5 million (2016: R96,7 million) and the total value of non-financial liabilities excluded from trade and other payables is R59,0 million (2016: R44,0 million).

	Note	Total carrying value R'000	Total fair value R'000	Explanation note
At 29 February 2016				
Loans to associates and joint ventures	12	49 643	49 643	8.1
Non-current trade and other receivables	15	114 438	114 438	8.2
Construction contracts in progress and retentions	14	369 184	369 184	8.3
Trade and other receivables	15	1 326 668	1 326 668	8.4
Cash and cash equivalents	16	969 736	969 736	8.5
Borrowings	17	(1 093 438)	(1 093 438)	8.6
Other financial liabilities	19	(82 319)	(82 319)	8.7
Trade and other payables	20	(1 279 780)	(1 279 780)	8.8
Total		374 132	374 132	

Notes to the group financial statements *continued*

for the year ended 28 February 2017

8. Financial instruments and financial risk management *(continued)*

Categories of financial instruments *(continued)*

	Notes	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**	

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 relates 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 includes 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 to 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 to 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.

8. Financial instruments and financial risk management *(continued)*

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 2017:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Liabilities				
At 29 February 2016				
Financial liabilities at fair value through profit or loss				
Contingent considerations	–	–	28 570	28 570
Put option			53 749	53 749
Total liabilities	–	–	82 319	82 319
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**

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 2017:

	Notes	Put option R'000	Contingent considerations R'000	Total R'000
Year ended 29 February 2016				
Opening balance		50 397	26 865	77 262
Gains and losses recognised in profit or loss		3 352	1 705	5 057
Closing balance	19	53 749	28 570	82 319
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**

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

Notes to the group financial statements *continued*

for the year ended 28 February 2017

8. Financial instruments and financial risk management *(continued)*

Financial risk factors

(a) Market risk

(i) Foreign exchange risk

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

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

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

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

	Notes	South African Rand and Namibian Dollar* R'000	Mozambican Metical R'000	Zambian Kwacha R'000	Botswana Pula R'000	US Dollar R'000	Total R'000
Year ended 29 February 2016							
Non-current assets							
Trade and other receivables	15	114 438	–	–	–	–	114 438
Current assets							
Construction contracts in progress and retentions	14	355 734	2 178	10 534	738	–	369 184
Trade and other receivables	15	1 139 057	33 724	131 985	21 902	–	1 326 668
Cash and cash equivalents	16	791 659	40 710	28 931	36 393	72 043	969 736
Total monetary assets		2 400 888	76 612	171 450	59 033	72 043	2 780 026
Non-current liabilities							
Borrowings	17	674 633	–	–	7 394	–	682 027
Current liabilities							
Borrowings	17	409 250	–	–	2 161	–	411 411
Trade and other payables	20	1 195 112	22 022	42 589	19 929	128	1 279 780
Total monetary liabilities		2 278 995	22 022	42 589	29 484	128	2 373 218
Net monetary assets at year-end		121 893	54 590	128 861	29 549	71 915	406 808

** No exchange risk exists between the South African Rand and the Namibian Dollar, as the exchange rate is 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	Mozambican Metical R'000	Zambian Kwacha R'000	Botswana Pula R'000	US Dollar 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**	**–**	**18 778**	**683**	**–**	**334 016**
Trade and other receivables	15	**1 268 943**	**1 938**	**155 139**	**23 344**	**542**	**1 449 906**
Cash and cash equivalents	16	**1 050 465**	**776**	**17 076**	**31 433**	**3 868**	**1 103 618**
Total monetary assets		**2 734 520**	**2 714**	**190 993**	**55 460**	**4 410**	**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**	**3 663**	**48 835**	**13 976**	**200**	**1 455 355**
Total monetary liabilities		**2 326 577**	**3 663**	**48 835**	**26 880**	**200**	**2 406 155**
Net monetary assets at year-end		**407 943**	**(949)**	**142 158**	**28 580**	**4 210**	**581 942**

* *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 R75,5 million (2016: R96,7 million) and the total value of non-financial liabilities excluded from trade and other payables is R59,0 million (2016: R44,0 million).

Notes to the group financial statements *continued*

for the year ended 28 February 2017

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 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 29 February 2016			
Total monetary assets		37 913	(37 913)
Mozambican Metical	10%	7 661	(7 661)
Zambian Kwacha	10%	17 145	(17 145)
Botswana Pula	10%	5 903	(5 903)
US Dollar	10%	7 204	(7 204)
Total monetary liabilities		(9 422)	9 422
Mozambican Metical	10%	(2 202)	2 202
Zambian Kwacha	10%	(4 259)	4 259
Botswana Pula	10%	(2 948)	2 948
US Dollar	10%	(13)	13
Net increase/(decrease) in group profit before tax or reserves		28 491	(28 491)
Year ended 28 February 2017			
Total monetary assets		**25 357**	**(25 357)**
Mozambican Metical	**10%**	**271**	**(271)**
Zambian Kwacha	**10%**	**19 099**	**(19 099)**
Botswana Pula	**10%**	**5 546**	**(5 546)**
US Dollar	**10%**	**441**	**(441)**
Total monetary liabilities		**(7 958)**	**7 958**
Mozambican Metical	**10%**	**(366)**	**366**
Zambian Kwacha	**10%**	**(4 884)**	**4 884**
Botswana Pula	**10%**	**(2 688)**	**2 688**
US Dollar	**10%**	**(20)**	**20**
Net increase/(decrease) in group profit before tax or reserves		**17 399**	**(17 399)**

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 29 February 2016			
Net increase/(decrease) in group operating profit		8 927	(8 927)
Mozambican Metical	10%	3 030	(3 030)
Zambian Kwacha	10%	1 711	(1 711)
Botswana Pula	10%	4 176	(4 176)
US Dollar	10%	10	(10)
Year ended 28 February 2017			
Net increase/(decrease) in group operating profit		**4 930**	**(4 930)**
Mozambican Metical	**10%**	**(1 393)**	**1 393**
Zambian Kwacha	**10%**	**4 187**	**(4 187)**
Botswana Pula	**10%**	**2 650**	**(2 650)**
US Dollar	**10%**	**(514)**	**514**

(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 to the sensitivity analysis on page 110).

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 2017

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 2017	–1% R'000 2017	1% R'000 2016	–1% R'000 2016
Cash and cash equivalents	**7 946**	**(7 946)**	6 982	(6 982)
Bank borrowings	**(6 565)**	**6 565**	(7 646)	7 646
Loans to Joint ventures (note 12)	**343**	**(343)**	360	(360)
Increase/(decrease) in profitability	**1 724**	**(1 724)**	(304)	304

(b) Credit risk

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

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

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

The group's customers are concentrated primarily in South Africa, but also exist in the rest of Africa (refer to 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 to the concentration of customers below:

	2017 R'000	%	2016 R'000	%
South African National Road Agency Limited	**234 403**	**14**	165 382	11
South African Provincial and Municipal Government	**272 331**	**17**	296 574	19
South African Private Sector	**658 874**	**41**	636 322	41
Sub-Saharan Africa (public and private sector)	**460 322**	**28**	439 531	29
Total trade and other receivables (note 15)	**1 625 930**	**100**	1 537 809	100

8. Financial instruments and financial risk management *(continued)*

Financial risk factors *(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 to note 15 for the ageing of debtors.

	Rating	2017 R'000	2016 R'000
Concentration of credit risk			
Cash and cash equivalents	AA	**–**	13 975
Cash and cash equivalents	A	**11 003**	19 546
Cash and cash equivalents	BBB	**1 089 725**	931 953
Cash on hand	Not rated	**2 890**	4 262
Total cash and cash equivalents (note 16)		**1 103 618**	969 736
Trade receivables	A	**19 008**	16 585
Trade receivables	BBB	**556 210**	438 773
Trade receivables	Not rated	**882 119**	864 576
Receivables under finance leases	Not rated	**118 862**	129 355
Receivables from related parties	Not rated	**43 371**	86 635
Loans to related parties	Not rated	**6 360**	1 885
Total trade and other receivables (note 15)		**1 625 930**	1 537 809
Retentions	A	**1 748**	3 519
Retentions	BBB	**92 985**	113 084
Retentions	Not rated	**61 449**	70 780
Total retentions (note 14)		**156 182**	187 383

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 885,7 million (2016: R2 694,9 million).

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

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash coupled with the availability of funding from an adequate amount of committed credit facilities.

Due to the dynamic nature of the underlying businesses, the group maintains flexibility in funding by maintaining availability under committed credit lines.

Notes to the group financial statements *continued*

for the year ended 28 February 2017

8. Financial instruments and financial risk management *(continued)*

Financial risk factors *(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 29 February 2016					
Non-derivative financial liabilities					
Bank borrowings	1 061 929	1 194 241	483 428	710 322	491
Unsecured loan	31 509	31 509	31 509	–	–
Other financial liabilities	82 319	90 785	23 207	67 578	–
Trade and other payables	1 279 780	1 279 780	1 279 780	–	–
Total	2 455 537	2 596 315	1 817 924	777 900	491
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**

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

The total value of non-financial assets excluded from trade and other receivables is R75,5 million (2016: R96,7 million) and the total value of non-financial liabilities excluded from trade and other payables is R59,0 million (2016: R44,0 million).

Total financial institution backed contract guarantees provided to third parties on behalf of subsidiary companies amounted to R1 518,3 million (2016: R1 670,3 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:

	2017 R'000	2016 R'000
Borrowings (refer note 17)	**950 800**	1 093 438
Other financial liabilities (refer note 19)	**167 367**	82 319
Trade and other payables (refer note 20)	**1 514 324**	1 323 782
Current income tax liabilities	**25 120**	18 466
Defined debt	**2 657 611**	2 518 005
Capital and reserves	**3 949 725**	3 832 842
Less: Intangible assets (refer note 11)	**(851 102)**	(829 283)
Defined shareholders' funds	**3 098 623**	3 003 559
Debt covenant gearing ratio	**0,86**	0,84

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

	2017 R'000	2016 R'000
Total borrowings (refer note 17)	**950 800**	1 093 438
Less: Cash and cash equivalents (refer note 16)	**(1 103 618)**	(969 736)
Net debt	**(152 818)**	123 702
Total equity	**3 949 725**	3 832 842
Total capital and net debt	**3 796 907**	3 956 544
Gearing ratio	**(4,0%)**	3,1%

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 3 – 20 years
- Furniture, fittings and equipment 2 – 8 years

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

Notes to the group financial statements *continued*

for the year ended 28 February 2017

10. Property, plant and equipment *(continued)*

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.

The group continually assesses the recoverability of property, plant and equipment. Expected cash flows are inherently uncertain and could change over time. They are affected by a number of factors including estimates of cost of production, sustaining capital expenditure and product markets. The assets were evaluated with reference to external market valuations and management estimates to support the reasonableness of carrying values as part of the assets' annual evaluation process. 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	Furniture, fittings and equipment R'000	Total R'000
At 28 February 2015				
Cost	237 193	3 263 210	38 550	3 538 953
Accumulated depreciation	(1 330)	(1 340 988)	(24 806)	(1 367 124)
Net book amount	235 863	1 922 222	13 744	2 171 829
Year ended 29 February 2016				
Opening net book amount	235 863	1 922 222	13 744	2 171 829
Exchange differences	(4)	(1 115)	14	(1 105)
Acquisition of subsidiaries	2 617	26 380	96	29 093
Additions	35 668	501 435	12 432	549 535
Disposals	–	(41 909)	(389)	(42 298)
Depreciation	(3 869)	(360 425)	(7 012)	(371 306)
Reclassification	–	(2)	2	–
Closing net book amount	270 275	2 046 586	18 887	2 335 748
At 29 February 2016				
Cost	275 330	3 693 059	46 212	4 014 601
Accumulated depreciation	(5 055)	(1 646 473)	(27 325)	(1 678 853)
Net book amount	270 275	2 046 586	18 887	2 335 748
Year ended 28 February 2017				
Opening net book amount	**270 275**	**2 046 586**	**18 887**	**2 335 748**
Exchange differences	**(955)**	**(2 019)**	**(69)**	**(3 043)**
Acquisition of subsidiaries	**11 400**	**23 947**	**–**	**35 347**
Additions	**21 280**	**407 090**	**12 142**	**440 512**
Disposals	**(6 799)**	**(64 189)**	**(26)**	**(71 014)**
Depreciation	**(3 935)**	**(360 317)**	**(8 979)**	**(373 231)**
Reclassification	**461**	**(496)**	**35**	**–**
Closing net book amount	**291 727**	**2 050 602**	**21 990**	**2 364 319**
At 28 February 2017				
Cost	**300 143**	**3 942 737**	**58 181**	**4 301 061**
Accumulated depreciation	**(8 416)**	**(1 892 135)**	**(36 191)**	**(1 936 742)**
Net book amount	**291 727**	**2 050 602**	**21 990**	**2 364 319**

10. Property, plant and equipment *(continued)*

Aircraft with a book value of R56,1 million (2016: R56,8 million) have been included under vehicles and machinery.

Depreciation expense of R373,2 million (2016: R371,3 million) has been charged in cost of sales (refer to 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 R1 152,1 million (2016: R1 229,3 million).

A general notarial bond of R2,2 million (2016: R2,8 million) is registered over property with a carrying value of R5,4 million (2016: R7,7 million) as security for borrowing and asset finance facilities.

Lease rentals of R53,1 million (2016: R46,8 million) relating to the leasing of property, plant and equipment, are included in the statement of profit or loss (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.

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.

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 to 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.

Notes to the group financial statements *continued*

for the year ended 28 February 2017

11. Intangible assets *(continued)*

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.

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

During the year the goodwill relating to the acquisition of L & R Civil (Pty) Ltd was impaired (2016: R nil) and included in other gains/losses (refer to note 28).

Amortisation of mining rights of R1,4 million (2016: R0,7 million) is included in cost of sales in the statement of profit or loss (refer to note 29).

11. Intangible assets *(continued)*

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 29 February 2016	505 646	140 093	131 568	10 019	787 326
Year ended 28 February 2017	**517 548**	**140 093**	**131 568**	**2 113**	**791 322**
Trademarks					
Year ended 29 February 2016	21 053	–	–	–	21 053
Year ended 28 February 2017	**21 053**	**–**	**–**	**–**	**21 053**
Mining rights					
Year ended 29 February 2016	20 904	–	–	–	20 904
Year ended 28 February 2017	**38 727**	**–**	**–**	**–**	**38 727**

The recoverable amounts of goodwill and trademarks are determined based on value-in-use calculations which are based on financial budgets approved by management for the year ended 28 February 2017.

Pre-tax cash flows beyond those budgeted are extrapolated using estimated growth rates. These rates do not exceed the long-term average growth rate of the construction industry. For purpose of sensitivity analysis long-term average growth rates of between 3% and 7% were used with a pre-tax discount rate of between 13% and 19% over an estimated life of 50 years. This period is considered reasonable as the business units to which the goodwill and trademarks relate are considered to have an indefinite life.

The carrying value amounts of goodwill and trademarks will still exceed the recoverable amount if the growth rate is 0%. A rise in the pre-tax discount rate to 36,7% 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:

	2017 R'000	2016 R'000
Investment in associates	**1 716**	1 039
Investment in joint ventures	**–**	–
Loans to joint ventures	**47 371**	49 643
	49 087	50 682

Notes to the group financial statements *continued*

for the year ended 28 February 2017

12. Investment in associates and joint ventures *(continued)*

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 to note 7). The group's investment in associates includes goodwill identified on acquisition.

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

	2017 R'000	2016 R'000
Carrying value at the beginning of the year	**1 039**	245
Share of profit in associate	**677**	794
Carrying value at the end of the year	**1 716**	1 039

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

Nature of investment in associate

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

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

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

Financial information of Lufhereng Development Company (Pty) Ltd

	2017 R'000	2016 R'000
Statement of financial position		
Assets		
Non-current assets	**7**	7
Current assets	**16 035**	25 539
Total assets	**16 042**	25 546
Equity and liabilities		
Equity	**6 769**	4 098
Current liabilities	**9 273**	21 448
Total equity and liabilities	**16 042**	25 546
Statement of profit or loss		
Revenue	**275 972**	280 116
Profit/(loss)	**2 671**	3 132

12. Investment in associates and joint ventures *(continued)*

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:

	2017 R'000	2016 R'000
Carrying value at the beginning of the year	**49 643**	10 463
Investment in joint venture	**–**	–
Share of profit/(loss) in joint venture	**178**	(470)
(Repayment by)/loan to joint venture	**(2 450)**	39 650
Carrying value at the end of the year	**47 371**	49 643

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

Nature of investment in joint ventures

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

Note 1: Turnkey Real Estate Company (Pty) Ltd has been established during 2015 to carry out development projects.

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

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

The loan to the joint venture bears interest at 12,50% (2016: 12,25%) with no fixed repayment terms.

Financial information of Turnkey Real Estate Company (Pty) Ltd

	2017 R'000	2016 R'000
Statement of financial position		
Assets		
Non-current assets	**266**	405
Current assets	**50 884**	52 990
Total assets	**51 150**	53 395
Equity and liabilities		
Equity	**(657)**	(1 014)
Current liabilities	**51 807**	54 409
Total equity and liabilities	**51 150**	53 395
Statement of profit or loss		
Revenue	**–**	–
Profit/(loss)	**356**	(939)

Notes to the group financial statements *continued*

for the year ended 28 February 2017

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 of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

	2017 R'000	2016 R'000
Crusher stone	**172 868**	153 870
Gypsum	**67 995**	76 489
Consumable stores	**113 143**	126 046
Development land	**112 815**	110 476
Other materials including bitumen, rubber and emulsions	**130 238**	97 235
	597 059	564 116
Less: Non-current inventories	**(73 459)**	(81 954)
Total current inventories	**523 600**	482 162

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 629,8 million (2016: R2 403,2 million) (refer to 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:

	2017 R’000	2016 R’000
Costs incurred plus profits recognised, less recognised losses relating to contracts at year-end	**5 904 994**	5 778 563
Less: Progress billings	**(6 003 380)**	(5 802 205)
Net balance sheet position for ongoing contracts	**(98 386)**	(23 642)
Consisting of:		
Amounts due from customers for contract work	**177 834**	181 801
Amounts due to customers for contract work (note 20)	**(276 220)**	(205 443)
Net balance sheet position for ongoing contracts	**(98 386)**	(23 642)
Amounts due from customers for contract work	**177 834**	181 801
Retentions	**156 182**	187 383
Total contracts in progress at reporting date including retentions	**334 016**	369 184

Retentions to be received after 12 months amounted to R46,8 million (2016: R22,2 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 2017

15. Trade and other receivables *(continued)*

	2017 R'000	2016 R'000
Trade receivables	**1 444 514**	1 256 231
Less: Provision for impairment of trade receivables	**(62 644)**	(33 000)
Trade receivables – net	**1 381 870**	1 223 231
Receivables under finance leases	**118 862**	129 355
Prepayments	**58 317**	77 920
Value-added taxation	**17 150**	18 783
Receivables from related parties (note 37)	**43 371**	86 635
Loans to related parties (note 37)	**6 360**	1 885
	1 625 930	1 537 809
Less: Non-current trade and other receivables	**(100 557)**	(114 438)
Total current trade and other receivables	**1 525 373**	1 423 371

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 2017, trade receivables of R62,6 million (2016: R33,0 million) were impaired and provided for. The ageing of these trade receivables is as follows:

	2017 R'000	2016 R'000
30 days to 3 months	**5 215**	574
3 to 6 months	**1 248**	3 825
Over 6 months	**56 181**	28 601
	62 644	33 000

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

As of 28 February 2017, trade receivables of R444,0 million (2016: R328,7 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, including the Road Development Authority of Zambia which amounts to R154,1 million as at 28 February 2017.

The ageing of these trade receivables is as follows:

	2017 R'000	2016 R'000
Up to 3 months	**247 621**	292 281
3 to 6 months	**74 933**	10 432
Over 6 months	**121 404**	26 029
	443 958	328 742

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:

	2017 R'000	2016 R'000
South African Rand	**1 158 637**	1 090 929
Botswana Pula	**24 926**	22 842
Mozambican Metical	**2 248**	34 937
Namibian Dollar	**282 060**	255 245
Zambian Kwacha	**158 059**	133 856
	1 625 930	1 537 809
Provision for impairment of trade receivable		
Balance at the beginning of the year	**33 000**	35 766
Exchange differences	**(78)**	(19)
Current year provision for receivables	**44 295**	17 880
Receivables written off during the year as uncollectible	**(9 643)**	(17 747)
Unused amounts reversed	**(4 930)**	(2 880)
Balance at the end of the year	**62 644**	33 000

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

	2017 R'000	2016 R'000
Total gross investment in finance leases	**167 833**	195 884
No later than one year	**34 963**	33 580
Later than one year and no later than five years	**132 870**	134 321
Later than five years	**–**	27 983
Unearned finance income	**(48 971)**	(66 529)
Net investment in lease	**118 862**	129 355
Represented by:		
Present value of minimum lease instalments	**118 862**	129 355
No later than one year	**18 306**	14 917
Later than one year and no later than five years	**100 556**	88 310
Later than five years	**–**	26 128

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

Notes to the group financial statements *continued*

for the year ended 28 February 2017

16. Cash and cash equivalents

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

	2017 R'000	2016 R'000
Cash on hand	**2 889**	4 262
Bank balances	**480 184**	566 078
Investments on call	**620 545**	399 396
Total cash and cash equivalents	**1 103 618**	969 736
For purpose of the consolidated cash flow statement, cash and cash equivalents consist of:		
Cash on hand	**1 103 618**	969 736

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.

	2017 R'000	2016 R'000
Non-current		
Bank borrowings	**562 573**	682 027
Total non-current borrowings	**562 573**	682 027
Current		
Bank borrowings	**349 225**	379 902
Unsecured loans	**39 002**	31 509
Total current borrowings	**388 227**	411 411
Total borrowings	**950 800**	1 093 438

17. Borrowings *(continued)*

Bank borrowings

The bank borrowings are secured by hypothec over property, plant and equipment with a book value of R1 152,1 million (2016: R1 229,3 million) and repayable in monthly instalments of R44,4 million (2016: R44,8 million) with an effective interest rate ranging between 7,6% and 10,5% per annum (2016: 6,6% and 10,25%). Bank borrowings mature June 2022.

A general notarial bond of R2,2 million (2016: R2,8 million) is registered over property with a carrying value of R5,4 million (2016: R7,7 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 R627,6 million (2016: R248,3 million). The facilities are subject to annual review.

Gross future minimum payments on bank borrowings are as follows:

	2017 R'000	2016 R'000
No later than one year	**429 946**	483 428
Later than one year and no later than five years	**582 223**	710 322
Later than five years	**–**	491
	1 012 169	1 194 241
Future finance charges on bank borrowings	**(100 371)**	(132 312)
Present value of bank borrowings	**911 798**	1 061 929

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

The unsecured loans consist of the following:

	2017 R'000	2016 R'000
Crossmoor Transport CC (note 37)	**1 705**	6 896
Independent Family Trust (note 37)	**3 907**	4 335
MAB Fusion (Pty) Ltd (note 37)	**14 992**	15 015
Manamata Investments (Pty) Ltd (note 37)	**2 902**	5 263
Oranje Mynbou en Vervoer (Pty) Ltd (note 37)	**15 496**	–
Total unsecured loans	**39 002**	31 509

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

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*

for the year ended 28 February 2017

18. Provisions for liabilities and charges *(continued)*

The provisions are made up as follows:

	Rehabilitation provision R'000	Post-employment benefits R'000	Total R'000
At 1 March 2015	50 168	4 085	54 253
Acquisition of subsidiaries	3 978	–	3 978
Charged to statement of profit or loss:			
– Additional provision	6 269	–	6 269
– Unwinding of discount (note 31)	1 537	–	1 537
– Current service cost	–	197	197
– Interest expense	–	380	380
– Past service cost gain	–	(667)	(667)
Actuarial gain for the year	–	(206)	(206)
At 29 February 2016	61 952	3 789	65 741
Acquisition of subsidiaries (note 7)	**6 451**	**–**	**6 451**
Charged to statement of profit or loss:			
– Additional provision	**326**	**–**	**326**
– Unwinding of discount (note 31)	**2 194**	**–**	**2 194**
– Provisions utilised	**(344)**	**–**	**(344)**
– Current service cost	**–**	**167**	**167**
– Interest expense	**–**	**405**	**405**
– Expected employee 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**

Analysis of total provisions

	2017 R'000	2016 R'000
Non-current		
Rehabilitation provision	**70 579**	61 952
Post-employment benefits	**4 259**	3 789
Total non-current provisions	**74 838**	65 741
Current		
Total current provisions	**–**	–
Total provisions	**74 838**	65 741

The additional provisions have been included in other operating expenses in the statement of profit or loss (refer to 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% (2016: 6,60%) and an average inflation rate of 6,27% (2016: 4,80%) 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, i.e. 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:

	2017 R'000	2016 R'000
Non-current present value of unfunded obligations	**4 244**	3 775
Current present value of unfunded obligations	**15**	14
Balance at the end of the year	**4 259**	3 789
Consisting of:		
Retirement benefits	**3 785**	3 328
Death-in-service benefits	**147**	150
Continuation members benefits	**327**	311
Balance at the end of the year	**4 259**	3 789

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:

	2017	2016
Discount rate	**11,3%**	10,7%
Healthcare cost inflation	**10,7%**	10,2%
Expected retirement age	**59**	59

The weighted average duration of the post-retirement healthcare benefit is 22,0 years (2016: 23,0 years).

Notes to the group financial statements *continued*

for the year ended 28 February 2017

18. Provisions for liabilities and charges *(continued)*

Post-employment benefits *(continued)*

The expected maturity analysis of undiscounted benefit payments:

	Less than a year R'000	Between 1 and 5 years R'000	Between 6 and 10 years R'000	Between 11 and 15 years R'000
At 29 February 2016				
Benefit payments	15	268	1 113	2 493
At 28 February 2017				
Benefit payments	**16**	**436**	**1 319**	**3 131**

Projection of results of the valuation as at 28 February 2017 to 28 February 2018 is set out below.

	Post-employment benefit liability R'000
As at 28 February 2017	**4 259**
Current service cost	**480**
Interest expense	**182**
Expected employer benefit payments	**(16)**
As at 28 February 2018	**4 905**

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; and
- Contingent considerations.

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 2015	50 397	26 865	–	77 262
Charged to statement of profit or loss:				
– Unwinding of discount (note 31)	3 352	1 705	–	5 057
At 29 February 2016	53 749	28 570	–	82 319
Non-current	53 749	5 636	–	59 385
Current	–	22 934	–	22 934
	53 749	28 570	–	82 319
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 (Pty) Ltd))	**–**	**(5 700)**	**–**	**(5 700)**
– Unwinding of discount (note 31)	**3 223**	**366**	**3 264**	**6 853**
Settlement of other financial liabilities:				
– 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**

L & R Civils (Pty) Ltd – contingent consideration

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

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

During the current year it was determined that L & R Civils (Pty) Ltd 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 2017

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, i.e. the lesser of an earnings multiple of 6,5 or the 30-day VWAP earnings multiple at which Raubex Group Limited trades on the JSE Securities Exchange, multiplied by the average profit after tax for the three historical years prior to the date of exercising the put option, multiplied by 30%.

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

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

The unwinding of discount has been calculated by determining the fair value of the put option at year-end using an income approach and a discount rate of 6,8%, 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 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 to 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.

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"), 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)
L & R Civils (Pty) Ltd – contingent consideration	6,04%	(481)	463
Empa – contingent Consideration	6,00%	(136)	150
OMV – contingent Consideration	6,50%	(860)	923
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.

	2017 R'000	2016 R'000
Trade payables	**632 657**	613 560
Payables due to related parties (note 37)	**8 825**	298
Loans from related parties (note 37)	**5 838**	981
Advance payments received	**5 235**	4 015
Value-added taxation	**53 734**	39 987
Accruals and other payables	**531 815**	459 498
Amounts due to customers for contract work (note 14)	**276 220**	205 443
Total trade and other payables	**1 514 324**	1 323 782

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 2017

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.

	2017 R'000	2016 R'000
Deferred tax assets		
Non-current	**(40 938)**	(42 478)
Deferred tax liabilities		
Non-current	**311 608**	310 041
Deferred tax liabilities (net)	**270 670**	267 563

The gross movement on the deferred income tax account is as follows:

	2017 R'000	2016 R'000
Balance at the beginning of the year	**267 563**	268 485
Exchange differences	**25**	18
Acquisition of subsidiaries	**9 404**	2 486
Charged to statement of profit or loss	**(6 346)**	(3 484)
Charged to comprehensive income	**24**	58
Balance at year-end	**270 670**	267 563

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 2015	339 401	41 209	9	380 619
Exchange differences	17	–	1	18
Charged to statement of profit or loss	27 791	23 120	–	50 911
Acquisition of subsidiaries	2 091	–	1 270	3 361
At 29 February 2016	369 300	64 329	1 280	434 909
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**

	Provisions R'000	Tax losses R'000	Other R'000	Total R'000
Deferred tax assets				
At 1 March 2015	(59 522)	(46 698)	(5 914)	(112 134)
Charged to statement of profit or loss	(5 455)	(43 736)	(5 204)	(54 395)
Charged to comprehensive income	58	–	–	58
Acquisition of subsidiaries	(875)	–	–	(875)
At 29 February 2016	(65 794)	(90 434)	(11 118)	(167 346)
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)**

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 2017

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 2015	187 330	1 873	2 179 613	2 181 486
Shares issued in terms of equity-settled share option scheme	1 920	19	–	19
At 29 February 2016	189 250	1 892	2 179 613	2 181 505
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**

During the 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 (2016: 1,9 million).

The total authorised number of ordinary shares is 500 million shares (2016: 500 million) with a par value of 1 cent per share (2016: 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.

	2017 R'000	2016 R'000
Treasury shares held by Raubex (Pty) Ltd	**23 664**	46 599
Total	**23 664**	46 599

Treasury shares are shares in Raubex Group Limited that are held by group companies. In the prior 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 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 R22,9 miilion. 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 202).

23. Treasury shares *(continued)*

Analysis of movement in treasury shares:

	Number of shares '000	Value R'000
At 1 March 2015	–	–
Acquisition of treasury shares by Raubex (Pty) Ltd	2 683	46 599
At 29 February 2016	2 683	46 599
Treasury shares issued in terms of employee deferred stock scheme	**(1 320)**	**(22 935)**
At 28 February 2017	**1 363**	**23 664**

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 2015	1 052	(1 175 298)	81 943	(48 459)	(1 140 762)
Translation difference of foreign subsidiaries	(2 069)	–	–	–	(2 069)
Share options exercised by employees (note 35)	–	–	(25 995)	–	(25 995)
Share options granted to employees (note 35)	–	–	19 875	–	19 875
At 29 February 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 (note 35)	**–**	**–**	**(30 922)**	**–**	**(30 922)**
Share options granted to employees (note 35)	**–**	**–**	**9 541**	**–**	**9 541**
At 28 February 2017	**(9 779)**	**(1 175 298)**	**54 442**	**(48 459)**	**(1 179 094)**

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

25. Non-controlling interest

	2017 R'000	2016 R'000
Balance at the beginning of the year	**128 764**	110 788
Profit attributable to non-controlling interest	**37 792**	24 095
Non-controlling interest arising on business combination	**–**	5 951
Disposal of non-controlling interest – Tosas Namibia	**–**	254
Acquisition of non-controlling interest	**–**	(6 043)
Dividends paid to non-controlling interest	**(14 256)**	(6 281)
Balance at the end of the year	**152 300**	128 764

Refer to note 41 for a breakdown of non-controlling interests per subsidiary.

Notes to the group financial statements *continued*

for the year ended 28 February 2017

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 to 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:

	2017 R'000	2016 R'000
Contracting revenue	**7 281 615**	6 596 629
Commercial quarry aggregates and gypsum revenue	**651 755**	609 827
Bitumen and emulsion products and services	**525 858**	353 366
Plant hire revenue	**444 696**	361 971
Property sales and development fees	**101 721**	3 961
Total revenue	**9 005 645**	7 925 754

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.

	2017 R'000	2016 R'000
Income received under finance leases	**18 663**	20 756
Insurance recoveries	**1 522**	3 030
Interest on accounts receivable	**5 692**	1 946
Seta recoveries	**1 372**	1 361
Bad debts recovered	**2 781**	873
Total other income	**30 030**	27 966

28. Other gains/(losses)

	2017 R'000	2016 R'000
Profit on sale of fixed assets	**17 972**	6 527
(Loss)/gain on exchange differences	**(24 085)**	6 168
Contingent consideration written off (note 19)	**5 700**	–
Impairment of goodwill (note 11)	**(7 906)**	–
Total other (losses)/gains	**(8 319)**	12 695

29. Expenses by nature

	2017 R'000	2016 R'000
Changes in inventories	**(31 556)**	(29 259)
Subcontractors	**1 941 198**	1 589 453
Raw materials and consumables (note 13)	**2 629 800**	2 403 210
Employee benefit expense (note 34)	**2 123 301**	1 931 303
Depreciation and amortisation (note 10 and 11)	**374 664**	371 977
Operating lease rentals (note 10)	**53 074**	46 758
Repairs and maintenance	**576 869**	480 871
Other operating expenses	**578 447**	461 539
Total cost of sales and administrative expenses	**8 245 797**	7 255 852
Total cost of sales	**7 762 882**	6 800 882
Total administrative expenses	**482 915**	454 970
Total cost of sales and administrative expenses	**8 245 797**	7 255 852

30. Voluntary rebuilding programme expense

The group entered into a settlement agreement with the Government of the Republic of South Africa ("the Government"), 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 must be recorded in the current period, as it is the period in which the obligation occurred. The following net present value was thus charged in full to the statement of profit or loss:

	2017 R'000	2016 R'000
Voluntary rebuilding programme settlement expense	**119 884**	–

Refer to note 19 for further details surrounding the voluntary rebuilding programme.

Notes to the group financial statements *continued*

for the year ended 28 February 2017

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.

	2017 R'000	2016 R'000
Finance income		
Interest income on cash resources	**55 483**	40 226
Other interest	**1 883**	1 646
Total finance income	**57 366**	41 872
Finance costs		
Cash finance costs		
Bank borrowings	**(87 998)**	(82 275)
Other interest	**(1 778)**	(2 247)
Non-cash finance costs		
Unwinding of discount – rehabilitation provision (note 18)	**(2 193)**	(1 537)
Unwinding of discount – contingent consideration liability and put option (note 19)	**(3 588)**	(5 057)
Unwinding of discount – voluntary rebuilding programme (note 19)	**(3 265)**	–
Unwinding of discount – retentions (note 14)	**(2 115)**	–
Total finance costs	**(100 937)**	(91 116)
Net finance costs	**(43 571)**	(49 244)

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.

	2017 R'000	2016 R'000
South African normal taxation		
Current tax		
Current period	**153 037**	135 327
Adjustments for current tax of prior periods	**2 372**	1 063
Capital gains tax	**4 063**	379
Total South African normal taxation	**159 472**	136 769

32. Income tax expense *(continued)*

	2017 R'000	2016 R'000
South African normal taxation *(continued)*		
Deferred tax		
Originating and reversing temporary differences	**(11 306)**	(4 016)
Total South African deferred taxation	**(11 306)**	(4 016)
Total South African taxation	**148 166**	132 753
Foreign taxation		
Current tax		
Current period	**55 920**	57 384
Adjustments for current tax of prior periods	**60**	1 571
Total foreign normal tax	**55 980**	58 955
Deferred tax		
Originating and reversing temporary differences	**1 873**	261
Change in tax rate	**3 086**	271
Total foreign deferred tax	**4 959**	532
Total foreign taxation	**60 939**	59 487
Total income tax expense	**209 105**	192 240

Reconciliation between applicable and effective tax rate

	2017 %	2016 %
Applicable tax rate	**28,00**	28,00
Capital gains tax	**(0,15)**	0,32
Current tax recognised in prior periods	**0,47**	0,21
Disallowed charges – other	**0,15**	(0,11)
Disallowed charges – share options	**0,43**	0,84
Disallowed charges – VRP settlement agreement	**5,57**	–
Special allowances	**(1,78)**	(0,34)
Change in tax rate in foreign countries	**0,50**	0,04
Tax at rates in foreign countries	**0,59**	0,09
	33,78	29,05

The tax effect relating to components of other comprehensive income is as follows:

	Before tax 2017 R'000	Tax 2017 R'000	After tax 2017 R'000	Before tax 2016 R'000	Tax 2016 R'000	After tax 2016 R'000
Currency translation differences	**(8 762)**	**–**	**(8 762)**	(2 069)	–	(2 069)
Actuarial (loss)/gain on post-employment benefit obligations	**97**	**27**	**70**	206	58	148
Other comprehensive income	**(8 665)**	**27**	**(8 692)**	(1 863)	58	(1 921)

Notes to the group financial statements *continued*

for the year ended 28 February 2017

33. Auditors' remuneration

	2017 R'000	2016 R'000
Fees	**9 610**	8 694
Prior year under-provision	**(8)**	(133)
Tax and non-audit services	**251**	501
Total auditors remuneration	**9 853**	9 062

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.

Other post-employment obligations

One company in the group provides post-retirement healthcare benefits to their retirees. Refer to 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:

	2017 R'000	2016 R'000
Wages and salaries	**1 917 715**	1 736 335
Share options granted to employees (note 35)	**9 541**	19 875
Retirement fund contributions	**91 457**	77 018
Medical aid contributions	**34 471**	30 893
Other post-employment benefits	**567**	(90)
Other contributions and accruals	**69 550**	67 272
Total employee benefit expense	**2 123 301**	1 931 303

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.

	2017	2016
Number of employees – both permanent and limited duration contracts at year-end	**9 871**	10 516

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.

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.

Notes to the group financial statements *continued*

for the year ended 28 February 2017

35. Employee Share Option Scheme *(continued)*

Arrangement	a) Deferred Stock 2013	b) Deferred Stock 2014	c) Deferred Stock 2015
Nature of arrangement	Grant of share option	Grant of share option	Grant of share option
Options approved	2 260 030	1 339 700	1 362 380
Number of options granted	2 208 042	1 339 699	1 362 334
Number of options outstanding	1 927 430	1 339 699	1 362 334
Exercise price	R0,01	R0,01	R0,01
Date of grant	2012/10/05	2013/11/07	2014/10/03
Share price at the date of grant	R15,06	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.	40 days from expiry of the three-year retention period relating to the options.
Vesting conditions	Three years of service from the date of grant	Three years of service from the date of grant	Three years of service from the date of grant
Settlement	Shares	Shares	Shares
Expected volatility	45%	45%	2,5%
Expected option life at grant date	2,4 years	2,3 years	2,4 years
Risk free interest rate	5,40%	8,10%	8,40%
Expected dividend yield	4,80%	2,60%	3,10%
Expected departures (grant date)	0%	0%	0%
Expected outcome of meeting performance criteria (grant date)	100%	100%	100%
Fair value of options determined at the grant date	R13,54	R23,42	R21,03
Valuation model	Black-Scholes	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.

The following information applies to options outstanding at the end of each period:

29 February 2016

			Weighted average remaining life (years)	
Range of exercise prices	Weighted average exercise price	Number of options	Expected	Contractual
R0,01	R0,01	1 320 328	–	–
R0,01	R0,01	1 362 334	1	1

28 February 2017

			Weighted average remaining life (years)	
Range of exercise prices	**Weighted average exercise price**	**Number of options**	**Expected**	**Contractual**
R0,01	**R0,01**	**1 362 334**	**–**	**–**

35. Employee Share Option Scheme *(continued)*

A reconciliation of movements in the number of share options can be summarised as follows:

	Number of options 2017	Exercise price 2017	Number of options 2016	Exercise price 2016
Outstanding at the beginning of the year	**2 682 662**	**R0,01**	4 602 533	R0,01
Options granted	**–**	**R0,01**	–	R0,01
Options forfeited	**–**	**R0,01**	–	R0,01
Options exercised	**(1 320 328)**	**R0,01**	(1 919 871)	R0,01
Outstanding at the end of the year	**1 362 334**	**R0,01**	2 682 662	R0,01
Exercisable at the end of the year	**1 362 334**	**R0,01**	1 320 328	R0,01

The weighted average share price on exercise date was R18,11.

The amounts recognised in the financial statements (before tax) for share-based payment transactions with employees can be summarised as follows:

	2017 R'000	2016 R'000
Expense – equity-settled arrangements		
Deferred stock scheme (note 34)	**9 541**	19 875
Total share equity-settled share-based payment expense	**9 541**	19 875

36. Cash generated from operations

	2017 R'000	2016 R'000
Profit before income tax	**618 959**	661 643
Adjustment for:		
Depreciation (note 10)	**373 231**	371 306
Amortisation (note 11)	**1 433**	671
Goodwill impairment (note 11)	**7 906**	–
Profit on sale of assets (note 28)	**(17 972)**	(6 527)
Interest received (note 31)	**(57 366)**	(41 872)
Interest paid (note 31)	**100 937**	91 116
Foreign exchange loss/(gains) – unrealised	**(7 663)**	(5 729)
Provisions (note 18)	**2 646**	7 510
Share of profit of investments accounted for using the equity method (note 12)	**(855)**	(324)
Share options granted to employees (note 34)	**9 541**	19 875
Voluntary rebuilding programme settlement expense (note 30)	**119 884**	–
Contingent consideration reversed (note 19)	**(5 700)**	–
Changes in working capital		
Inventories	**(31 556)**	(27 399)
Trade and other receivables	**(84 061)**	(147 691)
Construction contracts in progress and retentions	**35 168**	(6 833)
Trade and other payables	**174 308**	134 715
Changes in other financial liabilities		
Voluntary rebuilding programme (note 19)	**(15 000)**	–
Net cash generated from operations	**1 223 840**	1 050 461

Notes to the group financial statements *continued*

for the year ended 28 February 2017

36. Cash generated from operations *(continued)*

	2017 R'000	2016 R'000
In the cash flow statement, proceeds from sale of property, plant and equipment comprise:		
Net book amount (note 10)	**71 014**	42 298
Profit on disposal of property, plant and equipment (note 28)	**17 972**	6 527
Proceeds from disposal of property, plant and equipment	**88 986**	48 825

	2017 R'000	2016 R'000
In the statement of cash flows taxation paid is calculated as follows:		
Balance (receivable)/due at the beginning of the year	**(9 127)**	(14 323)
Add: Acquisitions	**(1 941)**	(79)
Add: Current year tax charge (note 32)	**215 452**	195 724
Add: Balance (payable)/receivable at the end of the year	**2 593**	9 127
Taxation paid	**206 977**	190 449

37. Related parties

Relationships

Joint ventures and joint operations — Refer to note 12 and 42

Companies and trusts controlled by directors and directors of subsidiaries:

Bridgetown Dolomite Mine Joint Venture
Corpclo 851 CC
Crossmoor Transport CC
Doncon (Pty) Ltd
Independent Family Trust
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
Verdino 192 (Pty) Ltd

	2017 R'000	2016 R'000
Related-party balances		
Amounts included in trade receivables regarding related parties		
Akasia/Actophambili Joint Operation	**2 962**	3 230
Bridgetown Dolomite Mine Joint Venture	**2 014**	1 547
Corpclo 851 CC	**13**	10
Doncon (Pty) Ltd	**–**	10 373
Lemati Developers (Pty) Ltd	**33 760**	41 174
Raubex Eiendomme (Pty) Ltd	**8**	9
Raubex/Moloto Joint Operation	**4 554**	–
Raubex/Roadmac Surfacing/Thatheni Woman's Construction Joint Operation	**45**	9 454
Raubex/Sakula Joint Operation	**15**	17 506
RESA Joint Operation	**–**	2 948
RJ Fourie Boerdery	**–**	5
Roadmac Surfacing/KYK Joint Operation	**–**	379
Receivables from related parties (refer to note 15)	**43 371**	86 635

37. Related parties *(continued)*

	2017 R'000	2016 R'000
Related-party balances *(continued)*		
Amounts included in trade payables regarding related parties		
Akasia/Actophambili Joint Operation	**8 674**	–
Klaas en Ellie Beleggings (Pty) Ltd	**–**	–
Raubex Eiendomme (Pty) Ltd	**151**	67
Raubex/Roadmac Surfacing/Thatheni Woman's Construction Joint Operation	**–**	231
Payables due to related parties (refer to note 20)	**8 825**	298
Loans to related parties		
KE Msimango	**1 000**	–
Kentha/Raumix Joint Operation	**1 082**	1 176
MD Dikoko	**187**	–
Nashitoke Trust	**–**	200
Oranje Mynbou en Vervoer (Pty) Ltd	**1 850**	–
Raubex/Moloto Joint Operation	**124**	–
Raubex/Sakula Joint Operation	**1**	–
Roadmac Surfacing/Actophambili Joint Operation	**255**	252
Roadmac Surfacing/KYK Joint Operation	**257**	257
Verdino 192 (Pty) Ltd	**1 604**	–
Loans to related parties (refer to note 15)	**6 360**	1 885
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	**200**	–
Loans advanced during the year	**4 642**	200
Loan repayments received	**(200)**	–
At the end of the year	**4 642**	200
Loans to joint operations:		
At the beginning of the year	**1 685**	10 604
Loans advanced during the year	**127**	119
Loan repayments received	**(94)**	(9 038)
At the end of the year	**1 718**	1 685
Total loans to related parties:		
At the beginning of the year	**1 885**	10 604
Loans advanced during the year	**4 769**	319
Loan repayments received	**(294)**	(9 038)
At the end of the year (refer to note 15)	**6 360**	1 885
Loans from related parties		
Included in trade payables (note 20):		
Klaas en Ellie Beleggings (Pty) Ltd	**5 807**	–
Raubex/Sakula Joint Operation	**31**	981
Included in borrowings (note 17):		
Crossmoor Transport CC	**1 705**	6 896
Independent Family Trust	**3 907**	4 335
MAB Fusion (Pty) Ltd	**14 992**	15 015
Manamata Investments (Pty) Ltd	**2 902**	5 263
Oranje Mynbou en Vervoer (Pty) Ltd	**15 496**	–
Loans from related parties	**44 840**	32 490

Notes to the group financial statements *continued*

for the year ended 28 February 2017

37. Related parties *(continued)*

	2017 R'000	2016 R'000
Loans from related parties *(continued)*		
Loans from entities controlled by key management:		
At the beginning of the year	**31 509**	25 325
Loans received during the year	**21 304**	9 598
Loan repayments made	**(8 004)**	(3 414)
At the end of the year	**44 809**	31 509
Loans from joint operations:		
At the beginning of the year	**981**	–
Loans received during the year	**31**	981
Loan repayments made	**(981)**	–
At the end of the year	**31**	981
Total loans from related parties:		
At the beginning of the year	**32 490**	25 325
Loans received during the year	**21 335**	10 579
Loan repayments made	**(8 985)**	(3 414)
At the end of the year (refer to note 17 and note 20)	**44 840**	32 490

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

	2017 R'000	2016 R'000
Transactions with related parties		
Subcontractors' fees received from/(paid to) related parties		
Akasia/Actophambili Joint Operation	**1 515**	14 700
Doncon (Pty) Ltd	**7 143**	11 679
Lemati Developers (Pty) Ltd	**73 001**	70 168
Raubex Eiendomme (Pty) Ltd	**59**	50
Raubex/Roadmac Surfacing/Thatheni Woman's Construction Joint Operation	**40**	41
Raubex/Sakula Joint Operation	**–**	11 536
Raubex/Moloto Joint Operation	**4 006**	–
Roadmac Surfacing/Actophambili Joint Operation	**6 042**	19 798
Roadmac Surfacing/KYK Joint Operation	**–**	112 500
	91 806	240 472
Rental of equipment and premises received from/(paid to) related parties		
Bridgetown Dolomite Mine Joint Venture	**15 450**	16 905
Corpclo 851 CC	**(1 139)**	(946)
Kentha/Raumix Joint Operation	**(1 315)**	(1 213)
NFG Property Sales (Pty) Ltd	**(321)**	–
MAB Fusion (Pty) Ltd	**(240)**	(180)
Raubex Eiendomme (Pty) Ltd	**(2 244)**	(2 450)
RESA Joint Operation	**(5 146)**	31 599
The Burger Family Trust	**(120)**	(120)
	4 925	43 595

37. Related parties *(continued)*

	2017 R'000	2016 R'000
Transactions with related parties *(continued)*		
Administration fees received from/(paid to) related parties		
Raubex/Sakula Joint Operation	**190**	239
Other fees received from/(paid to) related parties		
Raubex Eiendomme (Pty) Ltd	**(507)**	(178)
RJ Fourie Boerdery	**15**	85
Oranje Mynbou en Vervoer (Pty) Ltd	**1 429**	–
	937	(93)

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
2016						
Executive						
RJ Fourie	–	2 614	6 286	287	355	9 542
JF Gibson	–	1 769	3 848	177	25	5 819
Total emoluments	–	4 383	10 134	464	380	15 361
Non-executive						–
JE Raubenheimer	819	–	–	–	–	819
LA Maxwell	665	–	–	–	–	665
F Kenney	512	–	–	–	–	512
BH Kent	512	–	–	–	–	512
NF Msiza	512	–	–	–	–	512
Total emoluments	3 020	–	–	–	–	3 020

	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**

** Includes 13th cheque, the 13th cheque was included in the incentive bonus column in the prior year.*

Notes to the group financial statements *continued*

for the year ended 28 February 2017

37. Related parties *(continued)*

Related-party transactions with directors and prescribed officers *(continued)*

Prescribed officers' emoluments

	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits R'000	Total emoluments R'000
2016					
TG Wiese	1 891	5 260	588	456	8 195
LJ Raubenheimer	1 667	3 983	191	297	6 138
GM Raubenheimer	1 414	1 772	164	252	3 602
RL Shedlock	2 290	2 884	706	517	6 397
JA Louw	1 088	1 326	109	150	2 673
HE Ernst	514	571	51	–	1 136
Total emoluments	8 864	15 796	1 809	1 672	28 141

	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**

* *Includes 13th cheque, the 13th cheque was included in the incentive bonus column in the prior year.*

Share options granted to directors and prescribed officers

	Options outstanding at 1 March 2015	Options granted during the year	Options exercised during the year	Options outstanding at 29 February 2016	Strike price
Share options 2016					
Executive directors					
RJ Fourie	373 179	–	166 289	206 890	R0,01
JF Gibson	250 572	–	90 703	159 869	R0,01
Prescribed officers					
TG Wiese	288 365	–	128 496	159 869	R0,01
LJ Raubenheimer	288 365	–	128 496	159 869	R0,01
GM Raubenheimer	42 407	–	18 896	23 511	R0,01
RL Shedlock	150 642	–	37 793	112 849	R0,01
JA Louw	89 427	–	18 896	70 531	R0,01
HE Ernst	42 407	–	18 896	23 511	R0,01

37. Related parties *(continued)*

Related-party transactions with directors and prescribed officers *(continued)*

Share options granted to directors and prescribed officers *(continued)*

	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**

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 2017.

	Number of shares 2017	Number of shares 2016
Beneficial		
Direct and Indirect		
RJ Fourie	**4 546 140**	4 485 796
JF Gibson	**321 271**	242 238
F Kenney	**5 965 384**	14 965 384
LA Maxwell	**–**	16 000
Non-beneficial		
Direct and Indirect		
JE Raubenheimer	**25 650 000**	25 650 000

During the year the company repurchased 7,5 million ordinary shares from F Kenney. Refer to note 22 for further details.

At date of this report, these interests remained unchanged.

38. Directors', prescribed officers' and key management emoluments

	2017 R'000	2016 R'000
Executive		
For services as directors of the company	**16 399**	15 361
For services as prescribed officers of the company	**27 225**	28 141
For services as key management	**86 918**	70 830

Prescribed officers of the company consist of the company secretary and executive committee members who are not directors of the company.

Notes to the group financial statements *continued*

for the year ended 28 February 2017

38. Directors', prescribed officer and key management emoluments *(continued)*

Key management consists of directors of subsidiaries who are not defined as prescribed officers of the company.

	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits R'000	Total emoluments R'000
Key management emoluments 2016	37 130	22 851	4 954	5 895	70 830
Key management emoluments 2017	**43 417**	**29 697**	**6 359**	**7 445**	**86 918**

39. Commitments

Capital commitments

Capital expenditure contracted for at the reporting date but not yet incurred are as follows:

	2017 R'000	2016 R'000
Property, plant and equipment	**6 418**	1 781
Investment in subsidiary	**37 000**	37 500
Total capital commitments	**43 418**	39 281

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:

	2017 R'000	2016 R'000
No later than one year	**33 599**	36 966
Later than one year and no later than five years	**27 627**	29 021
Total operating lease commitments	**61 226**	65 987

Voluntary rebuilding programme commitment

The future voluntary rebuilding programme commitment, consisting of the 11 remaining payments of R15 million per annum to be settled on 1 July each year, amounts to the following at year-end:

	2017 R'000	2016 R'000
Voluntary rebuilding programme (refer to note 19 and 30)	**165 000**	–

40. Contingencies

Total financial institution backed contract guarantees provided to third parties on behalf of subsidiary companies amounted to R1 518,3 million (2016: R1 670,3 million). The directors do not believe that any exposure to loss is likely. Total available facilities in this regard amount to R3 279,0 million (2016: R3 104,0 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

		Issued share capital Shares	Effective % held by the group 2017 %	Effective % held by the group 2016 %	Effective % held by non-controlling interests 2017 %	Effective % held by non-controlling interests 2016 %	Shares at cost 2017 R'000	Shares at cost 2016 R'000	Amounts owing by subsidiaries 2017 R'000	Amounts owing by subsidiaries 2016 R'000
Direct										
Raubex (Pty) Ltd	✧	300	**100**	100	**–**	–	**1 001 620**	1 001 620	**308 883**	465 768
B&E International (Pty) Ltd	#	1 000	**100**	100	**–**	–	**473 844**	473 844	**–**	–
Burma Plant Hire (Pty) Ltd	†	100	**70**	70	**30**	30	**11 532**	11 532	**35 035**	35 035
Aquatic Services (Pty) Ltd (SPH Group)	#	300	**100**	100	**–**	–	**111 336**	111 336	**–**	–
L & R Civils (Pty) Ltd	☐	300	**80**	80	**20**	20	**22 300**	22 300	**–**	–
Strata Civils (Pty) Ltd	☐	500	**90**	90	**10**	10	**–**	–	**–**	–
Raubex Construction (Mauritius) Ltd	☐	100	**100**	100	**–**	–	**1**	1	**–**	–
Tosas Holdings (Pty) Ltd	✧	100	**100**	100	**–**	–	**120 000**	120 000	**–**	–
Indirect										
Akasia Road Surfacing (Pty) Ltd	⬟	100	**100**	100	**–**	–	**120 796**	120 796	**–**	–
Aliwal Dolorite Quarry (Pty) Ltd	▪	100	**74**	74	**26**	26	**7 619**	7 619	**–**	–
B&E International – North (Namibia) (Pty) Ltd	†	100	**100**	100	**–**	–	**–**	–	**–**	–
B&E International (Botswana) (Pty) Ltd	♦	10 000	**74**	74	**26**	26	**–**	–	**–**	–
B&E International (Foreign) (Pty) Ltd	#	100	**100**	100	**–**	–	**–**	–	**–**	–
B&E International (Namibia) (Pty) Ltd	#	200	**74**	74	**26**	26	**–**	–	**–**	–
B&E International Mozambique Limitada	#	16 835	**100**	100	**–**	–	**–**	–	**–**	–
Belabela Quarries (Pty) Ltd	▪	1 660 000	**74**	74	**26**	26	**–**	–	**–**	–
Belabela Asphalt (Pty) Ltd	⬟	100	**49**	99	**51**	1	**1**	1	**–**	–
Burma Plant Hire and Mining (Pty) Ltd	†	100	**52**	52	**48**	48	**–**	–	**–**	–
Burma Plant Hire (Namibia) (Pty) Ltd	†	100	**70**	70	**30**	30	**–**	–	**–**	–
Canyon Rock (Pty) Ltd	▪	120	**74**	74	**26**	26	**46 294**	46 294	**–**	–
Centremark Roadmarking (Pty) Ltd	■	120	**95**	95	**5**	5	**7 763**	7 763	**–**	–
Comar Plant Design and Manufacturing (Pty) Ltd	†	1 000	**100**	100	**–**	–	**3 000**	3 000	**–**	–
Empa Plant (Pty) Ltd	♦	400	**70**	70	**30**	30	**23 527**	23 527	**–**	–
Empa Structures (Pty) Ltd	☐	100	**70**	70	**30**	30	**4 099**	4 099	**–**	–
Forward Infra (Pty) Ltd	■	100	**100**	100	**–**	–	**–**	–	**–**	–
Greemined Environmental (Pty) Ltd	▲	1 000	**100**	100	**–**	–	**–**	–	**–**	–
Harding Quarry (Pty) Ltd	▪	870 000	**74**	74	**26**	26	**–**	–	**–**	–

Notes to the group financial statements *continued*

for the year ended 28 February 2017

41. Interest in subsidiaries *(continued)*

		Issued share capital	Effective % held by the group		Effective % held by non-controlling interests		Shares at cost		Amounts owing by subsidiaries	
		Shares	**2017 %**	2016 %	**2017 %**	2016 %	**2017 R'000**	2016 R'000	**2017 R'000**	2016 R'000
Inzalo Crushing and Aggregates (Pty) Ltd	▪	10 000	**74**	74	**26**	26	**9**	9	**–**	–
Malmesbury Sand (Pty) Ltd	▪	4 000	**100**	–	**–**	–	**10 600**	–	**–**	–
Matlosana Industries (Pty) Ltd	▪	100	**52**	52	**48**	48	**–**	–	**–**	–
Middelburg Quarry (Pty) Ltd	▪	100	**74**	74	**26**	26	**2 300**	2 300	**–**	–
Milling Techniks (Pty) Ltd	*	100	**100**	100	**–**	–	**15 000**	15 000	**–**	–
Muscle Construction (Pty) Ltd	♦	100	**26**	26	**74**	74	**–**	–	**–**	–
Narindonde Construction (Pty) Ltd	#	100	**74**	74	**26**	26	**–**	–	**–**	–
National Asphalt (Pty) Ltd	⬟	100	**100**	100	**–**	–	**–**	–	**–**	–
National Cold Asphalt (Pty) Ltd	⬟	100	**100**	100	**–**	–	**1 124**	1 124	**–**	–
OMV (Pty) Ltd	▪	800	**70**	70	**30**	30	**54 452**	54 452	**–**	–
OMV Kimberley (Pty) Ltd	▪	800	**100**	–	**–**	–	**37 500**	–	**–**	–
OMV Kimberley Mining (Pty) Ltd	▪	100	**100**	–	**–**	–	**–**	–	**–**	–
OMV Stilfontein (Pty) Ltd	♦	800	**70**	70	**30**	30	**34 706**	34 706	**–**	–
OMV Stilfontein Mining (Pty) Ltd	▪	100	**52**	52	**48**	48	**–**	–	**–**	–
Petra Quarry (Pty) Ltd	▪	100	**74**	74	**26**	26	**3 849**	3 849	**–**	–
Phambili Road Surfacing (Pty) Ltd	*	200	**100**	100	**–**	–	**20 515**	20 515	**–**	–
Phuhlisa Development Solutions (Pty) Ltd	⊙	1 000	**80**	80	**20**	20	**418**	418	**–**	–
Prodev Plant Hire (Pty) Ltd	†	100	**70**	70	**30**	30	**31 000**	31 000	**–**	–
Queenstown Quarry (Pty) Ltd	▪	100	**74**	74	**26**	26	**21 929**	21 929	**–**	–
Raubex Building (Pty) Ltd	☐	100	**73**	73	**27**	27	**–**	–	**–**	–
Raubex Civil (Pty) Ltd	✧	100	**100**	100	**–**	–	**14 999**	14 999	**–**	–
Raubex Construction (Pty) Ltd	*	1 000	**100**	100	**–**	–	**87 301**	87 301	**–**	–
Raubex Construction Namibia (Pty) Ltd	♦	100	**49**	49	**51**	51	**–**	–	**–**	–
Raubex Construction Zambia Ltd	*	5 000 000	**100**	100	**–**	–	**6 009**	6 009	**–**	–
Raubex Construction Zimbabwe (Pvt) Ltd	#	1 400	**49**	–	**51**	–	**1**	–	**–**	–
Raubex Infra (Pty) Ltd	☐	900	**70**	70	**30**	30	**6 539**	6 539	**–**	–
Raubex KZN (Pty) Ltd	*	100	**100**	100	**–**	–	**43 907**	43 907	**–**	–
Raudev (Pty) Ltd	☐	100	**80**	80	**20**	20	**8 084**	8 084	**–**	–
Raumix Aggregates (Pty) Ltd	▪	916	**100**	100	**–**	–	**–**	–	**30 993**	30 993
Raumix Holdings (Pty) Ltd	✧	100	**100**	100	**–**	–	**23 674**	23 674	**–**	–
Roadmac (Pty) Ltd	✧	100	**100**	100	**–**	–	**84 550**	84 550	**–**	–
Roadmac Surfacing (Pty) Ltd	*	100	**100**	100	**–**	–	**20 000**	20 000	**–**	–
Roadmac Surfacing Cape (Pty) Ltd	*	200	**100**	100	**–**	–	**24 299**	24 299	**–**	–
Roadmac Surfacing KZN (Pty) Ltd	*	100	**100**	100	**–**	–	**151**	151	**–**	–

41. Interest in subsidiaries *(continued)*

		Issued share capital Shares	Effective % held by the group 2017 %	2016 %	Effective % held by non-controlling interests 2017 %	2016 %	Shares at cost 2017 R'000	2016 R'000	Amounts owing by subsidiaries 2017 R'000	2016 R'000
Shisalanga Construction (Pty) Ltd	⬟	100	**60**	60	**40**	40	**38 400**	38 400	**–**	–
SPH Kundalila (Pty) Ltd	#	100	**100**	100	**–**	–	**–**	–	**–**	–
Thekweni Surfacing (Pty) Ltd	⧫	100	**26**	26	**74**	74	**–**	–	**–**	–
Tosas (Pty) Ltd	◈	20 000	**100**	100	**–**	–	**–**	–	**–**	–
Tosas Eastern Cape (Pty) Ltd	◈	100	**50**	50	**50**	50	**–**	–	**–**	–
Tosas Botswana (Pty) Ltd	◈	134	**100**	100	**–**	–	**–**	–	**–**	–
Tosas Namibia (Pty) Ltd	◈	100	**90**	90	**10**	10	**–**	–	**–**	–
Willows Quarries (Pty) Ltd	▪	100	**74**	74	**26**	26	**–**	–	**–**	–
Zamori Construction (Pty) Ltd	*	120	**100**	100	**–**	–	**35 799**	35 799	**–**	–
Zisena (Pty) Ltd	*	100	**49**	49	**51**	51	**–**	–	**–**	–
Aggregate of all dormant entities 100% owned (indirect)	⧫	11 403	**100**	100	**–**	–	**–**	–	**–**	–

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

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 that 50% of the issued shares. Thus the group has power over and is exposed to, or has rights to, variable returns from its involvement with these entities:

- Muscle Construction (Pty) Ltd;
- Zisena (Pty) Ltd;
- Thekweni Surfacing (Pty) Ltd;
- Raubex Construction Namibia (Pty) Ltd; and
- Belabela Asphalt (Pty) Ltd.

Management considered the following factors in determining control:

- The involvement of the group in decision-making over significant transactions and/or investments;
- The involvement of the group in determining the policies and processes in place at these entities;
- The number of directors the group has on the boards of these entities;
- The relation of the other shareholders of these entities to the group; and
- The dependence of these entities on the group and/or its subsidiaries.

Notes to the group financial statements *continued*

for the year ended 28 February 2017

41. Interest in subsidiaries *(continued)*

All companies are incorporated in South Africa except for the following:

Name	Country of incorporation and place of business
B&E International – North (Namibia) (Pty) Ltd	Namibia
B&E International (Botswana) (Pty) Ltd	Botswana
B&E International (Lesotho) (Pty) Ltd	Lesotho
B&E International (Namibia) (Pty) Ltd	Namibia
B&E International (Swaziland) (Pty) Ltd	Swaziland
B&E International Mozambique Limitada	Mozambique
Belabela Asphalt (Pty) Ltd	Botswana
Belabela Quarries (Pty) Ltd	Botswana
Burma Plant Hire (Namibia) (Pty) Ltd	Namibia
Narindonde Construction (Pty) Ltd	Namibia
Notwane Quarries (Pty) Ltd	Botswana
Prodev Plant Hire (Pty) Ltd	Namibia
Raubex Construction (Mauritius) Ltd	Mauritius
Raubex Construction Namibia (Pty) Ltd	Namibia
Raubex Construction Zambia Ltd	Zambia
Raubex Construction Zimbabwe (Pvt) Ltd	Zimbabwe
Tosas Botswana (Pty) Ltd	Botswana
Tosas Namibia (Pty) Ltd	Namibia

Roadmac Surfacing (Pty) Ltd operates through a branch registered in Namibia.

Raubex (Pty) Ltd operates through branches registered in Namibia and Zambia.

Raubex Construction (Pty) Ltd operates through a branch registered in Botswana.

B&E International (Foreign) (Pty) Ltd operates through a branch registered in Zimbabwe.

The following companies were deregistered during the year:
Aquasoil (Pty) Ltd
B and E Quarries (Pty) Ltd
Bheka Trading (Pty) Ltd
DBE Mining (Pty) Ltd
Saldhana Plant Hire (Pty) Ltd
SPH Equipment Hire (Pty) Ltd

During the year the following name changes occurred:

- OMV Gypsum Potchefstroom (Pty) Ltd changed to OMV (Pty) Ltd

All subsidiaries in the group have the same year-ends. 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:

	Profit for the period R'000	Dividends paid to non-controlling interest R'000	Total assets R'000	Total liabilities R'000	Net increase/ (decrease) in cash and cash equivalents R'000
At 29 February 2016					
Aggregate of all subsidiaries with non-controlling interests in the group*	84 879	(6 281)	1 584 217	(1 170 429)	21 077
Total	84 879	(6 281)	1 584 217	(1 170 429)	21 077
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**

	Non-controlling interest balance at the beginning of the year R'000	Profit attributable to non-controlling interest R'000	Non-controlling interest on acquisition of subsidiary R'000	Acquisition of non-controlling interest R'000	Dividends paid to non-controlling interest R'000	Non-controlling interest balance at the end of the year R'000
At 29 February 2016						
Aggregate of all subsidiaries with non-controlling interests in the group*	110 788	24 095	6 205	(6 043)	(6 281)	128 764
Total	110 788	24 095	6 205	(6 043)	(6 281)	128 764
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**

* *Refer to 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 2017

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 2017 %	Interest held 2016 %
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**	–
Raubex/Nodoli Joint Operation	South Africa	Infrastructure	**50**	50
Raubex/Roadmac Surfacing/Thatheni Woman's Construction Joint Operation	South Africa	Road construction	**90**	90
Raubex/Sakula Joint Operation	South Africa	Infrastructure	**75**	75
RESA Joint Operation	South Africa	Infrastructure	**45**	45
Roadmac Surfacing/Actophambili	South Africa	Road surfacing	**60**	60
Roadmac Surfacing/KYK Joint Operation	South Africa	Road surfacing	**60**	60

Financial information

	2017 R'000	2016 R'000
Statement of financial position		
(Recognised in proportion to interest in assets and liabilities)		
Assets		
Non-current assets	**–**	21
Current assets	**14 771**	32 676
Total assets	**14 771**	32 697
Equity and liabilities		
Equity	**(32)**	(12)
Current liabilities	**14 803**	32 709
Total equity and liabilities	**14 771**	32 697
Statement of profit or loss		
(Recognised in proportion to interest in assets and liabilities)		
Revenue	**35 635**	176 619
Profit/(loss) attributable to group	**(1 160)**	(6 197)

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 2017	Number of shares 2016	% held 2017	% held 2016
The shareholder spread is summarised as follows:				
Public shareholders	**139 296 282**	133 117 040	**76,6**	70,3
Non-public shareholders	**42 453 754**	56 132 996	**23,4**	29,7
Total shares	**181 750 036**	189 250 036	**100**	100
Non-public shareholders are summarised as follows:				
Directors of the company	**36 482 795**	45 359 418	**20,1**	24,0
Directors of subsidiaries	**4 022 490**	6 675 877	**2,2**	3,5
Employees	**586 135**	1 415 039	**0,3**	0,8
Treasury shares – Raubex (Pty) Ltd	**1 362 334**	2 682 662	**0,7**	1,4
Total shares	**42 453 754**	56 132 996	**23,4**	29,7

Beneficial shareholders with a holding greater than 5% of the issued shares

	Number of shares 2017	Number of shares 2016	% of shares in issue 2017	% of shares in issue 2016
Raubenbel (Pty) Ltd	**25 650 000**	25 650 000	**14,1**	13,6
Government Employees Pension Fund	**22 754 382**	22 174 781	**12,5**	11,7
Total	**48 404 382**	47 824 781	**26,6**	25,3

44. Events after the reporting period

Business acquisitions

Lime Sales Limited ("Lime Sales")

Effective 1 March 2017, the group effectively acquired 74% of Lime Sales, through its subsidiary SPH Kundadlila (Pty) Ltd for a net 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 acquisition is in line with the group's strategy to expand its commercial quarry business geographically.

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

Notes to the group financial statements *continued*

for the year ended 28 February 2017

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 2017.

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 2017 year-end

Number	Executive summary
Amendments to IAS 1: *Presentation of financial statements* disclosure initiative	In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

The adoption of the above amendment had a significant impact on the current and prior period presentation and layout of the notes to the financial statements.

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

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 2017 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 2017 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.	The group's assessment has 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.
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.	Extensive changes require an additional reconciliation for financing activities to be disclosed in the notes to the cash flow statement, which will change the layout and presentation significantly.

Notes to the group financial statements *continued*

for the year ended 28 February 2017

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 2017 year-end

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*.	The group undertook an exercise in order to determine the possible effect of the new lease standard on the group results. The effect has been assessed to not have a material impact on the reporting numbers. The new amendments will, however, affect individual line items within the statement of profit or loss, statement of financial position, statement of changes in equity and the statement of cash flows. In addition, the disclosure requirements are expected to significantly affect the group's notes to the financial statements when the statement becomes effective.

Company statement of financial position

for the year ended 28 February 2017

	Notes	2017 R'000	2016 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	4.1	**1 830 639**	1 821 098
Loans to group companies	4.2	**374 911**	531 796
Total non-current assets		**2 205 550**	2 352 894
Current assets			
Trade and other receivables	5	**125**	99
Current income tax receivable		**21**	20
Cash and cash equivalents	6	**289**	499
Total current assets		**435**	618
Total assets		**2 205 985**	2 353 512
EQUITY			
Ordinary shares	7	**1 817**	1 892
Share premium	7	**2 059 776**	2 179 701
Reserves		**85 364**	75 823
Retained income		**58 672**	90 225
Total equity		**2 205 629**	2 347 641
LIABILITIES			
Non-current liabilities			
Other financial liabilities	8	**–**	3 500
Total non-current liabilities		**–**	3 500
Current liabilities			
Trade and other payables	9	**356**	371
Other financial liabilities	8	**–**	2 000
Total current liabilities		**356**	2 371
Total liabilities		**356**	5 871
Total equity and liabilities		**2 205 985**	2 353 512

Notes on pages 165 to 177 form an integral part of these financial statements.

Company statement of comprehensive income

for the year ended 28 February 2017

	Notes	2017 R'000	2016 R'000
Revenue	10	**127 488**	101 710
Other gains/(losses) – net	11	**5 700**	–
Administrative expenses		**(3 362)**	(2 815)
Operating profit		**129 826**	98 895
Finance income	12	**131**	65
Finance costs	12	**(200)**	(400)
Profit before income tax		**129 757**	98 560
Income tax expense	13	**(37)**	(18)
Profit for the year		**129 720**	98 542
Other comprehensive income		**–**	–
Total comprehensive income for the year		**129 720**	98 542

Notes on pages 165 to 177 form an integral part of these financial statements.

Company statement of changes in equity

for the year ended 28 February 2017

	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 2015	1 873	2 179 701	81 943	101 948	2 365 465
Changes in equity:					
Shares issued in terms of equity-settled share option scheme	19	–	(25 995)	25 995	19
Employees' share option scheme (note 4.1)	–	–	19 875	–	19 875
Total comprehensive income for the year	–	–	–	98 542	98 542
Dividends paid	–	–	–	(136 260)	(136 260)
Total changes	19	–	(6 120)	(11 723)	(17 824)
Balance at 29 February 2016	1 892	2 179 701	75 823	90 225	2 347 641
Changes in equity:					
Share buy-back	**(75)**	**(119 925)**	**–**	**–**	**(120 000)**
Employees' share option scheme (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**
Notes	7	7			

Notes on pages 165 to 177 form an integral part of these financial statements.

Company statement of cash flows

for the year ended 28 February 2017

	Notes	2017 R'000	2016 R'000
Cash flow from operating activities			
Cash used in operations	14	**(3 403)**	(2 864)
Dividends received	10	**127 488**	101 710
Interest received	12	**131**	65
Interest paid	12	**–**	–
Taxation paid	14	**(38)**	(18)
Net cash generated from operating activities		**124 178**	98 893
Cash flows from investing activities			
Shares issued in terms of equity-settled share option scheme		**–**	19
Loans repaid by group companies		**156 885**	37 620
Net cash generated from investing activities		**156 885**	37 639
Cash flows from financing activities			
Dividends paid		**(161 273)**	(136 260)
Share buy-back transaction		**(120 000)**	–
Net cash used in financing activities		**(281 273)**	(136 260)
Net (decrease)/increase in cash and cash equivalents		**(210)**	272
Cash and cash equivalents at the beginning of the year		**499**	227
Cash and cash equivalents at the end of the year	6	**289**	499

Notes on pages 165 to 177 form an integral part of these financial statements.

Notes to the company financial statements

for the year ended 28 February 2017

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 IAS27 and are carried at cost.

1.2 Financial instruments

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

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

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

The company's categories are as follows:

- Loans and receivables
- Financial liabilities held at amortised cost
- Financial liabilities at fair value through profit and loss

Loans and receivables

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

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

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

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

Notes to the company financial statements *continued*

for the year ended 28 February 2017

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

Financial liabilities held at amortised cost

These instruments include trade payables, accruals, bank overdrafts, contingent consideration liabilities and are carried at amortised cost. Financial liabilities shown on the face of, or included in notes to, the consolidated statement of financial position include:

(a) Trade and other payables

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

Financial liabilities at fair value through profit and loss

(a) Other financial liabilities – contingent consideration

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

Derecognition

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

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

Offsetting financial instruments

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

1. Summary of significant accounting policies *(continued)*

1.3 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

If the company reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.4 Share-based payments

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

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

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

1.5 Revenue recognition

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

Interest income and dividends

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

Notes to the company financial statements *continued*

for the year ended 28 February 2017

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 2017.

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 2017 year-end

Number	Executive summary
Amendments to IAS 1: *Presentation of financial statements* disclosure initiative	In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

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 2017 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 effective for the first time for 28 February 2017 year-end

Number	Executive summary	Expected impact
Amendment to IAS 7: *Cash flow statements* Statement of cash flows on disclosure initiative Effective: 1 January 2017 (Company'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.	Extensive changes require an additional reconciliation for financing activities to be disclosed in the notes to the cash flow statement, which will change the layout and presentation significantly.

2. Financial instruments and financial risk management

Overview

The company's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by the executive committee under approval by the board of directors. The executive committee identifies and evaluates financial risks in close cooperation with the group's operating units. The Board provides principles for overall risk management.

Categories of financial instruments

	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 29 February 2016					
Trade and other receivables	5	99	–	–	99
Cash and cash equivalents	6	499	–	–	499
Other financial liabilities	8	–	–	(5 500)	(5 500)
Trade and other payables	9	–	(371)	–	(371)
Total		598	(371)	(5 500)	(5 273)
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**

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 2017:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Liabilities				
At 29 February 2016				
Financial liabilities at fair value through profit or loss				
Contingent consideration	–	–	5 500	5 500
Total liabilities	–	–	5 500	5 500
At 28 February 2017				
Financial liabilities at fair value through profit or loss				
Contingent consideration	**–**	**–**	**–**	**–**
Total liabilities	**–**	**–**	**–**	**–**

Notes to the company financial statements *continued*

for the year ended 28 February 2017

2. 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 2017:

	Contingent consideration R'000	Total R'000
Year ended 29 February 2016		
Opening balance	5 100	5 100
Gains and losses recognised in profit or loss	400	400
Closing balance	5 500	5 500
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	**–**	**–**

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% 2017 R'000	**-1% 2017 R'000**	1% 2016 R'000	-1% 2016 R'000
Cash and cash equivalents	**2**	**(2)**	4	(4)
Increase/(decrease) in profitability	**2**	**(2)**	4	(4)

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	2017 R'000	2016 R'000
Concentration of credit risk			
Cash and cash equivalents	BBB	**289**	499
Total cash and cash equivalents (refer note 6)		**289**	499
Current trade and other receivables	Not rated	**125**	99
Total current trade and other receivables (refer note 5)		**125**	99

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 R0,4 million (2016: R0,6 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 29 February 2016				
Non-derivative financial liabilities				
Other financial liabilities	5 500	6 000	2 000	4 000
Trade and other payables	371	371	371	–
Total	5 871	6 371	2 371	4 000
Year ended 28 February 2017				
Non-derivative financial liabilities				
Other financial liabilities	**–**	**–**	**–**	**–**
Trade and other payables	**356**	**356**	**356**	**–**
Total	**356**	**356**	**356**	**–**

The carrying value of other financial liabilities is deemed to approximate its fair value, refer to note 8 where significant unobservable inputs have been disclosed in this regard.

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

Notes to the company financial statements *continued*

for the year ended 28 February 2017

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:

	2017 R'000	2016 R'000
Cash and cash equivalents (refer note 6)	**(289)**	(499)
Net debt	**(289)**	(499)
Total equity	**2 205 629**	2 347 641
Total capital and net debt	**2 205 340**	2 347 142
Gearing ratio	**(0,01%)**	(0,02%)

4.1 Investment in subsidiaries

	2017 R'000	2016 R'000
Name of company		
Direct investment at cost		
Aquatic Services (Pty) Ltd	**111 336**	111 336
B&E International (Pty) Ltd	**438 442**	438 442
Burma Plant Hire (Pty) Ltd	**11 532**	11 532
L & R Civils (Pty) Ltd	**22 300**	22 300
Raubex (Pty) Ltd	**1 001 620**	1 001 620
Raubex Construction (Mauritius) Ltd	**1**	1
Strata Civils (Pty) Ltd	**–**	–
Tosas (Pty) Ltd	**120 000**	120 000
Total direct investment in subsidiaries	**1 705 231**	1 705 231
Indirect investment on issue of share options to employees of subsidiaries		
Akasia Road Surfacing (Pty) Ltd	**52**	52
B&E International (Pty) Ltd	**13 940**	12 874
Burma Plant Hire (Pty) Ltd	**778**	695
Milling Techniks (Pty) Ltd	**3 739**	3 406
National Asphalt (Pty) Ltd	**10 496**	9 680
Phambili Road Surfacing (Pty) Ltd	**190**	190
Raubex (Pty) Ltd	**74 577**	68 316
Raubex Construction (Pty) Ltd	**2 057**	2 057
Raubex KZN (Pty) Ltd	**2 104**	2 104
Raumix Aggregates (Pty) Ltd	**1 707**	1 457
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**	8 692
Total indirect investment in subsidiaries	**125 408**	115 867
Total investment in subsidiaries	**1 830 639**	1 821 098

	2017 R'000	2016 R'000
4.2 Loans to group companies		
Burma Plant Hire (Pty) Ltd	**35 035**	35 035
Raubex (Pty) Ltd	**308 883**	465 768
Raumix Aggregates (Pty) Ltd	**30 993**	30 993
Total loans to/(from) group companies	**374 911**	531 796
Non-current assets	**374 911**	531 796
Total loans to/(from) group companies	**374 911**	531 796

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.

	2017 R'000	2016 R'000
5. Trade and other receivables		
Prepayments	**125**	99
Total trade and other receivables	**125**	99
The fair values of trade and other receivables are as follows:		
Prepayments	**125**	99
Total trade and other receivables	**125**	99
As of 28 February 2017, no receivables were either past due or impaired.		
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balance	**289**	499
Total cash and cash equivalents	**289**	499

Notes to the company financial statements *continued*

for the year ended 28 February 2017

7. Share capital and share premium

	Number of shares '000	Ordinary shares R'000	Share premium R'000	Total R'000
At 1 March 2015	187 330	1 873	2 179 701	2 181 574
Shares issued	1 920	19	–	19
At 29 February 2016	189 250	1 892	2 179 701	2 181 593
Share buy-back	**(7 500)**	**(75)**	**(119 925)**	**(120 000)**
At 28 February 2017	**181 750**	**1 817**	**2 059 776**	**2 061 593**

The total authorised number of ordinary shares is 500 million shares (2016: 500 million) with a par value of 1 cent per share (2016: 1 cent per share). All issued shares are fully paid.

During the 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 1 cent each.

8. Other financial liabilities

	Contingent consideration R'000	Total R'000
At 1 March 2015	5 100	5 100
Charged to statement of profit or loss:		
– Unwinding of discount (note 11)	400	400
At 29 February 2016	5 500	5 500
Non-current	3 500	3 500
Current	2 000	2 000
	5 500	5 500
At 1 March 2016	5 500	5 500
Charged to statement of profit or loss:		
– Unwinding of discount (note 11)	**200**	**200**
– Contingent consideration reversed	**(5 700)**	**(5 700)**
At 28 February 2017	**–**	**–**
Non-current	**–**	**–**
Current	**–**	**–**
	–	**–**

8. Other financial liabilities *(continued)*

L & R Civils (Pty) Ltd – contingent consideration

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

The fair value of the contingent consideration at acquisition date has been determined using an income approach and a discount rate of 6,04%, which is 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 current year it was determined that L & R Civils (Pty) Ltd will not meet the above mentioned targets and the liability has therefore been reversed.

	2017 R'000	2016 R'000
9. Trade and other payables		
Trade payables	**155**	181
Accrued expenses	**201**	190
Total trade and other payables	**356**	371
10. Revenue		
Dividends received from subsidiaries	**127 488**	101 710
Total revenue	**127 488**	101 710
11. Other gains/(losses)		
Contingent consideration reversed during the year (note 8)	**5 700**	–
Total other gain/(losses)	**5 700**	–
12. Finance income and costs		
Finance income		
Interest income on cash resources	**131**	65
Total finance income	**131**	65
Finance costs		
Unwinding of discount – contingent consideration	**(200)**	(400)
Total finance costs	**(200)**	(400)
Net finance costs	**(69)**	(335)

Notes to the company financial statements *continued*

for the year ended 28 February 2017

	2017 R'000	2016 R'000
13. Income tax expense		
South African normal taxation		
Current tax		
Current period	**37**	18
Total South African normal taxation	**37**	18

	2017 %	2016 %
Reconciliation between applicable tax rate and effective tax rate		
Applicable tax rate	**28,00**	28,00
Exempt income	**(27,51)**	(28,89)
Disallowed charges	**(0,46)**	0,91
Effective tax rate	**0,03**	0,02

	2017 R'000	2016 R'000
14. Cash generated from/(used in) operations		
Profit before income tax	**129 757**	98 560
Adjustments for:		
Other gains/(losses)	**(5 700)**	–
Interest received	**(131)**	(65)
Interest paid	**200**	400
Dividends received	**(127 488)**	(101 710)
Changes in working capital		
Trade and other receivables	**(26)**	(99)
Trade and other payables	**(15)**	50
Net cash used in operations	**(3 403)**	(2 864)
In the cash flow statement taxation paid is calculated as follows:		
Balance (receivable)/due at the beginning of the year	**(20)**	(20)
Add: Current year tax charge (note 13)	**37**	18
Add: Balance receivable at the end of the year	**21**	20
Taxation paid	**38**	18

	2017 R'000	2016 R'000
15. Related parties		
Relationship		
Subsidiaries — Refer to note 41 of the group financial statements		
Related-party balances		
Loans to related parties		
At the beginning of the year	**531 796**	569 415
Loans advanced during the year	**45 000**	89 568
Loans repayments received	**(201 885)**	(127 187)
At year-end	**374 911**	531 796
Other fees paid to/(received from) related parties		
Raubex (Pty) Ltd	**3**	–

16. Directors' emoluments

Refer to notes 37 and 38 of the group financial statements.

6

SHAREHOLDER INFORMATION

Key services

- Penetration grade bitumen
- Cutback bitumen
- Bitumen emulsion
- Polymer modified bitumen
- Bitumen rubber
- NCRT™ (new crumb rubber technology)
- Ralumac (microsurfacing)
- Crack sealants
- Water proofing

Terms of reference

The terms listed below have been used throughout this Integrated Report.

"AGM"	Annual General Meeting
"Basic EPS"	Earnings for the year attributable to equity holders of Raubex divided by the weighted average number of ordinary shares in issue during the year
"B-BBEE"	Broad-Based Black Economic Empowerment
"BCAWU"	Building Construction and Allied Workers Union
"BCCEI"	Bargaining Council for the Civil Engineering Industry
"BEE"	Black Economic Empowerment
"CIPC"	Companies and Intellectual Property Commission
"Closing PE ratio"	Market value per share at 28 February divided by HEPS
"Companies Act"	Companies Act No 71 of 2008
"CSDP"	Central Securities Depositary Participants
"CSI"	Corporate Social Investment
"Current ratio"	Total current assets divided by total current liabilities as a ratio
"EPS"	Earnings per share
"Exco"	The Executive Committee
"Gearing"	Net debt excluding cash and cash equivalents as a ratio to total equity
"GFIP"	Gauteng Freeway Improvement Project
"GRI"	Global Reporting Initiative
"GSM"	Global System for Mobile Communications
"HDSA"	Historically Disadvantaged South Africans
"HEPS"	Headline earnings divided by the weighted average number of ordinary shares in issue during the year
"IFRS"	International Financial Reporting Standards
"IT"	Information Technology
"JSE"	JSE Limited
"King III"	King Report on Corporate Governance for South Africa 2009
"King IV"	King Report on Corporate Governance for South Africa 2016
"KPI"	Key performance indicators
"Listings Requirements"	Listings Requirements of the JSE
"LTIR"	Lost time injury rate
"MERSETA"	Manufacturing, Engineering and Related Services SETA
"MOI"	Memorandum of Incorporation
"net asset value per share"	The net asset value of the company divided by the number of shares in issue, after deducting treasury shares, at the end of the year
"NUM"	National Union of Mine Workers
"NUMSA"	National Union of Metalworkers of South Africa
"OHS"	Occupational Health and Safety
"Operating profit margin"	Operating profit as a percentage of revenue
"PE"	Price earnings, market value per share divided by HEPS
"Raubex" or "the group"	Raubex Group Limited and its subsidiaries
"RDP"	Reconstruction and Development Programme
"REIPPP"	Renewable Energy Independent Power Producer Procurement
"ROCE"	Return on capital employed
"ROE"	Return on equity
"SABITA"	Southern African Bitumen Association
"SAFCEC"	South African Federation of Civil Engineering Contractors
"SANAS"	South African National Accreditation System
"SANRAL"	South African National Roads Agency Limited
"SENS"	Securities Exchange News Service
"SHE"	Safety, Health and Environment
"SHEQ"	Safety, Health, Environment and Quality
"SRI"	Socially Responsible Investment
"the Board"	The board of directors of Raubex
"the company"	Raubex Group Limited
"UIF"	Unemployment Insurance Fund

Notice to the annual general meeting

Raubex Group Limited
(Incorporated in the Republic of South Africa)
Registration number 2006/023666/06
Share code: RBX
ISIN: ZAE000093183
("Raubex" or "the company")

NOTICE IS HEREBY GIVEN to the shareholders of Raubex as at Friday, 21 July 2017, being the record date to receive notice of the AGM in terms of section 59(1)(a) of the Companies Act, that the AGM of the company, in respect of the year ended 28 February 2017, will be held at **The Firs, 302 3rd Floor, corner Craddock and Biermann Road, Rosebank, 2196 on Friday, 8 September 2017 at 10:00.**

Electronic participation

The AGM will be webcast live and a link will be provided on the website: www.raubex.com. Please note that shareholders or their proxies will not be able to vote through the webcast.

This notice of AGM includes the attached form of proxy.

Record date

The record date for the purpose of determining which shareholders of the company are entitled to receive the notice of the AGM was Friday, 21 July 2017.

The record date for the purpose of determining which shareholders of the company are entitled to participate in and vote at the AGM is Friday, 1 September 2017, in accordance with section 62(3)(a), read with section 59(1)(b), of the Companies Act.

Accordingly, the last day to trade for shareholders to be entitled to attend, speak and vote at the AGM is Tuesday, 29 August 2017.

Attendance and voting

If you are a registered shareholder, i.e. a shareholder who has not dematerialised his shares or has dematerialised his shares with "own name" registration as at the record date, and want to attend, speak and vote at the AGM of the company, you may attend the meeting in person. Alternatively, you may appoint a proxy (who need not be a shareholder of the company) to represent you at the meeting. Any appointment of a proxy may be effected by using the attached form of proxy and, in order for the proxy to be effective and valid, must be completed and delivered in accordance with the instructions contained in the attached form of proxy.

If you are a beneficial shareholder and not a registered shareholder, i.e. a shareholder who has dematerialised his shares without "own name" registration as at the record date, and you want to attend, speak and vote at the AGM of the company:

- and wish to attend the meeting, you must obtain the necessary letter of representation to represent the registered holder in respect of your shares from your CSDP or broker;
- and do not wish to attend the meeting but would like your vote to be recorded at the meeting, you should contact the registered holder in respect of your shares through your CSDP or broker and furnish them with your voting instructions; and
- you must not complete the attached form of proxy.

All attendees and participants at the AGM will be required to provide identification reasonably satisfactory to the chairman of the AGM, which shall include a valid identity document, driver's licence or passport, in accordance with section 63(1) of the Companies Act.

Shares held by a share trust or other share incentive scheme of the company will not have their votes taken into account at the meeting for the purposes of the resolutions proposed in terms of the JSE Listings Requirements.

Purpose of the meeting

The purpose of this meeting is to:

- present the directors' report and the audited annual financial statements of the group for the year ended 28 February 2017;
- elect the directors of the company and the members of the Audit Committee of the company;
- appoint the auditors of the company;
- present the Audit Committee report (pages 83 and 84);
- present the Social and Ethics Committee report (page 57);

- consider any matters raised by shareholders;
- consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions set out below in the manner required by the Companies Act, the JSE Listings Requirements and the MOI; and
- deal with such other business as may lawfully be dealt with at the AGM, which AGM is to be participated in and voted at by shareholders registered as such on Friday, 1 September 2017, being the record date to participate in and vote at the AGM in terms of section 62(3)(a) read with section 59(1)(b) of the Companies Act.

In order for the special resolutions to be adopted, the support of at least 75% (seventy-five percent) of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

Annual financial statements

The consolidated annual financial statements (as approved by the Board of the company), including the directors' report, the Audit Committee report and the independent auditor's report for the year ended 28 February 2017, will be presented to the shareholders at the AGM. Consolidated financial statements are included on pages 77 to 177 of this Integrated Report and are also published on the company's website: www.raubex.com.

Ordinary resolution number 1 : Re-election of executive directors

"RESOLVED THAT the following directors be and are hereby re-elected as an executive director of the company:

1.1 RJ Fourie; and
1.2 JF Gibson.

(Brief curriculum vitaes in respect of these directors is set out on page 39 of the Integrated Report of which this notice forms part.)"

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution number 2: Election of executive director

"RESOLVED THAT the following director (who previously served as a non-executive director), be and is hereby elected as an executive director of the company:

2.1 NF Msiza.

(A brief curriculum vitae in respect of this director are set out on page 39 of the Integrated Report of which this notice forms part.)"

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution 3: Re-election of non-executive directors

"RESOLVED THAT the following non-executive directors, who retire by rotation, and being eligible, offer themselves for re-election, be and are hereby re-elected as a non-executive director of the company:

3.1 F Kenney;
3.2 LA Maxwell; and
3.3 BH Kent.

(Brief curriculum vitaes in respect of these directors are set out on page 39 of the Integrated Report of which this notice forms part.)"

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution 4: Election of non-executive director

"RESOLVED THAT the following non-executive director be and is hereby elected as a non-executive director of the company:

4.1 SR Bogatsu.

(A brief curriculum vitae in respect of this director is set out on page 39 of the Integrated Report of which this notice forms part.)"

Percentage of voting rights required to pass this resolution: 50% plus one vote.

The Remuneration and Nomination Committee has reviewed the composition of the Board and has recommended the re-election and election of the directors listed in ordinary resolutions numbers 1, 2, 3 and 4. It is the view of the directors that the re-election of the candidates referred to above would enable the company to:

- responsibly maintain a mixture of business skills and experience relevant to the company and balance the requirements of transformation, continuity and succession planning; and
- comply with corporate governance requirements in respect of matters such as the balance of executive, non-executive and independent directors on the Board.

Notice to the annual general meeting *continued*

Ordinary resolution number 5: Appointment of auditors

"RESOLVED THAT PricewaterhouseCoopers be and is hereby reappointed as the independent auditors of the group for the year ending 28 February 2018 and that Mr CJ Hertzog is hereby appointed as the individual registered auditor who will undertake the audit of the group for the ensuing year, and that the Board be and is hereby authorised to fix the terms of engagement and remuneration of the independent auditors."

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution number 6: Appointment of members of the Audit Committee

"RESOLVED THAT the following members, who fulfil the requirements of section 94(4) of the Companies Act, be and are hereby elected as a member of the Audit Committee of the company, to hold office until the conclusion of the AGM of the company to be held in 2018, subject to his/her re-election as a director pursuant to ordinary resolution numbers 3 and 4.

6.1 LA Maxwell;

6.2 BH Kent; and

6.3 SR Bogatsu.

(Brief curriculum vitaes for the members are set out on page 39 of the Integrated Report of which this notice forms part.)"

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution number 7: Endorsement of Raubex's remuneration policy

"RESOLVED THAT the company's remuneration policy, as set out in the Remuneration report, be and is hereby endorsed by way of a non-binding advisory note."

In terms of King IV, dealing with boards and directors, it is recommended that companies table their remuneration policy every year to shareholders for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation.

The company's remuneration report is contained on pages 50 to 56 of the Integrated Report of which this notice forms part.

Ordinary resolution number 7 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when considering the company's remuneration policy.

Ordinary resolution number 8: Directors' authority to implement special and ordinary resolutions

"RESOLVED THAT each and every director and/or company secretary of the company be and is hereby authorised 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."

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Special resolution number 1: Remuneration of non-executive directors

"RESOLVED THAT, in terms of article 26.4.3 of the MOI and section 66(8) and (9) of the Companies Act, the remuneration payable to the non-executive directors, as set out below, be approved for a period of two years, commencing on 1 October 2017, unless such remuneration is proposed to be amended at the next AGM:

Designation	Proposed annual remuneration
Chairman	**R966 338**
Lead independent non-executive director	**R785 150**
Non-executive director	**R603 962**

Percentage of voting rights required to pass this resolution: 75% plus one vote.

Special resolution number 2: General authority to acquire/(repurchase) shares

"RESOLVED THAT the company hereby approves, as contemplated in paragraph 5.72 of the JSE Listings Requirements, the general authority of the company or any of its subsidiaries from time to time, to repurchase the company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the company's MOI, the provisions of the Companies Act and the JSE Listings Requirements (each as presently constituted and as amended from time to time), provided that:

- any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
- authorisation for the repurchase is given by the company's MOI;
- at any point in time, the company may only appoint one agent to effect any repurchase(s) on the company's behalf;
- this general authority will be valid until the company's next AGM, or 15 (fifteen) months from the date of passing of this special resolution, whichever is earlier;
- an announcement will be published as soon as the company, or any of its subsidiaries, has acquired securities of a relevant class constituting, on a cumulative basis, 3% of the number of securities of that relevant class in issue prior to the acquisition pursuant to which the aforesaid 3% threshold is reached, and for each 3% in aggregate acquired thereafter, containing full details of such repurchases, such announcement to be published as soon as possible and not later than 08:30 on the 2nd (second) business day following the day on which the relevant threshold is reached or exceeded, and the announcement shall comply with the requirements of the JSE Listings Requirements in this regard;
- repurchases by the company or any of its subsidiaries of its own securities may not, in aggregate in any one financial year, exceed 20% of the company's issued share capital as at the date of the passing of this resolution (although it should be noted that the directors will limit any purchase to a maximum of 5% of the issued share capital);
- the number of shares purchased and held by a subsidiary or subsidiaries of the company shall not exceed 10% in aggregate of the number of issued shares in the company at the relevant times;
- in determining the price at which securities issued by the company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such securities may be acquired will be 10% of the weighted average of the market value at which such securities are traded on the JSE as determined over the 5 (five) business days immediately preceding the date of repurchase of such securities by the company or any of its subsidiaries. The JSE Limited should be consulted for a ruling if such securities have not been traded during the course of such 5 (five) business day period;
- the company or any of its subsidiaries may not repurchase any securities during a "prohibited period" (as such term is defined in the JSE Listings Requirements), unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been submitted to the JSE in writing prior to the commencement of the prohibited period; and
- a resolution has been passed by the Board of directors authorising the repurchase and confirming that the company and its subsidiaries passed the solvency and liquidity test and that from the time that the test was done there have been no material changes to the financial position of the group."

Percentage of voting rights required to pass this special resolution: 75% (seventy-five percent) of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

Reason for and effect

The reason for the passing of the above special resolution is to grant the company a general authority in terms of the Companies Act for the acquisition by the company or any of its subsidiaries of securities issued by the company, which authority shall be valid until the earlier of the next AGM, or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company; provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this AGM. The passing of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire securities issued by the company.

Share capital of the Company

Refer to note 22 on page 134.

Major shareholders

Refer to note 43 on page 157.

Notice to the annual general meeting *continued*

Directors' responsibility statement

The directors, whose names are given on pages 38 and 39 of the Integrated Report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to the above special resolution number 2 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the above special resolution contains all relevant information required by the JSE Listings Requirements.

Statement by the directors

The directors of the company have no present intention of making any repurchases but believe that the company should retain the flexibility to take action if future repurchases were considered desirable and in the best interests of shareholders. The directors of the company undertake that they will not commence a general repurchase of shares, as contemplated in special resolution number 2 above, unless the following can be met:

- the company and the group will be able, in the ordinary course of business, to pay its debts for a period of 12 months following the date of the general repurchase;
- the company and the group's assets will be in excess of the liabilities of the of the company and the group for a period of 12 months following the date of the general repurchase. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Companies Act;
- the company and the group will have adequate capital and reserves for ordinary business purposes for a period of 12 months following the date of the general repurchase;
- the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months following the date of the general repurchase. The company will ensure that its Sponsor will provide the necessary letter on the adequacy of the working capital in terms of the JSE Listings Requirements, prior to the commencement of any purchase of the company's securities on the open market; and
- the Board passing a resolution authorising the general repurchase, confirming that the company and its subsidiaries have passed the solvency and liquidity test and further confirming that since the test was performed, there have been no material changes to the financial position of the company and the group.

Furthermore, the Board confirms that it has authorised the repurchase, by passing a resolution to that effect, and confirms that the company and its subsidiaries have passed the solvency and liquidity test and that from the time the test was performed there have been no material changes to the financial position of the company and the group.

The directors of the company hereby state that:

(a) the intention of the directors of the company is to utilise the authority if, at some future date, the cash resources of the company are in excess of its requirements. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the company and the long-term cash needs of the company and will ensure that any such utilisation is in the interests of the shareholders; and

(b) the method by which the company intends to repurchase its securities and the date on which such repurchase will take place, have not yet been determined.

Special resolution number 3: Approval of financial assistance to related or inter-related companies and corporations

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

Percentage of voting rights required to pass this resolution: 75% (seventy-five percent) of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

Reason for and effect

It may be necessary for the company to provide intra-group funding in order to conduct the group's business or desirous for the company to provide financial assistance to related or inter-related companies and corporations to acquire or subscribe for options or securities or purchase securities of the company or another company related or inter-related to it. Under the Companies Act, the company will, however, require the special resolution referred to above to be adopted. In the circumstances and in order to, inter alia, ensure that the company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the company (as opposed to banks) for such purposes, it is necessary to obtain the approval of shareholders, as set out in special resolution number 3.

Sections 44 and 45 of the Companies Act provide, inter alia, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous 2 (two) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category, and the Board must be satisfied that:

- immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

Section 44 contains an exemption in respect of employee share schemes that satisfy the requirements of section 97 of the Companies Act. To the extent that any of the company's share or other employee incentive schemes do not satisfy such requirements, financial assistance (as contemplated in Section 44) to be provided under such schemes will, inter alia, also require approval by special resolution.

Notice to shareholders of Raubex in terms of section 45(5) of the Companies Act of a resolution passed by the Board authorising Raubex to provide direct or indirect financial assistance to related and inter-related companies and corporations:

- prior to the delivery of this notice of AGM to the shareholders of the company, the Board adopted a resolution authorising the company to provide, at any time and from time to time during the period commencing on the date on which special resolution number 3 is adopted until the date of the next AGM of the company, any direct or indirect financial assistance as contemplated in sections 44 and 45 of the Companies Act to any one or more related or inter-related companies or corporations of the company. The financial assistance will entail loans and any other financial assistance to any of the company's present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company or any of its subsidiaries (and/or to any member of such subsidiary or related or inter-related company or corporation) for any purpose or in connection with any matter;
- the resolution will be effective only if and to the extent that special resolution number 3 is adopted by the shareholders of the company and the provision of any financial assistance by the company, pursuant to such resolution, will always be subject to the Board being satisfied that: (i) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act; and (ii) the terms under which the financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Companies Act; and
- the company hereby provides notice of the resolution to the shareholders of the company.

Special resolution number 4: 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 and the requirements (if applicable) of the MOI 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 AGM of the company.

Percentage of voting rights required to pass this resolution: 75% (seventy-five percent) of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

Reason for and effect

Mr F Kenney, a director and shareholder of the Company, has longstanding interests in low-cost housing developments and commercial property developments, through a number of associated companies. From time to time, Raubex subsidiaries participate in open tender processes for work from Mr F Kenney's associated companies for the sole purpose of supplying subcontractor services at an arm's length basis.

In the case of low cost housing projects, the clients are typically local government departments with inconsistent payment cycles which may result in extended credit terms being required.

Notice to the annual general meeting *continued*

In cases where the contractual credit terms offered by Raubex and its subsidiaries during the tender stage become extended due to delayed payment from clients with inconsistent payment cycles, it may be construed to be financial assistance to a director of the company in terms of the Companies Act. Consequently a special resolution is required in terms of section 45 of the Companies Act to approve the extension of credit terms under these specific circumstances.

Section 45 of the Companies Act 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 to shareholders of Raubex in terms of section 45(5) of the Companies Act of a resolution passed by the Board authorising Raubex to provide direct or indirect financial assistance to a director:

- prior to the delivery of this notice of AGM to the shareholders of the company, the Board adopted a resolution authorising the company to provide, at any time and from time to time during the period commencing on the date on which special resolution number 4 is adopted until the date of the next AGM of the company, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to Mr F Kenney. The financial assistance will entail credit limits and terms that are usually extended to the group's independent property development clients on an arm's length basis and within acceptable credit risk limits approved by the Board;
- the resolution will be effective only if and to the extent that special resolution number 4 is adopted by the shareholders of the company and the provision of any financial assistance by the company, pursuant to such resolution, will always be subject to the Board being satisfied that: (i) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act; and (ii) the terms under which the financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Companies Act; and
- the company hereby provides notice of the resolution to the shareholders of the company.

TO TRANSACT SUCH OTHER BUSINESS THAT MAY BE TRANSACTED AT THE AGM.

Voting and proxies

Proxies

A shareholder (including certificated shareholders and dematerialised shareholders who hold their shares with "own name" registration) entitled to attend and vote at the meeting may appoint one or more proxies to attend, participate and vote in his/her/its stead. A proxy does not have to be a shareholder of the company. The appointment of a proxy will not preclude the shareholder who appointed that proxy from attending the AGM and participating and voting in person thereat to the exclusion of any such proxy. A form of proxy for use at the meeting is attached.

If you are a certificated Raubex shareholder or an own name dematerialised Raubex shareholder and are unable to attend the AGM of Raubex shareholders to be held at 10:00 on 8 September 2017, but wish to be represented thereat, you must complete the form of proxy attached hereto in accordance with the instructions therein and return it to the Transfer Secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) so as to be received by no later than 10:00 on 6 September 2017 for administration purposes, or thereafter to the company by hand by no later than 10:00 on 8 September 2017.

Voting in respect of dematerialised shares

If you are a dematerialised Raubex shareholder and are not an own name dematerialised Raubex shareholder and you wish to attend the AGM, then you must instruct your CSDP or broker as to how you wish to cast your vote at the Raubex AGM in order for them to vote in accordance with your instructions. If you wish to attend the AGM in person, please request you CSDP or broker to issue the necessary letter of representation to you. This must be done in terms of the agreement entered into between the dematerialised Raubex shareholder (who is not an own name dematerialised Raubex shareholder) and the CSDP or broker.

By order of the Board

Heike Elze Ernst
Company secretary

17 July 2017

Form of proxy

Raubex Group Limited
(Incorporated in the Republic of South Africa)
Registration number 2006/023666/06
Share code: RBX
ISIN: ZAE000093183
("Raubex" or "the company")

To be completed by registered certificated shareholders and dematerialised shareholders with own-name registration only

This form of proxy relates to the AGM of the company to be held at the **The Firs, 302 3rd Floor, corner Craddock and Biermann Road, Rosebank, 2196 on Friday, 8 September 2017 at 10:00** (see note 1) and is for use by registered shareholders whose shares are registered in their own names by the record date for determining which shareholders of the company are entitled to participate in and vote at the AGM, being Friday, 1 September 2017 (see note 2).

Terms used in this form of proxy have the meanings given to them in the notice of AGM to which this form of proxy is attached.

Please print clearly when completing this form of proxy and see the instructions and notes at the end of this form of proxy for an explanation of the use of this form of proxy and the rights of the shareholder and the proxy.

I/We (full name in BLOCK LETTERS)

of (address)

Telephone (work) (home)

being a shareholder(s) of the company and being the registered owner/s of ordinary shares in the company (note 3)

hereby appoint of

or failing him/her of

or failing him/her, the chairman of the AGM (see note 4)

to attend and participate in the AGM and to speak and to vote or abstain from voting for me/us and on my/our behalf in respect of all matters arising (including any poll and all resolutions put to the AGM) at the AGM, even if the AGM is postponed, and at any resumption thereof after any adjournment (see note 5).

My/Our proxy shall vote as follows:
Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain at his discretion (see note 6).

	FOR	AGAINST	ABSTAIN
Ordinary resolution number 1: Re-election of executive directors: 1.1 RJ Fourie			
1.2 JF Gibson			
Ordinary resolution number 2: Election of executive director: 2.1 NF Msiza			
Ordinary resolution number 3: Re-election of non-executive directors 3.1 F Kenney			
3.2 LA Maxwell			
3.3 BH Kent			
Ordinary resolution 4: Election of non-executive director 4.1 SR Bogatsu			
Ordinary resolution 5: Appointment of auditors			
Ordinary resolution 6: Appointment of members of the Audit Committee 6.1 LA Maxwell			
6.2 BH Kent			
6.3 SR Bogatsu			
Ordinary resolution 7: Endorsement of Raubex's remuneration policy			
Ordinary resolution 8: Directors' authority to implement special and ordinary resolutions			
Special resolution 1: Remuneration of non-executive directors			
Special resolution 2: General authority to acquire/(repurchase) shares			
Special resolution 3: Financial assistance to related or inter-related companies and corporations			
Special resolution 4: Financial assistance to directors			

(Indicate instruction to proxy by way of a cross in the space provided above)

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this day of 2017

Signature

Please read the notes on the reverse side hereof.

Instructions and notes to the form of proxy

1. This form of proxy will not be effective at the AGM unless received at the company's transfer office, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, by no later than 10:00 on Wednesday, 6 September 2017 for administration purposes or thereafter to the company by hand by no later than 10:00 on 8 September 2017. If a shareholder does not wish to deliver this form of proxy to that address, it may also be posted, at the risk of the shareholder, to Computershare Investor Services (Pty) Ltd (PO Box 61051, Marshalltown, 2107).
2. This form of proxy is for use by registered shareholders who wish to appoint another person (a proxy) to represent them at the AGM. If duly authorised, companies and other corporate bodies who are registered shareholders may appoint a proxy using this form of proxy, or may appoint a representative in accordance with paragraph 11 below.
   Other shareholders should not use this form of proxy. All beneficial shareholders who have dematerialised their shares through a CSDP or broker must provide the CSDP or broker with their voting instruction. Alternatively, if they wish to attend the AGM in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial shareholder and the CSDP or broker.
3. This proxy shall apply to all ordinary shares registered in the name of the shareholder who signs this form of proxy at the record date unless a lesser number of shares is inserted.
4. A shareholder may appoint one person of his own choice as his proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the company. If the name of the proxy is not inserted, the chairman of the AGM will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this form of proxy may not delegate the authority given to him in this form of proxy.
5. Unless revoked, the appointment of a proxy in terms of this form of proxy remains valid until the end of the AGM, even if the AGM or part thereof is postponed or adjourned.
6. If:
   6.1 a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting on any resolution; or
   6.2 the shareholder gives contradictory instructions in relation to any matter; or
   6.3 any additional resolution/s which are properly put before the AGM; or
   6.4 any resolution listed in the form of proxy is modified or amended,
   then the proxy shall be entitled to vote or abstain from voting, as he thinks fit, in relation to that resolution or matter. If, however, the shareholder has provided further written instructions which accompany this form of proxy and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in paragraphs 6.1 to 6.4, then the proxy shall comply with those instructions.
7. If this form of proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this form of proxy will not be effective unless:
   7.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or
   7.2 the company has already received a certified copy of that authority.
8. The chairman of the AGM may, in his discretion, accept or reject any form of proxy or other written appointment of a proxy which is received by the chairman prior to the time when the AGM deals with a resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the Chairman shall not accept any such appointment of a proxy unless the chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.
9. Any alterations made in this form of proxy must be initialled by the authorised signatory/ies.
10. This form of proxy is revoked if the shareholder who granted the proxy:
    10.1 gives written notice of such revocation to the company, so that it is received by the company before 10:00 on Friday, 8 September 2017; or
    10.2 subsequently appoints another proxy for the AGM; or
    10.3 attends the AGM himself in person.
11. If duly authorised, companies and other corporate bodies that are shareholders of the company having shares registered in their own names may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the AGM by giving written notice of the appointment of that representative. That notice will not be effective at the AGM unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received at the company's transfer office, Computershare Investor Services (Pty) Ltd, by no later than 10:00 on Wednesday, 6 September 2017 for administrative purposes or thereafter to the company by hand by no later than 10:00 on 8 September 2017. If a shareholder does not wish to deliver that notice to that address, it may also be posted, at the risk of the shareholder to Computershare Investor Services (Pty) Ltd, PO Box 61051, Marshalltown, 2107.
12. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the AGM and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.
13. The chairman of the AGM may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareholder wishes to vote.

Transfer secretaries' office
Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank
2196
(PO Box 61051, Marshalltown, 2107)

General information

Nature of business	Diversified construction and materials supply group
Directors	JE Raubenheimer (Non-executive Chairman) RJ Fourie (Chief Executive Officer) JF Gibson (Financial Director) F Kenney (Non-executive Director) LA Maxwell (Lead Independent Non-executive Director) BH Kent (Independent Non-executive Director) NF Msiza (Governance, Compliance and Risk Director) SR Bogatsu (Independent Non-executive Director)
Company secretary	HE Ernst
Registration number	2006/023666/06
ISIN	ZAE000093183
Share code	RBX
Registered office	Building 1 Highgrove Office Park 50 Tegel Avenue Highveld Park Centurion 0169 Tel: +27 (0)12 648 9400
Business address	Cleveley Kenneth Kaunda Road Extension Bloemfontein South Africa 9300 Tel: +27 (0)51 406 2000
Postal address	PO Box 3722 Bloemfontein South Africa 9300
Website	www.raubex.com
Sponsor	Investec Bank Limited 100 Grayston Drive Sandown Sandton 2196
Auditors	PricewaterhouseCoopers Inc.
Transfer secretaries	Computershare Investor Services (Pty) Ltd Rosebank Towers 15 Biermann Avenue Rosebank 2196 (PO Box 61051, Marshalltown, 2107)
Investor relations	Instinctif Partners
Preparation of the annual financial statements	JF Gibson CA(SA)

www.raubex.com

Registered office
Building 1, Highgrove Office Park, 50 Tegel Avenue, Highveld Park, Centurion, 0169

Tel: +27 (0)12 648 9400