RAUBEX

Raubex Group Limited

Integrated Report 2015

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 2015. 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 39 and 40 of the Annual Financial Statements. This Integrated Report aims to provide a balanced, comprehensible and complete view of the business by reporting on the financial and non-financial performance of the group to enable stakeholders to make an informed assessment of Raubex. The Board acknowledges its responsibility to ensure the integrity of this Integrated Report. The Board has considered the volume and complexity of the information in the Integrated Report and is of the opinion that it does not warrant a summarised version.

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

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

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

There are no material changes to the layout or content of this Integrated Report compared to the 2014 Integrated Report, other than a greater emphasis on providing additional supplementary information on the group's strategic direction, risk and sustainability initiatives.

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 2015 is published and was posted to shareholders on 31 July 2015. This Integrated Report is also available on the company's website www.raubex.com.

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 this Integrated Report has been collectively assessed by the Board and in its opinion this Integrated Report addresses the material issues that could potentially impact the performance of the group.

The Integrated Report was approved by the Board on 27 July 2015 and signed on its behalf by:

RJ Fourie
Chief Executive Officer

JF Gibson
Financial Director

Key facts

- Revenue **up 14,5%** to R7,25 billion (2014: R6,33 billion)
- Operating profit **up 15,2%** to R622,2 million (2014: R539,9 million)
- Profit after tax **up 12,7%** to R428,1 million (2014: R379,7 million)
- Cash and cash equivalents **up 7,6%** to R937,3 million (2014: R871,3 million)
- ROCE of **12,3%** (2014: 12,7%)
- Employs **9 598 people** (2014: 8 306 people)
- **B-BBEE Level 3** Contributor status

Contents

All abbreviations and definitions are available in the terms of reference on pages 149 and 150.

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About Raubex

Who we are

Raubex is one of South Africa's leading specialist infrastructure development groups, celebrating over 40 years in the construction industry since its beginnings 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:

Construction Division

The **Construction Division** includes three main reporting segments, namely ***Road Surfacing and Rehabilitation*** (with the largest contributor being ***Roadmac***), ***Road Construction and Earthworks*** (with the largest contributor being ***Raubex Construction***) 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, pipe-line and housing infrastructure.

Materials Division

The **Materials Division** specialises, through ***Raumix Aggregates***, ***OMV*** and ***Belabela Quarries*** (Botswana), in the supply of aggregates and sand from commercial quarries. Through Raubex's subsidiaries ***B&E International*** and ***SPH Kundalila***, the group is a leading provider of material handling and screening services to the mining industry and provides mobile crushing solutions for remote project sites. ***Burma Plant Hire*** and ***Prodev Plant Hire*** specialises in plant hire for the mining and construction sectors. ***Tosas*** is a manufacturer and distributor of value-added bituminous products used primarily for road construction activities.

For more detail on each of these divisions and segments, refer to pages 18 to 27 of this Integrated Report.

The group structure is as follows:

Raubex Group Limited

Divisions

Construction Division			Materials Division	
Reporting segments				
Road Surfacing and Rehabilitation	**Road Construction and Earthworks**	**Infrastructure**	**Materials**	**Tosas***
Raubex International				
Major subsidiaries				
Roadmac Surfacing Roadmac Surfacing Cape Raubex KZN Centremark Roadmarking Milling Techniks National Asphalt Shisalanga Construction	Raubex Construction Raubex Construction Zambia Raubex Construction Namibia	Raubex Infra L&R Civils Raubex Housing Raudev Strata Civils Empa Structures	Raumix Aggregates B&E International SPH Kundalila Burma Plant Hire Prodev Plant Hire OMV Crushers ("OMV") Belabela Quarries Botswana	Tosas (Pty) Ltd Tosas Namibia Tosas Botswana

For further detail on Raubex's effective shareholding in each of its businesses, please refer to note 39 on pages 123 to 127 of this Integrated Report.

* *Tosas will be reported, from 1 March 2015, as part of the Road Surfacing and Rehabilitation segment.*

Strategic objectives, opportunities and values

Strategic objectives

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

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

Objective	Drive to attain a more balanced portfolio of work in the construction and related services sector	Expand existing business models into new geographies
Description	**Reduce high level of exposure to a relatively small customer base, i.e. SANRAL, South African Provincial and Municipal governments**	**Expand strategy in new geographic markets. Replicate current integrated business model outside of South Africa**
Focus for 2015	▪ Grow the Infrastructure segment's order book and improve margins ▪ Secure more work for mining infrastructure projects, i.e. mine employee housing	▪ Continue to tender on carefully selected projects in Africa ▪ Manage execution of Zambia Link 8000 projects ▪ Leverage of Tosas footprint in Namibia and Botswana ▪ Look for value enhancing acquisitions in line with existing business model
Progress during 2015	▪ Increased the Infrastructure segment's order book and revenue ▪ Completed 476 mine houses for Kumba Iron Ore ▪ Acquired Empa Structures	▪ Good progress made in Namibia; on both Tschudi plant and Rosh Pinah to Oranjemund road contract ▪ Established camp and completed minor works in Zambia ▪ Established foothold in Mozambique through crushing contracts ▪ Acquired Belabela Quarries in Botswana ▪ Acquired Prodev Plant Hire in Namibia
Focus for 2016	▪ Secure work from round 3 and 4 REIPPPP projects ▪ Provide turnkey solutions to mines for employee housing ▪ Participate in selected affordable housing developments ▪ Look for acquisition opportunities for the Materials Division	▪ Commence with major works in Zambia on Link 8000 contracts ▪ Leverage off Belabela footprint in Botswana ▪ Investigate new geographies with a view to replacing international order book

Build on existing competitive advantages

Continued business optimisation programmes and realisation of synergies between the different business units

- Selectively tender on projects that suit business segment integration to improve overall margin
- Maintain reserve capacity for improved pricing and contract selection when market conditions allow

- Secured solid order book of R8,68 billion
- Improved the second half margins in Construction and Earthworks segment due to business optimisation programmes and completion of low margin work

- Selectively tender on projects that yield better margins
- Focus on production monitoring and efficiencies at site level
- Execute current order book efficiently and realise tendered margin

Improve market position

Further strengthen leading position in core markets and continually seek opportunities to improve vertical integration

- Bed down the OMV and Shisalanga acquisitions
- Return Tosas to profitability
- Strengthen the concrete capacity of the Construction Division
- Expand geographical footprint of the Materials Division

- Bedded down the acquisitions of OMV and Shisalanga
- Returned Tosas to profitability with a reported operating profit of R11,2 million
- Strengthened the group's concrete structure capacity through the acquisition of Empa Structures
- Expanded geographically through the acquisition of Belabela Quarries in Botswana and Prodev in Namibia

- Expand the geographical footprint of the Materials Division both locally and internationally
- Attract skills in the market to strengthen the Construction Division and build capacity organically

Strategic objectives, opportunities and values continued

Opportunities

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

↗ Strengthen the Materials Division	The Materials Division has capitalised and bedded down the acquisitions of OMV, Buildmax Quarries and Prodev Plant Hire during the year and post year-end, Belabela Quarries in Botswana. The materials market continues to be a focus area for future expansion and an area that must continue to be strengthened in order to achieve a more diversified revenue stream and also to strengthen the group's vertically integrated model. Opportunities still 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. Opportunities to increase material handling and screening operations, for both existing and new customers in the mining industry, continue to be explored.
↗ Increase share of construction activities in the mining industry	The lower commodity prices seen over the past year have put the mining industry under pressure and as a result, a reduction in capital expenditure by mining houses is expected in some areas. Despite this, opportunities to deliver mine employee housing through the ability to provide a total turnkey solution for the development and construction of mine housing infrastructure still exist as these housing developments are necessary for mining companies to comply with the legislation of the mining charter.
↗ Prepare for improvement in market conditions in road construction industry	The skills built up over years of participation in the road construction industry will ensure that the group is in a prime position to capitalise on any improvement in the competitive environment currently being experienced in the sector. The decision to hand over the administration and maintenance of the provincial road networks to SANRAL and the healthy increase in SANRAL's non-toll road maintenance budget from R10,5 billion to R12,5 billion should ensure sufficient work to replenish the current order book, although without increased government spend in other construction sectors, conditions are expected to remain very competitive. The successful collection of toll revenue by SANRAL on their GFIP road network will determine whether the "user pays principle" will be used to finance other strategic road upgrades. This will be a catalyst to improve conditions in the South African road construction industry over the medium term.

Core values

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

Quality	Integrity	Professionalism

↗ Acquisition and expansion opportunities

The strong balance sheet and cash flow position will enable the group to take advantage of acquisition opportunities as evidenced by the various acquisitions made during the 2015 year-end. The acquisition of Belabela Quarries in Botswana has also increased the group's footprint into Africa. The Materials Division is actively pursuing the acquisition of commercial quarries to strengthen its current geographical spread and also material handling and crushing opportunities throughout Africa. The Construction Division reviews tender leads throughout Africa to identify opportunities that are suitable from a risk/reward perspective to replace its order book with.

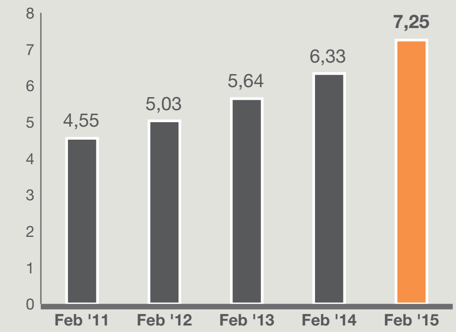
↗ Government's planned infrastructure spend

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. Although this is a long-term plan which has seen little impetus to date, the group is well positioned to capitalise on the execution of various projects within this infrastructure plan once they come to market.

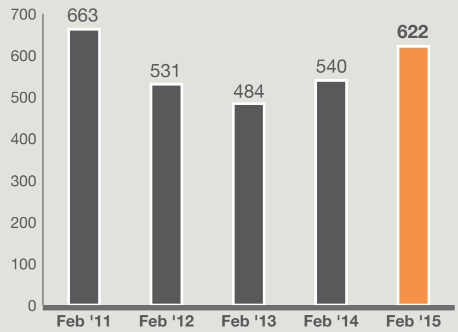
Five-year review

28 February		2015	2014	2013	2012	2011
Profit performance						
Revenue	R'm	**7 245**	6 325	5 636	5 033	4 546
Operating profit	R'm	**622**	540	484	531	663
Depreciation	R'm	**335**	283	251	228	220
Profit before income tax	R'm	**607**	534	477	519	649
Earnings	R'm	**400**	356	301	331	443
Financial position						
Total assets	R'm	**6 273**	5 354	4 858	4 387	4 011
Total equity	R'm	**3 533**	3 241	2 959	2 729	2 545
Total liabilities	R'm	**2 740**	2 113	1 899	1 658	1 466
Total operating assets	R'm	**2 172**	1 842	1 561	1 354	1 276
Cash flow information						
Cash from operating activities	R'm	**785**	751	859	663	853
Capital expenditure	R'm	**511**	483	461	287	293
Free cash flow	R'm	**126**	185	275	259	362
Cash and cash equivalent	R'm	**937**	871	836	625	595
Ratio and statistics						
Operating profit margin	%	**8,6**	8,5	8,6	10,6	14,6
EPS	cents	**213,4**	191,3	163,2	179,5	241,5
Diluted EPS	cents	**209,9**	187,9	160,3	178,5	240,3
HEPS	cents	**209,1**	187,1	158,7	177,2	240,2
Total dividend per share	cents	**71,0**	65,0	65,0	93,0	107,0
Net asset value per share	cents	**1 886,2**	1 714,1	1 582,1	1 468,2	1 381,1
ROCE	%	**12,3**	12,7	12,7	15,4	20,2
ROE	%	**12,1**	11,7	10,8	12,5	17,6
Current ratio	times	**1,9**	2,0	2,0	2,0	2,0
Gearing (debt:equity)	%	**31,1**	22,1	19,7	17,5	18,8
Headcount		**9 598**	8 306	7 807	7 029	6 770
JSE statistics						
Market value per share						
– At year-end	cents	**2 071**	2 183	1 900	1 513	1 927
– Highest (year to 28 February)	cents	**2 660**	2 520	1 990	2 162	2 695
– Lowest (year to 28 February)	cents	**1 822**	1 753	1 250	1 170	1 694
Closing PE ratio	times	**10**	11	12	8	8
Market capitalisation – close	R'm	**3 880**	4 059	3 506	2 792	3 556
Volume traded (year to 28 February)	'000	**49 584**	77 387	54 716	96 779	111 614
Weighted number of shares	'000	**187 330**	185 900	184 536	184 536	184 536
Issued shares at 28 February	'000	**187 330**	185 900	184 536	184 536	184 536

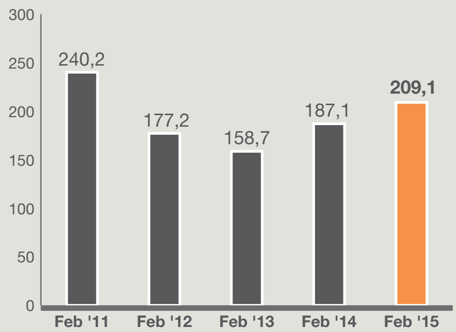
Revenue (R billion)



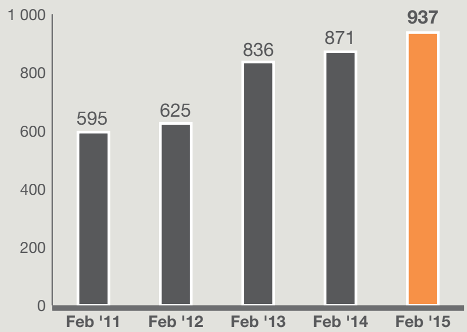
Operating profit (R million)



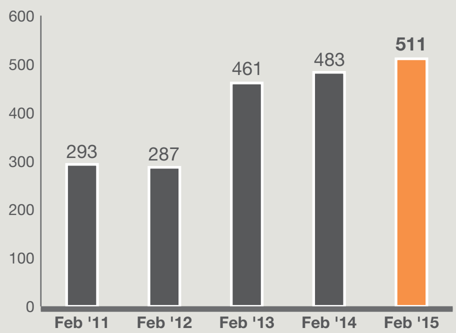
HEPS (cents)



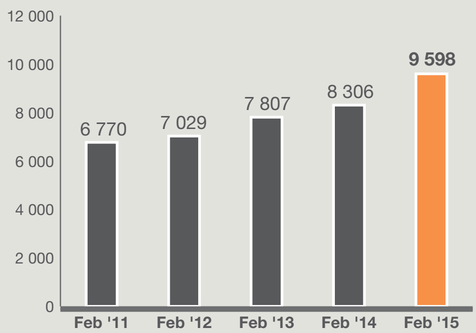
Cash and cash equivalents (R million)



Capital expenditure (R million)



Headcount



Material issues and risk management

The management of Raubex has assessed all the material issues and potential risks which could influence or impact the key drivers in the way in which the business is managed. The Risk Committee oversees this process and a report is provided at each Board meeting. The Risk Committee's responsibilities are set out in the Corporate Governance report on page 31 of this Integrated Report.

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

Description of risk	Level of risk	Mitigation of risk
Competitive environment		
The competitive conditions currently being experienced in the construction industry have driven tender margins down to levels that are insufficient to compensate for risk on a sustainable basis.		Contract pricing is closely reviewed by experienced senior management and Exco members before tenders are submitted. The group is selective in its approach to tendering, favouring contracts that support the group's vertically integrated model as well as high-margin contracts in Africa.
Industrial action		
The group revenue streams and profitability are dependent on a stable and affordable labour force. Wage negotiations in South Africa are generally prone to strikes as unaffordable demands take time to negotiate to acceptable levels for all stakeholders.		The group regularly engages with union officials and shop stewards to promote a healthy relationship between employer and employees and reduce the risk of industrial action.
Commodity prices		
The volatility in commodity prices has an impact on production volumes and also on the capital expenditure plans of mines. The group's material handling operations are particularly exposed to the cycles of the copper, diamond, gold and iron ore commodities while the Infrastructure Division benefits from civil works relating to capital expenditure projects.		The group follows due diligence procedures before contracts are entered into and evaluates both price risk and client risk relating to the commodity before committing resources to contracts. Capital employed is spread across various commodities to mitigate risks related to specific commodities.
Customer base		
A significant percentage of the group's local revenue stream is either directly or indirectly linked to the South African Government's infrastructure programme through SANRAL, Provincial Governments and Local Municipalities.		The group's strategy to offer a more balanced portfolio of construction and related services and also expand its current business model into new geographies aims to mitigate against this risk and ensure a more diversified revenue stream from an expanded customer base. The development and growth of the Infrastructure Division, the growth of the Materials Division and increase in the group's international order book have gone some way to mitigate this risk.

Description of risk	Level of risk	Mitigation of risk
Credit risk		
Challenging conditions continue to be experienced in the South African construction market with an increasing number of customers showing signs of distress as a result of competitive pricing. These conditions result in higher levels of credit risk that the group is exposed to in its private customer base.		Strict credit approval and review procedures as well as a "stop supply" policy are in place in order to manage this risk to an acceptable level.
Tender risk		
The majority of the group's revenue comes from contract work acquired through a tender process. There is inherent risk in tendering for work and most tenders, in addition to pricing, mark-up and contractual conditions require an educated view to be taken on factors pertaining to geological conditions and quality and availability of materials.		Experienced estimators are responsible for contract pricing. Pricing is reviewed by senior executives according to a defined tender level of authority and review processes.
B-BBEE		
The group's B-BBEE score must be maintained in order to remain competitive amongst its peers when tendering for work in the construction industry and also to comply with the mining charter and retain the group's mining licences.		The group proactively monitors changes to B-BBEE legislation in order to put timely compliance plans in place. The threshold, being the 26% BEE shareholding level required by the Department of Mineral Resources, has been addressed through the establishment of an Employee Trust and Community Development Trust that hold a direct interest in the underlying quarries of the group.
Foreign currency risk		
The management of foreign currency exposure when operating in non-base currency geographies is critical to the success of the group's geographic expansion strategy. Contracting in non-base currencies and the inability to effectively hedge these currencies can have an adverse effect on the profitability of contracts.	 Reduced from 	The group has adopted a cautious approach to currency selection when tendering in new geographies, favouring tenders that allow for currency selective payment options in order to naturally hedge revenues against costs and mitigate the risk of foreign exchange losses. Where tenders do not allow for currency selection, forward exchange contracts are used to hedge foreign currency exposure. If there is an inactive market in the non-base currency, uncertainty surrounding the timing of cash flows and ability to effectively hedge through forward exchange contracts, cost escalation mechanisms are negotiated to provide protection on currency-related inflation with residual risk being priced into contracts.

Board of directors

Rudolf Fourie
Chief Executive Officer

James Gibson
Financial Director

Koos Raubenheimer+
Chairman

Freddie Kenney+
Non-executive Director

Ntombi Msiza*+^
Independent
Non-executive Director

Bryan Kent*+^
Independent
Non-executive Director

Les Maxwell*+
Lead Independent
Non-executive Director

Heike Ernst
Company Secretary

* *Member of Audit Committee*
\+ *Member of Remuneration and Nomination Committee*
^ *Member of Risk Committee*

Executive directors

Rudolf Johannes Fourie (49)
Chief Executive Officer
N Dip Marketing Management

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 (41)
Financial Director
BCom (Hons), CA(SA)

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

Non-executive directors

Jacobus (Koos) Esaias Raubenheimer (72)
Chairman
BSc Eng (Civil) Pr Eng

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 (61)

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

Ntombi Felicia Msiza (40)
BCom, H Dip (Tax), MBA

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

Bryan Hugh Kent (70)
BCom, FCMA, CA(SA), H Dip (Tax), H Dip (Company Law)

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

Lead Independent Non-executive Director

Leslie (Les) Arthur Maxwell (68)
BCom, CA(SA)

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

Company Secretary

Heike Elze Ernst (33)
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.

2

Performance and outlook

Chairman's report

Koos Raubenheimer **Chairman**

"Having celebrated a historical 40-year milestone last year and increasing our order book by 32,5%, I present my 2015 report on a high note. We are determined to remain a sustainable business in the future, despite challenging conditions prevailing in particularly the South African construction market."

The year was marked by several achievements which include the positive contributions made by recent acquisitions. Tosas returned to profitability and this in particular was no mean feat given the competitive conditions in the bitumen industry.

Other positive achievements included the establishment of the Zambia Link 8000 construction sites, with some minor works already completed, and the fact that the Raubex order book increased to R8,7 billion. This, combined with a strong balance sheet and positive cash generation, means that Raubex is well positioned for growth in the year ahead.

Despite industry pressure and weak economic conditions Raubex achieved strong results. Particularly pleasing was the growth of the group's Materials Division, which now accounts for over 50% of total operating profit. The acquisition of Tosas in April 2013 proved to be a strategic enabler. The vertical integration secured the supply of bitumen during another year marked by shortages.

While the challenging conditions in the road construction sector persist, the stable performance of the Infrastructure Division has bolstered results, given the group a more diversified revenue stream and expanded customer base.

We are encouraged by the fact that infrastructure, and particularly road construction featured prominently in this year's State of the Nation Address. President Zuma stated that the Department of Transport would spend about R9 billion on the Provincial Roads Maintenance Grant or the Sihamba Sonke Programme, and that a further R11 billion would be spent on upgrading and maintaining roads that are not tolled. Over R6 billion will be spent in 13 cities on planning, building and operating integrated public transport networks during this financial year.

SANRAL, who are still the group's largest customer constituting 27% of the order book, has maintained healthy levels of expenditure during the period and their current annual budget indicates a continuation.

Corporate governance and social responsibility

Raubex remains committed to maintain high standards of corporate governance. Our ongoing efforts around stakeholder engagement and maintaining transparency and open communication, is viewed as critical to our long-term success. Our Corporate Governance report sets out our principles and policies in more detail.

We are also conscious of our responsibility towards the effects of our operations on the environment and the need to uplift the communities in which we operate. The Sustainability report covers the group's progress with environmental and sustainability issues as well as our activities for the benefit of society and the policies we adhere to.

Transformation

Raubex remains committed to promoting the interdependence of performance and transformation, and I am pleased to report that the group has maintained its Level 3 B-BBEE rating.

The group's B-BBEE status is crucial to the ongoing success of the business in order for us to maintain a competitive score amongst our peer group for tender purposes. Raubex Construction, Raubex KwaZulu-Natal, Roadmac Surfacing and Roadmac Surfacing Cape all have level 2 B-BBEE Contributor status.

Prospects

Whilst mindful of the risks associated with industrial action and the effect of commodity prices on the mining industry, the group expects healthy operating conditions to continue in the materials sector.

Raubex's successful drive to diversify, with increased investment in the Materials and Infrastructure Divisions, will enable us to maintain a stable and profitable order book.

Our focus on pursuing high-margin international work will continue. Higher margin work secured in Zambia positions the group well to negate the challenging conditions in South Africa and deliver growth in the year ahead. Post year-end, Raubex acquired a majority stake in Belabela Quarries operating on the outskirts of Gaborone. This acquisition will give the group a base from which it can develop its operations in Botswana.

Appreciation

I must express my thanks to Rudolf Fourie and his team for their hard work and dedication during what has no doubt been another challenging year.

Thanks to my fellow Board members for their continued support and as always, their experience and knowledge have contributed significantly to the group in the past year.

Koos Raubenheimer
Non-executive Chairman

Chief Executive Officer's report

Rudolf Fourie **Chief Executive Officer**

"We have delivered a strong set of results in a tough environment supported by a great performance from the Materials Division, which now accounts for over 50% of the Group's earnings. Recent acquisitions have been successfully integrated and are contributing positively to the business. Our order book is at an all-time high and the projects secured in Zambia allow us to be more selective in the work that we tender for in South Africa. Our more diversified base, strong balance sheet and cash position will help us navigate the challenging conditions in the South African construction market and deliver growth in the year ahead."

While the year under review has once again been a difficult one for the local construction industry, with little easing in terms of competitiveness and challenging conditions persisting, particularly in the road construction sector, the strong performance of our Materials Division and the positive contributions from our acquisitions have positioned Raubex well enough to not only weather the negative climate, but also to continue to prosper. The steady performance by Raubex Infrastructure and Tosas' return to profitability contributed to this positive position.

The group maintained a robust balance sheet and cash position during the year, and has secured a strong order book of R8,7 billion as at 28 February 2015, up 32,5% from R6,6 billion at the end of the previous financial year. We therefore have good reason to be confident about the year ahead. The progress made on the Zambia Link 8000 contracts has also been pleasing.

The year in review

This year we saw aggressive new entrants entering the road surfacing and rehabilitation market, but despite the competitive landscape continuing to place pressure on margins, we took a decision to maintain our profit levels as opposed to growing the order book. There have been other challenges during the year like labour unrest in Namibia, flooding in Northern Mozambique and the bitumen shortage experienced at the South African coastal regions.

Post the election in May last year, there is still little sign of Government implementing mega infrastructure projects, which is disappointing. However, there has been an improvement in the awarding of municipal and provincial road contracts, with this work increasing from 3% and 4% of our order book in 2014 to 6% and 7% respectively in this year. We won several such contracts in the second half of the year, following two years of limited work in this area. South Africa's municipalities and metros maintain about 55% of all tarred roads in the country, while the provinces maintain about 30% of the total tarred road network. We continue to engage with SANRAL and Government at a high level, and have maintained a good working relationship with these key customers.

Our focus on diversification has no doubt been a significant factor in our success this year, and the quality of the order book bears testimony to the group's achievements during the year under review, being the strongest in our 40-year history at R8,7 billion. This will allow us to have a more selective approach to road contracts in South Africa and target contracts where there are opportunities to extract better margins.

During the year under review we bedded down the Shisalanga Construction and OMV acquisitions, acquired 100% of Buildmax Quarries, which produces building materials, mainly sand, and 70% of Empa Structures, which specialises in the manufacture of concrete structures in our continued drive to both diversify our operating base and strengthen our integrated value chain. Post year-end we acquired 74% of the Belabela Quarries in Botswana for R43 million.

Financial overview

Revenue increased by 14,5% to R7,25 billion (2014: R6,33 billion) and operating profit increased by 15,2% to R622,2 million (2014: R539,9 million). These results were supported by positive contributions from acquisitions concluded during the year and a strong performance from the group's Materials Division, which contributed over 50% to total operating profit.

Group operating profit margin remained flat at 8,6% (2014: 8,5%). Operationally, the strong performance by the Materials Division and the good contribution from the Infrastructure segment were offset by continuing challenging conditions in the road construction sector.

Net finance costs increased to R15,7 million (2014: R5,4 million) due to increased borrowings and non-cash finance costs of R2,7 million relating to the unwinding of discount in the valuation of the contingent consideration and put option granted to the sellers of OMV. Total non-cash finance costs amounted to R4,4 million for the year.

Profit before tax increased by 13,5% to R606,6 million (2014: R534,5 million), with the effective tax rate increasing to 29,4% from 29,0%.

Earnings per share increased 11,6% to 213,4 cents (2014: 191,3 cents) with headline earnings per share increasing 11,8% to 209,1 cents (2014: 187,1 cents).

Cash generated from operations increased by 4,5% to R785,1 million (2014: R751,4 million) before finance charges and taxation.

Trade and other receivables increased by 29,5% to R1,38 billion (2014: R1,07 billion) due mainly to the acquisitions concluded during the year and also the inclusion of plant accounted for as receivables under finance leases.

Inventories increased by 25,9% to R529,0 million (2014: R420,2 million) as a result of the inclusion of the mine dumps at Stilfontein and the gypsum dump at Potchefstroom on the acquisition of OMV. The value of bitumen stock-on-hand decreased due to the lower bitumen price which tracks international fuel oil prices.

Borrowings increased by 53,3% to R1,1 billion (2014: R717,6 million) on the back of financing plant and equipment for the Tschudi copper mine project in Namibia and also the Buildmax and Prodev assets acquired.

Capital expenditure on property, plant and equipment increased by 5,6% to R510,6 million (2014: R483,3 million).

The group's net cash inflow for the year was R66,0 million. Total cash and cash equivalents at the end of the year increased by 7,6% to R937,3 million (2014: R871,3 million).

The Board declared a final gross cash dividend of 36 cents (2014: 35 cents) per share which, coupled with the interim cash dividend of 35 cents (2014: 30 cents) per share, brings the total dividend to 71 cents (2014: 65 cents) per share for the full year. The dividend policy of three times cover remains unchanged.

Divisional overview

The operational and financial reviews on each of the divisions and segments are set out on pages 18 to 27 of this Integrated Report.

Prospects

Although the road construction industry in South Africa hasn't deteriorated, it hasn't improved either and we are expecting this trend to continue for the next financial year. Given that the group has managed to secure a healthy, short-term order book with 25,4% of the order book now representing contracts in Africa, we will continue to focus on effective execution of current contracts and selective tendering for replacement work.

Our drive to diversify our revenue streams over the past few years has resulted in the Materials and Construction Divisions contributing more or less equally to the group's total earnings. This, together with the higher margin work secured in Africa, which is in line with our plan to selectively grow the group's international order book, positions us well to navigate the challenging conditions in the local construction market and deliver growth in the year ahead.

We will continue to pursue earnings enhancing acquisitions in the materials sector that will strengthen the group's geographical footprint and vertically integrated model. We are also constantly exploring new geographies in Africa to replace the Zambia road contracts on completion of this work in approximately two years from now.

Whilst we are mindful of the risks associated with operating in South Africa as well as Africa, including the disruptive effect of industrial action and an unpredictable mining environment which is dependent on commodity price cycles, the group has a positive outlook for the year ahead.

Acknowledgements

I would like to thank all the members of the Board and my executive management team for their dedication, hard work and support this year, which has been equally rewarding and challenging. On behalf of the executive management team, we extend our sincere gratitude to each and every Raubex employee for their continued commitment. There is no doubt that your efforts have contributed significantly to our success, and our vision 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".

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

Rudolf Fourie

Chief Executive Officer

Divisional reviews

The group operates a fully integrated business model covering all aspects of the road construction process, 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 also controls and operates a selection of strategically-positioned commercial quarries and specialises in material handling, processing and screening operations for the mining sector.

Raubex'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 has two operating divisions, namely the Construction Division and the Materials Division.

Divisional directors

Louis Johannes Raubenheimer (49)
Construction Division Director
(B.Eng (Civil) UP – 1991)

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

Tobias (Tobie) Gerhardus Wiese (63)
Materials Division Director
(Pr.Eng. (B.Eng (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 Raumix business. Tobie spent 40 years of his career in the Engineering, Construction and Mining Industries, where he was exposed to consulting engineering, local authorities and construction companies, mainly in the latter discipline.

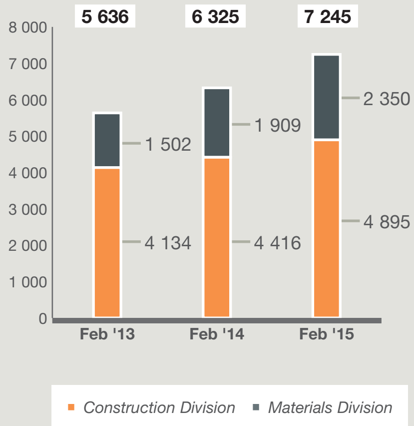
Construction Division

The **Construction Division** delivered a good performance in a tough market with revenue increasing by 10,9% to R4,90 billion (2014: R4,42 billion) and operating profit by 0,3% to R287,3 million (2014: R286,3 million). The Road Construction and Earthworks segment reported an improved second half performance with increased focus placed on production monitoring and driving efficiencies at site level.

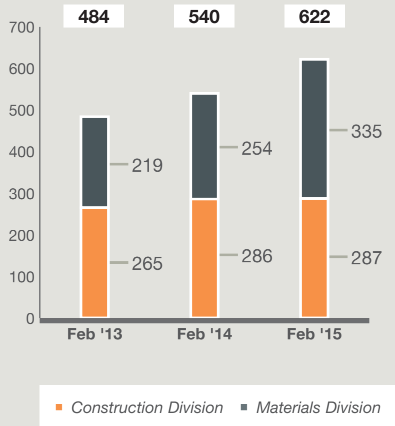
Materials Division

The **Materials Division** delivered a strong performance with revenue increasing by 23,1% to R2,35 billion (2014: R1,91 billion) and operating profit by 32,0% to R334,9 million (2014: R253,7 million). This was due to a strong performance from the commercial quarries and the materials handling business, contributions from acquisitions as well as the return to profitability by Tosas.

Revenue (R million)

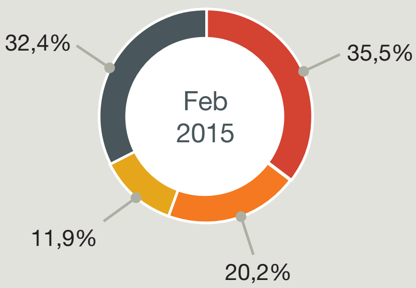


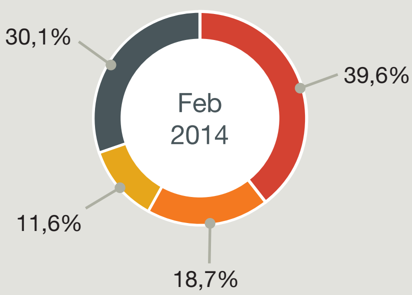
Operating profit (R million)



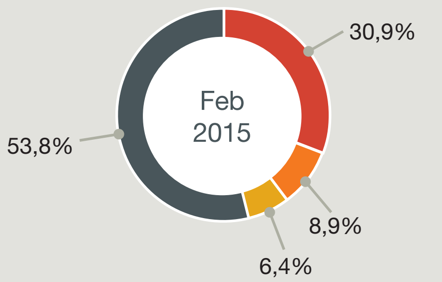
The contribution to revenue and operating profit from the main reporting segments are:

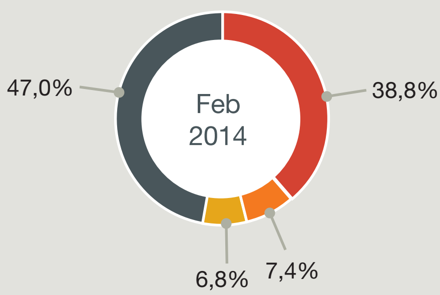
Revenue





Operating profit





Roadmac · *Raubex Construction* · *Raubex Infra* · *Materials Division*

Divisional reviews continued

International

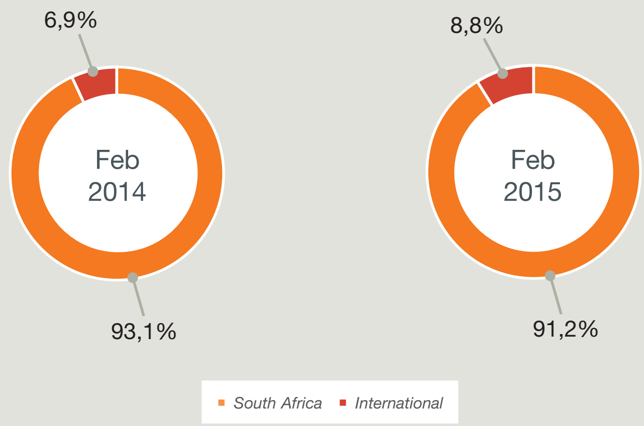
The group's **international operations** reported stable results for the year, with a secured order book of R2,2 billion (2014: R1,68 billion) which makes up 25,4% of the group's total order book. The strong order book consists mainly of two significant road contracts in Zambia and operations in Namibia where work on the upgrading of the road from Rosh Pinah to Oranjemund is under way, as well as various material handling contracts across the country.

Material handling operations were adversely affected in the second half of the year by a three-week strike at the Namdeb operations in Namibia, while flooding in northern Mozambique affected contract crushing operations. In Zambia work commenced on the two Link 8000 contracts, where activities included site establishment, planning and minor works. Major construction works in Zambia are set to commence in the year ahead.

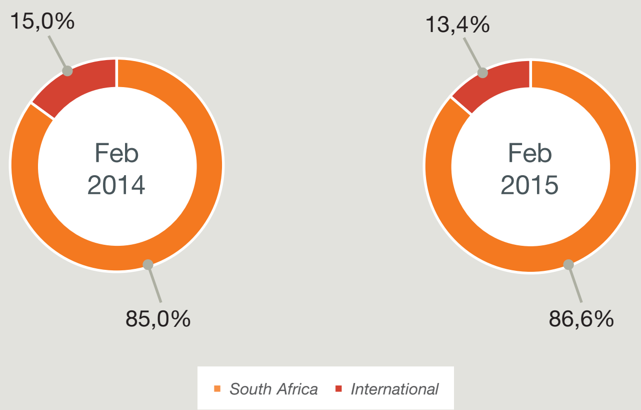
Internationally, revenue increased 47,0% to R639,0 million (2014: R434,5 million), contributing 8,8% of the group's total revenue.

Operating profit increased by 3,3% to R83,4 million (2014: R80,8 million), representing 13,4% of the group total. Operating profit margins decreased to 13,1% (2014: 18.6%) due mainly to the Rosh Pinah to Oranjemund contract being at a lower margin, more in line with the South African road construction market. The strike in Namibia and flooding in Mozambique also put pressure on the international operating profit margin.

Revenue



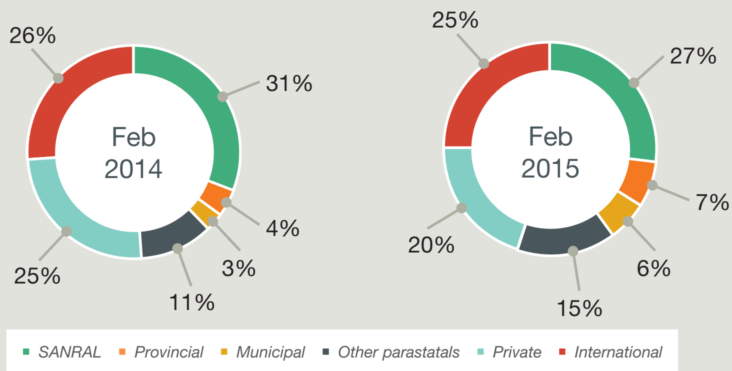
Operating profit



Order book

Raubex increased its order book by 32,5% to R8,68 billion from R6,55 billion in 2014 in a challenging environment. The order book is represented by the following customer categories:

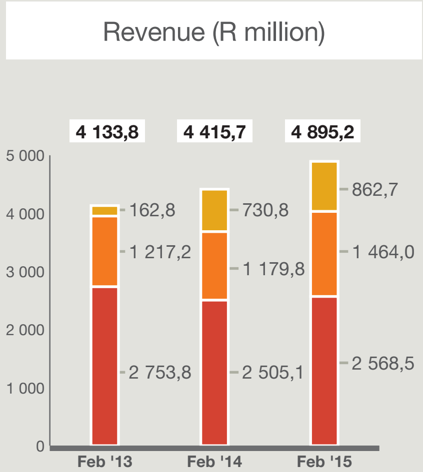
Order book

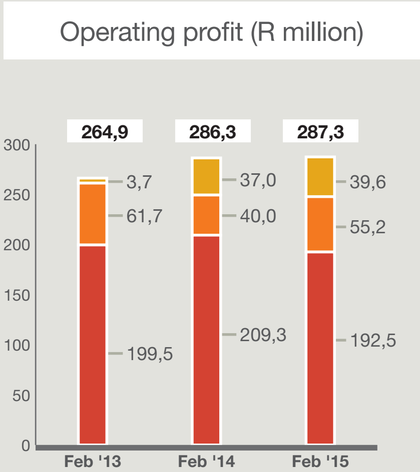


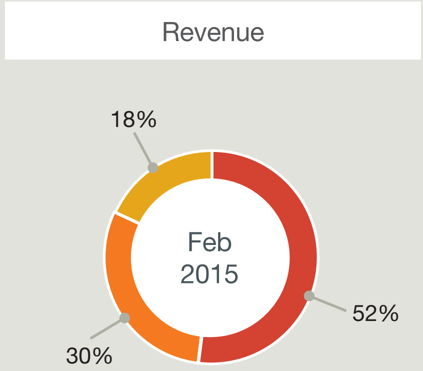
Construction Division

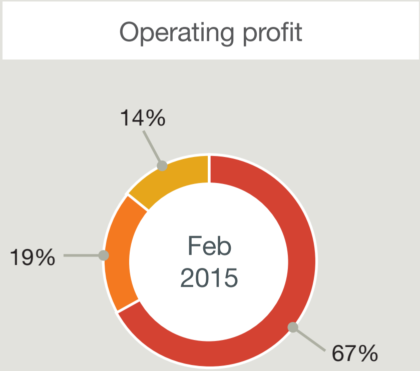
The Construction Division comprises three reporting segments:

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









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

Divisional reviews continued

Road Surfacing and Rehabilitation


N2 New Guelderland to Mtunzini Toll Plaza


N2 New Guelderland to Mtunzini Toll Plaza

Activities

The group's Road Surfacing and Rehabilitation segment specialises in the manufacturing and laying of asphalt, chip and spray, surface dressing, enrichments and slurry seals. Through its subsidiary, **Roadmac**, Raubex holds the African patent for an ultra-thin asphalt surfacing technology called ULM and is the leading applicator in this market. The business has a strong management team, skilled operators and a well-maintained fleet of specialised equipment that is kept up to date with the latest technologies available.

Asphalt production is carried out through the group's subsidiaries, **National Asphalt** and **Shisalanga Construction**. The group has a combined production capacity of 2,10 million (2014: 1,75 million) tonnes per annum through strategically placed fixed plants servicing the Free State, Gauteng, KwaZulu-Natal and Mpumalanga and mobile plants that are used to service contracts and clients in more rural areas. For the year ended 28 February 2015, the asphalt operations supplied 1 009 000 tonnes (2014: 927 000 tonnes) of asphalt.

Fully-equipped laboratories ensure a high standard of quality and process control and management strive to be at the forefront of new asphalt technologies. Significant advances have been made in the field of Reclaimed Asphalt Pavement ("RAP") technology that offers both a more cost-effective and environmentally-friendly solution to road rehabilitation. The use of this technology is expected to become more prevalent in future rehabilitation projects.

Results for 2015

The Road Surfacing and Rehabilitation segment, of which **Roadmac** is the largest business within this segment, contributed 35,5% (2014: 39,6%) of total group revenue. The segment as a whole delivered a stable performance for the year in an operating environment that remains very competitive, with the business securing an order book of R2,47 billion (2014: R1,78 billion). The order book includes contracts from SANRAL, the N3 Toll Concession and provincial work in the Western and Eastern Cape.

Increased competition in the asphalt market and a lower volume of work awarded in the KwaZulu-Natal provincial market made for particularly challenging conditions. However, margins have stabilised at the current levels. The challenging conditions impacted operating profit, which decreased by 8,0% to R192,5 million (2014: R209,3 million), with operating profit margin decreasing to 7,5% (2014: 8,4%). Revenue increased by 2,5% to R2,57 billion (2014: R2,51 billion). The division incurred capital expenditure of R63,4 million during the year (2014: R85,5 million).

Included in the results above, the **asphalt operations** reported an increase in revenue to R1,12 billion (2014: R893 million) and an increase in operating profit to R75,7 million (2014: R54 million) supported by the acquisition of Shisalanga Construction. This was achieved despite aggressive pricing in the asphalt market during the year under review.

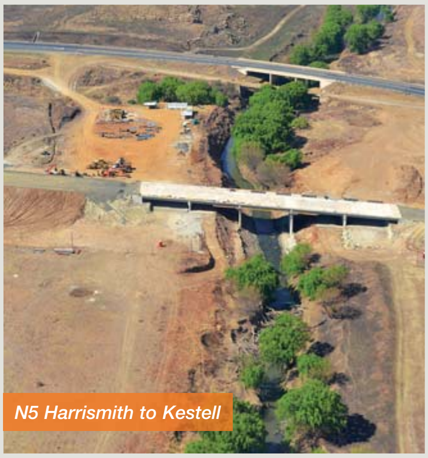
Outlook for 2016

This segment has secured a healthy order book and the volume of work out for tender has remained steady. However, the group expects the rehabilitation and maintenance market to remain very competitive in the year ahead and the key objective will be to replace the order book while maintaining margins.

The asphalt market has experienced aggressive pricing from new entrants into the market and these conditions will remain challenging in the short term. These aggressive pricing levels, Raubex believes, are unsustainable and foresee that prices will stabilise in the medium term.

It has been encouraging to see an increase in the percentage of provincial and municipal road contracts in the order book and it is hoped that this trend will continue as South African municipalities maintain about 55% of all tarred roads in the country while provincial governments are responsible for about 30% of the network. SANRAL is responsible for maintaining South Africa's national road network and Treasury, through the Department of Transport, has increased SANRAL's non-toll budget by 19,0% from R10,5 billion to R12,5 billion for the ensuing year.

Road Construction and Earthworks


N5 Harrismith to Kestell


Rosh Pinah to Oranjemund


N4 Maputo corridor

Activities

The group's Road Construction and Earthworks segment is the road and civil infrastructure construction business focused on the key areas of new road construction and heavy road rehabilitation. The business has notable project management expertise and a reputation for delivering effective and specialised solutions to its clients. The business is well-resourced and skilled by a team of engineers, technologists, artisans and personnel managers who are complemented by a well maintained fleet of specialised road building equipment. The group's International Construction segment operates throughout southern Africa with businesses in Zambia and Namibia.

Results for 2015

The segment delivered an improved performance for the year in an operating environment that has been extremely competitive. Management has focused its attention on production monitoring and driving efficiencies across the business units to ensure that the low margin work awarded in South Africa is executed profitably.

The order book increased by 55% to R3,20 billion (2014: R2,07 billion) following the awards of significant contracts from both SANRAL in South Africa and the Roads Development Agency in Zambia. Internationally, R1,49 billion of this order book relates to contracts in Zambia and Namibia.

Revenue for this segment increased by 24,1% to R1,46 billion (2014: R1,18 billion), with operating profit increasing by 37,8% to R55,2 million (2014: R40,0 million). The operating profit margin increased to 3,8% (2014: 3,4%), with a marked improvement in the last six months due to a number of lower margin contracts being substantially completed in the first half of the financial year. The progress made on projects in Namibia and Zambia also supported these results.

The division incurred capital expenditure of R44,6 million during the year (2014: R51,2 million).

Outlook for 2016

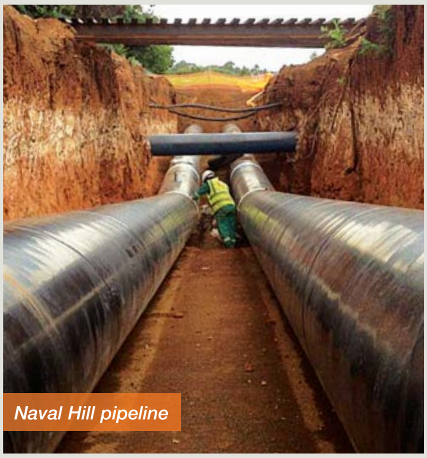
With the order book at full capacity, supported by three large SANRAL contracts in the Bloemfontein area and the greenfields road contracts in Zambia, this segment is in a position that will allow it to be more selective in tendering for contracts in the coming year and focus on the execution of secured work.

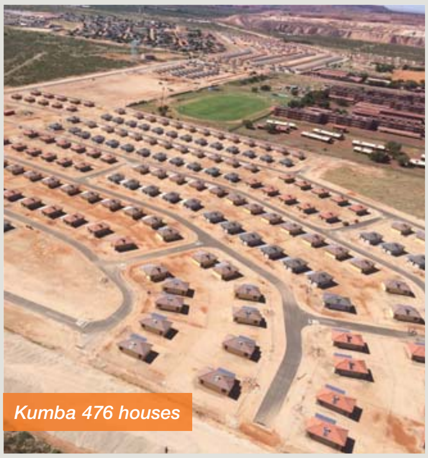
In South Africa, the industry is expected to remain competitive as Government has shown little sign of implementing any mega infrastructure projects. The successful execution of the Zambian contracts is key to this business segments performance in the year ahead and Raubex will continue to explore similar opportunities in Africa where the margins are more favourable.

Divisional reviews continued

Infrastructure


Saldahna Bay reservoir


Naval Hill pipeline


Kumba 476 houses

Activities

The group's Infrastructure business 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. This business has as its core focus the building of relationships with strategic partners to successfully execute turnkey projects in line with the group's strategy to attain a more balanced portfolio of work in the construction sector and increase Raubex's exposure to more diversified revenue streams.

Results for 2015

Raubex Infrastructure has established its reputation in the market and is supported by a stable order book of work mainly focused on civil construction works related to Eskom's REIPPPP, residential housing solutions, mine housing solutions and water pipeline infrastructure. The order book increased to R1,01 billion from R909,4 million in 2014, whilst revenue increased by 18,0% to R862,7 million (2014: R730,8 million).

Operating profit increased 7,3% to R39,6 million (2014: R37,0 million). The operating profit margin decreased to 4,6% (2014: 5,1%) on the back of the delay on round 3 REIPPPP projects. The division incurred capital expenditure of R37,7 million (2014: R22,8 million).

The business successfully completed work on two second round photovoltaic ("PV") solar farms during the first half of the year but the delays experienced in reaching financial closure on round 3 REIPPPP projects pushed the order book out into the new year and impacted the second half performance.

On 1 November 2014, Raubex acquired a 70% interest in Empa Structures for a purchase consideration of R25,5 million. Empa Structures specialises in concrete structures. This acquisition has been bedded down and will strengthen the group's own capacity to tender on projects that require specialist concrete structure work.

Outlook for 2016

The business' reputation for quality work and on-time delivery of projects has stood the group in good stead and the stable order book is testimony to this statement. The outlook for this segment remains stable and current levels of operation are expected to be maintained. The acquisition of Empa Structures will support the division and allow Raubex to tender on projects that require specialist concrete structure skills.

The decline in commodity prices has resulted in mining houses reducing their capital expenditure plans and this will impact the timing of mining infrastructure-related projects. However, opportunities still exist to secure projects relating to mine employee housing developments as these are a requirement of the mining charter.

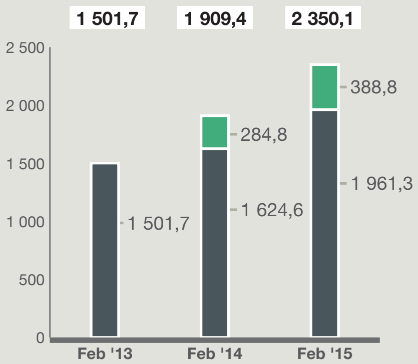
The potential for growth in water infrastructure projects was again reiterated by Government during this year's State of the Nation Address. As a result of many municipalities having failed to maintain ageing water infrastructure or build new water supply facilities, the South African Government is preparing a draft law to force municipalities to devote 15% of their annual budgets for the maintenance and operation of water infrastructure. Raubex will position itself to take advantage of this.

Materials Division

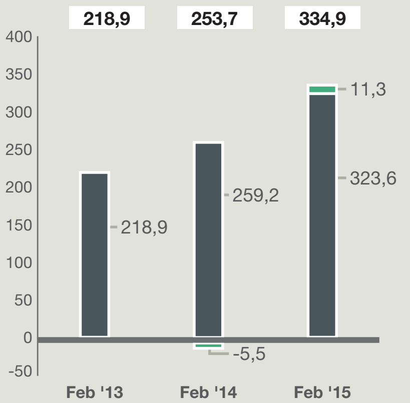
The Materials Division comprises three main disciplines including:

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

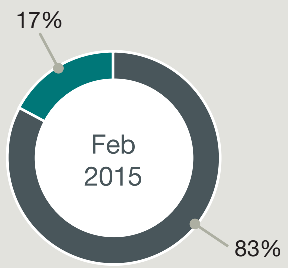
Revenue (R million)



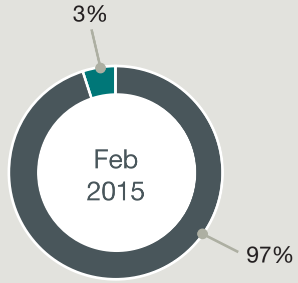
Operating profit (R million)



Revenue



Operating profit

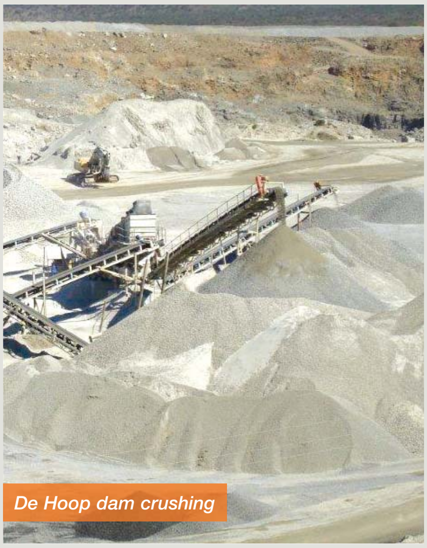


▪ *Raumix* ▪ *Tosas*

Divisional reviews continued

Crushco quarry

N1 Reclaimed Asphalt Pavement



De Hoop dam crushing

Activities

Commercial quarries

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

- Gauteng (Midrand, Pretoria, Bronkhorstspruit, Bredell, Springs)
- Free State (Bloemfontein)
- North West (Stilfontein)
- Eastern Cape (Aliwal North, Cradock and Queenstown)
- KwaZulu-Natal (Harding)
- Botswana (Gaborone)

These quarries supply crushed aggregate and sand to the construction industry for both the residential market and infrastructure projects.

Contract crushing

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

Materials handling and processing for the mining industry

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

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

Bitumen storage and modified bitumen supply

Tosas is a manufacturer and distributor of value-added bituminous products used primarily for road construction activities. The business provides Raubex with a relatively secured supply of bitumen as a result of a supply agreement with Sasol. Tosas has capacity to store approximately 2 000 tonnes of bitumen.

Results for 2015

The **Materials Division** delivered a strong performance for the year. Revenue increased by 20,7% to R1,96 billion (2014: R1,62 billion) and operating profit increased by 24,9% to R323,6 million (2014: R259,2 million). The divisional operating profit margin increased to 16,5% (2014: 16,0%).

The favourable results were partly attributable to the acquisitions of OMV and the Buildmax Aggregates quarries being successfully bedded down. The commercial quarries reporting solid results for the year with healthy demand experienced from the residential and commercial building markets as well as infrastructure projects.

The Tschudi plant was completed during the year and the crushing contract is in progress. Conditions also favoured the mining and material handling operations where good results were reported despite being affected by a three-week strike at the Namdeb operations in Namibia, which was successfully resolved before year-end, and the flooding in Mozambique which resulted in a one-month production loss.

In line with the South African construction sector conditions, contract crushing operations have been operating in a highly competitive market, with significant margin pressure being experienced.

The division's secured order book increased to R1,86 billion (2014: R1,67 billion) and capital expenditure of R358,3 million (2014: R320,3 million) was incurred.

Tosas made good progress during the year and returned to profitability through a combination of "right-sizing" initiatives and increased volume through improved marketing and service delivery. It secured an external order book of R129,4 million (2014: R127,2 million). The modified bitumen industry is experiencing challenging trading conditions and margin pressure as new entrants compete for market share and a shortage of bitumen at the coastal regions. The group has continued to realise synergies from this acquisition through the efficient supply of bitumen on internal contracts with 44,2% (2014: 30,8%) of Tosas's revenue arising from internal group supply.

Revenue increased by 36,5% to R388,8 million (2014: R284,8 million), with operating profit of R11,3 million improving significantly from a loss of R5,5 million reported in the prior year. Total revenue, including internal supply to the group, amounted to R696,1 million (2014: R411,5 million).

Tosas incurred capital expenditure of R6,6 million (2014: R3,5 million) during the year.

Due to the nature of its product this business will be disclosed under the Road Surfacing and Rehabilitation segment going forward.

Outlook for 2016

Commercial quarries

Favourable market conditions are expected to continue in the year ahead in the commercial quarry sector on the back of an improving residential and commercial building market. Raubex will continue to pursue opportunities in this market to broaden its geographical footprint. The strategic acquisition of Belabela Quarries in Gaborone, Botswana, will give the group a platform for expansion into the Botswana market.

Contract crushing

Due to the nature of these operations being closely aligned to the construction sector. The conditions and performance of these operations will mirror the conditions being experienced in the Construction Division. The general construction industry sector will have to markedly improve to positively affect this business and margins are expected to remain under pressure.

Materials handling and processing for the mining industry

The Materials Division is well placed, both locally and in Namibia, to handle medium to large material handling and processing contracts. Mindful of the risks associated with industrial action and the effect of commodity prices on the mining industry, the group expects healthy operating conditions to continue in this sector. The diamond and gold mining industries will remain a key focus area for the business; however, the group is looking for opportunities to diversify its exposure to these two commodities and spread its commodity risk. The Tschudi plant which is now in operation will go some way towards this objective, giving the group exposure to copper. Similar opportunities in other commodities are being pursued.

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Corporate governance and sustainability

Corporate Governance report

General

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

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

Board

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

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

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

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

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

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are separate and they operate under separate mandates issued by the Board. This differentiates the division of responsibility within the company and ensures a balance of authority.

The Board is chaired by Koos Raubenheimer, a non-executive director and the founder of Raubex. 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 Exco 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 page 13 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

A register of quarterly Board meeting attendance is tabled below:

	9 May 2014	31 July 2014	5 Nov 2014	25 Feb 2015
RJ Fourie	✓	✓	✓	✓
JF Gibson	✓	✓	✓	✓
JE Raubenheimer	✓	✓	✓	✓
F Kenney	✓	✓	✓	✓
LA Maxwell	✓	✓	✓	✓
BH Kent	×	✓	✓	✓
NF Msiza	✓	✓	✓	✓

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

Performance assessment and development

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

Board committees

Audit Committee

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

Corporate Governance report continued

The following members serve on the Audit Committee:

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

The Committee has adopted formal terms of reference that have been approved by the Board. To effectively comply with its terms of reference, the external auditors, the Financial Director, the Group Financial Manager and Internal Audit Manager attend the Audit Committee meetings as standing invitees. When appropriate the executive directors and officers attend the meetings by invitation.

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

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;
- 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 55 and 56 of the group's Annual Financial Statements.

IT Steering Committee

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

The IT Steering Committee is chaired by the Financial Director, reports to the Audit Committee and is responsible for:

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

The establishment of the IT Steering Committee has resulted in a more coordinated approach to IT management throughout the group and under its direction the group's Virtual Private Network has been bedded down and communication and information sharing within the group has noticeably improved.

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

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is an independent committee appointed by the Board.

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

The following members serve on the Committee:

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

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

- determining the remuneration, incentive arrangements and benefits of the executive directors of the company, including pension rights and any compensation payments;
- determining the fees payable to the Chairman of the Board;
- determining the fees payable to the non-executive directors of the Board;
- determining the remuneration of the Exco members;
- recommending and monitoring the level and structure of remuneration of senior executive employees;

- considering and deciding upon such other matters as the Board may refer to it;
- reviewing, at least annually, the Committee's performance and terms of reference; and
- assisting the Board in the appointment of new directors to the Board.

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

The Remuneration and Nomination Committee report is set out on pages 33 to 37 of this Integrated Report.

Executive Committee

The Exco supports the Chief Executive Officer in carrying out his responsibilities for the day-to-day management of the group's operations and consists of eight members.

The following members serve on the Exco of the group:

- RJ Fourie (Chief Executive Officer)
- JF Gibson (Group Financial Director)
- TG Wiese (Managing Director – Materials Division)
- LJ Raubenheimer (Managing Director – Construction Division)
- GM Raubenheimer (HR and Administrative Executive)
- JA Louw (Group Financial Manager)
- RL Shedlock (Financial Director – Materials Division)
- HE Ernst (Company Secretary and Legal Advisor)

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

Risk Committee

The Board is responsible for the governance of risk and has appointed a committee responsible for risk management which comprises two independent non-executive directors and one divisional financial executive. Exco members attend the Risk Committee 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

The Risk Committee is responsible for:

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

A formal risk recording and rating methodology has been adopted whereby risks are identified and prioritised by subsidiary companies and divisions before being communicated through to the Risk Committee for review and recording in the group's risk register. Decisions are then made on how best to mitigate, manage or transfer high impact, high probability risks. The material risks and mitigating processes are set out on pages 10 and 11 of this Integrated Report.

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

Social and Ethics Committee

The Companies Act requires all listed public companies to have a Social and Ethics Committee. In line with these requirements, the group has an established Social and Ethics Committee. The Social and Ethics Committee report is set out on page 38 of the Integrated Report and sets out its responsibilities and functions.

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

- F Kenney (Chairman)
- GM Raubenheimer
- TA Dale

GM (Thabo) Raubenheimer serves on the Exco of the group, while Trevor Dale is the Group Human Resource Manager.

Share dealing

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

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

- the prior written approval from the Chairman for the Chief Executive Officer, Financial Director and non-executive directors;
- the prior written approval of the lead independent non-executive director for the Chairman;
- and the prior written approval of the Financial Director for Exco members.

Directors, officers and defined employees are required to instruct their portfolio or investment managers not to trade in the

Corporate Governance report continued

securities of the group without their written consent. They are required to advise the Company Secretary within three business days after the trade has taken place who will then report the transaction to the JSE through SENS 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 Heike Elze 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 13 of this Integrated Report. During her tenure with the group, she has attended various workshops and seminars on matters relevant to the company secretarial function and is also a member of the Institute of Directors. The Board has assessed her abilities and is satisfied with the qualifications, experience and the level of competence demonstrated.

Internal Audit

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

Compliance with laws, rules, codes and standards

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

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

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

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

Stakeholder communication and relations

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

The communication with stakeholders is considered to be transparent and effective and the group has retained the services of public relations professionals to assist with stakeholder communication issues and investor relations. Further detail on the group's stakeholder communication is available on pages 46 to 48 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 ("the Committee"), which is an independent committee appointed by the Board, is pleased to present this report for the financial year ended 28 February 2015 as recommended by the King III report on corporate governance.

Terms of reference

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

Members and meeting attendance

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

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

	8 May 2014	31 July 2014	25 February 2015
LA Maxwell (Chairman)	✓	✓	✓
JE Raubenheimer	✓	✓	✓
F Kenney	×	✓	✓
BH Kent	×	✓	✓
NF Msiza	✓	✓	×

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

Activities

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

- A review of fees payable to the Chairman of the Board ("the Chairman") 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.
- A recommendation to the Board on the number of share options to be granted in terms of the group's deferred stock scheme.
- A review of the results of the 2014 AGM vote on the non-binding advisory endorsement on the group's remuneration policy.

There have been no material changes to the group's remuneration policy or practices during the financial year under review.

Remuneration of the Chairman and non-executive directors

The fees payable to the Chairman and non-executive directors are based on a fixed annual fee structure with no individual meeting fees payable. This structure and the fixed fee payable was approved by the requisite majority of shareholders by way of a special resolution passed at the AGM on 3 October 2014 with 92,8% of shareholders voting in favour of the proposal.

The current fees and the proposed fees for the ensuing year which will be tabled for shareholder approval at the group's forthcoming AGM, are set out below. The proposed increase of 7% is in line with the average annual increase awarded to management across the group.

	2015 Annual fees (R)	Proposed 2016 Annual fees (R)	Proposed percentage increase
Chairman	**800 000**	856 000	7,0%
Lead independent non-executive	**650 000**	695 500	7,0%
Independent non-executive	**500 000**	535 000	7,0%
Non-executive	**500 000**	535 000	7,0%

Non-binding advisory endorsement on remuneration policy

The voting results in respect of the endorsement of the group's remuneration policy at the AGM held on Friday, 3 October 2014, were as follows:

- 66,8% (2014: 67,9%) of shareholders voting in favour of the remuneration policy;
- 33,2% (2014: 32,1%) voted against.

Remuneration and Nomination Committee report continued

The Committee has reviewed the remuneration policy for members of the Board and Exco for the ensuing financial year to ensure alignment with the industry, shareholder interests and the retention of key executives. Following this review, the Committee believes that the policy on base pay and the short-term incentive is appropriate. However, the Committee has decided not to extend the deferred stock scheme and is in the process of evaluating alternatives to the deferred stock scheme to serve as a long-term component of remuneration that will retain and incentivise key executives and more closely align their interests with those of the company and its shareholders.

General remuneration policy

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

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

Base pay

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

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

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

Short-term incentive

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 by the Board; and
- a measurement against KPIs determined 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.

KPIs

The executive bonus scheme computation measures performance against KPIs determined by the Board.

The KPIs for the executive directors are set out below:

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

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

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

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

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

KPIs 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.

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.

Long-term incentive

The group adopted a deferred stock scheme on 8 October 2010 for an initial period of five years effective from 1 March 2010. The final options approved under this scheme were allocated during the year with an effective date of 1 March 2014 and vesting date of 1 March 2017 during which period the option holders are required to remain in the full time employ of the group in order to avoid lapsing of the option. The Committee is in the process of evaluating alternative long-term incentive schemes to incentivise and retain key executives on expiry of the deferred stock scheme.

Remuneration

The remuneration of the executive directors and prescribed officers who served during the year under review as set out below.

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.

	Year	Salary R'000	Incentive bonus[1] R'000	Retirement funding contribution[2] R'000	Other benefits[3] R'000	Total emoluments R'000
Executive directors						
RJ Fourie	**2015**	**2 468**	**5 686**	**270**	**313**	**8 737**
	2014	2 397	6 154	236	202	8 989
JF Gibson	**2015**	**1 654**	**3 481**	**165**	**33**	**5 333**
	2014	1 420	2 792	141	11	4 364
F Diedrechsen	**2015**	**–**	**–**	**–**	**–**	**–**
	2014	1 061	3 780	12	20	4 873
Total	**2015**	**4 122**	**9 167**	**435**	**346**	**14 070**
	2014	4 878	12 726	389	233	18 226
Prescribed officers						
TG Wiese	**2015**	**1 762**	**5 233**	**536**	**547**	**8 078**
	2014	1 654	5 160	494	597	7 905
LJ Raubenheimer	**2015**	**1 559**	**3 371**	**179**	**315**	**5 424**
	2014	1 564	3 774	149	185	5 671
GM Raubenheimer	**2015**	**1 307**	**1 688**	**153**	**250**	**3 398**
	2014	1 369	3 277	134	126	4 906
RL Shedlock	**2015**	**2 154**	**3 258**	**645**	**480**	**6 537**
	2014	2 020	2 433	598	462	5 513
JA Louw	**2015**	**1 018**	**1 134**	**102**	**143**	**2 397**
	2014	885	580	88	156	1 709
HE Ernst	**2015**	**480**	**440**	**48**	**–**	**968**
	2014	406	92	41	2	541
Total	**2015**	**8 280**	**15 124**	**1 663**	**1 735**	**26 802**
	2014	7 897	15 316	1 504	1 528	26 245

Notes

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

Remuneration and Nomination Committee report continued

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.

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:

	2015 R'000	2014 R'000
Non-executive directors		
JE Raubenheimer	**616**	517
LA Maxwell	**511**	441
F Kenney	**356**	323
BH Kent	**441**	441
NF Msiza	**481**	441
Total	**2 405**	2 163

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	**2015**	**393 283**	**104 612**	**124 716**	**373 179**	**2 706**
	2014	398 270	102 278	107 265	393 283	2 306
JF Gibson	**2015**	**237 763**	**80 836**	**68 027**	**250 572**	**1 476**
	2014	217 238	79 033	58 508	237 763	1 258
F Diedrechsen	**2015**	**–**	**–**	**–**	**–**	**–**
	2014	398 270	–	398 270	–	8 563
Prescribed officers						
TG Wiese	**2015**	**303 900**	**80 836**	**96 371**	**288 365**	**2 091**
	2014	307 753	79 033	82 886	303 900	1 782
LJ Raubenheimer	**2015**	**303 900**	**80 836**	**96 371**	**288 365**	**2 091**
	2014	307 753	79 033	82 886	303 900	1 782
GM Raubenheimer	**2015**	**44 691**	**11 888**	**14 172**	**42 407**	**308**
	2014	33 068	11 623	–	44 691	–
RL Shedlock	**2015**	**107 753**	**57 061**	**14 172**	**150 642**	**308**
	2014	51 965	55 788	–	107 753	–
JA Louw	**2015**	**67 936**	**35 663**	**14 172**	**89 427**	**308**
	2014	33 068	34 868	–	67 936	–
HE Ernst	**2015**	**44 691**	**11 888**	**14 172**	**42 407**	**308**
	2014	33 068	11 623	–	44 691	–

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 2015 and 5 May 2015, the date of approval of the Annual Financial Statements.

	28 February 2015		28 February 2014	
Number of shares held	Direct	Indirect	Direct	Indirect
Beneficial				
RJ Fourie	**4 319 507**	**–**	4 144 791	–
JF Gibson	**151 535**	**–**	58 508	–
F Kenney	**–**	**14 965 384**	–	14 965 384
LA Maxwell	**16 000**	**–**	16 000	–
Non-beneficial				
JE Raubenheimer	**–**	**25 650 000**	–	25 650 000
Total	**4 487 042**	**40 615 384**	4 219 299	40 615 384

There are no associate interests for the above directors.

LA Maxwell

Chairman of the Remuneration and Nominations Committee

27 July 2015

Social and Ethics Committee report

Introduction

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

Members

At 28 February 2015, the Social and Ethics Committee was chaired by Freddie Kenney, a non-executive director. The other two members are Thabo Raubenheimer, an Exco member, and Trevor 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.

Meetings

The Social and Ethics Committee held two meetings during the year.

Statutory duties

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

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

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

The Social and Ethics Committee also:

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

The Committee is aware its function will continue to evolve as it addresses all the responsibilities within its mandate. The Committee is satisfied with the group's progress in the different areas and with the plans for the 2016 financial year.

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

On behalf of the Social and Ethics Committee

Freddie Kenney
Social and Ethics Committee Chairman

27 July 2015

Sustainability report

Introduction and approach to sustainability

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

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

The following issues 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. The report covers:

- 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. These include:

Internal standards

- Raubex internal policies, procedures and instruction manuals addressing an array of management and working requirements throughout the business.
- Risk Control Standards: Guidelines for safety, health, environmental and quality management.
- Enterprise Risk Management Guidelines: Guidelines for identifying, recording and managing business risks and assurances.

International and local standards

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

Audits and external assurance

Compliance with standards and legislation across the group is monitored through a compliance framework with assurance provided from a combination of internal and external audits of the various management systems, standards and practices. External assurance is received from the assurance providers listed in the following table:

Compliance category	External assurance provider
Finance	PricewaterhouseCoopers Inc.
Legal compliance	KPMG Services (Pty) Ltd
Information Technology	KPMG Services (Pty) Ltd
ISO 9001, ISO 14001	DEKRA
OHSAS 18001	DEKRA
SANS 4001-BT1	SABS
Health and Safety	SHE Consultants, ASPASA, SABITA
Environmental	GCX Africa, ASPASA, SABITA
B-BBEE Scorecard	Empowerlogic (accredited by SANAS)

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

Our employees

Employment equity

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

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

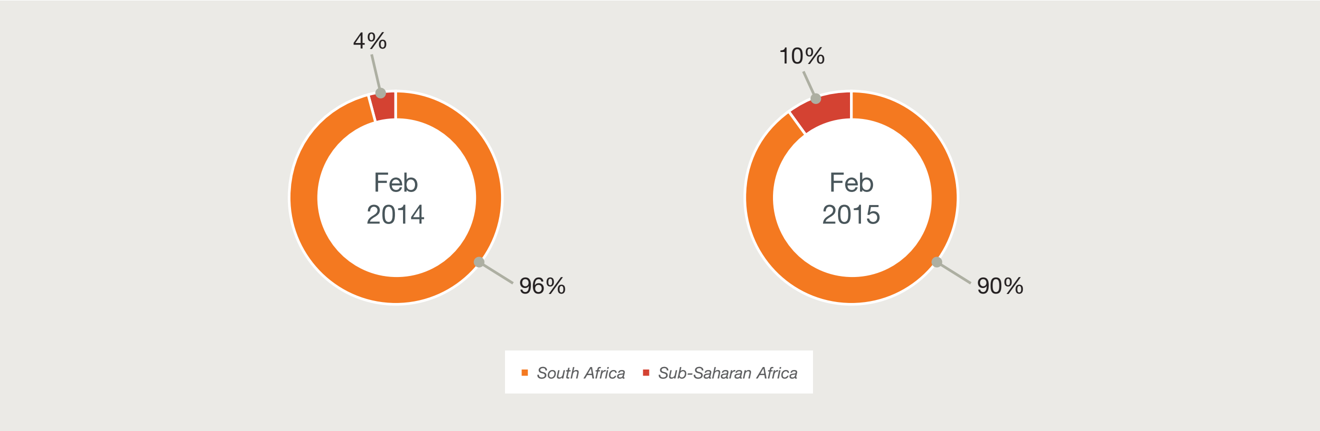
Sustainability report continued

Headcount

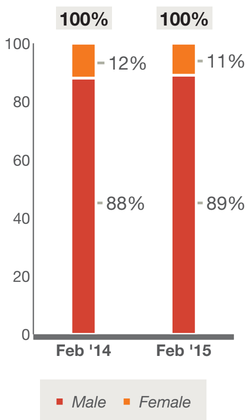
Employee headcount per geography:

For the year ended 28 February 2015, Raubex employed 9 598 (2014: 8 306) employees, of whom 90% (2014: 96%) is based in South Africa and 10% (2014: 4%) based in sub-Saharan Africa.

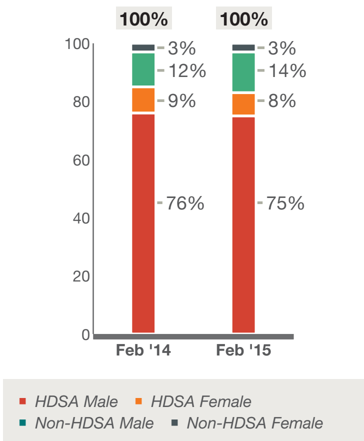
Country	Male	Female	2015	2014
South Africa	7 698	956	**8 654**	7 978
Sub-Saharan Africa	880	64	**944**	328
Total employees	8 578	1 020	**9 598**	8 306



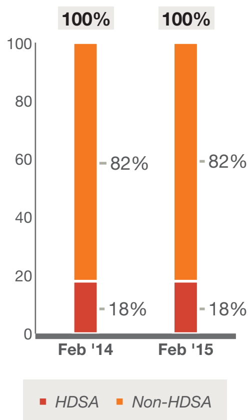
Employee headcount per gender



Employee headcount per HDSA classification



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



- As at 28 February 2015, of the 9 598 employees, 89% (2014: 88%) were male employees and the balance were female employees.
- HDSA employees make up 83% of the total workforce and 18% of the top and senior management classification in South Africa.

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.

Code of Conduct

The Code of Conduct ("the Code") of Raubex 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
- Failure to comply and reporting procedures

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

Skills development

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

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

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

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

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

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

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

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

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

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

Sustainability report continued

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

	2015	2014
Total trainees	**169**	220
Total workforce	**9 598**	8 306
% of total workforce	**1,8%**	2,6%

Raubex's training programme for the year ended 28 February 2015 and 2014 consisted of:

Type of training	2015	2014
Apprentices	**151**	130
Civil Engineering students	**4**	23
Administration students	**1**	2
Civil learnerships	**0**	30
IT learnerships	**0**	6
Office Admin learnerships	**3**	2
Surveying learnership	**0**	1
Technical students	**10**	26
Total trainees	**169**	220

Raubex's training includes:

Apprenticeships

Raubex currently has enrolled 151 apprentices (2014: 130 apprentices) through MERSETA and the UIF Programme launched by the Department of Labour, which run over a period of three years on average.

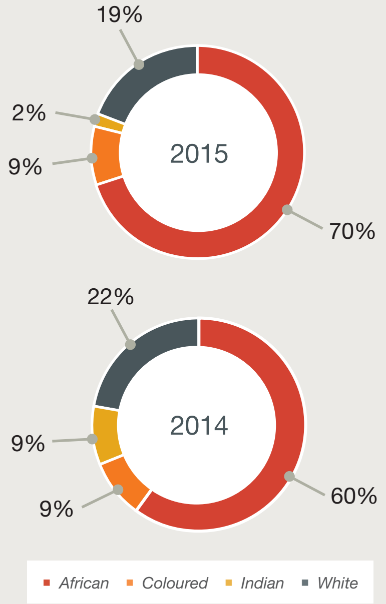
Civil learnership (NQF2)

The group trained a total of 30 candidates in the civil engineering learnership programme during the 2014 year which proved to be a good source of junior foreman incumbents. The focus however shifted in 2015 to focus more on mechanical apprentices and therefore no further civil learnerships were enrolled. The intention is however to offer civil learnerships in 2016.

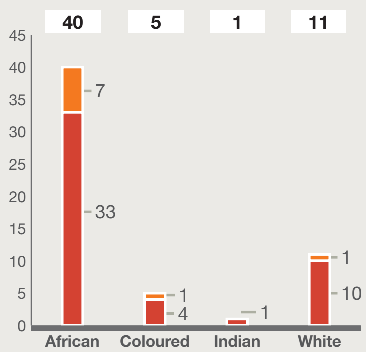
Bursaries

Raubex offers bursaries to promising students within the construction industry. There are currently 57 active bursary holders (2014: 32) within the group. The bursary holders are summarised by race and gender in the adjacent graphs.

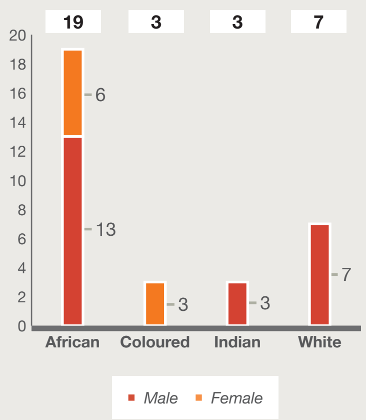
Bursaries



2015



2014



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 these negotiations and other employee relationship matters.

Approximately 21,8% (2014: 27,1%) of the workforce is represented by various unions, with the majority belonging to the unions noted below:

	NUM	BCAWU	NUMSA	Small unions	Total
2015	**16,6%**	**2,3%**	**0,6%**	**2,3%**	**21,8%**
2014	19,9%	3,4%	0,0%	3,8%	27,1%

The decline of union membership expressed as a percentage of the total workforce can be ascribed to the increase of workforce as a result of acquisitions of non-unionised employees.

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 of the NUM and the BCAWU. The parties are currently in negotiations at the bargaining council with the aim of implementing a revised set of minimum wages, amended conditions of employment and across the board increases effective September 2015 for a period of three years. The Materials Division follows a decentralised approach to wage bargaining and a number of separate recognition agreements have been signed between individual entities and unions.

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

Transformation

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

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

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

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

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

The group is proud of its empowerment credentials and the progress it has made with respect to transformation. The group has an overall consolidated rating of a Level 3 (2014: Level 3) contributor to B-BBEE using the Construction Charter codes and scores highly in the equity ownership, skills development, procurement, enterprise development and social economic development elements of the scorecard. The management control and employment equity elements of the scorecard are areas for improvement and the increased focus that the group has placed on training in recent years is expected to go some way to addressing this inequality in the medium term.

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

Sustainability report continued

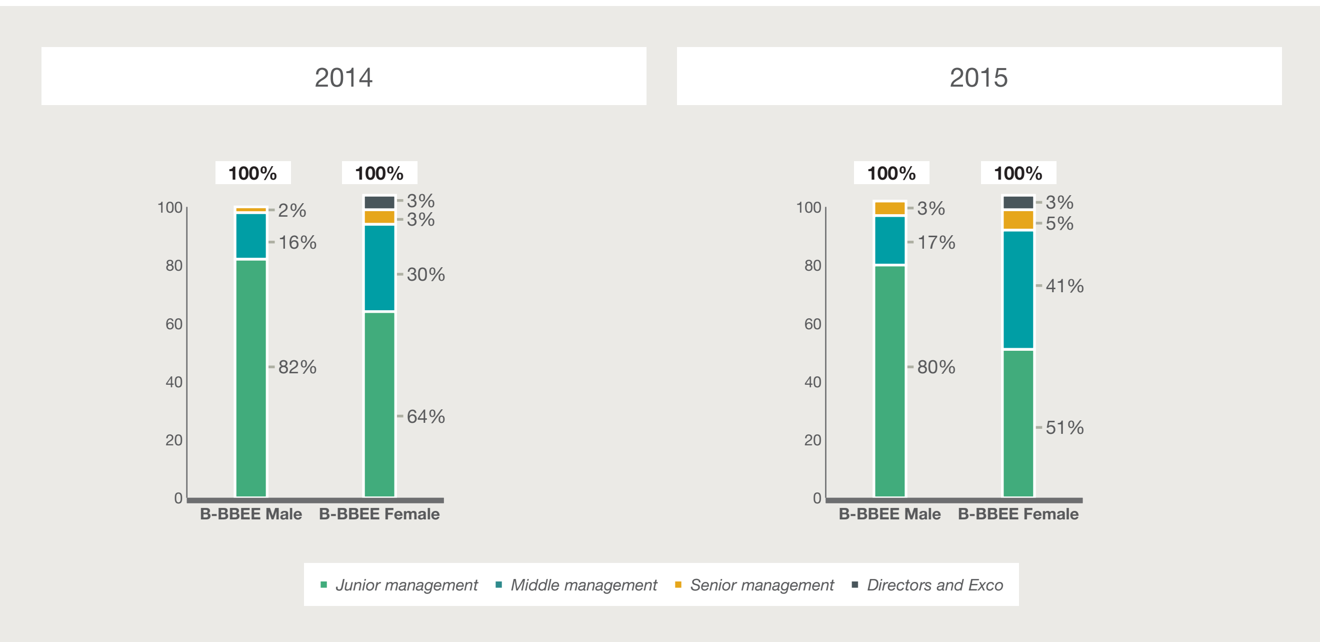
The scorecard of the group and the individual underlying entities are set out below:

B-BBEE score level 3 – 83,98%

↗ 77,94%	↗ 70,28%	↗ 97,51%	↗ 100%
Direct Empowerment	Human Resource Development	Indirect Empowerment	Residual
87,79% Ownership	40,05% Employment Equity	95,65% Preferential Procurement	100% Socio-Economic Development
53,32% Management Control	90,43% Skills Development	100% Enterprise Development	

Level 1	>100%
Level 2	100%
Level 3	85%
Level 4	75%
Level 5	65%
Level 6	55%
Level 7	45%
Level 8	40%
Non-compliant	30%
	0%

Raubex's B-BBEE management structure is:



Occupational health and safety

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

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

- **Awareness** – creating and maintaining awareness throughout the group of incidents and ways to avoid or minimise such incidents;
- **Reporting** – the introduction of a uniform reporting mechanism, ensuring correct reporting against established guidelines that also conform to applicable legislation in the construction and mining environment;
- **Standards** – to revisit the required standards set by legislation, regulations and best practices and to ensure at least minimum compliance;
- **Training** – coordinate SHEQ training through the group in order to promote and stimulate the sharing of ideas; and
- **Identification of problems** experienced in carrying out the SHEQ functions and find ways to address them.

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

The working group has developed group targets and objectives that have been implemented throughout the group. The following outlines 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 investigating of all accidents, injuries and property damages across the group.
  - Monitor performance statistics for all companies within the group.
- Limit the cost of quality non-conformances relevant to a project.
  - Formalise the reporting and investigating of all non-conformances.

Targets

- Fatalities = 0
- LTIR of < 1
- Quality non-conformance cost < 0.5% of project revenue

It is the policy of the group to:

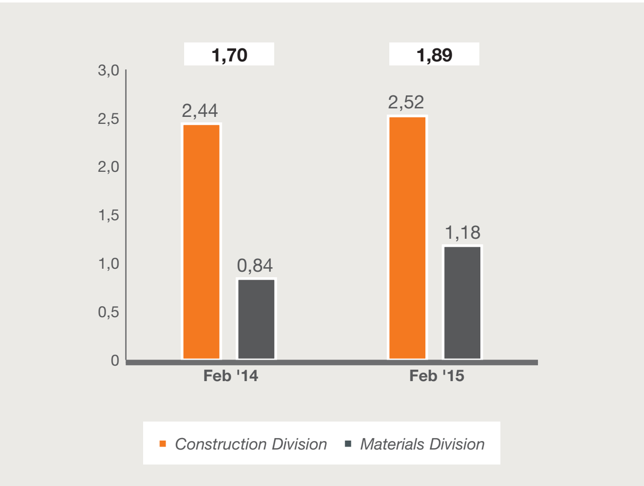
- Maintain safe and healthy workplaces, to operate safe systems and methods of works and to protect employees, clients and others, including the public, by striving to eliminate foreseeable hazards, which may result in personal injury, fires, security losses or damage to property, through the systematic identification of hazards and the adequate assessment and control of risk.
- Make all companies in Raubex responsible to ensure 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 SHE 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.

Sustainability report continued

Despite all necessary measures taken and processes implemented, regrettably the group had four (2014: four) fatal incidents during the year and our condolences are extended to their families. The fatality rate for the group was unchanged from the previous year at 0,04. The road construction teams in particular are exposed to a high level of risk in their day-to-day working environment.

The LTIR for the group for the financial year ended 28 February 2015 is 1,89 (2014: 1,70). The LTIR for the two divisions are:



Safety training

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

Medical examinations

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

HIV/AIDS

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

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

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

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

Stakeholder engagement

King III promotes stakeholder engagement and the Companies Act also requires a company to embrace engagement with its shareholders, employees, unions, communities and customers. Raubex's Social and Ethics Committee monitors and assists the Board with stakeholder engagement.

Raubex 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 Raubex's 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 quarterly internal newsletter ▪ Training sessions ▪ Performance reviews ▪ Staff meetings ▪ Email announcements
Communities	The communities impacted by the group's activities and operations are seen as a stakeholder as it impacts the welfare of the people living in these communities. The group's engagement with the communities includes contributions towards initiatives in respect of fund raisings, donations, and community upliftment initiatives and involvement.
Customers and clients	Customers and clients are important stakeholders for the success of the group. The group has customers and clients who include large corporations and Government departments. The group engages with these stakeholders on various levels including the following: ▪ Regular operational meetings at the customer's site ▪ Customer service meetings ▪ Customer feedback surveys ▪ Processes to respond to complaints that meet the requirements of the Consumer Protection Act ▪ Appropriate customer entertainment and functions
Suppliers	Suppliers are the providers of services, materials and equipment that the group requires to service its customers. The group's engagement with these stakeholders vary and include elements of the following: ▪ Attendance at construction or technical conferences, where appropriate ▪ Regular one-on-one meetings with key suppliers

Sustainability report continued

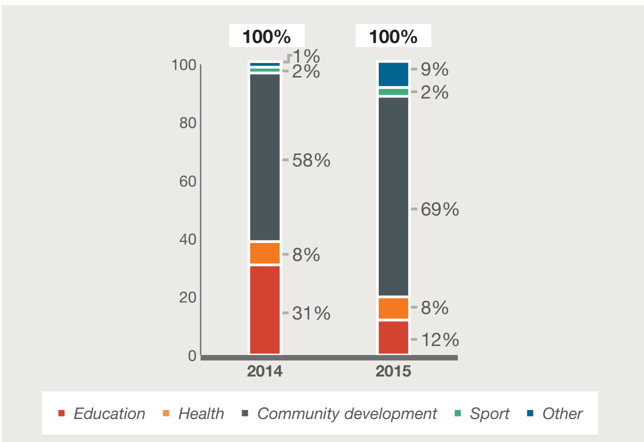
Stakeholder	Communication
Financial institutions	The financial institutions are custodians of the group's funds and provide funding for the acquisition of assets and/or investments. The group engages with them as follows: ▪ Regular meetings with the bankers ▪ Bank representatives are invited to attend the bi-annual results presentations
JSE and STRATE	The JSE and STRATE are responsible for the regulation of the group's securities which are listed on the Main Board of the JSE. The group engages with the JSE and STRATE as follows: ▪ Submission of documents, etc for comment and approval in terms of the JSE Listings Requirements ▪ Participating in JSE training sessions where applicable and required ▪ Submitting comments on JSE draft regulations and rules, if required ▪ Engagement through the group's corporate sponsor
Trade unions	Trade Unions are important as some of the group's workers are members. The key trade unions are NUM and BCAWU. 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 provides 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 on 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.

The group's divisions were involved in a wide range of projects supporting education, health and community development initiatives. The group spent 1,0% (2014: 0,8%) of profit after taxation on Social Economic Development. Group spend on Social Economic Development initiatives has been classified according to the categories tabled.



Significant contributions were made to the following organisations and initiatives:

Monyetla Project

The Monyetla Project is a registered Public Benefit Organisation with the mission to assist top grade 12 achievers from previously disadvantaged communities to qualify for bursaries for tertiary education. The word "monyetla" means "opportunity" in Sesotho. The initiative was established in February 2007 and every year the top 20 learners from different schools are invited to be part of an elite group of students assisted by some of the most experienced educators in the Free State. The Monyetla Project was supported with a financial contribution of R50 000 (2014: R55 000).

Spoudazo – Township Vegetable Tunnel Project

Spoudazo Enterprises Trust is a registered Public Benefit Organisation, the purpose of which is to enhance the interests of the poor and vulnerable, to further their interests and well-being by means of providing them with welfare, humanitarian assistance, healthcare, land and housing, education and development services. Raubex has supported Spoudazo's Township Vegetable Tunnel Project since October 2012. This involves setting up vegetable tunnels for individual households in addition to offering training and mentoring. The focus of this project is not only to ensure food security for these households but 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 setup and mentoring process of other tunnels in their communities. Spoudazo was supported with a financial contribution of R443 415 (2014: R177 330).

Nhlazatshe Township Housing Project

The Nhlazatshe Township Housing Project was initiated by the Minister of Transport and through the intervention of various stakeholders facilitated the building of standard RDP type three bedroom houses for five poor households in the Nhlazatshe township in KwaZulu-Natal. Raubex built the houses at a cost of R1,2 million (2014: nil) and created jobs during the construction process.

Burgersdorp Créche

Raubex Infra and Scatec Solar built a crèche in Burgersdorp after completion of the Dreunberg 75 MW solar plant. The specific need for a crèche for two to six-year-old children was identified and proposed by the community of Burgersdorp and was supported by the local Burgersdorp Municipality who donated the land, approved the plans and provided the utility connections for the crèche. The crèche can accommodate 80 children and boasts office and ablution facilities for the personnel, a kitchen, store room, ablution facilities for the children as well as a playground equipped including a jungle gym and swings. The financial contribution towards the crèche was R687 606 (2014: nil).

Environmental sustainability

Environmental policy

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

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

It is the policy of the group to:

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

Sustainability report continued

Compliance

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

ISO accreditation

The operations continued to make progress towards their objective to obtain industry recognised certification across all segments. ISO accreditation is part of Raubex's sustainability strategy and the following were achieved:

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	In progress
Raubex Infra	ISO 9001	January 2013
Raubex Infra	ISO 14001	December 2014
Raubex Infra	OSHAS 18001	December 2014
SPH Kundalila	BS OHSAS 18001:2007	June 2013
Tosas	ISO 14001	May 2013
Tosas	BS-OSHAS 18001	May 2013
Tosas	SANS 4001-BT3	2014/2015
Tosas	SANS 4001-BT4	2014/2015

Carbon footprint

The group recently completed its fifth annual carbon footprint assessment in June 2015 and will continue to submit the results to the Carbon Disclosure Project. The group's carbon footprint assessment has been compiled by external service providers using the following methodology and data submitted by the group. No external assurance was provided.

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

An analysis of the group's carbon footprint report for the year ended 28 February 2015 indicated the following results:

Carbon emissions	2015 Tonnes CO_2e	2014 Tonnes CO_2e
Scope 1 (Vehicles, mobile machinery, stationary fuels)	**146 317**	161 951
Scope 2 (Electricity)	**21 530**	17 290
Total carbon emissions	**167 847**	179 241
	kWh	kWh
Electricity consumed	**20 903 285**	17 289 775

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. This 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

	2015	2014
Revenue (R'000)	**7 245 259**	6 325 012
CO_2e/Revenue	**23,17 kg**	28,34 kg

Kg CO_2e/Asphalt production intensity

	2015	2014
Asphalt production (tonnes)	**1 008 581**	926 912
Asphalt production CO_2e (tonnes)	**31 753**	29 602
CO_2e/Asphalt tonnes produced	**31,5 kg**	31,9 kg
Target	**< 30 kg/tonne**	< 30 kg/tonne

Asphalt production

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

Warm Mix Asphalt

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

Reclaimed Asphalt Pavement ("RAP")

The group is at the forefront of RAP technology in South Africa and through the in-house design and engineering facilities and expertise of Comar, the group has four asphalt plants with a capability to use up to 40% recycled materials to produce asphalt. The effect of this is the use of less virgin aggregates and bitumen, decreased heating costs and reduced waste as the milled material is re-used 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, who manufactures and distributes value-added bituminous products, have focused their technical research and development efforts on environmental sustainability. Conventional bitumen rubber technology uses 20% of waste tyres. This type of bitumen modification improves the performance and durability and also extends the life of roads; however, extreme temperatures are required during the production and application of bitumen rubber. Tosas, through their research and development initiatives, has been able to reduce the manufacturing and production temperatures of NCRT by more than 30 degrees Celsius, which is a substantial energy saving.

Asphalt applications

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

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.
- Waste recycling and disposal protocols are in place to ensure the responsible management and disposal of waste.

4

Financial performance

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

Statement of responsibility by the Board of directors

for the year ended 28 February 2015

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 60 to 148 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act, 71 of 2008, in South Africa and include amounts based on judgements and estimates made by management. The directors are also responsible for the preparation of the other information included in the annual report and for both its accuracy and its consistency with the Annual Financial Statements.

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

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

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

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

The financial statements have been audited by the independent auditors, PricewaterhouseCoopers Inc., 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 page 54.

The financial statements were approved by the Board of directors on 5 May 2015 and signed on its behalf by:

RJ Fourie
Chief Executive Officer

JF Gibson
Financial Director

Statement of compliance by the Company Secretary

for the year ended 28 February 2015

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 2015, and that all such returns are true, correct and up to date.

Mrs HE Ernst
Company Secretary

5 May 2015

Independent auditor's report

To the shareholders of Raubex Group Limited

We have audited the consolidated and separate financial statements of Raubex Group Limited set out on pages 60 to 148, which comprise the statements of financial position as at 28 February 2015, and the statement of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 71 of 2008, of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Raubex Group Limited as at 28 February 2015, 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, 71 of 2008, of South Africa.

Other reports required by the Companies Act, 71 of 2008

As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2015, we have read the directors' report, the Audit Committee's report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: L Rossouw
Registered Auditor

5 May 2015

Audit Committee report

The Audit Committee is pleased to present this report for the financial year ended 28 February 2015 in compliance with the Companies Act, 71 of 2008, and the recommendations of the King III report on corporate governance.

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

Audit Committee terms of reference

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

Audit Committee members, meeting attendance and assessment

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

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

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

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

Name	8 May 2014	31 July 2014	5 November 2014	25 February 2015
Mr LA Maxwell	✓	✓	✓	✓
Mr BH Kent	×	✓	✓	✓
Ms NF Msiza	✓	✓	✓	✓

Role and responsibilities

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

Statutory duties

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

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

External auditor appointment and independence

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

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted fees for the year ended 28 February 2015.

Financial statements and accounting practices

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

Internal financial controls

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

Audit Committee report continued

Duties assigned by the Board

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

Integrated reporting and combined assurance

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

Going concern

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

Governance of risk

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

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

Internal audit

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

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

The Audit Committee has satisfied itself that the financial director has appropriate expertise and experience.

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

LA Maxwell
Chairman of the Audit Committee

5 May 2015

Directors' report

This report presented by the directors is a constituent document of the group consolidated financial statements at 28 February 2015.

Nature of business

Raubex Group Limited is an investment holding company listed on the JSE Stock 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 7, 39 and 40 of the group financial statements.

Group financial results

Group earnings attributable to owners of the parent for the year ended 28 February 2015 were R399,8 million (2014: R355,6 million), representing basic earnings per share of 213,4 cents (2014: 191,3 cents). Headline earnings per share were 209,1 cents (2014: 187,1 cents).

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

Share capital

There were 1 429 981 new shares (2014: 1 364 238) issued during the year in terms of the group share option scheme.

Full details of the authorised and issued capital of the company at 28 February 2015 are set out in note 12 of these financial statements.

Share option scheme

Full details of the share option scheme are set out in note 28 of these financial statements.

Dividend

The following dividends were declared during the year ended 28 February 2015:

- Final dividend number 14 declared on 12 May 2014 of 35 cents per ordinary share (2014: 35 cents per share)
- Interim dividend number 15 declared on 10 November 2014 of 35 cents per ordinary share (2014: 30 cents per share)

A final dividend in respect of the year ended 28 February 2015 of 36 cents per share is to be proposed at the board of directors' meeting on 5 May 2015 and declared on the release of the group's results. These financial statements do not reflect this dividend payable.

Business combinations

Shisalanga Construction (Pty) Ltd ("Shisalanga")

On 1 June 2014 the group acquired 60% of the issued share capital and obtained control of Shisalanga for a purchase price of R38,4 million settled in cash. Shisalanga manufactures a range of asphalt products from its plants based in Northern KwaZulu-Natal. The revenue included in the consolidated income statement since 1 June 2014 contributed by Shisalanga was R101,7 million with a net profit contribution of R7,0 million over the same period. Had Shisalanga been consolidated from 1 March 2014 the consolidated income statement would show pro forma revenue of R123,1 million and net profit of R4,3 million.

OMV Stilfontein (Pty) Ltd and OMV Gypsum Potchefstroom (Pty) Ltd ("OMV")

On 1 July 2014 the group acquired a 70% interest in OMV's aggregate crushing and ready-mix concrete operations situated near Stilfontein and a 70% interest in OMV's gypsum operations situated near Potchefstroom in the North West province for a purchase price of R70,3 million settled in cash. An additional contingent consideration is payable dependent on future earnings and a put option has been written on the remaining 30% in favour of the non-controlling interest. The contingent consideration liability has been valued at R18,9 million and the put option liability at R48,5 million. The revenue included in the consolidated income statement since 1 July 2014 contributed by OMV was R89,2 million with a net profit contribution of R9,2 million over the same period. Had OMV been consolidated from 1 March 2014 the consolidated income statement would show pro forma revenue of R147,1 million and net profit of R12,4 million.

Buildmax Aggregates and Quarries (Pty) Ltd ("BAQ")

On 1 September 2014 the group acquired certain business operations and assets from BAQ for a purchase price of R59,7 million in cash. The business combination acquired comprises the sand quarry operations of Crushco Quarry and Alpha Sand Quarry and the aggregate crushing operations of Aflease. These operations will give the group a more diversified product range in the form of building and plaster sand to add to its existing range of aggregates and are located in the Gauteng province. The revenue included

Directors' report continued

in the consolidated income statement since 1 September 2014 contributed by BAQ was R53,3 million with a net profit contribution of R6,2 million over the same period. Had BAQ been consolidated from 1 March 2014 the consolidated income statement would show pro forma revenue of R98,9 million and net profit of R13,5 million.

Prodev Plant Hire (Pty) Ltd ("Prodev")

On 1 September 2014 Burma Plant Hire (Pty) Ltd acquired 100% of the issued share capital of Prodev for R31 million cash. Prodev is a plant hire company operating in Namibia and the acquisition of this business will increase the group's presence in Namibia. The revenue included in the consolidated income statement since 1 September 2014 contributed by Prodev was R22,9 million with a net profit contribution of R4,9 million over the same period. Had Prodev been consolidated from 1 March 2014 the consolidated income statement would show pro forma revenue of R38,1 million and net profit of R10,0 million.

Empa Structures CC and Empa Plant CC ("Empa")

On 1 November 2014 the group acquired a 70% interest in Empa for R25,5 million cash. The company specialises in the construction of concrete structures with its main focus on construction of water treatment plants, waste water treatment plants, reservoirs and bridges. The revenue included in the consolidated income statement since 1 November 2014 contributed by Empa was R48,0 million with a net profit contribution of R1,1 million over the same period. Had Empa been consolidated from 1 March 2014 the consolidated income statement would show pro forma revenue of R152,6 million and net profit of R1,1 million.

Details of the acquisition are set out in note 35 of these financial statements, while details of all subsidiaries are set out in note 39 of these financial statements.

Transactions with non-controlling interests

Burma Plant Hire (Pty) Ltd

On 1 September 2014 the group acquired an additional 19% of the issued share capital of Burma Plant Hire (Pty) Ltd from the non-controlling shareholders for R11,5 million in cash, increasing the Group's shareholding from 51% to 70%.

Centremark Roadmarking (Pty) Ltd

On 1 November 2014 the group acquired an additional 5% of the issued share capital from the non-controlling shareholders in Centremark Roadmarking (Pty) Ltd for R0,8 million in cash, increasing the group's shareholding from 60% to 65%.

Strata Civils (Pty) Ltd

On 1 March 2014 the group acquired an additional 10% of the issued share capital from the non-controlling shareholders in Strata Civils (Pty) Ltd for R50 cash, increasing the group's shareholding from 80% to 90%.

Details of the transactions with non-controlling interests are set out in note 36 of these financial statements.

Capital commitments

Details of capital commitments are set out in note 34 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 R510,6 million (2014: R483,3 million). Property, plant and equipment acquired through the acquisition of subsidiaries during the year amounted to R184,7 million (2014: R122 million).

Contingencies

Details of contingencies are set out in note 37 of these financial statements.

Events after the reporting period

Belabela Quarries (Pty) Ltd

On 18 April 2015 the group effectively acquired 74% of Belabela Quarries (Pty) Ltd ("Belabela"), through its subsidiary Loop en Hoop (Pty) Ltd for a purchase price of R43 million to be settled in cash. Belabela is a commercial quarry operating on the outskirts of Gaborone in Botswana. The acquisition will give the group a base from which it can expand and further develop its operating model in Botswana.

Buildmax Aggregates and Quarries (Pty) Ltd ("BAQ")

On 10 March 2015 the group acquired certain mining rights and properties for an aggregate sum of R37 million in cash from the former owners of the businesses of Buildmax Aggregates and Quarries (Pty) Ltd.

Special resolutions

The following special resolutions were passed during the year:

Special resolution number one: Remuneration of non-executive directors

Resolved in terms of article 26.4.2 of the company's Memorandum of Incorporation and in accordance with 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 November 2014, unless such remuneration is proposed to be amended at the next AGM.

	Annual remuneration R
Chairman	800 000
Independent non-executive director	650 000
Non-executive director	500 000

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

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

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

Resolved that in accordance with section 45 of the Companies Act, 71 of 2008, the directors of the company, as a general approval and subject to the applicable requirements of the company's Memorandum of Incorporation, the Companies Act, 71 of 2008, and the JSE Listings Requirements, be authorised to provide any direct or indirect financial assistance to a company or corporation which is related or inter-related, provided that no such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the date of the adoption of this special resolution.

Directorate and secretary

The names of the directors and secretary are set out on page 12 of these financial statements.

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 32 of these financial statements.

Shareholder spread

Details of the shareholder categories are set out in note 41 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 2016 financial year.

Group statement of financial position

at 28 February 2015

	Notes	2015 R'000	2014 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**2 171 829**	1 841 611
Intangible assets	6	**795 098**	763 671
Investment in associates and joint ventures	7	**10 708**	–
Deferred income tax assets	17	**43 136**	37 509
Non-current inventories	8	**90 668**	–
Non-current trade and other receivables	10	**129 355**	–
Total non-current assets		**3 240 794**	2 642 791
Current assets			
Inventories	8	**438 330**	420 240
Construction contracts in progress and retentions	9	**362 351**	322 590
Trade and other receivables	10	**1 253 668**	1 068 410
Current income tax receivable		**40 964**	28 671
Cash and cash equivalents	11	**937 275**	871 260
Total current assets		**3 032 588**	2 711 171
Total assets		**6 273 382**	5 353 962
EQUITY			
Share capital	12	**1 873**	1 859
Share premium	12	**2 179 613**	2 179 613
Other reserves	13	**(1 140 762)**	(1 104 240)
Retained earnings		**2 381 905**	2 109 193
Equity attributable to owners of the parent		**3 422 629**	3 186 425
Non-controlling interest	14	**110 788**	54 612
Total equity		**3 533 417**	3 241 037
LIABILITIES			
Non-current liabilities			
Borrowings	15	**672 320**	429 961
Provisions for liabilities and charges	16	**54 253**	34 675
Deferred income tax liabilities	17	**311 621**	266 464
Other financial liabilities	18	**77 262**	–
Total non-current liabilities		**1 115 456**	731 100
Current liabilities			
Trade and other payables	19	**1 170 248**	1 075 529
Borrowings	15	**427 620**	287 600
Current income tax liabilities		**26 641**	18 696
Total current liabilities		**1 624 509**	1 381 825
Total liabilities		**2 739 965**	2 112 925
Total equity and liabilities		**6 273 382**	5 353 962

The notes on pages 65 to 129 are an integral part of these group financial statements.

Group statement of profit or loss

for the year ended 28 February 2015

	Notes	2015 R'000	2014 R'000
Revenue	20	**7 245 259**	6 325 012
Cost of sales	23	**(6 257 742)**	(5 463 929)
Gross profit		**987 517**	861 083
Other income	21	**12 113**	11 302
Other gains/(losses) – net	22	**9 984**	16 021
Administrative expenses	23	**(387 443)**	(348 531)
Operating profit		**622 171**	539 875
Finance income	24	**46 520**	38 749
Finance costs	24	**(62 259)**	(44 162)
Finance costs – net	24	**(15 739)**	(5 413)
Share of profit of investments accounted for using the equity method	7	**205**	–
Profit before income tax		**606 637**	534 462
Income tax expense	25	**(178 563)**	(154 786)
Profit for the year		**428 074**	379 676
Attributable to:			
Owners of the parent		**399 837**	355 573
Non-controlling interests	14	**28 237**	24 103
		428 074	379 676
Basic earnings per share (cents)	29	**213,4**	191,3
Diluted earnings per share (cents)	29	**209,9**	187,9

The notes on pages 65 to 129 are an integral part of these group financial statements.

Group statement of comprehensive income

for the year ended 28 February 2015

	Note	2015 R'000	2014 R'000
Profit for the year		**428 074**	379 676
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**(137)**	2 043
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	13	**382**	4 688
Other comprehensive income for the year, net of tax		**245**	6 731
Total comprehensive income for the year		**428 319**	386 407
Attributable to:			
Owners of the parent		**400 082**	362 304
Non-controlling interests		**28 237**	24 103
Total comprehensive income for the year		**428 319**	386 407

The notes on pages 65 to 129 are an integral part of these group financial statements.

Group statement of changes in equity

for the year ended 28 February 2015

	Share capital R'000	Share premium 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 2013	1 845	2 179 613	(1 112 515)	1 850 616	2 919 559	39 031	2 958 590
Changes in equity:							
Shares issued in terms of equity-settled share option scheme	14	–	(23 767)	23 767	14	–	14
Share option reserve	–	–	27 354	–	27 354	–	27 354
Acquisition of non-controlling interest	–	–	–	(1 971)	(1 971)	(6 214)	(8 185)
Total comprehensive income for the year	–	–	4 688	357 616	362 304	24 103	386 407
Dividends paid	–	–	–	(120 835)	(120 835)	(2 308)	(123 143)
Total changes	14	–	8 275	258 577	266 866	15 581	282 447
Balance at 28 February 2014	1 859	2 179 613	(1 104 240)	2 109 193	3 186 425	54 612	3 241 037
Balance at 1 March 2014	1 859	2 179 613	(1 104 240)	2 109 193	3 186 425	54 612	3 241 037
Changes in equity:							
Shares issued in terms of equity-settled share option scheme	14	–	(16 242)	16 242	14	–	14
Share option reserve	–	–	27 797	–	27 797	–	27 797
Put option written on non-controlling interest	–	–	(48 459)	–	(48 459)	–	(48 459)
Non-controlling interest arising on business combination	–	–	–	–	–	61 376	61 376
Acquisition of non-controlling interest	–	–	–	(12 099)	(12 099)	(195)	(12 294)
Total comprehensive income for the year	–	–	382	399 700	400 082	28 237	428 319
Dividends paid	–	–	–	(131 131)	(131 131)	(33 242)	(164 373)
Total changes	14	–	(36 522)	272 712	236 204	56 176	292 380
Balance at 28 February 2015	**1 873**	**2 179 613**	**(1 140 762)**	**2 381 905**	**3 422 629**	**110 788**	**3 533 417**
Notes	12	12	13			14	

The notes on pages 65 to 129 are an integral part of these group financial statements.

Group statement of cash flows

for the year ended 28 February 2015

	Notes	2015 R'000	2014 R'000
Cash flows from operating activities			
Cash generated from operations	31	**785 053**	751 420
Finance income	24	**46 520**	38 749
Finance costs	24	**(57 900)**	(44 162)
Income tax paid	31	**(188 848)**	(136 438)
Net cash generated from operating activities		**584 825**	609 569
Cash flows from investing activities			
Purchases of property, plant and equipment	5	**(510 599)**	(483 299)
Proceeds from sale of property, plant and equipment	31	**40 267**	52 839
Acquisition of subsidiaries	35	**(202 485)**	(115 040)
Loans granted to associates and joint ventures	7	**(10 500)**	-
Net cash used in investing activities		**(683 317)**	(545 500)
Cash flows from financing activities			
Proceeds from borrowings		**752 827**	504 253
Repayment of borrowings		**(411 642)**	(404 319)
Proceeds from shares issued		**14**	14
Dividends paid to owners of the parent	30	**(131 131)**	(120 835)
Dividends paid to non-controlling interests	14	**(33 242)**	(2 308)
Acquisition of non-controlling interest	36	**(12 294)**	(8 185)
Net cash used in financing activities		**164 532**	(31 380)
Net increase in cash and cash equivalents		**66 040**	32 689
Cash and cash equivalents at the beginning of the year		**871 260**	835 685
Effects of exchange rates on cash and cash equivalents		**(25)**	2 886
Cash and cash equivalents at the end of the year	11	**937 275**	871 260

The notes on pages 65 to 129 are an integral part of these group financial statements.

Notes to the group financial statements

for the year ended 28 February 2015

1. Summary of significant accounting policies

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

Basis of preparation

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

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

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

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

1.1 Significant estimates and judgements

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

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

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

Estimates regarding impairment of property, plant and equipment

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

Estimated impairment of goodwill

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

Impairment of trade and other receivables

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

Notes to the group financial statements continued

for the year ended 28 February 2015

amount of the loss is recognised in the statement of profit or loss within other operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other income in the statement of profit or loss (refer notes 10 and 21).

Construction contract revenue recognition and profit taking

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

Estimate of exposure and liabilities with regard to rehabilitation costs

Estimated long-term environmental obligations, comprising rehabilitation, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements (refer note 16).

Fair value of share-based compensation

The fair value of the employee share options are being determined using the Black-Scholes model. The significant inputs into the model are: vesting periods and conditions, risk-free interest rate, volatility, price on date of grant and dividend yield (refer note 28).

Estimate of post-employment benefit liabilities

An updated actuarial valuation is carried out at the end of each financial year for the post-employment liabilities in the group. Key assumptions used to determine the liabilities of these obligations and their sensitivities are set out in note 16.

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

The group tests annually whether control exists in entities in which the group holds less than 50%. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity (refer note 39).

Joint arrangements

The group assesses on initial recognition whether joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each joint arrangement.

1.2 Consolidation

Common control transactions

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

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

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The group applied the non-controlling interest's proportionate share of the acquiree's net assets when recognising the non-controlling interest in the acquiree.

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

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

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

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

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

Changes in ownership interest in subsidiaries without change in control

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

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

Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint operation or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates

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

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

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

Notes to the group financial statements continued

for the year ended 28 February 2015

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

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

Joint arrangements

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

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

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

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

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

The group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly

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

1.3 Segment reporting

Reporting segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the reporting segments, has been identified as the group executive committee.

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

The Committee considers the business from both a geographic and product perspective. Geographically management considers the performance from a South African (national) and African (international) perspective. The business is further segregated into the following five operating divisions:

- Road surfacing and light rehabilitation
- Road construction, earthworks and heavy rehabilitation
- Aggregate supply, contract crushing and material handling
- Infrastructure (including energy, rail, telecommunications, pipeline and housing)
- Manufacturing and distributing of value added bituminous products used primarily for road construction activities, which consist of the operations of Tosas (Pty) Ltd in South Africa, Namibia and Botswana

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

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

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

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

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

1.4 Translation of foreign currencies

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

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

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Notes to the group financial statements continued

for the year ended 28 February 2015

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

1.5 *Property, plant and equipment*

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

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

Land is not depreciated. For administrative buildings where the residual value of a depreciable asset exceeds it's carrying amount, depreciation is not recognised. 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
Machinery	3 – 20 years
Vehicles	4 – 10 years
Furniture, fittings and equipment	3 – 8 years

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

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

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

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

1.6 *Intangible assets*

Goodwill

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

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

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

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

Trademarks and licences

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

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

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

Licences/rights	5 years
Commercial quarries	9 – 50 years

1.7 Impairment of non-financial assets

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

1.8 Financial instruments

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

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

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

The group's categories are as follows:

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

Loans and receivables

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

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

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

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

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

Notes to the group financial statements continued

for the year ended 28 February 2015

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

(a) **Loans to associates and joint ventures**
Loans are recognised at amortised cost and include accrued interest (where applicable).

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

(c) **Cash and cash equivalents 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. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

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

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

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

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

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

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

Financial liabilities at fair value through profit and loss
(a) **Other financial liabilities – contingent consideration**
Contingent considerations have originated from the acquisition of business combinations. Additional contingent considerations are payable by the group dependant 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 group's rights to the cash flows expire or when the group transfers all the risks and rewards related to the financial asset or when the group loses control of the financial asset.

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

Offsetting financial instruments

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

1.9 Inventories

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

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

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

1.10 Construction contracts in progress

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

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

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

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

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

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).

Notes to the group financial statements continued

for the year ended 28 February 2015

The group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

1.11 Share capital and equity

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. If the group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental cost 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.

1.12 Current and deferred income tax

Current income tax assets and liabilities

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

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

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

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

Deferred income taxes

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax liabilities are not recognised on the initial recognition of goodwill.

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

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is provided for on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

1.13 *Dividend tax ("DT")*

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

1.14 *Provisions and contingencies*

Provisions are recognised when:

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

Provisions are not recognised for future operating losses.

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

Environmental rehabilitation provisions

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

1.15 *Revenue recognition*

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

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

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

Contracting revenue

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

Commercial quarry revenue

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

Bitumen and emulsion products and services

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

Plant hire revenue

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

Property sales and development fees

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

Other income

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

Notes to the group financial statements continued

for the year ended 28 February 2015

Interest income and dividends

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

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

1.16 Leases

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

Finance leases

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

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

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

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

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

Operating leases

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

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

1.17 Employee benefits

Pension obligations

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

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

Other post-employment obligations

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

Profit sharing and bonus plans

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

Share-based compensation

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

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

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

1.18 Dividend distribution

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

1.19 Borrowing costs

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

Notes to the group financial statements continued

for the year ended 28 February 2015

2. Standards, interpretations and amendments to published standards

Set out below are International Financial Reporting Standards, Interpretations and amendments that have become effective for the first time for the year ended 28 February 2015, together with International Financial Reporting Standards, Interpretations and amendments issued but not yet effective for the year ended 28 February 2015.

These standards are not expected to have any significant effect on the results of operations or financial position of the group, except for IFRS 15 – Revenue from contracts from customers and IFRS 9 – Financial instruments. The impact of these two standards is still being assessed.

International Financial Reporting Standards

International Financial Reporting Standards and amendments effective for the first time for 28 February 2015 year-end

Number	Effective date	Summary
Amendments to IAS 32: *Financial instruments: Presentation*	1 January 2014	Clarification of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
Amendments to IFRS 10: *Consolidated financial statements, IFRS 12* and *IAS 27 for investment entities*	1 January 2014	Exemption from consolidating subsidiaries. Measurement of these entities at fair value through profit or loss. Exception to entities that meet an "investment entity" definition. IFRS 12 introduces disclosures that an investment entity needs to make.
Amendments to IAS 36: *Impairment of assets*	1 January 2014	Disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.
Amendment to IAS 39: *Financial instruments: Recognition and measurement*	1 January 2014	Relief from discontinuing hedge accounting when novation of a hedging instrument to a CCP meets specified criteria.

International Financial Reporting Standards and amendments issued but not yet effective for 28 February 2015 year-end

Number	Effective date	Summary
Amendment to IAS 19: *Employee benefits, on defined benefit plans*	1 July 2014	Simplification of accounting for contributions that are independent of the number of years of employee service.
Amendments to IFRS 10: *Consolidated financial statements* and *IAS 28 – Investment in associates and joint ventures*	1 January 2016	Elimination of the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a "business", then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
Amendments to IFRS 10: *Consolidated financial statements* and *IAS 28 – Investments in associates and joint ventures*	1 January 2016	Clarification of the application of the consolidation exception for investment entities and their subsidiaries.
Amendment to IFRS 11: *Joint arrangements, on acquisition of an interest in a joint operation*	1 January 2016	Guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. Specification of the appropriate accounting treatment for such acquisitions.
IFRS 14: *Regulatory deferral accounts*	1 January 2016	Accounting for certain balances that arise from rate-regulated activities ("regulatory deferral accounts").

2. Standards, interpretations and amendments to published standards continued

Number	Effective date	Summary
Amendments to IAS 1: *Presentation of financial statements*	1 January 2016	Guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosure of accounting policies.
Amendment to IAS 16: *Property, plant and equipment* and *IAS 38 – Intangible assets, on depreciation and amortisation*	1 January 2016	Clarification that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Clarification that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
Amendments to IAS 16: *Property, plant and equipment* and *IAS 41 – Agriculture, on bearer plants*	1 January 2016	Scoped in bearer plants in IAS 16, but not the produce on bearer plants and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. Adjustment of the definition of a bearer plant in IAS 41.
Amendments to IAS 27: *Separate financial statements, on equity accounting*	1 January 2016	Restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.
IFRS 15: *Revenue from contracts with customers*	1 January 2017	Revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.
IFRS 9: *Financial instruments (2009 and 2010)* ▪ Financial liabilities ▪ Derecognition of financial instruments ▪ Financial assets ▪ General hedge accounting	1 January 2018	Classification and measurement of financial assets. Replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, without change, except for financial liabilities that are designated at fair value through profit or loss.
Amendment to IFRS 9: *Financial instruments, on general hedge accounting*	1 January 2018	Alignment of hedge accounting more closely with an entity's risk management. Establishment of a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

Notes to the group financial statements continued

for the year ended 28 February 2015

2. Standards, interpretations and amendments to published standards continued

Annual improvements 2012 issued December 2013

Improvements to IFRSs (issued December 2013) were issued by the IASB as part of the 'annual improvements process' resulting in the following amendments to standards issued, effective for the first time for 28 February 2015 year-ends:

IFRS	Effective date	Subject of amendment
Amendment to IFRS 2: *Share-based payment*	1 July 2014	Clarification of the definition of a "vesting condition" and separately defines "performance condition" and "service condition".
Amendment to IFRS 3: *Business combinations*	1 July 2014	Clarification that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32: *Financial instruments: Presentation*. All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

Annual improvements 2012 issued December 2013

Improvements to IFRSs (issued December 2013) were issued by the IASB as part of the "annual improvements process" resulting in the following amendments to standards issued, but not effective for the first time for 28 February 2015 year-ends:

IFRS	Effective date	Subject of amendment
Amendment to IFRS 8: *Operating segments*	1 July 2014	Disclosure of the judgements made by management in aggregating operating segments. Requirement of a reconciliation of segment assets to the entity's assets when segment assets are reported.
Amendment to IFRS 13: *Fair value measurement*	1 July 2014	When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.
IAS 16: *Property, plant and equipment* and *IAS 38 – Intangible assets*	1 July 2014	Clarification of how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
IAS 24: *Related party disclosures*	1 July 2014	Inclusion of, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ("the management entity").

2. Standards, interpretations and amendments to published standards continued

Annual improvements 2013 issued December 2013

The IASB published the final standard for the 2011 – 2013 cycle of the annual improvements with amendments that affected four standards issued, but not effective for the first time for 28 February 2015 year-ends:

IFRS	Effective date	Subject of amendment
IFRS 1: *First-time adoption of International Financial Reporting Standards*	1 July 2014	To clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use the old or the new version, provided the same standard is applied in all periods.
IFRS 13: *Fair value measurement*	1 July 2014	The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.
IAS 40: *Investment property*	1 July 2014	Clarification that IAS 40 and IFRS 3 are not mutually exclusive. Guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.
IFRS 3: *Business combinations*	1 July 2014	IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The scope exemption only applies in the financial statements of the joint arrangement itself.

Interpretations of International Financial Reporting Standards

Interpretations of International Financial Reporting Standards effective for the first time for 28 February 2015 year-ends

Number	Effective date	Executive summary
IFRIC 21: *Accounting for levies*	1 January 2014	Accounting for an obligation to pay a levy that is not income tax and recognition of the liability to pay a levy.

Notes to the group financial statements continued

for the year ended 28 February 2015

2. Standards, interpretations and amendments to published standards continued

Annual improvements 2014 issued September 2014

In September 2014, the IASB issued Annual improvements to IFRSs 2012 – 2014 Cycle, which contains five amendments to four standards, excluding consequential amendments. The amendments are effective for annual periods beginning on or after 1 January 2016.

IFRS	Effective date	Subject of amendment
IFRS 5: *Non-current assets held for sale and discontinued operations*	1 January 2016	Amendment to the changes in methods of disposal – either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan.
IFRS 7: *Financial instruments, Disclosures*	1 January 2016	Applicability of the offsetting disclosures to condensed interim financial statements. The amendment removes the phrase “and interim periods within those annual periods” from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the Board noted that “IAS 34 requires an entity to disclose an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period”. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity’s condensed interim financial report.
IFRS 7: *Financial instruments, Disclosures*	1 January 2016	Servicing contracts – The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.
IAS 19: *Employee benefits*	1 January 2016	Discount rate: regional market issue – The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
IAS 34: *Interim financial reporting*	1 January 2016	Disclosure of information “elsewhere in the interim financial report”. The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

3. Financial instruments and financial risk management

Overview

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

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

Categories of financial instruments

	Note	Loans and receivables at amortised cost R'000	Financial liabilities held at amortised cost R'000	Financial liabilities at fair value through profit or loss R'000	Total carrying value R'000
At 28 February 2015					
Loans to associates and joint ventures	7	**10 463**	**–**	**–**	**10 463**
Non-current trade and other receivables	10	**129 355**	**–**	**–**	**129 355**
Construction contracts in progress and retentions	9	**362 351**	**–**	**–**	**362 351**
Trade and other receivables	10	**1 184 323**	**–**	**–**	**1 184 323**
Cash and cash equivalents	11	**937 275**	**–**	**–**	**937 275**
Borrowings	15	**–**	**(1 099 940)**	**–**	**(1 099 940)**
Other financial liabilities	18	**–**	**(50 397)**	**(26 865)**	**(77 262)**
Trade and other payables	19	**–**	**(1 091 460)**	**–**	**(1 091 460)**
Total		**2 623 767**	**(2 241 797)**	**(26 865)**	**355 105**
At 28 February 2014					
Construction contracts in progress and retentions	9	322 590	–	–	322 590
Trade and other receivables	10	1 038 309	–	–	1 038 309
Cash and cash equivalents	11	871 260	–	–	871 260
Borrowings	15	–	(717 561)	–	(717 561)
Trade and other payables	19	–	(1 018 657)	(4 900)	(1 023 557)
Total		2 232 159	(1 736 218)	(4 900)	491 041

Fair value estimation

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Notes to the group financial statements continued

for the year ended 28 February 2015

3. Financial instruments and financial risk management continued

The following table presents the group's financial assets and liabilities that are measured at fair value at 28 February 2015:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Liabilities				
At 28 February 2014				
Financial liabilities at fair value through profit or loss				
Contingent consideration	–	–	4 900	4 900
Total liabilities	–	–	4 900	4 900
At 28 February 2015				
Financial liabilities at fair value through profit or loss				
Contingent consideration	**–**	**–**	**26 865**	**26 865**
Total liabilities	**–**	**–**	**26 865**	**26 865**

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 2015:

	Contingent consideration in a business combination R'000	Total R'000
Year ended 28 February 2014		
Opening balance	4 700	4 700
Gains and losses recognised in profit or loss	200	200
Closing balance	4 900	4 900
Year ended 28 February 2015		
Opening balance	**4 900**	**4 900**
Acquisition of subsidiaries (refer note 35)	**21 010**	**21 010**
Gains and losses recognised in profit or loss	**955**	**955**
Closing balance	**26 865**	**26 865**

See note 18 for disclosures relating to the measurement of the contingent considerations.

Financial risk factors

(a) **Market risk**

(i) **Foreign exchange risk**

The group operates internationally and is exposed to foreign exchange risk arising from currency exposures, currently primarily with respect to the Zambian Kwacha. 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.

3. Financial instruments and financial risk management continued

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 translation risk impact of a 10% appreciation of the Rand against the Zambian Kwacha on the uncovered foreign exposure will have a negative R0,8 million (2014: R0,4 million) impact on the group's post-tax profits, and vice versa for a 10% depreciation. The translation impact of a 10% appreciation of the Rand against the Zambian Kwacha will have a positive R0,9 million (2014: negative R0,2 million) impact on the group's equity and vice versa for a 10% depreciation of the Rand.

The group also has operations in Botswana, Malawi, Mauritius, Mozambique, Namibia, Zimbabwe and the Democratic Republic of Congo. There are no material foreign exchange exposures with regards to these operations. Namibia forms part of the same common monetary area as South Africa with the exchange rate fixed at one to one.

(ii) Price risk

The group is not exposed to any price risk.

(iii) Cash flow interest rate risk

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

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

Interest rate risk – sensitivity analysis

Interest rate risk is presented by way of sensitivity analysis in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components and, if appropriate, shareholders' equity. A one percentage point movement in the prime interest rate would have the following effect on post-tax profit for the year:

	2015		2014	
	+1% R'000	**-1% R'000**	+1% R'000	-1% R'000
Cash and cash equivalents	**6 748**	**(6 748)**	6 273	(6 273)
Bank borrowings	**(7 920)**	**7 920**	(5 166)	5 166
Increase/(decrease) in profitability	**(1 172)**	**1 172**	1 107	(1 107)

(b) Credit risk

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

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

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

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

Notes to the group financial statements continued

for the year ended 28 February 2015

3. Financial instruments and financial risk management continued

In determining the recoverability of receivables and loans to related parties the group considers frequency of payment, financial performance of the related parties and contractual agreements.

Concentration of credit risk	Rating	2015 R'000	2014 R'000
Cash and cash equivalents	AA	**421**	25
Cash and cash equivalents	A	**1 722**	–
Cash and cash equivalents	BBB	**932 136**	868 636
Cash on hand	Not rated	**2 996**	2 599
Total cash and cash equivalents (refer note 11)		**937 275**	871 260
Trade receivables	AA	**–**	34 235
Trade receivables	A	**8 317**	822
Trade receivables	BBB	**474 651**	392 894
Trade and other receivables	Not rated	**706 330**	586 876
Receivables under finance leases	Not rated	**142 179**	–
Receivables from related parties	Not rated	**40 942**	41 221
Loans to related parties	Not rated	**10 604**	12 362
Total current trade and other receivables (refer note 10)		**1 383 023**	1 068 410
Retentions	AA	**6 010**	15 306
Retentions	BBB	**100 716**	85 965
Retentions	Not rated	**82 670**	65 919
Total retentions (refer note 9)		**189 396**	167 190

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 509,7 million (2014: R2 106,9 million).

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

(c) Liquidity risk

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

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

	Carrying amount R'000	Contractual cash flows R'000	Within 1 year R'000	2 to 5 years R'000	5 years and later R'000
At 28 February 2015					
Non-derivative financial liabilities					
Bank borrowings	**1 074 615**	**1 206 001**	**475 187**	**729 800**	**1 014**
Unsecured loans	**25 325**	**25 325**	**25 325**	**–**	**–**
Other financial liabilities	**77 262**	**77 262**	**–**	**77 262**	**–**
Trade and other payables	**1 091 460**	**1 091 460**	**1 091 460**	**–**	**–**
Total	**2 268 662**	**2 400 048**	**1 591 972**	**807 062**	**1 014**

3. Financial instruments and financial risk management continued

	Carrying amount R'000	Contractual cash flows R'000	Within 1 year R'000	2 to 5 years R'000	5 years and later R'000
At 28 February 2014					
Non-derivative financial liabilities					
Bank borrowings	717 561	795 568	325 048	469 340	1 180
Trade and other payables	914 684	914 684	909 784	4 900	–
Total	1 632 245	1 710 252	1 234 832	474 240	1 180

The carrying value of financial assets and financial liabilities approximate their fair values. The amounts disclosed in the table are the contractual undiscounted cash flows.

The trade and other payables disclosed in the table exclude the non-financial liabilities in trade and other payables carried on the statement of financial position at a value of R78,8 million (2014: R160,8 million).

Total financial institution backed contract guarantees provided to third parties on behalf of subsidiary companies amounted to R1 608,7 million (2014: R1 286,6 million). These guarantees have been excluded from the maturity analysis above as the issuer has no contractual obligation to make payment at the balance sheet date and the directors do not believe that any exposure to loss is likely.

4. Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders or sell assets to reduce debt.

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

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

	2015 R'000	2014 R'000
Borrowings (refer note 15)	**1 099 940**	717 561
Other financial liabilities (refer note 18)	**77 262**	–
Trade and other payables (refer note 19)	**1 170 248**	1 075 529
Current income tax liabilities	**26 641**	18 696
Defined debt	**2 374 091**	1 811 786
Capital and reserves	**3 533 417**	3 241 037
Less: Intangible assets (refer note 6)	**(795 098)**	(763 671)
Defined shareholders' funds	**2 738 319**	2 477 366
Debt covenant gearing ratio	**0,87**	0,73

Notes to the group financial statements continued

for the year ended 28 February 2015

4. Capital risk management continued

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

	2015 R'000	2014 R'000
Total borrowings (refer note 15)	**1 099 940**	717 561
Less: Cash and cash equivalents (refer note 11)	**(937 275)**	(871 260)
Net debt	**162 665**	(153 699)
Total equity	**3 533 417**	3 241 037
Total capital and net debt	**3 696 082**	3 087 338
Gearing ratio	**4,4%**	(5,0%)

5. Property, plant and equipment

	Land and buildings R'000	Vehicles and machinery R'000	Furniture, fittings and equipment R'000	Total R'000
At 28 February 2013				
Cost	163 888	2 436 385	27 551	2 627 824
Accumulated depreciation	(3 133)	(1 043 894)	(19 565)	(1 066 592)
Net book amount	160 755	1 392 491	7 986	1 561 232
Year ended 28 February 2014				
Opening net book amount	160 755	1 392 491	7 986	1 561 232
Exchange differences	89	497	30	616
Acquisition of subsidiaries	35 839	83 104	3 084	122 027
Additions	25 878	451 930	5 491	483 299
Disposals	(2 583)	(39 760)	(252)	(42 595)
Depreciation	(2 560)	(276 144)	(4 264)	(282 968)
Reclassification	250	2 555	(2 805)	–
Closing net book amount	217 668	1 614 673	9 270	1 841 611
At 28 February 2014				
Cost	226 450	2 735 475	34 943	2 996 868
Accumulated depreciation	(8 782)	(1 120 802)	(25 673)	(1 155 257)
Net book amount	217 668	1 614 673	9 270	1 841 611
Year ended 28 February 2015				
Opening net book amount	**217 668**	**1 614 673**	**9 270**	**1 841 611**
Exchange differences	**(84)**	**(1 051)**	**–**	**(1 135)**
Acquisition of subsidiaries	**8 420**	**175 091**	**1 159**	**184 670**
Additions	**11 088**	**491 461**	**8 050**	**510 599**
Disposals	**(251)**	**(28 480)**	**(188)**	**(28 919)**
Depreciation	**(2 167)**	**(328 283)**	**(4 547)**	**(334 997)**
Reclassification	**1 189**	**(1 189)**	**–**	**–**
Closing net book amount	**235 863**	**1 922 222**	**13 744**	**2 171 829**
At 28 February 2015				
Cost	**237 193**	**3 263 210**	**38 550**	**3 538 953**
Accumulated depreciation	**(1 330)**	**(1 340 988)**	**(24 806)**	**(1 367 124)**
Net book amount	**235 863**	**1 922 222**	**13 744**	**2 171 829**

5. Property, plant and equipment continued

Aircraft with a book value of R57,8 million (2014: R46,5 million) have been included under vehicles and machinery.

Depreciation expense of R335 million (2014: R283 million) has been charged in cost of sales (refer note 23).

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 183,7 million (2014: R914,7 million).

A general notarial bond of R30,4 million (2014: R29,5 million) is registered over property, plant and equipment with a carrying value of R54,3 million (2014: R47 million) as security for borrowing and asset finance facilities.

Lease rentals amounting to R39,9 million (2014: R33,4 million) relating to the lease of property, plant and equipment, respectively, are included in the statement of profit or loss (refer note 23).

Borrowings are disclosed in note 15 of these financial statements.

	Goodwill R'000	Trademarks R'000	Mining and other rights R'000	Total R'000
6. Intangible assets				
At 28 February 2013				
Cost	737 142	21 053	25 175	783 370
Accumulated amortisation and impairment	(6 876)	–	(12 543)	(19 419)
Net book amount	730 266	21 053	12 632	763 951
Year ended 28 February 2014				
Opening net book amount	730 266	21 053	12 632	763 951
Amortisation charge	–	–	(280)	(280)
Closing net book value	730 266	21 053	12 352	763 671
At 28 February 2014				
Cost	737 142	21 053	25 175	783 370
Accumulated amortisation and impairment	(6 876)	–	(12 823)	(19 699)
Net book amount	730 266	21 053	12 352	763 671
Year ended 28 February 2015				
Opening net book amount	**730 266**	**21 053**	**12 352**	**763 671**
Acquisition of subsidiaries	**31 706**	**–**	**–**	**31 706**
Amortisation charge	**–**	**–**	**(279)**	**(279)**
Closing net book value	**761 972**	**21 053**	**12 073**	**795 098**
At 28 February 2015				
Cost	**768 848**	**21 053**	**25 175**	**815 076**
Accumulated amortisation and impairment	**(6 876)**	**–**	**(13 102)**	**(19 978)**
Net book amount	**761 972**	**21 053**	**12 073**	**795 098**

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

There has been no impairment in the carrying amount of goodwill during the period (2014: R nil).

Amortisation of mining rights and other rights of R0,3 million (2014: R0,3 million) is included in cost of sales in the statement of profit or loss (refer note 23).

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

Notes to the group financial statements continued

for the year ended 28 February 2015

6. Intangible assets continued

A reportable segment-level summary of the goodwill allocation is presented below.

Goodwill	Materials R'000	Road surfacing and rehabilitation R'000	Road construction and earthworks R'000	Infrastructure R'000	Tosas R'000	Total R'000
At 28 February 2014	468 098	122 600	131 568	8 000	–	730 266
At 28 February 2015	**484 292**	**136 093**	**131 568**	**10 019**	**–**	**761 972**

A reportable segment-level summary of the trademark allocation is presented below.

Trademarks	Materials R'000	Road surfacing and rehabilitation R'000	Road construction and earthworks R'000	Infrastructure R'000	Tosas R'000	Total R'000
At 28 February 2014	21 053	–	–	–	–	21 053
At 28 February 2015	**21 053**	**–**	**–**	**–**	**–**	**21 053**

A reportable segment-level summary of the mining and other rights allocation is presented below.

Mining and other rights	Materials R'000	Road surfacing and rehabilitation R'000	Road construction and earthworks R'000	Infrastructure R'000	Tosas R'000	Total R'000
At 28 February 2014	12 352	–	–	–	–	12 352
At 28 February 2015	**12 073**	**–**	**–**	**–**	**–**	**12 073**

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

These calculations use earnings projections based on financial budgets approved by management for the year-ending 28 February 2016.

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

The carrying value amounts of goodwill and trademarks will still exceed the recoverable amount if the growth rate is 0%. A rise in the pre-tax discount rate to 37,2% will remove the remaining headroom and the carrying value will exceed the recoverable amount.

7. Investments in associates and joint ventures

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

	2015 R'000	2014 R'000
Investment in associates	**245**	–
Loans to associates	**–**	–
Investment in joint ventures	**–**	–
Loans to joint ventures	**10 463**	–
At 28 February	**10 708**	–

7. Investments in associates and joint ventures continued

7.1 Associates

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

	2015 R'000	2014 R'000
Carrying value at the beginning of the year	–	–
Investment in associate	3	–
Share of profit in associate	242	–
Carrying value at 28 February	**245**	–

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

Nature of investment in associate:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Lufhereng Development Company (Pty) Ltd	South Africa	25.34	Note 1	Equity

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

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

7.2 Joint ventures

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

	2015 R'000	2014 R'000
Carrying value at the beginning of the year	–	–
Investment in joint venture	–	–
Share of loss in joint venture	(37)	–
Loan to joint venture	10 500	–
Carrying value at 28 February	**10 463**	–

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 ownership interest	Nature of the relationship	Measurement method
Turnkey Real Estate Company (Pty) Ltd ("TREC")	South Africa	50	Note 1	Equity

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

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

The loan to the joint venture bears interest at 11,25% (2014: 0%) with no fixed repayment terms.

Notes to the group financial statements continued

for the year ended 28 February 2015

	2015 R'000	2014 R'000
8. Inventories		
Crusher stone	**157 890**	145 404
Gypsum	**84 639**	–
Consumable stores	**110 283**	94 099
Development land	**51 103**	26 216
Other materials including bitumen, rubber and emulsions	**125 083**	154 521
	528 998	420 240
Less: Non-current inventories	**(90 668)**	–
Total current inventories	**438 330**	420 240

Non-current inventories relate to the OMV acquisition and include mine dumps in Stilfontein and a synthetic gypsum dump in Potchefstroom.

The cost of inventories recognised as expense and included in "cost of sales" amounted to R2 442,6 million (2014: R2 475 million) (refer note 23). No inventories are encumbered.

	2015 R'000	2014 R'000
9. Construction contracts in progress and retentions		
Costs incurred plus profits recognised, less recognised losses relating to contracts at year-end	**4 283 877**	2 891 094
Less: Progress billings	**(4 250 796)**	(2 835 620)
Net balance sheet position for ongoing contracts	**33 081**	55 474
Consisting of:		
Amounts due from customers for contract work	**172 955**	155 400
Amounts due to customers for contract work (refer note 19)	**(139 874)**	(99 926)
Net balance sheet position for ongoing contracts	**33 081**	55 474
Amounts due from customers for contract work	**172 955**	155 400
Retentions	**189 396**	167 190
Total contracts in progress at reporting date including retentions	**362 351**	322 590

Retentions to be received after 12 months amounted to R44,7 million (2014: R34,1 million).

Retentions to be received after 12 months fall in the normal operating cycle of the group.

	2015 R'000	2014 R'000
10. Trade and other receivables		
Trade receivables	**1 155 719**	1 013 557
Less: Provision for impairment of trade receivables	**(35 766)**	(28 831)
Trade receivables – net	**1 119 953**	984 726
Receivables under finance leases	**142 179**	–
Prepayments	**23 052**	17 015
Value-added taxation	**46 293**	13 086
Receivables from related parties (refer note 32)	**40 942**	41 221
Loans to related parties (refer note 32)	**10 604**	12 362
	1 383 023	1 068 410
Less: Non-current receivables under finance leases	**(129 355)**	–
Total current trade and other receivables	**1 253 668**	1 068 410

	2015 R'000	2014 R'000
10. Trade and other receivables continued		
The fair values of trade and other receivables are as follows:		
Trade receivables	**1 119 953**	984 726
Receivables under finance leases	**142 179**	–
Prepayments	**23 052**	17 015
Value-added taxation	**46 293**	13 086
Receivables from related parties (refer note 32)	**40 942**	41 221
Loans to related parties (refer note 32)	**10 604**	12 362
Total trade and other receivables	**1 383 023**	1 068 410

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

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

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

As of 28 February 2015, trade receivables of R35,8 million (2014: R28,8 million) were impaired and provided for. The ageing of these trade receivables is as follows:

	2015 R'000	2014 R'000
30 days to 3 months	**4 062**	1 335
3 to 6 months	**12 309**	1 718
Over 6 months	**19 395**	25 778
	35 766	28 831

As of 28 February 2015, trade receivables of R384 million (2014: R345,9 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.

	2015 R'000	2014 R'000
The ageing of these trade receivables is as follows:		
30 days to 3 months	**335 030**	287 511
3 to 6 months	**37 329**	54 032
Over 6 months	**11 628**	4 349
	383 987	345 892

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

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

	2015 R'000	2014 R'000
South African Rand	**1 200 548**	1 014 019
Botswana Pula	**4 669**	9 410
Malawian Kwacha	**–**	531
US Dollar	**3 292**	3 286
Mozambican Metical	**12 206**	4 103
Namibian Dollar	**106 193**	32 024
Zambian Kwacha	**56 115**	5 037
	1 383 023	1 068 410

Notes to the group financial statements continued

for the year ended 28 February 2015

	2015 R'000	2014 R'000
10. Trade and other receivables continued		
Provision for impairment of trade receivables		
Balance at the beginning of the year	**28 831**	22 802
Exchange differences	**(3)**	69
Acquisition of subsidiaries	**600**	14 038
Current year provision for receivables	**23 801**	5 169
Receivables written off during the year as uncollectable	**(13 998)**	(4 693)
Unused amounts reversed	**(3 465)**	(8 554)
Balance at the end of the year	**35 766**	28 831

The creation and release of provision for impaired receivables have been included in other operating expenses in the statement of profit or loss (refer note 23).

Receivables under finance leases

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

	2015 R'000	2014 R'000
Total gross investment in finance leases	**229 463**	–
No later than 1 year	**33 580**	–
Later than 1 year and no later than 5 years	**134 320**	–
Later than 5 years	**61 563**	–
Unearned finance income	**(87 284)**	–
Net investment in lease	**142 179**	–
Represented by:		
Present value of minimum lease instalments	**142 179**	–
No later than 1 year	**12 824**	–
Later than 1 year and no later than 5 years	**103 227**	–
Later than 5 years	**26 128**	–

As part of the group's extended services, the group offers lessor financing for manufactured contracts over the period of the contract where the plant has been built by group entities.

	2015 R'000	2014 R'000
11. Cash and cash equivalents		
Cash on hand	**2 996**	2 599
Bank balances	**377 308**	578 050
Investments on call	**556 971**	290 611
Total cash and cash equivalents	**937 275**	871 260

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

	2015 R'000	2014 R'000
Cash and cash equivalents	**937 275**	871 260
Bank overdrafts	**–**	–
Total cash and cash equivalents	**937 275**	871 260

	Number of shares '000	Ordinary shares R'000	Share premium R'000	Total R'000
12. Share capital and premium				
At 1 March 2013	184 536	1 845	2 179 613	2 181 458
Shares issued in terms of equity-settled share option scheme	1 364	14	–	14
At 28 February 2014	185 900	1 859	2 179 613	2 181 472
Shares issued in terms of equity-settled share option scheme	**1 430**	**14**	**–**	**14**
At 28 February 2015	**187 330**	**1 873**	**2 179 613**	**2 181 486**

1 429 981 new shares were issued during the year (2014: 1 364 238).

The total authorised number of ordinary shares is 500 million shares (2014: 500 million) with a par value of 1 cent per share (2014: 1 cent per share). All issued shares are fully paid.

	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
13. Other reserves					
At 1 March 2013	(4 018)	(1 175 298)	66 801	–	(1 112 515)
Translation difference of foreign subsidiary	4 688	–	–	–	4 688
Share options exercised by employees (refer note 28)	–	–	(23 767)	–	(23 767)
Share options granted to employees (refer note 28)	–	–	27 354	–	27 354
At 28 February 2014	670	(1 175 298)	70 388	–	(1 104 240)
Translation difference of foreign subsidiary	**382**	**–**	**–**	**–**	**382**
Share options exercised by employees (refer note 28)	**–**	**–**	**(16 242)**	**–**	**(16 242)**
Share options granted to employees (refer note 28)	**–**	**–**	**27 797**	**–**	**27 797**
Put option written on non-controlling interest (refer note 18)	**–**	**–**	**–**	**(48 459)**	**(48 459)**
At 28 February 2015	**1 052**	**(1 175 298)**	**81 943**	**(48 459)**	**(1 140 762)**

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.

Notes to the group financial statements continued

for the year ended 28 February 2015

	2015 R'000	2014 R'000
14. Non-controlling interest		
Balance at the beginning of the year	**54 612**	39 031
Profit attributable to non-controlling interest	**28 237**	24 103
Non-controlling interest arising on business combination	**61 376**	–
Acquisition of non-controlling interest (refer note 36)	**(195)**	(6 214)
Dividends paid to non-controlling interest	**(33 242)**	(2 308)
Balance at the end of the year	**110 788**	54 612

Refer note 39 for a breakdown of non-controlling interests per subsidiary.

	2015 R'000	2014 R'000
15. Borrowings		
Non-current		
Bank borrowings	**672 320**	429 961
Total non-current borrowings	**672 320**	429 961
Current		
Bank borrowings	**402 295**	287 600
Unsecured loans	**25 325**	–
Total current borrowings	**427 620**	287 600
Total borrowings	**1 099 940**	717 561

Bank borrowings

The bank borrowings are secured by hypothec over property, plant and equipment with a book value of R1 183,7 million (2014: R914,7 million) and repayable in monthly instalments of R38 million (2014: R26,3 million) with an effective interest rate ranging between 7,1% and 10,0% per annum (2014: 6,6% and 9%). Bank borrowings mature by June 2022.

A general notarial bond of R30,4 million (2014: R29,5 million) is registered over property, plant and equipment with a carrying value of R54,3 million (2014: R47 million) as security for borrowing and asset finance facilities.

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

The group has undrawn borrowing facilities of R96,4 million (2014: R77,4 million). The facilities are subject to annual review.

Gross future minimum payments on bank borrowings are as follows:

	2015 R'000	2014 R'000
No later than 1 year	**475 187**	325 048
Later than 1 year and no later than 5 years	**729 800**	469 340
Later than 5 years	**1 014**	1 180
	1 206 001	795 568
Future finance charges on bank borrowings	**(131 386)**	(78 007)
Present value of bank borrowings	**1 074 615**	717 561

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

	2015 R'000	2014 R'000
15. Borrowings continued		
Unsecured loans		
The unsecured loans consist of the following:		
Crossmoor Transport CC (refer note 32)	**8 570**	–
MAB Fusion (Pty) Ltd (refer note 32)	**16 755**	–
Total unsecured loans	**25 325**	–

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

	Rehabilitation provision R'000	Competition Commission provision R'000	Post-employment benefits R'000	Total R'000
16. Provisions for liabilities and charges				
At 1 March 2013	26 152	58 825	–	84 977
Acquisition of subsidiaries	1 427	–	7 010	8 437
Charged to statement of profit or loss:				
– Additional provision	2 193	–	–	2 193
– Unwinding of discount (refer note 24)	1 453	–	–	1 453
– Current service cost (refer note 27)	–	–	153	153
– Interest expense (refer note 27)	–	–	101	101
Provisions utilised	(650)	(58 825)	(326)	(59 801)
Actuarial gain for the year	–	–	(2 838)	(2 838)
At 28 February 2014	30 575	–	4 100	34 675
Acquisition of subsidiaries	**13 415**	**–**	**–**	**13 415**
Charged to statement of profit or loss:				
– Additional provision	**4 712**	**–**	**–**	**4 712**
– Unwinding of discount (refer note 24)	**1 466**	**–**	**–**	**1 466**
– Current service cost (refer note 27)	**–**	**–**	**206**	**206**
– Interest expense (refer note 27)	**–**	**–**	**406**	**406**
– Past service cost gain (refer note 27)	**–**	**–**	**(817)**	**(817)**
Actuarial loss for the year	**–**	**–**	**190**	**190**
At 28 February 2015	**50 168**	**–**	**4 085**	**54 253**

	2015 R'000	2014 R'000
Analysis of total provisions		
Non-current		
Rehabilitation provision	**50 168**	30 575
Post-employment benefits	**4 085**	4 100
Total non-current provisions	**54 253**	34 675
Current		
Total current provisions	**–**	–
Total provisions	**54 253**	34 675

The additional provision has been included in other operating expenses in the statement of profit or loss (refer note 23).

Notes to the group financial statements continued

for the year ended 28 February 2015

16. Provisions for liabilities and charges continued

Rehabilitation provision

Rehabilitation provision consists of amounts accrued to rehabilitate environments disturbed by quarries. The provisions have been determined based on assessments and estimates by management and external consultants to reflect the estimated current cost of the rehabilitation. 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 its retirees employed prior to 1 January 1998, who retire and satisfy the necessary requirements of the medical fund. The plan is unfunded.

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

	2015 R'000	2014 R'000
Non-current present value of unfunded obligations	**4 085**	4 100
Current present value of unfunded obligations	**–**	–
Balance at the end of the year	**4 085**	4 100
Consisting of:		
Retirement benefits	**3 892**	3 882
Death-in-service benefits	**193**	218
Balance at the end of the year	**4 085**	4 100

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:

	2015 R'000	2014 R'000
Discount rate	**9,3%**	9,9%
Healthcare cost inflation	**9,0%**	9,0%
Expected retirement age	**59**	59

The weighted average duration of the post-retirement healthcare benefit is 24,6 years (2014: 24,8 years).

The expected maturity analysis of undiscounted benefit payments:

	Less than a year	**Between 1 – 5 years**	**Between 6 – 10 years**	**Between 11 – 15 years**
At 28 February 2015				
Benefit payments (R'000)	**–**	**149**	**991**	**2 187**
At 28 February 2014				
Benefit payments (R'000)	–	67	1 082	2 455

16. Provisions for liabilities and charges continued

Projection of results of the valuation as at 28 February 2015 to 28 February 2016 is set out below:

	Post-employment benefit liability R'000
As at 28 February 2015	**4 085**
Current service cost	**197**
Interest expense	**380**
As at 28 February 2016	**4 662**

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.

	2015 R'000	2014 R'000
17. Deferred income tax		
Deferred tax assets		
Non-current	**(43 136)**	(37 509)
Deferred tax liabilities		
Non-current	**311 621**	266 464
Deferred tax liabilities (net)	**268 485**	228 955
The gross movement on the deferred income tax account is as follows:		
Balance at the beginning of the year	**228 955**	221 687
Exchange differences	**271**	(535)
Acquisition of subsidiaries	**44 068**	3 773
Charged to statement of profit or loss	**(4 756)**	3 144
Charged to comprehensive income	**(53)**	886
Balance at the end of the year	**268 485**	228 955

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 2013	246 809	57 627	7 054	311 490
Exchange differences	73	–	–	73
Charged to statement of profit or loss	7 140	(3 726)	(3 122)	292
Charged to comprehensive income	91	–	–	91
Acquisition of subsidiaries	18 860	–	–	18 860
At 28 February 2014	272 973	53 901	3 932	330 806
Exchange differences	**(37)**	**–**	**–**	**(37)**
Charged to statement of profit or loss	**16 386**	**(15 354)**	**(3 798)**	**(2 766)**
Acquisition of subsidiaries	**50 079**	**2 662**	**(125)**	**52 616**
At 28 February 2015	**339 401**	**41 209**	**9**	**380 619**

Notes to the group financial statements continued

for the year ended 28 February 2015

	Provisions R'000	Tax losses R'000	Other R'000	Total R'000
17. Deferred income tax continued				
Deferred tax assets				
At 1 March 2013	(56 498)	(31 485)	(1 820)	(89 803)
Exchange differences	(37)	(485)	(86)	(608)
Charged to statement of profit or loss	5 527	(2 675)	–	2 852
Charged to comprehensive income	795	–	–	795
Acquisition of subsidiaries	(4 727)	(10 107)	(253)	(15 087)
At 28 February 2014	(54 940)	(44 752)	(2 159)	(101 851)
Exchange differences	**–**	**308**	**–**	**308**
Charged to statement of profit or loss	**(3 460)**	**1 470**	**–**	**(1 990)**
Charged to comprehensive income	**(53)**	**–**	**–**	**(53)**
Acquisition of subsidiaries	**(1 069)**	**(3 724)**	**(3 755)**	**(8 548)**
At 28 February 2015	**(59 522)**	**(46 698)**	**(5 914)**	**(112 134)**

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.

	Put option R'000	Contingent consideration R'000	Total R'000
18. Other financial liabilities			
At 1 March 2014	–	–	–
Reclassification from trade and other payables (refer note 19)	–	4 900	4 900
Acquisition of subsidiaries:			
– OMV Stilfontein (Pty) Ltd and OMV Gypsum Potchefstroom (Pty) Ltd	48 459	18 874	67 333
– Empa Structures CC and Empa Plant CC	–	2 136	2 136
Charged to statement of profit or loss:			
– Unwinding of discount (refer note 24)	1 938	955	2 893
At 28 February 2015	**50 397**	**26 865**	**77 262**
Non-current	**50 397**	**26 865**	**77 262**
Current	**–**	**–**	**–**
	50 397	**26 865**	**77 262**

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

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

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

The purchase consideration for the Sale Shares of each of the Stilfontein and Potchefstroom operations is an amount equal to the amount determined in terms of the following formula ie: The lesser of an earnings multiple of 6,5 or the 30 day VWAP earnings multiple at which Raubex Group Limited trades on the 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%.

18. Other financial liabilities continued

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%, which is also the significant unobservable input. Significant increases (decreases) in the discount rate would result in a lower (higher) fair value measurement.

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 be 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.

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

The contingent consideration originated on the acquisition of an interest in the operations of OMV. The basis of calculation is disclosed in note 35 of these financial statements.

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 also the significant unobservable input. Significant increases (decreases) in the discount rate would result in a lower (higher) fair value measurement.

Empa Structures CC and Empa Plant CC ("Empa") – contingent consideration

The contingent consideration originated on the acquisition of the interest in Empa. The basis of calculation is disclosed in note 35 of these financial statements.

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 also the significant unobservable input. Significant increases (decreases) in the discount rate would result in a lower (higher) fair value measurement.

	2015 R'000	2014 R'000
19. Trade and other payables		
Trade payables	**661 877**	535 293
Payables due to related parties (refer note 32)	**13 842**	109
Loans from related parties (refer note 32)	**–**	1 304
Advance payments received	**48 137**	17 330
Value-added taxation	**30 651**	34 642
Accruals and other payables	**275 867**	382 025
Amounts due to customers for contract work (refer note 9)	**139 874**	99 926
Other liabilities – contingent consideration (refer note 18)	**–**	4 900
Total trade and other payables	**1 170 248**	1 075 529

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 2015

	2015 R'000	2014 R'000
20. Revenue		
Contracting revenue	**6 045 081**	5 574 910
Commercial quarry aggregates and gypsum revenue	**449 424**	277 622
Bitumen and emulsion products and services	**388 766**	284 757
Plant hire revenue	**356 907**	187 467
Property sales and development fees	**5 081**	256
Total revenue	**7 245 259**	6 325 012
21. Other income		
Income received under finance leases	**4 018**	–
Insurance recoveries	**1 622**	2 493
Interest on accounts receivable	**1 176**	1 703
Seta recoveries	**3 643**	4 081
Bad debts recovered	**840**	3 025
Other income	**814**	–
Total other income	**12 113**	11 302
22. Other gains/(losses) – net		
Profit on sale of fixed assets	**11 348**	10 244
(Loss)/gain on exchange differences	**(1 364)**	5 409
Excess from fair value of assets acquired over purchase price	**–**	368
Total other gains/(losses)	**9 984**	16 021
23. Expenses by nature		
Changes in inventories	**(2 478)**	(99 493)
Subcontractors	**1 233 393**	843 208
Raw materials and consumables (refer note 8)	**2 442 582**	2 475 001
Employee benefit expense (refer note 27)	**1 675 876**	1 464 277
Depreciation and amortisation (refer notes 5 and 6)	**335 276**	283 248
Operating lease charges (refer note 5)	**39 872**	33 442
Repairs and maintenance	**466 068**	413 601
Other operating expenses	**454 596**	399 176
Total of cost of sales and administrative expenses	**6 645 185**	5 812 460
24. Finance income and costs		
Finance income:		
Interest income on cash resources	**45 183**	35 586
Other interest	**1 337**	3 163
Total finance income	**46 520**	38 749
Finance costs:		
Bank borrowings	**(56 997)**	(42 110)
Unwinding of discount – rehabilitation provision (refer note 16)	**(1 466)**	(1 453)
Unwinding of discount – contingent consideration liability (refer note 18)	**(2 893)**	(200)
Other interest	**(903)**	(399)
Total finance costs	**(62 259)**	(44 162)
Net finance costs	**(15 739)**	(5 413)

	2015 R'000	2014 R'000
25. Income tax expense		
South African normal taxation		
Current tax		
Current period	**158 954**	130 830
Recognised in current tax for prior periods	**(494)**	1 338
Capital gains tax	**811**	1 660
Total South African normal taxation	**159 271**	133 828
Deferred tax		
Originating and reversing temporary differences	**(2 478)**	2 217
Total South African deferred taxation	**(2 478)**	2 217
Total South African taxation	**156 793**	136 045
Foreign taxation		
Current tax		
Current period	**25 116**	21 268
Recognised in current tax for prior periods	**(1 068)**	(3 454)
Total foreign normal tax	**24 048**	17 814
Deferred tax		
Originating and reversing temporary differences	**(2 624)**	1 561
Change in tax rate	**346**	(634)
Total foreign deferred tax	**(2 278)**	927
Total foreign taxation	**21 770**	18 741
Total income tax expense	**178 563**	154 786
Reconciliation between applicable tax rate and effective tax rate:	**%**	%
Applicable tax rate	**28,00**	28,00
Capital gains tax	**(0,07)**	(0,16)
Current tax recognised in prior periods	**(0,38)**	(1,23)
Disallowed charges – other	**0,35**	0,51
Disallowed charges – share option expense	**1,28**	1,43
Change in tax rates in foreign countries	**0,06**	(0,12)
Tax at rates in foreign countries	**0,19**	0,53
Effective tax rate	**29,43**	28,96

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

	2015			2014		
	Before tax R'000	Tax R'000	After tax R'000	Before tax R'000	Tax R'000	After tax R'000
Currency translation differences	**382**	**–**	**382**	4 688	–	4 688
Actuarial (loss)/gain on post-employment benefit obligations	**(190)**	**53**	**(137)**	2 838	(795)	2 043
Other comprehensive income	**192**	**53**	**245**	7 526	(795)	6 731

Notes to the group financial statements continued

for the year ended 28 February 2015

	2015 R'000	2014 R'000
26. Auditors' remuneration		
Fees	**8 135**	6 732
Prior year underprovision	**327**	414
Tax and secretarial services	**211**	267
Total auditors' remuneration	**8 673**	7 413
27. Employee benefit expense		
Wages and salaries	**1 510 416**	1 320 686
Share options granted to employees (refer note 28)	**27 797**	27 354
Pension contributions	**63 374**	52 301
Medical aid contributions	**26 298**	22 612
Other post-employment benefits (refer note 16)	**(205)**	254
Other contributions and accruals	**48 196**	41 070
Total employee benefit expense	**1 675 876**	1 464 277

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.

	2015 R'000	2014 R'000
Number of employees – permanent	**9 598**	8 306

28. Employee Share Option Scheme

Details of the share scheme are as follows:

Deferred Stock Scheme

The Deferred Stock Scheme is intended to retain and incentivise selected executives or members of senior management in the full-time employ of the company by giving them the opportunity to acquire an interest in, and participate in the economic benefit of the company, thereby providing them with a further incentive to advance the company's interests and promoting the alignment of the interests of the employees and the company.

The Scheme shall endure for a period of five years from the date of initial approval by the company's shareholders. The date of the initial approval was 8 October 2010.

Options will only be exercisable after a specified period, being not less than three years.

Options granted to an employee will only be valid if such employee concludes a restraint agreement with the company.

The price payable by an employee to acquire shares in terms of an option will be the greater of the par value of the shares and R0,01 per share.

Employees will be entitled to exercise options for a period of 40 business days after expiry of the retention period of such option.

Exercised options will be settled either by way of an allotment and issue of shares by the company to the relevant employee or by the acquisition of shares in the market on the relevant employee's behalf.

28. **Employee Share Option Scheme** continued

Arrangement	a Deferred Stock 2011	b Deferred Stock 2012	c Deferred Stock 2013
Nature of arrangement	Grant of share option	Grant of share option	Grant of share option
Options approved	848 400	1 723 400	2 260 030
Number of options granted	848 366	1 652 483	2 208 042
Number of options outstanding	–	1 403 051	1 927 430
Exercise price	R0,01	R0,01	R0,01
Date of grant	8 October 2010	7 October 2011	5 October 2012
Share price at the date of grant	R23,12	R13,49	R15,06
Contractual life	40 days from expiry of the three-year retention period relating to the options	40 days from expiry of the three-year retention period relating to the options	40 days from expiry of the three-year retention period relating to the options
Vesting conditions	Three years of service from the date of grant	Three years of service from the date of grant	Three years of service from the date of grant
Settlement	Shares	Shares	Shares
Expected volatility	45%	45%	45%
Expected option life at grant date	2,4 years	2,4 years	2,4 years
Risk-free interest rate	7,30%	6,70%	5,40%
Expected dividend yield	4,80%	4,80%	4,80%
Expected departures (grant date)	–	–	–
Expected outcome of meeting performance criteria (grant date)	100%	100%	100%
Fair value of options determined at the grant date	R20,47	R11,06	R13,54
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes

Arrangement	d Deferred Stock 2014	**e Deferred Stock 2015**
Nature of arrangement	Grant of share option	**Grant of share option**
Options approved	1 339 700	**1 362 380**
Number of options granted	1 339 699	**1 362 334**
Number of options outstanding	1 339 699	**1 362 334**
Exercise price	R0,01	**R0,01**
Date of grant	7 November 2013	**3 October 2014**
Share price at the date of grant	R24,90	**R22,60**
Contractual life	40 days from expiry of the three-year retention period relating to the options	**40 days from expiry of the three-year retention period relating to the options**
Vesting conditions	Three years of service from the date of grant	**Three years of service from the date of grant**
Settlement	Shares	**Shares**
Expected volatility	45%	**2,5%**
Expected option life at grant date	2,3 years	**2,4 years**
Risk-free interest rate	8,1%	**8,4%**
Expected dividend yield	2,6%	**3,1%**
Expected departures (grant date)	–	**–**
Expected outcome of meeting performance criteria (grant date)	100%	**100%**
Fair value of options determined at the grant date	R23,42	**R21,03**
Valuation model	Black-Scholes	**Black-Scholes**

Notes to the group financial statements continued

for the year ended 28 February 2015

28. Employee Share Option Scheme continued

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

28 February 2015					28 February 2014				
			Weighted average remaining life (yrs)					Weighted average remaining life (yrs)	
Range of exercise prices	**Weighted average exercise price**	**Number of options**	**Expec-ted**	**Contrac-tual**	Range of exercise prices	Weighted average exercise price	Number of options	Expec-ted	Contrac-tual
R0,01	**R0,01**	**–**	**–**	**–**	R0,01	R0,01	–	–	–
R0,01	**R0,01**	**1 919 871**	**–**	**–**	R0,01	R0,01	1 403 051	–	–
R0,01	**R0,01**	**1 320 328**	**1**	**1**	R0,01	R0,01	1 927 430	1	1
R0,01	**R0,01**	**1 362 334**	**2**	**2**	R0,01	R0,01	1 339 699	2	2

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

	2015		2014	
	Number of options	**Exercise price**	Number of options	Exercise price
Outstanding at the beginning of the year	**4 670 180**	**R0,01**	4 694 719	R0,01
Options granted	**1 362 334**	**R0,01**	1 339 699	R0,01
Options forfeited	**–**	**R0,01**	–	R0,01
Options exercised	**(1 429 981)**	**R0,01**	(1 364 238)	R0,01
Outstanding at the end of the year	**4 602 533**	**R0,01**	4 670 180	R0,01
Exercisable at the end of the year	**1 919 871**	**R0,01**	1 403 051	R0,01

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

	2015 R'000	2014 R'000
Expense – equity settled arrangements		
Deferred stock scheme (refer note 27)	**27 797**	27 354
Total share equity-settled share-based payment expense	**27 797**	27 354

29. 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.

	2015 R'000	2014 R'000
Profit attributable to owners of the parent entity	**399 837**	355 573
Weighted average number of ordinary shares in issue ('000)	**187 330**	185 900
Basic earnings per share (cents)	**213,4**	191,3

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.

	2015 R'000	2014 R'000
29. Earnings per share continued		
Profit attributable to owners of the parent entity	**399 837**	355 573
Weighted average number of ordinary shares in issue ('000)	**187 330**	185 900
Adjustments for:		
Shares deemed issued for no consideration (share options) ('000)	**3 202**	3 360
Weighted average number of ordinary shares for diluted earnings per share ('000)	**190 532**	189 260
Diluted earnings per share (cents)	**209,9**	187,9
Headline		
Profit attributable to owners of the parent entity	**399 837**	355 573
Adjustments for:		
Profit on sale of fixed assets (refer note 22)	**(11 348)**	(10 244)
Excess from fair value of assets acquired over purchase price (refer note 22)	**–**	(368)
Total tax effects of adjustments	**3 177**	2 868
Basic headline earnings	**391 666**	347 829
Weighted average number of shares ('000)	**187 330**	185 900
Headline earnings per share (cents)	**209,1**	187,1
Headline earnings	**391 666**	347 829
Adjusted weighted average number of shares ('000)	**190 532**	189 260
Diluted headline earnings per share (cents)	**205,6**	183,8

30. Dividends per share

The dividends paid to ordinary shareholders in 2015 and 2014 were R131,1 million (70 cents per share) and R120,8 million (65 cents per share) respectively. A final dividend in respect of the year ended 28 February 2015 of R67,4 million (36 cents per share) amounting to a total dividend for the year of R133 million (71 cents per share) is to be proposed at the board of directors' meeting on 5 May 2015 and declared on the release of the group's results. These financial statements do not reflect this dividend payable.

	2015 R'000	2014 R'000
31. Cash generated from operations		
Profit before income tax	**606 637**	534 462
Adjustments for:		
Depreciation (refer note 5)	**334 997**	282 968
Amortisation (refer note 6)	**279**	280
Profit on sale of assets (refer note 22)	**(11 348)**	(10 244)
Finance income (refer note 24)	**(46 520)**	(38 749)
Finance costs (refer note 24)	**62 259**	44 162
Foreign exchange loss/(gains) – unrealised	**155**	3 580
Provisions (refer note 16)	**6 163**	(58 739)
Excess of fair value over purchase price (refer note 22)	**–**	(368)
Share of profit of investments accounted for using the equity method (refer note 7)	**(205)**	–
Share options granted to employees (refer note 28)	**27 797**	27 354
Changes in working capital		
Inventories	**4 986**	(115 780)
Trade and other receivables	**(228 188)**	70 047
Construction contracts in progress and retentions	**(26 745)**	(15 209)
Trade and other payables	**54 786**	27 656
Net cash generated from operations	**785 053**	751 420

Notes to the group financial statements continued

for the year ended 28 February 2015

31. Cash generated from operations continued

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2015 R'000	2014 R'000
Net book amount (refer note 5)	**28 919**	42 595
Profit on disposal of property, plant and equipment (refer note 22)	**11 348**	10 244
Proceeds from disposal of property, plant and equipment	**40 267**	52 839
In the statement of cash flows taxation paid is calculated as follows:		
Balance (receivable)/due at the beginning of the the year	**(9 975)**	(23 281)
Add: Acquisitions	**1 181**	(1 898)
Add: Current year tax charge (refer note 25)	**183 319**	151 642
Add: Balance receivable at the end of the year	**14 323**	9 975
Taxation paid	**188 848**	136 438

32. Related parties

Relationships

Joint ventures and joint operations	Refer notes 7 and 40
Directors	JE Raubenheimer

Companies and trusts controlled by directors and directors of subsidiaries:

Bridgetown Dolomite Mine Joint Operation
Corpclo 851 CC
Crossmoor Transport CC
Klaas en Ellie Beleggings (Pty) Ltd
Ligra (Pty) Ltd
MAB Fusion (Pty) Ltd
Maxdeals CC
Phuhlisa Development Solutions (Pty) Ltd t/a PD Solutions
Plant Management CC
Raubex Eiendomme (Pty) Ltd
RJ Fourie Boerdery
Swanvest 294 (Pty) Ltd
The Burger Family Trust

	2015 R'000	2014 R'000
Related-party balances		
Amounts included in trade receivables regarding related parties		
Akasia/Actophambili Joint Operation	**6 937**	–
JE Raubenheimer	**–**	4
Kentha/Raumix Joint Operation	**107**	–
Klaas en Ellie Beleggings (Pty) Ltd	**36**	–
Raubex Eiendomme (Pty) Ltd	**39**	7
Raubex/Nodoli Joint Operation	**621**	–
Raubex/Roadmac Surfacing/Thatheni Woman's Construction Joint Operation	**122**	16 586
Raubex/Sakula Joint Operation	**31 775**	24 623
RJ Fourie Boerdery	**23**	1
Roadmac Surfacing/Actophambili Joint Operation	**1 282**	–
Receivables from related parties (refer note 10)	**40 942**	41 221

	2015 R'000	2014 R'000
32. Related parties continued		
Amounts included in trade payables regarding related parties		
Corpclo 851 CC	**36**	–
Raubex Eiendomme (Pty) Ltd	**35**	109
Raubex/Matlapeng Joint Operation	**2 823**	–
Raubex/Sakula Joint Operation	**10 948**	–
Payables due to related parties (refer note 19)	**13 842**	109
Loans to related parties		
Kentha/Raumix Joint Operation	**1 149**	81
Raubex/Roadmac Surfacing/Thatheni Woman's Construction Joint Operation	**8 066**	8 327
Roadmac Surfacing/Actophambili Joint Operation	**827**	–
Namibia Road Products/Roadmac Surfacing Joint Operation	**397**	397
Roadmac Surfacing/KYK Joint Operation	**165**	3 557
Loans to related parties (refer note 10)	**10 604**	12 362
The loans are unsecured, interest-free and have no fixed terms of repayment.		
Loans to joint operations:		
At the beginning of the year	**12 362**	10 160
Loans advanced during the year	**1 895**	3 129
Loan repayments received	**(3 653)**	(927)
At the end of the year	**10 604**	12 362
Total loans to related parties:		
At the beginning of the year	**12 362**	10 160
Loans advanced during the year	**1 895**	3 129
Loan repayments received	**(3 653)**	(927)
At the end of the year (refer note 10)	**10 604**	12 362
Loans from related parties		
Crossmoor Transport CC	**8 570**	–
Phuhlisa Development Solutions (Pty) Ltd t/a PD Solutions	**–**	109
Raubex/Matlapeng Joint Operation	**–**	11
Raubex/Sakula Joint Operation	**–**	1 184
MAB Fusion (Pty) Ltd	**16 755**	–
Loans from related parties	**25 325**	1 304
Loans from entities controlled by key management:		
At the beginning of the year	**109**	6 109
Loan received during the year	**25 325**	–
Loan repayments made	**(109)**	(6 000)
At the end of the year	**25 325**	109

Notes to the group financial statements continued

for the year ended 28 February 2015

	2015 R'000	2014 R'000
32. Related parties continued		
Loans from joint operations:		
At the beginning of the year	**1 195**	1 037
Loans received during the year	**–**	1 195
Loan repayments made	**(1 195)**	(1 037)
At the end of the year	**–**	1 195
Total loans from related parties:		
At the beginning of the year	**1 304**	7 146
Loans received during the year	**25 325**	1 195
Loan repayments made	**(1 304)**	(7 037)
At the end of the year	**25 325**	1 304
The unsecured loans are interest-free and have no fixed terms of repayment.		
Subcontractors' fees received from/(paid to) related parties		
Akasia/Actophambili Joint Operation	**6 085**	–
Namibia Road Products/Roadmac Surfacing Joint Operation	**6 934**	–
Raubex/Nodoli Joint Operation	**9 011**	–
Raubex/Roadmac Surfacing/Thatheni Woman's Construction Joint Operation	**5 658**	100 399
Raubex/Sakula Joint Operation	**46 431**	–
Roadmac Surfacing/Actophambili Joint Operation	**4 626**	–
Rental of equipment and premises received from/(paid to) related parties		
Bridgetown Dolomite Mine Joint Operation	**20 944**	19 183
Corpclo 851 CC	**(873)**	–
Kentha/Raumix Joint Operation	**(1 103)**	(1 002)
Ligra (Pty) Ltd	**(4)**	(355)
Maxdeals CC	**(273)**	(415)
Plant Management CC	**(1 425)**	(1 316)
Raubex Eiendomme (Pty) Ltd	**(2 186)**	(2 106)
RESA Joint Operation	**(794)**	–
Swanvest 294 (Pty) Ltd	**(292)**	(292)
The Burger Family Trust	**(120)**	(110)
Administration fees received from/(paid to) related parties		
Raubex/Matlapeng Joint Operation	**(118)**	(221)
Other fees received from/(paid to) related parties		
JE Raubenheimer	**–**	43
Raubex Eiendomme (Pty) Ltd	**(467)**	(653)
RJ Fourie Boerdery	**72**	15

32. Related parties continued

Related party transactions with directors and prescribed officers

	Directors' fees R'000	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits R'000	Total emoluments R'000
Directors' emoluments						
2014						
Executive						
RJ Fourie	–	2 397	6 154	236	202	8 989
F Diedrechsen*	–	1 061	3 780	12	20	4 873
JF Gibson**	–	1 420	2 792	141	11	4 364
Total emoluments	–	4 878	12 726	389	233	18 226
Non-executive						
JE Raubenheimer	517	–	–	–	–	517
LA Maxwell	441	–	–	–	–	441
F Kenney	323	–	–	–	–	323
BH Kent	441	–	–	–	–	441
NF Msiza	441	–	–	–	–	441
Total emoluments	2 163	–	–	–	–	2 163
Directors' emoluments						
2015						
Executive						
RJ Fourie	**–**	**2 468**	**5 686**	**270**	**313**	**8 737**
JF Gibson	**–**	**1 654**	**3 481**	**165**	**33**	**5 333**
Total emoluments		**4 122**	**9 167**	**435**	**346**	**14 070**
Non-executive						
JE Raubenheimer	**616**	**–**	**–**	**–**	**–**	**616**
LA Maxwell	**511**	**–**	**–**	**–**	**–**	**511**
F Kenney	**356**	**–**	**–**	**–**	**–**	**356**
BH Kent	**441**	**–**	**–**	**–**	**–**	**441**
NF Msiza	**481**	**–**	**–**	**–**	**–**	**481**
Total emoluments	**2 405**	**–**	**–**	**–**	**–**	**2 405**

** F Diedrechsen resigned 31 March 2013.*
*** JF Gibson appointed 24 July 2013.*

Notes to the group financial statements continued

for the year ended 28 February 2015

32. Related parties continued

	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits R'000	Total emoluments R'000
Prescribed officers' emoluments 2014					
T Wiese	1 654	5 160	494	597	7 905
LJ Raubenheimer	1 563	3 774	149	185	5 671
GM Raubenheimer	1 369	3 277	134	126	4 906
RL Shedlock	2 020	2 433	598	462	5 513
JA Louw	885	580	88	156	1 709
HE Ernst	406	92	41	2	541
Total emoluments	7 897	15 316	1 504	1 528	26 245
Prescribed officers' emoluments 2015					
T Wiese	**1 762**	**5 233**	**536**	**547**	**8 078**
LJ Raubenheimer	**1 559**	**3 371**	**179**	**315**	**5 424**
GM Raubenheimer	**1 307**	**1 688**	**153**	**250**	**3 398**
RL Shedlock	**2 154**	**3 258**	**645**	**480**	**6 537**
JA Louw	**1 018**	**1 134**	**102**	**143**	**2 397**
HE Ernst	**480**	**440**	**48**	**–**	**968**
Total emoluments	**8 280**	**15 124**	**1 663**	**1 735**	**26 802**

Share options granted to directors and prescribed officers

	Options outstanding at 1 March 2013	Options granted during the year	Options exercised during the year	Options outstanding at 28 February 2014	Strike price
Share options 2014					
Executive directors					
RJ Fourie	398 270	102 278	(107 265)	393 283	R0,01
F Diedrechsen	398 270	–	(398 270)	–	R0,01
JF Gibson	217 238	79 033	(58 508)	237 763	R0,01
Prescribed officers					
T Wiese	307 753	79 033	(82 886)	303 900	R0,01
LJ Raubenheimer	307 753	79 033	(82 886)	303 900	R0,01
GM Raubenheimer	33 068	11 623	–	44 691	R0,01
RL Shedlock	51 965	55 788	–	107 753	R0,01
JA Louw	33 068	34 868	–	67 936	R0,01
HE Ernst	33 068	11 623	–	44 691	R0,01

32. Related parties continued

Share options

2015

	Options outstanding at 1 March 2013	Options granted during the year	Options exercised during the year	Options outstanding at 28 February 2014	Strike price
Executive directors					
RJ Fourie	**393 283**	**104 612**	**(124 716)**	**373 179**	**R0,01**
JF Gibson	**237 763**	**80 836**	**(68 027)**	**250 572**	**R0,01**
Prescribed officers					
T Wiese	**303 900**	**80 836**	**(96 371)**	**288 365**	**R0,01**
LJ Raubenheimer	**303 900**	**80 836**	**(96 371)**	**288 365**	**R0,01**
GM Raubenheimer	**44 691**	**11 888**	**(14 172)**	**42 407**	**R0,01**
RL Shedlock	**107 753**	**57 061**	**(14 172)**	**150 642**	**R0,01**
JA Louw	**67 936**	**35 663**	**(14 172)**	**89 427**	**R0,01**
HE Ernst	**44 691**	**11 888**	**(14 172)**	**42 407**	**R0,01**

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 28 to these group financial statements.

Value of share options granted to directors and prescribed officers

	2015 R'000	2014 R'000
Executive directors		
RJ Fourie	**2 200**	2 395
JF Gibson	**1 700**	1 851
Total value of share options for executive directors	**3 900**	4 246
Prescribed officers		
T Wiese	**1 700**	1 851
LJ Raubenheimer	**1 700**	1 851
GM Raubenheimer	**250**	272
RL Shedlock	**1 200**	1 307
JA Louw	**750**	817
HE Ernst	**250**	272
Total value of share options for prescribed officers	**5 850**	6 370

Notes to the group financial statements continued

for the year ended 28 February 2015

32. Related parties continued

Interests of directors in the share capital

Details of ordinary shares held directly and indirectly per individual director are listed below as at 28 February 2015.

	2015 Number of shares	2014 Number of shares
Beneficial		
Direct and indirect		
RJ Fourie	**4 319 507**	4 144 791
JF Gibson	**151 535**	58 508
F Kenney	**14 965 384**	14 965 384
LA Maxwell	**16 000**	16 000
BH Kent	**–**	–
NF Msiza	**–**	–
Non-beneficial		
Direct and indirect		
JE Raubenheimer	**25 650 000**	25 650 000

At date of this report, these interests remained unchanged.

	2015 R'000	2014 R'000
33. Directors', prescribed officers' and key management emoluments		
Executive		
For services as directors of the company	**14 070**	18 226
For services as prescribed officers of the company	**26 802**	26 245
For services as key management	**74 512**	72 976

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

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

	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits R'000	Total emoluments R'000
Key management emoluments 2014	33 340	27 382	5 154	7 100	72 976
Key management emoluments 2015	**37 355**	**25 058**	**4 830**	**7 269**	**74 512**

34. Commitments

Capital commitments

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

	2015 R'000	2014 R'000
Property, plant and equipment	**21 812**	5 038
Investment in subsidiary	**43 000**	–
Mining and property rights	**37 000**	–
Total capital commitments	**101 812**	5 038

Capital commitments for property plant and equipment will be funded by cash and borrowings.

34. Commitments continued

Operating lease commitments

The group leases various land and buildings and quarries under non-cancellable operating lease agreements. These leases have varying terms, clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015 R'000	2014 R'000
No later than 1 year	**10 116**	5 624
Later than 1 year and no later than 5 years	**6 630**	2 908
Total operating lease commitments	**16 746**	8 532

35. Business combinations

Shisalanga Construction (Pty) Ltd ("Shisalanga")

On 1 June 2014 the group acquired 60% of the issued share capital and obtained control of Shisalanga for a purchase price of R38,4 million settled in cash. Shisalanga manufactures a range of asphalt products from its plants based in Northern KwaZulu-Natal.

The goodwill of R13,5 million arising from the acquisition is attributable to the geographical location of the operations and the synergies expected to arise from combining the operations of Shisalanga with those of the group.

The following table summarises the consideration paid for Shisalanga, the fair value of the assets acquired, liabilities assumed and the non-controlling interest at the acquisition date:

	R'000
Consideration at 1 June 2014	
Cash	38 400
Total consideration	38 400
Recognised amounts of identifiable assets and acquired liabilities assumed	
Property, plant and equipment	34 070
Deferred tax asset	3 420
Inventories	762
Construction contracts in progress	990
Trade and other receivables	34 765
Income tax receivable	490
Cash and cash equivalents	8 209
Borrowings	(28 739)
Deferred tax liabilities	(5 025)
Trade and other payables	(7 430)
Total identifiable net assets	41 512
Non-controlling interest	(16 605)
Goodwill	13 493
Total	38 400
Purchased consideration settled in cash	38 400
Less: Cash and cash equivalents in the business combination acquired	(8 209)
Cash outflow on acquisition for cash flow statement	30 191

Notes to the group financial statements continued

for the year ended 28 February 2015

35. Business combinations continued

Acquisition-related costs of R0,9 million have been charged to administrative expenses in the consolidated income statement for the year ended 28 February 2015.

The fair value of trade and other receivables is R34,8 million and includes trade receivables with a fair value of R34,5 million. The gross contractual amount for trade receivables due is R35,1 million, of which R0,6 million is expected to be uncollectable.

The revenue included in the consolidated income statement since 1 June 2014 contributed by Shisalanga was R101,7 million with a net profit contribution of R7,0 million over the same period. Had Shisalanga been consolidated from 1 March 2014 the consolidated income statement would show pro forma revenue of R123,1 million and net profit of R4,3 million.

OMV Stilfontein (Pty) Ltd and OMV Gypsum Potchefstroom (Pty) Ltd ("OMV")

On 1 July 2014 the group acquired a 70% interest in OMV's aggregate crushing and ready-mix concrete operations situated near Stilfontein and a 70% interest in OMV's gypsum operations situated near Potchefstroom in the North West province for a purchase price of R70,3 million settled in cash. An additional contingent consideration is payable dependent on future earnings and a put option has been written on the remaining 30% in favour of the non-controlling interest. The contingent consideration liability has been valued at R18,9 million and the put option liability at R48,5 million.

The goodwill of R7,5 million arising from the acquisition is attributable to the geographical location of the operations and the synergies expected to arise from combining the operations of OMV with those of the group.

The following table summarises the consideration paid for OMV, the fair value of the assets acquired, liabilities assumed and the non-controlling interest at the acquisition date:

	R'000
Consideration at 1 July 2014	
Cash	70 284
Contingent consideration (fair value)	18 874
Total consideration	89 158
Recognised amounts of identifiable assets and acquired liabilities assumed	
Property, plant and equipment	35 159
Inventories – non-current	95 184
Inventories – current	11 253
Trade and other receivables	22 195
Cash and cash equivalents	5 549
Borrowings	(4 484)
Deferred tax liability	(37 378)
Trade and other payables	(10 824)
Total identifiable net assets	116 654
Non-controlling interest	(34 996)
Goodwill	7 500
Total	89 158
Purchased consideration settled in cash	70 284
Less: Cash and cash equivalents in the business combination acquired	(5 549)
Cash outflow on acquisition for cash flow statement	64 735

35. Business combinations continued

Acquisition-related costs of R0,7 million have been charged to administrative expenses in the consolidated income statement for the year ended 28 February 2015.

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

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

In respect of the Potchefstroom operations, an amount equal to the amount by which the actual average profit after tax ("PAT") for the three years ending 30 June 2016 exceeds R9,1 million multiplied by a factor of 3.25 multiplied by 70%, plus an amount by which the actual average PAT for the three years ending 30 June 2016 exceeds R8,3 million multiplied by a factor of 3,25 multiplied by 10%.

The maximum consideration payable for 100% interest in both the Stilfontein and Potchefstroom operations, including the initial purchase price, the contingent considerations and the put options (refer note 18) is capped at R180 million.

The fair value of trade and other receivables is R22,2 million and includes trade receivables with a fair value of R17,4 million. The gross contractual amount for trade receivables due is R17,4 million, all of which is expected to be collectable.

The revenue included in the consolidated income statement since 1 July 2014 contributed by OMV was R89,2 million with a net profit contribution of R9,2 million over the same period. Had OMV been consolidated from 1 March 2014 the consolidated income statement would show pro forma revenue of R147,1 million and net profit of R12,4 million.

Buildmax Aggregates and Quarries (Pty) Ltd ("BAQ")

On 1 September 2014 the group acquired certain business operations and assets from BAQ for a purchase price of R59,7 million in cash. The business combination acquired comprises the sand quarry operations of Crushco Quarry and Alpha Sand Quarry and the aggregate crushing operations of Aflease. These operations will give the group a more diversified product range in the form of building and plaster sand to add to its existing range of aggregates and are located in the Gauteng province.

The goodwill of R5,9 million arising from the acquisition is attributable to the geographical location of the operations and the synergies expected to arise from combining the operations of the BAQ quarries with those of the group.

The following table summarises the consideration paid for BAQ and the fair value of the assets acquired and liabilities assumed at the acquisition date:

	R'000
Consideration at 1 September 2014	
Cash	59 695
Total consideration	59 695
Recognised amounts of identifiable assets and acquired liabilities assumed	
Property, plant and equipment	54 761
Deferred tax asset	3 756
Inventories	4 934
Trade and other receivables	3 764
Provision for liabilities and charges	(13 415)
Total identifiable net assets	53 800
Goodwill	5 895
Total	59 695
Purchased consideration settled in cash	59 695
Less: Cash and cash equivalents in the business combination acquired	–
Cash outflow on acquisition for cash flow statement	59 695

Notes to the group financial statements continued

for the year ended 28 February 2015

35. Business combinations continued

Acquisition-related costs of R0,4 million have been charged to administrative expenses in the consolidated income statement for the year ended 28 February 2015.

The fair value of trade and other receivables is R3,8 million. No trade receivables were acquired as part of the business combination.

The revenue included in the consolidated income statement since 1 September 2014 contributed by BAQ was R53,3 million with a net profit contribution of R6,2 million over the same period. Had BAQ been consolidated from 1 March 2014 the consolidated income statement would show pro forma revenue of R98,9 million and net profit of R13,5 million.

Prodev Plant Hire (Pty) Ltd ("Prodev")

On 1 September 2014 Burma Plant Hire (Pty) Ltd acquired 100% of the issued share capital of Prodev for R31 million cash. Prodev is a plant hire company operating in Namibia and the acquisition of this business will increase the group's presence in Namibia.

The goodwill of R4 million arising from the acquisition is attributable to the acquired customer base in this new geographical market. The group owns 70% of Burma Plant Hire (Pty) Ltd, the goodwill, on consolidation will represent an amount of R2,8 million, which is the underlying value of the net assets attributable to Burma Plant Hire (Pty) Ltd interest in Prodev.

The following table summarises the consideration paid for Prodev and the fair value of the assets acquired and liabilities assumed at the acquisition date:

	R'000
Consideration at 1 September 2014	
Cash	31 000
Total consideration	31 000
Recognised amounts of identifiable assets and acquired liabilities assumed	
Property, plant and equipment	31 000
Deferred tax liabilities	(3 999)
Total identifiable net assets	27 001
Goodwill attributable to owners of the parent	2 799
Goodwill attributable to non-controlling interests	1 200
Total	31 000
Purchased consideration settled in cash	31 000
Less: Cash and cash equivalents in the business combination acquired	–
Cash outflow on acquisition for cash flow statement	31 000

Acquisition-related costs of R0,1 million have been charged to administrative expenses in the consolidated income statement for the year ended 28 February 2015.

The revenue included in the consolidated income statement since 1 September 2014 contributed by Prodev was R22,9 million with a net profit contribution of R4,9 million over the same period. Had Prodev been consolidated from 1 March 2014 the consolidated income statement would show pro forma revenue of R38,1 million and net profit of R10,0 million.

35. Business combinations continued

Empa Structures CC and Empa Plant CC ("Empa")

On 1 November 2014 the group acquired a 70% interest in Empa for R25,5 million cash. The company specialises in the construction of concrete structures with its main focus on construction of water treatment plants, waste water treatment plants, reservoirs and bridges.

The goodwill of R2,0 million arising from the acquisition is attributable to the skills and expertise of management and the synergies expected to arise from combining the operations of Empa with those of the group.

The following table summarises the consideration paid for Empa, the fair value of the assets acquired, liabilities assumed and the non-controlling interest at the acquisition date:

	R'000
Consideration at 1 November 2014	
Cash	25 490
Contingent consideration (fair value)	2 136
Total consideration	27 626
Recognised amounts of identifiable assets and acquired liabilities assumed	
Property, plant and equipment	29 680
Deferred tax asset	1 372
Inventories – current	1 612
Trade and other receivables	25 701
Construction contracts in progress	12 026
Cash and cash equivalents	8 626
Borrowings	(7 972)
Deferred tax liability	(6 214)
Trade and other payables	(26 578)
Current income tax liability	(1 671)
Total identifiable net assets	36 582
Non-controlling interest	(10 975)
Goodwill	2 019
Total	27 626
Purchased consideration settled in cash	25 490
Less: Cash and cash equivalents in the business combination acquired	(8 626)
Cash outflow on acquisition for cash flow statement	16 864

Acquisition related costs of R0,3 million have been charged to administrative expenses in the consolidated income statement for the year ended 28 February 2015.

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 trade and other receivables is R25,7 million and includes trade receivables with a fair value of R25,4 million. The gross contractual amount for trade receivables due is R25,4 million, all of which are expected to be collectable.

The revenue included in the consolidated income statement since 1 November 2014 contributed by Empa was R48,0 million with a net profit contribution of R1,1 million over the same period. Had Empa been consolidated from 1 March 2014 the consolidated income statement would show pro forma revenue of R152,6 million and net profit of R1,1 million.

Notes to the group financial statements continued

for the year ended 28 February 2015

36. Transactions with non-controlling interests

Burma Plant Hire (Pty) Ltd

On 1 September 2014 the group acquired an additional 19% of the issued share capital from the non-controlling shareholders in Burma Plant Hire (Pty) Ltd for R11,5 million cash, increasing the group's shareholding from 51% to 70%.

	R'000
Carrying amount of non-controlling interests acquired	(570)
Less: Consideration paid to non-controlling interests	(11 532)
Excess of consideration paid recognised in parent's equity	(12 102)

Centremark Roadmarking (Pty) Ltd

On 1 November 2014 the group acquired an additional 5% of the issued share capital from the non-controlling shareholders in Centremark Roadmarking (Pty) Ltd for R0,8 million cash, increasing the group's shareholding from 60% to 65%.

	R'000
Carrying amount of non-controlling interests acquired	1 146
Less: Consideration paid to non-controlling interests	(762)
Gain from bargain purchase recognised in parent's equity	384

Strata Civils (Pty) Ltd

On 1 March 2014 the group acquired an additional 10% of the issued share capital from the non-controlling shareholders in Strata Civils (Pty) Ltd for R50 cash, increasing the group's shareholding from 80% to 90%.

	R'000
Carrying amount of non-controlling interests acquired	(381)
Less: Consideration paid to non-controlling interests	–
Excess of consideration paid recognised in parent's equity	(381)

37. Contingencies

Total financial institution backed contract guarantees provided to third parties on behalf of subsidiary companies amounted to R1 608,7 million (2014: R1 286,6 million). The directors do not believe that any exposure to loss is likely. Total available facilities in this regard amount to R2 625 million (2014: R1 760 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.

38. Segmental analysis

Reportable segments	Materials R'000	Road surfacing and rehabi-litation R'000	Road construction and earthworks R'000	Infra-structure R'000	Tosas R'000	Consoli-dated R'000
At 28 February 2014						
Segment revenue – external	1 624 577	2 505 115	1 179 805	730 759	284 756	6 325 012
Segment result (operating profit)	259 152	209 260	40 026	36 966	(5 529)	539 875
Finance income	7 754	3 364	24 780	2 506	345	38 749
Finance costs	(27 071)	(10 764)	(4 337)	(555)	(1 435)	(44 162)
Taxation	(71 454)	(61 592)	(17 314)	(9 334)	4 908	(154 786)
Profit for the year	168 381	140 268	43 155	29 583	(1 711)	379 676
Segment assets	2 172 342	1 396 391	1 192 455	316 620	276 154	5 353 962
Segment liabilities	920 003	592 541	299 839	175 326	125 216	2 112 925
Depreciation and amortisation	153 779	66 134	43 700	6 687	12 948	283 248
Capital expenditure	320 335	85 473	51 246	22 780	3 465	483 299
Inter-segment revenue	142 218	260 052	192 957	22 558	126 777	744 562
At 28 February 2015						
Segment revenue – external	**1 961 342**	**2 568 538**	**1 463 953**	**862 660**	**388 766**	**7 245 259**
Segment result (operating profit)	**323 640**	**192 462**	**55 169**	**39 649**	**11 251**	**622 171**
Finance income	**7 542**	**3 842**	**32 487**	**2 227**	**422**	**46 520**
Finance costs	**(44 049)**	**(9 847)**	**(4 593)**	**(1 950)**	**(1 820)**	**(62 259)**
Share of profit of investments accounted for using the equity method	**–**	**–**	**–**	**205**	**–**	**205**
Taxation	**(87 411)**	**(56 918)**	**(21 258)**	**(10 982)**	**(1 994)**	**(178 563)**
Profit for the year	**199 722**	**129 539**	**61 805**	**29 149**	**7 859**	**428 074**
Segment assets	**2 726 073**	**1 346 902**	**1 501 231**	**408 762**	**290 414**	**6 273 382**
Segment liabilities	**1 412 539**	**558 331**	**453 865**	**176 977**	**138 253**	**2 739 965**
Depreciation and amortisation	**198 811**	**66 799**	**41 812**	**13 809**	**14 045**	**335 276**
Capital expenditure	**358 285**	**63 401**	**44 599**	**37 683**	**6 631**	**510 599**
Inter-segment revenue	**163 696**	**467 755**	**121 604**	**15 648**	**307 354**	**1 076 057**

Approximately 22% (2014: 30%) 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 10% (2014: 11%) of total revenue is derived from South African Local Municipalities and Provincial Governments. These revenues are attributable to both the Road Surfacing and Road Construction segments.

Notes to the group financial statements continued

for the year ended 28 February 2015

38. Segmental analysis continued

Additional voluntary disclosure: Geographical information	Local R'000	International R'000	Consolidated R'000
At 28 February 2014			
Segment revenue – external	5 890 468	434 544	6 325 012
Segment result (operating profit)	459 116	80 759	539 875
Finance income	35 096	3 653	38 749
Finance costs	(38 126)	(6 036)	(44 162)
Taxation	(136 045)	(18 741)	(154 786)
Profit for the year	320 041	59 635	379 676
Segment assets	5 093 384	260 578	5 353 962
Segment liabilities	1 961 852	151 073	2 112 925
Depreciation and amortisation	258 695	24 553	283 248
Capital expenditure	478 614	4 685	483 299
Inter-segment revenue	130 822	–	130 822
At 28 February 2015			
Segment revenue – external	**6 606 290**	**638 969**	**7 245 259**
Segment result (operating profit)	**538 722**	**83 449**	**622 171**
Finance income	**42 923**	**3 597**	**46 520**
Finance costs	**(54 281)**	**(7 978)**	**(62 259)**
Share of profit of investments accounted for using the equity method	**205**	**–**	**205**
Taxation	**(156 743)**	**(21 820)**	**(178 563)**
Profit for the year	**370 826**	**57 248**	**428 074**
Segment assets	**5 645 026**	**628 356**	**6 273 382**
Segment liabilities	**2 412 106**	**327 859**	**2 739 965**
Depreciation and amortisation	**305 399**	**29 877**	**335 276**
Capital expenditure	**455 942**	**54 657**	**510 599**
Inter-segment revenue	**181 541**	**–**	**181 541**

International revenues from external customers account for 8,8% (2014: 6,9%) of total group revenue from external customers and were generated from operations in Botswana, Mozambique, Namibia, Malawi, Zambia, Zimbabwe and the Democratic Republic of Congo.

39. Interest in subsidiaries

		Issued share capital Shares	Effective % held by the group 2015 %	Effective % held by the group 2014 %	Effective % held by non-controlling interests 2015 %	Effective % held by non-controlling interests 2014 %	Shares at cost 2015 R'000	Shares at cost 2014 R'000	Amounts owing by subsidiaries 2015 R'000	Amounts owing by subsidiaries 2014 R'000
Direct										
Raubex (Pty) Ltd	✧	300	100	100	–	–	1 001 620	1 001 620	499 327	516 814
B&E International (Pty) Ltd	#	1 000	100	100	–	–	473 844	473 844	–	–
Burma Plant Hire (Pty) Ltd	▲	100	70	51	30	49	11 532	–	39 095	–
Aquatic Services (Pty) Ltd (SPH Group)	#	300	100	100	–	–	111 336	111 336	–	–
L & R Civils (Pty) Ltd	□	300	80	80	20	20	22 300	22 300	–	–
Strata Civils (Pty) Ltd	□	500	90	80	10	20	–	–	–	–
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	100	–	–	7 619	7 619	–	–
Aquasoil (Pty) Ltd	♦	40 000	100	100	–	–	–	–	–	–
B&E International – North (Namibia) (Pty) Ltd	▲	100	100	100	–	–	–	–	–	–
B&E International (Botswana) (Pty) Ltd	♦	10 000	100	100	–	–	–	–	–	–
B&E International (Foreign) (Pty) Ltd	#	100	100	100	–	–	–	–	–	–
B&E International (Lesotho) (Pty) Ltd	♦	1 000	100	100	–	–	–	–	–	–
B&E International (Namibia) (Pty) Ltd	#	200	74	74	26	26	–	–	–	–
B&E International (Swaziland) (Pty) Ltd	♦	4 000	100	100	–	–	–	–	–	–
B&E International Mozambique Limitada	#	16 835	100	100	–	–	–	–	–	–
B&E Quarries (Pty) Ltd	♦	100	100	100	–	–	–	–	–	–
B&E Quarries Leasing (Pty) Ltd	♦	1 000	100	100	–	–	–	–	–	–
Bedrock Mining (Pty) Ltd	♦	100	100	100	–	–	–	–	–	–
Bekha Trading (Pty) Ltd	♦	100	100	100	–	–	–	–	–	–
Burma Plant Hire (Mining) (Pty) Ltd	▲	100	52	38	48	62	–	–	–	–
Burma Plant Hire (Namibia) (Pty) Ltd	▲	100	70	–	30	–	–	–	–	–
Canyon Rock (Pty) Ltd	▪	120	74	100	–	–	46 294	46 294	–	–
Centremark Roadmarking (Pty) Ltd	■	120	65	60	35	40	2 163	1 400	–	–

Notes to the group financial statements continued

for the year ended 28 February 2015

39. Interest in subsidiaries continued

		Issued share capital Shares	**Effective % held by the group 2015 %**	Effective % held by the group 2014 %	**Effective % held by non-controlling interests 2015 %**	Effective % held by non-controlling interests 2014 %	**Shares at cost 2015 R'000**	Shares at cost 2014 R'000	**Amounts owing by subsidiaries 2015 R'000**	Amounts owing by subsidiaries 2014 R'000
Cherry Moss Trade and Invest (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
Comar Plant Design and Manufacturing (Pty) Ltd	#	1 000	**100**	100	**–**	–	**3 000**	3 000	**–**	–
DBE Mining (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
Empa Plant (Pty) Ltd	▲	400	**70**	–	**30**	–	**23 527**	–	**–**	–
Empa Structures (Pty) Ltd	□	100	**70**	–	**30**	–	**4 099**	–	**–**	–
Forward Infra (Pty) Ltd	■	100	**100**	100	**–**	–	**–**	–	**–**	–
Greemined Environmental (Pty) Ltd	◈	1 000	**100**	100	**–**	–	**–**	–	**–**	–
Harding Quarry (Pty) Ltd	▪	870 000	**74**	100	**–**	–	**–**	–	**–**	–
Instant Concrete Investments (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
Inzalo Crushing and Aggregates (Pty) Ltd	▪	10 000	**74**	74	**26**	26	**9**	9	**–**	–
Matlosana Industries (Pty) Ltd	▪	100	**52**	–	**48**	–	**–**	–	**–**	–
Middelburg Quarry (Pty) Ltd	▪	100	**74**	100	**–**	–	**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	**–**	–
Notwane Quarries (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
OMV Gypsum Potchefstroom (Pty) Ltd	▪	800	**70**	–	**30**	–	**54 452**	–	**–**	–
OMV Stilfontein (Pty) Ltd	▪	800	**70**	–	**30**	–	**34 706**	–	**–**	–
OMV Stilfontein Mining (Pty) Ltd	▪	100	**52**	–	**48**	–	**–**	–	**–**	–
Petra Quarry (Pty) Ltd	▪	100	**74**	100	**–**	–	**3 849**	3 849	**–**	–
Phambili Road Surfacing (Pty) Ltd	*	200	**100**	100	**–**	–	**20 515**	20 515	**–**	–
Prodev Plant Hire (Pty) Ltd	▲	100	**70**	–	**30**	–	**31 000**	–	**–**	–
Queenstown Quarry (Pty) Ltd	▪	100	**74**	100	**–**	–	**21 929**	21 929	**–**	–
Raubex Civil (Pty) Ltd	✧	100	**100**	100	**–**	–	**14 999**	14 999	**–**	–
Raubex Construction (Pty) Ltd	*	1 000	**100**	100	**–**	–	**87 300**	87 300	**–**	–
Raubex Construction Namibia (Pty) Ltd	♦	100	**49**	49	**51**	51	**1**	1	**–**	–
Raubex Construction Zambia Ltd	*	5 000 000	**100**	100	**–**	–	**6 008**	6 008	**–**	–
Raubex Housing (Pty) Ltd	□	100	**73**	73	**27**	27	**–**	–	**–**	–

39. Interest in subsidiaries continued

		Issued share capital Shares	Effective % held by the group 2015 %	Effective % held by the group 2014 %	Effective % held by non-controlling interests 2015 %	Effective % held by non-controlling interests 2014 %	Shares at cost 2015 R'000	Shares at cost 2014 R'000	Amounts owing by subsidiaries 2015 R'000	Amounts owing by subsidiaries 2014 R'000
Raubex Infra (Pty) Ltd	☐	900	**70**	70	**30**	30	**6 538**	6 538	**–**	–
Raubex KZN (Pty) Ltd	*	100	**100**	100	**–**	–	**43 907**	43 907	**–**	–
Raudev (Pty) Ltd	☐	100	**80**	80	**20**	20	**8 083**	8 083	**–**	–
Raumix Aggregates (Pty) Ltd	▪	916	**100**	100	**–**	–	**–**	–	**30 993**	30 993
Raumix Holdings (Pty) Ltd	✧	100	**100**	100	**–**	–	**23 674**	23 674	**–**	–
Roadmac (Pty) Ltd	✧	100	**100**	100	**–**	–	**84 550**	84 550	**–**	–
Roadmac Surfacing (Pty) Ltd	*	100	**100**	100	**–**	–	**20 000**	20 000	**–**	–
Roadmac Surfacing Cape (Pty) Ltd	*	200	**100**	100	**–**	–	**24 299**	24 299	**–**	–
Roadmac Surfacing KZN (Pty) Ltd	*	100	**100**	100	**–**	–	**151**	151	**–**	–
Saldanha Plant Hire (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
Shisalanga Construction (Pty) Ltd	⬟	100	**60**	–	**40**	–	**38 400**	–		–
SPH Earthmoving (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
SPH Equipment Hire (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
SPH Group (Pty) Ltd	✧	300	**100**	100	**–**	–	**–**	–	**–**	–
SPH Group Properties (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
SPH Kundalila (Pty) Ltd	#	100	**100**	100	**–**	–	**–**	–	**–**	–
SPH Sand (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
Stabilpave (Pty) Ltd	♦	200	**100**	100	**–**	–	**–**	–	**–**	–
Tekweni Roadmarking (Pty) Ltd	■	65	**0**	0	**100**	100	**–**	–	**–**	–
Thaba Bosiu Construction (Pty) Ltd	*	1 200	**100**	100	**–**	–	**64 794**	64 794	**–**	–
Thekweni Surfacing (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
Tosas (Pty) Ltd	†	20 000	**100**	100	**–**	–	**–**	–	**–**	–
Tosas Botswana (Pty) Ltd	†	134	**100**	100	**–**	–	**–**	–	**–**	–
Tosas Namibia (Pty) Ltd	†	100	**100**	100	**–**	–	**–**	–	**–**	–
Willows Quarries (Pty) Ltd	▪	100	**74**	100	**–**	–	**–**	–	**–**	–
Zamori Construction (Pty) Ltd	*	120	**100**	100	**–**	–	**35 799**	35 799	**–**	–
Zisena (Pty) Ltd	*	100	**49**	49	**51**	51	**–**	–	**–**	–

Nature of business

- * Rehabilitation of roads, civil and general construction work
- # Contract crushing and material handling
- ⬟ Asphalt production
- ✧ Investment and holding company
- † Manufacturing and distribution of value added bituminous products
- ▲ Plant hire
- ▪ Commercial quarrying
- ■ Road marking
- ♦ Dormant entity
- ☐ Infrastructure
- ◈ Application for water permits, mining licences and environmental control

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39. Interest in subsidiaries continued

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.

The group owns half or less of the voting power of the following entities. In terms of IFRS 10 the group is considered to exercise control over these entities through its ability to affect returns through its power over the entities' relevant activities and thus being exposed to, or has rights to, variable returns from its involvement with the entities:

- Muscle Construction (Pty) Ltd;
- Tekweni Roadmarking (Pty) Ltd;
- Zisena (Pty) Ltd; and
- Raubex Construction Namibia (Pty) Ltd.

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
Burma Plant Hire (Namibia) (Pty) Ltd	Namibia
Narindonde Construction (Pty) Ltd	Namibia
Notwane Quarries (Pty) Ltd	Botswana
Prodev Plant Hire (Pty) Ltd	Namibia
Raubex Construction (Mauritius) Ltd	Mauritius
Raubex Construction Namibia (Pty) Ltd	Namibia
Raubex Construction Zambia Ltd	Zambia
Tosas Botswana (Pty) Ltd	Botswana
Tosas Namibia (Pty) Ltd	Namibia

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

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

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

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

The following name changes took place during the year:

- Zimbabwe Screening and Mining (Pty) Ltd changed its name to B&E International (Foreign) (Pty) Ltd.
- ND Goodwin & Sons (Pty) Ltd changed its name to Middelburg Quarry (Pty) Ltd.
- Pretoria Amalgamated Quarries (Pty) Ltd changed its name to Harding Quarry (Pty) Ltd.

Empa Structures CC and Empa Plant CC were converted during the year to Empa Structures (Pty) Ltd and Empa Plant (Pty) Ltd.

The group maintains a register of all subsidiaries for inspection at the registered office of Raubex Group Limited.

39. Interest in subsidiaries continued

Set out below is the summarised financial information for each subsidiary with non-controlling interest that is material in the group:

	Profit for the period R'000	Dividends paid to non-controlling interest R'000	Total assets R'000	Total liabilities R'000	Net increase/ (decrease) in cash and cash equivalents R'000
At 28 February 2014					
Burma Plant Hire (Pty) Ltd	19 755	–	222 591	(170 387)	2 170
Raubex Housing (Pty) Ltd	4 487	–	88 597	(83 953)	18 034
Raubex Infra (Pty) Ltd	23 440	–	123 557	(99 010)	8 921
Total	47 682	–	434 745	(353 350)	29 125
At 28 February 2015					
Burma Plant Hire (Pty) Ltd	**22 519**	**(29 474)**	**306 501**	**(291 669)**	**(2 590)**
OMV Gypsum Potchefstroom (Pty) Ltd	**6 982**	**–**	**33 041**	**(9 211)**	**10 968**
OMV Stilfontein (Pty) Ltd	**2 234**	**–**	**55 342**	**(16 953)**	**8 147**
Raubex Housing (Pty) Ltd	**11 869**	**–**	**129 631**	**(113 119)**	**(13 819)**
Raubex Infra (Pty) Ltd	**17 768**	**–**	**91 876**	**(49 561)**	**(2 740)**
Shisalanga Construction (Pty) Ltd	**6 951**	**–**	**79 112**	**(40 223)**	**(1 678)**
Total	**68 323**	**(29 474)**	**695 503**	**(520 736)**	**(1 712)**

Set out below is the summarised financial information for each subsidiary with non-controlling interest that is material in the group:

	Non-controlling interest balance at the beginning of the year R'000	Profit attributable to non-controlling interest R'000	Non-controlling interest on acquisition of subsidiary R'000	Acquisition of non-controlling interest R'000	Dividends paid to non-controlling interest R'000	Non-controlling interest balance at the end of the year R'000
At 28 February 2014						
Burma Plant Hire (Pty) Ltd	13 354	9 680	–	–	–	23 034
Raubex Housing (Pty) Ltd	–	1 212	–	–	–	1 212
Raubex Infra (Pty) Ltd	332	7 032	–	–	–	7 364
Total	13 686	17 924	–	–	–	31 610
At 28 February 2015						
Burma Plant Hire (Pty) Ltd	**23 034**	**8 553**	**(1 200)**	**570**	**(29 474)**	**1 483**
OMV Gypsum Potchefstroom (Pty) Ltd	**–**	**2 095**	**23 337**	**–**	**–**	**25 432**
OMV Stilfontein (Pty) Ltd	**–**	**670**	**11 659**	**–**	**–**	**12 329**
Raubex Housing (Pty) Ltd	**1 212**	**3 205**	**–**	**–**	**–**	**4 417**
Raubex Infra (Pty) Ltd	**7 364**	**5 330**	**–**	**–**	**–**	**12 694**
Shisalanga Construction (Pty) Ltd	**–**	**2 780**	**16 605**	**–**	**–**	**19 385**
Total	**31 610**	**22 633**	**50 401**	**570**	**(29 474)**	**75 740**

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.

Notes to the group financial statements continued

for the year ended 28 February 2015

40. Interest in joint operations

	Country	Nature of business	Interest held 2015 (%)	Interest held 2014 (%)
Joint operations				
Akasia/Actophambili Joint Operation	South Africa	Road surfacing	**60%**	–
Kentha/Raumix Joint Operation	South Africa	Aggregates	**49%**	49%
Namibia Road Products/Roadmac Surfacing Joint Operation	Namibia	Road surfacing	**50%**	50%
Raubex/Matlapeng Joint Operation	South Africa	Infrastructure	**80%**	80%
Raubex/Nodoli Joint Operation	South Africa	Infrastructure	**50%**	–
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%**	–
Roadmac Surfacing/Actophambili Joint Operation	South Africa	Road surfacing	**60%**	–
Roadmac Surfacing/KYK Joint Operation	South Africa	Road surfacing	**60%**	60%

Financial information

Statement of financial position

(Group's proportionate share of income and expenditure)

	2015 R'000	2014 R'000
Assets		
Non-current assets	**21**	21
Current assets	**58 575**	52 917
Total assets	**58 596**	52 938
Equity and liabilities		
Equity	**(4)**	–
Current liabilities	**58 600**	52 938
Total equity and liabilities	**58 596**	52 938
Statement of profit or loss		
(Recognised in proportion to interest in assets and liabilities)		
Revenue	**88 763**	200 845
Profit/(loss) attributable to group	**(6 278)**	4 156

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.

41. Shareholder spread

The company has one class of listed share. Detail of the company's authorised and issued share capital are set out in note 12 of these financial statements.

	Number of shares 2015	% held 2015
The shareholder spread is summarised as follows:		
Public shareholders	**133 736 482**	**71,5**
Non-public shareholders	**53 593 683**	**28,5**
Total shares	**187 330 165**	**100**
Non-public shareholders are summarised as follows:		
Directors of the company	**45 102 426**	**24,0**
Directors of subsidiaries	**6 753 093**	**3,6**
Employees	**1 738 164**	**0,9**
Total shares	**53 593 683**	**28,5**

	Number of shares	% of shares in issue
Beneficial shareholders with a holding greater than 5% of the issued shares		
Raubenbel (Pty) Ltd	25 650 000	13,7
Government Employee Pension Funds	20 645 541	11,0
Old Mutual Group	17 028 376	9,1
Kenworth (Pty) Ltd	14 965 384	8,0
Total	78 289 301	41,8

42. Events after the reporting period

Belabela Quarries (Pty) Ltd

On 18 April 2015 the group effectively acquired 74% of Belabela Quarries (Pty) Ltd ("Belabela"), through its subsidiary Loop en Hoop (Pty) Ltd for a purchase price of R43 million to be settled in cash. Belabela is a commercial quarry operating on the outskirts of Gaborone in Botswana. The acquisition will give the group a base from which it can expand and further develop its operating model in Botswana.

Due to the timing of this acquisition in relation to the group's year-end reporting deadline it is considered impractical to provisionally determine and disclose the expected returns relative to the effect on the group results as well as the disclosure of the assets and liabilities arising from the acquisition.

Buildmax Aggregates and Quarries (Pty) Ltd

On 10 March 2015 the group acquired certain mining rights and properties for an aggregate sum of R37 million in cash from the former owners of the businesses of Buildmax Aggregates and Quarries (Pty) Ltd.

Company statement of financial position

at 28 February 2015

	Note	2015 R'000	2014 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	4.1	**1 801 223**	1 761 894
Loans to group companies	4.2	**569 415**	547 807
Total non-current assets		**2 370 638**	2 309 701
Current assets			
Trade and other receivables	5	**–**	5 275
Current income tax receivable		**20**	55
Cash and cash equivalents	6	**227**	470
Total current assets		**247**	5 800
Total assets		**2 370 885**	2 315 501
EQUITY AND LIABILITIES			
Equity			
Ordinary shares	7	**1 873**	1 859
Share premium	7	**2 179 701**	2 179 701
Reserves		**81 943**	70 388
Retained income		**101 948**	58 277
Total equity		**2 365 465**	2 310 225
Liabilities			
Non-current liabilities			
Other financial liabilities	8	**5 100**	–
Total non-current liabilities		**5 100**	–
Current liabilities			
Trade and other payables	9	**320**	5 276
Total current liabilities		**320**	5 276
Total liabilities		**5 420**	5 276
Total equity and liabilities		**2 370 885**	2 315 501

The notes on pages 134 to 148 are an integral part of these financial statements.

Company statement of comprehensive income

for the year ended 28 February 2015

	Note	2015 R'000	2014 R'000
Revenue	10	**162 600**	126 050
Administrative expenses		**(3 815)**	(3 709)
Operating profit		**158 785**	122 341
Finance income	11	**43**	786
Finance costs	11	**(200)**	(200)
Profit before income tax		**158 628**	122 927
Income tax expense	12	**(68)**	(164)
Profit for the year		**158 560**	122 763
Other comprehensive income		**–**	–
Total comprehensive income for the year		**158 560**	122 763

The notes on pages 134 to 148 are an integral part of these financial statements.

Company statement of changes in equity

for the year ended 28 February 2015

	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 2013	1 845	2 179 701	66 801	32 582	2 280 929
Changes in equity:					
Shares issued in terms of equity-settled share option scheme	14	–	(23 767)	23 767	14
Employees' share option scheme (refer note 4.1)	–	–	27 354	–	27 354
Total comprehensive income for the year	–	–	–	122 763	122 763
Dividends paid	–	–	–	(120 835)	(120 835)
Total changes	14	–	3 587	25 695	29 296
Balance at 1 March 2014	1 859	2 179 701	70 388	58 277	2 310 225
Changes in equity:					
Shares issued in terms of equity-settled share option scheme	**14**	**–**	**(16 242)**	**16 242**	**14**
Employees' share option scheme (refer note 4.1)	**–**	**–**	**27 797**	**–**	**27 797**
Total comprehensive income for the year	**–**	**–**	**–**	**158 560**	**158 560**
Dividends paid	**–**	**–**	**–**	**(131 131)**	**(131 131)**
Total changes	**14**	**–**	**11 555**	**43 671**	**55 240**
Balance at 28 February 2015	**1 873**	**2 179 701**	**81 943**	**101 948**	**2 365 465**
Note	7	7			

The notes on pages 134 to 148 are an integral part of these financial statements.

Company statement of cash flows

for the year ended 28 February 2015

	Note	2015 R'000	2014 R'000
Cash flows from operating activities			
Cash generated from/(used in) operations	13	**2 196**	(9 714)
Dividends received	10	**161 808**	126 050
Interest received	11	**43**	786
Interest paid	11	**–**	(200)
Taxation paid	13	**(33)**	(225)
Net cash generated from operating activities		**164 014**	116 697
Cash flows from investing activities			
Shares issued in terms of equity-settled share option scheme		**14**	14
Increase in investments		**(11 532)**	(120 000)
Loans (advanced to)/repaid by group companies		**(21 608)**	23 118
Net cash used in investing activities		**(33 126)**	(96 868)
Cash flows from financing activities			
Dividends paid		**(131 131)**	(120 835)
Net cash used in financing activities		**(131 131)**	(120 835)
Net decrease in cash and cash equivalents		**(243)**	(101 006)
Cash and cash equivalents at the beginning of the year		**470**	101 476
Total cash and cash equivalents at the end of the year	6	**227**	470

The notes on pages 134 to 148 are an integral part of these financial statements.

Notes to the company financial statements

for the year ended 28 February 2015

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.

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 company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

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

1.1 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

Non-current loans have no set terms and are intended to provide the subsidiary with a long-term source of additional capital. As a result, the loans are considered to be an interest in the subsidiary. The loans are accounted for under IAS 27 and are carried at cost.

1.2 Financial instruments

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

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

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

The company's categories are as follows:

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

Loans and receivables

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

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

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

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

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 uncollectable, 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

Notes to the company financial statements continued

for the year ended 28 February 2015

and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

1.3 Share capital and equity

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

Ordinary shares are classified as equity.

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

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

1.4 Share-based payments

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

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

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

1.5 Revenue recognition

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

Interest income and dividends

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

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

1.6 Borrowing costs

Borrowing costs on qualifying assets are capitalised against those assets. Qualifying assets take a substantial period to construct. Management views a substantial period to be longer than 12 months. All other borrowing costs are expensed.

1.7 Standards, interpretations and amendments to published standards

Set out below are International Financial Reporting Standards, Interpretations and amendments that have become effective for the first time for the year ended 28 February 2015, together with International Financial Reporting Standards, Interpretations and amendments issued but not yet effective for the year ended 28 February 2015.

These standards are not expected to have any significant effect on the results of operations or financial position of the group.

1.7 *Standards, interpretations and amendments to published standards* continued

International Financial Reporting Standards

International Financial Reporting Standards and amendments effective for the first time for 28 February 2015 year-end

Number	Effective date	Summary
Amendments to IAS 32: *Financial instruments: Presentation*	1 January 2014	Clarification of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
Amendments to IFRS 10: *Consolidated financial statements, IFRS 12* and *IAS 27 for investment entities*	1 January 2014	Exemption from consolidating subsidiaries. Measurement of these entities at fair value through profit or loss. Exception to entities that meet an "investment entity" definition. IFRS 12 introduces disclosures that an investment entity needs to make.
Amendments to IAS 36: *Impairment of assets*	1 January 2014	Disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.
Amendment to IAS 39: *Financial instruments: Recognition and measurement*	1 January 2014	Relief from discontinuing hedge accounting when novation of a hedging instrument to a CCP meets specified criteria.

International Financial Reporting Standards and amendments issued but not yet effective for 28 February 2015 year-end

Number	Effective date	Summary
Amendment to IAS 19: *Employee benefits, on defined benefit plans*	1 July 2014	Simplification of accounting for contributions that are independent of the number of years of employee service.
Amendments to IFRS 10: *Consolidated financial statements* and *IAS 28 – Investment in associates and joint ventures*	1 January 2016	Elimination of the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a "business", then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
Amendments to IFRS 10: *Consolidated financial statements* and *IAS 28 – Investments in associates and joint ventures*	1 January 2016	Clarification of the application of the consolidation exception for investment entities and their subsidiaries.
Amendment to IFRS 11: *Joint arrangements, on acquisition of an interest in a joint operation*	1 January 2016	Guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. Specification of the appropriate accounting treatment for such acquisitions.
IFRS 14: *Regulatory deferral accounts*	1 January 2016	Accounting for certain balances that arise from rate-regulated activities ("regulatory deferral accounts").
Amendments to IAS 1: *Presentation of financial statements*	1 January 2016	Guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosure of accounting policies.

Notes to the company financial statements continued

for the year ended 28 February 2015

1.7 *Standards, interpretations and amendments to published standards* continued

International Financial Reporting Standards and amendments issued but not yet effective for 28 February 2015 year-end

Number	Effective date	Summary
Amendment to IAS 16: *Property, plant and equipment* and *IAS 38 – Intangible assets, on depreciation and amortisation*	1 January 2016	Clarification that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Clarification that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
Amendments to IAS 16: *Property, plant and equipment* and *IAS 41 – Agriculture, on bearer plants*	1 January 2016	Scoped in bearer plants in IAS 16, but not the produce on bearer plants and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. Adjustment of the definition of a bearer plant in IAS 41.
Amendments to IAS 27: *Separate financial statements, on equity accounting*	1 January 2016	Restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.
IFRS 15: *Revenue from contracts with customers*	1 January 2017	Revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.
IFRS 9: *Financial instruments (2009 and 2010)* ▪ Financial liabilities ▪ Derecognition of financial instruments ▪ Financial assets ▪ General hedge accounting	1 January 2018	Classification and measurement of financial assets. Replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, without change, except for financial liabilities that are designated at fair value through profit or loss.
Amendment to IFRS 9: *Financial instruments, on general hedge accounting*	1 January 2018	Alignment of hedge accounting more closely with an entity's risk management. Establishment of a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

1.7 *Standards, interpretations and amendments to published standards* continued

Annual Improvements 2012 issued December 2013

Improvements to IFRSs (Issued December 2013) were issued by the IASB as part of the "annual improvements process" resulting in the following amendments to standards issued, effective for the first time for 28 February 2015 year-ends:

IFRS	Effective date	Subject of amendment
Amendment to IFRS 2: *Share based payment*	1 July 2014	Clarification of the definition of a 'vesting condition' and separately defines "performance condition" and "service condition".
Amendment to IFRS 3: *Business combinations*	1 July 2014	Clarification that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, "Financial instruments: Presentation". All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.
Amendment to IFRS 8: *Operating segments*	1 July 2014	Disclosure of the judgements made by management in aggregating operating segments. Requirement of a reconciliation of segment assets to the entity's assets when segment assets are reported.
Amendment to IFRS 13: *Fair value measurement*	1 July 2014	When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.
IAS 16: *Property, plant and equipment, and IAS 38 – Intangible assets*	1 July 2014	Clarification of how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
IAS 24: *Related party disclosures*	1 July 2014	Inclusion of, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ("the management entity")

Notes to the company financial statements continued

for the year ended 28 February 2015

1.7 *Standards, interpretations and amendments to published standards* continued

Annual Improvements 2013 issued December 2013

The IASB published the final standard for the 2011 – 2013 cycle of the annual improvements with amendments that affected 4 standards issued, but not effective for the first time for 28 February 2015 year-ends:

IFRS	Effective date	Subject of amendment
IFRS 1: *First-time adoption of International Financial Reporting Standards*	1 July 2014	To clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use the old or the new version, provided the same standard is applied in all periods.
IFRS 13: *Fair value measurement*	1 July 2014	The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.
IAS 40: *Investment property*	1 July 2014	Clarification that IAS 40 and IFRS 3 are not mutually exclusive. Guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.
IFRS 3: *Business combinations*	1 July 2014	IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The scope exemption only applies in the financial statements of the joint arrangement itself.

Interpretations of International Financial Reporting Standards

Interpretations of International Financial Reporting Standards effective for the first time for 28 February 2015 year-ends

Number	Effective date	Executive summary
IFRIC 21: *Accounting for levies*	1 January 2014	Accounting for an obligation to pay a levy that is not income tax and recognition of the liability to pay a levy.

Annual Improvements 2014 issued September 2014

The September 2014, the IASB issued Annual improvements to IFRSs 2012 – 2014 Cycle, which contains five amendments to four standards, excluding consequential amendments. The amendments are effective for annual periods beginning on or after 1 January 2016.

1.7 *Standards, interpretations and amendments to published standards* continued

IFRS	Effective date	Subject of amendment
IFRS 5: *Non-current assets held for sale and discontinued operations*	1 January 2016	Amendment to the changes in methods of disposal – either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan.
IFRS 7: *Financial instruments, Disclosures*	1 January 2016	Applicability of the offsetting disclosures to condensed interim financial statements. The amendment removes the phrase "and interim periods within those annual periods" from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the Board noted that IAS 34 requires an entity to disclose an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period'. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity's condensed interim financial report.
IFRS 7: *Financial instruments, Disclosures*	1 January 2016	Servicing contracts – The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7. B30 and IFRS 7.42C in order to assess whether the disclosures are required.
IAS 19: *Employee benefits*	1 January 2016	Discount rate: regional market issue – The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
IAS 34: *Interim financial reporting*	1 January 2016	Disclosure of information "elsewhere in the interim financial report". The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

Notes to the company financial statements continued

for the year ended 28 February 2015

2. Financial instruments and financial risk management

Overview

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

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

Categories of financial instruments

	Note	Loans and receivables at amortised cost R'000	Financial liabilities held at amortised cost R'000	Financial liabilities at fair value through profit or loss R'000	Total carrying value R'000
At 28 February 2015					
Cash and cash equivalents	6	**227**	**–**	**–**	**227**
Other financial liabilities	8	**–**	**–**	**(5 100)**	**(5 100)**
Trade and other payables	9	**–**	**(320)**	**–**	**(320)**
Total		**227**	**(320)**	**(5 100)**	**(5 193)**
At 28 February 2014					
Trade and other receivables	5	5 275	–	–	5 275
Cash and cash equivalents	6	470	–	–	470
Trade and other payables	9	–	(376)	(4 900)	(5 276)
Total		5 745	(376)	(4 900)	469

Fair value estimation

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the company's financial assets and liabilities that are measured at fair value at 28 February 2015:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Liabilities				
At 28 February 2014				
Financial liabilities at fair value through profit or loss				
Contingent consideration	–	–	4 900	4 900
Total liabilities	–	–	4 900	4 900
At 28 February 2015				
Financial liabilities at fair value through profit or loss				
Contingent consideration	**–**	**–**	**5 100**	**5 100**
Total liabilities	**–**	**–**	**5 100**	**5 100**

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

2. Financial instruments and financial risk management continued

(a) **Financial instruments in level 1**

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

(b) **Financial instruments in level 2**

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

(c) **Financial instruments in level 3**

The following table presents the changes in Level 3 instruments for the year ended 28 February 2015:

	Contingent consideration in a business combination R'000	Total R'000
Year ended 28 February 2014		
Opening balance	4 700	4 700
Gains and losses recognised in profit or loss	200	200
Closing balance	4 900	4 900
Year ended 28 February 2015		
Opening balance	**4 900**	**4 900**
Gains and losses recognised in profit or loss	**200**	**200**
Closing balance	**5 100**	**5 100**

See note 8 for disclosures of the measurement of the contingent consideration.

Financial risk factors

(a) Market risk

(i) Price risk

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

(ii) Cash flow interest rate risk

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

Interest rate risk – sensitivity analysis

Interest rate risk is presented by way of sensitivity analysis in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components and, if appropriate, shareholders' equity. A one percentage point movement in the prime interest rate would have the following effect on post-tax profit for the year:

	2015		2014	
	+1% R'000	**-1% R'000**	+1% R'000	-1% R'000
Cash and cash equivalents	**2**	**(2)**	3	(3)
Increase/(decrease) in profitability	**2**	**(2)**	3	(3)

Notes to the company financial statements continued

for the year ended 28 February 2015

2. Financial instruments and financial risk management continued

(b) Credit risk

The company has no significant concentration of credit risk. The company has policies that limit the amount of credit exposure to any financial institution.

Concentration of credit risk	Rating	2015 R'000	2014 R'000
Cash and cash equivalents	BBB	**227**	470
Total cash and cash equivalents (refer note 6)		**227**	470
Current trade and other receivables	Not rated	**–**	5 275
Total current trade and other receivables (refer note 5)		–	5 275

Credit risk is represented by the going concern values of the receivables and cash and cash equivalents that are carried on the statement of financial position at a value of R0,2 million (2014: R5,7 million).

The credit ratings above have been obtained from publicly available information.

(c) Liquidity risk

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

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

	Carrying amount R'000	Contractual cash flows R'000	Within 1 year R'000	Within 2 to 5 years R'000
At 28 February 2015				
Non-derivative financial liabilities				
Other financial liabilities	**5 100**	**5 100**	**–**	**5 100**
Trade and other payables	**320**	**320**	**320**	**–**
Total	**5 420**	**5 420**	**320**	**5 100**
At 28 February 2014				
Non-derivative financial liabilities				
Trade and other payables	5 276	5 276	376	4 900
Total	5 276	5 276	376	4 900

The carrying value of financial assets and financial liabilities approximate their fair values.

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. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders. 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.

3. Capital risk management continued

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

	2015 R'000	2014 R'000
Cash and cash equivalents (refer note 6)	**(227)**	(470)
Net debt	**(227)**	(470)
Total equity	**2 365 465**	2 310 225
Total capital and net debt	**2 365 238**	2 309 755
Gearing ratio	**(0,01%)**	(0,02%)

4. Investment in subsidiaries

	2015 R'000	2014 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**	–
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 Holdings (Pty) Ltd	**120 000**	120 000
Total direct investment in subsidiaries	**1 705 231**	1 693 699
Indirect investment on issue of share options to employees of subsidiaries		
Akasia Road Surfacing (Pty) Ltd	**52**	52
B&E International (Pty) Ltd	**10 644**	7 326
Burma Plant Hire (Pty) Ltd	**521**	261
Milling Techniks (Pty) Ltd	**2 709**	1 672
National Asphalt (Pty) Ltd	**7 973**	5 432
Phambili Road Surfacing (Pty) Ltd	**190**	190
Raubex (Pty) Ltd	**55 214**	37 371
Raubex Construction (Pty) Ltd	**2 057**	2 057
Raubex KZN (Pty) Ltd	**2 104**	2 104
Raumix Aggregates (Pty) Ltd	**1 025**	509
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	**7 159**	4 877
Total indirect investment in subsidiaries	**95 992**	68 195
Total investment in subsidiaries	**1 801 223**	1 761 894

4.1 Loans to group companies

	2015 R'000	2014 R'000
Burma Plant Hire (Pty) Ltd	**39 095**	–
Raubex (Pty) Ltd	**499 327**	516 814
Raumix Aggregates (Pty) Ltd	**30 993**	30 993
Total loans to group companies	**569 415**	547 807
Non-current assets	**569 415**	547 807
Total loans to group companies	**569 415**	547 807

Notes to the company financial statements continued

for the year ended 28 February 2015

4. Investment in subsidiaries continued

4.1 Loans to group companies continued

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 28 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.

	2015 R'000	2014 R'000
5. Trade and other receivables		
Other receivables	–	5 275
Total trade and other receivables	–	5 275
The fair values of trade and other receivables are as follows:		
Other receivables	–	5 275
Total trade and other receivables	–	5 275
As of 28 February 2015, no receivables were either past due or impaired.		
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balance	**227**	470
Total cash and cash equivalents	**227**	470

	Number of shares '000	Ordinary shares R'000	Share premium R'000	Total R'000
7. Share capital and share premium				
At 1 March 2013	184 536	1 845	2 179 701	2 181 546
Shares issued in terms of equity-settled share option scheme	1 364	14	–	14
At 28 February 2014	185 900	1 859	2 179 701	2 181 560
Shares issued in terms of equity-settled share option scheme	1 430	14	–	14
At 28 February 2015	**187 330**	**1 873**	**2 179 701**	**2 181 574**

The total authorised number of ordinary shares is 500 million shares (2014: 500 million) with a par value of 1 cent per share (2014: 1 cent per share). All issued shares are fully paid.

		Contingent consideration R'000	Total R'000
8.	**Other financial liabilities**		
	At 1 March 2014	–	–
	Reclassification from trade and other payables (refer note 9)	4 900	4 900
	Charged to statement of profit or loss:		
	– Unwinding of discount (refer note 11)	200	200
	At 28 February 2015	**5 100**	**5 100**
	Non-current	**5 100**	**5 100**
	Current	**–**	**–**
		5 100	**5 100**

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.

		2015 R'000	2014 R'000
9.	**Trade and other payables**		
	Trade payables	**138**	204
	Accrued expenses	**182**	172
	Other liabilities – contingent consideration	**–**	4 900
	Total trade and other payables	**320**	5 276
10.	**Revenue**		
	Dividends received from subsidiaries	**161 808**	126 050
	Other income	**792**	–
	Total revenue	**162 600**	126 050
11.	**Finance income and costs**		
	Finance income		
	Interest income on cash resources	**43**	786
	Total finance income	**43**	786
	Finance costs		
	Unwinding of discount – contingent consideration	**(200)**	(200)
	Other interest	**–**	–
	Total finance costs	**(200)**	(200)
	Net finance costs	**(157)**	586

Notes to the company financial statements continued

for the year ended 28 February 2015

	2015 R'000	2014 R'000
12. Income tax expense		
South African normal taxation		
Current tax		
Current period	**12**	164
Recognised in current tax for prior periods	**56**	–
Total South African normal taxation	**68**	164
Reconciliation between applicable tax rate and effective tax rate:	**%**	%
Applicable tax rate	**28,00**	28,00
Exempt income	**(28,56)**	(28,64)
Disallowed charges	**0,57**	0,77
Recognised in current tax for prior periods	**0,03**	–
Effective tax rate	**0,04**	0,13
13. Cash generated from/(used in) operations		
Profit before income tax	**158 628**	122 927
Adjustments for:		
Finance income	**(43)**	(786)
Finance costs	**200**	200
Dividends received	**(161 808)**	(126 050)
Changes in working capital		
Trade and other receivables	**5 275**	(5 275)
Trade and other payables	**(56)**	(730)
Net cash generated from/(used in) operations	**2 196**	(9 714)
In the cash flow statement taxation paid is calculated as follows:		
Balance (receivable)/due at the beginning of the year	**(55)**	6
Add: Current year tax charge (refer note 12)	**68**	164
Add: Balance receivable at the end of the year	**20**	55
Taxation paid	**33**	225
14. Related party transactions		
Relationship		
Subsidiaries — Refer note 39 to the group financial statements		
Related-party balances		
Loans to related parties		
At the beginning of the year	**547 807**	570 925
Loans advanced during the year	**202 851**	125 000
Loan repayments received	**(181 243)**	(148 118)
At 28 February	**569 415**	547 807
Other fees paid to/(received from) related parties		
Raubex (Pty) Ltd	**3**	–

15. Directors' emoluments

No emoluments were paid to the directors during the year.

Terms of reference

The terms listed below have been used throughout this Integrated Report.

"AGM"	Annual General Meeting
"Basic EPS"	Earnings for the year attributable to equity holders of Raubex divided by the weighted average number of ordinary shares in issue during the year
"B-BBEE"	Broad-Based Black Economic Empowerment
"BCAWU"	Building Construction and Allied Workers Union
"BCCEI"	Bargaining Council for the Civil Engineering Industry
"BEE"	Black Economic Empowerment
"CIPC"	Companies and Intellectual Property Commission
"Closing PE ratio"	Market value per share at 28 February divided by HEPS
"Companies Act"	Companies Act No 71 of 2008
"CSDP"	Central Securities Depositary Participants
"CSI"	Corporate Social Investment
"Current ratio"	Total current assets divided by total current liabilities as a ratio
"EPS"	Earnings per share
"Exco"	The executive committee
"Gearing"	Net debt excluding cash and cash equivalents as a ratio to total equity
"GFIP"	Gauteng Freeway Improvement Project
"GRI"	Global Reporting Initiative
"GSM"	Global System for Mobile Communications
"HDSA"	Historically Disadvantaged South Africans
"HEPS"	Headline earnings divided by the weighted average number of ordinary shares in issue during the year
"IFRS"	International Financial Reporting Standards
"IT"	Information Technology
"JSE"	JSE Limited
"King III"	King Report on Corporate Governance for South Africa 2009
"KPI"	Key performance indicators

5

Shareholder information

Terms of reference continued

"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
"REIPPPP"	Renewable Energy Independent Power Producer Procurement Programme
"ROCE"	Return on capital employed
"ROE"	Return on equity
"SABITA"	Southern African Bitumen Association
"SAFCEC"	South African Federation of Civil Engineering Contractors
"SANAS"	South African National Accreditation System
"SANRAL"	South African National Roads Agency
"SENS"	Stock Exchange News Service
"SHE"	Safety, Health and Environment
"SHEQ"	Safety, Health, Environment and Quality
"SRI"	Socially Responsible Investment
"the Board"	The board of directors of Raubex
"the company"	Raubex Group Limited
"UIF"	Unemployment Insurance Fund

Notice of Annual General Meeting

Raubex Group Limited
(Incorporated in the Republic of South Africa)
Registration number 2006/023666/06
Share code: RBX
ISIN: ZAE000093183
("Raubex" or "the company")

NOTICE IS HEREBY GIVEN to the shareholders of Raubex as at Friday, 31 July 2015, 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 2015, will be held at **Glenhove Conference Centre, 52 Glenhove Road, Melrose Estate on Friday, 9 October 2015 at 10:00**.

Electronic participation

The AGM will be available live on webcasting, by following the link provided for on the website: www.raubex.com. Please note that shareholders or their proxies will not be able to vote through the webcasting.

This notice of AGM includes the attached form of proxy.

Record date

The record date for the purpose of determining which shareholders of the company are entitled to receive the notice of the AGM was Friday, 31 July 2015.

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, 2 October 2015, 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 Friday, 25 September 2015.

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 2015;
- 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 55 and 56);
- present the Social and Ethics Committee report (page 38);
- consider any matters raised by shareholders;

Notice of Annual General Meeting continued

- 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, 2 October 2015, 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 2015, are included on pages 52 to 148 of this Integrated Report and are also published on the company's website: www.raubex.com.

Ordinary resolution number 1: Acceptance of the Annual Financial Statements

"RESOLVED THAT the consolidated Annual Financial Statements for the company (and its subsidiaries) for the year ended 28 February 2015, including the directors' report and the independent auditor's report therein, be and are hereby received and accepted."

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution number 2: Re-election of executive directors

"RESOLVED THAT the following directors, in accordance with Article 26.5.1 of the company's MOI for a further term of office, and being eligible, offers themselves for re-election, be and are hereby re-elected as an executive director of the company:

2.1 RJ Fourie; and

2.2 JF Gibson.

(Brief curriculum vitaes in respect of these directors are set out on page 13 of the Integrated Report of which this notice forms part.)"

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution number 3: Re-election of non-executive directors

"RESOLVED THAT the following directors, who retire by rotation, and being eligible, offers themselves for re-election, be and are hereby re-elected as a non-executive director of the company:

3.1 JE Raubenheimer;

3.2 F Kenney;

3.3 LA Maxwell;

3.4 BH Kent; and

3.5 NF Msiza.

(Brief curriculum vitaes in respect of these directors are set out on page 13 of the Integrated Report of which this notice forms part.)"

Percentage of voting rights required to pass this resolution: 50% plus one vote.

The Remuneration and Nomination Committee has reviewed the composition of the Board and has recommended the re-election of the directors listed in ordinary resolutions numbers 2 and 3. It is the view of the directors that the re-election of the candidates referred to above would enable the company to:

- responsibly maintain a mixture of business skills and experience relevant to the company and balance the requirements of transformation, continuity and succession planning; and
- comply with corporate governance requirements in respect of matters such as the balance of executive, non-executive and independent directors on the Board.

Ordinary resolution number 4: Appointment of auditors

"RESOLVED THAT PricewaterhouseCoopers be and are hereby reappointed as the independent auditors of the group for the year ending 28 February 2016 and that Mr L Rossouw is hereby appointed as the individual registered auditor who will undertake the audit of the group for the ensuing year, and that the Board be and is hereby authorised to fix the terms of engagement and remuneration of the independent auditors."

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution number 5: Appointment of members of the Audit Committee

"RESOLVED THAT the following members, who fulfil the requirements of section 94(4) of the Companies Act, be and is 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 2016, subject to his/her re-election as a director pursuant to ordinary resolution number 3.

5.1 LA Maxwell;

5.2 BH Kent; and

5.3 NF Msiza.

(Brief curriculum vitaes for the members are set out on page 13 of the Integrated Report of which this notice forms part.)"

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution number 6: Endorsement of Raubex's remuneration policy

"RESOLVED THAT the company's remuneration policy, as set out in the Remuneration report, be and is hereby endorsed by way of a non-binding advisory note."

In terms of Chapter 2 of King III dealing with boards and directors, it is recommended that companies table their remuneration policy every year to shareholders for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation.

The company's remuneration report is contained on pages 33 to 37 of the Integrated Report of which this notice forms part.

Ordinary resolution number 6 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when considering the company's remuneration policy.

Special resolution number 1: Remuneration of non-executive directors

"RESOLVED THAT, in terms of Article 26.4.3 of the MOI and section 66(8) and (9) of the Companies Act, the remuneration payable to the non-executive directors, as set out below, be approved for a period of two years, commencing on 1 November 2015, unless such remuneration is proposed to be amended at the next AGM:

Designation	Proposed annual remuneration
Chairman	R856 000
Lead independent non-executive director	R695 500
Non-executive director	R535 000

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;

Notice of Annual General Meeting continued

- 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.

Directors' responsibility statement

The directors, whose names are given on page 12 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.

Share Capital of the company

Refer to note 12 on page 95.

Major shareholders

Refer to note 41 on page 129.

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 company and the group for a period of 12 months following the date of the general repurchase. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated Annual Financial Statements which comply with the Companies Act;

- the company and the group will have adequate capital and reserves for ordinary business purposes for a period of 12 months following the date of the general repurchase;
- the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months following the date of the general repurchase. The company will ensure that its sponsor will provide the necessary letter on the adequacy of the working capital in terms of the JSE Listings Requirements, prior to the commencement of any purchase of the company's securities on the open market; and
- the Board passing a resolution authorising the general repurchase, confirming that the company and its subsidiaries have passed the solvency and liquidity test and further confirming that since the test was performed, there have been no material changes to the financial position of the company and the group.

Furthermore, the Board confirms that it has authorised the repurchase, by passing a resolution to that effect, and confirms that the company and its subsidiaries have passed the solvency and liquidity test and that from the time the test was performed there have been no material changes to the financial position of the company and the group.

The directors of the company hereby state that:

(a) the intention of the directors of the company is to utilise the authority if, at some future date, the cash resources of the company are in excess of its requirements. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the company and the long-term cash needs of the company and will ensure that any such utilisation is in the interests of the shareholders; and

(b) the method by which the company intends to repurchase its securities and the date on which such repurchase will take place, have not yet been determined.

Special resolution number 3: Approval of financial assistance to related or inter-related companies and corporations

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

Percentage of voting rights required to pass this resolution: 75% (seventy five percent) of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

Reason for and effect

It may be necessary for the company to provide intra-group funding in order to conduct the group's business or desirous for the company to provide financial assistance to related or inter-related companies and corporations to acquire or subscribe for options or securities or purchase securities of the company or another company related or inter-related to it. Under the Companies Act, the company will, however, require the special resolution referred to above to be adopted. In the circumstances and in order to, inter alia, ensure that the company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the company (as opposed to banks) for such purposes, it is necessary to obtain the approval of shareholders, as set out in special resolution number 3.

Sections 44 and 45 of the Companies Act provide, inter alia, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous 2 (two) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category, and the Board must be satisfied that:

- immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

Section 44 contains an exemption in respect of employee share schemes that satisfy the requirements of section 97 of the Companies Act. To the extent that any of the company's share or other employee incentive schemes do not satisfy such requirements, financial assistance (as contemplated in section 44) to be provided under such schemes will, inter alia, also require approval by special resolution.

Notice of Annual General Meeting continued

Notice to shareholders of Raubex in terms of Section 45(5) of the Companies Act of a resolution passed by the Board authorising Raubex to provide direct or indirect financial assistance to related and inter-related companies and corporations:

- prior to the delivery of this notice of AGM to the shareholders of the company, the Board adopted a resolution authorising the company to provide, at any time and from time to time during the period commencing on the date on which special resolution number 3 is adopted until the date of the next AGM of the company, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any one or more related or inter-related companies or corporations of the company. The financial assistance will entail loans and any other financial assistance to any of the company's present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company or any of its subsidiaries (and/or to any member of such subsidiary or related or inter-related company or corporation) for any purpose or in connection with any matter;
- the resolution will be effective only if and to the extent that special resolution number 3 is adopted by the shareholders of the company and the provision of any financial assistance by the company, pursuant to such resolution, will always be subject to the Board being satisfied that: (i) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act; and (ii) the terms under which the financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Companies Act; and
- the company hereby provides notice of the resolution to the shareholders of the company.

Voting and proxies

Proxies

A shareholder (including certificated shareholders and dematerialised shareholders who hold their shares with "own name" registration) entitled to attend and vote at the meeting may appoint one or more proxies to attend, participate and vote in his/her/its stead. A proxy does not have to be a shareholder of the company. The appointment of a proxy will not preclude the shareholder who appointed that proxy from attending the AGM and participating and voting in person thereat to the exclusion of any such proxy. A form of proxy for use at the meeting is attached.

If you are a certificated Raubex shareholder or an own name dematerialised Raubex shareholder and are unable to attend the AGM of Raubex shareholders to be held at 10:00 on 9 October 2015, 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 2004 (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown, 2107) so as to be received by no later than 10:00 on 7 October 2015.

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

27 July 2015

Form of proxy

Raubex Group Limited
(Incorporated in the Republic of South Africa)
Registration number 2006/023666/06
Share code: RBX
ISIN: ZAE000093183
("Raubex" or "the company")

To be completed by registered certificated shareholders and dematerialised shareholders with own-name registration only

This form of proxy relates to the AGM of the company to be held at the **Glenhove Conference Centre, 52 Glenhove Road, Melrose Estate on Friday, 9 October 2015 at 10:00** (refer 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, 2 October 2015 (refer 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 (refer note 3)

hereby appoint of

failing him/her of

or failing him/her, the Chairman of the AGM (refer 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 (refer 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 (refer note 6).

	For	Against	Abstain
Ordinary resolution number 1 – Acceptance of the Annual Financial Statements			
Ordinary resolution number 2 – Re-election of executive directors:			
2.1 RJ Fourie			
2.2 JF Gibson			
Ordinary resolution number 3 – Re-election of non-executive directors:			
3.1 JE Raubenheimer			
3.2 F Kenney			
3.3 LA Maxwell			
3.4 BH Kent			
3.5 NF Msiza			
Ordinary resolution number 4 – Appointment of auditors			
Ordinary resolution number 5 – Appointment of members of the Audit Committee			
5.1 LA Maxwell			
5.2 BH Kent			
5.3 NF Msiza			
Ordinary resolution number 6 – Endorsement of Raubex's remuneration policy			
Special resolution number 1 – Remuneration of non-executive directors			
Special resolution number 2 – General authority to acquire/(repurchase) shares			
Special resolution number 3 – Approval of financial assistance to related or inter-related companies and corporations			

(Indicate instruction to proxy by way of a cross in the space provided above)

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this day of 2015

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 2004 (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown, 2107), by no later than 10:00 on Wednesday, 7 October 2015. 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 2004 (Pty) Ltd.
2. This form of proxy is for use by registered shareholders who wish to appoint another person (a proxy) to represent them at the AGM. If duly authorised, companies and other corporate bodies who are registered shareholders may appoint a proxy using this form of proxy, or may appoint a representative in accordance with paragraph 12 below. Other shareholders should not use this form of proxy. All beneficial shareholders who have dematerialised their shares through a CSDP or broker must provide the CSDP or broker with their voting instruction. Alternatively, if they wish to attend the AGM in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial shareholder and the CSDP or broker.
3. This proxy shall apply to all ordinary shares registered in the name of the shareholder who signs this form of proxy at the record date unless a lesser number of shares is inserted.
4. A shareholder may appoint one person of his own choice as his proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the company. If the name of the proxy is not inserted, the Chairman of the AGM will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this form of proxy may not delegate the authority given to him in this form of proxy.
5. Unless revoked, the appointment of a proxy in terms of this form of proxy remains valid until the end of the AGM, even if the AGM or part thereof is postponed or adjourned.
6. If:
   6.1 a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting or any resolution; or
   6.2 the shareholder gives contradictory instructions in relation to any matter; or
   6.3 any additional resolution/s which are properly put before the AGM; or
   6.4 any resolution listed in the form of proxy is modified or amended,
   then the proxy shall be entitled to vote or abstain from voting, as he thinks fit, in relation to that resolution or matter. If, however, the shareholder has provided further written instructions which accompany this form of proxy and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in paragraphs 6.1 to 6.4, then the proxy shall comply with those instructions.
7. If this form of proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this form of proxy will not be effective unless:
   7.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or
   7.2 the company has already received a certified copy of that authority.
8. The Chairman of the AGM may, in his discretion, accept or reject any form of proxy or other written appointment of a proxy which is received by the Chairman prior to the time when the AGM deals with a resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the Chairman shall not accept any such appointment of a proxy unless the chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.
9. Any alterations made in this form of proxy must be initialled by the authorised signatory/ies.
10. This form of proxy is revoked if the shareholder who granted the proxy:
    10.1 gives written notice of such revocation to the company, so that it is received by the company before 10:00 on Wednesday 7 October 2015; 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 who are shareholders of the company having shares registered in their own names may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the AGM by giving written notice of the appointment of that representative. That notice will not be effective at the AGM unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received at the company's transfer office, Computershare Investor Services 2004 (Pty) Ltd, by no later than 10:00 on Wednesday, 7 October 2015. 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 2004 (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 2004 (Pty) Ltd
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Notes

Notes

General information

Nature of business	Construction work, civil engineering, supply of aggregates and holding company
Directors	JE Raubenheimer (Non-executive Chairman) RJ Fourie (Chief Executive Officer) JF Gibson (Financial Director) F Kenney (Non-executive Director) LA Maxwell (Lead Independent Non-executive Director) BH Kent (Independent Non-executive Director) NF Msiza (Independent Non-executive Director)
Company Secretary	HE Ernst
Registration number	2006/023666/06
ISIN	ZAE000093183
Share code	RBX
Registered office	Building 1 Highgrove Office Park 50 Tegel Avenue Highveld Park Centurion 0169 Tel: +27 (0)12 648 9400
Business address	Cleveley Kenneth Kaunda Road Extension Bloemfontein South Africa 9300 Tel: +27 (0)51 406 2000
Postal address	PO Box 3722 Bloemfontein South Africa 9300
Website	www.raubex.com
Sponsor	Investec Bank Limited 100 Grayston Drive Sandown Sandton, 2196
Auditors	PricewaterhouseCoopers Inc.
Transfer secretaries	Computershare Investor Services 2004 (Pty) Ltd Ground Floor 70 Marshall Street Johannesburg 2001 (PO Box 61051, Marshalltown, 2107)
Investor relations	Instinctif Partners
Preparation of the annual financial statements	JF Gibson CA(SA)
Preparation assistance with the Integrated Report	Keyter Rech Investor Solutions CC Fountain Grove, 5 2nd Street, Hyde Park, 2195

www.raubex.com

Registered office

Building 1, Highgrove Office Park, 50 Tegel Avenue, Highveld Park, Centurion, 0169
Tel: +27 (0)12 648 9400