


INTEGRATED REPORT
2019

Raubex Group Limited


Contents

Key facts

Revenue
down 0,3% to R8,52 billion
(2018: R8,54 billion)

Operating profit
down 69,2% to R207,0 million
(2018: R671,9 million)

Group operating profit margin
decreased to 2,4%
(2018: 7,9%)

HEPS
down 75,1% to
57,0 cents per share
(2018: 228,6 cents per share)

Cash flow from operations
down 24,1% to R788,9 million
(2018: R1,04 billion)

Capex spend
of R420,9 million
(2018: R441,3 million)

Return on capital employed
3,8%
(2018: 12,2%)

Order book
of R8,01 billion
(2018: R8,19 billion)

Employees
7 321
(2018: 8 271)

Our core values

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

Our vision and mission

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

Scope and boundary of integrated report

The board is pleased to present this integrated report which covers the activities and performance of Raubex and all of its operating subsidiaries, joint ventures and branches, both local and international, for the year ended 28 February 2019. The 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 and has considered the volume and complexity of the information included in the integrated report. To this end, the board is of the opinion that it does not warrant a summarised version.

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

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

As required by the JSE Listings Requirements, the group has published its King IV application register on its website at www.raubex.com.

Disclaimer

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

This integrated report for the year ended 28 February 2019 was published and posted to shareholders on 26 June 2019 and is also available on the company's website.

Assurance

The annual financial statements have been audited by PricewaterhouseCoopers Inc. and their independent auditor's report is contained on page 74 of this integrated report.

The internal audit function of Raubex is currently performed by Deloitte. All internal audit activities are executed in accordance with the IIA SA standards. The audit committee provides the board with comfort pertaining to the reliability of the information presented in this integrated report.

The sustainability report as a whole has not been independently assured. However, certain information contained in the sustainability report has been reviewed and confirmed by the group's own internal control function.

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

Approval of integrated report

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

The integrated report was approved by the board on 19 June 2019 and signed on its behalf by:

RJ Fourie
Chief executive officer

JF Gibson
Financial director

1 About Raubex

Raubex at a glance

Raubex is one of South Africa's leading infrastructure development and construction materials supply groups, celebrating over 40 years in the construction industry since it was established in 1974. Raubex listed on the JSE in March 2007 and operates across South Africa as well as throughout southern Africa and Cameroon. Raubex recently also entered the Western Australian market through the acquisition of Westforce Construction.

The group consists of three divisions, as follows:

Materials Division

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

Roads and Earthworks Division

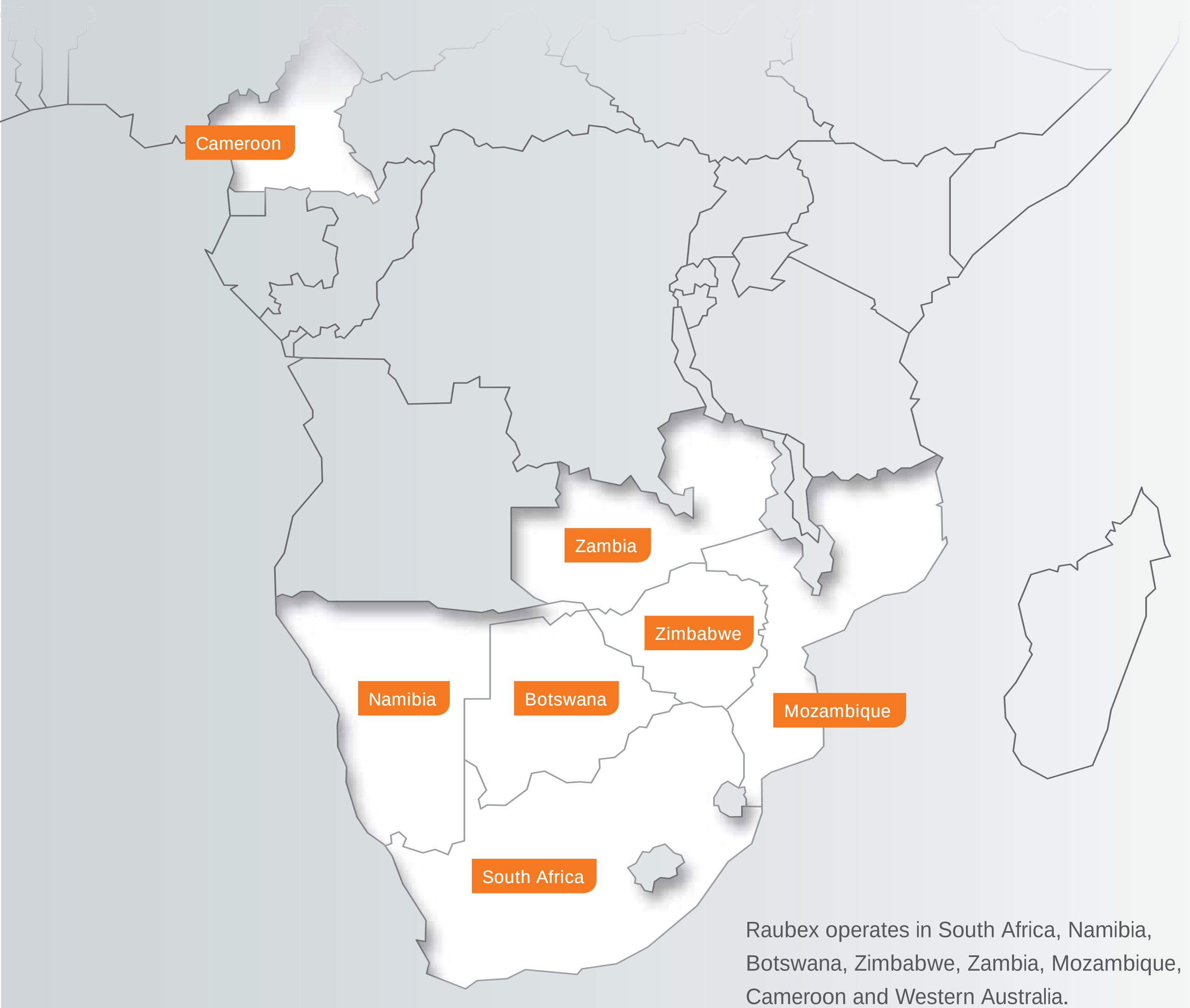
This division specialises in road construction and earthworks as well as road surfacing and rehabilitation which includes the manufacturing and laying of asphalt, chip and spray, surface dressing, enrichments, slurry seals and the manufacture and distribution of value added bituminous products throughout southern Africa.

Infrastructure Division

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

For more detail on each of these divisions, refer to pages 26 to 28 of this integrated report.

Footprint



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

Raubex business model

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

Inputs

Financial capital
- Debt
- Equity

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

Intellectual capital
- Intellectual property
- Organisational capital
- Intangibles

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

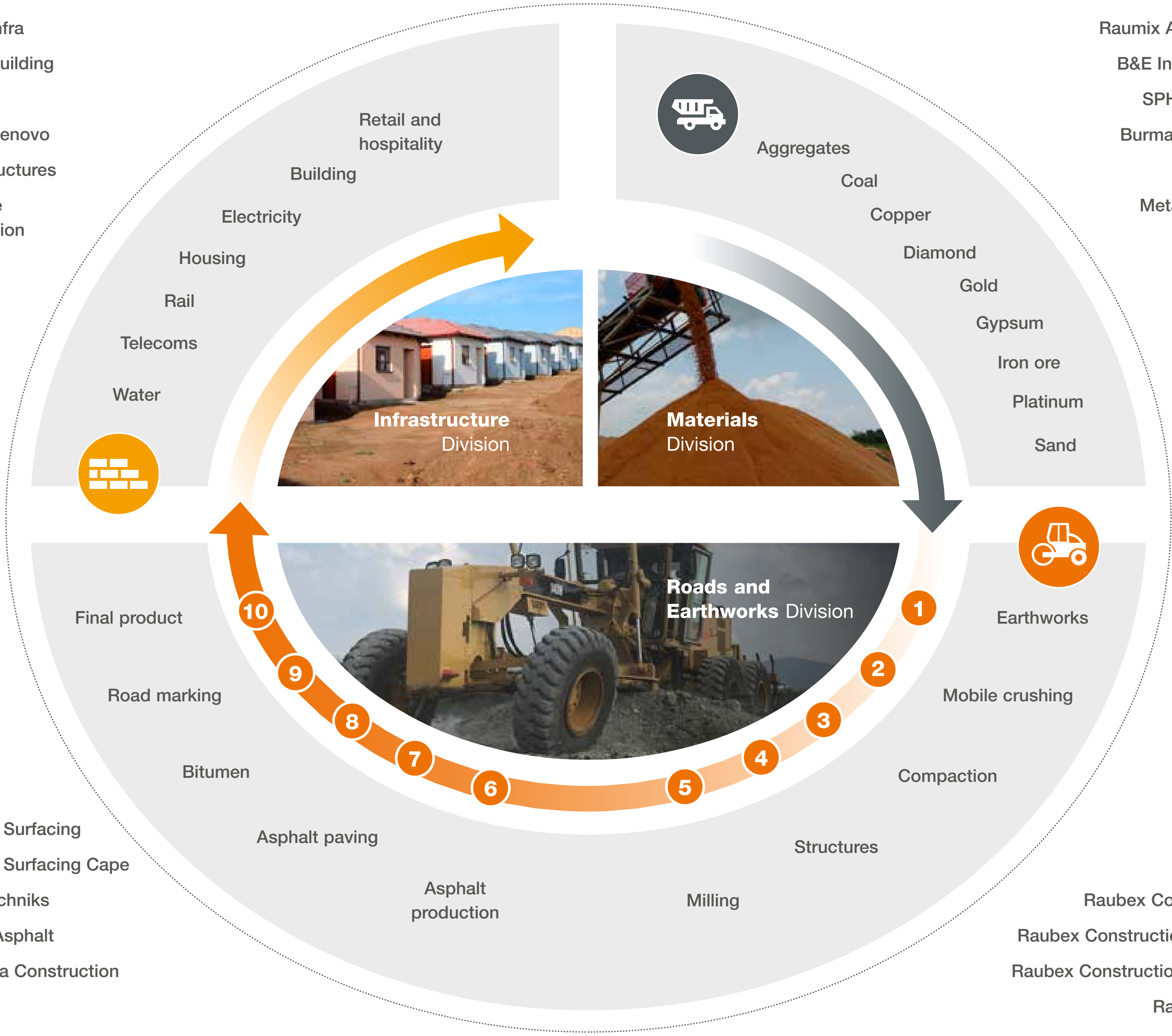
Social and relationship capital
- Shared norms, common values and behaviours
- Key relationships with stakeholders
- Social licence to operate

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

Business activities and processes

- Raubex Infra
- Raubex Building
- Raudev
- Raubex Renovo
- Empa Structures
- Westforce Construction

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



- Roadmac Surfacing
- Roadmac Surfacing Cape
- Milling Techniks
- National Asphalt
- Shisalanga Construction
- Tosas

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

Outputs

Financial capital
- Borrowings of R661,8 million
- Equity of R4,33 billion
- Gearing (debt/equity) of 15,3%

Manufactured capital
- Property, plant and equipment of R2,54 billion
- Capital expenditure of R420,9 million
- Proceeds on disposal of R60,1 million

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

Human capital
- Diversified board of directors
- Strong management team
- Diverse and professional workforce
- 7 321 employees
- Training and skills development
- Remuneration policy

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

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

External environment

Regulatory environment | **Economic environment** | **Technology** | **Environmental issues**

Strategic objectives

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

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

Objectives	Description	Focus for 2019	Progress during 2019	Focus for 2020
Drive to attain a more balanced portfolio of work in the construction and related services sector	Reduce the high level of exposure to a relatively small customer base, ie SANRAL and the South African provincial and municipal governments	▪ Execute the REIPPPP contracts efficiently and secure new work in this sector (the Minister of Energy signed the power purchase agreements on 4 April 2018 for which the group has secured work to the value of R678 million on two wind farm projects which are subject to financial close) ▪ Maintain relationships with mining clients and secure new opportunities to expand the customer base in this sector ▪ Execute the order book secured in the affordable housing and commercial building sector efficiently ▪ Accelerate roll out of Woodwind Estates based on high demand for housing in the area ▪ Secure further opportunities in the Lufhereng Integrated Urban Development project ▪ Assess strategic acquisition opportunities to strengthen the materials division and close pending transactions	▪ Awarded four contracts in the REIPPPP during the financial year for a combined value of R729,0 million, these projects have reached financial close and are included in the group's order book ▪ Maintained relationships with existing mining clients and secured new contracts in the coal sector ▪ Good progress was made in execution of the affordable housing and commercial building order book where R916,9 million (2018: R539,5 million) was completed ▪ Accelerated the roll out of Woodwind Estates with 78 units completed during the year and 76 units transferred to buyers ▪ Secured opportunities to complete 684 FLISP housing units in the Lufhereng Integrated Urban Development project ▪ Concluded four bolt on acquisitions during the year including Metadynamics (Pty) Ltd, Donkerhoek Quarry (Pty) Ltd, Transkei Quarries (Pty) Ltd and the business operations of Forte Demolition as further set out in note 7 of the annual financial statements	▪ Execute the secured REIPPPP contracts efficiently and secure new work in the impending bid windows of the programme ▪ Maintain relationships with existing mining clients and pursue opportunities to expand the customer base in this sector ▪ Expand the client base in the affordable housing and commercial building sector through strategic partnerships ▪ Continue with the roll out of Woodwind Estates and look for replacement opportunities to develop on completion ▪ Execute opportunities secured in the Lufhereng Integrated Urban Development project and deliver a quality product to the client ▪ Pursue strategic acquisitions that will diversify revenue streams while complementing the existing operating divisions ▪ Look to participate in PPP opportunities and become a strategic partner to execute construction works in PPP projects
Expand existing business models into new geographies	Expand strategy in new geographic markets/replicate current integrated business model outside of South Africa	▪ Resolve Zambia Link 8000 payment delays and either proceed with works or settle with the client ▪ Continue to pursue high margin opportunities in Africa within acceptable risk tolerance ▪ Form strategic partnerships to unlock opportunities in Africa ▪ Bed down the acquisition of Westforce Construction and pursue synergies that can be realised in Western Australia	▪ Work on the Zambia Link 8000 contracts remained suspended during the year due to non-payment ▪ Appointed as the preferred EPC contractor on the Beitbridge border post upgrade in Zimbabwe ▪ Maintained relationships with key clients in the retail and hospitality sector in West Africa, while progressing with works in Cameroon ▪ Bedded down the Westforce Construction acquisition and secured new premises in Perth to cater for future growth	▪ Maintain a presence in Zambia while pursuing the settlement of the Zambia Link 8000 debt and reducing exposure to these works until the funding impasse is resolved ▪ Continue to pursue high margin opportunities in Africa within acceptable risk tolerance ▪ Maintained relationships with key clients in the retail and hospitality sector in Africa ▪ Grow the business in Western Australia at measured pace, organically, through the acquisition of skills and unlocking synergies within the group
Build on existing competitive advantages	Continued business optimisation programmes and realisation of synergies between the different business units	▪ Order book replacement ▪ Focus on production monitoring and efficiencies at site level ▪ Execute the current order book efficiently and realise tendered margin ▪ Improve the infrastructure division margins ▪ Monitor the success of retention scheme in retaining key management	▪ Contracts were secured from concessionaires including N3TC, TRAC and Bakwena as well as from private clients in the REIPPPP and the affordable housing and commercial building sector, which awards offset the decrease in order book from SANRAL during the year ▪ Production monitoring has highlighted community unrest and disturbances across multiple sites as the main cause of inefficiencies in the execution of certain affected contracts ▪ While most contracts achieved margins within acceptable variances, a problem contract on the Moloto road resulted in a loss being reported on this contract for the year due to under-estimation of material costs at tender stage. Community unrest has also led to margin erosion on certain affected sites ▪ Margins in the infrastructure division improved from 1,2% to 4,4% due to discontinuing non-core business in the prior year, increased activity in the REIPPPP and the efficient execution of affordable housing contracts ▪ Implemented retention scheme for key management employees effective 1 March 2018 and retained all scheme participants during the year	▪ Pursue work from concessionaires and private customers while monitoring activity at SANRAL ▪ Focus on production monitoring and efficiencies at site level ▪ Execute the current order book efficiently and realise the low tendered margin in the current operating environment ▪ Maintain the infrastructure division margins ▪ Monitor the success of retention scheme in retaining key management
Transformation in terms of South Africa's B-BBEE objectives	Transformation and alignment to B-BBEE scorecards	▪ Maintain a minimum level 2 B-BBEE rating on the Construction Sector Codes ▪ Maintain the required black ownership level of the quarrying entities regulated by the Mining Charter ▪ Monitor any changes in legislation and ensure compliance ▪ Improve on employment equity score ▪ Monitor progress and report on compliance in terms of the VRP agreement with government ▪ Bed down the emerging contractor alliance and initiate development and mentorship initiatives to grow emerging contractor revenue in line with the VRP agreement targets	▪ Achieved a level 1 B-BBEE rating on the Construction Sector Codes ▪ Maintained the required 26% black ownership level at the quarry entities regulated by the Mining Charter ▪ Reviewed the new Mining Charter III requirements published on 27 September 2018 and implemented structures to comply with the new requirements ▪ The group's employment equity score improved from 7,67 points to 12,97 points under the Management Control section of the Construction Sector Codes ▪ Compliance with the VRP agreement was maintained and progress reports were submitted to the PICC in line with the VRP agreement ▪ A number of development and mentorship initiatives, including joint venture contracts, were executed during the year including the upgrade of sections of the N4 Bakwena Platinum Corridor	▪ Maintain level 1 B-BBEE rating on the Construction Sector Codes ▪ Maintain the required black ownership level of the quarrying entities regulated by the Mining Charter III ▪ Monitor any changes in legislation and ensure compliance ▪ Improve on employment equity score ▪ Monitor progress and report on compliance in terms of the VRP agreement with government ▪ Initiate development and mentorship initiatives to grow emerging contractor revenue in line with the VRP agreement targets ▪ Initiate a process to optimise the group B-BBEE ownership structure over the medium term in order to streamline compliance to varying sets of legislation including the Construction Sector Codes, the Mining Charter III and the requirements of SOEs including SANRAL's transformation policy

Five-year review

28 February		2019*	2018	2017	2016	2015
Profit performance						
Revenue	R'm	**8 519**	8 542	9 006	7 926	7 245
Operating profit	R'm	**207**	672	662	711	622
Depreciation	R'm	**377**	357	373	371	335
Profit before income tax	R'm	**181**	641	619	662	607
Earnings	R'm	**58**	424	372	445	400
Financial position						
Total assets	R'm	**7 266**	7 140	6 994	6 727	6 273
Total equity	R'm	**4 327**	4 198	3 950	3 833	3 533
Total liabilities	R'm	**2 939**	2 942	3 044	2 894	2 740
Total operating assets	R'm	**2 536**	2 410	2 364	2 336	2 172
Cash flow information						
Cash from operating activities	R'm	**789**	1 040	1 224	1 050	785
Capital expenditure	R'm	**421**	441	441	550	511
Free cash flow	R'm	**264**	517	665	359	126
Cash and cash equivalent	R'm	**963**	1 084	1 104	970	937
Ratio and statistics						
Operating profit margin	%	**2,4**	7,9	7,3	9,0	8,6
EPS	cents	**31,9**	233,5	203,7	236,9	213,4
Diluted EPS	cents	**31,8**	233,5	202,2	234,3	209,9
HEPS	cents	**57,0**	228,6	201,7	234,4	209,1
Total dividend per share	cents	**34,0**	78,0	90,0	78,0	71,0
Net asset value per share	cents	**2 380,7**	2 309,7	2 173,2	1 970,7	1 886,2
ROCE	%	**3,8**	12,2	12,2	13,3	12,3
ROE	%	**2,7**	10,8	10,4	12,2	12,1
Current ratio	times	**1,7**	1,7	1,8	1,8	1,9
Gearing (debt:equity)	%	**15,3**	18,5	24,1	28,5	31,1
Head count		**7 321**	8 271	9 871	10 516	9 598
JSE statistics						
Market value per share						
– At year-end	cents	**1 860**	2 272	2 451	1 600	2 071
– Highest (year to 28 February)	cents	**2 373**	2 640	2 643	2 399	2 660
– Lowest (year to 28 February)	cents	**1 680**	1 735	1 670	1 267	1 822
Closing PE ratio	times	**32,6**	10,6	9,5	7	10
Market capitalisation – close	R'm	**3 381**	4 129	4 455	3 028	3 880
Volume traded (year to 28 February)	'000	**72 313**	74 644	59 819	69 822	49 584
Weighted number of shares	'000	**181 680**	181 381	182 668	187 961	187 330
Issued shares at 28 February	'000	**181 750**	181 750	181 750	189 250	187 330

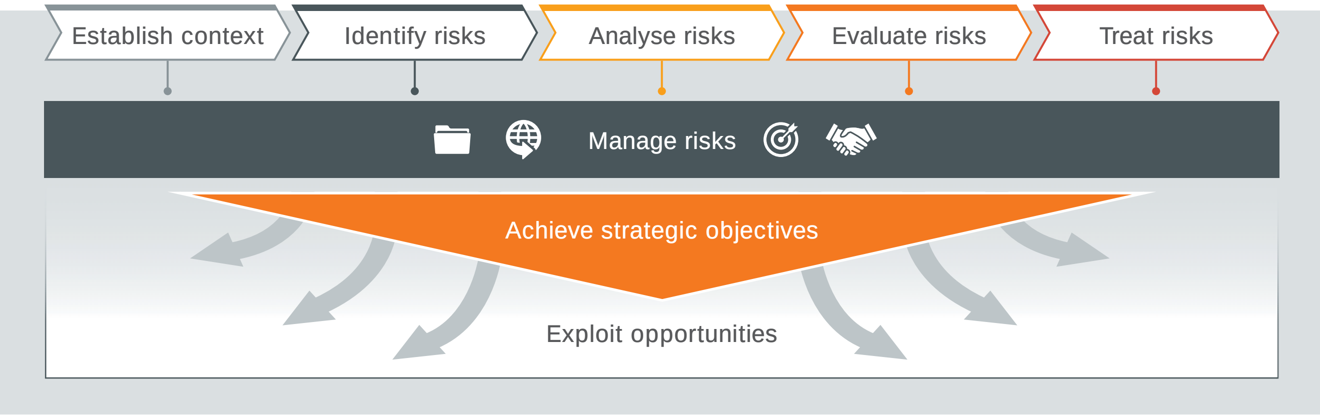
* *Performance indicators for 2019 include the accounts receivable present value charge and work in progress adjustment on the Zambia Link 8000 contract accounts receivable balance due (R116,7 million before tax) and the goodwill impairment charge on the asphalt cash-generating unit (R51,5 million before tax).*

Material risks and opportunities

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

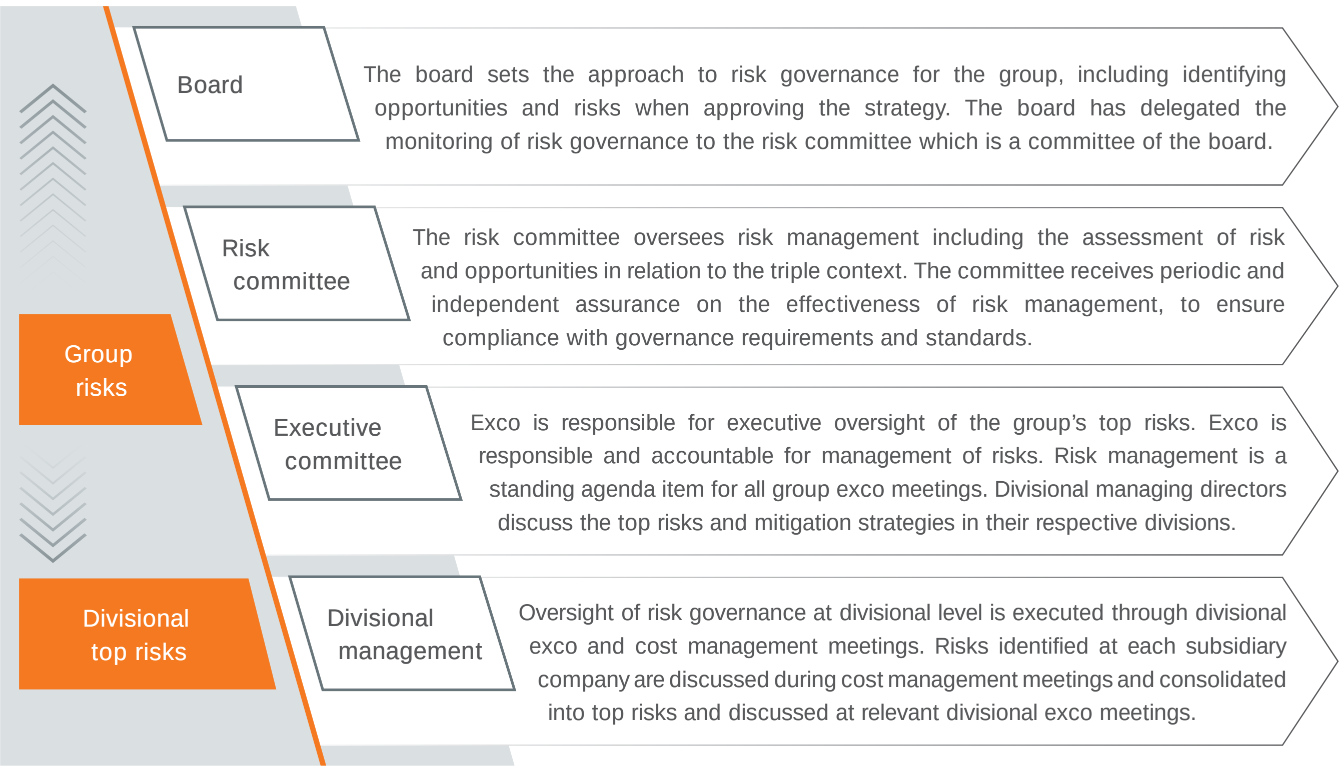
Risk management approach

Risk management is an ongoing process and the Raubex management team has assessed all the material issues and potential risks which could influence or impact key drivers in managing the group.



Risk governance

The board's approach to risk governance supports the company's strategic objectives. The risk committee oversees risk management on behalf of the board, through regular reporting by exco and divisional management on strategic risks and related mitigating controls. The risk committee continually assesses the risk management structure to ensure clear roles of identifying, analysing, evaluating, treating, managing and reporting of risks are defined. The risk committee's responsibilities are set out in the governance report on page 38 of this integrated report.



Material risks and opportunities continued

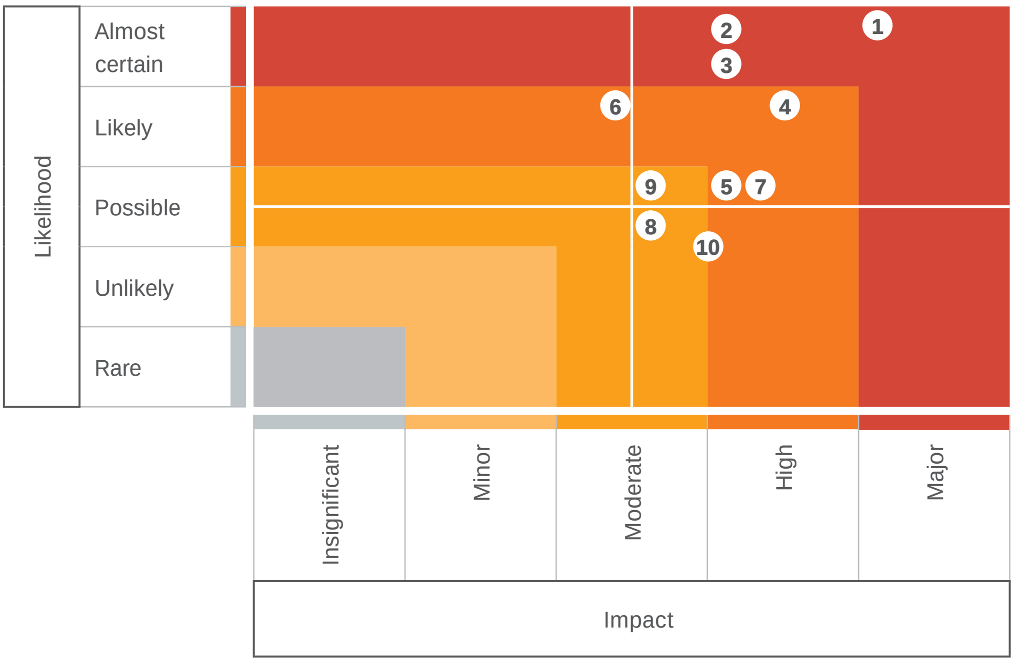
Top risks mitigation

The group's top risks are identified by exco together with the required strategies to mitigate chances of occurrence and to reduce the impact should they occur.

The group's top 10 risks include:

1	Challenging market conditions – lower public sector spend
2	Local labour and community unrest causing work stoppages
3	Competitive conditions leading to low margins
4	Tender award corruption
5	Credit risk
6	Bitumen supply
7	Loss of critical skills (new risk)
8	Volatility in commodity prices
9	Changes in B-BBEE legislation
10	Delay in roll out of future REIPPPP

Residual risk ratings



The diagram above is the heat map depicting the top residual risks at group level. Some of the risks are cross cutting through various divisions of the group. The residual risk rating has been assessed after consideration of the key controls mitigating the risk. Some of the current high risks are attributed to external dynamics which are beyond management's control.

Due to the improvement in risk assessment and rating, the following key risks are no longer included in the top risks but are continually monitored at an operational level:

- customer base;
- forex exposure; and
- industrial action.

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

Detailed risk register

Risk description	Level of risk	Mitigation of risk
1 Challenging market conditions – lower public sector spend		
Weak market conditions in the South African industry, particularly in the road construction sector, where the lack of SANRAL spend is impacting the road construction operations which includes the supply of asphalt and bitumen to the market	Major	▪ Continue engaging with SANRAL and government as they are our key stakeholders ▪ Explore other opportunities in order to grow customer base
2 Local labour and community unrest causing work stoppages		
Raubex operates in remote locations where projects are subject to the risk of local social unrest which leads to unsafe working conditions for employees, project delays, lower production and damage to equipment There has been an increase in the number of instances of work stoppages and standing time as a result of disruptions caused by communities and local labour	High	▪ The group continually engages with local labour and communities through project consultants and community liaison officers ▪ Communities are engaged before site establishment to manage expectations relating to the works and contract participation goals ▪ Engage with professional bodies, government and police in addressing the unrests
3 Competitive conditions leading to low margins		
Excess capacity in the industry and slow roll out of infrastructure projects have resulted in the competitive conditions currently being experienced. Tender margins are down to levels that are insufficient to compensate for risk on a sustainable basis	High	▪ Contract pricing is closely reviewed by experienced senior management before tenders are submitted ▪ The group focuses more on tenders where synergies can be realised through its vertically integrated business model in order to enhance the group margin ▪ Effective project execution and close out
4 Tender award corruption		
Lack of transparency in award of provincial and municipal tenders effectively excludes the group from sources of revenue it would otherwise participate in	High	▪ The group is committed to the highest standards of ethical behaviour in its business conduct and has adopted a fraud and corruption policy ▪ Key controls over the group's tendering processes are in place including the approved authorisations ▪ It is the group's policy to take a firm stance against tender award irregularities and to challenge the award of tenders through formal legal processes where awards are not consistent with pricing, technical ability and other scorecard criteria
5 Credit risk		
Challenging conditions continue to be experienced in the South African market with an increasing number of customers showing signs of financial distress as a result of lack of work, which results in non-payment or payment delays These conditions result in higher levels of credit risk that the group is exposed to in its customer base	Moderate	▪ Credit risk management processes are in place ▪ Strict credit approval and review procedures as well as a "stop supply" policy are in place in order to manage the risk to an acceptable level

Material risks and opportunities continued

Risk description	Level of risk	Mitigation of risk
6 Bitumen supply		
The group has concerns around the ability of South African oil refineries to ensure an adequate and efficient supply of bitumen to the local market in light of the country's ageing coastal refineries which are prone to unplanned maintenance shut downs	Moderate	▪ The group owns bitumen storage facilities which are sufficient to ensure approximately six weeks' supply to its operations ▪ These storage facilities and contingency plans are also sufficient to offload and hold a ship load of imported bitumen, which makes importation a viable option provided the refineries give sufficient notice of supply issues to allow for delivery lead time on imported bitumen
7 Loss of critical skills (new risk)		
Loss of critical skilled personnel due to intimidation, threats during community unrests and lack of work due to economic uncertainty and disruptions	Moderate	▪ Perform risk assessments to ascertain the safety of our personnel ▪ Continuously engage with community leaders ▪ Engage with key personnel
8 Volatility in commodity prices		
The volatility in commodity prices has an impact on production volumes of mines The group's materials handling operations are particularly exposed to the cycles of coal, copper, diamond, gold, iron ore and platinum commodities	Moderate	▪ The group follows due diligence procedures before contracts are entered into and evaluates both price risk and client risk relating to the commodity before committing resources to contracts ▪ Capital employed is spread across various commodities to mitigate risks related to specific commodities
9 Changes in B-BBEE legislation		
Changes in the B-BBEE legislation and government's procurement regulations	Moderate	▪ The group has achieved a level 1 B-BBEE score which enables it to remain competitive amongst its peers when tendering for work ▪ Employee and community development trusts have been established to comply with the black ownership requirements of the Mining Charter which is required to retain the group's mining licences at its commercial quarries ▪ The group proactively monitors changes to B-BBEE legislation to enable it to timeously implement compliance plans to remain competitive and achieve its transformation goals ▪ In terms of the VRP agreement reached with government, Raubex has elected to form alliances with two emerging contractors and to develop and mentor them over a period of seven years. These alliances should facilitate compliance with the new regulations through the formation of black empowered joint ventures

Risk description	Level of risk	Mitigation of risk
10 Delay in roll out of future REIPPPP		
Time delays in award of renewable power projects in future bid windows will result in excess capacity in this discipline until work can be executed	Moderate	▪ With the signing of the power purchase agreements on 4 April 2018 by the Minister of Energy, this risk has been substantially mitigated and a number of contracts have been negotiated and secured. Work has commenced on these projects during the second half of the 2019 financial year ▪ We continue engaging with key stakeholders regarding bid window round 5 and manage our capacity accordingly to allow effective execution of the projects when they are awarded

Emerging risks

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

Risk description	Level of risk	Mitigation of risk
1 Growth and expansion into new markets		
The group is exploring growth and expansion into new markets particularly in the higher-growth economies in Africa and Western Australia Entry into these territories increases the group's risk due to the additional investment required and the risk associated with operating in new markets and within their regulatory compliance frameworks	Moderate	▪ Extensive research and due diligence is conducted in understanding the market, local culture and specific risks and compliance requirements ▪ Experienced teams and project managers are deployed in new markets to monitor performance on a contract-by-contract basis ▪ Policies and approval procedures are in place to regulate entry into new markets
2 Legislative and regulatory compliance		
Risk of non-compliance to legislation and regulations relating to corporate governance, health, safety, environment, labour and contract specific requirements	Moderate	▪ The group has adopted a compliance management policy which incorporates a regulatory universe and considers the inherent risk associated with compliance requirements in respect of relevant and applicable acts and legislation
3 Cyber-attack including data fraud or theft		
The risk of cyber-attack by cybercriminals is on the increase. Identity theft, where individual or company information is illegally obtained by the criminals to obtain credit or other forms of financial gain	Moderate	▪ An IT policy is in place which is updated annually and includes password protocols ▪ IT risk assessment and vulnerability tests are conducted on a continuous basis ▪ IT systems and data are secured by firewalls ▪ Cyber-attacks are reported to relevant authorities

Material risks and opportunities continued

Insurance

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

Fraud hotline

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

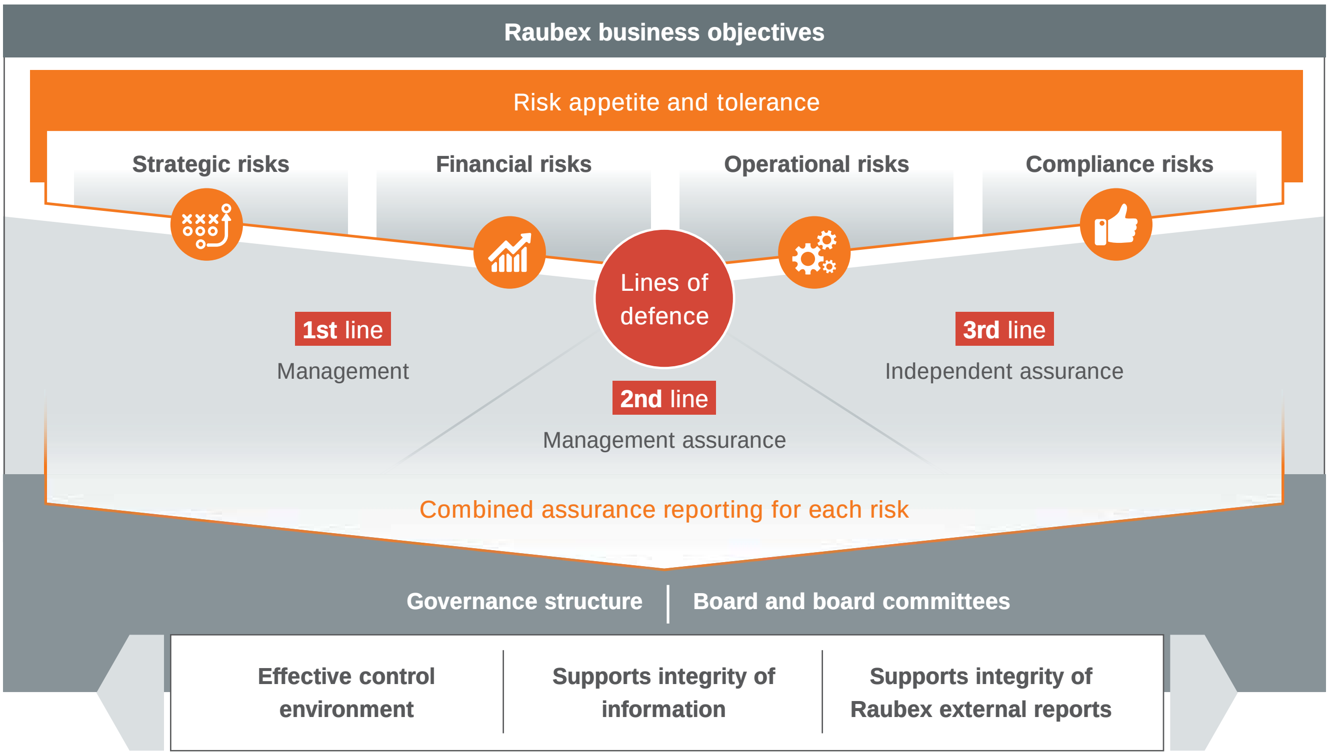
The contact details of the Raubex group fraud line are set out below:

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

Combined assurance approach

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

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



The audit committee has delegated the facilitation of the process to the executive director responsible for governance, risk and compliance.

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

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

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

1st line	**2nd** line	**3rd** line
Management, as the first line of defence, provides assurance on all areas within the span of control. Management oversight includes strategy implementation, performance measurement, risk management, internal control and other control and governance processes, including control self-assessment and continuous monitoring mechanisms and systems. Management is also responsible for implementing corrective actions to address process and control deficiencies.	Management has established various risk management and compliance functions to help build and/or monitor the first line of defence controls. Legal, risk management, compliance, health and safety, and quality assurance are included in the second line of defence.	Independent and objective assurance of the overall adequacy and effectiveness of risk management, governance, and internal control within the group as established by the first and second lines of defence. This is predominately the role of the audit committee, supported by internal audit, external audit and other independent external assurance providers.

Opportunities

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

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

Infrastructure opportunities throughout the rest of Africa and abroad

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

Water security

The SA government has developed strategies and plans on improving infrastructure across South Africa. The Presidential Infrastructure Coordinating Commission ("PICC") is tasked with monitoring the identified strategic integrated projects ("SIPs"), not only to support economic development, but also address service delivery across the country.

Skills development

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

SANRAL

SANRAL remains a key stakeholder to the group. We have seen a decline over the past few years in SANRAL's order book with the financial year ending February 2019 being the lowest, with no new tenders being forthcoming. Notwithstanding these challenging conditions faced by the South African construction industry, Raubex remains confident and well positioned to participate in any future opportunities in this

Material risks and opportunities continued

sector should conditions improve. SANRAL is set to release projects to improve road infrastructure and create jobs in the near term. Looking ahead, SANRAL intends for the R3,5 billion budget allocation from the government stimulus package to unlock a further R13,1 billion investment for road infrastructure.

Growth in the affordable housing market

The infrastructure division within Raubex continues to experience favourable conditions in the affordable residential housing market, including multi-storey RDPs and commercial construction which include hospitals, prisons and Urban Regeneration Projects. The group's residential development "Woodwind Estates" in Midrand saw strong demand for completed units and further phases are being rolled out. Raubex is also well positioned to participate in building and civil infrastructure opportunities created by the Lufhereng Integrated Urban Development project to the west of Soweto. Opportunities were secured in completing FLISP housing units in the Lufhereng project. The group continues to accelerate the roll out of Woodwind Estates and secure opportunities in the Lufhereng Integrated Urban Development project.

Prospects for materials handling services to the mining sector

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

Eskom REIPPPP

The group's infrastructure division has successfully executed work on round 3 and 4 bid window projects and has established a solid reputation in the market. Raubex is a preferred sub-contractor to many clients due to quality of work and on-time delivery of projects. The infrastructure division continues to negotiate and finalise contracts, four of which have now been secured to the total value of R729 million.

South African government national development plan

The South African government has an infrastructure plan that is intended to transform the economic landscape of South Africa, create a significant number of new jobs, strengthen the delivery of basic services to the people of South Africa and support the integration of African economies. This multi-billion rand plan lists 17 strategic integrated projects ("SIPs") which include energy, transport and logistics infrastructure. These projects cover all the key infrastructure platforms of rail, road, port, dams, irrigation systems, sanitation, new energy generation plants, transmission lines, distribution of electricity to households, communication and broadband infrastructure, social infrastructure in the form of hospitals, schools and universities. We welcome government's commitment and announcement that, while its infrastructure spending has slowed, the state will contribute R100 billion into a fund over 10 years. The plan is to use this to get financing from both private and state-owned entities to reboot the economy. The group is well positioned to share in the execution of various projects within this infrastructure development plan.

Commitment to transformation

The group is committed to transformation and the development of its employees. Our transformation agenda supports government's initiatives which seek to address the inequalities of the past and make the South African economy more inclusive of historically disadvantaged South Africans. To ensure sustainability, we strive to continue making progress in improving our B-BBEE credentials as measured by the B-BBEE Scorecard set out on page 59 of this integrated report. The group was awarded the 2018 most empowered construction company by Empowerdex in terms of the Amended Codes of Good Practice on B-BBEE. Raubex is the 2018 category winner of both the Amended Codes-Overall and the Sector Codes-Amended.

Acquisitive growth in the materials division

Opportunities to grow the materials division's commercial quarry activities are ongoing, by establishing new greenfield sites and by seeking strategically positioned and established quarries. The construction materials market is also a focus area for future expansion and an area which the group will look to strengthen in order to achieve a more diversified revenue stream. The group concluded four bolt on acquisitions during the year.

Geographical expansion of the group

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

2 Performance and outlook

Chairman's report

"Having spent more than 36 years in construction, it is disconcerting to see our local construction industry in its current state. I am, however, hopeful that our new political leadership will be able to implement the reforms necessary to restore economic stability in the country and position South Africa for future economic growth."

Freddie Kenney
Chairman

After taking over the position of chairman on 8 September 2017 from my predecessor Koos Raubenheimer, I am pleased to present to you my second chairman's report.

The year in review

In a year marked by extremely difficult economic and political conditions, the group has reported weak results overall in what has been a very challenging year in the South African construction industry.

Despite the successful diversification of the group from the road construction sector with the materials division being the main contributor to group operating profit, the group is still heavily reliant on public sector infrastructure spend which was significantly reduced during the year under review, particularly in the road construction sector.

The infrastructure division, which focuses on disciplines outside of the road construction sector, reported good growth for the year, off a low base, and has exciting prospects in the affordable housing space, including also participation in the REIPPPP, where a solid order book of work has now been secured.

The group has also made good progress during the year with its international expansion strategy both in Africa and abroad.

Our entry into the Western Australian construction market during the previous financial year was a positive development and the acquisition of Westforce Construction has now been bedded down. This market is a lot more buoyant than the South African market at present and is being driven by activity in the mining sector.

Despite the difficult operating conditions and weak overall results which were further impacted by a present value charge and work in progress adjustment with respect to accounts receivable in Zambia as well as a goodwill impairment attributable to the asphalt cash-generating unit, cash generation has been positive. This has allowed the group to declare a consistent dividend of three times earnings cover for the year, a ratio that has been maintained since listing on the JSE in March 2007.

Board composition and governance

Raubex has a strong, stable and independent board which is well balanced and has the collective knowledge and expertise to make a meaningful contribution to the group's affairs.

Raubex supports the principles and aims of appropriate race and gender diversity at board level. The board has a race and gender diversity policy which is detailed in the governance report on page 36.

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

Changes to the board

There were no changes to the board or functions of directors during the year under review.

Board committees

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

The remuneration and nomination committee has overseen the implementation of the group's remuneration policy during the year. The company's remuneration policy has been aligned to King IV to outline the group's approach to fair, responsible and transparent remuneration practices across the group. In terms of the King IV requirement, the revised remuneration policy was tabled and approved by shareholders at the company's annual general meeting held on 27 July 2018.

King IV

The company has adopted and is now fully compliant with all of the principles of King IV. Enhancements to further improve delivery of the desired governance outcomes are an ongoing process.

Transformation and empowerment

The board and management are aware of the need for transformation in the construction sector and are supportive of this process. There is still a lot of work that needs to be done to increase employment equity at senior management level and initiatives, including mentorship, training and bursaries are being undertaken. Progress in transformation and empowerment is evidenced by the group achieving level 1 in terms of the Construction Sector Codes.

Raubex and the other JSE-listed construction companies signed the settlement agreement commonly known as the Voluntary Rebuilding Programme ("VRP") with the South African government on 11 October 2016.

In terms of the VRP, Raubex undertook to mentor two emerging black companies, Enza Construction and Umso Construction, in order to grow their respective combined turnover to more than 25% of the listed entity's South African construction turnover within seven years. The VRP is a true example of transformation in our country; however, a significant increase in public sector infrastructure spend will be required in order to achieve the ultimate objectives of the VRP, which is to develop the selected companies from emerging black contractors into large established black contractors.

Appreciation

I would like to thank Rudolf Fourie and his executive team who continued to lead the group with focus and distinction during this difficult year as well as my fellow non-executive directors for their active participation in board and committee meetings, and for providing valuable insight and oversight.

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

I would like to sincerely thank all our employees for their hard work and commitment during the year, your ongoing efforts are appreciated and will enable Raubex to grow from strength to strength as a leading player in the South African construction industry.

Freddie Kenney
Chairman

Chief executive officer's report

“The 2019 financial year has without doubt been the most difficult I have experienced in my 30 years in the South African road construction industry. The lack of work, coupled with violent community unrest affecting a number of sites, has caused very unfavourable operating conditions in the South African market. These adverse conditions have unfortunately resulted in Raubex having to rightsize a number of its operations in order to adapt to the current market conditions.

Rudolf Fourie
Chief executive officer

“Fortunately, the group's diversification strategy which it embarked on some six years ago, to establish an infrastructure division focused on disciplines outside of the road construction sector, has now come to fruition. Good progress has been made in the affordable housing space where conditions are more favourable, including also participation in the REIPPPP, where a solid order book of work has now been secured.

“Stable results from the materials division, where activities are focused on materials handling and screening services provided to the mining industry, as well as commercial quarry operations throughout southern Africa, have supported the group's earnings for the year and will continue to differentiate the group from the overall construction sector.”

Financial overview

Revenue decreased by 0,3% to R8,52 billion while operating profit decreased by 69,2% to R207,0 million from the corresponding prior year.

Profit before tax decreased by 71,8% to R180,7 million (2018: R640,6 million), with the effective tax rate increasing to 35,3% (2018: 29,3%). The increase in the tax rate is mainly due to the effect of the non-tax deductible goodwill impairment charge attributable to the asphalt cash-generating unit.

Earnings per share decreased by 86,3% to 31,9 cents with headline earnings per share decreasing by 75,1% to 57,0 cents.

The following two items had a material impact on the results for the year:

(1) A present value charge and work in progress adjustment with respect to the long overdue accounts receivable balance due from the Road Development Agency ("RDA") in Zambia for a combined value of R116,7 million before tax (R75,9 million after tax). This charge effectively provides for the full accounts receivable balance due from the RDA as at 28 February 2019. The company will, however, aggressively pursue the outstanding accounts receivable from the RDA, although timing of the recovery of this debt is uncertain. The outstanding debt relates to the two Link 8000 road contracts in Zambia which have been suspended, pending resolution of the current funding impasse.

(2) A goodwill impairment charge of R51,5 million before tax (R51,5 million after tax), attributable to the asphalt cash-generating unit in the road surfacing and rehabilitation division, which is primarily dependent on the South African road construction sector. The asphalt cash-generating unit has experienced a significant decrease in earnings during the year due to the lower volume of asphalt supplied to the road construction sector and has undertaken rightsizing initiatives to reduce excess capacity. The lower asphalt volumes are primarily as a result of less road maintenance work undertaken by the South African public sector during the year. The goodwill impaired amounts to 40% of the total goodwill attributable to the asphalt cash-generating unit.

If the present value charge and work in progress adjustment with respect to the accounts receivable balance due from the RDA in Zambia and the goodwill impairment charge attributable to the asphalt cash-generating unit were to be excluded from the results, then earnings per share would have decreased by 56,3% to 102,0 cents and headline earnings per share would have decreased by 56,8% to 98,8 cents.

Group operating profit margin decreased to 2,4% (2018: 7,9%), while excluding the two items above, operating profit margin decreased to 4,4% (2018: 7,9%).

Cash generated from operations decreased by 24,1% to R788,9 million (2018: R1,04 billion) before finance charges and taxation.

Net finance costs decreased to R25,3 million (2018: R31,8 million) due to an increase in the average net cash balances during the year as a result of decreasing borrowings. Total non-cash finance costs were R16,1 million (2018: R16,3 million) for the year.

The group has maintained a strong balance sheet during the year, with particular focus on working capital management.

Trade and other receivables decreased by 4,4% to R1,50 billion (2018: R1,57 billion).

Inventories increased by 15,1% to R765,7 million (2018: R665,2 million), which was mainly due to an increase in property development stock previously accounted for under investments in associates. Due to a change in control, property development stock of R111,6 million has now been consolidated into the group results and is included under inventories.

Contract assets increased by 4,6% to R294,0 million (2018: R280,9 million).

Trade and other payables, including contract liabilities, increased by 10,6% to R1,69 billion (2018: R1,53 billion). Capital expenditure on property, plant and equipment decreased to R420,9 million (2018: R441,3 million).

Net capital expenditure increased by 4,5% to R360,7 million (2018: R345,3 million), due to less asset disposals compared to the prior year. The capital expenditure for the year includes R44,1 million for the purchase of new office premises and workshops in Perth, Western Australia, which will position the group to deliver on its organic growth strategy in the country.

Borrowings decreased by 14,8% to R661,7 million (2018: R776,6 million) and consist mainly of instalment sale agreements over plant and equipment, which are repayable in monthly instalments.

The group had a net cash outflow for the year of R133,8 million, with R115,4 million relating to the acquisition of subsidiaries settled in cash. Total cash and cash equivalents at the end of the year amounted to R962,6 million (2018: R1,08 billion).

Operational overview

Materials Division

The materials division comprises three main disciplines including (i) commercial quarries, (ii) contract crushing and (iii) materials handling and processing services for the mining industry.

The materials division diversifies the group from the construction industry and was the main contributor to group operating profit during the year, mitigating the losses reported in the roads and earthworks division.

Stable conditions have been experienced in the mining services sector where operations have been predominantly focused on the commodities of diamonds, gold, coal, copper, platinum and iron ore during the year. Certain diamond mining contracts reached completion towards the end of the financial year, this work was mainly replaced with work in the coal sector. A total of 233 employees were retrenched by the division due to end of life and changes in scope of certain mining contracts, with retrenchment costs of R17,1 million being incurred.

Chief executive officer’s report continued

Commercial quarry operations have experienced an overall increase in volumes of ~12% off a low base from the prior year with site specific pockets of improvement. However, community unrest at certain sites and Eskom load shedding have had a negative impact on operations.

Roads and Earthworks Division

In order to streamline reporting, the road surfacing and rehabilitation division and the road construction and earthworks division have been combined into one reportable segment, the roads and earthworks division. This division specialises in road construction and earthworks as well as road surfacing and rehabilitation which includes the manufacturing and laying of asphalt, chip and spray, surface dressing, enrichments, slurry seals and the manufacture and distribution of value added bituminous products throughout southern Africa.

The division is primarily dependent on the South African road construction sector and is directly and indirectly, through asphalt and bitumen supply, exposed to government expenditure on road construction and maintenance in the country. During the period under review there was a significant reduction in the volume of road construction and maintenance work from the public sector. Road construction and maintenance teams were able to partially replace their order book with work on roads operated by concessionaires. However, the subsidiaries which supply asphalt and bitumen to Raubex contracts as well as the external market, experienced a significant decrease in earnings due to lower volumes supplied. The volume of asphalt sold decreased by ~30% from the prior year.

Due to the lower volume of work, the division embarked on rightsizing initiatives during the year to reduce excess capacity. The division has, however, retained some excess capacity in anticipation of an increase in public sector spend and will review its position and market conditions in the year ahead. The rightsizing initiatives have resulted in 443 employees being retrenched in the division with once-off retrenchment costs of R24,8 million incurred.

In addition to the lack of infrastructure spend in the road construction sector, the results for the year were also adversely affected by violent community unrest in certain areas which impacted production efficiencies.

The results for this division also include a present value charge and work in progress adjustment with respect to the accounts receivable balance due from the RDA in Zambia for an amount of R116,7 million and a goodwill impairment charge attributable to the asphalt cash-generating unit for an amount of R51,5 million. Operationally, an onerous contract was completed on the Moloto road, this contract reported an operating loss of R36,3 million for the year.

Infrastructure Division

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

The division has experienced favourable conditions during the year and has continued to expand its affordable housing and commercial building operations.

Excess capacity was absorbed in the second half of the year due to the commencement of work in the Renewable Energy Independent Power Producer Procurement Programme (“REIPPPP”). The division is well positioned to benefit from the roll-out of the REIPPPP in which a number of contracts are still being negotiated, four of which have been secured to the total value of R729,0 million.

Outside of South Africa, work in Cameroon has progressed well and a conservative approach to revenue recognition has been adopted. The acquisition of Westforce Construction in Western Australia, which was effective 1 January 2018, has now reported its first 12 month set of results post-acquisition and has contributed to the growth reported in this division.

The division undertook limited rightsizing of its operations during the year in anticipation of future work, which resulted in 48 employees being retrenched and once-off retrenchment costs of R1,4 million incurred.

International

The group’s international operations consist of materials supply and mining services as well as construction activities which are located in the African jurisdictions of Botswana, Cameroon, Namibia, Zambia and Zimbabwe. The group has also established a footprint in Western Australia, through the acquisition of Westforce Construction.

In Western Australia, the Westforce acquisition has been bedded down and supported international growth while diversifying the group’s revenue streams. The financial results reported are in line with management expectations for the year.

In Namibia, the materials division has serviced diamond and copper mining operations where results have been stable during the year, while in Botswana, commercial quarry operations have continued to perform well. Certain diamond mining contracts reached completion towards the end of the year, which work was largely replaced with work in the coal sector in South Africa.

In Cameroon, good progress has been made with the construction of a hotel for the Onomo Hotel group which is estimated to be completed in June 2019, while progress on the Douala Grand Mall development has now reached ~50% completion.

As previously stated, the international results have been negatively affected by a present value charge and work in progress adjustment with respect to the long overdue accounts receivable balance due from the RDA in Zambia for a combined value of R116,7 million before tax. This charge effectively provides for the full accounts receivable balance due from the RDA as at 28 February 2019. The outstanding debt relates to the two Link 8000 road contracts in Zambia which have been suspended, pending resolution of the current funding impasse.

Prospects

The group's secured order book, which now excludes the Zambia Link 8000 contracts, decreased 2,2% to R8,01 billion (2018: R8,19 billion, of which R835,8 million related to the two Link 8000 contracts in Zambia). Of the total order book, 14,1% represents contracts outside of South Africa in the rest of Africa and Western Australia.

Overall conditions in the South African construction sector are expected to remain challenging and the short-term outlook is uncertain. The sector is still severely under pressure from the slow roll-out of general infrastructure spend in the country. In order to mitigate the uncertain local conditions the group is looking to the rest of Africa for growth and some large project opportunities are being negotiated in southern African jurisdictions, including the Beitbridge border post upgrade in Zimbabwe.

In the road construction and maintenance sector, prospects remain uncertain. SANRAL has received a healthy budget allocation from treasury over the 2019/20 period as well as over the medium-term framework and are expected to bring some large capital projects to the market. These budget allocations could, however, be at risk if the Gauteng Freeway Improvement Project ("GFIP") toll collection shortfall is not resolved. If SANRAL work does return to more normalised levels, there should be a significant improvement in the group's road construction and maintenance operations.

The Minister of Energy established policy certainty with regards to the country's renewable energy programme on 4 April 2018 by signing the power purchase agreements for 27 REIPPPP projects. The group is well positioned to benefit from the roll-out of this work and has now secured four projects to the value of R729,0 million. A number of other projects are in the process of being negotiated which will further support the prospects of the infrastructure division over the medium term.

The prospects for the group's operations in the affordable housing sector are encouraging, with good growth anticipated over the medium term through the acceleration of the roll-out of Woodwind Estates in Centurion and participation in the Lufhereng Integrated Housing Development in Soweto. Other longer-term opportunities are also being pursued.

The construction market in Western Australia is buoyant, driven by activity in the mining sector. The group will continue to explore this market and look to grow its business organically at a measured pace leveraging off the skills within the group.

Notwithstanding the challenging conditions being faced by the South African construction industry, the group is expecting an improvement in its performance in the period ahead, where it is anticipated that earnings will continue to be supported by a stable materials division and a growing infrastructure division. The rightsizing initiatives undertaken during the year by the roads and earthworks division have better positioned the group to manage the challenges in the current market, while maintaining sufficient flexibility to participate in any potential increase in activity in the South African construction sector, driven by the newly elected government, in the period ahead.

Acknowledgements

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

Rudolf Fourie
Chief executive officer

Divisional reviews

Materials Division

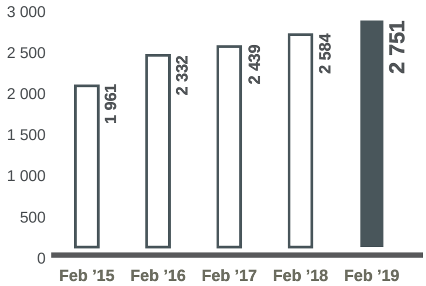
The materials division comprises three main disciplines including:

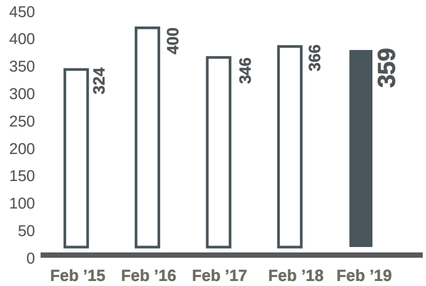
- commercial quarries;
- contract crushing; and
- materials handling and processing services for the mining industry.

Divisional Managing Director: Materials Division

Izak van Niekerk (41) BSc Eng, Hons BCom, MBA

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





■ *Materials*

- Revenue for the division increased by 6,5% to R2,75 billion (2018: R2,58 billion) while operating profit decreased by 2,2% to R358,5 million (2018: R366,4 million).
- The divisional operating profit margin decreased to 13,0% (2018: 14,2%).
- The division incurred capital expenditure of R260,6 million during the year (2018: R225,8 million).
- The division has a secured order book of R1,93 billion (2018: R1,87 billion).

Roads and Earthworks Division

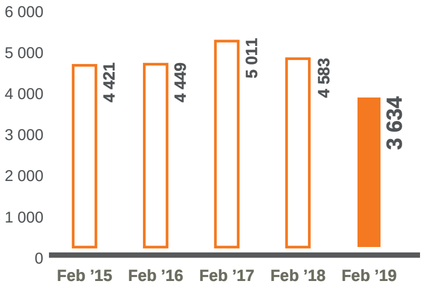
This division specialises in road construction and earthworks as well as road surfacing and rehabilitation which includes the manufacturing and laying of asphalt, chip and spray, surface dressing, enrichments, slurry seals and the manufacture and distribution of value added bituminous products throughout southern Africa.

Divisional Managing Director: Roads and Earthworks Division

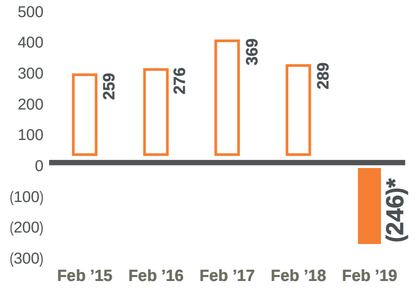
Louis Raubenheimer (53) BEng (Civil) UP – 1991

Louis joined Raubex as a junior engineer in January 1992. He has been with Raubex for 27 years. As an eight year-old, he witnessed the founding of Raubex by his father. He has been part of the rise from a small family company to a public listed company. Louis was instrumental in the creation of the infrastructure division. He is well experienced in the management of people, capital, resources, projects and companies.

Revenue (R million)



Operating profit/(loss) (R million)



■ *Roads and earthworks*

* *The results for this division also include a present value charge and work in progress adjustment with respect to the accounts receivable balance due from the RDA in Zambia for an amount of R116,7 million and a goodwill impairment charge attributable to the asphalt cash-generating unit for an amount of R51,5 million. Operationally, an onerous contract was completed on the Moloto road, this contract reported an operating loss of R36,3 million for the year.*

- Revenue for the division decreased by 20,7% to R3,63 billion (2018: R4,58 billion) and operating profit decreased by 184,9% to an operating loss of R245,8 million (2018: R289,5 million operating profit).
- The divisional operating profit margin decreased to an operating loss margin of 6,8% (2018: 6,3% operating profit margin).
- The division incurred capital expenditure of R61,0 million during the year (2018: R183,6 million).
- The division has a secured order book of R3,19 billion (2018: R3,69 billion). The order book excludes the two Zambia Link 8000 contracts that have been suspended.

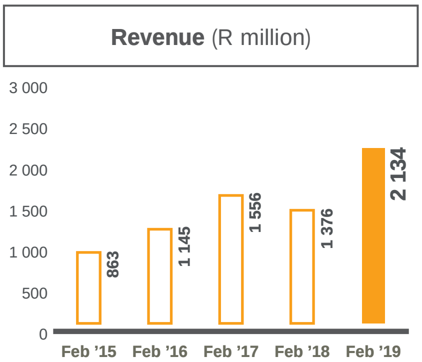
Infrastructure Division

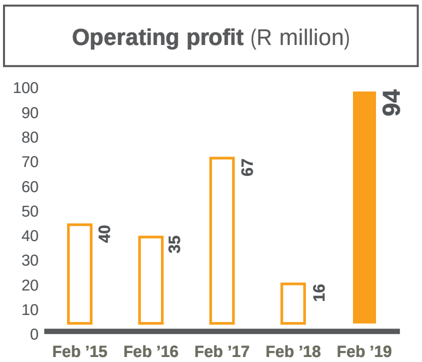
The infrastructure division specialises in disciplines outside of the road construction sector, including energy (with a specific focus on renewable energy), rail, telecommunications, pipeline construction, housing infrastructure and commercial building projects.

Divisional Managing Director: Infrastructure Division

Dirk Lourens (46) SACPCMP – Pr.CM

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





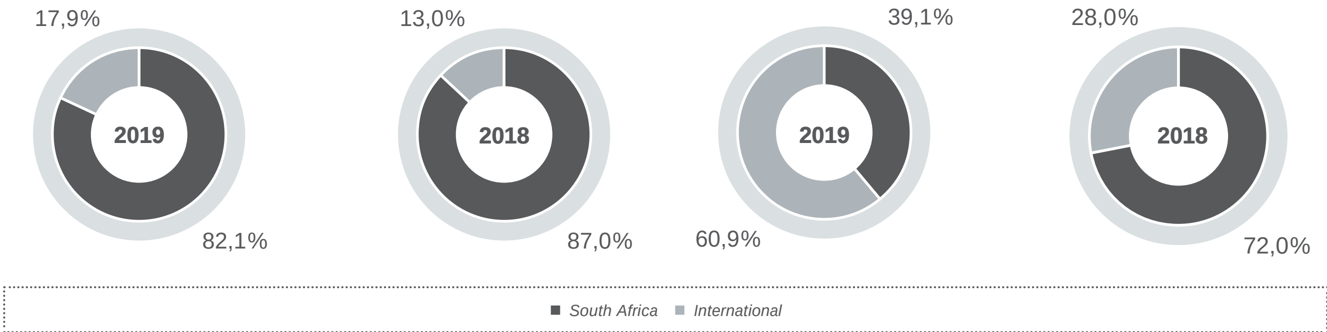
Infrastructure

- Revenue for the division increased by 55,1% to R2,13 billion (2018: R1,38 billion) and operating profit increased by 488,5% to R94,3 million (2018: R16,0 million).
- The divisional operating profit margin increased to 4,4% (2018: 1,2%).
- The division incurred capital expenditure of R99,3 million (2018: R31,8 million). The capital expenditure for the year includes R44,1 million for the purchase of new office premises and workshops in Perth, Western Australia.
- The division has a secured order book of R2,89 billion (2018: R2,62 billion).

International

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

Revenue	Operating profit

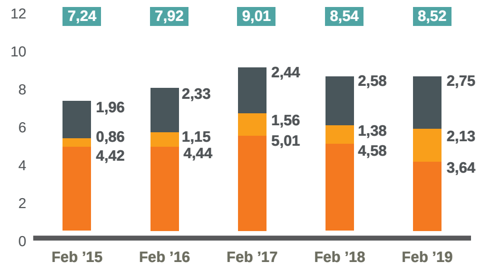


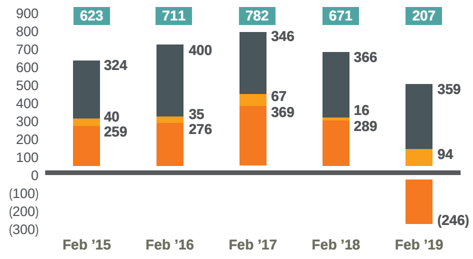
- International revenue increased by 37,4% to R1,53 billion (2018: R1,11 billion) while operating profit decreased by 33,0% to R126,3 million (2018: R188,5 million). Excluding the R116,7 million charge in Zambia, operating profit increased by 29,0% to R243,1 million (2018: R188,5 million).
- Operating profit margin decreased to 8,3% (2018: 16,9%), while excluding the R116,7 million charge in Zambia, operating profit margin decreased by 1,0% to 15,9% (2018: 16,9%).
- The international order book has decreased to R1,13 billion (2018: R2,55 billion) and is included in the group's divisional order books. The two Link 8000 road contracts in Zambia, which have R791,6 million of work left to complete, have been excluded from the group's order book.

Divisional reviews continued

Overview

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



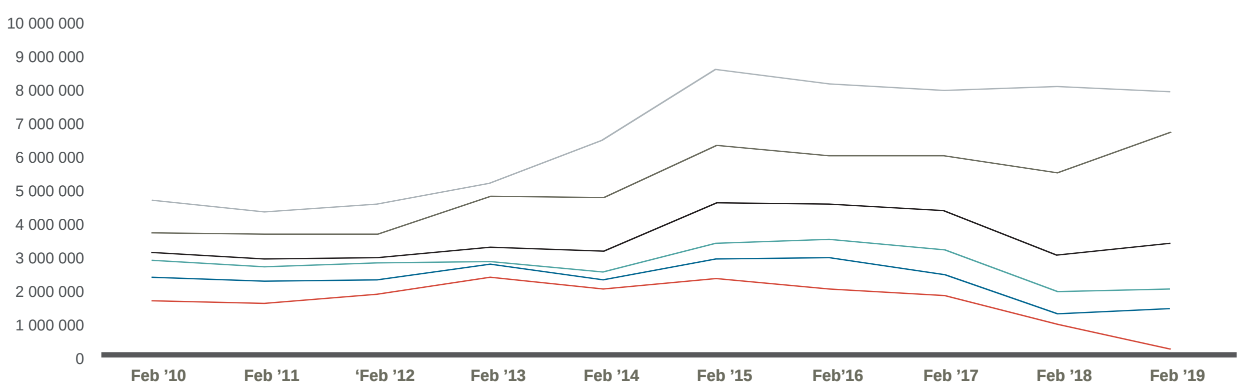


Order book

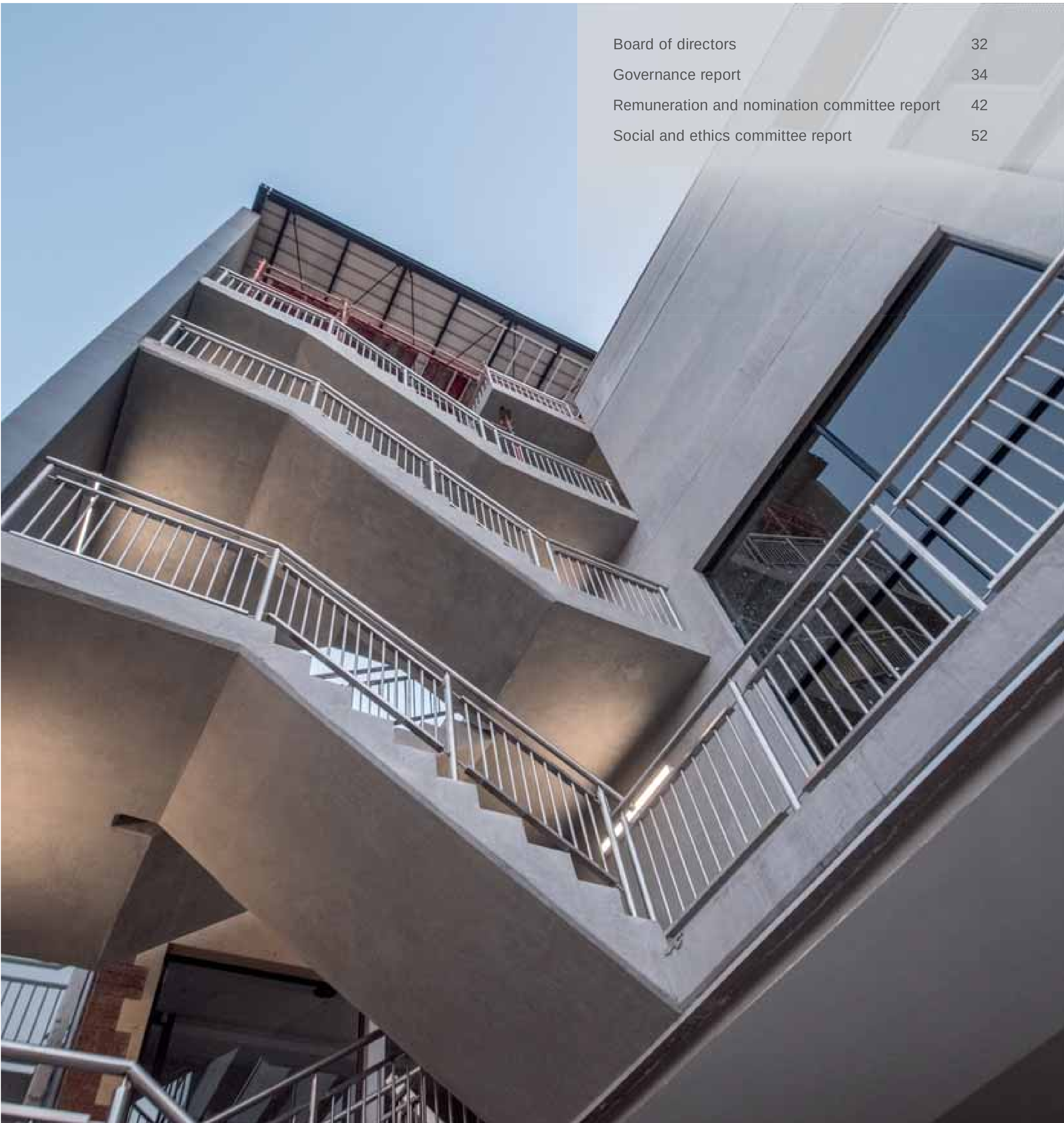
Raubex has maintained a healthy order book of secured work amounting to R8,01 billion (2018: R8,19 billion). The order book is represented by the following customer categories:

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

The group's historical order book per customer category over the last 10 years is illustrated below:



3 Corporate governance



Board of directors

Risk committee

Remuneration and nomination committee

Audit committee

Social and ethics committee

Non-executive chairman

Freddie Kenney (65)

Freddie joined the Raubex group as non-executive director and shareholder in 2004 through the Raubex empowerment transaction concluded with Kenworth. Freddie is widely regarded as a versatile and talented businessman in Bloemfontein, with interests in low-cost housing development, retail development and construction.

Executive directors

Rudolf Johannes Fourie (53) *NDip Marketing Management*

Chief executive officer

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

James Finlay Gibson (45) *BCom, CA(SA)*

Financial director

James joined Raubex in July 2006 as group financial accountant and managed the overall group finance function until his appointment as financial director of the Raubex group effective 24 July 2013. James played a key role during the process of listing Raubex on the JSE in 2007. James is a chartered accountant and holds a Bachelor of Commerce degree from the University of Cape Town. After completing his articles with Grant Thornton in 2000, James spent time in the United Kingdom and gained experience contracting to Panasonic Corporation and P&O Nedlloyd in London. On his return to South Africa, he held the position of management accountant with SAB Limited before joining Raubex in 2006.

Ntombi (Felicia) Msiza (44) *BCom, HDip (Tax), MBA, Chartered Director (SA)*

Executive director responsible for governance, risk and compliance

Felicia joined Raubex as an independent non-executive director in February 2011. She has extensive knowledge and experience in the field of governance, including internal audit, external audit and risk management. Felicia was appointed as executive director responsible for governance, risk and compliance for the Raubex group effective 1 March 2017. She previously served as group chief audit executive at Denel SOC, director of risk and assurance at City Power SOC, head of internal audit at the Independent Development Trust (IDT) and as a partner and director at SizweNtsalubaGobodo VSP. Felicia also held a directorship position within the Institute of Internal Auditors of South Africa (IIASA) where she served on the audit committee and public sector committee, in addition to various roles in both the public and private sector. Felicia was also appointed as a non-executive director of the IoDSA on 5 June 2018.

Independent non-executive directors

Leslie (Les) Arthur Maxwell (72) *BCom, CA(SA)*

Lead independent non-executive director

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

Bryan Hugh Kent (74) *BCom, FCMA, CA(SA), HDip (Tax), HDip (Company Law)*

Independent non-executive director

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

Setshego Rebecca Bogatsu (56) *BCom, MBA*

Independent non-executive director

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

Company secretary and legal advisor

Grace Miriam Chemaly (46) *B.Iuris, LLB, admitted attorney, notary and conveyancer*

Company secretary and legal advisor

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

Governance report

Introduction

Corporate governance is an integral part of the group's business philosophy and the foundation on which the business is managed and controlled. The board, exco and senior management across the group are committed to maintaining the highest standards of good corporate governance and good corporate citizenship and accept full responsibility for the application of these principles.

These corporate governance principles encompass:

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

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

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

Statement of compliance

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

The group's governance structures have also been refined in line with the principles of King IV, by comparing and enhancing existing governance practices to the principles and desired outcomes contained in King IV. Enhancements to further improve delivery of the desired governance outcomes continue to be sought.

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

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

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

During the 2019 financial year, Raubex was compliant in all material respects with the requirements of the Companies Act, 71 of 2008, the Companies Act regulations and the JSE Listings Requirements.

Statement of going concern

The board concluded and expressed in its responsibility statement of the 2019 annual financial statements, that the group is a going concern. The 2019 interim and annual financial statements were prepared on this basis.

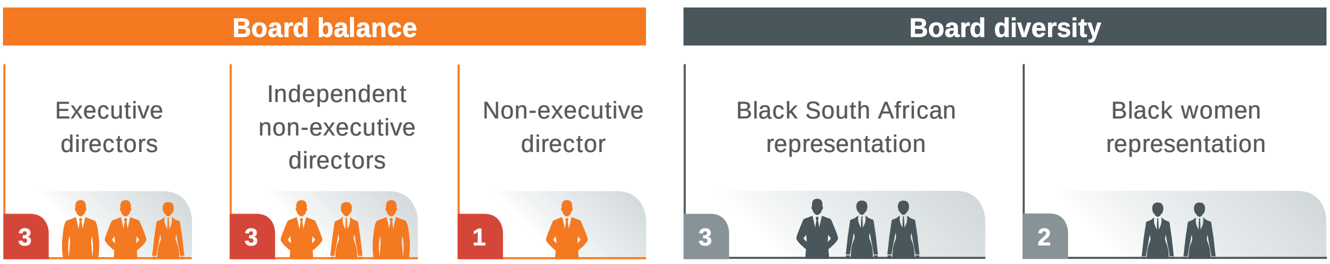
Board accountability and delegation

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

Structure of the board

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

The board is made up as follows:



Governance structure

Board of directors
Ultimate responsibility for governance of Raubex

Executive committee (exco)

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

Governance committees

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

Core values

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

- Quality
- Integrity
- Professionalism

Risk and compliance

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

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

Code of conduct

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

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

Combined assurance

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

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

Board meetings and attendance

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

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

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

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

	3 May 2018	24 July 2018	24 Oct 2018	22 Feb 2019
F Kenney	✓	✓	✓	✓
LA Maxwell	✓	✓	✓	✓
BH Kent	✓	✓	✓	✓
SR Bogatsu	✓	✓	✓	✓
RJ Fourie	✓	✓	✓	✓
JG Gibson	✓	✓	✓	✓
NF Msiza	✓	✓	✓	✓

✓ *Attended.*

Directors of Raubex

The directors of the group and their credentials are set out on pages 32 and 33 of the integrated report.

Chairman and lead independent director

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

Board race and gender diversity policy

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

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

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

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

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

Role of the board

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

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

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

Chairman and chief executive officer

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

Role of the chairman

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

Role of the chief executive officer

Rudolf Fourie is the chief executive officer of the group and is responsible for the management of the group's day-to-day operations and affairs in line with the policies and strategic objectives set out and agreed to by the board. The chief executive officer is supported by the group's financial director, James Gibson and the group's governance, risk and compliance director, Felicia Msiza as well as the group's exco, of which he chairs a monthly meeting where the group's results, performance and prospects are reviewed. The chief executive officer reports at each board meeting on the performance and prospects of the group and any other material matters arising for the attention of the board.

Independence of the board

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

The board maintains its independence through:

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

Interests in contracts and conflicts of interest

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

Board and committees evaluation

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

During the previous financial year, a comprehensive evaluation of the effectiveness of the board and its committees was undertaken by all directors. Any areas requiring remediation were addressed and overseen by the chairman.

Re-election of directors

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

Share dealing by directors and senior personnel

Raubex has a board approved policy relating to share dealings by directors, exco and other parties who have comprehensive knowledge of the group's affairs. The policy imposes closed periods to prohibit dealing in Raubex securities before the announcement of interim and year-end financial results or during any other period considered price-sensitive. This complies with the requirements of the Financial Markets Act, 19 of 2012 and the JSE Listings Requirements in respect of dealings by directors. The company secretary undertakes the administration required to ensure compliance with this policy.

Governance committees

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

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

Audit committee

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

The following members serve on the audit committee:

Members

- LA Maxwell (chairman)
- SR Bogatsu (member)
- BH Kent (member)

Invitees

- RJ Fourie (chief executive officer)
- JF Gibson (financial director)
- NF Msiza (executive director governance, risk and compliance)
- JA Louw (group financial manager)
- Internal auditors
- External auditors

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

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

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

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

- to review and assess the design and implementation of internal financial controls, including the effectiveness of combined assurance arrangements implemented;

- to oversee the group's risk management processes with specific oversight of financial reporting risks, internal financial controls, fraud risks and information technology ("IT") risks;
- to assess the expertise and experience of the finance director to carry out his duties;
- to assess the expertise and adequacy of resources of the group finance function and experience of the senior members of management responsible for the finance function;
- to assess the effectiveness of the chief audit executive ("CAE") and the outsourced internal audit activity to ensure the organisational independence of the internal audit activity;
- to assist the board in fulfilling its responsibilities in respect of financial reporting issues and compliance with laws and regulations;
- to monitor and supervise the effective functioning and performance of the internal auditors;
- to ensure that the scope of the internal audit function has no limitations imposed by management and that there is no impairment of its independence;
- to evaluate the independence, effectiveness and performance of the external auditors;
- to ensure that the respective roles and functions of internal audit and external audit are sufficiently clarified and co-ordinated;
- to review financial statements for proper and complete disclosure of timely, reliable and consistent information and to confirm that the accounting policies used are appropriate; and
- to oversee integrated reporting and ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.

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

The audit committee report is set out on page 80 of the group's annual financial statements.

Remuneration and nomination committee

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

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

The following members serve on the committee:

Members	
LA Maxwell (chairman)	SR Bogatsu (member)
BH Kent (member)	F Kenney (member)

Invitees
RJ Fourie (chief executive officer)
JF Gibson (financial director)

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

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

- determining the fees payable to the chairman of the board;
- determining the fees payable to the non-executive directors of the board;
- determining the remuneration, incentive arrangements and benefits of the executive directors of the group, including pension rights and any compensation payments;
- 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 the committee's performance and terms of reference; and
- assisting the board in the appointment of new directors to the board.

Directors are appointed through a formal process. In order to appoint a new director, the committee will, taking cognisance of the board diversity policy, source candidates and make proposals regarding candidates. Proposals will be followed up with curriculum vitae and interviews. Candidates will then be recommended to the board, who may conduct interviews and will then make an appointment, subject to shareholders' approval at the next annual general meeting.

The remuneration and nomination committee report is set out on page 40 of this integrated report.

Risk committee

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

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

The Raubex risk committee comprises two independent non-executive directors, one non-executive director, one executive director and one divisional executive.

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

The following members serve on the risk committee:

Members	
BH Kent (chairman)	F Kenney (member)
LA Maxwell (member)	RL Shedlock (member)
NF Msiza (member)	

Invitees
JF Gibson (financial director)

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 risk committee is responsible for:

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

A formal risk recording and rating methodology is in place which allows risks to be identified and ranked in relation to each subsidiary, which is ultimately recorded in the group risk register after being reviewed. Decisions are then made on how best to mitigate, manage or transfer high impact, high probability risks. The board relies on the three lines of defence set out on page 17 to manage risk within the group in an integrated manner. The group's highest risks in terms of likelihood and impact are then mitigated by way of various processes, which can be found on pages 13 to 15 of this integrated report.

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

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

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

	2 May 2018	23 July 2018	23 Oct 2018	21 Feb 2019
BH Kent (chairman)	✓	✓	✓	✓
LA Maxwell	✓	✓	✓	✓
F Kenney	×	✓	✓	✓
NF Msiza	✓	✓	✓	✓
RL Shedlock	✓	×	✓	✓

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

Social and ethics committee

The Companies Act, 71 of 2008, requires all listed public companies to have a social and ethics committee. In line with these requirements, the group has an established social and ethics committee and the social and ethics committee report is set out on pages 52 of the integrated report.

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

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

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

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

The social and ethics committee is responsible for:

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

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

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

IT steering committee

The board is responsible for IT governance and ensures that IT is aligned with the performance and sustainability objectives of the group. The board has delegated to management the responsibility for the implementation of an IT governance framework.

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

The committee has adopted formal terms of reference which have been approved by the board and is responsible for:

- strategic direction in the design of systems and the use of IT resources within the group;
- the review and approval of IT systems and related expenditure within the group to ensure alignment with group strategy;
- development and implementation of an IT governance framework;
- value delivery through concentrating on optimising expenditure and proving the value of IT;
- risk management through addressing the safeguarding of IT assets, disaster recovery plans and ensuring continuity of operations;
- the protection and management of the group's information;
- the coordination of priorities between the IT department, user departments and other stakeholders;
- ensuring that cyber security risk is integrated into risk management and that periodic independent assurance is received on the effectiveness of the group's IT arrangements, including outsourced services.
- ensuring that IT policies are appropriate for the group's business and are continually revised based on external developments; and
- ensuring that the effectiveness of technology and information management is monitored and actions are taken where necessary to address findings.

The group's IT function is adequately resourced with the necessary skills and expertise to manage its systems internally and ensure business continuity. The financial director reports to the audit committee on IT governance and other IT related matters.

Executive committee ("exco")

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

The group chief executive is the chairman of exco.

The committee's role is both strategic and operational in nature, being the custodian of the group's strategy as approved by the board. The committee monitors the implementation of strategy and adherence to the group's governance and policy framework.

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

The following members serve on the exco of the group:

Members
RJ Fourie (chief executive officer)
JF Gibson (financial director)
NF Msiza (governance, risk and compliance director)
RL Shedlock (commercial executive)
LJ Raubenheimer (managing director – roads and earthworks)
IJM van Niekerk (managing director – materials)
DC Lourens (managing director – infrastructure)
JA Louw (financial manager)
Invitees
GM Chemaly (company secretary and legal advisor)
BLB Gainsford (information technology manager)

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

Company secretary

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

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

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

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

Litigation and legal

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

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

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

Internal audit

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

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

The audit committee is responsible for overseeing the internal audit function and ensures that it has the appropriate skills and resources.

Compliance with laws, rules, codes and standards

Raubex is committed to the highest ethical, legal and compliance standards and continually monitors the regulatory environment applicable to the group to effectively update and adapt policies and procedures. The group is committed to business conduct which ensures that its directors, management and employees do not engage in any conduct which constitutes a prohibited practice.

The board delegates compliance management to the risk committee and assurance is adequately provided through the three lines of defence set out on page 17. The board also ensures that the group complies with applicable laws and considers adherence to non-binding rules, codes and standards through its defined regulatory universe. The board has delegated to management the implementation of an effective compliance framework and processes. Compliance risk forms part of the group's risk management process and a compliance function has been established which is managed by a designated compliance officer who reports into the risk committee. The regulatory compliance controls and monitoring which was introduced in the previous years were continued during the current financial year. The compliance policy and framework was approved by the board and aligned to the combined assurance plan of the group.

The group's compliance management objectives aim to:

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

The group also has a competition law compliance programme in place that is designed to ensure that employees, management, directors and agents are trained on competition law and do not engage in activities that contravene the Competition Act, 1 of 2009.

Board and committee changes

There were no changes to the board or committees' memberships during the 2019 financial year.

Stakeholder communication and relations

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

Communication with stakeholders is considered to be transparent and effective. Further detail on the group's stakeholder communication is available on page 62 of this integrated report.

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

The group manages its investor relations function internally and can be contacted via email at investor.relations@raubex.com.

Remuneration and nomination committee report

Background statement and report on activities

On behalf of the remuneration and nomination committee ("remco"), I am pleased to present this report for the year ended 28 February 2019.

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

Conditions in the South African construction industry have remained challenging over the past year, with the slow roll-out of infrastructure spend by the South African government impacting the group's overall performance. During the period under review there was also a significant reduction in the volume of road construction and maintenance work from the public sector. Accordingly, some tough calls had to be made by management to right size certain business units operating in the road construction sector. Regrettably, a total of 724 permanent employees were retrenched during the year. Of these retrenchments 491 were employed in the businesses exposed to the South African construction sector. These retrenchments were necessary to ensure these businesses' sustainability in the year ahead in the current low volume environment. To a lesser degree, the balance of the retrenchments took place in the materials division where certain mining contracts reached end of life.

The tough operating conditions in the construction sector, the lower volume of work as well as community unrest and intimidation of employees, have not only impacted the group's performance for the year, but has also resulted in the group losing highly skilled and experienced operational management who either exit the construction industry or emigrate to foreign jurisdictions. The group's remuneration philosophy has been tailored not only to remunerate fairly, responsibly and transparently as required by King IV, but also to retain skilled and experienced operational management to navigate the group through these difficult times in the short term and position the group for long-term sustainability and growth.

Role of remco and charter

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

The committee is responsible for:

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

Members and meeting attendance

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

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

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

There were no changes to the composition of the committee during the year under review.

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

	2 May 2018	27 August 2018	21 February 2019
LA Maxwell (chairman)	✓	✓	✓
F Kenney	✓	✓	✓
BH Kent	✓	✓	✓
SR Bogatsu	✓	✓	✓

✓ *Attended.*

Remuneration committee activities and key focus areas

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

- the fees payable to the chairman of the board and non-executive directors were reviewed and a recommendation made to the board regarding fees payable for the ensuing year;
- the remuneration of the executive directors and exco members was reviewed and a recommendation made to the board regarding adjustments and increases to the Total Guaranteed Package ("TGP") of these executives for the ensuing year;
- the performance of the executive directors and exco members was reviewed in line with their key performance indicators

(“KPIs”) and a recommendation was made to the board in respect of the short-term incentive payable to these executives;
- the result of shareholders’ vote on the non-binding advisory endorsement on the remuneration policy of the group at the last annual general meeting held on 27 July 2018, was considered;
- the remuneration policy was reviewed and considered to be appropriate for the ensuing year;
- the KPIs for the short-term incentive scheme were reviewed and the following recommendations were made to and approved by the board:
  - due to the low earnings base in FY2019 the threshold, target and stretch target for HEPS growth KPI for FY2020 be increased to CPI +5%, CPI +10% and CPI +15%, respectively; and
  - The HEPS growth for FY2020 be determined before taking into account the present value charge and work in progress adjustment in Zambia of R116,7 million before tax which was incurred in FY2019.
- the KPIs for the long-term incentive scheme were reviewed and the following recommendations were made to and approved by the board:
  - the peer group be amended to exclude Aveng, Basil Read and Group Five and include Balwin, PPC and Sephaku to ensure a more stable peer group against which to measure executive performance; and
  - the threshold for ROICE be increased to WACC from a threshold of WACC -3%, the target be increased to WACC +1% and the stretch remain unchanged at WACC +3%.

Non-binding advisory endorsement on remuneration policy

At the annual general meeting held on 27 July 2018, of the total shares voted, 91,8% (2017: 57,1%) voted in favour of the remuneration policy and 8,2% (2017: 42,9%) voted against the policy with 0,05% of voters abstaining (2017: 3,97%). The remco is satisfied with the level of support received from shareholders for the remuneration policy. There have been no changes to the remuneration policy for the ensuing year other than the adjustments to the short-term incentive and long-term incentive KPIs as aforementioned.

Remuneration policy effective 1 March 2019

Introduction

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

Principles

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

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

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

Components of remuneration structure

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

Remuneration component	Remuneration Policy
Total Guaranteed Package (“TGP”)	▪ TGP is defined as basic salary plus the cost of all company contributions and allowances including fixed travel, pension, provident, life and disability insurance, medical aid contributions and a 13th cheque. ▪ The policy for TGP is to pay salaries that are at least in line with the median TGP for comparable positions in the industry and geographies in which the group operates and applies to all levels other than senior management level. The policy for TGP at senior management level is to pay salaries that are below the median, with a higher weighting attributed to the STI component which is in line with the group’s performance-related philosophy. ▪ The T.A.S.K.® grading system has been adopted throughout the group to grade jobs into defined bands. ▪ Experience, responsibility and individual performance are considered when determining and reviewing TGP. ▪ Remco determines TGP of the executive directors and exco members. ▪ Divisional heads determine the TGP of subsidiary directors, officers and employees, with input from line management and subject to approval of the group chief executive officer. ▪ Annual increase guidelines based on CPI inflation and industry trends are determined by exco and reviewed by remco before implementation.

Remuneration and nomination committee report continued

Remuneration component	Remuneration Policy
Total Guaranteed Package ("TGP") (continued)	■ All new appointments with TGP in excess of R1 million per annum require approval of the group chief executive officer. ■ The remuneration of hourly paid employees is determined by the industry bargaining council for the construction industry and by union agreements where unions have sufficient representation in companies operating outside of the construction industry.
Short-Term Incentive ("STI")	■ **Executive directors and exco members** participate in an STI scheme which is administered by remco. ■ The STI scheme awards are dependent on the achievement of KPIs which are weighted 70% towards financial KPIs and 30% towards personal KPIs. ■ The financial KPIs, as detailed in table 1 below, comprise a measure of: – Profit before tax against budget; – HEPS growth; and – Free Cash Flow per share. ■ The financial KPIs each have an equal weighting and have participation hurdles comprising threshold, target and stretch granting 50%, 100% and 150% participation respectively with linear vesting in between hurdles. ■ The personal KPIs, as detailed in table 2 below, are determined by remco and comprise a measure of: – Leadership; – Stakeholder relationships; – Risk management; – Compliance management – Health and safety; and – B-BBEE transformation. ■ The STI award is capped at a maximum of 100% of TGP for certain executives and 200% of TGP for others depending on their position, function and seniority. ■ **Subsidiary company directors, officers and employees** participate in an STI scheme which is essentially a ring fenced "bonus pool" per subsidiary which is administered by the divisional heads and group chief executive officer based on the profitability of the respective subsidiaries. The total STI payable per subsidiary is limited to a maximum allowed participation percentage in the bonus pool based on the relevant subsidiaries' annual profit before tax. Individual participation in the bonus pool is capped at 200% of TGP. ■ The STI calculation is based on the audited results of the relevant subsidiary, division or consolidated group as applicable for the year ended 28 February and is paid out in May of the following financial year.
Long-Term Incentive ("LTI")	■ The LTI scheme was approved by shareholders at the annual general meeting held on 27 July 2018 and is an equity-settled share scheme administered in terms of scheme rules which allow for a rolling annual award of Raubex ordinary shares ("performance shares") for full value with no consideration payable. ■ Executive directors and exco members participate in the scheme which is administered by remco. ■ The vesting of performance shares awarded in terms of the scheme is subject to both performance conditions and employment conditions being met. ■ Performance conditions are measured over a performance period of three years from 1 March of the year in which the LTI award is granted. ■ Employment conditions are measured from grant date and require the continued employment of the participant for the duration of the employment period. ■ The employment period in relation to a LTI award is three years from grant date for 50% of performance shares awarded and four years from grant date for the remaining 50% of performance shares awarded in terms of the LTI scheme. ■ In terms of the scheme rules, provided the performance conditions and employment conditions are met, 50% of performance shares awarded vest after three years of service with the balance vesting after four years of service from the grant date. ■ Performance conditions comprise KPIs and targets which are determined by remco and take into consideration the group's strategic objectives and shareholder interests.

Remuneration component	Remuneration Policy
Long-Term Incentive ("LTI") (continued)	▪ The vesting of performance shares awarded under the LTI scheme is subject the following performance conditions, as detailed in table 3 below: – Average ROICE relative to the WACC of the Raubex group; – Total Shareholder Return ("TSR") relative to the following seven peer group companies listed under the construction and materials sector on the JSE: • Afrimat, Balwin, Calgro M3, PPC, Sephaku, Stefanutti Stocks and WBHO. ▪ The performance conditions carry an equal weighting and have participation hurdles comprising threshold, target and stretch granting 50%, 100% and 150% participation respectively with linear vesting in between hurdles. ▪ The annual value of performance shares for any participant will be capped at a maximum value of 200% of the TGP of the participant, with the value for each participant determined at the discretion of remco and subject to approval by the board, dependent on the relevant participant's position, function and seniority in the group. ▪ The number of performance shares awarded to individual participants in terms of the LTI scheme on an annual basis is based on TGP divided by the volume weighted average share price for the 20 business day period ending on the last day of the month preceding the month in which the decision to award the performance shares is determined. ▪ The scheme will continue for a period of five years from the initial grant date.
Retention Scheme ("RS")	▪ High performing employees who possess the required professional and operational expertise which are critical to retain for the group to achieve its strategic objectives are selected to participate in a cash-settled RS. The RS is administered by the exco with RS participants identified by divisional heads and other group exco members for approval by the chief executive officer. ▪ Executive directors and exco members who participate in the LTI scheme, as detailed above, are not eligible to participate in the RS. ▪ The RS award is capped at 100% of TGP and settled in cash on the third anniversary of the award, provided the employee has completed the employment condition of three years of service from the effective date of award. ▪ Employees participating in the RS are eligible for further awards after the completion of the three-year retention period and the settlement of the initial award.

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

Financial KPIs – 70%	Weight	Threshold = 50% participation	Target = 100% participation	Stretch = 150% participation
Profit before tax	23,3%	80% of budget	100% of budget	120% of budget
HEPS growth %*	23,3%	CPI +5%	CPI +10%	CPI +15%
Free cash flow per share ("FCFPS")	23,3%	FCFPS = 50% of earnings per share, ie 2 x earnings cover	FCFPS = 66,67% of earnings per share, ie 1,5 x earnings cover	FCFPS = earnings per share, ie 1 x earnings cover

* *The HEPS growth for FY2020 will be determined before taking into account the present value charge and work-in-progress adjustment in Zambia of R116,7 million before tax which was incurred in FY2019.*

Table 2 – Short-term incentive personal KPI weighting

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

Remuneration and nomination committee report continued

Table 3 – Long-term incentive KPI targets and weighting

KPIs	Weight	Threshold = 50% participation	Target = 100% participation	Stretch = 150% participation
Average ROICE* > WACC	50%	WACC	WACC +1%	WACC +3%
Total shareholder return (“TSR”*) > peer group	50%	Raubex > median TSR of the peer group	Raubex > median TSR of the peer group plus 2%	Raubex > median TSR of the peer group plus 4%

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

Remuneration policy definitions

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

Remco believes the remuneration policy of the group, set out above, is aligned to shareholder interests and is appropriately structured to achieve the group’s strategic objectives.

Implementation report

Fees payable to the chairman and non-executive directors

The fees payable to the chairman of the board and non-executive directors are based on a fixed annual fee structure with no individual meeting fees payable. The fees for the financial year ended 28 February 2019 were approved by shareholders at the annual general meeting held on 27 July 2018. The proposed fees for the ensuing financial year ending 28 February 2020, which are being tabled for shareholder approval as per the notice of annual general meeting included in this integrated report, are set out below. A CPI-related increase is considered appropriate for non-executive directors as their function is independent of operational performance and will ensure that market-related fees are maintained for their services in the ensuing year.

	2019 Annual fees (R)	Proposed 2020 Annual fees (R)	Proposed percentage increase %
Chairman	**1 029 150**	**1 075 462**	**4,5**
Lead independent non-executive director	**836 185**	**873 813**	**4,5**
Non-executive director	**643 220**	**672 165**	**4,5**

Review of remuneration of executive directors and exco members

As mentioned in the background statement to this report, the difficult conditions in the construction industry have required right sizing of certain business units which resulted in a number of retrenchments during the year. The low level of infrastructure spend by the South African government has put the construction industry under significant pressure and the prospects for the ensuing year, particularly in the road construction sector, are uncertain and largely dependent on government infrastructure spend returning to more normalised levels. As a result of these difficult conditions, the executive committee felt it necessary to set the tone at the top and elect for a zero increase for the ensuing year. The committee reviewed this proposal, agreed with it and recommend it to the board for approval.

Review of performance of executive directors and exco members

The short-term incentive which was paid out in May 2018 was based on the financial results and KPIs for the year ended 28 February 2018. In reviewing the performance of executive directors and exco members for the period, financial KPIs accounted for 70% of the maximum short-term incentive. The remaining 30% of the short-term incentive was based on achieving personal KPIs adjudicated by remco.

The key financial indicators for the year ended 28 February 2018 used to determine the achievement of the financial KPIs are set out below:

Profit before tax	**R'000**
Audited profit before tax for the year ended 28 February 2018	**640 640**
Budgeted profit before tax for the year ended 28 February 2018	**747 250**
Threshold %	**80,0%**
Achieved %	**85,7%**
Participation %	**64,3%**

Headline earnings per share growth	**Cents**
Audited HEPS – 28 February 2017	**201,7**
Add back: VRP expense of R119,9 million	**67,4**
Adjusted HEPS – 28 February 2017	**269,1**
Audited HEPS – 28 February 2018	**228,6**
Threshold growth % = February 2018 CPI	**4,0%**
Growth achieved %	**(15,1%)**
Participation %	**0%**

Free cash flow per share	**R'000**
Cash generated from operations	**1 039 786**
Less: Income tax paid	**(177 950)**
Less: Purchases of property, plant and equipment	**(441 286)**
Less: Working capital loans granted to associates and joint ventures	**(37 698)**
Add: Proceeds from sale of property, plant and equipment	**95 960**
Add: Expansion capital expenditure	**–**
Free cash flow	**478 812**
Weighted average number of shares in issue ('000)	**181 381**
Free cash flow per share ("FCFPS") (cents)	**264,0**
Earnings per share ("EPS") (cents)	**233,5**
Stretch ratio = 1 x earnings cover	**100%**
FCFPS/EPS (ratio achieved)	**113,1%**
Participation %	**150%**

Remuneration and nomination committee report continued

The annual short-term incentive ("STI") computation for the executive directors is set out below:

RJ Fourie – Short-term incentive computation – FY2018

Bonus component	KPI threshold	Participation	Weighting	Score
Financial KPIs				
Profit before tax/budget	80% of budget	64,3%	23,3%	15%
HEPS growth %	CPI	–	23,3%	–
Free cash flow per share	FCFPS = 50% of EPS	150%	23,3%	35%
Total			70%	50%
Personal KPIs	Strategy execution	100%	5%	5%
	Stakeholder relationship	100%	5%	5%
	Risk identification and mitigation	80%	5%	4%
	No material non-compliance	100%	5%	5%
	B-BBEE scorecard (EE and transformation)	80%	5%	4%
	Health and safety	60%	5%	3%
Total			30%	26%

Bonus calculation	R'000
Annual cost to company	3 886
STI participation factor	200%
Maximum STI	7 772
Total financial KPIs	50%
Total personal KPIs	26%
Actual score achieved	76%
STI payable	5 908

JF Gibson – Short-term incentive computation – FY2018

Bonus component	KPI threshold	Participation	Weighting	Score
Financial KPIs				
Profit before tax/budget	80% of budget	64,3%	23,3%	15%
HEPS growth %	CPI	–	23,3%	–
Free cash flow per share	FCFPS = 50% of EPS	150%	23,3%	35%
Total			70%	50%
Personal KPIs	Strategy execution	100%	5%	5%
	Stakeholder relationship	100%	5%	5%
	Risk identification and mitigation	80%	5%	4%
	No material non-compliance	100%	5%	5%
	B-BBEE scorecard (EE and transformation)	80%	5%	4%
	Health and safety	60%	5%	3%
Total			30%	26%

Bonus calculation	R'000
Annual cost to company	2 686
STI participation factor	200%
Maximum STI	5 372
Total financial KPIs	50%
Total personal KPIs	26%
Actual score achieved	76%
STI payable	4 084

NF Msiza – Short-term incentive computation – FY2018				
Bonus component	KPI threshold	Participation	Weighting	Score
Financial KPIs				
Profit before tax/budget	80% of budget	64,3%	23,3%	15%
HEPS growth %	CPI	–	23,3%	–
Free cash flow per share	FCFPS = 50% of EPS	150%	23,3%	35%
Total			70%	50%
Personal KPIs	Strategy execution	100%	5%	5%
	Stakeholder relationship	100%	5%	5%
	Risk identification and mitigation	80%	5%	4%
	No material non-compliance	100%	5%	5%
	B-BBEE scorecard (EE and transformation)	80%	5%	4%
	Health and safety	60%	5%	3%
Total			30%	26%

Bonus calculation	R'000
Annual cost to company	2 750
STI participation factor	100%
Maximum STI	2 750
Total financial KPIs	50%
Total personal KPIs	26%
Actual score achieved	76%
STI payable	2 090

Summary of remuneration of executive directors and prescribed officers

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

R'000	Year	Salary[1]	Short-term incentive bonus[2]	Long-term incentive bonus[3]	Retirement funding contribution[4]	Other benefits[5]	Total emoluments
Executive directors							
RJ Fourie	**2019**	**3 507**	**5 908**	**1 295**	**345**	**361**	**11 416**
	2018	3 279	7 233	2 542	324	330	13 708
JF Gibson	**2019**	**2 582**	**4 084**	**895**	**238**	**17**	**7 816**
	2018	2 423	4 900	1 964	224	24	9 536
NF Msiza[6]	**2019**	**2 658**	**2 090**	**917**	**245**	**3**	**5 913**
	2018	2 496	–	–	230	967	3 693
Total	**2019**	**8 747**	**12 082**	**3 107**	**828**	**381**	**25 145**
	2018	8 198	12 133	4 506	778	1 321	26 937

Remuneration and nomination committee report continued

R'000	Year	Salary[1]	Short-term incentive bonus[2]	Long-term incentive bonus[3]	Retirement funding contribution[4]	Other benefits[5]	Total emoluments
Prescribed officers							
LJ Raubenheimer	**2019**	**2 496**	**5 292**	**953**	**251**	**346**	**9 338**
	2018	2 330	4 898	1 964	236	335	9 763
DC Lourens[7]	**2019**	**2 215**	**1 891**	**819**	**204**	**240**	**5 369**
	2018	2 048	–	–	189	227	2 464
TG Wiese[8]	**2019**	**827**	**4 407**	**1 185**	**188**	**438**	**7 045**
	2018	2 468	6 350	1 964	552	681	12 015
IJM van Niekerk[9]	**2019**	**2 420**	**1 000**	**883**	**223**	**235**	**4 761**
	2018	–	–	–	–	–	–
RL Shedlock	**2019**	**3 608**	**2 299**	**1 423**	**435**	**512**	**8 277**
	2018	3 316	3 854	1 387	442	511	9 510
JA Louw	**2019**	**1 649**	**1 258**	**750**	**152**	**189**	**3 998**
	2018	1 331	1 375	867	122	177	3 873
GM Chemaly[10]	**2019**	**1 469**	**150**	**–**	**136**	**11**	**1 766**
	2018	519	–	–	44	3	566
Total	**2019**	**14 684**	**16 297**	**6 013**	**1 589**	**1 971**	**40 554**
	2018	12 012	16 477	6 182	1 586	1 934	38 191

Notes
1. *Figures include 13th cheque.*
2. *Paid in May each year based on prior year performance.*
3. *Deemed value of share options exercised in 2018 and early termination of retention scheme in 2019 which was replaced with the LTI share scheme effective 1 August 2018.*
4. *Employer contribution towards a defined contribution retirement fund.*
5. *Other benefits include car allowances, employer contribution to medical aid schemes and other benefits.*
6. *Appointed 1 March 2017 – other benefits in 2018 includes an amount of R961 690 paid as compensation for bonus forgone from previous employer.*
7. *Appointed to exco 1 May 2017.*
8. *Retired 30 April 2018.*
9. *Appointed to exco 12 March 2018.*
10. *Appointed 16 October 2017.*

Prescribed officers

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

Contracts and severance

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

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

Non-executive directors' fees

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

	2019 R'000	2018 R'000
Non-executive directors		
LA Maxwell	**815**	757
F Kenney	**1 003**	754
BH Kent	**627**	582
SR Bogatsu (appointed 1 June 2017)	**627**	441
Total	**3 072**	2 534

Performance shares granted to directors and prescribed officers

The following performance shares were awarded to directors and prescribed officers on 1 August 2018, the vesting of which is subject to the applicable performance conditions and employment conditions relating to the awards for the 2019 year being met.

	Year	Performance shares outstanding at beginning of year	Performance shares awarded during year	Performance shares vested during year	Performance shares outstanding at end of year	Deemed value of performance shares vested (R'000)
Executive directors						
RJ Fourie	**2019**	**–**	**395 149**	**–**	**395 149**	**–**
JF Gibson	**2019**	**–**	**273 142**	**–**	**273 142**	**–**
NF Msiza	**2019**	**–**	**139 816**	**–**	**139 816**	**–**
Prescribed officers						
LJ Raubenheimer	**2019**	**–**	**291 315**	**–**	**291 315**	**–**
DC Lourens	**2019**	**–**	**189 319**	**–**	**189 319**	**–**
IJM van Niekerk	**2019**	**–**	**205 431**	**–**	**205 431**	**–**
RL Shedlock	**2019**	**–**	**212 737**	**–**	**212 737**	**–**
JA Louw	**2019**	**–**	**95 466**	**–**	**95 466**	**–**
GM Chemaly	**2019**	**–**	**20 000**	**–**	**20 000**	**–**

Interests of directors in the share capital of Raubex

The aggregate beneficial holdings of the directors of the group and their associates in the issued ordinary shares of the group are as detailed below. There have been no changes in these shareholdings between 1 March 2019 and 7 May 2019, the date of approval of these annual financial statements.

	Number of shares held			
	28 February 2019		28 February 2018	
	Direct	**Indirect**	Direct	Indirect
Beneficial				
RJ Fourie	**4 603 676**	**–**	4 603 676	–
JF Gibson	**365 730**	**–**	365 730	–
F Kenney	**–**	**4 065 384**	–	4 065 384
Total	**4 969 406**	**4 065 384**	4 969 406	4 065 384

LA Maxwell

Chairman of the remuneration and nomination committee

7 May 2019

Social and ethics committee report

Introduction

The social and ethics committee has a board-approved charter which incorporates the responsibilities and terms of reference. The charter is regularly reviewed and updated where necessary to ensure that the terms of reference, as set out in the charter, complies with all regulatory and legislative guidelines and that the committee performs its duties in terms of the Companies Act, 71 of 2008 and King IV. The social and ethics committee has executed its duties, in accordance with these terms of reference, during the past financial year.

Members

For the year under review, the social and ethics committee was chaired by Setshego Bogatsu, an independent non-executive director.

The current members of the committee are as follows:

- SR Bogatsu (chairperson)
- F Kenney
- JA Louw

Exco members of the group attend by invitation.

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

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

Meetings

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

	23 July 2018	8 February 2019
SR Bogatsu (chairperson)	✓	✓
F Kenney (member)	✓	✓
JA Louw (member)	✓	✓

✓ *Attended.*

Statutory duties

This committee has a broad mandate in terms of the Companies Act, 71 of 2008 and King IV and reports to the board.

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

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

The social and ethics committee also:

- consults with advisors and attends presentations on the various duties and responsibilities relating to social and ethics issues;
- monitors the group's compliance with the United Nations Global Compact 10 Principles on Human Rights, Environment, Labour and Anti-Corruption;
- monitors the group's compliance with the Organisation for Economic Cooperation and Development recommendations regarding corruption;
- monitors the group's compliance with the International Labour Organisation's definition of "Decent Work";
- monitors the group's CSI;
- creates a reporting structure for the group's business units in respect of the committee's requirements; and
- monitors compliance with the Employment Equity Act, 55 of 1998 and the Broad Based Black Economic Empowerment Act, 53 of 2003.

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

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

On behalf of the social and ethics committee

SR Bogatsu
Social and ethics committee chairperson

7 May 2019

4 Sustainability report

Sustainability highlights

Level 1 B-BBEE (new Construction Sector Codes)

83% HDSAs in total workforce

15% HDSAs in top and senior management

14% of total workforce are women

R32,7 million spent on training and development

Safety – Lost time injury rate of 1,02 compared to target of <1,00

Three fatalities

Carbon emissions of 165 918 tonnes CO_2e

Introduction and approach to sustainability

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

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

Standards, audits and external assurances

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

Internal standards

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

International and local standards

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

Audits and external assurance

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

Compliance category	External assurance provider
Financial statements	PricewaterhouseCoopers Inc.
ISO 9001, ISO 14001, OHSAS 18001	DEKRA, NQA
SANS 4001-BT1	SABS
Health and safety	ASPASA, SABITA, SARMA
Environmental	ASPASA, SABITA, SARMA
B-BBEE scorecard	EmpowerLogic (accredited by SANAS)

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

Our employees

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

Headcount

For the year ended 28 February 2019, the group employed:

- 7 321 (2018: 8 271) employees;
- 92% (2018: 90%) are based in South Africa;
- 8% (2018: 10%) are based in International operations; and
- 2 788 of the total workforce are employed on limited duration contracts.

Country	Male	Female	2019	2018
South Africa	5 778	979	**6 757**	7 455
International	508	56	**564**	816
Total employees	6 286	1 035	**7 321**	8 271

Our employees continued

Due to a reduction in public sector infrastructure spend, the group was forced to commence with restructuring which resulted in a number of retrenchments of permanent employees during the year, as well as a reduction in the employment of local labour on limited duration contracts of employment due to completion of works. A total of 724 permanent employees were retrenched during the year, of which 233 were retrenched in the materials division due to end of life and changes in scope of certain mining contracts, while in the group's construction divisions 491 retrenchments took place.

Employment equity

Raubex recognises and embraces the benefits of having a diverse workforce and strives to increase racial and gender diversity at senior and top management levels. We continue to develop our workforce as we pursue our transformation goals.

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

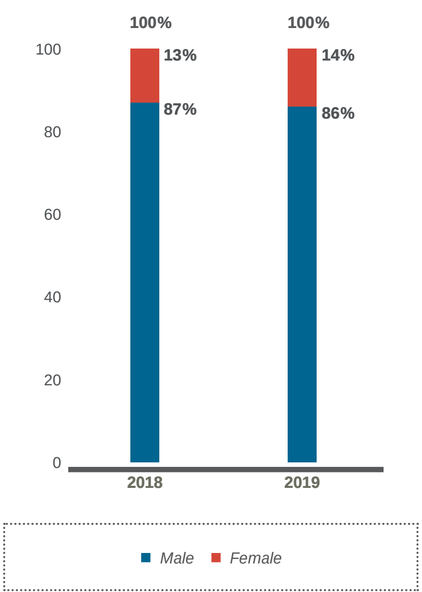
- implementation and regular review of the employment equity policy;
- establishment and implementation of policies and strategic plans relating to employment equity;
- recommending and monitoring employment equity programmes;
- investigating complaints relating to employment equity programmes;
- reviewing targets, appointments, rejections, promotions and discrimination matters; and
- collation, communication and sharing of employment equity information.

The construction industry is very labour intensive in nature due to the types of construction work undertaken. There is also a large percentage of unskilled labour in the workforce.

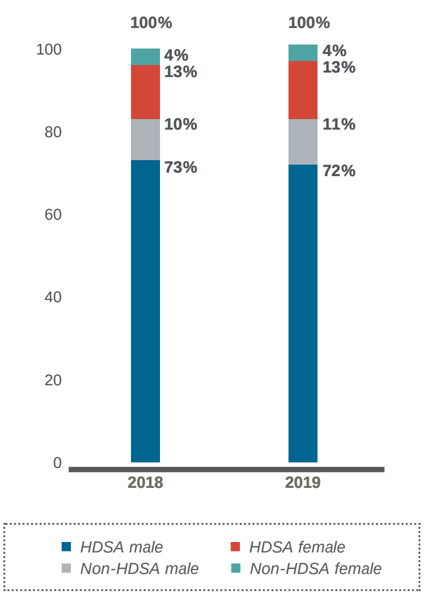
Raubex acknowledges the need to improve its HDSA employee representation at senior and top management levels. This will be addressed through increased focus on training and mentoring of HDSA employees which will ensure a talent pool from which management level positions can be filled within the group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

As at 28 February 2019, of the 6 757 South African employees, 83% (2018: 87%) were male employees and 17% (2018: 13%) were female employees.

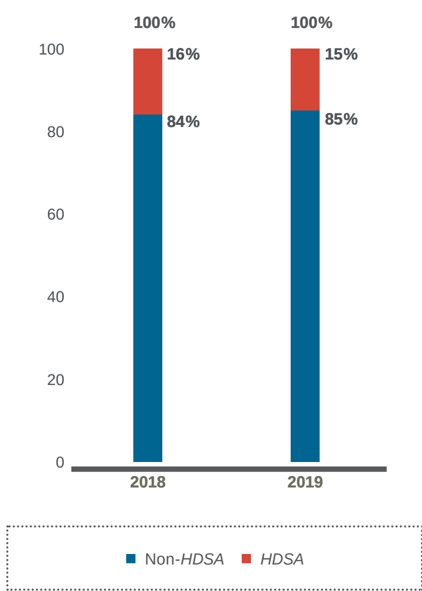
Total employee headcount per gender



Employee headcount per HDSA classification (South Africa)



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



Developing and enhancing skills

Skills development is strategically important to the group and forms part of the group's transformation plans to improve employment equity in management positions over the medium term. It also ensures sustainability of the group and supports its future growth. Skills and expertise that are unique to the construction industry, built up by senior management through years of contracting experience, need to be transferred through ongoing training and mentorship programmes to ensure that there is no loss of institutional knowledge within the group.

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

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

Training and development statistics

Programme	Number of participants	Number of HDSA	HDSA (%)	Number of women	Women (%)	Expenditure (R'000)
Operator competencies	**1 923**	**1 620**	**84**	**17**	**1**	**2 621**
Health and safety training	**1 861**	**1 384**	**74**	**270**	**15**	**1 319**
Competition law training	**191**	**14**	**7**	**13**	**7**	**97**
Apprenticeships	**80**	**59**	**74**	**–**	**–**	**6 542**
Learnerships and internships	**182**	**179**	**98**	**93**	**51**	**15 470**
SETA and various soft skills	**1 937**	**1 505**	**78**	**340**	**18**	**6 695**

For the year under review the group's total expenditure on training and development amounts to R32,7 million.

	2019	2018
Total trainees (including apprenticeships and learnerships)	**262**	254
Total workforce	**7 321**	8 271
% of total workforce	**3,6%**	3,0%

Disabled employees and learnerships included above:

	HDSA male 2019	HDSA female 2019	HDSA male 2018	HDSA female 2018
Business practice	**10**	**21**	6	20

Apprenticeships

Raubex currently has 80 enrolled apprentices (2018: 120) through merSETA and the UIF programme launched by the Department of Labour, which runs over a period of three years on average.

Bursaries

Raubex offers bursaries to promising students within the construction industry. There are currently 54 active bursary holders (2018: 41) within the group. Bursary holders are individuals that receive a bursary from the group to study full or part time at an accredited tertiary institution. Such individuals are often then retained by the group through suitable employment in order to benefit from the investment made.

Total	% HDSA	Number of HDSA
54	94%	51

Employee relations and trade unions

The group has set out its position on stakeholder relationships in its code of conduct, which specifically addresses the need for management and employees to take account of the legitimate interests and expectations of its stakeholders in their decision making and actions. The group recognises the right of employees' 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 employee relationship matters and is supported by divisional human resource officers in carrying out these functions.

Approximately 24,6% (2018: 20,4%) of the workforce are represented by various unions with the majority belonging to the unions as detailed below. The membership figures fluctuate during the year depending on the start and completion of projects, including also employee interest, particularly prior to major wage negotiations.

Our employees continued

Union membership

	NUM	AMCU	BCAWU	NUMSA	Small unions	Total
2019	**9,6%**	**6,4%**	**0,7%**	**2,2%**	**5,7%**	**24,6%**
2018	9,1%	5,1%	0,9%	3,4%	1,9%	20,4%

Dispute resolution

The group has a formal process and policy in place to deal with disciplinary action and grievances which have been communicated throughout the workforce. Dispute resolution takes place through promulgated structures such as the Commission for Conciliation, Mediation and Arbitration ("CCMA") or the Bargaining Council for the Civil Engineering Industry ("BCCEI").

Bargaining Council – wage negotiations

The group's construction entities are regulated by the BCCEI and centralised wage bargaining where employers are represented by the South African Forum of Civil Engineering Contractors ("SAFCEC") and employees are represented by the two majority unions, NUM and BCAWU. The materials division follows a decentralised approach to wage negotiations and a number of separate recognition agreements have been signed between individual legal entities in this division and relevant unions.

Transformation

Raubex supports transformation in the construction industry and the communities in which we operate. The group's employment equity plans together with its skills development strategy and enterprise development initiatives are aligned to South Africa's economic transformation agenda.

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

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

- equity ownership;
- management and control;
- skills development;
- enterprise and supplier development; and
- socio-economic development.

All group operating subsidiaries are subject to an annual independent B-BBEE verification audit undertaken by a South African National Accreditation System ("SANAS") accredited verification agency. The scorecards issued are used as the basis for setting internal targets and measuring progress of transformation achieved.

The group is proud of its empowerment credentials and the progress it has made with regard to transformation. The group was awarded the 2018 most empowered construction company by Empowerdex in terms of the Amended Codes of Good Practice on B-BBEE, and achieved an overall consolidated rating of Level 1 contributor to B-BBEE using the amended Construction Sector Code (2018: Level 1). The group scores highly in the equity ownership, skills development, enterprise and supplier development and social economic development elements of the scorecard. The management control element of the scorecard is an area for improvement. However, the increased focus that the group has placed on training in recent years and moving forward is expected to address this to a certain extent in the medium term.

In the materials division, the commercial quarries involved in mining activities have been empowered through various business partnerships and the establishment of an employee and a community development trust. The trusts together with other empowered entities, directly hold a 26% interest in the group's existing quarry entities pursuant to the requirements of the Department of Mineral Resources. The requirements of the new Mining Charter III published on 27 September 2018 have been reviewed and structures have been implemented to comply with the requirements, which inter alia require empowered entities to hold a 30% interest in new mining rights. Contract specific structures are put in place when required for tenders relating to mining contracts.

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

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

Transformation continued

Section B: Information as verified by the broad-based black economic empowerment verification professional as per scorecards

B-BBEE elements	Target score including bonus points	Bonus points achieved	**Actual score achieved**
Ownership	31 points	1 points	**26,46 points**
Management control	22 points	3 points	**12,84 points**
Skills development	26 points	4,11 points	**24,06 points**
Enterprise and supplier development	38 points	2,35 points	**36,31 points**
Socio-economic development	6 points	0,90 points	**5,90 points**
Total score	123 points	11,36 points	**105,57 points**
Priority elements achieved	Yes		
Empowering supplier status	Yes		
Final B-BBEE Status Level	Level 1		

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

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

VRP commitments

Over the 12-year period stipulated in the agreement, the relevant construction companies will be required to make a collective annual payment into a fund established for this purpose. In the case of Raubex, the annual payment amounts to R15 million. The fund has been constituted as a trust and the trust assets will be used for the development and enhancement of the construction industry and, in particular, transformation objectives in the construction industry, as well as the promotion of social infrastructure for all South Africans. Raubex has made three annual contributions to the trust totalling R45 million up to 28 February 2019.

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

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

Integrity commitments

Raubex has undertaken to conduct business in accordance with sound ethical and legal practices and specifically shall not partake in any collusive or corrupt activities. We have developed codes of conduct binding on our personnel imposing legal and ethical standards that are aligned with international best practice for the construction industry.

Competition Commission

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

Occupational health and safety

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

Leadership and accountability

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

The group has developed the following targets and objectives:

Safety objectives

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

Health and safety policy

It is the policy of the group to:

- maintain safe and healthy workplaces, to operate safe systems and methods of work and to protect employees, clients and others, including the public, by striving to eliminate foreseeable hazards which may result in personal injury, fires, security losses or damage to property through the systematic identification of hazards and the adequate assessment and control of risk;
- hold all companies in Raubex responsible to ensure that a sustainable health and safety programme is maintained;
- provide all entities with the information, instruction, training and supervision they require to work safely and develop employees, systems, policies and procedures as a key resource;
- communicate openly on health and safety issues with all entities in the group;
- ensure all sub-contractors are treated as resources that form part of the group;
- ensure the continual improvement on all health and safety issues in the group;
- comply with all relevant laws, regulations and standards and in the absence of appropriate legislation, aim to develop and adopt a standard reflecting best practice;
- appoint competent employees to enable the group to comply with its responsibilities towards health and safety;
- provide a framework for reviewing, monitoring and achieving SHEQ objectives and targets;
- make the policy available to all stakeholders; and
- review the policy annually.

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

Fatalities

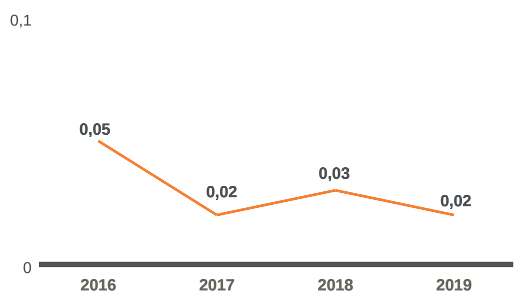
The group reported three fatalities during the year (2018: five fatalities).

Our sincere condolences go out to the families, colleagues and friends of the two Raubex employees and one sub-contractor employee who lost their lives during the 2019 financial year. Any loss of life is tragic and we remain committed to our safety and awareness campaigns. The rate of 0,2 was recorded for the financial year and although this is an improvement from the previous year, it is still above our zero fatality target which we strive to achieve.

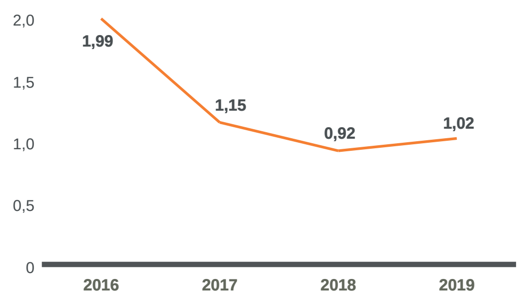
LTIFR

The group reported an LTIFR rate of 1,02 (2018: 0,92) during the financial year.

Fatality rate



LTIFR rate



Fatality rate = Number of fatalities x 200 000 / Total hours worked

Lost time injury frequency rate = Number of LTIs x 200 000 / Total hours worked

All figures include sub-contractors injured on Raubex sites.

Safety training

The Raubex group has initiated the process of developing and obtaining accreditation for a training programme in order to develop in-house safety officers which will focus predominately on HDSA employees. During the financial year, 1 861 employees were trained on health and safety, 74% of total employees trained were HDSA.

The group has carried out internal training for risk assessments including also accident/incident investigations in order to improve and to standardise the format within the group.

Medical examinations

In-house occupational health practitioners are employed in order to conduct pre, annual and exit medicals according to site and position requirements. During the period March 2018 to February 2019, the medical teams conducted a total of 4 902 and (2018: 4 601) occupational medical examinations on various sites nationally and where permitted (within legal requirements) also in bordering countries. The in-house team now consists of three occupational medical nurses and their assistants who provide a full service across the group. They are supported on an external and ad hoc basis by a medical practitioner as per legislation. In certain instances external service providers are used due to demand or geographical location.

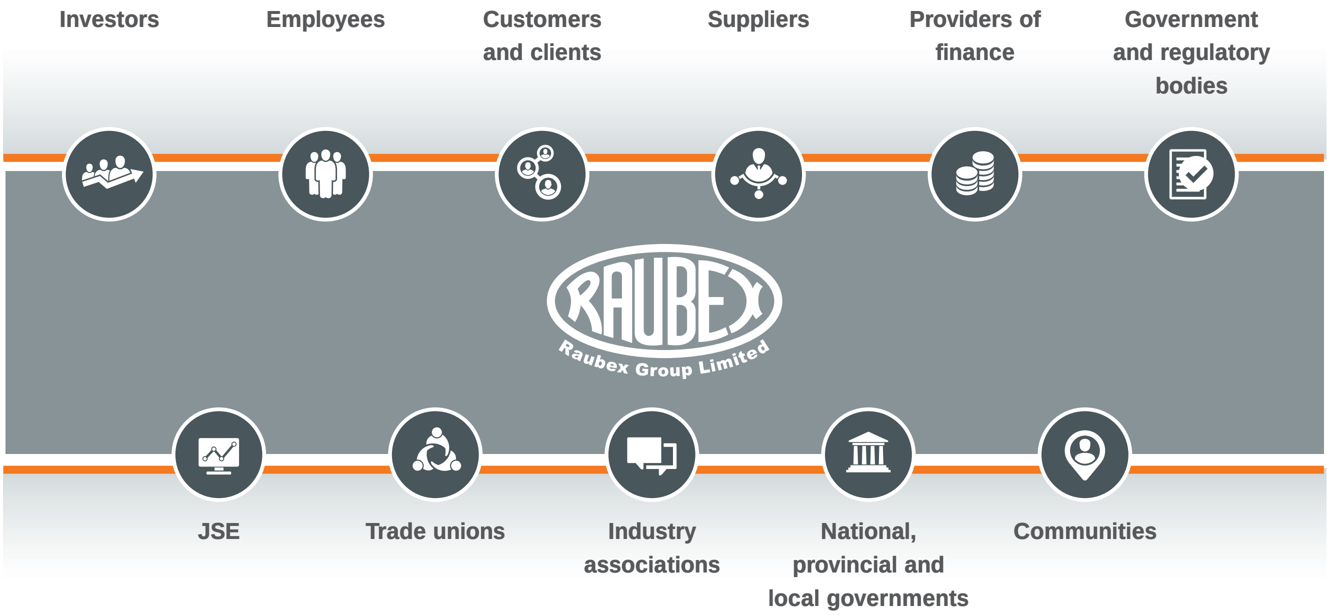
HIV/AIDS

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

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

Stakeholder engagement

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



In promoting effective stakeholder engagement, the group embraces engagement with its shareholders, employees, unions, communities and customers. The group's social and ethics committee monitors and assists the board with stakeholder engagement.

The group embraces open, transparent and constructive communication with all stakeholders.

The table below describes all Raubex stakeholder groups and how we communicate with each of these groups:

Stakeholder	Engagement with stakeholder	Stakeholder contribution
Investors	▪ presentations including bi-annual results presentations; ▪ webcasts; ▪ road shows; ▪ one-on-one meetings; ▪ investor conferences; ▪ JSE SENS announcements; and ▪ media announcements.	▪ provision of financial capital to grow the business of the group.
Employees	▪ quarterly internal newsletter; ▪ electronic communication; ▪ intranet; ▪ induction, training and development; ▪ performance reviews; and ▪ staff meetings.	▪ employees form the foundation of our business and provide the performance and productivity required to grow and sustain the business of the group.
Customers and clients	▪ regular operational meetings at project sites; ▪ customer service meetings; ▪ customer feedback surveys; and ▪ processes to respond to complaints.	▪ customers and clients are important stakeholders for purposes of awarding projects to the group which bring income and ensure the success of the group.

Stakeholder	Engagement with stakeholder	Stakeholder contribution
Suppliers	▪ attendance at construction or technical conferences; and ▪ regular one-on-one meetings with key suppliers.	▪ suppliers are the providers of services, materials and equipment which the group requires to service its customers.
Providers of finance	▪ one-on-one meetings; ▪ bi-annual results presentations; and ▪ JSE SENS announcements.	▪ financial institutions are the custodians of the group's funds and provide funding for the acquisition of assets and/or investments.
Government and regulatory bodies	▪ formal responses on policy and regulation; ▪ joint initiatives for industry solutions; ▪ B-BBEE scorecards; ▪ employment equity reports; ▪ tax returns; and ▪ workplace skills development plan.	▪ provision of regulatory frameworks which will enable the group to operate in an environment which provides reasonable certainty and is fair and transparent to all competing participants.
JSE	▪ submission of documents, etc for comment and approval in terms of the JSE Listings Requirements; ▪ participating in JSE training sessions; ▪ submitting comments on JSE draft amendments to the JSE Listings Requirements; and ▪ engagement through the group's corporate sponsor.	▪ the JSE is responsible for the regulation of the group's securities which are listed on the main board of the JSE.
Trade unions	▪ one-on-one meetings; and ▪ participation through SAFCEC in the bargaining unit in respect of wage negotiations.	▪ trade unions ensure the welfare of their members such as safeguarding the interests of their members, protecting the reliability of their trade and achieving higher wages by securing economic benefits.
Industry associations	▪ the group's engagement with industry associations is mainly through active membership.	▪ industry associations provide a forum to discuss and address industry-wide issues and also enable the industry to make representations to government.
National, provincial and local governments	▪ regular engagement with various departments within government.	▪ all levels of government are important stakeholders as they set the regulatory environment within which the group operates; and ▪ public sector departments and SOEs are also customers of the group.
Communities	▪ CSI initiatives; and ▪ meetings with community representatives before the start-up of projects.	▪ an understanding of social, economic and environmental impacts on the communities in which we operate; and ▪ local labour.

Corporate social investment ("CSI")

We embrace our corporate citizenship obligations and responsibilities and we strive to make a positive social contribution. Our operations are located in areas affected by poverty, unemployment, inequality and inadequate provision of infrastructure. We seek to ensure a lasting positive impact within these communities.

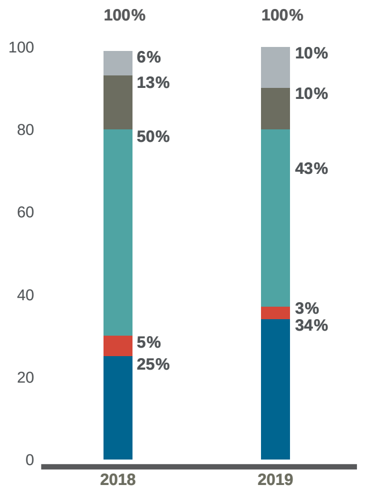
The group is aware of its social responsibilities and believes it is crucial for businesses to play a positive role in the communities within which they operate. The group's CSI strategy is to focus on education and skills development initiatives.

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

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

The group contributed R5,5 million (2018: R6,3 million) which amounts to a combined 4,7% (2018: 1,4%) of profit after taxation towards social economic development projects which has been allocated according to the categories as detailed:

CSI spend breakdown (%)



Contributions were made to the following organisations and initiatives during the year:

Monyetla Project

The Monyetla Project is a registered public benefit organisation with the aim to assist grade 12 learners from previously disadvantaged and poor communities in the Free State, improve their results and afford them opportunities to qualify for bursaries and tertiary education. This has enabled poor families to break the cycle of poverty. The word "monyetla" means "opportunity" in Sesotho. The initiative was established in February 2007 and currently offers additional classes for 14 subjects which are presented by some of the most experienced educators the province has to offer.

There are currently 28 schools represented at this academic programme. During the 2018 school year a total of 1 000 grade 12 learners attended the programme.

This group of learners achieved an overall pass rate of 90% with 47% of the learners obtaining a bachelor's pass.

The Monyetla Project was supported with a financial contribution of R100 000 (2018: R75 000). This contribution allows learners to be exempted from programme fees, which Monyetla covers with the support of their sponsors.

Spoudazo – *Township Vegetable Tunnel Project*

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

During 2018/2019, a further 15 vegetable tunnels were set up new or repurposed for identified beneficiaries. Raubex funded the set up and mentorship process of these tunnels during the year. To date there are a total 57 vegetable tunnels in the Free State.

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

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

Spoudazo was supported with a financial contribution of R209 291 (2018: R169 701) during the year.

Corporate social investment ("CSI") continued

Tshepang Educare Trust

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

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

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

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

The organisation currently works with 160 pre-schools and reaches some 6 800 pre-school children from disadvantaged areas.

The Tshepang Educare Trust was supported with a financial contribution of R200 000 during the current year (2018: R200 000).

Pothole repair initiative

The group embarked on a project where pothole repairs are carried out in the Mangaung Metropolitan Municipality on a pro bono basis. This initiative eases the burden on the municipality in repairing the roads in the municipal area. A team dedicated for this purpose attends to pre-identified damaged areas and repairs. Although these repairs are temporary in nature it goes a long way in assisting the municipality with essential services.

An amount of R175 509 was spent in the financial year.

Environmental sustainability

We recognise our responsibility to the environment, which goes beyond just legal and regulatory requirements. We are committed to reducing the impact our operations have on the environment and are continually striving to improve our environmental performance as part of our business strategy.

Environmental policy

The group has adopted an environmental policy which has been approved by the board. 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, such as 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 disclose the key data in the group's integrated report and also submit the key data to the Carbon Disclosure Project ("CDP");
- develop environmental objectives and targets and compare these to actual results and industry standards;
- communicate the environmental policy throughout the group and make it publicly available to interested parties;
- communicate our environmental commitment to clients, customers and the public and encourage their support; and
- strive to improve our environmental performance and periodically review the environmental policy in light of current and planned future activities.

Compliance with environmental laws

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

Environmental sustainability continued

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

Accreditation

We continue to drive improvements through certified environmental management systems. The operations continued to make progress towards their objective to obtain industry recognised certification across all segments. The following accreditations were valid at 28 February 2019:

Business	Detail	Date obtained
National Asphalt – Cliffdale	ISO 9001:2008	August 1996
National Asphalt – Mobile Plant	ISO 9001:2008	August 1996
National Asphalt – Bon Accord	ISO 9001:2008	February 2012
National Asphalt – Nelspruit	ISO 9001:2008	February 2014
National Asphalt – Cliffdale Laboratory	ISO 17025:2015	August 2017
National Asphalt – Cliffdale	SABITA accreditation	July 2014
OMV – Kimberley	SARMA accreditation	January 2008
OMV – Potchefstroom	SARMA accreditation	January 2018
OMV – Stilfontein	SARMA accreditation	January 2008
Raubex Infra	ISO 9001:2015	February 2018
Raubex Infra	ISO 14001:2015	January 2018
Raubex Infra	BS OHSAS 18001:2007	January 2018
Raumix Aggregates	ASPASA accreditation	May 2008
SPH Kundalila – Saldanha	BS OHSAS 18001:2007	June 2013
SPH Kundalila	ASPASA accreditation	February 2014
Tosas	SANS 4001-BT3	2014/2015
Tosas	SANS 4001-BT4	2014/2015
Tosas	SABITA accreditation	April 1998

Environmental incidents

We continue reporting, investigating and sharing lessons from environmental incidents as part of strengthening detective and preventative controls within the group. No major environmental incidents occurred during the year.

Carbon footprint

The group recently completed its ninth annual carbon footprint assessment in May 2019 and will continue to submit the results on a voluntary basis to the Carbon Disclosure Project. The group's carbon footprint assessment has been compiled by external service providers using the following methodology and data submitted by the group, no external assurance was provided.

- the carbon emissions were measured in accordance with the GHG Protocol (WRI & WBCSD, 2004);
- as per the GHG Protocol, all Scope 1 and Scope 2 emissions were included in the report. Emissions from non-Kyoto gases (such as Freon/R22) were measured and classified as Out of Scope Product Use Emissions;
- scope 3 emissions were excluded from the analysis; and
- the equity share approach was used to consolidate all emissions within the specified boundary.

A summary of the group's carbon footprint for the year ended 28 February 2019 is tabled below:

Carbon emissions	2019 Tonnes CO_2e	2018 Tonnes CO_2e
Scope 1 (vehicles, mobile machinery, stationary fuels)	**142 873**	148 278
Scope 2 (electricity – location)	**22 870**	22 696
Out of scope (non-Kyoto gases)	**175**	159
Total carbon emissions	**165 918**	171 133
	kWh	kWh
Electricity consumed	**24 454 398**	23 260 760

Intensity reporting

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

Kg CO_2e/revenue intensity

	2019	2018
Revenue (R'000)	**8 519 142**	8 542 247
CO_2e/Revenue (R'000)	**19,48 kg**	20,03 kg

Kg CO_2e/asphalt production intensity

	2019	2018
Asphalt production (tonnes)	**818 613**	1 104 436
Asphalt production CO_2e (tonnes)	**22 275**	23 383
CO_2e/Asphalt tonnes produced	**27,2 kg**	21,2 kg
Target	**< 30 kg/tonne**	< 30 kg/tonne

Asphalt production

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

Warm mix asphalt

National Asphalt (Pty) Ltd is at the forefront of 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. This company has also developed a local "green" WMA technology from renewable sources called EcoNat and it is believed that Foaming and EcoNat will become the major warm asphalt mixes of the future.

Reclaimed Asphalt Pavement ("RAP")

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

Biofuels and bag houses

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

New Crumb Rubber Technology ("NCRT")

Tosas (Pty) Ltd ("Tosas"), who manufactures and distributes value-added bituminous products, have focused their technical research and development efforts on environmental sustainability. Conventional bitumen rubber technology uses 20% of waste tyres. This type of bitumen modification improves the performance and durability and also extends the life of roads. However, extreme temperatures are required during the production and application of bitumen rubber.

Tosas, through its research and development initiatives, has been able to reduce the manufacturing and production temperatures of NCRT by more than 30 degrees Celsius, which is a substantial energy saving.

Rooftop photovoltaic ("PV") system – Estoire

During the design process of the infrastructure division's office buildings in Estoire, Bloemfontein, a rooftop mounted PV system was added in an effort to save on local utility costs. An added benefit and motivating factor was the contribution that solar energy could make to carbon emission savings. Calculations were done determining the forecasted energy usage in kWh over a 12-month period and based on these results it was decided to install a 20 kW rooftop mounted PV

Environmental sustainability continued

system on the main building's roof. The installation consists of 72 x 305 W monocrystalline PV modules, connected in strings of 18 modules each to a 22 kW inverter which feeds into the grid at a 400 V three-phase level. The system was commissioned on 1 December 2015.

Through this solar PV installation, Raubex has generated over 56 MWh (2018: 49 MWh) of renewable energy, with Raubex Infra (Pty) Ltd offsetting an average of 78% (2018: 75%) of its office electricity needs.

Ground mounted photovoltaic ("PV") system – Cleveley

Following the success of the Estoire PV plant's contribution to cost effective and clean energy, the decision was taken to add a similar system at the Cleveley premises in Bloemfontein. Past utility bills were evaluated which indicated that a 81 kW PV system was required, accordingly a 81,35 kW ground mounted PV system was installed near the entrance to the office premises. The installation consists of 250 x 325 W monocrystalline PV modules, connected in strings of 18 modules each to 2 x 50 kW inverters which feed into the main distribution box at a 400 V three-phase level. The system was commissioned on 1 July 2018.

Through this solar PV installation, Raubex has generated over 48 MWh of renewable energy from date of commissioning up to 28 February 2019, and offset an average of 72% of its monthly office electricity requirements.

Water management

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

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

Other environmental sustainability initiatives

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

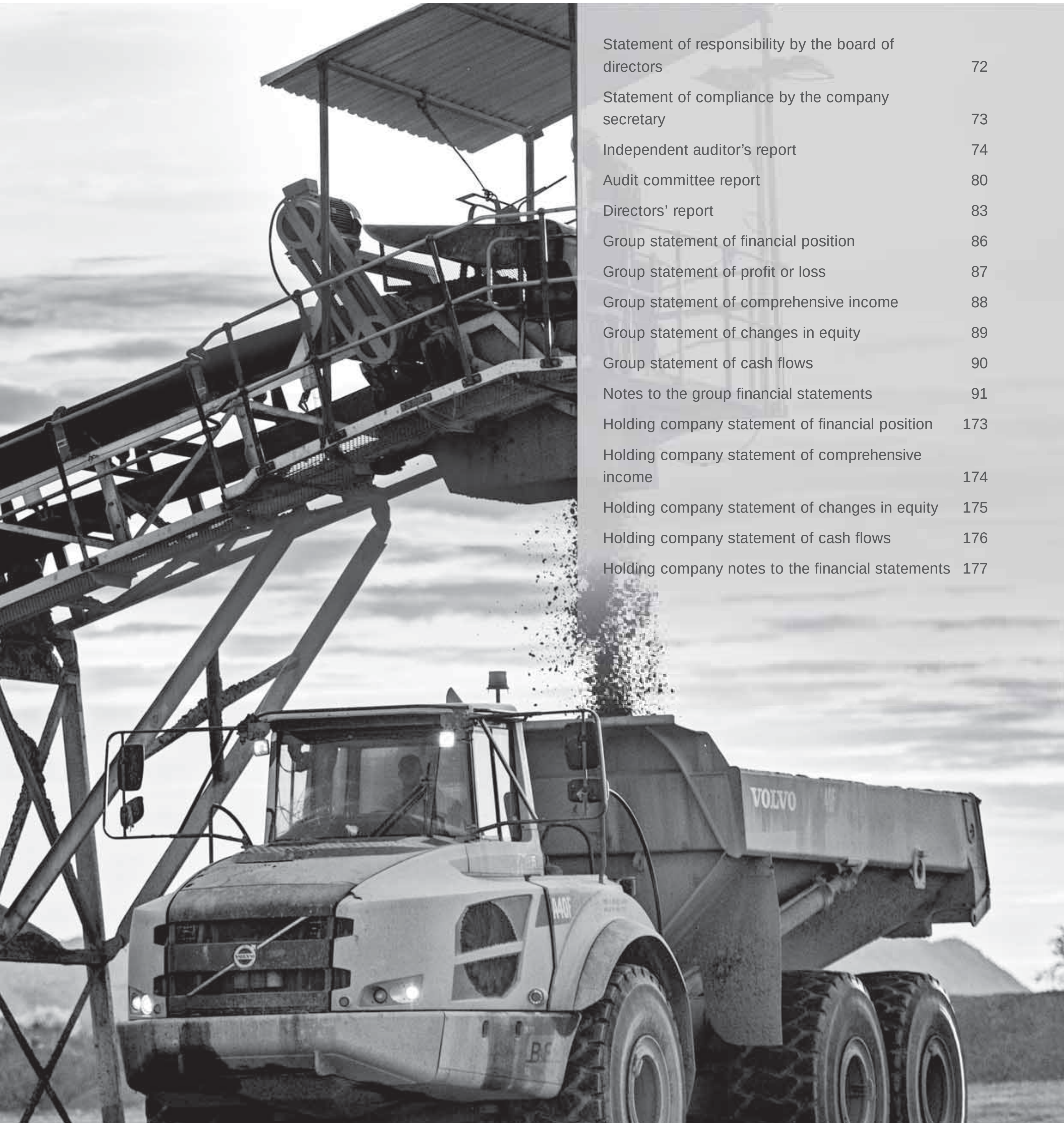
These initiatives include the following:

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

Cleveley PV system

5 Annual financial statements

The reports and statements set out in this section comprise the annual financial statements presented to the shareholders.



Statement of responsibility by the board of directors

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 and directors' report are presented on pages 83 to 186 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act, 71 of 2008 of South Africa and the JSE Listings Requirements, and include amounts based on judgements and estimates made by management. The directors are also responsible for the preparation of the other information included in the annual report and for both its accuracy and its consistency with the annual financial statements.

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

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

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

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

The financial statements have been audited by the independent auditors, PricewaterhouseCoopers Inc., who has been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. PricewaterhouseCoopers Inc.'s unmodified audit report is presented on pages 74 to 79.

The financial statements were approved by the board of directors on 7 May 2019 and signed on its behalf by:

RJ Fourie
Chief executive officer

JF Gibson
Financial director

Statement of compliance by the company secretary

I certify that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, 71 of 2008, in respect of the year ended 28 February 2019, and that all such returns are true, correct and up to date.

GM Chemaly
Company secretary

7 May 2019

Independent auditor's report

To the Shareholders of Raubex Group Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Raubex Group Limited (the company) and its subsidiaries (together the group) as at 28 February 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Raubex Group Limited's consolidated and separate financial statements, set out on pages 83 to 186 comprise:

- the Group and holding company statements of financial position as at 28 February 2019;
- the Group statement of profit or loss for the year then ended;
- the Group and holding company statements of comprehensive income for the year then ended;
- the Group and holding company statements of changes in equity for the year then ended;
- the Group and holding company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

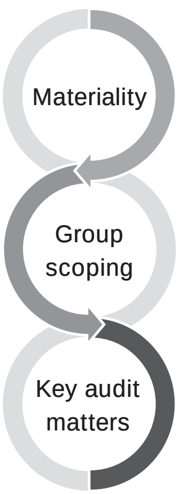
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall group materiality

- Overall group materiality: R59,6m, which represents 0.7% of consolidated revenue.

Group audit scope

The consolidated financial statements are a consolidation of the holding company and 100 reporting entities (which comprise subsidiaries, joint ventures, joint operations and associates). Full scope audits were performed at all financially significant components and further audit procedures were performed over the remaining balances and the consolidation process in order to gain sufficient evidence over the consolidated numbers.

Key audit matters

The following key audit matters, which relate to the consolidated financial statements, have been identified:

- Accounting treatment of construction contracts
- Goodwill impairment assessment of the asphalt cash generating unit

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

Materiality

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

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

Overall group materiality	R59,6m
How we determined it	0.7% of consolidated revenue
Rationale for the materiality benchmark applied	We have selected consolidated revenue as our materiality benchmark because, in our view, it reflects the activity levels of the group and it is a benchmark against which the performance of the group can be consistently measured in circumstances of volatile year-on-year earnings. This benchmark has remained a key driver of the group's business. We chose 0.7% based on our professional judgement, after consideration of the range of quantitative materiality thresholds that we would typically apply when using revenue to compute materiality, and taking into account the levels of debt within the group and the cyclical nature of the construction industry.

How we tailored our group audit scope

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

The Group is structured in two divisions, the Construction Division and the Materials Division, operating across eight different geographical locations – South Africa, Botswana, Namibia, Mozambique, Zambia, Zimbabwe, Cameroon and Australia.

The Group financial statements are a consolidation of the holding company and 100 reporting entities. Full scope audits were performed at all financially significant components and further audit procedures were performed over the remaining balances and the consolidation process in order to gain sufficient appropriate audit evidence over the consolidated numbers.

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

Key audit matters

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

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

Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
Accounting treatment of construction contracts	
Refer to Note 15 to the financial statements. Revenue relating to contracts with customers contributes to a significant portion of the Group's revenue. Revenue from contracts with customers is recognised over time, measured at the fair value of the consideration received or receivable and includes variations and claims. To determine the progress towards the satisfaction of the performance obligations on each contract, the group uses an input method, measuring the costs incurred to date relative to the total estimated cost of the contract. Anticipated losses to completion are immediately recognised as an expense in contract costs. Construction contract revenue within the Group results from Cost-plus, Re-measurable and Fixed Price contracts. Revenue recognition from all these types of contract revenue involves a higher degree of estimation uncertainty and complexity. The assumptions and estimates used by management in the input method calculations include: ▪ Total estimated project costs; and ▪ The profit margins on the contracts. The key inputs used by management in making the estimates as described above include: ▪ The progress towards the satisfaction of performance obligations; and ▪ Any variable considerations and claims to be recognised based on negotiations with the contract client. These assumptions and inputs represent the basis for the calculation of Contract Revenue and Work-in-progress to be recognised in the consolidated financial statements. We considered the Construction contract accounting to be a matter of most significance to our audit due to the following: ▪ Management's assessment involves making significant estimates about the profit margin and cost to completion; and ▪ Given the magnitude of the contract revenue and Work-in-progress balances, the accounting treatment of construction contracts has a significant impact on the financial statements.	Our audit procedures, as noted below, included an evaluation of the relevance and application of the significant assumptions and estimates within the Group's input method calculations for all types of contracts (Cost-Plus, Re-measurable and Fixed Price contracts). For a selection of construction contracts: ▪ We obtained corroborating evidence regarding the total contract revenue by examining signed contracts, management's costing per contract and signed variation order documentation. We further discussed the status of contracts with management, directors, finance and technical staff and noted no material differences; ▪ We tested a sample of costs incurred to date by agreeing them to supporting documentation. No material differences were noted; ▪ We compared the estimated progress towards the satisfaction of the performance obligations on each contract (cost to date as a percentage of total estimated costs) to work certified to date by contract engineering experts and found it to be within a reasonable range; ▪ We assessed the competency of the contract engineering experts by obtaining evidence relating to their qualifications and professional memberships; ▪ We performed reasonability tests on the expected profit margin by comparing it to similar ongoing projects and contracts completed during the year. We tested profit margins from year to year on projects running over the financial year end. Deviations in margins were evaluated against explanations and other supporting evidence (e.g. external factors such as rain delays). We found the deviations to be reasonable; ▪ We recalculated the revenue per contract based on the input method calculations. Based on our recalculation, we agreed the adjustments between certified progress revenue and revenue recognised to the construction work-in-progress and retentions in the financial statements; and ▪ In performing these procedures, we incorporated an element of unpredictability into our approach, by including a sample of low value contracts with high profit margins in relation to current year revenue.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment of the asphalt cash-generating unit	

Refer to note 12 to the financial statements

IAS 36: *Impairment of Assets* (IAS 36) requires goodwill to be tested for impairment annually.

The asphalt cash-generating unit (CGU) in the road surfacing and rehabilitation division has experienced a significant decrease in earnings during the year due to the lower volume of asphalt supplied to the road construction sector. Management considered this to be a possible indicator of impairment.

At 28 February 2019, the asphalt cash generating unit included goodwill amounting to R127m, before impairment of R51,5m was recognised by management for this CGU.

Management determined the recoverable amount of the CGU using "fair value less costs of disposal" as per IAS 36. This entailed calculating the discounted cash flows for the individual CGU.

Significant estimates and judgements were applied by management in performing these calculations to determine whether any impairment was required. The key assumptions applied by management in the valuation model were as follows:

- Forecast profits and cash flows;
- Growth rate; and
- Discount rate (post tax).

The impairment assessment of goodwill was considered to be a matter of most significance to the current year audit due to the significant judgements and estimates applied by management regarding the discount rate, the growth rate and other forecasts included in the analysis used to perform the impairment assessment.

We assessed impairment of goodwill by performing the following procedures:

- We obtained the discounted cash flow model supporting the recoverable amount of the asphalt CGU as prepared by management and tested the mathematical accuracy of the model;
- We made use of our valuation expertise to assess the approach adopted by management in the valuation model as well as the discount rate and growth rate used. We found the approach to be consistent with market practice and the requirements of IAS 36; and
- We assessed management's key assumptions used in the valuation model by performing the following procedures:
  - Discussions with management to gain an understanding of the basis for assumptions applied to the discounted cash flow model;
  - We agreed management's forecast profits to approved budgets;
  - Management's budgeting process was assessed by comparing budgeted figures to actual prior year results. Supporting evidence was obtained where past results were not reflective of previously approved forecasts or where subsequent adjustments were made to the budgets. We found corroborating evidence to be supportive of the variances and thus the budgeting inputs were accepted as reasonable;
  - We made use of our valuation expertise to independently calculate the discount rate derived from the weighted average cost of capital approach, taking into account independently obtained data such as cost of debt, risk-free rates in the market, market risk premiums, debt/equity ratios and the beta of comparable companies. We found the discount rate used by management to be reasonable; and
  - We made use of our valuation expertise to evaluate the growth rate used by management, by comparing it to independently obtained data. We found the growth rate used by management to be reasonable.
- We concurred with management's conclusion that the CGU was impaired and no material differences from the impairment provision raised were noted.

Independent auditor’s report continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the *Raubex Group Limited and its subsidiaries Annual Financial Statements for the year ended 28 February 2019*, which includes the Directors’ report, the Audit committee report and the Statement of compliance by the company secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor’s report, and the other sections of the *Raubex Group Limited Integrated Report 2019*, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor’s report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Raubex Group Limited for 13 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: CJ Hertzog
Registered Auditor

Bloemfontein
9 May 2019

Audit committee report

The audit committee is pleased to present this report for the financial year ended 28 February 2019 in compliance with the Companies Act, 71 of 2008, and the recommendations of the King IV report on corporate governance.

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

Audit committee terms of reference

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

Audit committee members, meeting attendance and assessment

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

Name	Designation	Date appointed	Qualifications
Mr LA Maxwell	**Independent non-executive (Chairman)**	**1 March 2007**	**BCom, CA(SA)**
Mr BH Kent	**Independent non-executive**	**24 February 2011**	**BCom, CA(SA), FCMA, HDip Tax, HDip Company Law**
Ms SR Bogatsu	**Independent non-executive**	**1 June 2017**	**BCom, MBA**

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

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

Name	2 May 2018	23 July 2018	23 October 2018	21 February 2019
Mr LA Maxwell	✓	✓	✓	✓
Mr BH Kent	✓	✓	✓	✓
Ms SR Bogatsu	✓	✓	✓	✓

✓ *Attended.*

Role and responsibilities

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

Statutory duties

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

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

External auditor appointment and independence

The audit committee has satisfied itself that the external auditors, PricewaterhouseCoopers Inc., are independent of the company and its subsidiaries ("the group") and have ensured that their appointment has complied with the Companies Act, 71 of 2008 of South Africa and the JSE Listings Requirements.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted fees for the year ended 28 February 2019.

JSE accreditation of auditors

The audit committee confirms that, based on the amended requirements for the JSE accreditation of auditors effective 15 October 2017, the committee is satisfied that:

- the audit firm PricewaterhouseCoopers Inc. has met all the criteria stipulated in the JSE Listings Requirements, including that the audit regulator has successfully completed a firm-wide independent quality control (ISQC 1) inspection on the audit firm during its previous inspection cycle;
- the auditor has provided the audit committee with the required IRBA inspection decision letters, findings report and the proposed remedial action to address the findings, both at the audit firm and the individual auditor levels; and
- both the audit firm and the engagement partner understand their roles and have the competence, expertise, experience and skills required to discharge their specific audit and financial reporting responsibilities.

Auditor suitability

The audit committee met with the external auditor on 23 October 2018 in order to consider the suitability for reappointment of the current audit firm PricewaterhouseCoopers Inc. and the designated engagement partner, as contemplated in terms of paragraph 22.15(h) of the JSE Listings Requirements. The committee considered the information in the document prepared and presented by the external auditor for this purpose. In light of the above, the committee is satisfied to recommend to shareholders the reappointment of the external auditor and engagement partner to act as independent auditor of the company until its next annual general meeting.

Financial statements and accounting practices

The audit committee has reviewed the accounting policies and the financial statements of the group 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.

The audit committee has also reviewed and considered the detailed findings and recommendations made in the JSE's report back on proactive monitoring of financial statements in 2018.

Internal financial controls

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

Duties assigned by the board

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

Integrated reporting and combined assurance

The audit committee fulfils an oversight role regarding the group'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 group at each meeting and makes recommendations to the board.

Governance of risk

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

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

Audit committee report continued

Internal audit

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

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

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

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

Comment on key audit matters reported in the external audit report

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

Accounting treatment of construction contracts

The group has significant construction contracts within all its reporting segments consisting of Cost-plus, Re-measurable and Fixed Price contracts. Recognising revenue on construction contracts is done in accordance with IFRS 15, where it is recognised over time, is measured at the fair value of the consideration received or receivable and includes variations and claims. Progress towards the satisfaction of performance obligations is determined using an input method which measures the costs incurred to date in relation to the total estimate cost of the contract.

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

Goodwill impairment assessment of the asphalt cash-generating unit

The asphalt cash-generating unit ("CGU") has experienced a significant decrease in earnings during the year due to the lower volume of asphalt work being supplied to the road construction sector. Management considered this to be a possible indicator of impairment and performed an assessment in terms of IAS 36 which determined that an impairment charge on the goodwill relating to the CGU would be appropriate.

This matter is considered material given the significant judgements and estimates involved in determining the appropriate discount rate, the growth rate and other forecasts used in management's impairment assessment.

The committee assessed the methodology and judgements applied by management in both cases, focusing on the input method used to determine the progress towards the satisfaction of performance obligations for the accounting treatment of construction contracts together with fair value less costs of disposal calculation used by management in their impairment assessment of the asphalt CGU.

The committee has discussed the above mentioned matters with the external auditors to understand their related audit procedures and evidence to support the judgements and calculations.

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

LA Maxwell
Chairman of the audit committee

7 May 2019

Directors' report

This report presented by the directors is a constituent document of the group consolidated financial statements at 28 February 2019.

Nature of business

Raubex Group Limited is an investment holding company listed on the Johannesburg Stock Exchange with interests in the Construction and Materials sectors. The company does not trade and all of its activities are undertaken through a number of subsidiaries and joint arrangements. Details of the major operating subsidiaries, associates, joint ventures and joint operations are disclosed in notes 13, 41 and 42 of the group financial statements.

Group financial results

Group earnings attributable to owners of the parent for the year ended 28 February 2019 were R58,0 million (2018: R423,6 million), representing basic earnings per share of 31,9 cents (2018: 233,5 cents). Headline earnings per share were 57,0 cents (2018: 228,6 cents).

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

Share capital

No new shares were issued during the year (2018: nil).

Full details of the authorised and issued capital of the company at 28 February 2019 are set out in notes 23 and 24 of these financial statements.

Employee long-term incentive scheme

During the year 1 822 375 performance shares were granted to directors and prescribed officers. Full details of the employee long-term incentive scheme are set out in note 35 of these financial statements.

Dividend

The following dividends were declared during the year ended 28 February 2019:

- Final dividend number 22 declared on 7 May 2018 of 33 cents per ordinary share (2018: 45 cps)
- Interim dividend number 23 declared on 29 October 2018 of 12 cents per ordinary share (2018: 45 cps)

After consideration was given to the solvency and liquidity test of the group, a final dividend in respect of the year ended 28 February 2019 of 22 cents per share was proposed at the board of directors' meeting on 7 May 2019 and declared on the release of the group's results. These financial statements do not reflect this dividend payable.

Business combinations

Metadynamics (Pty) Ltd ("Metadynamics")

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

The revenue included in the consolidated income statement since 1 March 2018 contributed by Metadynamics was R41,2 million with a net profit contribution of R4,7 million over the same period.

Donkerhoek Quarry (Pty) Ltd ("Donkerhoek")

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

The revenue included in the consolidated income statement since 18 April 2018 contributed by Donkerhoek was R40,1 million with a net loss contribution of R3,1 million over the same period.

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

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

The revenue included in the consolidated income statement since 3 April 2018 contributed by Transkei Quarries was R101,0 million with a net profit contribution of R5,1 million over the same period.

Forte Demolition Services (Pty) Ltd Operations ("Forte Demolition")

On 31 January 2019, the group acquired 100% of Forte Demolition's operations, through its subsidiary SPH Kundalila (Pty) Ltd, for a purchase price of R18 million to be settled in cash. Forte Demolition provides innovative turnkey demolition, remediation and asbestos abatement solutions to the mining industry.

The revenue and net profit contribution included in the consolidated income statement since 31 January 2019 contributed by Forte Demolition is immaterial to the group.

Turnkey Real Estate Company (Pty) Ltd ("TREC")

On 1 October 2018, an agreement was entered into by the group to acquire the remaining issued share capital of TREC through its subsidiary Raubex Building (Pty) Ltd. TREC was established in 2015 to execute property development projects in the Northern Cape in a joint venture relationship with a land owner. The group's effective shareholding was increased from 50% to 77% resulting in a change in ownership. Effective 1 October 2018, TREC has been accounted for as a subsidiary as the group obtained control in terms of IFRS 10.

There were no disposals of property development stock held by TREC during the period and as such the revenue and net profit contribution included in the consolidated income statement since 1 October 2018 were immaterial to the group.

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

Transactions with non-controlling interests

Acquisitions

Raubex Building (Pty) Ltd ("Raubex Building")

On 1 March 2018, the group acquired an additional 4% of the issued share capital from a non-controlling shareholder of Raubex Building for R1,7 million, increasing the group's shareholding from 73% to 77%.

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

Capital commitments

Details of capital commitments are set out in note 39 of these financial statements.

Property, plant and equipment

There have been no major changes in the nature of the assets of the group during the year or in the policy relating to their use. Capital expenditure for the year amounted to R420,9 million (2018: R441,3 million). Property, plant and equipment acquired through the acquisition of subsidiaries during the year amounted to R129,9 million (2018: R51,4 million).

Contingencies

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

Voluntary rebuilding programme

The group entered into a settlement agreement with the government of the Republic of South Africa ("the Government") on 11 October 2016, together with other construction companies, in an effort to address the construction companies' exposure to potential claims for damages from certain identified public entities arising primarily from the fast track settlement process launched by the South African Competition Authorities in February 2011, as well as to significantly advance the transformation of the South African construction sector. Further details can be found in note 20 of these financial statements.

Events after the reporting period

Transactions with non-controlling interests

Shisalanga Construction (Pty) Ltd ("Shisalanga")

Effective 1 March 2019, the group restructured its asphalt operations in KwaZulu-Natal and effectively acquired a further 16% of Shisalanga from the non-controlling shareholders through a subscription and buyback agreement. The subscription was settled through the transfer of assets held by National Asphalt (Pty) Ltd to Shisalanga and the buyback was settled in cash. The total combined value of the transaction was R49,9 million. These agreements increased the group effective interest in Shisalanga from 60% to 76%.

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

Special resolutions

The following special resolutions were passed during the year:

Special resolution number one: Remuneration of non-executive directors

Resolved in terms of article 26.3.2 of the company's Memorandum of Incorporation and in accordance with sections 66(8) and 66(9) of the Companies Act, 71 of 2008, that the remuneration payable to the non-executive directors for 2019 financial year be as follows:

	Annual remuneration R
Chairman	**1 029 150**
Lead independent non-executive director	**836 185**
Non-executive director	**643 220**

Special resolution number two: General authority to repurchase shares

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

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

Resolved that the directors may, subject to the provisions of sections 44 and 45 of the Companies Act, 71 of 2008, authorise the company to provide any direct or indirect financial assistance to or for the benefit of any company or corporation which is related or inter-related to the company for such amounts and on such terms and conditions as the board of the company may determine.

Directorate and secretary

The names of the directors and secretary are set out on pages 32 and 33 of this integrated report.

Interests of directors in the share capital

Details of ordinary shares held directly and indirectly per individual director and details of share options and performance shares granted to the directors are set out in note 37 of these financial statements.

Shareholder spread

Details of the shareholder categories are set out in note 43 of these financial statements.

Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90(6) of the Companies Act, 71 of 2008. At the annual general meeting shareholders will be requested to appoint PricewaterhouseCoopers Inc. as the group's auditors for the 2020 financial year.

Group statement of financial position

for the year ended 28 February 2019

	Note	**2019 R'000**	2018 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**2 535 579**	2 410 165
Intangible assets	12	**1 037 605**	947 806
Investment in associates and joint ventures	13	**42 566**	111 789
Deferred income tax assets	22	**94 684**	39 614
Inventories	14	**67 474**	64 533
Trade and other receivables	16	**53 978**	81 915
Total non-current assets		**3 831 886**	3 655 822
Current assets			
Inventories	14	**698 178**	600 636
Contract assets	15	**293 993**	280 933
Trade and other receivables	16	**1 448 393**	1 489 575
Current income tax receivable		**30 541**	28 617
Cash and cash equivalents	17	**962 611**	1 084 088
Total current assets		**3 433 716**	3 483 849
Total assets		**7 265 602**	7 139 671
EQUITY			
Share capital	23	**1 817**	1 817
Share premium	23	**2 059 688**	2 059 688
Treasury shares	24	**(1 218)**	(1 218)
Other reserves	25	**(1 177 135)**	(1 219 859)
Retained earnings		**3 181 700**	3 200 300
Equity attributable to owners of the parent		**4 064 852**	4 040 728
Non-controlling interest	26	**262 272**	157 240
Total equity		**4 327 124**	4 197 968
LIABILITIES			
Non-current liabilities			
Borrowings	18	**362 989**	411 284
Provisions for liabilities and charges	19	**105 625**	82 780
Deferred income tax liabilities	22	**292 389**	342 036
Other financial liabilities	20	**119 868**	86 980
Total non-current liabilities		**880 871**	923 080
Current liabilities			
Trade and other payables	21	**1 366 715**	1 302 641
Contract liabilities	15	**326 852**	227 940
Borrowings	18	**298 758**	365 272
Current income tax liabilities		**38 923**	31 680
Provisions for liabilities and charges	19	**11 359**	15 823
Other financial liabilities	20	**15 000**	75 267
Total current liabilities		**2 057 607**	2 018 623
Total liabilities		**2 938 478**	2 941 703
Total equity and liabilities		**7 265 602**	7 139 671

The notes on pages 91 to 172 are an integral part of these financial statements.

Group statement of profit or loss

for the year ended 28 February 2019

	Note	2019 R'000	2018 R'000
Revenue	27	**8 519 142**	8 542 247
Cost of sales	30	**(7 792 319)**	(7 416 511)
Gross profit		**726 823**	1 125 736
Other income	28	**31 844**	40 133
Other gains/(losses) – net	29	**(24 580)**	14 383
Administrative expenses	30	**(527 042)**	(508 339)
Operating profit		**207 045**	671 913
Finance income	31	**48 612**	59 495
Finance costs	31	**(73 858)**	(91 245)
Finance costs – net	31	**(25 246)**	(31 750)
Share of (loss)/profit of investments accounted for using the equity method	13	**(1 115)**	477
Profit before income tax		**180 684**	640 640
Income tax expense	32	**(63 842)**	(187 956)
Profit for the year		**116 842**	452 684
Attributable to:			
Owners of the parent		**57 957**	423 573
Non-controlling interests	26	**58 885**	29 111
		116 842	452 684
Basic earnings per share (cents)	5	**31,9**	233,5
Diluted earnings per share (cents)	5	**31,8**	233,5

The notes on pages 91 to 172 are an integral part of these financial statements.

Group statement of comprehensive income

for the year ended 28 February 2019

	Note	2019 R'000	2018 R'000
Profit for the year		**116 842**	452 684
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**461**	374
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	25	**14 670**	(14 284)
Other comprehensive income for the year, net of tax		**15 131**	(13 910)
Total comprehensive income for the year		**131 973**	438 774
Attributable to:			
Owners of the parent		**73 045**	410 356
Non-controlling interests	26	**58 928**	28 418
Total comprehensive income for the year		**131 973**	438 774

The notes on pages 91 to 172 are an integral part of these financial statements.

Group statement of changes in equity

for the year ended 28 February 2019

	Share capital R'000	Share premium R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Total attributable to owners of the parent company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 March 2017	1 817	2 059 688	(23 664)	(1 179 094)	2 938 678	3 797 425	152 300	3 949 725
Changes in equity:								
Treasury shares issued in terms of equity-settled share option scheme	–	–	22 446	–	(22 432)	14	–	14
Share option reserve utilised during the year	–	–	–	(27 175)	27 175	–	–	–
Non-controlling interest arising on business combination	–	–	–	–	–	–	17 109	17 109
Acquisition of non-controlling interest	–	–	–	–	(7 591)	(7 591)	(26 094)	(33 685)
Disposal of interest to non-controlling interest	–	–	–	–	4 036	4 036	387	4 423
Loss of control of subsidiary	–	–	–	–	–	–	(25)	(25)
Profit for the year	–	–	–	–	423 573	423 573	29 111	452 684
Other comprehensive income for the year	–	–	–	(13 590)	374	(13 216)	(693)	(13 909)
Dividends paid	–	–	–	–	(163 513)	(163 513)	(14 855)	(178 368)
Total changes	–	–	22 446	(40 765)	261 622	243 303	4 940	248 243
Balance at 28 February 2018	1 817	2 059 688	(1 218)	(1 219 859)	3 200 300	4 040 728	157 240	4 197 968
Change in accounting policy (refer note 47)	**–**	**–**	**–**	**–**	**(22 617)**	**(22 617)**	**–**	**(22 617)**
Restated balance at 1 March 2018	**1 817**	**2 059 688**	**(1 218)**	**(1 219 859)**	**3 177 683**	**4 018 111**	**157 240**	**4 175 351**
Changes in equity:								
Unutilised share option reserve reversed	**–**	**–**	**–**	**(27 267)**	**27 267**	**–**	**–**	**–**
Share option reserve	**–**	**–**	**–**	**6 905**	**–**	**6 905**	**–**	**6 905**
Unutilised put option reserve reversed	**–**	**–**	**–**	**48 459**	**–**	**48 459**	**–**	**48 459**
Non-controlling interest arising on business combination	**–**	**–**	**–**	**–**	**(4)**	**(4)**	**60 654**	**60 650**
Acquisition of non-controlling interest	**–**	**–**	**–**	**–**	**92**	**92**	**(1 792)**	**(1 700)**
Profit for the year	**–**	**–**	**–**	**–**	**57 957**	**57 957**	**58 885**	**116 842**
Other comprehensive income for the year	**–**	**–**	**–**	**14 627**	**461**	**15 088**	**43**	**15 131**
Dividends paid	**–**	**–**	**–**	**–**	**(81 756)**	**(81 756)**	**(12 758)**	**(94 514)**
Total changes	**–**	**–**	**–**	**42 724**	**4 017**	**46 741**	**105 032**	**151 773**
Balance at 28 February 2019	**1 817**	**2 059 688**	**(1 218)**	**(1 177 135)**	**3 181 700**	**4 064 852**	**262 272**	**4 327 124**
Note	23	23	24	25			26	

The notes on pages 91 to 172 are an integral part of these financial statements.

Group statement of cash flows

for the year ended 28 February 2019

	Note	2019 R'000	2018 R'000
Cash flows from operating activities			
Cash generated from operations	36	**788 924**	1 039 786
Interest received	31	**48 612**	59 495
Interest paid	31	**(57 782)**	(74 908)
Income tax paid	36	**(163 926)**	(177 950)
Net cash generated from operating activities		**615 828**	846 423
Cash flows from investing activities			
Purchases of property, plant and equipment	11	**(420 865)**	(441 286)
Proceeds from sale of property, plant and equipment	36	**60 142**	95 960
Acquisition of subsidiaries	7	**(115 434)**	(81 737)
Loans granted to associates and joint ventures	13	**(36 919)**	(37 698)
Net cash used in investing activities		**(513 076)**	(464 761)
Cash flows from financing activities	36,1		
Proceeds from borrowings		**341 286**	360 921
Repayment of borrowings		**(481 625)**	(542 815)
Dividends paid to owners of the parent	6	**(81 756)**	(163 513)
Dividends paid to non-controlling interests	26	**(12 758)**	(14 855)
Disposal of interest in a subsidiary		**–**	4 423
Acquisition of non-controlling interest	7	**(1 700)**	(41 185)
Issue of treasury shares	24	**–**	14
Net cash used in financing activities		**(236 553)**	(397 010)
Net decrease in cash and cash equivalents		**(133 801)**	(15 348)
Cash and cash equivalents at the beginning of the year		**1 084 088**	1 103 618
Effects of exchange rates on cash and cash equivalents		**12 324**	(4 182)
Cash and cash equivalents at the end of the year	17	**962 611**	1 084 088

The notes on pages 91 to 172 are an integral part of these financial statements.

Notes to the group financial statements

for the year ended 28 February 2019

1. Corporate information

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

2. Basis of preparation

The consolidated financial statements of Raubex Group Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the interpretations issued by the IFRS Interpretations Committee ("IFRS IC"), the JSE Listings Requirements and the Companies Act, 71 of 2008, of South Africa. 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.

A number of International Financial Reporting Standards, Interpretations and amendments as issued by the International Accounting Standards Board ("IASB") became applicable to the group, effective 1 March 2018, which have required changes to our accounting policies. The following standards were particularly relevant to the group:

- IFRS 9: *Financial Instruments* ("IFRS 9"); and
- IFRS 15: *Revenue from Contracts with Customers* ("IFRS 15").

Refer note 47 for further details of the impact the adoption of these standards have on the group. The other new standards, interpretations and amendments that became applicable to the group during the current reporting period did not have a significant impact on the group.

Except for those mentioned above or if otherwise stated, the principal accounting policies used in the preparation of these consolidated financial statements are consistent with those applied for the year ended 28 February 2018 in terms of IFRS.

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 contracts in progress, development land 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 contracts in progress and retentions.

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

3. Significant estimates and judgements

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are as follow:

Significant estimates

- Estimates made in determining changes in estimated useful lives and residual value of property, plant and equipment (refer note 11)
- Estimates regarding impairment of property, plant and equipment (refer note 11)
- Estimated impairment of goodwill (refer note 12)
- Contract revenue recognition and profit taking (refer note 15 and 27)

  Each contract has specific estimates attributed to it regarding the estimated project costs and profit margin. A meaningful sensitivity analysis on contract estimates is not practical. Contract revenue is also considered to be the most significant estimate for the group.
- Estimate of exposure and liabilities with regard to rehabilitation costs (refer note 19)

4. Segmental information

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

The group's operating segments are defined as follows:

- *Materials*
  The materials division comprises three main disciplines, namely (i) commercial quarries, (ii) contract crushing and (iii) materials handling and processing services for the mining industry.
- *Roads and earthworks*
  This division includes the road and civil infrastructure construction operations focused on the key areas of new road construction and road rehabilitation. The division further specialises in the manufacturing and laying of asphalt, chip and spray, surface dressing, enrichments and slurry seals and includes the operations of Tosas, a company specialising in the manufacture and distribution of value added bituminous products in South Africa, Namibia and Botswana.
- *Infrastructure*
  The Infrastructure division specialises in disciplines outside of the road construction sector, including energy (with a specific focus on renewable energy), rail, telecommunications, pipeline construction and housing infrastructure projects.

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

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

Inter-segment transfers

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

Segment revenue and expenses

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

Segment assets

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

Segment liabilities

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

4. Segmental information (continued)

Segmental analysis

Operating segments	Materials R'000	Roads and earthworks R'000	Infrastructure R'000	Other* R'000	Consolidated R'000
At 28 February 2018					
Revenue	2 583 677	4 583 053	1 375 517	–	8 542 247
Operating profit	366 428	289 462	16 023	–	671 913
Finance income	16 739	38 218	4 538	–	59 495
Finance costs	(62 696)	(16 827)	(2 891)	(8 831)	(91 245)
Share of profit of investments accounted for using the equity method	–	(176)	653	–	477
Taxation	(87 661)	(81 934)	(18 361)	–	(187 956)
Profit for the year	232 810	228 743	(38)	(8 831)	452 684
Segment assets	3 096 635	3 294 635	748 401	–	7 139 671
Segment liabilities	1 250 738	1 160 404	428 581	101 980	2 941 703
Depreciation and amortisation	247 447	90 242	23 667	–	361 356
Capital expenditure	225 844	183 656	31 786	–	441 286
Inter-segment revenue	52 329	118 769	55 876	–	226 974
At 28 February 2019					
Revenue	**2 750 801**	**3 634 494**	**2 133 847**	**–**	**8 519 142**
Operating profit	**358 543**	**(245 796)**	**94 298**	**–**	**207 045**
Finance income	**11 827**	**34 273**	**2 512**	**–**	**48 612**
Finance costs	**(49 430)**	**(12 981)**	**(3 170)**	**(8 277)**	**(73 858)**
Share of profit of investments accounted for using the equity method	**–**	**(768)**	**(347)**	**–**	**(1 115)**
Taxation	**(96 820)**	**62 903**	**(29 925)**	**–**	**(63 842)**
Profit for the year	**224 120**	**(162 369)**	**63 368**	**(8 277)**	**116 842**
Segment assets	**3 126 141**	**2 931 238**	**1 208 223**	**–**	**7 265 602**
Segment liabilities	**1 169 979**	**1 013 282**	**659 960**	**95 257**	**2 938 478**
Depreciation and amortisation	**257 062**	**97 094**	**33 917**	**–**	**388 073**
Capital expenditure	**260 604**	**61 004**	**99 257**	**–**	**420 865**
Inter-segment revenue	**67 305**	**59 654**	**19 851**	**–**	**146 810**

* *Other consists of amounts that cannot be allocated to specific segments, including the voluntary rebuilding programme expense detailed in note 20.*

Approximately 12,5% (2018: 16%) of total revenue is derived from a single external customer, ie The South African National Roads Agency ("SANRAL"), these revenues are attributable to all the operating segments.

Approximately 11% (2018: 14%) of total revenue is derived from South African local municipalities and provincial governments.

4. Segmental information (continued)

Segmental revenue analysis

Operating segments	Materials R'000	Roads and earthworks R'000	Infrastructure R'000	Consolidated R'000
For the year ended 28 February 2018				
Contracting revenue	1 476 306	3 300 377	1 338 417	6 115 100
Commercial quarry aggregates and gypsum revenue	717 710	–	–	717 710
Bitumen and emulsion products and services	–	548 036	–	548 036
Asphalt supply revenue	–	734 640	–	734 640
Plant hire revenue	389 661	–	–	389 661
Property sales and development fees	–	–	37 100	37 100
Total revenue for the year	2 583 677	4 583 053	1 375 517	8 542 247
For the year ended 28 February 2019				
Contracting revenue	**1 511 182**	**2 427 910**	**2 053 212**	**5 992 304**
Commercial quarry aggregates and gypsum revenue	**900 591**	**–**	**–**	**900 591**
Bitumen and emulsion products and services	**–**	**573 028**	**–**	**573 028**
Asphalt supply revenue	**–**	**633 556**	**–**	**633 556**
Plant hire revenue	**339 028**	**–**	**–**	**339 028**
Property sales and development fees	**–**	**–**	**80 635**	**80 635**
Total revenue for the year	**2 750 801**	**3 634 494**	**2 133 847**	**8 519 142**

Refer note 27 for further information on the nature and timing of each of the disaggregated revenues above.

Additional voluntary disclosure: Geographical information

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

4. Segmental information (continued)

Additional voluntary disclosure: Geographical information (continued)

	Local R'000	International R'000	Other* R'000	Consolidated R'000
At 28 February 2019				
Revenue	**6 990 062**	**1 529 080**	**–**	**8 519 142**
Operating profit	**80 736**	**126 309**	**–**	**207 045**
Finance income	**47 121**	**1 491**	**–**	**48 612**
Finance costs	**(49 185)**	**(16 396)**	**(8 277)**	**(73 858)**
Share of profit of investments accounted for using the equity method	**(1 115)**	**–**	**–**	**(1 115)**
Taxation	**(26 124)**	**(37 718)**	**–**	**(63 842)**
Profit for the year	**51 433**	**73 686**	**(8 277)**	**116 842**
Segment assets	**6 285 905**	**979 697**	**–**	**7 265 602**
Segment liabilities	**2 324 638**	**518 583**	**95 257**	**2 938 478**
Depreciation and amortisation	**316 610**	**71 463**	**–**	**388 073**
Capital expenditure	**340 726**	**80 139**	**–**	**420 865**
Inter-segment revenue	**342 089**	**117 871**	**–**	**459 960**

* *Other consists of amounts that cannot be allocated to specific segments, including the voluntary rebuilding programme expense detailed in note 20.*

International revenues from external customers account for 18,0% (2018: 13,0%) of total group revenue from external customers and were generated from operations in Australia, Botswana, Cameroon, Mozambique, Namibia and Zambia.

Geographical revenue analysis

	Local R'000	International R'000	Consolidated R'000
For the year ended 28 February 2018			
Contracting revenue	5 268 119	846 981	6 115 100
Commercial quarry aggregates and gypsum revenue	614 009	103 701	717 710
Bitumen and emulsion products and services	419 346	128 690	548 036
Asphalt supply revenue	727 534	7 106	734 640
Plant hire revenue	363 661	26 000	389 661
Property sales and development fees	37 100	–	37 100
Total revenue for the year	7 429 769	1 112 478	8 542 247
For the year ended 28 February 2019			
Contracting revenue	**4 943 199**	**1 049 105**	**5 992 304**
Commercial quarry aggregates and gypsum revenue	**686 484**	**214 107**	**900 591**
Bitumen and emulsion products and services	**367 983**	**205 045**	**573 028**
Asphalt supply revenue	**573 167**	**60 389**	**633 556**
Plant hire revenue	**338 594**	**434**	**339 028**
Property sales and development fees	**80 635**	**–**	**80 635**
Total revenue for the year	**6 990 062**	**1 529 080**	**8 519 142**

Refer note 27 for further information on the nature and timing of each of the disaggregated revenues above.

4. Segmental information (continued)

Reclassification of comparative figures

In the prior year, the group reported four operating segments for information purposes, these being materials, road surfacing and rehabilitation, road construction and earthworks, and infrastructure. During the year, the group consolidated the disclosure to that which is reported to the group's chief operating decision-maker, being the executive committee, and combined the road surfacing and rehabilitation division and road construction and earthworks division into one reportable segment, being roads and earthworks. Since the two historical segments have very similar business drivers, this change allows for a more streamlined disclosure and does not take anything away from the understanding of the group's business activities. The segment disclosures have therefore been amended to include three reportable segments, ie materials, roads and earthworks and infrastructure, which has resulted in the restatement of prior the year figures.

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

5. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent entity by the weighted average number of ordinary shares in issue during the year.

	2019 R'000	2018 R'000
Profit attributable to owners of the parent entity	**57 957**	423 573
Weighted average number of ordinary shares in issue*	**181 680**	181 381
Basic earnings per share (cents)	**31,9**	233,5

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.

5. Earnings per share (continued)

Diluted (continued)

	2019 R'000	2018 R'000
Profit attributable to owners of the parent entity	**57 957**	423 573
Weighted average number of ordinary shares in issue*	**181 680**	181 381
Adjustments for:		
Shares deemed issued for no consideration (share options)	**508**	–
Weighted average number of ordinary shares for diluted earnings per share	**182 188**	181 381
Diluted earnings per share (cents)	**31,8**	233,5

Headline

	2019 R'000	2018 R'000
Profit attributable to owners of the parent entity	**57 957**	423 573
Adjustments for:		
Profit on sale of property, plant and equipment (refer note 29)	**(9 930)**	(17 471)
Impairment of goodwill (refer note 29)	**51 477**	2 799
Loss of control of subsidiary (refer note 7)	**–**	767
Add back: Non-controlling interests' portion of profit on sale of property, plant and equipment	**1 758**	79
Total tax effects of adjustments	**2 288**	4 870
Basic headline earnings	**103 550**	414 617
Weighted average number of shares*	**181 680**	181 381
Headline earnings per share (cents)	**57,0**	228,6
Headline earnings	**103 550**	414 617
Adjusted weighted average number of shares	**182 188**	181 381
Diluted headline earnings per share (cents)	**56,8**	228,6

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

6. Dividends per share

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

The following dividends were approved and paid during the year:

	Number of shares ('000) 2019	Value R'000 2019	Number of shares ('000) 2018	Value R'000 2018
Previous year final dividend paid	**181 750**	**59 978**	181 750	81 788
Current year interim dividend paid	**181 750**	**21 810**	181 750	81 788
Dividends received on treasury shares	**(70)**	**(32)**	(70)	(63)
Total dividends paid		**81 756**		163 513

After consideration was given to the solvency and liquidity test of the group, a final dividend in respect of the year ended 28 February 2019 of R40,0 million (22 cents per share) amounting to a total dividend for the year of R61,8 million (34 cents per share) was proposed at the board of directors' meeting on 7 May 2019 and declared on the release of the group's results. These financial statements do not reflect this dividend payable.

Dividends tax ("DT")

DT is a tax imposed on shareholders at a rate of 20% on receipt of dividends. The DT is categorised as a withholding tax, as the tax is withheld and paid to the South African Revenue Service by the company paying the dividend or by a regulated intermediary and not the person liable for the tax.

7. Business combinations

Common control transactions

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

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

Subsidiaries

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

The group uses the acquisition method to account for business combinations. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. The group applied the non-controlling interest's proportionate share of the acquiree's net assets when recognising the non-controlling interest in the acquiree.

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

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

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

Joint operations

The group applies IFRS 11 to all joint arrangements. Under IFRS 11: *Investments in Joint Arrangements* are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures (refer note 13) and joint operations (refer note 42).

Equity method

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

Changes in ownership interests

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

7. Business combinations (continued)

Changes in ownership interests (continued)

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

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

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

Acquisitions made during the financial period

Metadynamcis (Pty) Ltd (“Metadynamics”)

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

The goodwill is attributable to the technical skills and expertise within Metadynamics, which combined with the gypsum stockpiles of OMV will unlock value and further diversify the group’s product mix within the materials division.

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

	2019 R’000
Consideration	
Cash	**18 200**
Contingent consideration (refer note 20)	**24 851**
Total consideration	**43 051**
Recognised amounts of identifiable assets and acquired liabilities assumed	
Property, plant and equipment	**46 572**
Inventories	**3 290**
Trade and other receivables	**8 272**
Cash and cash equivalents	**(929)**
Deferred tax asset	**171**
Deferred tax liability	**(6 348)**
Income tax payable	**(82)**
Trade and other payables	**(24 609)**
Total identifiable net assets	**26 337**
Non-controlling interest	**(13 432)**
Goodwill attributable to owners of the parent	**30 146**
Total	**43 051**
Purchased consideration settled in cash	**18 200**
Less: Cash and cash equivalents in the business combination acquired	**929**
Cash outflow on acquisition for cash flow statement	**19 129**

Notes to the group financial statements continued

for the year ended 28 February 2019

7. Business combinations (continued)

Acquisitions made during the financial period (continued)

Metadynamcis (Pty) Ltd ("Metadynamics") (continued)

The fair value of trade and other receivables is R8,3 million which is the same as the gross contractual amount. The full amount is expected to be recoverable.

The revenue included in the consolidated income statement since 1 March 2018 contributed by Metadynamics was R41,2 million with a net profit contribution of R4,7 million over the same period.

Donkerhoek (Pty) Ltd ("Donkerhoek")

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

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

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

	2019 R'000
Consideration	
Cash	**31 142**
Total consideration	**31 142**
Recognised amounts of identifiable assets and acquired liabilities assumed	
Property, plant and equipment	**30 400**
Intangible – mining rights	**15 500**
Inventories	**6 891**
Trade and other receivables	**4**
Deferred tax asset	**2 325**
Deferred tax liability	**(4 340)**
Income tax payable	**(13)**
Rehabilitation provision	**(8 305)**
Trade and other payables	**(344)**
Total identifiable net assets	**42 118**
Non-controlling interest	**(12 635)**
Goodwill attributable to owners of the parent	**1 659**
Total	**31 142**
Purchased consideration settled in cash	**31 142**
Less: Cash and cash equivalents in the business combination acquired	**–**
Cash outflow on acquisition for cash flow statement	**31 142**

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

The revenue included in the consolidated income statement since 18 April 2018 contributed by Donkerhoek was R40,1 million with a net loss contribution of R3,1 million over the same period.

7. Business combinations (continued)

Acquisitions made during the financial period (continued)

Transkei Quarries (Pty) Ltd (“Transkei”)

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

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

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

	2019 R’000
Consideration	
Cash	**49 000**
Contingent consideration (refer note 20)	**12 183**
Total consideration	**61 183**
Recognised amounts of identifiable assets and acquired liabilities assumed	
Property, plant and equipment	**36 265**
Intangible – mining rights	**75 300**
Inventories	**9 891**
Deferred tax asset	**2 818**
Deferred tax liability	**(21 084)**
Borrowings	**(24 581)**
Rehabilitation provision	**(10 063)**
Trade and other payables	**(381)**
Total identifiable net assets	**68 165**
Non-controlling interest	**(34 764)**
Goodwill attributable to owners of the parent	**27 782**
Total	**61 183**
Purchased consideration settled in cash	**49 000**
Less: Cash and cash equivalents in the business combination acquired	**–**
Cash outflow on acquisition for cash flow statement	**49 000**

The revenue included in the consolidated income statement since 3 April 2018 contributed by Transkei Quarries was R101,0 million with a net profit contribution of R5,1 million over the same period.

7. Business combinations (continued)

Acquisitions made during the financial period (continued)

Forte Demolition Services (Pty) Ltd Operations ("Forte Demolition")

On 31 January 2019, the group acquired 100% of Forte Demolition's operations, through its subsidiary SPH Kundalila (Pty) Ltd, for a purchase price of R18 million to be settled in cash. Forte Demolition provides innovative turnkey demolition, remediation and asbestos abatement solutions to the mining industry.

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

	2019 R'000
Consideration	
Cash	**16 200**
Deferred consideration*	**1 800**
Total consideration	**18 000**
Recognised amounts of identifiable assets and acquired liabilities assumed	
Property, plant and equipment	**16 700**
Inventories	**1 300**
Total identifiable net assets	**18 000**
Non-controlling interest	**–**
Goodwill attributable to owners of the parent	**–**
Total	**18 000**
Purchased consideration settled in cash	**16 200**
Less: Cash and cash equivalents in the business combination acquired	**–**
Cash outflow on acquisition for cash flow statement	**16 200**

* *The deferred consideration is an amount of R1,8 million payable to the previous shareholders of Forte Demolition should no legal action pertaining to contracts completed by the entity prior to the acquisition arise against for a period of one year after the effective date. The deferred consideration is included in the cost of the business combination at fair value on the date of the acquisition. Subsequently the deferred consideration is measured at amortised cost. However, the effect of discounting is deemed to be immaterial as this amount will be paid by the end of the 2020 financial year.*

The revenue and net profit contribution included in the consolidated income statement since 31 January 2019 contributed by Forte Demolition is immaterial to the group.

In terms of IFRS 3, the acquisition of Forte Demolition's operations are deemed to constitute a business as management has determined the operations to consist of an integrated set of assets and activities which are capable of generating a return to the group.

7. Business combinations (continued)

Acquisitions made during the financial period (continued)

Turnkey Real Estate Company (Pty) Ltd ("TREC")

On 1 October 2018, an agreement was entered into by the group to acquire the remaining issued share capital of TREC through its subsidiary Raubex Building (Pty) Ltd. TREC was established in 2015 to execute property development projects in the Northern Cape in a joint venture relationship with a land owner. The group's effective shareholding was increased from 50% to 77% resulting in a change in ownership. Effective 1 October 2018, TREC has been accounted for as a subsidiary as the group obtained control in terms of IFRS 10.

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

	2019 R'000
Consideration	
Cash	**1**
Total consideration	**1**
Recognised amounts of identifiable assets and acquired liabilities assumed	
Inventories	**103 672**
Trade and other receivables	**2 804**
Deferred tax asset	**318**
Cash and cash equivalents	**38**
Trade and other payables	**(2 200)**
Borrowings	**(105 422)**
Total identifiable net assets	**(790)**
Non-controlling interest	**182**
Fair value of previously held investment	**395**
Goodwill attributable to owners of the parent	**214**
Total	**1**
Purchased consideration settled in cash	**1**
Less: Cash and cash equivalents in the business combination acquired	**(38)**
Cash outflow on acquisition for cash flow statement	**(37)**

The fair value of trade and other receivables is R2,8 million which is the same as the gross contractual amount. The full amount is expected to be recoverable.

There were no disposals of property development stock held by TREC during the period and as such the revenue and net profit contribution included in the consolidated income statement since 1 October 2018 were immaterial to the group.

Transactions with non-controlling interests

Acquisitions

Raubex Building (Pty) Ltd ("Raubex Building")

On 1 March 2018, the group acquired an additional 4% of the issued share capital from a non-controlling shareholder of Raubex Building for R1,7 million, increasing the group's shareholding from 73% to 77%.

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

8. Financial instruments

Classification

Financial instruments are recognised when the entity becomes party to the contractual provisions of the instruments. The group classifies its financial instruments into the following categories depending on the purpose for which the instrument was acquired. Management determines the classification at the time of initial recognition:

- Financial assets at amortised cost;
- Financial liabilities at amortised cost; and
- Financial liabilities at fair value through profit or loss (“FVPL”).

Financial instruments are recognised initially on transaction date at fair value. For financial instruments carried at fair value through profit and loss, transaction costs are recognised immediately in the consolidated statement of profit and loss. Refer to the relevant notes, referenced below, for the recognition and subsequent measurement principles of each of the group’s financial instruments.

No financial instruments were designated as held at fair value through profit or loss during the year. All financial instruments held at fair value through profit and loss are default classifications in terms of IFRS 9.

Derecognition

Financial instruments are derecognised when substantially all risks and rewards of ownership have been transferred.

Financial assets or a portion thereof are derecognised when the group`s contractual 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 statement of financial position 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.

Categories of financial instruments

Financial instruments comprise the following in the statement of financial position:

	Note	Financial assets at amortised cost* R’000	Financial liabilities at amortised cost R’000	Financial liabilities at fair value through profit or loss R’000	Total carrying value R’000
At 28 February 2018					
Loans to associates and joint ventures	13	85 444	–	–	85 444
Non-current trade and other receivables	16	81 915	–	–	81 915
Contract assets	15	280 933	–	–	280 933
Trade and other receivables	16	1 440 170	–	–	1 440 170
Cash and cash equivalents	17	1 084 088	–	–	1 084 088
Borrowings	18	–	(776 556)	–	(776 556)
Other financial liabilities	20	–	(101 980)	(60 267)	(162 247)
Contract liabilities	15	–	(227 940)	–	(227 940)
Trade and other payables	21	–	(1 168 831)	–	(1 168 831)
Total		2 972 550	(2 275 307)	(60 267)	636 976

** Refer note 47 for details of the impact of changes in accounting policies.*

8. Financial instruments (continued)

Categories of financial instruments (continued)

	Note	Financial assets at amortised cost* R'000	Financial liabilities at amortised cost R'000	Financial liabilities at fair value through profit or loss R'000	Total carrying value R'000
At 28 February 2019					
Loans to associates and joint ventures	13	**41 504**	**–**	**–**	**41 504**
Non-current trade and other receivables	16	**53 978**	**–**	**–**	**53 978**
Contract assets	15	**293 993**	**–**	**–**	**293 993**
Trade and other receivables	16	**1 388 156**	**–**	**–**	**1 388 156**
Cash and cash equivalents	17	**962 611**	**–**	**–**	**962 611**
Borrowings	18	**–**	**(661 747)**	**–**	**(661 747)**
Other financial liabilities	20	**–**	**(95 257)**	**(39 611)**	**(134 868)**
Contract liabilities	15	**–**	**(326 852)**	**–**	**(326 852)**
Trade and other payables	21	**–**	**(1 236 645)**	**–**	**(1 236 645)**
Total		**2 740 242**	**(2 320 501)**	**(39 611)**	**380 130**

* *Refer note 47 for details of the impact of changes in accounting policies.*

The trade and other receivables and trade and other payables disclosed in the above tables exclude the non-financial assets and liabilities carried on the statement of financial position.

The total value of non-financial assets excluded from trade and other receivables is R60,2 million (2018: R49,4 million) and the total value of non-financial liabilities excluded from trade and other payables is R130,1 million (2018: R133,8 million).

	Note	Total carrying value R'000	Total fair value R'000	Explanation note
At 28 February 2018				
Loans to associates and joint ventures	13	85 444	85 444	8.1
Non-current trade and other receivables	16	81 915	81 915	8.2
Contract assets	15	280 933	280 933	8.3
Trade and other receivables	16	1 440 170	1 440 170	8.4
Cash and cash equivalents	17	1 084 088	1 084 088	8.5
Borrowings	18	(776 556)	(776 556)	8.6
Other financial liabilities	20	(162 247)	(162 247)	8.7
Contract liabilities	15	(227 940)	(227 940)	8.3
Trade and other payables	21	(1 168 831)	(1 168 831)	8.8
Total		636 976	636 976	
At 28 February 2019				
Loans to associates and joint ventures	13	**41 504**	**41 504**	8.1
Non-current trade and other receivables	16	**53 978**	**53 978**	8.2
Contract assets	15	**293 993**	**293 993**	8.3
Trade and other receivables	16	**1 388 156**	**1 388 156**	8.4
Cash and cash equivalents	17	**962 611**	**962 611**	8.5
Borrowings	18	**(661 747)**	**(661 747)**	8.6
Other financial liabilities	20	**(134 868)**	**(134 868)**	8.7
Contract liabilities	15	**(326 852)**	**(326 852)**	8.3
Trade and other payables	21	**(1 236 645)**	**(1 236 645)**	8.8
Total		**380 130**	**380 130**	

8. Financial instruments (continued)

Categories of financial instruments (continued)

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

8.2 Non-current trade and other receivables relates to the non-current portion of receivables under finance leases. The carrying value of receivables under finance lease is deemed to approximate its fair value as the interest rate applicable to the lease is similar to that of current market rates.

8.3 The carrying value of amounts of contract assets and contract liabilities approximates their fair value due to the short-term nature of these instruments. The discounting effect has been taken into account where deemed to be significant using the effective interest rate method.

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

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

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

Bank borrowings are held at amortised cost and calculated using the specific fixed terms of the agreements in place. Refer note 18 for the average remaining loan term and interest rates applicable at year-end. The carrying value of bank borrowings is deemed to approximate its fair value due to the fact that the interest rates applicable are similar to that of current market rates.

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

8.7 Other financial liabilities are either carried at fair value through profit and loss or at amortised cost. Refer note 20 where any significant unobservable inputs have been disclosed in this regard.

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

Fair value estimation

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the group's financial assets and liabilities that are measured at fair value at 28 February 2019:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Liabilities				
At 28 February 2018				
Financial liabilities at fair value through profit or loss				
Contingent considerations	–	–	–	–
Put option	–	–	60 267	60 267
Total liabilities	–	–	60 267	60 267
At 28 February 2019				
Financial liabilities at fair value through profit or loss				
Contingent considerations	**–**	**–**	**39 611**	**39 611**
Put option	**–**	**–**	**–**	**–**
Total liabilities	**–**	**–**	**39 611**	**39 611**

8. Financial instruments (continued)

Fair value estimation (continued)

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

(a) *Financial instruments in level 1*

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

(b) *Financial instruments in level 2*

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

(c) *Financial instruments in level 3*

The following table presents the changes in level 3 instruments for the year ended 28 February 2019:

	Note	Put option R'000	Contingent considerations R'000	Total R'000
Year ended 28 February 2018				
Opening balance		56 972	2 247	59 219
Gains and losses recognised in profit or loss		–	(2 400)	(2 400)
Finance costs recognised in profit or loss	31	3 295	153	3 448
Closing balance	20	60 267	–	60 267
Year ended 28 February 2019				
Opening balance		**60 267**	**–**	**60 267**
Acquisition of subsidiaries	7	**–**	**37 034**	**37 034**
Gains and losses recognised in profit or loss	29	**(13 181)**	**–**	**(13 181)**
Finance costs recognised in profit or loss	31	**1 373**	**2 577**	**3 950**
Financial liabilities written off during the year through equity		**(48 459)**	**–**	**(48 459)**
Closing balance	20	**–**	**39 611**	**39 611**

See note 20 for disclosures relating to the measurement of the contingent considerations and put option.

9. Financial risk management

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

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

The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

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

Financial risk factors

(a) Market risk

(i) Foreign exchange risk

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

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

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

9. Financial risk management (continued)

Financial risk factors (continued)

(a) *Market risk* (continued)

(i) Foreign exchange risk (continued)

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

	Note	South African Rand and Namibian Dollar* R'000	Australian Dollar R'000	Botswana Pula R'000	Central African Franc (Cameroon) R'000	Euro R'000	Mozambican Metical R'000	US Dollar R'000	Zambian Kwacha R'000	Total R'000
Year ended 28 February 2018										
Non-current assets										
Trade and other receivables	16	81 915	–	–	–	–	–	–	–	81 915
Current assets										
Contract assets	15	256 699	1 380	504	886	–	–	–	21 464	280 933
Trade and other receivables	16	1 184 315	44 278	43 307	39 901	–	–	–	128 369	1 440 170
Cash and cash equivalents	17	975 933	15 167	42 881	1 143	26 330	2 081	6 044	14 509	1 084 088
Total monetary assets		2 498 862	60 825	86 692	41 930	26 330	2 081	6 044	164 342	2 887 106
Non-current liabilities										
Borrowings	18	398 923	4 466	7 895	–	–	–	–	–	411 284
Current liabilities										
Borrowings	18	355 719	6 113	3 440	–	–	–	–	–	365 272
Contract liabilities	15	162 618	6 711	–	15 215	–	–	–	43 396	227 940
Trade and other payables	21	1 125 356	19 863	12 206	3 189	–	5 128	165	2 924	1 168 831
Total monetary liabilities		2 042 616	37 153	23 541	18 404	–	5 128	165	46 320	2 173 327
Net monetary assets/(liabilities) at year-end		456 246	23 672	63 151	23 526	26 330	(3 047)	5 879	118 022	713 779

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

9. Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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

	Note	South African Rand and Namibian Dollar* R'000	Australian Dollar R'000	Botswana Pula R'000	Central African Franc (Cameroon) R'000	Euro R'000	Mozambican Metical R'000	US Dollar R'000	Zambian Kwacha R'000	Total R'000
Year ended 28 February 2019										
Non-current assets										
Trade and other receivables	16	**53 978**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**53 978**
Current assets										
Contract assets	15	**249 823**	**5 200**	**–**	**22 564**	**–**	**–**	**–**	**16 406**	**293 993**
Trade and other receivables	16	**1 196 911**	**45 712**	**44 987**	**30 931**	**–**	**–**	**–**	**69 615**	**1 388 156**
Cash and cash equivalents	17	**803 283**	**18 894**	**87 320**	**15 770**	**26 346**	**1 018**	**7 037**	**2 943**	**962 611**
Total monetary assets		**2 303 995**	**69 806**	**132 307**	**69 265**	**26 346**	**1 018**	**7 037**	**88 964**	**2 698 738**
Non-current liabilities										
Borrowings	18	**321 151**	**38 200**	**3 638**	**–**	**–**	**–**	**–**	**–**	**362 989**
Current liabilities										
Borrowings	18	**281 658**	**12 278**	**4 822**	**–**	**–**	**–**	**–**	**–**	**298 758**
Contract liabilities	15	**223 885**	**6 574**	**–**	**11 190**	**–**	**–**	**–**	**85 203**	**326 852**
Trade and other payables	21	**1 124 570**	**36 305**	**23 701**	**47 354**	**–**	**1 530**	**182**	**3 003**	**1 236 645**
Total monetary liabilities		**1 951 264**	**93 357**	**32 161**	**58 544**	**–**	**1 530**	**182**	**88 206**	**2 225 244**
Net monetary assets/(liabilities) at year-end		**352 731**	**(23 551)**	**100 146**	**10 721**	**26 346**	**(512)**	**6 855**	**758**	**473 494**

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

The trade and other receivables and trade and other payables disclosed in the above tables exclude the non-financial assets and liabilities carried on the statement of financial position.

The total value of non-financial assets excluded from trade and other receivables is R60,2 million (2018: R49,4 million) and the total value of non-financial liabilities excluded from trade and other payables is R130,1 million (2018: R133,8 million).

9. Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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

	Change in exchange rate	Increase/(decrease) in profit before tax or reserves of the group due to a depreciation of the Rand R'000	Increase/(decrease) in profit before tax or reserves of the group due to an appreciation of the Rand R'000
Year ended 28 February 2018			
Total monetary assets		38 823	(38 823)
Australian Dollar	10%	6 082	(6 082)
Botswana Pula	10%	8 669	(8 669)
Central African Franc (Cameroon)	10%	4 193	(4 193)
Euro	10%	2 633	(2 633)
Mozambique Metical	10%	208	(208)
US Dollar	10%	604	(604)
Zambian Kwacha	10%	16 434	(16 434)
Total monetary liabilities		(13 070)	13 070
Australian Dollar	10%	(3 715)	3 715
Botswana Pula	10%	(2 354)	2 354
Central African Franc (Cameroon)	10%	(1 840)	1 840
Mozambique Metical	10%	(513)	513
US Dollar	10%	(16)	16
Zambian Kwacha	10%	(4 632)	4 632
Net increase/(decrease) in group profit before tax or reserves		25 753	(25 753)
Year ended 28 February 2019			
Total monetary assets		**39 476**	**(39 476)**
Australian Dollar	10%	**6 981**	**(6 981)**
Botswana Pula	10%	**13 231**	**(13 231)**
Central African Franc (Cameroon)	10%	**6 927**	**(6 927)**
Euro	10%	**2 635**	**(2 635)**
Mozambique Metical	10%	**102**	**(102)**
US Dollar	10%	**704**	**(704)**
Zambian Kwacha	10%	**8 896**	**(8 896)**
Total monetary liabilities		**(27 398)**	**27 398**
Australian Dollar	10%	**(9 336)**	**9 336**
Botswana Pula	10%	**(3 216)**	**3 216**
Central African Franc (Cameroon)	10%	**(5 854)**	**5 854**
Mozambique Metical	10%	**(153)**	**153**
US Dollar	10%	**(18)**	**18**
Zambian Kwacha	10%	**(8 821)**	**8 821**
Net increase/(decrease) in group profit before tax or reserves		**12 078**	**(12 078)**

9. Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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

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

	Change in exchange rate	Increase/(decrease) in operating profit of the group due to a depreciation of the Rand R'000	Increase/(decrease) in operating profit of the group due to an appreciation of the Rand R'000
Year ended 28 February 2018			
Net increase/(decrease) in group operating profit		2 398	(2 398)
Australian Dollar	10%	598	(598)
Botswana Pula	10%	4 332	(4 332)
Central African Franc (Cameroon)	10%	55	(55)
Mozambique Metical	10%	(348)	348
US Dollar	10%	(254)	254
Zambian Kwacha	10%	(1 985)	1 985
Year ended 28 February 2019			
Net increase/(decrease) in group operating profit		**8 432**	**(8 432)**
Australian Dollar	10%	**1 602**	**(1 602)**
Botswana Pula	10%	**7 025**	**(7 025)**
Central African Franc (Cameroon)	10%	**213**	**(213)**
Mozambique Metical	10%	**199**	**(199)**
US Dollar	10%	**269**	**(269)**
Zambian Kwacha*	10%	**(876)**	**876**

* *Excluded from this analysis is the once-off adjustment with respect to the long overdue accounts receivable balance due from the Road Development Agency ("RDA") in Zambia (refer notes 15 and 16 for further information in this regard).*

(ii) Price risk

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

(iii) Cash flow interest rate risk

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

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

9. Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow interest rate risk (continued)

Interest rate risk – Sensitivity analysis

Interest rate risk is presented by way of sensitivity analysis in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expenses 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:

	2019 1% R'000	2019 –1% R'000	2018 1% R'000	2018 –1% R'000
Cash and cash equivalents	**6 931**	**(6 931)**	7 805	(7 805)
Bank borrowings	**(4 739)**	**4 739**	(5 568)	5 568
Loans to joint ventures and associates (refer note 13)	**298**	**(298)**	791	(791)
Increase/(decrease) in profitability	**2 490**	**(2 490)**	3 028	(3 028)

(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.

The group defines a default on a financial asset as being when the counterparty to the contract fails to make contractual payments within 30 days of when they fall due.

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

The group's customers are concentrated primarily in South Africa, but also exist in the rest of Africa and Australia (refer note 16). The majority of the customers are concentrated in the public, industrial and resource sector. Refer to the concentration of customers below:

	2019 R'000	2019 %	2018 R'000	2018 %
South African National Road Agency	**56 411**	**4**	125 925	8
South African Provincial and Municipal Government	**305 860**	**20**	244 510	16
South African Private Sector	**775 723**	**52**	694 751	44
Sub-Saharan Africa and Australia (public and private sector)	**364 377**	**24**	506 304	32
Total trade and other receivables (refer note 16)	**1 502 371**	**100**	1 571 490	100

9. Financial risk management (continued)

Financial risk factors (continued)

(b) *Credit risk* (continued)

Impairment of financial assets

The group has two types of financial assets that are subject to the expected credit loss model:

- Trade receivables, including receivables under finance leases; and
- Contract assets relating to contracts in progress and retentions.

The group applies the IFRS 9's simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped together based on their similar credit risk characteristics and the days past due. The contract assets relate to retentions and unbilled work in progress on contracts with customers which have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the revenue payment profiles over a 12-month period before 1 March 2018 together with the corresponding historical credit losses experienced within these periods per customer classification. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDPs, inflation rates, prime lending rates, US Dollar exchange rates and the credit ratings of the countries in which it operates to be the most relevant factors, and has accordingly adjusted the historical loss rates based on expected changes in these factors.

In terms of IAS 39, as at 28 February 2018, trade and other receivables to the value of R97,7 million were impaired and provided for while R504,0 million were in excess of 30 days but not considered to be impaired. The trade receivables in excess of 30 days fell within acceptable credit risk limits of the group and mainly consisted of accounts and customers for whom there was no history of non-payment. There were no impairments required on any of the other classes of receivables, which included loans to and receivables from related parties. These receivables were not past due at 28 February 2018.

The loss allowance for trade and other receivables and contract assets at year-end is made up as follows:

	Current and past due R'000	Credit impaired R'000	Total R'000
Trade and other receivables			
Opening balance at 1 March 2017 (IAS 39)	–	62 646	62 646
Exchange differences	–	(1 798)	(1 798)
Current year loss allowance	–	41 432	41 432
Amounts written off during the year as uncollectible	–	(3 293)	(3 293)
Unused amounts reversed	–	(1 275)	(1 275)
Loss of control of subsidiary	–	(57)	(57)
Closing balance at 28 February 2018 (IAS 39)	–	97 655	97 655
Balance at 28 February 2018 (IAS 39)	**–**	**97 655**	**97 655**
Amounts restated through retained earnings	**19 282**	**–**	**19 282**
Opening balance at 1 March 2018	**19 282**	**97 655**	**116 937**
Exchange differences	**–**	**(8 886)**	**(8 886)**
Acquisition of subsidiaries	**–**	**676**	**676**
Current year loss allowance	**4 191**	**159 875**	**164 066**
Amounts written off during the year as uncollectible	**–**	**(21 694)**	**(21 694)**
Unused amounts reversed	**(6 955)**	**(4 366)**	**(11 321)**
Closing balance at 28 February 2019	**16 518**	**223 260**	**239 778**

9. Financial risk management (continued)

Financial risk factors (continued)

(b) *Credit risk* (continued)

Impairment of financial assets (continued)

	Current and past due R'000	Credit impaired R'000	Total R'000
Contract assets			
Opening balance at 1 March 2017 (IAS 39)	–	–	–
Closing balance at 28 February 2018 (IAS 39)	–	–	–
Balance at 28 February 2018 (IAS 39)	**–**	**–**	**–**
Amounts restated through retained earnings	**12 130**	**–**	**12 130**
Opening balance at 1 March 2018	**12 130**	**–**	**12 130**
Current year loss allowance	**210**	**6 250**	**6 460**
Amounts written off during the year as uncollectible	**(2 119)**	**–**	**(2 119)**
Unused amounts reversed	**(8 877)**	**–**	**(8 877)**
Closing balance at 28 February 2019	**1 344**	**6 250**	**7 594**

Included in the current year loss allowance for trade and other receivables, is a present value charge with respect to the long overdue accounts receivable balance due from the Road Development Agency ("RDA") in Zambia to the value of R88,6 million. This charge together with the remaining contract liability, effectively provides for the full accounts receivable balance due from the RDA as at 28 February 2019. Refer notes 15 and 16 for further details in this regard.

In determining the recoverability of trade and other receivables and contract assets, the group considers, amongst others, the frequency of payments, the financial performance of the relevant parties and any contractual agreements that might be in place. If there is no reasonable expectation of recovery then the trade receivable or contract asset is written off. Where receivables are written off, it is group policy to continue to engage in enforcement activity in order to attempt to recover the receivable due. When recoveries are made, these are included in profit and loss.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset as disclosed in note 8.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model where a provision for impairment of trade receivables was established when there was 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 were considered indicators that the trade receivable was impaired. The amount of the provision was the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

When a trade receivable was deemed uncollectible, it was written off against the provision for trade receivables.

9. Financial risk management (continued)

Financial risk factors (continued)

(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
Year ended 28 February 2018					
Non-derivative financial liabilities					
Bank borrowings	773 331	852 645	419 374	433 271	–
Unsecured loan	3 225	3 225	3 225	–	–
Other financial liabilities	162 247	211 178	76 178	60 000	75 000
Contract liabilities	227 940	227 940	227 940	–	–
Trade and other payables	1 168 831	1 168 831	1 168 831	–	–
Total	2 335 574	2 463 819	1 895 548	493 271	75 000
Year ended 28 February 2019					
Non-derivative financial liabilities					
Bank borrowings	**658 183**	**734 213**	**333 471**	**391 507**	**9 235**
Unsecured loan	**3 564**	**3 564**	**3 564**	**–**	**–**
Other financial liabilities	**134 868**	**196 640**	**76 640**	**60 000**	**60 000**
Contract liabilities	**326 852**	**326 852**	**326 852**	**–**	**–**
Trade and other payables	**1 236 645**	**1 236 645**	**1 236 645**	**–**	**–**
Total	**2 360 112**	**2 497 914**	**1 977 172**	**451 507**	**69 235**

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

The trade and other payables disclosed in the table excludes the non-financial liabilities in trade and other payables carried on the statement of financial position at a value of R130,1 million (2018: R133,8 million).

Total financial institution backed contract guarantees provided to third parties on behalf of subsidiary companies amounted to R1 758,2 million (2018: R1 699,0 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.

10. Capital risk management

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

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

10. Capital risk management (continued)

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

	2019 R'000	2018 R'000
Borrowings (refer note 18)	**661 747**	776 556
Other financial liabilities (refer note 20)	**134 868**	162 247
Trade and other payables (refer note 21)	**1 366 715**	1 302 641
Contract liabilities (refer note 15)	**326 852**	227 940
Current income tax liabilities	**38 923**	31 680
Defined debt	**2 529 105**	2 501 064
Capital and reserves	**4 327 124**	4 197 968
Less: Intangible assets (refer note 12)	**(1 037 605)**	(947 806)
Defined shareholders' funds	**3 289 519**	3 250 162
Debt covenant gearing ratio	**0,77**	0,77

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

	2019 R'000	2018 R'000
Total borrowings (refer note 18)	**661 747**	776 556
Less: Cash and cash equivalents (refer note 17)	**(962 611)**	(1 084 088)
Net debt	**(300 864)**	(307 532)
Total equity	**4 327 124**	4 197 968
Total capital and net debt	**4 026 260**	3 890 436
Gearing ratio	**(7,5%)**	(7,9%)

11. Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. After initial recognition, property, plant and equipment is carried at cost less any accumulated depreciation and impairment losses.

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

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

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

- Buildings — 50 years
- Mechanical workshops — 10 to 20 years
- Plant and machinery — 5 to 20 years
- Vehicles — 3 to 8 years
- Furniture, fittings and equipment — 2 to 8 years

11. Property, plant and equipment (continued)

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

Mechanical workshops are included under land and buildings.

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

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

Impairment of property, plant and equipment

The group continually assesses the recoverability of property, plant and equipment. Expected cash flows are inherently uncertain and could change over time. They are affected by a number of factors including estimates of cost of production, sustaining capital expenditure and product markets. The assets were evaluated with reference to external market valuations, current economic conditions, current year similar asset disposal values and management estimates, including the cash flows expected to derive from these assets, to support the reasonableness of carrying values as part of the assets' annual evaluation process. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses) – net" in the statement of profit or loss.

	Land and buildings R'000	Plant and machinery R'000	Vehicles R'000	Furniture, fittings and equipment R'000	Total R'000
At 28 February 2017					
Cost	300 143	3 199 008	743 729	58 181	4 301 061
Accumulated depreciation	(8 416)	(1 545 091)	(347 044)	(36 191)	(1 936 742)
Net book amount	291 727	1 653 917	396 685	21 990	2 364 319
Year ended 28 February 2018					
Opening net book amount	291 727	1 653 917	396 685	21 990	2 364 319
Exchange differences	(198)	(1 485)	(118)	(43)	(1 844)
Acquisition of subsidiaries	99	48 626	2 286	429	51 440
Additions	27 599	340 708	60 791	12 188	441 286
Loss of control of subsidiary	–	(5 622)	(3 621)	(25)	(9 268)
Disposals	(3 846)	(70 652)	(3 539)	(452)	(78 489)
Depreciation	(3 741)	(289 815)	(53 354)	(10 369)	(357 279)
Reclassification	–	(439)	–	439	–
Closing net book amount	311 640	1 675 238	399 130	24 157	2 410 165
At 28 February 2018					
Cost	323 760	3 320 733	732 759	69 836	4 447 088
Accumulated depreciation	(12 120)	(1645 495)	(333 629)	(45 679)	(2 036 923)
Net book amount	311 640	1 675 238	399 130	24 157	2 410 165

11. Property, plant and equipment (continued)

	Land and buildings R'000	Plant and machinery R'000	Vehicles R'000	Furniture, fittings and equipment R'000	Total R'000
Year ended 28 February 2019					
Opening net book amount	**311 640**	**1 675 238**	**399 130**	**24 157**	**2 410 165**
Exchange differences	**283**	**1 437**	**(228)**	**218**	**1 710**
Acquisition of subsidiaries	**22 365**	**104 212**	**2 733**	**627**	**129 937**
Additions	**68 934**	**302 055**	**42 414**	**7 462**	**420 865**
Disposals	**(3 007)**	**(33 105)**	**(13 314)**	**(786)**	**(50 212)**
Depreciation	**(4 806)**	**(302 097)**	**(59 572)**	**(10 411)**	**(376 886)**
Reclassification	**(388)**	**(946)**	**896**	**438**	**–**
Closing net book amount	**395 021**	**1 746 794**	**372 059**	**21 705**	**2 535 579**
At 28 February 2019					
Cost	**411 208**	**3 466 840**	**733 799**	**74 774**	**4 686 621**
Accumulated depreciation	**(16 187)**	**(1 720 046)**	**(361 740)**	**(53 069)**	**(2 151 042)**
Net book amount	**395 021**	**1 746 794**	**372 059**	**21 705**	**2 535 579**

Aircraft with a book value of R56,1 million (2018: R55,5 million) have been included under vehicles.

Depreciation expense of R376,9 million (2018: R357,3 million) has been charged in cost of sales (refer note 30).

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 R789,1 million (2018: R946,8 million).

A general notarial bond of R29,5 million (2018: R0,5 million) is registered over property with a carrying value of R45,8 million (2018: R1,7 million) as security for borrowing and asset finance facilities.

Lease rentals of R35,6 million (2018: R39,7 million) relating to the leasing of property, plant and equipment, are included in the statement of profit or loss (refer note 30).

Borrowings are disclosed in note 18 of these financial statements.

12. Intangible assets

Goodwill

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

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

Goodwill impairment reviews are undertaken annually, or more frequently, if events or changes in circumstances indicate a potential impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

12. Intangible assets (continued)

Goodwill (continued)

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

Customer relationships

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

Trademarks and licences

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

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.

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

- Mining rights for commercial quarries 9 to 50 years

Impairment considerations

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

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

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

12. Intangible assets (continued)

	Goodwill R'000	Customer relationships R'000	Trademarks R'000	Mining rights R'000	Total R'000
Year ended 28 February 2019					
Opening net book amount	**840 890**	**3 036**	**21 053**	**82 827**	**947 806**
Acquisition of subsidiaries	**59 800**	**–**	**–**	**90 800**	**150 600**
Impairment loss	**(51 477)**	**–**	**–**	**–**	**(51 477)**
Exchange differences	**1 863**	**–**	**–**	**–**	**1 863**
Amortisation charge	**–**	**(3 036)**	**–**	**(8 151)**	**(11 187)**
Closing net book amount	**851 076**	**–**	**21 053**	**165 476**	**1 037 605**
At 28 February 2019					
Cost	**920 927**	**3 763**	**21 053**	**192 184**	**1 137 927**
Accumulated amortisation and impairment	**(69 851)**	**(3 763)**	**–**	**(26 708)**	**(100 322)**
Net book amount	**851 076**	**–**	**21 053**	**165 476**	**1 037 605**

A goodwill impairment charge of R51,5 million, attributable to the asphalt cash-generating unit in the road surfacing and rehabilitation division, was required during the year due to the significant decrease in earnings in the cash-generating unit. The goodwill impaired amounts to 40% of the total goodwill attributable to the asphalt cash-generating unit. The asphalt cash-generating unit, which is primarily dependent on the South African road construction sector, has experienced a significant decrease in earnings during the year due to the lower volume of asphalt supplied to the road construction sector. The impairment losses incurred have been included in other gains/losses (refer note 29).

During the prior year the goodwill relating to the acquisition of Prodev (Pty) Ltd was impaired due to the winding up of Burma Namibia (Pty) Ltd. Prodev (Pty) Ltd owns 100% of Burma Namibia (Pty) Ltd.

The goodwill relating to the acquisition of Centremark Roadmarking (Pty) Ltd was also written off during the prior year due to control in terms of IFRS 10 being lost.

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

Amortisation of mining rights of R11,2 million (2018: R4,1 million) is included in cost of sales in the statement of profit or loss (refer note 30).

12. Intangible assets (continued)

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

	Materials R'000	Roads and earthworks R'000	Infrastructure R'000	Total R'000
Goodwill				
Year ended 28 February 2018	531 657	270 869	38 364	840 890
Year ended 28 February 2019	**589 844**	**219 392**	**41 840**	**851 076**
Customer relationships				
Year ended 28 February 2018	–	–	3 036	3 036
Year ended 28 February 2019	**–**	**–**	**–**	**–**
Trademarks				
Year ended 28 February 2018	21 053	–	–	21 053
Year ended 28 February 2019	**21 053**	**–**	**–**	**21 053**
Mining rights				
Year ended 28 February 2018	82 827	–	–	82 827
Year ended 28 February 2019	**165 476**	**–**	**–**	**165 476**
Total intangible assets				
Year ended 28 February 2018	635 537	270 869	41 400	947 806
Year ended 28 February 2019	**776 373**	**219 392**	**41 840**	**1 037 605**

The recoverable amounts of goodwill and trademarks are determined using value-in-use calculations covering a five-year period which are based on financial budgets approved by management for the year ended 28 February 2019. Should any impairment indicators be identified, a fair value less cost to sell calculation is performed to determine the appropriate impairment amount if any. Pre-tax cash flows beyond those budgeted are extrapolated using estimated growth rates. These rates do not exceed the long-term average growth rate of the construction industry. The period used is considered reasonable as the business units to which the goodwill and trademarks relate are considered to have indefinite lives.

For the purpose of sensitivity analysis, long-term average growth rates of between 1% and 5% were used with a pre-tax discount rate of between 13% and 18%. The pre-tax discount rates reflect specific risks relating to the entities within the group and the countries in which they operate (if applicable).

Except for the asphalt cash-generating unit, the recoverable amounts of goodwill and trademarks applicable to the remaining cash-generating units will still exceed their carrying values if the growth rate is 0%. A rise in the pre-tax discount rate to 22% will remove the remaining headroom and the carrying value will exceed the recoverable amount.

Reclassification of comparative figures

In the prior year, the group reported four operating segments for information purposes, these being materials, road surfacing and rehabilitation, road construction and earthworks, and infrastructure. During the year, the group consolidated the disclosure to that which is reported to the group's chief operating decision-maker, being the executive committee, and combined the road surfacing and rehabilitation division and road construction and earthworks division into one reportable segment, being roads and earthworks. Since the two historical segments have very similar business drivers, this change allows for a more streamlined disclosure and does not take anything away from the understanding of the group's business activities. The segment disclosures have therefore been amended to include three reportable segments, ie materials, roads and earthworks and infrastructure, which has resulted in the restatement of prior year figures.

12. Intangible assets (continued)

Reclassification of comparative figures (continued)

The operating segment-level summary of the intangible asset allocation as previously disclosed.

	Materials R'000	Road surfacing and rehabilitation R'000	Road construction and earthworks R'000	Infrastructure R'000	Total R'000
Goodwill					
Year ended 28 February 2018	531 657	140 093	130 776	38 364	840 890
Customer relationships					
Year ended 28 February 2018	–	–	–	3 036	3 036
Trademarks					
Year ended 28 February 2018	21 053	–	–	–	21 053
Mining rights					
Year ended 28 February 2018	82 827	–	–	–	82 827
Total intangible assets					
Year ended 28 February 2018	635 537	140 093	130 776	41 400	947 806

13. Investment in associates and joint ventures

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

	2019 R'000	2018 R'000
Investment in associates	**1 061**	1 818
Loans to associates	**22 726**	24 526
Investment in joint ventures	**1**	1
Loans to joint ventures	**18 778**	85 444
	42 566	111 789

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

The loan to associates and joint ventures bears interest at 12,25% (2018: 12,25%) with no fixed repayment terms.

13.1 Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (refer note 7). The group's investment in associates includes goodwill identified on acquisition. Loans to associates are included in the investment in associates line in the statement of financial position.

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

	2019 R'000	2018 R'000
Carrying value at the beginning of the year	**26 344**	1 716
Loans (from)/to associates	**(1 800)**	24 526
Share of (loss)/profit in associate	**(757)**	102
Carrying value at the end of the year	**23 787**	26 344

The associates as listed below have share capital consisting solely of ordinary shares, which are held indirectly by the group; the country of incorporation or registration is also their principal place of business. The proportion of interest held is also the proportion of voting rights held.

13. Investment in associates and joint ventures (continued)

13.1 Associates (continued)

Nature of investments in associates:

Name of entity	Place of business/ country of incorporation	% of attributable interest 2019	% of attributable interest 2018	Nature of the relationship	Measurement method
Lufhereng Development Company (Pty) Ltd ("Lufhereng")	South Africa	25,34	25,34	Note 1	Equity
Centremark Roadmarking (Pty) Ltd ("Centremark")	South Africa	44	44	Note 2	Equity

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

Note 2: Centremark specialises in line marking and the installation of road studs. Its services give the group the ability to complete the full road construction cycle from start to finish. Centremark was previously a fully consolidated subsidiary but became an associate effective 2 August 2017.

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

Financial information at 100%

	Lufhereng		Centremark	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Statement of financial position				
Assets				
Non-current assets	**7**	8	**9 636**	9 518
Current assets	**59 213**	21 395	**14 960**	21 766
Total assets	**59 220**	21 403	**24 596**	31 284
Equity and liabilities				
Equity	**7 912**	7 870	**(2 143)**	(399)
Non-current liabilities	**–**	–	**1 862**	2 007
Current liabilities	**51 308**	13 533	**24 877**	29 676
Total equity and liabilities	**59 220**	21 403	**24 596**	31 284
Statement of profit or loss				
Revenue	**292 557**	97 262	**26 527**	36 237
Profit/(loss)	**42**	1 101	**(1 745)**	(251)

13. Investment in associates and joint ventures (continued)

13.2 Joint ventures

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

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

	2019 R'000	2018 R'000
Carrying value at the beginning of the year	**85 445**	47 371
Investment in joint ventures	**–**	1
Share of (loss)/profit in joint ventures	**(358)**	375
Loans to joint ventures	**38 719**	37 698
Change in ownership	**(105 027)**	–
Carrying value at the end of the year	**18 779**	85 445

The joint ventures listed below have share capital consisting solely of ordinary shares, which are held directly by the group.

Nature of investment in joint ventures:

Name of entity	Place of business/ country of incorporation	% of attributable interest 2019	% of attributable interest 2018	Nature of the relationship	Measurement method
Turnkey Real Estate Company (Pty) Ltd ("TREC")	South Africa	–	50	Note 1	Equity
Ndlu Housing (Pty) Ltd ("Ndlu Housing")	South Africa	33,34	33,34	Note 2	Equity

Note 1: On 1 October 2018, an agreement was entered into by the group to acquire the remaining issued share capital of TREC through its subsidiary Raubex Building (Pty) Ltd. TREC was established in 2015 to execute property development projects in the Northern Cape in a joint venture relationship with a land owner. The group's effective shareholding was increased from 50% to 77% resulting in a change in ownership. Effective 1 October 2018, TREC has been accounted for as a subsidiary as the group obtained control in terms of IFRS 10.

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

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

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

13. Investment in associates and joint ventures (continued)

13.2 Joint ventures (continued)

Financial information at 100%

	Turnkey Real Estate Company 2019* R'000	Turnkey Real Estate Company 2018 R'000	Ndlu Housing 2019 R'000	Ndlu Housing 2018 R'000
Statement of financial position				
Assets				
Non-current assets	**318**	31	**6**	4
Current assets	**106 513**	92 573	**30 101**	4 865
Total assets	**106 831**	92 604	**30 107**	4 869
Equity and liabilities				
Equity	**(790)**	(52)	**253**	219
Current liabilities	**107 621**	92 656	**29 854**	4 650
Total equity and liabilities	**106 831**	92 604	**30 107**	4 869
Statement of profit or loss				
Revenue	**–**	–	**39 600**	2 249
Profit/(loss)	**(738)**	605	**34**	215

* *The 2019 figures included above are those as at 30 September 2018, this being the date until which TREC was equity accounted for at group level.*

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

	Net assets	Group's share (%)	Group's share (R'000)	Loans to associates and joint ventures R'000	Carrying amount R'000
Turnkey Real Estate Company	(52)	50	(27)	81 962	81 935
Ndlu Housing	219	33,34	73	3 436	3 509
Lufhereng	7 870	25,34	1 995	–	1 995
Centremark	(399)	44	(176)	24 526	24 350
Carrying amount at 28 February 2018					111 789
Turnkey Real Estate Company	**–**	**–**	**–**	**–**	**–**
Ndlu Housing	**253**	**33,34**	**84**	**18 694**	**18 778**
Lufhereng	**7 912**	**25,34**	**2 005**	**–**	**2 005**
Centremark	**(2 143)**	**44**	**(943)**	**22 726**	**21 783**
Carrying amount at 28 February 2019					**42 566**

14. 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 capitalised during development. All direct and indirect costs attributable to development land that are incurred to prepare development land for its intended use, are capitalised up to the date that the development is ready for its intended use. When development land is ready for its intended use, borrowing costs and other charges are expensed as incurred.

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

Development land to be transferred after 12 months falls within the normal operating cycle of the group.

	2019 R'000	2018 R'000
Crusher stone	**176 153**	173 923
Gypsum	**49 802**	59 069
Consumable stores	**117 077**	119 687
Development land	**225 518**	128 417
Other materials including bitumen, rubber and emulsions	**197 102**	184 073
	765 652	665 169
Less: Non-current inventories	**(67 474)**	(64 533)
Total current inventories	**698 178**	600 636

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

The cost of inventories, together with the change in inventories for the year, recognised as expense and included in "cost of sales" amounted to R2 325,7 million (2018: R2 697,2 million) (refer note 30). No inventories are encumbered.

15. Contract assets and liabilities

The group's construction activities, which result in contracting revenue being recognised over time from contracts with customers, give rise to contract assets and contract liabilities.

Contract assets and contract liabilities are determined on a contract by contract basis and represent the group's progress towards the satisfaction of the performance obligations stipulated in the terms of each of its construction contracts.

To determine the progress towards the satisfaction of our performance obligations on each contract, the group uses an input method, measuring the costs incurred to date relative to the total estimated cost of the contract.

This method requires the group to estimate the cost of construction services and activities performed to date as a proportion of the total cost of services and activities to be performed. The group considers this method to be the most faithful depiction of the transfer of goods and services to the customer as the group has a right to payment for performance to date which is most reliably measured using to costs incurred to date. In addition, judgements are required when recognising and measuring any variable considerations, claims or uninstalled materials on each contract. Refer note 27 for further details on judgements required when recognising revenue.

The costs of construction services and activities are initially recognised at cost when incurred and include all costs that relate directly to the fulfilment of the specific contract, and allocated overheads relating to the fulfilment of contracts in general.

15. Contract assets and liabilities (continued)

The group presents as a contract 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 contracts in progress. The invoicing of progress billings is done either as costs are incurred on a monthly basis or to match major capital outlay or on the achievement of milestones, dependent on the arrangement with customers in terms of the contract.

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

When the outcome of a contract cannot be estimated reliably, at any stage, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a 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 using the above mentioned method to determine the progress towards the satisfaction of the group's performance obligations. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately to the extent that the remaining contract costs are deemed to be unavoidable in terms of IAS 37.

Contract revenue within the group results from "cost-plus", "re-measurable" and "fixed price" contracts.

Contracts in progress and retentions are made up as follows:

	2019 R'000	2018 R'000
Costs incurred plus profits recognised, less recognised losses relating to contracts at year-end	**4 063 996**	4 020 477
Less: Progress billings	**(4 242 837)**	(4 112 453)
Net balance sheet position for ongoing contracts	**(178 841)**	(91 976)
Consisting of:		
Amounts due from customers for contract work	**148 303**	135 964
Less: Loss allowance	**(292)**	–
Amounts due from customers for contract work – net	**148 011**	135 964
Amounts due to customers for contract work	**(326 852)**	(227 940)
Net balance sheet position for ongoing contracts	**(178 841)**	(91 976)
Retentions	**153 284**	144 968
Less: Loss allowance	**(7 302)**	–
Retentions – net	**145 982**	144 968
Amounts due from customers for contract work	**148 011**	135 965
Retentions	**145 982**	144 968
Total contracts assets at reporting date	**293 993**	280 933
Amounts due to customers for contract work	**326 852**	227 940
Total contracts liabilities at reporting date	**326 852**	227 940

Retentions to be received after 12 months amounted to R41,8 million (2018: R40,7 million) and fall in the normal operating cycle of the group.

Included in contract liabilities is an adjustment with respect to the long overdue accounts receivable balance due from the Road Development Agency ("RDA") in Zambia for a value of R28,2 million. The contract liability relates to the two Link 8000 road contracts in Zambia which have been suspended, pending the resolution of the current funding impasse.

15. Contract assets and liabilities (continued)

Reconciliation of net amounts due from customers for contract work for the year:

	2019 R'000
Balance at 1 March 2018	**135 964**
Add: Exchange differences	**–**
Add: Contract assets recognised during the year on contracts started in the current year	**101 433**
Add: Contract assets recognised during the year on contracts started in the prior year	**32 668**
Less: Contract assets reversed on contracts started in the current year	**(5 635)**
Less: Contract assets reversed on contracts started in the prior year	**(116 127)**
Balance at 28 February 2019 before loss allowances	**148 303**
Loss allowance	**(292)**
Balance at 28 February 2019 – net	**148 011**

Contract assets are reversed as the progress billings catch up with the costs incurred plus recognised profits over the period of the contract.

Reconciliation of net amounts due to customers for contract work for the year:

	2019 R'000
Balance at 1 March 2018	**227 940**
Add: Exchange differences	**–**
Add: Contract liabilities recognised during the year on contracts started in the current year	**130 975**
Add: Contract liabilities recognised during the year on contracts started in the prior year	**101 502**
Less: Contract liabilities reversed on contracts started in the current year	**23 242**
Less: Contract liabilities reversed on contracts started in the prior year	**(156 807)**
Balance at 28 February 2019	**326 852**

Contract liabilities are reversed as costs incurred plus recognised profits catch up with the progress billings over the period of the contract.

Loss allowance on contract assets

	2019 R'000	2018 R'000
Balance at the end of the prior year – calculated under IAS 39	**–**	–
Amounts restated under opening retained earnings	**12 130**	–
Balance at the beginning of the year	**12 130**	–
Current year loss allowance for receivables and contract assets	**6 460**	–
Unused amounts reversed	**(8 877)**	–
Balance at the end of the year	**7 594**	–

16. Trade and other receivables

Initially trade and other receivables are recognised at fair value, unless otherwise stated, and are subsequently measured at amortised cost using the effective interest rate method, less any loss allowance. Refer note 9 for further details on the group's impairment policies and the calculation of the loss allowances.

The group holds trade and other receivables with the objective to collect the contractual cash flows.

16. Trade and other receivables (continued)

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business are recognised initially at the amount of consideration that is unconditional. These are classified as current as the terms granted to customers facilitate the preparation of payments. The group therefore does not expect to have any contracts where the period between the transfer of the goods or services to the customer and payment by the customer exceed one year and no significant financing component is deemed to exist.

Receivables under finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. The effective interest rate method is used to allocate rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the group's net investment in the lease.

	2019 R'000	2018 R'000
Trade receivables	**1 522 906**	1 450 707
Receivables under finance leases	**79 944**	101 251
Prepayments	**27 941**	20 307
Value added taxation	**32 296**	29 098
Receivables from related parties (refer note 37)	**61 343**	59 613
Loans to related parties (refer note 37)	**17 719**	8 169
Total trade and other receivables	**1 742 149**	1 669 145
Less: Loss allowance	**(239 778)**	(97 655)
Total trade and other receivables – net	**1 502 371**	1 571 490
Less: Non-current trade and other receivables	**(53 978)**	(81 915)
Total current trade and other receivables – net	**1 448 393**	1 489 575

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.

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

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

	2019 R'000	2018 R'000
South African Rand	**1 164 015**	1 054 278
Australian Dollar	**46 135**	44 311
Botswana Pula	**46 443**	48 828
Central African CFA Franc	**32 116**	39 901
Namibian Dollar	**141 725**	255 532
Zambian Kwacha	**71 937**	128 640
	1 502 371	1 571 490

16. Trade and other receivables (continued)

	2019 R'000	2018 R'000
Loss allowance on trade and other receivables		
Balance at the end of the prior year – calculated under IAS 39	**97 655**	62 646
Amounts restated under opening retained earnings	**19 282**	–
Balance at the beginning of the year	**116 937**	62 646
Exchange differences	**(8 886)**	(1 798)
Acquisition of subsidiaries	**676**	–
Current year loss allowance for receivables and contract assets	**164 066**	41 432
Receivables written off during the year as uncollectible	**(21 694)**	(3 293)
Unused amounts reversed	**(11 321)**	(1 275)
Loss of control of subsidiary	**–**	(57)
Balance at the end of the year	**239 778**	97 655

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 30).

Included in the loss allowance for trade and other receivables is a present value charge with respect to the long overdue accounts receivable balance due from the Road Development Agency ("RDA") in Zambia to the value of R88,6 million. This charge together with the remaining contract liability, effectively provides for the full accounts receivable balance due from the RDA as at 28 February 2019. The outstanding debt relates to the two Link 8000 road contracts in Zambia which have been suspended, pending the resolution of the current funding impasse.

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

	2019 R'000	2018 R'000
Total gross investment in finance leases	**98 337**	133 750
No later than one year	**36 201**	32 164
Later than one year and no later than five years	**62 136**	101 586
Unearned finance income	**(18 393)**	(32 499)
Net investment in lease	**79 944**	101 251
Represented by:		
Present value of minimum lease instalments	**79 944**	101 251
No later than one year	**25 966**	19 336
Later than one year and no later than five years	**53 978**	81 915

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

17. Cash and cash equivalents

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

	2019 R'000	2018 R'000
Cash on hand	**2 220**	2 525
Bank balances	**469 225**	634 464
Investments on call	**491 166**	447 099
Total cash and cash equivalents	**962 611**	1 084 088
For purpose of the consolidated cash flow statement, cash and cash equivalents consist of:		
Cash on hand	**962 611**	1 084 088

The credit ratings breakdown of cash and cash equivalents is as follows:

	Rating	2019 R'000	2018 R'000
Cash and cash equivalents – Australia	AA	**18 894**	17 808
Cash and cash equivalents – Zambia	A	**2 181**	12 145
Cash and cash equivalents – Other	BBB	**939 316**	1 051 610
Cash on hand	Not rated	**2 220**	2 525
		962 611	1 084 088

18. Borrowings

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

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

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

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

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

	2019 R'000	2018 R'000
Non-current		
Bank borrowings	**362 989**	411 284
Total non-current borrowings	**362 989**	411 284
Current		
Bank borrowings	**295 194**	362 047
Unsecured loans	**3 564**	3 225
Total current borrowings	**298 758**	365 272
Total borrowings	**661 747**	776 556

18. Borrowings (continued)

Bank borrowings

The bank borrowings are secured by hypothec over property, plant and equipment with a book value of R789,1 million (2018: R946,8 million) and repayable in monthly instalments of R32,3 million (2018: R40,5 million) with an effective interest rate ranging between 4,05% and 10,05% per annum (2018: 6,27% and 10,01%). Bank borrowings mature September 2026.

A general notarial bond of R29,5 million (2018: R0,5 million) is registered over property with a carrying value of R45,8 million (2018: R1,7 million) as security for borrowing and asset finance facilities.

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

In addition, the group has undrawn borrowing facilities of R547,2 million (2018: R656,1 million). The facilities are subject to annual review.

Gross future minimum payments on bank borrowings are as follows:

	2019 R'000	2018 R'000
No later than one year	**333 471**	419 374
Later than one year and no later than five years	**391 507**	433 271
Later than five years	**9 235**	–
	734 213	852 645
Future finance charges on bank borrowings	**(76 030)**	(79 314)
Present value of bank borrowings	**658 183**	773 331

The current banking facilities are subjected to the group maintaining a gearing ratio of not more than 1,25. The gearing ratio for purposes of the debt covenants is calculated in note 10: Capital risk management.

Unsecured loans

	2019 R'000	2018 R'000
Independent Family Trust (refer note 37)	**3 564**	3 225
Total unsecured loans	**3 564**	3 225

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

19. Provisions for liabilities and charges

Provisions are recognised when:

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

Provisions are not recognised for future operating losses.

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

19. Provisions for liabilities and charges (continued)

The provisions are made up as follows:

	Materials provision R'000	Rehabilitation provision R'000	Post-employment benefits R'000	Total R'000
At 1 March 2017	–	70 579	4 259	74 838
Acquisition of subsidiaries	–	1 686	–	1 686
Charged to statement of profit or loss:				
– Additional provision	15 823	4 138	–	19 961
– Unwinding of discount (refer note 31)	–	2 905	–	2 905
– Provisions utilised	–	(267)	–	(267)
– Current service cost	–	–	182	182
– Interest expense	–	–	480	480
– Expected employer benefit payments	–	–	(16)	(16)
– Past service cost gain	–	–	(646)	(646)
Actuarial gain for the year	–	–	(520)	(520)
At 28 February 2018	15 823	79 041	3 739	98 603
Acquisition of subsidiaries (refer note 7)	**–**	**18 368**	**–**	**18 368**
Charged to statement of profit or loss:				
– Additional provision	**18 973**	**4 715**	**–**	**23 688**
– Unwinding of discount (refer note 31)	**–**	**3 043**	**–**	**3 043**
– Provisions utilised	**(23 437)**	**(2 641)**	**–**	**(26 078)**
– Current service cost	**–**	**–**	**118**	**118**
– Interest expense	**–**	**–**	**420**	**420**
– Expected employer benefit payments	**–**	**–**	**(47)**	**(47)**
– Past service cost gain	**–**	**–**	**(491)**	**(491)**
Actuarial gain for the year	**–**	**–**	**(640)**	**(640)**
At 28 February 2019	**11 359**	**102 526**	**3 099**	**116 984**

Analysis of total provisions

	2019 R'000	2018 R'000
Non-current		
Rehabilitation provision	**102 526**	79 041
Post-employment benefits	**3 099**	3 739
Total non-current provisions	**105 625**	82 780
Current		
Materials provision	**11 359**	15 823
Total current provisions	**11 359**	15 823
Total provisions	**116 984**	98 603

The additional provisions have been included in other operating expenses in the statement of profit or loss (refer note 30).

19. Provisions for liabilities and charges (continued)

Rehabilitation provision

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

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

The rehabilitation provision consists of amounts accrued to rehabilitate environments disturbed by quarries. The provisions have been determined based on assessments and estimates by management and external consultants to reflect the estimated current cost of the rehabilitation.

A risk-free rate of 6,55% (2018: 6,80%) and an average inflation rate of 4,70% (2018: 4,99%) were used in the calculation of the estimated net present value of the rehabilitation provision. Actual results could differ from estimates and there is no certainty as to the timing of the cash flows relating to these provisions.

Post-employment benefits

One of the subsidiaries in the group, ie Tosas (Pty) Ltd, provides post-retirement healthcare benefits to certain of their retirees, employed prior to 1 January 1998 who retire and satisfy the necessary requirements of the medical fund. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

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

	2019 R'000	2018 R'000
Non-current present value of unfunded obligations	**3 739**	3 694
Current present value of unfunded obligations	**(640)**	45
Balance at the end of the year	**3 099**	3 739
Consisting of:		
Retirement benefits	**1 297**	2 595
Death-in-service benefits	**45**	110
Continuation members benefits	**1 757**	1 034
Balance at the end of the year	**3 099**	3 739

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:

	2019	2018
Discount rate	**11,2%**	11,3%
Healthcare cost inflation	**9,4%**	10,0%
Expected retirement age	**59**	59

The weighted average duration of the post-retirement healthcare benefit is 17,6 years (2018: 20,5 years).

19. Provisions for liabilities and charges (continued)

Post-employment benefits (continued)

The expected maturity analysis of undiscounted benefit payments:

	Less than a year R'000	Between 1 to 5 years R'000	Between 6 to 10 years R'000	Between 11 and 15 years R'000
At 28 February 2018				
Benefit payments	47	471	1 150	2 933
At 28 February 2019				
Benefit payments	**113**	**571**	**1 032**	**2 418**

Projection of results of the valuation as at 28 February 2019 to 28 February 2020 is set out below.

	Post-employment benefit liability R'000
As at 28 February 2019	**3 099**
Current service cost	**36**
Interest expense	**341**
Expected employer benefit payments	**(113)**
As at 29 February 2020	**3 363**

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.

20. Other financial liabilities

Other financial liabilities consist of the following:

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

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

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

20. Other financial liabilities (continued)

	Put option R'000	Contingent considerations R'000	Voluntary rebuilding programme R'000	Total R'000
At 1 March 2017	56 972	2 247	108 150	167 369
Charged to statement of profit or loss:				
– Contingent consideration reversed (Empa)	–	(2 400)	–	(2 400)
– Unwinding of discount (refer note 31)	3 295	153	8 830	12 278
Settlement of financial liabilities:				
– Voluntary rebuilding programme settlement	–	–	(15 000)	(15 000)
At 28 February 2018	60 267	–	101 980	162 247
Non-current	–	–	86 980	86 980
Current	60 267	–	15 000	75 267
	60 267	–	101 980	162 247
At 1 March 2018	60 267	–	101 980	162 247
– Acquisition of subsidiaries (refer note 7)	**–**	**37 034**	**–**	**37 034**
Charged to statement of profit or loss:				
– Unwinding of discount (refer note 31)	**1 373**	**2 577**	**8 277**	**12 227**
Expiry/settlement of financial liabilities:				
– Put Option (OMV)	**(61 640)**	**–**	**–**	**(61 640)**
– Voluntary rebuilding programme settlement	**–**	**–**	**(15 000)**	**(15 000)**
At 28 February 2019	**–**	**39 611**	**95 257**	**134 868**
Non-current	**–**	**39 611**	**80 257**	**119 868**
Current	**–**	**–**	**15 000**	**15 000**
	–	**39 611**	**95 257**	**134 868**

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

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

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

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

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

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

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

During the year the non-controlling interest party to the put option declared their intention not to exercise their right to sell their interest. The put option has subsequently expired and has therefore been reversed during the year.

20. Other financial liabilities (continued)

Metadynamics (Pty) Ltd ("Metadynamics") – contingent consideration

The contingent consideration arrangement requires the group to pay, in cash, to the former owners, an additional amount limited to a maximum undiscounted amount of R59,15 million based on the average profit after tax achieved over the four-year period from 1 March 2018 to 28 February 2022.

The fair value of the contingent consideration at acquisition date has been determined using an income approach and a discount rate of 6,4%, which is the significant unobservable input. Significant increases (decreases) in the discount rate would result in a lower (higher) fair value measurement, refer to sensitivity analysis below.

The unwinding of discount has been calculated by determining the fair value of the contingent consideration and at year-end using an income approach and a discount rate of 6,4%, which is also a significant unobservable input.

Transkei Quarries (Pty) Ltd ("Transkei") – contingent consideration

The contingent consideration arrangement requires the group to pay, in cash, to the former owners, an annual amount over four years from 1 March 2018 to 28 February 2022, based on Transkei's enterprise value exceeding R100 million. The maximum amount payable per year is limited to R16,17 million based on a limited enterprise value of R140 million.

The fair value of the contingent consideration at acquisition date has been determined using an income approach and a discount rate of 6,4%, which is the significant unobservable input. Significant increases/(decreases) in the discount rate would result in a lower (higher) fair value measurement, refer to sensitivity analysis below.

The unwinding of discount has been calculated by determining the fair value of the contingent consideration and at year-end using an income approach and a discount rate of 6,4%, which is also a significant unobservable input.

Voluntary rebuilding programme settlement liability

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

The settlement agreement stipulates that over the next 12 years, the group will be required to make an annual payment of R15 million into a fund which will be used to implement initiatives that will develop and enhance the construction industry, in conformity with the Government's transformation objectives and promote the development of emerging contractors and suppliers in South Africa.

As a result, any claims or potential claims for damages that certain identified public entities have made, or may be entitled to make, against the group in relation to projects primarily arising from the fast track settlement process, will be settled.

The settlement liability is held at amortised cost and has been discounted at the incremental borrowing rate of 8,6%.

Sensitivity analysis – significant unobservable inputs (Level 3)

Below is a sensitivity analysis with regards to the significant unobservable inputs, used to calculate the at acquisition fair value ("FV") of the other financial liabilities held at fair value through profit and loss:

	Discount rate used to establish FV at acquisition date	Effect on FV, if discount rate was 2,5% higher at acquisition date R'000	Effect on FV, if discount rate was 2,5% lower at acquisition date R'000
OMV – put option	6,50%	(4 314)	4 854
Metadynamics – contingent consideration	6,40%	(2 205)	2 480
Transkei – contingent consideration	6,40%	(932)	1 035

21. 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.

	2019 R'000	2018 R'000
Trade payables	**548 312**	488 898
Payables due to related parties (refer note 37)	**28 076**	107
Loans from related parties (refer note 37)	**10 156**	24 303
Advance payments received	**72 560**	80 601
Value added taxation	**57 510**	53 209
Accruals and other payables	**650 101**	655 523
Total trade and other payables	**1 366 715**	1 302 641

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

22. Deferred income tax

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

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

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

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

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

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

	2019 R'000	2018 R'000
Deferred tax assets		
Non-current	**(94 684)**	(39 614)
Deferred tax liabilities		
Non-current	**292 389**	342 036
Deferred tax liabilities (net)	**197 705**	302 422

22. Deferred income tax (continued)

A net deferred tax asset amount of R88,8 million is expected to be recovered over the next 12 months.

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

	2019 R'000	2018 R'000
Balance at beginning of year	**302 422**	270 670
Exchange differences	**(16 932)**	4 970
Acquisition of subsidiaries (refer note 7)	**26 140**	15 102
Loss of control of subsidiary	**–**	(973)
Charged to equity (adoption of IFRS 9)	**(8 795)**	–
Charged to statement of profit or loss	**(105 309)**	12 507
Charged to comprehensive income	**179**	146
Balance at year-end	**197 705**	302 422

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 2017	409 943	35 153	1 280	446 376
Exchange differences	4 737	–	–	4 737
Loss of control of subsidiary	(2 118)	(142)	–	(2 260)
Charged to statement of profit or loss	(1 924)	1 486	–	(438)
Acquisition of subsidiaries	13 907	2 875	4	16 786
At 28 February 2018	424 545	39 372	1 284	465 201
Exchange differences	**(18 093)**	**–**	**–**	**(18 093)**
Charged to statement of profit or loss	**13 325**	**(11 075)**	**–**	**2 250**
Acquisition of subsidiaries	**31 772**	**–**	**–**	**31 772**
At 28 February 2019	**451 549**	**28 297**	**1 284**	**481 130**

	Provisions R'000	Tax losses R'000	Other R'000	Total R'000
Deferred tax assets				
At 1 March 2017	(89 723)	(69 025)	(16 958)	(175 706)
Exchange differences	(99)	331	–	232
Loss of control of subsidiary	200	1 087	–	1 287
Charged to statement of profit or loss	14 884	19 380	(21 319)	12 945
Charged to comprehensive income	146	–	–	146
Acquisition of subsidiaries	(472)	(1 211)	–	(1 683)
At 28 February 2018	(75 064)	(49 438)	(38 277)	(162 779)
Exchange differences	**874**	**287**	**–**	**1 161**
Charged to statement of profit or loss	**(63 892)**	**(57 534)**	**13 867**	**(107 559)**
Charged to comprehensive income	**179**	**–**	**–**	**179**
Charged to equity (adoption of IFRS 9)	**(8 795)**	**–**	**–**	**(8 795)**
Acquisition of subsidiaries	**(5 321)**	**(311)**	**–**	**(5 632)**
At 28 February 2019	**(152 019)**	**(106 996)**	**(24 410)**	**(283 425)**

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.

23. Share capital and premium

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

	Number of shares '000	Ordinary shares R'000	Share premium R'000	Total R'000
At 1 March 2017	181 750	1 817	2 059 688	2 061 505
At 28 February 2018	181 750	1 817	2 059 688	2 061 505
At 28 February 2019	**181 750**	**1 817**	**2 059 688**	**2 061 505**

No new shares were issued during the year (2018: nil).

The total authorised number of ordinary shares is 500 million shares (2018: 500 million) with a par value of 1 cent per share (2018: 1 cent per share). All issued shares are fully paid.

24. Treasury shares

Where any group company acquires its own equity instruments ("treasury shares"), the consideration paid, including any directly attributable incremental cost (net of income taxes) is deducted from equity attributable to the group's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the group's equity holders. Any difference between the carrying amount and the consideration received, if reissued, is recognised in equity attributable to the company's equity shareholders. Dividends received on treasury shares are eliminated on consolidation. The cost of treasury shares held is determined using the weighted average cost basis.

	2019 R'000	2018 R'000
Treasury shares held by Raubex (Pty) Ltd	**1 218**	1 218
Total	**1 218**	1 218

Treasury shares are shares in Raubex Group Limited that are held by group companies. During the 2016 financial year the company acquired 2 682 662 of its own shares through purchases on the JSE Limited. The total amount paid to acquire the shares was R46,6 million and has been deducted from shareholders' equity. The related weighted average share price at the time of purchase was R17,37.

During the prior year 1 292 196 (2017: 1 320 328) of the shares were utilised to settle share options that vested during the year in terms of the employee share option scheme for an amount of R22,4 million (2017: R22,9 million). The related weighted average share price at the time of exercise was R17,37. The weighted average share price of the remaining treasury shares held is R17,37. Option holders were required to pay R0,01 per share.

Analysis of movement in treasury shares:

	Number of shares '000	Value R'000
At 1 March 2017	1 363	23 664
Treasury shares issued in terms of employee deferred stock scheme	(1 293)	(22 446)
At 28 February 2018	70	1 218
At 28 February 2019	**70**	**1 218**

25. Other reserves

	Foreign currency translation reserve R'000	Common control reserve R'000	Equity-settled share-based payment R'000	Put option written on non-controlling interest R'000	Total R'000
At 1 March 2017	(9 779)	(1 175 298)	54 442	(48 459)	(1 179 094)
Translation difference of foreign subsidiaries	(14 284)	–	–	–	(14 284)
Non-controlling interests' portion of translation difference of foreign subsidiaries	693	–	–	–	693
Share options exercised by employees (refer note 35)	–	–	(27 175)	–	(27 175)
Other	1	–	–	–	1
At 28 February 2018	(23 369)	(1 175 298)	27 267	(48 459)	(1 219 859)
Translation difference of foreign subsidiaries	**14 670**	**–**	**–**	**–**	**14 670**
Non-controlling interests' portion of translation difference of foreign subsidiaries	**(43)**	**–**	**–**	**–**	**(43)**
Unutilised put option reserve reversed	**–**	**–**	**–**	**48 459**	**48 459**
Unutilised share reserve from expired share option scheme reversed	**–**	**–**	**(27 267)**	**–**	**(27 267)**
Performance shares granted to employees (refer note 35)	**–**	**–**	**6 905**	**–**	**6 905**
At 28 February 2019	**(8 742)**	**(1 175 298)**	**6 905**	**–**	**(1 177 135)**

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

26. Non-controlling interest

	2019 R'000	2018 R'000
Balance at the beginning of the year	**157 240**	152 300
Profit attributable to non-controlling interest	**58 885**	29 111
FCTR attributable to non-controlling interest	**43**	(693)
Non-controlling interest arising on business combination	**60 654**	17 109
Disposal of non-controlling interest	**–**	387
Loss of control of subsidiary	**–**	(25)
Acquisition of non-controlling interest	**(1 792)**	(26 094)
Dividends paid to non-controlling interest	**(12 758)**	(14 855)
Balance at the end of the year	**262 272**	157 240

Refer note 41 for a breakdown of non-controlling interest percentages per subsidiary.

27. Revenue

Revenue is recognised at the amount that reflects the consideration to which the group expects to be entitled for transferring goods or services to its customers based on the satisfaction of performance obligations, either over time or at a point in time, in the normal course of business. Revenue is recognised net of value added tax and inter-company revenues are eliminated on consolidation.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Transaction prices are not linked to any changes in a recognised index of interest rates.

The terms granted to customers facilitate the preparation of payments and the group does not expect to have any contracts where the period between the transfer of the goods or services to the customer and payment by the customer exceed one year. Therefore no element of financing is deemed to be present and no adjustment for the time value of money is made to the group's transaction prices.

Variable considerations

It is common for the group's contracts with customers to include variable considerations based on certain industry-related KPIs, such as bonuses or penalties based on specifications, timeliness of completion or minimum volume targets. Any variable consideration contained in a contract is only recognised to the extent that the group deems it highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

The estimate is based on all available information including historic performance. Where modifications in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of the modification has not been confirmed, an estimate is made of the amount of revenue to recognise whilst also considering the uncertainty of such.

Contract assets and liabilities

Contract assets and liabilities arise due to a number of different factors during the execution of contracts with customers. Contract assets represent the group's right to consideration for services provided to customers but which have not yet been certified or invoiced. Contract liabilities arise where payment is received prior to work being completed. Refer note 15: Contract assets and liabilities, for further details in this regard.

Revenue is recognised from the group's activities, as described below:

Contracting revenue

The group recognises revenue over time by measuring the progress towards the satisfaction of performance obligations stipulated in its contracts with customers for the construction of assets. Progress is measured using the costs incurred to date over the total estimated construction cost of the contract. Refer note 15 for further guidance.

Commercial quarry revenue

The group recognises revenue at a point in time, being when the customer takes possession of the goods.

Bitumen and emulsion products and services

The group recognises revenue at a point in time, being when the customer takes possession of the bitumen and emulsion products; or

The group recognises revenue over time by measuring the progress towards the satisfaction of performance obligations for bitumen and emulsion services provided to customers.

Asphalt supply revenue

The group recognises revenue at a point in time, being when the customer takes possession of the asphalt.

Plant hire revenue

The group recognises revenue over time by measuring the progress towards the satisfaction of performance obligations. Progress is measured using operating hours for which the customer has received and consumed the benefits provided.

Property sales and development fees

Revenue from property sales is recognised at a point in time once legal ownership of the property has transferred to the customer.

Revenue from development fees is recognised over time based on the satisfaction of performance obligations stipulated in the contracts with customers.

27. Revenue (continued)

Revenue generated per activity is as follows:

	2019 R'000	2018 R'000
Contracting revenue	**5 992 304**	6 115 100
Commercial quarry aggregates and gypsum revenue	**900 591**	717 710
Bitumen and emulsion products and services	**573 028**	548 036
Asphalt supply revenue*	**633 556**	734 640
Plant hire revenue	**339 028**	389 661
Property sales and development fees	**80 635**	37 100
Total revenue	**8 519 142**	8 542 247

* *In order to improve the group's revenue disaggregation disclosures, revenue from the supply of asphalt has been shown separately from contracting revenue for both the current and prior periods.*

	2019 R'000	2018 R'000
28. Other income		
Income received under finance leases	**13 398**	16 230
Insurance recoveries	**6 213**	6 391
Interest on accounts receivable	**9 512**	14 323
Seta recoveries	**2 127**	2 156
Bad debts recovered	**594**	1 033
Total other income	**31 844**	40 133
29. Other gains/(losses)		
Profit on sale of fixed assets	**9 930**	17 471
Gain/(loss) on exchange differences	**1 583**	(9 437)
Contingent consideration written off (refer note 20)	**–**	2 400
Put option reversed (refer note 20)	**13 181**	–
Impairment of goodwill (refer note 12)	**(51 477)**	(2 799)
Loan written off (refer note 18)	**–**	7 515
Loss on disposal of interest in subsidiary	**–**	(767)
Gain on remeasurement of financial asset	**2 203**	–
Total other gains/(losses)	**(24 580)**	14 383
30. Expenses by nature		
Changes in inventories (refer note 14)	**59 544**	(68 107)
Subcontractors	**2 174 323**	1 589 712
Raw materials and consumables (refer note 14)	**2 266 139**	2 765 325
Employee benefit expense (refer note 35)	**2 119 849**	2 173 553
Depreciation and amortisation (notes 11 and 12)	**388 073**	361 356
Operating lease rentals (refer note 11)	**35 580**	39 702
Repairs and maintenance	**466 938**	529 465
Other operating expenses	**808 915**	533 844
Total cost of sales and administrative expenses	**8 319 361**	7 924 850
Total cost of sales	**7 792 319**	7 416 511
Total administrative expenses	**527 042**	508 339
Total cost of sales and administrative expenses	**8 319 361**	7 924 850

31. Finance income and costs

Interest is recognised on a time-proportion basis using the effective interest rate method.

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

	2019 R'000	2018 R'000
Finance income		
Interest income on cash resources	**45 201**	57 847
Other interest	**3 411**	1 648
Total finance income	**48 612**	59 495
Finance costs		
Cash finance costs		
Bank borrowings	**(57 020)**	(73 812)
Other interest	**(762)**	(1 096)
Non-cash finance costs		
Unwinding of discount – rehabilitation provision (refer note 19)	**(3 043)**	(2 905)
Unwinding of discount – contingent consideration liability and put option (refer note 20)	**(3 950)**	(3 448)
Unwinding of discount – voluntary rebuilding programme (refer note 20)	**(8 277)**	(8 830)
Unwinding of discount – retentions (refer note 15)	**(806)**	(1 154)
Total finance costs	**(73 858)**	(91 245)
Net finance costs	**(25 246)**	(31 750)

32. Income tax expense

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

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

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

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

Notes to the group financial statements continued

for the year ended 28 February 2019

32. Income tax expense (continued)

	2019 R'000	2018 R'000
South African normal taxation		
Current tax		
Current period	**89 425**	148 077
Adjustments for current tax of prior periods	**1 190**	2 256
Capital gains tax	**902**	(5 585)
Total South African normal taxation	**91 517**	144 748
Deferred tax		
Originating and reversing temporary differences	**(65 394)**	2 927
Total South African deferred taxation	**(65 394)**	2 927
Total South African taxation	**26 123**	147 675
Foreign taxation		
Current tax		
Current period	**78 785**	34 187
Adjustments for current tax of prior periods	**(1 152)**	(3 487)
Total foreign normal tax	**77 633**	30 700
Deferred tax		
Originating and reversing temporary differences	**(39 914)**	9 581
Total foreign deferred tax	**(39 914)**	9 581
Total foreign taxation	**37 719**	40 281
Total income tax expense	**63 842**	187 956

Reconciliation between applicable and effective tax rate:

	2019 %	2018 %
Applicable tax rate	**28,00**	28,00
Goodwill written off	**7,98**	–
Expenses attributable to exempt income	**1,04**	0,18
Capital gains tax	**(0,12)**	0,22
Tax losses written off	**1,03**	1,41
Current tax recognised in prior periods	**0,02**	(0,19)
Disallowed charges – other	**1,37**	0,80
Disallowed charges – share options	**1,07**	–
Disallowed charges – VRP settlement agreement	**1,28**	0,39
Special allowances	**(2,12)**	(1,93)
Tax at rates in foreign countries	**(4,22)**	0,46
	35,33	29,34

32. Income tax expense (continued)

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

	Before tax 2019 R'000	Tax 2019 R'000	After tax 2019 R'000	Before tax 2018 R'000	Tax 2018 R'000	After tax 2018 R'000
Currency translation differences	**14 670**	**–**	**14 670**	(14 284)	–	(14 284)
Actuarial (loss)/gain on post-employment benefit obligations	**640**	**179**	**461**	519	145	374
Other comprehensive income	**15 310**	**179**	**15 131**	(13 765)	145	(13 910)

33. Auditors' remuneration

	2019 R'000	2018 R'000
Fees	**11 329**	10 411
Prior year underprovision	**327**	70
Tax and non-audit services	**217**	1 633
Total auditors' remuneration	**11 873**	12 114

34. Employee benefit expense

Pension obligations (retirement fund contributions)

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

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

Other post-employment obligations

One company in the group provides post-retirement healthcare benefits to their retirees. Refer note 19 for detailed disclosure.

Profit sharing and bonus plans

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

The employee benefit expense for the year is made up as follows:

	2019 R'000	2018 R'000
Wages and salaries	**1 906 942**	1 970 867
Performance shares granted to employees (refer note 35)	**6 905**	–
Long-term incentive bonus provision (cash retention scheme)	**15 391**	–
Retirement fund contributions	**97 713**	97 992
Medical aid contributions	**39 567**	37 702
Other contributions and accruals	**53 331**	66 992
Total employee benefit expense	**2 119 849**	2 173 553

34. Employee benefit expense (continued)

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.

	2019 R’000	2018 R’000
Total number of employees	**7 321**	8 271
Number of permanent employees	**4 533**	4 930
Number of limited duration contract employees	**2 788**	3 341

35. Employee long-term incentive scheme

The group’s long-term incentive (“LTI”) scheme is an equity-settled share-based compensation plan awarded to selected employees in the full time employ of the group. The scheme allows for a rolling award of performance shares (Raubex Group Limited ordinary shares) for full value with no consideration payable by the employee.

The scheme was approved by the board and shareholders at the AGM on 27 July 2018 and will continue for a period of five years.

The purpose of the LTI scheme is for the group to retain and incentivise selected high performing employees and those with critical and scarce skills, whose performance contributes to the sustainability of the business of the group, by granting them the opportunity to earn long-term incentive bonuses, settled in ordinary shares of the company and encouraging their continued service with the group. The scheme is further intended to promote alignment of the interests of the employees and shareholders of the company.

LTI scheme summary

The vesting of performance shares granted is subject to both performance conditions and employment conditions being met:

- Performance conditions are measured over a performance period of three years from 1 March of the year the performance shares are awarded; and
- Employment conditions are measured from grant date and require the continued employment of the participant for the duration of the employment period.

The employment period in relation to the LTI scheme is three years from grant date in order to qualify for 50% of the performance shares awarded and four years from grant date in order to qualify for the remaining 50% of the performance shares granted.

Provided the performance conditions and employment conditions are met, 50% of the performance shares awarded vest after three years of service with the balance vesting after four years of service from the grant date.

Performance conditions comprise KPIs and targets which are determined by Remco and take into consideration the group’s strategic objectives and shareholder interests.

The vesting of shares awarded under the LTI scheme is subject to the following performance conditions:

- Average ROICE relative to the WACC of the Raubex Group
- Total shareholder return (“TSR”) relative to the following seven peer group companies listed under the construction and materials sector on the JSE: Afrimat, Aveng, Basil Read, Calgro M3, Group Five, Stefanutti Stocks and WBHO.

The performance conditions carry an equal weighting and have participation hurdles comprising threshold, target and stretch granting 50%, 100% and 150% participation, respectively.

35. Employee long-term incentive scheme (continued)

LTI Scheme summary (continued)

The following table sets out a summary of the long-term incentive KPI targets and weighting:

KPIs	**Weight**	Threshold = 50% participation	**Target = 100% participation**	Stretch = 150% participation
Average ROICE* > WACC	50%	WACC minus 3%	WACC	WACC plus 3%
Total Shareholder Return (TSR*) > peer group	50%	Raubex > median TSR of peer group	Raubex > median TSR of peer group plus 2%	Raubex > median TSR of peer group plus 4%

ROICE, WACC and TSR are defined in the company's remuneration policy as follows:

ROICE	NOPAT/(total borrowings + total equity)
NOPAT	Profit after tax + net finance charges after tax
WACC	WACC formula = (E/V * Ke) + [(D/V* Kd)* (1 – tax rate)] E = Market value of equity V = Total market value of equity and debt Ke = Cost of equity D = Market value of debt Kd = Cost of debt Tax rate = Corporate tax rate
TSR	TSR = (change in market price per share over the performance period + dividends received per share)/market price per share at the beginning of performance period*

* *Market price to be determined on a 20 business-day VWAP basis prior to the start and end of the performance period.*

Further details with regards to the LTI scheme and how the number of performance share awarded per year is determined can be found in the remuneration and nomination committee report of the annual report.

Under the LTI scheme, the fair value of the employee services received in exchange for the grant of the performance shares 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 performance shares 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 performance shares that are expected to vest. It recognises the impact of the revision to original estimates, in the statement of profit or loss, with a corresponding adjustment to equity. When the performance shares vest, the company issues either new shares or treasury shares held whichever is deemed to be in the best interest of the group.

35. Employee long-term incentive scheme (continued)

The fair value of the performance shares is determined using a combination of the Monte Carlo model and the spot rate of the performance shares at grant date. Refer below for the significant inputs used to determine the fair value of the performance shares awarded:

Arrangement	(a) LTI scheme 2018 (ROICE)	(b) LTI scheme 2018 (TSR)
Nature of arrangement	Performance shares granted	Performance shares granted
Options approved	911 188	911 188
Number of options granted	911 188	911 188
Number of options outstanding	911 188	911 188
Exercise price	R nil	R nil
Date of grant	1 August 2018	1 August 2018
Share price at the date of grant	R19,85	R19,85
Contractual life	Four years	Four years
Vesting conditions	Refer to LTI summary above	Refer to LTI summary above
Performance period:	1 March 2018 to 28 February 2021	1 March 2018 to 28 February 2021
Employment period (1st 50%):	1 August 2018 to 31 July 2021	1 August 2018 to 31 July 2021
Employment period (remaining 50%):	1 August 2018 to 31 July 2022	1 August 2018 to 31 July 2022
Settlement	Shares	Shares
Expected volatility	n/a	33,8%
Expected option life at grant date	1st 50% of performance shares – three years 2nd 50% of performance shares – four years	1st 50% of performance shares – three years 2nd 50% of performance shares – four years
Risk-free interest rate	7,84%	7,84%
Expected dividend yield	n/a	3,10%
Expected departures (grant date)	0%	0%
Expected outcome of meeting performance criteria (grant date)	50%	150%
Fair value of options determined at the grant date	R21,05	R22,97
Valuation model	Spot rate at grant date	Monte Carlo

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

28 February 2018

	Weighted average remaining life (years)	
Number of options ('000)	Expected	Contractual
–	–	–

28 February 2019

	Weighted average remaining life (years)	
Number of options ('000)	**Expected**	**Contractual**
911 188	**3**	**3**
911 188	**2**	**2**

35. Employee long-term incentive scheme (continued)

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

	Number of options 2019	Exercise price 2019	Number of options 2018	Exercise price 2018
Outstanding at the beginning of the year	**–**	**R0,01**	1 362 334	R0,01
Options granted	**–**	**R0,01**	–	R0,01
Options forfeited	**–**	**R0,01**	–	R0,01
Options exercised	**–**	**R0,01**	(1 362 334)	R0,01
Outstanding at the end of the year	**–**	**R0,01**	–	R0,01
Exercisable at the end of the year	**–**	**R0,01**	–	R0,01

A reconciliation of movements in the number of performance shares can be summarised as follows:

	Number of shares 2019	Exercise price 2019	Number of shares 2018	Exercise price 2018
Outstanding at the beginning of the year	**–**	**R0,00**	–	R0,00
Performance shares granted	**1 822 375**	**R0,00**	–	R0,00
Performance shares forfeited	**–**	**R0,00**	–	R0,00
Performance shares exercised	**–**	**R0,00**	–	R0,00
Outstanding at the end of the year	**1 822 375**	**R0,00**	–	R0,00
Exercisable at the end of the year	**–**	**R0,00**	–	R0,00

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

	2019 R'000	2018 R'000
Expense – equity-settled arrangements		
Employee long-term incentive (refer note 34)	**6 905**	–
Total equity-settled share-based payment expense	**6 905**	–

36. Cash generated from operations

	2019 R'000	2018 R'000
Profit before income tax	**180 684**	640 640
Adjustment for:		
Depreciation (refer note 11)	**376 886**	357 279
Amortisation (refer note 12)	**11 187**	4 077
Goodwill impairment (refer note 12)	**51 477**	2 799
Profit on sale of assets (refer note 29)	**(9 930)**	(17 471)
Interest received (refer note 31)	**(48 612)**	(59 495)
Interest paid (refer note 31)	**73 858**	91 245
Foreign exchange loss/(gains) – unrealised	**(18 213)**	(4 264)
Provisions (refer note 19)	**13**	22 079
Share of profit/(loss) of investments accounted for using the equity method (refer note 13)	**1 115**	(477)
Performance shares granted to employees (refer note 35)	**6 905**	–
Loss of control of subsidiary	**–**	767
Put option written off (refer note 29)	**(13 181)**	–
Contingent consideration reversed (refer note 20)	**–**	(2 400)
Loan written off (refer note 29)	**–**	(7 515)
Financial asset remeasurement	**(2 203)**	–
Changes in working capital		
Inventories	**24 561**	(66 808)
Trade and other receivables	**60 917**	45 662
Contract assets	**(25 190)**	56 552
Contract liabilities	**98 912**	(48 280)
Trade and other payables	**34 738**	40 396
Changes in other financial liabilities		
Voluntary rebuilding programme payment (refer note 20)	**(15 000)**	(15 000)
Net cash generated from operations	**788 924**	1 039 786

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

	2019 R'000	2018 R'000
Net book amount (refer note 11)	**50 212**	78 489
Profit on disposal of property, plant and equipment (refer note 29)	**9 930**	17 471
Proceeds from disposal of property, plant and equipment	**60 142**	95 960

In the statement of cash flows taxation paid is calculated as follows:

	2019 R'000	2018 R'000
Balance (receivable)/due at the beginning of the year	**3 063**	(2 593)
Add: Acquisitions	**95**	8 271
Add: Current year tax charge (refer note 32)	**169 150**	175 448
Less: Loss of control of subsidiary	**–**	(113)
Add: Balance (payable)/receivable at the end of the year	**(8 382)**	(3 063)
Taxation paid	**163 926**	177 950

36. Cash generated from operations (continued)

36.1 Cash flow from financing activities

An analysis of movements in liabilities arising from financing activities for each period has been presented below:

	Put option R'000	Contingent considerations R'000	Borrowings – unsecured loans R'000	Borrowings – bank borrowings R'000
Balance at 1 March 2017	56 972	2 247	39 001	911 799
Repayments of financial liabilities	–	–	(28 261)	(514 554)
Proceeds from financial liabilities	–	–	–	360 921
Acquisition of subsidiaries	–	–	–	17 956
Foreign exchange differences	–	–	–	(2 096)
Unwinding of discount	3 295	153	–	–
Loss of control of subsidiary	–	–	–	(695)
Contingent consideration written off	–	(2 400)	–	–
Loan written off	–	–	(7 515)	–
Balance at 28 February 2018	60 267	–	3 225	773 331
Repayments of financial liabilities	**–**	**–**	**–**	**(481 625)**
Proceeds from financial liabilities	**–**	**–**	**339**	**340 947**
Acquisition of subsidiaries	**–**	**37 034**	**–**	**24 581**
Foreign exchange differences	**–**	**–**	**–**	**949**
Unwinding of discount	**1 373**	**2 577**	**–**	**–**
Put option written off	**(61 640)**	**–**	**–**	**–**
Balance at 28 February 2019	**–**	**39 611**	**3 564**	**658 183**
Note	20	20	18	18

37. Related parties

Relationships

Joint ventures and joint operations — Refer notes 13 and 42

Companies and trusts controlled by directors and directors of subsidiaries:

- Bridgetown Dolomite Mine Joint Venture
- BM Pretorius Jnr Trust
- Corpclo 851 CC
- Independent Family Trust
- Klaas en Ellie Beleggings (Pty) Ltd
- Lemati Developers (Pty) Ltd
- Mamiki Capital Investments (Pty) Ltd
- MD Dikoko
- NFG Property Sales (Pty) Ltd
- Oranje Mynbou en Vervoer (Pty) Ltd
- Rapid River Developments (Pty) Ltd
- Raubex Eiendomme (Pty) Ltd
- RJ Fourie Boerdery
- The Burger Family Trust
- Van Der Berg Familie Trust
- Verdino 192 (Pty) Ltd

37. Related parties (continued)

	2019 R'000	2018 R'000
Related-party balances		
Amounts included in trade receivables regarding related parties		
Corpclo 851 CC	**–**	147
Lemati Developers (Pty) Ltd	**1 540**	29 876
Rau-Mon Joint Operation	**27 370**	–
Raubex/Moloto Joint Operation	**483**	19 395
Raubex/Enza Joint Operation	**18 866**	–
Raubex/Enza/RB Joint Operation	**2 555**	–
RJ Fourie Boerdery	**2**	2
Roadmac Surfacing/RTH Joint Operation	**–**	10 193
Vharanani/Raubex Joint Operation	**10 527**	–
Receivables from related parties (refer note 16)	**61 343**	59 613
Amounts included in trade payables regarding related parties		
Akasia/Actophambili Joint Operation	**79**	79
Rau-Mon Joint Operation	**27 755**	–
Roadmac Surfacing/Enza Joint Operation	**242**	–
Roadmac Surfacing/RTH Joint Operation	**–**	28
Payables due to related parties (refer note 21)	**28 076**	107
Loans to related parties		
Akasia/Actophambili Joint Operation	**31**	14
KE Msimango	**–**	1 000
Kentha/Raumix Joint Operation	**1 207**	1 121
Mamiki Capital Investments	**3 394**	–
MD Dikoko	**187**	187
Oranje Mynbou en Vervoer (Pty) Ltd	**1 850**	1 850
Raubex/Enza/RB Joint Operation	**4 443**	–
Raubex/Enza Joint Operation	**2 646**	–
Raubex/Sakula Joint Operation	**–**	55
Roadmac Surfacing/Actophambili Joint Operation	**–**	204
Roadmac Surfacing/Enza Joint Operation	**1 518**	1 484
Roadmac Surfacing/RTH Joint Operation	**839**	650
Verdino 192 (Pty) Ltd	**1 604**	1 604
Loans to related parties (refer note 16)	**17 719**	8 169
The loans are unsecured, interest-free and have no fixed terms of repayment.		
Loans to entities controlled by key management:		
At the beginning of the year	**4 642**	4 642
Loans advanced during the year	**3 394**	–
Loan repayments received	**(1 000)**	–
At the end of the year	**7 036**	4 642
Loans to joint operations:		
At the beginning of the year	**3 527**	1 718
Loans advanced during the year	**9 549**	2 240
Loan repayments received	**(2 393)**	(431)
At the end of the year	**10 683**	3 527

37. Related parties (continued)

	2019 R'000	2018 R'000
Related-party balances (continued)		
Total loans to related parties:		
At the beginning of the year	**8 169**	6 360
Loans advanced during the year	**12 943**	2 240
Loan repayments received	**(3 393)**	(431)
At the end of the year (refer note 16)	**17 719**	8 169
Loans from related parties		
Included in trade payables (refer note 21):		
Klaas en Ellie Beleggings (Pty) Ltd	**5 892**	7 104
Raubex/Moloto Joint Operation	**–**	14 139
Raubex Building/Umso Construction Joint Operation	**2 179**	3 060
Vharanani/Raubex Joint Operation	**2 085**	–
Included in borrowings (refer note 18):		
Independent Family Trust	**3 564**	3 225
Loans from related parties	**13 720**	27 528
Loans from entities controlled by key management:		
At the beginning of the year	**10 329**	44 809
Loans received during the year	**–**	2 430
Loan repayments made	**(873)**	(36 910)
At the end of the year	**9 456**	10 329
Loans from joint operations:		
At the beginning of the year	**17 199**	31
Loans received during the year	**2 085**	17 199
Loan repayments made	**(15 020)**	(31)
At the end of the year	**4 264**	17 199
Total loans from related parties:		
At the beginning of the year	**27 528**	44 840
Loans received during the year	**2 085**	19 629
Loan repayments made	**(15 893)**	(36 941)
At the end of the year (refer note 18 and note 21)	**13 720**	27 528
The unsecured loans are interest-free and have no fixed terms of repayment.		
Transactions with related parties		
Subcontractors' fees received from/(paid to) related parties		
Akasia/Actophambili Joint Operation	**–**	11
Lemati Developers (Pty) Ltd	**4 561**	111 556
Rau-Mon Joint Operation	**(1 525)**	–
Raubex Eiendomme (Pty) Ltd	**–**	38
Raubex/Enza Joint Operation	**127 183**	–
Raubex/Enza/RB Joint Operation	**21 382**	–
Raubex/Sakula Joint Operation	**–**	2 470
Raubex/Moloto Joint Operation	**75 967**	58 173
Raubex Building/Umso Construction Joint Operation	**41 327**	50 982
Roadmac Surfacing/Enza Joint Operation	**30 340**	67 943
Roadmac Surfacing/RTH Joint Operation	**20 115**	30 057
Vharanani/Raubex Joint Operation	**55 733**	–
	375 083	321 230

37. Related parties (continued)

	2019 R'000	2018 R'000
Transactions with related parties (continued)		
Rental of equipment and premises received from/(paid to) related parties		
Corpclo 851 CC	**(188)**	(1 088)
Kentha/Raumix Joint Operation	**(1 508)**	(1 407)
NFG Property Sales (Pty) Ltd	**(417)**	(388)
Rapid River Developments (Pty) Ltd	**(1 433)**	–
Raubex Eiendomme (Pty) Ltd	**–**	(1 668)
The Burger Family Trust	**–**	(60)
	(3 546)	(4 611)
Administration fees received from/(paid to) related parties		
Raubex/Sakula Joint Operation	**300**	–
Other fees received from/(paid to) related parties		
BM Pretorius Jnr Trust	**–**	(103)
Raubex Eiendomme (Pty) Ltd	**–**	(375)
RJ Fourie Boerdery	**115**	51
Van Der Berg Familie Trust	**–**	(5)
	115	(432)

Related-party transactions with directors and prescribed officers

Directors' emoluments

	Directors' fees R'000	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits* R'000	Total emoluments R'000
2018						
Executive						
RJ Fourie	–	3 279	7 233	324	330	11 166
JF Gibson	–	2 423	4 900	224	25	7 572
NF Msiza	–	2 496	–	230	967	3 693
Total emoluments	–	8 198	12 133	778	1 322	22 431
Non-executive						
JE Raubenheimer	474	–	–	–	–	474
LA Maxwell	757	–	–	–	–	757
F Kenney	754	–	–	–	–	754
BH Kent	582	–	–	–	–	582
SR Bogatsu	441	–	–	–	–	441
Total emoluments	3 008	–	–	–	–	3 008

* *Included in the other benefits of NF Msiza is an amount of R961 690 paid as compensation for a bonus forgone from her previous employer.*

37. Related parties (continued)

Related party transactions with directors and prescribed officers (continued)

Directors emoluments (continued)

	Directors' fees R'000	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits* R'000	Total emoluments R'000
2019						
Executive						
RJ Fourie	**–**	**3 507**	**5 908**	**345**	**1 656**	**11 416**
JF Gibson	**–**	**2 582**	**4 084**	**238**	**912**	**7 816**
NF Msiza	**–**	**2 658**	**2 091**	**245**	**919**	**5 913**
Total emoluments	**–**	**8 747**	**12 083**	**828**	**3 487**	**25 145**
Non-executive						
F Kenney	**1 003**	**–**	**–**	**–**	**–**	**1 003**
LA Maxwell	**815**	**–**	**–**	**–**	**–**	**815**
BH Kent	**627**	**–**	**–**	**–**	**–**	**627**
SR Bogatsu	**627**	**–**	**–**	**–**	**–**	**627**
Total emoluments	**3 072**	**–**	**–**	**–**	**–**	**3 072**

* *Included in other benefits are amounts paid for the early termination of the retention scheme in 2019 which was replaced with the new LTI share scheme effective 1 August 2018.*

Prescribed officers' emoluments

	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits R'000	Total emoluments R'000
2018					
TG Wiese	2 468	6 350	552	681	10 051
LJ Raubenheimer	2 330	4 898	236	335	7 799
RL Shedlock	3 316	3 854	442	511	8 123
DC Lourens*	2 048	–	189	227	2 464
JA Louw	1 331	1 375	123	177	3 006
HE Ernst	350	732	35	2	1 119
GM Chemaly**	519	–	44	3	566
Total emoluments	12 362	17 209	1 621	1 936	33 128

* *Appointed to Exco effective 1 May 2017.*
** *Appointed effective 16 October 2017.*

37. Related parties (continued)

Related party transactions with directors and prescribed officers (continued)

Prescribed officers' emoluments (continued)

	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits* R'000	Total emoluments R'000
2019					
TG Wiese**	**827**	**4 407**	**188**	**1 623**	**7 045**
LJ Raubenheimer	**2 496**	**5 292**	**251**	**1 299**	**9 338**
IJM van Niekerk***	**2 420**	**1 000**	**223**	**1 118**	**4 761**
RL Shedlock	**3 608**	**2 299**	**435**	**1 935**	**8 277**
DC Lourens	**2 215**	**1 891**	**204**	**1 059**	**5 369**
JA Louw	**1 649**	**1 258**	**152**	**939**	**3 998**
GM Chemaly	**1 469**	**150**	**136**	**11**	**1 766**
Total emoluments	**14 684**	**16 297**	**1 589**	**7 984**	**40 554**

* *Included in other benefits are amounts paid for the early termination of the retention scheme in 2019 which was replaced with the new LTI share scheme effective 1 August 2018.*
** *Retired effective 30 April 2018.*
*** *Appointed to Exco effective 12 March 2018.*

Share options/performance shares granted to directors and prescribed officers

	Options outstanding at 1 March 2017	Options granted during the year	Options exercised during the year	Options outstanding at 28 February 2018	Strike price
Share options 2018					
Executive directors					
RJ Fourie	104 612	–	104 612	–	R0,01
JF Gibson	80 836	–	80 836	–	R0,01
Prescribed officers					
TG Wiese	80 836	–	80 836	–	R0,01
LJ Raubenheimer	80 836	–	80 836	–	R0,01
RL Shedlock	57 061	–	57 061	–	R0,01
JA Louw	35 663	–	35 663	–	R0,01
HE Ernst	11 888	–	11 888	–	R0,01

The share options exercised during the prior year relate to the expired deferred stock scheme. There are no remaining outstanding options in terms of this old scheme at year-end.

37. Related parties (continued)

Share options/performance shares granted to directors and prescribed officers (continued)

	Shares outstanding at 1 March 2018	Shares granted during the year	Shares exercised during the year	Shares outstanding at 28 February 2019	Strike price
Performance shares 2019					
Executive directors					
RJ Fourie	–	**395 149**	–	**395 149**	**R0,00**
JF Gibson	–	**273 142**	–	**273 142**	**R0,00**
NF Msiza	–	**139 816**	–	**139 816**	**R0,00**
Prescribed officers					
LJ Raubenheimer	–	**291 315**	–	**291 315**	**R0,00**
RL Shedlock	–	**212 737**	–	**212 737**	**R0,00**
JA Louw	–	**95 466**	–	**95 466**	**R0,00**
DC Lourens	–	**189 319**	–	**189 319**	**R0,00**
IJM van Niekerk	–	**205 431**	–	**205 431**	**R0,00**
GM Chemaly	–	**20 000**	–	**20 000**	**R0,00**

The performance shares granted to directors and prescribed officers during the year are in terms of the new long-term incentive scheme, details of which are set out in note 35 to these group financial statements. This scheme replaces the old deferred stock scheme that expired during the prior year.

Interests of directors in the share capital

Details of ordinary shares held directly and indirectly per individual director are listed below as at 28 February 2019.

	Number of shares 2019	Number of shares 2018
Beneficial		
Direct and indirect		
RJ Fourie	**4 603 676**	4 603 676
JF Gibson	**365 730**	365 730
F Kenney	**4 065 384**	4 065 384

At date of this report, these interests remained unchanged.

38. Directors', prescribed officers and key management emoluments

	2019 R'000	2018 R'000
Executive		
For services as directors of the company	**25 145**	22 431
For services as prescribed officers of the company	**40 554**	33 128
For services as key management	**96 038**	88 984

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.

Notes to the group financial statements continued
for the year ended 28 February 2019

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

	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits R'000	Total emoluments R'000
Key management emoluments 2018	43 319	31 822	6 240	7 603	88 984
Key management emoluments 2019	**52 750**	**27 944**	**6 784**	**8 560**	**96 038**

39. Commitments

Capital commitments

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

	2019 R'000	2018 R'000
Property, plant and equipment	**–**	1 432
Investments in subsidiaries (refer note 44)	**49 920**	98 300
Total capital commitments	**49 920**	99 732

Operating lease commitments

The group leases various property, plant and equipment as well as certain quarries under non-cancellable operating lease agreements. These leases have varying terms, clauses and renewal rights. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

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

	2019 R'000	2018 R'000
No later than one year	**27 572**	30 374
Later than one year and no later than five years	**45 713**	13 521
Total operating lease commitments	**73 285**	43 895

Voluntary rebuilding programme commitment

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

	2019 R'000	2018 R'000
Voluntary rebuilding programme (refer note 20)	**135 000**	150 000

40. Contingencies

Total financial institution backed contract guarantees provided to third parties on behalf of subsidiary companies amounted to R1 758,2 million (2018: R1 699,0 million). The directors do not believe that any exposure to loss is likely. Total available facilities in this regard amount to R4 262,8 million (2018: R3 414,5 million).

The group is, from time to time, involved in various claims and legal proceedings arising in the ordinary course of business. The directors do not believe that adverse decisions in any pending proceedings or claims against the group will have a material adverse effect in the financial position or future operations of the group.

41. Interest in subsidiaries

		Country of incorporation and place of business	Issued share capital Shares	Effective % held by the group		Effective % held by non-controlling interests		Shares at cost	
				2019 %	2018 %	**2019 %**	2018 %	**2019 R'000**	2018 R'000
Direct									
Raubex (Pty) Ltd	♦	ZA	300	**100**	100	**–**	–	**1 001 620**	1 001 620
Raubex FIC (Pty) Ltd	♦	ZA	200	**100**	100	**–**	–	**75 127**	75 127
B&E International (Pty) Ltd	✧	ZA	1 000	**100**	100	**–**	–	**473 844**	473 844
Burma Plant Hire (Pty) Ltd	⦿	ZA	100	**100**	100	**–**	–	**11 532**	11 532
SPH Kundalila (Pty) Ltd (SPH Group)*	✧	ZA	100	**100**	100	**–**	–	**111 336**	111 336
L & R Civils (Pty) Ltd	☐	ZA	300	**80**	80	**20**	20	**22 300**	22 300
Strata Civils (Pty) Ltd	☐	ZA	500	**100**	100	**–**	–	**–**	–
Raubex Construction (Mauritius) Ltd	☐	MU	100	**100**	100	**–**	–	**1**	1
Tosas Holdings (Pty) Ltd**	♦	ZA	100	**–**	100	**–**	–	**–**	120 000
Tosas (Pty) Ltd**	♦	ZA	100	**100**	100	**–**	–	**120 000**	–
Indirect									
Akasia Road Surfacing (Pty) Ltd	#	ZA	100	**100**	100	**–**	–	**120 796**	120 796
Aliwal Dolorite Quarry (Pty) Ltd	◇	ZA	100	**74**	74	**26**	26	**7 619**	7 619
B&E International – North (Namibia) (Pty) Ltd	⦿	NA	100	**100**	100	**–**	–	**–**	–
B&E International (Botswana) (Pty) Ltd	†	BW	10 000	**74**	74	**26**	26	**–**	–
B&E International (Foreign) (Pty) Ltd	✧	ZA	100	**100**	100	**–**	–	**–**	–
B&E International (Namibia) (Pty) Ltd	✧	NA	200	**74**	74	**26**	26	**–**	–
B&E International Mining (Pty) Ltd	✧	ZA	100	**49**	–	**51**	–	**–**	–
B&E International Mozambique Limitada	✧	MZ	16 835	**100**	100	**–**	–	**–**	–
Belabela Asphalt (Pty) Ltd	#	BW	100	**49**	49	**51**	51	**1**	1
Belabela Quarries (Pty) Ltd	◇	BW	1 660 000	**74**	74	**26**	26	**–**	–
Burma Plant Hire and Mining (Pty) Ltd	⦿	ZA	100	**100**	100	**–**	–	**–**	–
Burma Plant Hire (Namibia) (Pty) Ltd	⦿	NA	100	**100**	100	**–**	–	**–**	–
Canyon Rock (Pty) Ltd	◇	ZA	120	**74**	74	**26**	26	**46 294**	46 294
Comar Plant Design and Manufacturing (Pty) Ltd	⦿	ZA	1 000	**100**	100	**–**	–	**3 000**	3 000
Crushco (Pty) Ltd	◇	ZA	100	**74**	74	**26**	26	**–**	–
Donkerhoek (Pty) Ltd	◇	ZA	200	**70**	–	**30**	–	**31 142**	–
Donkerhoek Quartzite (Pty) Ltd	◇	ZA	4 000	**74**	–	**26**	–	**–**	–
Empa Plant (Pty) Ltd	†	ZA	400	**70**	70	**30**	30	**23 527**	23 527
Empa Structures (Pty) Ltd	☐	ZA	100	**70**	70	**30**	30	**4 099**	4 099
Forte Demolition Solutions (Pty) Ltd	✱	ZA	100	**49**	–	**51**	–	**–**	–
Forward Infra (Pty) Ltd	◈	ZA	100	**100**	100	**–**	–	**–**	–
Greenmined Environmental (Pty) Ltd	▲	ZA	1 000	**100**	100	**–**	–	**–**	–
Harding Quarry (Pty) Ltd	◇	ZA	870 000	**74**	74	**26**	26	**–**	–
Howard Quarry (Pty) Ltd	◇	ZA	100	**70**	–	**30**	–	**–**	–
Inzalo Crushing and Aggregates (Pty) Ltd	◇	ZA	10 000	**74**	74	**26**	26	**9**	9
Komani Quarry (Pty) Ltd	◇	ZA	100	**70**	–	**30**	–	**–**	–
Lime Sales Ltd	◇	ZA	100	**74**	74	**26**	26	**37 000**	37 000
Malmesbury Sand (Pty) Ltd	◇	ZA	4 000	**100**	100	**–**	–	**10 600**	10 600
Matlosana Industries (Pty) Ltd	◇	ZA	100	**60**	60	**40**	40	**–**	–
Metadynamics (Pty) Ltd	■	ZA	120	**49**	–	**51**	–	**43 051**	–
Middelburg Quarry (Pty) Ltd	◇	ZA	100	**74**	74	**26**	26	**2 300**	2 300
Milling Techniks (Pty) Ltd	✖	ZA	100	**100**	100	**–**	–	**15 000**	15 000
MRCN (Pty) Ltd t/a Westforce Construction	☐	AU	4 000	**70**	70	**30**	30	**64 035**	66 238

Notes to the group financial statements continued

for the year ended 28 February 2019

41. Interest in subsidiaries (continued)

		Country of incorporation and place of business	Issued share capital Shares	Effective % held by the group		Effective % held by non-controlling interests		Shares at cost	
				2019 %	2018 %	**2019 %**	2018 %	**2019 R'000**	2018 R'000
Indirect (continued)									
Muscle Construction (Pty) Ltd	†	ZA	100	**26**	26	**74**	74	**–**	–
Narindonde Construction (Pty) Ltd	✧	NA	100	**74**	74	**26**	26	**–**	–
National Asphalt (Pty) Ltd	#	ZA	100	**100**	100	**–**	–	**–**	–
National Cold Asphalt (Pty) Ltd	†	ZA	100	**100**	100	**–**	–	**1 124**	1 124
OMV (Pty) Ltd	◇	ZA	800	**70**	70	**30**	30	**54 452**	54 452
OMV Kimberley (Pty) Ltd	◇	ZA	800	**100**	100	**–**	–	**37 500**	37 500
OMV Kimberley Mining (Pty) Ltd	◇	ZA	100	**74**	74	**26**	26	**–**	–
OMV Stilfontein (Pty) Ltd	†	ZA	800	**70**	70	**30**	30	**34 706**	34 706
OMV Stilfontein Mining (Pty) Ltd	◇	ZA	100	**52**	52	**48**	48	**–**	–
Petra Quarry (Pty) Ltd	◇	ZA	100	**74**	74	**26**	26	**3 849**	3 849
Phuhlisa Development Solutions (Pty) Ltd	▪	ZA	1 000	**80**	80	**20**	20	**418**	418
Queenstown Quarry (Pty) Ltd	◇	ZA	100	**74**	74	**26**	26	**21 929**	21 929
Raubex Building (Pty) Ltd	☐	ZA	100	**77**	73	**23**	27	**1 700**	–
Raubex Civil (Pty) Ltd	♦	ZA	100	**100**	100	**–**	–	**14 999**	14 999
Raubex Construction (Pty) Ltd	✖	ZA	1 000	**100**	100	**–**	–	**87 301**	87 301
Raubex Construction Namibia (Pty) Ltd	†	NA	100	**49**	49	**51**	51	**–**	–
Raubex Construction Zambia Ltd	✖	ZM	5 000 000	**100**	100	**–**	–	**6 009**	6 009
Raubex Construction Zimbabwe (Pvt) Ltd	☐	ZW	1 400	**65**	49	**35**	51	**1**	1
Raubex Infra (Pty) Ltd	☐	ZA	900	**100**	100	**–**	–	**40 224**	40 224
Raubex KZN (Pty) Ltd	✖	ZA	100	**100**	100	**–**	–	**43 907**	43 907
Raubex Lesotho (Pty) Ltd	✖	LS	100	**100**	100	**–**	–	**–**	–
Raubex Ltd	☐	CM	1 000 000	**100**	100	**–**	–	**–**	–
Raubex (Pty) Ltd	♦	AU	7 000	**100**	100	**–**	–	**–**	–
Raubex Mining (Pty) Ltd	◇	ZA	100	**70**	–	**30**	–	**–**	–
Raubex Renovo (Pty) Ltd	☐	ZA	1 000	**100**	100	**–**	–	**–**	–
Raudev (Pty) Ltd	☐	ZA	100	**80**	80	**20**	20	**8 084**	8 084
Raumix Aggregates (Pty) Ltd	◇	ZA	916	**100**	100	**–**	–	**–**	–
Raumix Holdings (Pty) Ltd	♦	ZA	100	**100**	100	**–**	–	**23 674**	23 674
Raumix Mining (Pty) Ltd	◇	ZA	100	**49**	–	**51**	–	**–**	–
Roadmac (Pty) Ltd	♦	ZA	100	**100**	100	**–**	–	**84 550**	84 550
Roadmac Surfacing (Pty) Ltd	✖	ZA	100	**100**	100	**–**	–	**20 000**	20 000
Roadmac Surfacing Cape (Pty) Ltd	✖	ZA	200	**100**	100	**–**	–	**24 299**	24 299
Shisalanga Construction (Pty) Ltd	#	ZA	100	**60**	60	**40**	40	**38 400**	38 400
SPH Sand (Pty) Ltd	◇	ZA	100	**74**	74	**26**	26	**–**	–
SPH Kundalila Mining (Pty) Ltd	◇	ZA	100	**49**	–	**51**	–	**–**	–
Tosas Eastern Cape (Pty) Ltd	⬟	ZA	100	**50**	50	**50**	50	**–**	–
Tosas Botswana (Pty) Ltd	⬟	BW	134	**100**	100	**–**	–	**–**	–
Tosas Namibia (Pty) Ltd	⬟	NA	100	**90**	90	**10**	10	**–**	–
Transkei Quarries (Pty) Ltd	◇	ZA	100	**49**	–	**51**	–	**61 183**	–
Verlesha (Pty) Ltd	◇	ZA	100	**74**	–	**26**	–	**–**	–
Westforce Hire (Pty) Ltd	☐	AU	100	**70**	70	**30**	30	**–**	–
Willows Quarries (Pty) Ltd	◇	ZA	100	**74**	74	**26**	26	**–**	–
Zamori Construction (Pty) Ltd	†	ZA	120	**100**	100	**–**	–	**35 799**	35 799
Zisena (Pty) Ltd	✖	ZA	100	**49**	49	**51**	51	**–**	–

* *During the year Aquatic Services (Pty) Ltd was deregistered in order to consolidate the SPH Group of companies into one entity – therefore making SPH Kundalila (Pty) Ltd 100% directly held by Raubex Group Limited*

** *During the year the investment in Tosas (Pty) Ltd was unbundled from Tosas Holdings (Pty) Ltd to Raubex Group Limited, resulting in Raubex Group Limited directly owning 100% of Tosas (Pty) Ltd.*

100% owned dormant entities have not been disclosed in the table above.

41. Interest in subsidiaries (continued)

Nature of business

- # Asphalt production
- ⬟ Manufacturing and distribution of value added bituminous products
- ✧ Contract crushing and material handling
- † Dormant entity
- ⮝ Application for water permits, mining licences and environmental control
- ▪ Professional consulting firm – engineering and project management services
- ■ Gypsum calcining and milling entity
- ⧫ Investment and holding company
- ☐ Infrastructure
- ◈ Road marking
- ⊙ Plant hire, plant manufacture and plant design
- ◇ Commercial quarrying
- ✖ Rehabilitation of roads, civil and general construction work
- ✱ Turnkey demolition, remediation and asbestos abatement solutions entity

Country of incorporation and place of business:

AU Australia	BW Botswana	CM Cameroon	LS Lesotho	MU Mauritius
MZ Mozambique	NA Namibia	ZA South Africa	ZM Zambia	ZW Zimbabwe

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

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

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

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

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

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

Management has assessed that, in terms of IFRS 10, the group is considered to exercise control over these entities through its ability to affect returns and direct the entities' relevant activities, despite owning less than 50% of the issued shares. Thus the group has power over and is exposed to, or has rights to, variable returns from its involvement with these entities:

- B&E International Mining (Pty) Ltd
- Belabela Asphalt (Pty) Ltd
- Forte Demolition Solutions (Pty) Ltd
- Metadynamics (Pty) Ltd
- Muscle Construction (Pty) Ltd
- Raubex Construction Namibia (Pty) Ltd
- Raumix Mining (Pty) Ltd
- SPH Kundalila Mining (Pty) Ltd
- Transkei Quarries (Pty) Ltd
- Zisena (Pty) Ltd

Management considered the following factors in determining control:

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

The following companies were deregistered during the year:

- Roadmac Surfacing KZN (Pty) Ltd
- Phambili Road Surfacing (Pty) Ltd

All subsidiaries in the group have the same year-ends. The group maintains a register of all subsidiaries for inspection at the registered office of Raubex Group Limited.

41. Interest in subsidiaries (continued)

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.

Set out below is the aggregate of all subsidiaries with non-controlling interests in the group:

	Total comprehensive income for the period R'000	Dividends paid to non-controlling interest R'000	Total assets R'000	Total liabilities R'000	Net increase/ (decrease) in cash and cash equivalents R'000
At 28 February 2018					
Shisalanga Construction (Pty) Ltd	8 258	(874)	126 355	31 698	(180)
Aggregate of all subsidiaries with non-controlling interests in the group*	118 921	(13 981)	1 352 839	982 316	8 292
Total	127 179	(14 855)	1 479 194	1 014 014	8 112
At 28 February 2019					
Aggregate of all subsidiaries with non-controlling interests in the group*	**214 972**	**(12 758)**	**2 085 400**	**1 354 201**	**(17 780)**
Total	**214 972**	**(12 758)**	**2 085 400**	**1 354 201**	**(17 780)**

	Non-controlling interest balance at the beginning of the year R'000	Total comprehensive income attributable to non-controlling interest R'000	Non-controlling interest on acquisition of subsidiary R'000	Disposal and acquisition of non-controlling interests R'000	Dividends paid to non-controlling interest R'000	Non-controlling interest balance at the end of the year R'000
At 28 February 2018						
Shisalanga Construction (Pty) Ltd	31 429	2 857	–	–	(874)	33 412
Aggregate of all subsidiaries with non-controlling interests in the group*	120 871	25 561	17 109	(25 732)	(13 981)	123 828
Total	152 300	28 418	17 109	(25 732)	(14 855)	157 240
At 28 February 2019						
Aggregate of all subsidiaries with non-controlling interests in the group*	**157 240**	**58 928**	**60 654**	**(1 792)**	**(12 758)**	**262 272**
Total	**157 240**	**58 928**	**60 654**	**(1 792)**	**(12 758)**	**262 272**

* *Refer to the table at the beginning of note 41 for the full list of subsidiaries with non-controlling interest in the group. None of these individual subsidiaries are material to the group.*

42. Interest in joint operations

Joint operations are those entities in which the group has joint control. The group recognises its direct right to assets, liabilities, revenue and expenses and its share of any jointly held or incurred assets, liabilities, revenue and expenses of joint operations in the consolidated financial statements.

	Country	Nature of business	**Interest held 2019 (%)**	Interest held 2018 (%)
Joint operations				
Akasia/Actophambili Joint Operation	South Africa	Road surfacing	**60**	60
Kentha/Raumix Joint Operation	South Africa	Aggregates	**49**	49
Phoenix Highway Joint Operation	South Africa	Road surfacing	**60**	–
Rau-Mon Joint Operation	South Africa	Infrastructure	**87**	–
Raubex/Enza Joint Operation	South Africa	Road surfacing	**80**	–
Raubex/Enza/RB Joint Operation	South Africa	Road surfacing	**40**	–
Raubex/Moloto Joint Operation	South Africa	Road construction	**80**	80
Raubex/Sakula Joint Operation	South Africa	Infrastructure	**75**	75
Raubex Building/Umso Construction Joint Operation	South Africa	Infrastructure	**70**	70
Roadmac Surfacing/Actophambili Joint Operation	South Africa	Road surfacing	**60**	60
Roadmac Surfacing/Enza Joint Operation	South Africa	Road surfacing	**40**	40
Roadmac Surfacing/KYK Joint Operation	South Africa	Road surfacing	**60**	60
Roadmac Surfacing/RTH Joint Operation	South Africa	Road surfacing	**40**	40
Vharanani/Raubex Joint Operation	South Africa	Road construction	**49**	–

Financial information

	2019 R'000	2018 R'000
Statement of financial position		
(Recognised in proportion to interest in assets and liabilities)		
Assets		
Current assets	**91 336**	48 301
Total assets	**91 336**	48 301
Equity and liabilities		
Equity	**(32)**	(32)
Current liabilities	**91 368**	48 333
Total equity and liabilities	**91 336**	48 301
Statement of profit or loss		
(Recognised in proportion to interest in assets and liabilities)		
Revenue	**304 565**	117 878
Loss attributable to group	**(12 433)**	(7 455)

The group maintains a register of all joint operations for inspection at its registered office.

Parties collectively control the arrangements and decisions about relevant activities that require unanimous consent.

43. Shareholder spread

The company has one class of listed share. Detail of the company's authorised and issued share capital are set out in note 22 of these financial statements.

The shareholder spread is summarised as follows:

	Number of shares 2019	Number of shares 2018	% held 2019	% held 2018
Public shareholders	**171 261 333**	169 550 997	**94,2**	93,3
Non-public shareholders	**10 488 703**	12 199 039	**5,8**	6,7
Total shares	**181 750 036**	181 750 036	**100**	100

Non-public shareholders are summarised as follows:

	Number of shares 2019	Number of shares 2018	% held 2019	% held 2018
Directors of the company	**9 034 790**	9 034 790	**5,0**	5,0
Directors of subsidiaries	**1 094 659**	2 593 207	**0,6**	1,4
Employees	**289 116**	500 904	**0,2**	0,3
Treasury shares – Raubex (Pty) Ltd	**70 138**	70 138	**–**	–
Total shares	**10 488 703**	12 199 039	**5,8**	6,7

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

	Number of shares 2019	Number of shares 2018	% of shares in issue 2019	% of shares in issue 2018
Government Employees Pension Fund	**24 189 438**	24 738 058	**13,3**	13,6
PSG Asset Management	**21 408 727**	18 487 784	**11,8**	10,2
Old Mutual Investment Group	**17 237 157**	10 601 219	**9,5**	5,8
Somerset Capital Management	**10 304 337**	10 827 263	**5,7**	6,0
Investec	**10 133 232**	–	**5,6**	–
Raubenbel (Pty) Ltd	**–**	10 065 337	**–**	5,5
Total	**83 272 891**	74 719 661	**45,9**	41,1

44. Events after the reporting period

Transactions with non-controlling shareholders

Shisalanga (Pty) Ltd ("Shisalanga")

Effective 1 March 2019, the group restructured its asphalt operations in KwaZulu-Natal and effectively acquired a further 16% of Shisalanga from the non-controlling shareholders through a subscription and buyback agreement. The subscription was settled through the transfer of assets held by National Asphalt (Pty) Ltd to Shisalanga and the buyback was settled in cash. The total combined value of the transaction was R49,9 million. These agreements increased the group effective interest in Shisalanga from 60% to 76%.

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

45. Translation of foreign currencies

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

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

46. Standards, interpretations and amendments to published standards

New and amended standards adopted by the group

A number of International Financial Reporting Standards, Interpretations and amendments have become effective for the first time for the year ended 28 February 2019.

The group has applied the following amendment for the first time for the current reporting period that had a significant impact on the current and prior period:

International Financial Reporting Standards and amendments effective for the first time for 28 February 2019 year-end

Number	Executive summary
IFRS 15: *Revenue from contracts with customers* Effective: 1 January 2018 (group's year ended 28 February 2019)	The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.
IFRS 9: *Financial Instruments* Effective: 1 January 2019 (group's year ended 29 February 2020)	This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit loss model that replaces the current incurred loss impairment model.

Refer note 47: Changes in accounting policies, for details of the effect the adoption of the above mentioned standards had on the group's results for the year ended 28 February 2019.

46. Standards, interpretations and amendments to published standards

New standards and interpretations not yet adopted by the group

A number of International Financial Reporting Standards, Interpretations and amendments have been issued during the year but are not yet effective for the year ended 28 February 2019 and have not been early adopted by the group.

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

International Financial Reporting Standards and amendments issued but not yet effective for 28 February 2019 year-end

Number	Executive summary	Expected impact
IFRS 16: *Leases* Effective: 1 January 2019 (group's year ended 29 February 2020)	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17: *Leases*, IFRIC 4: *Determining whether an Arrangement contains a Lease*, SIC 15: *Operating Leases – Incentives* and SIC 27: *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*	A preliminary assessment was done using the operating leases that the group is currently exposed to. The assessment compared the consolidated group's results had operating leases been accounted for using the new standard against that of how they currently are being accounted for. The effect has been assessed to not have a material impact on the group operating numbers; however, individual line items within the financial statement are likely to be affected: Depreciation and interest are likely to increase, which in turn affects EBITDA ratios. The initial impact of reducing the finance charges over the life of the lease is likely to be more negative on earnings in the beginning, moving to a more positive impact in the later stages of the lease term. The initial recognition of right to use assets and lease liabilities will increased the total assets and total liabilities of the group, although the net assets will remain more or less unchanged. In addition, the disclosure requirements are expected to significantly affect the group's notes to the financial statements when the statement becomes effective. The group is yet to determine which transition method will be most appropriate.

47. Changes in accounting policies

The group has adopted the following new International Financial Reporting Standards as issued by the IASB, which were effective for the group from 1 March 2018:

- IFRS 9: *Financial Instruments* ("IFRS 9"); and
- IFRS 15: *Revenue from Contracts with Customers* ("IFRS 15").

Adoption of IFRS 9

IFRS 9 replaces the provisions of IAS 39 and was adopted by the group without restating comparative information in accordance with the transitional provisions included in the standard. The adoption of IFRS 9 had the following impact on the group:

- Change in classification of the measurement categories for financial instruments; and
- Change from the IAS 39 incurred loss model to the expected credit loss ("ECL") model to calculate impairments of financial instruments.

Details of the impact are provided below:

Classification, initial recognition and subsequent measurement

IFRS 9 introduces new measurement categories for financial assets. The measurement categories of IFRS 9 and IAS 39 are illustrated in the table below:

IAS 39	IFRS 9
Loans and receivables	Financial assets at amortised cost
Financial liabilities at amortised cost	Financial liabilities at amortised cost
Financial liabilities at fair value through profit and loss	Financial liabilities at fair value through profit and loss

Effective 1 March 2018, the group classifies its financial assets in each of the IFRS 9 measurement categories according to the group's business model for managing the financial asset together with the cash flow characteristics of the financial asset. The reclassification into the new measurement categories of IFRS 9 did not have a significant impact on the group.

There was no change to the measurement of financial liabilities, which are measured at either amortised cost or fair value through profit and loss. Furthermore the adoption of IFRS 9 did not require the reclassification of any financial liabilities.

Impairment

Prior to the adoption of IFRS 9 the group's methodology for calculating the allowance for credit losses was based on an incurred loss model in terms of IAS 39, where at the end of each reporting period the group assessed whether any objective evidence of impairment existed. Had any evidence existed at the time of consideration, an allowance for credit losses was calculated on the financial asset at amortised cost as the difference between the financial asset's carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate (its recoverable amount).

Under IFRS 9, the group revised its methodology for calculating the allowance for credit losses on its financial assets to an expected credit loss model.

The group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables, including receivables under finance leases; and
- Contract assets relating to contracts in progress and retentions.

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9; however, the identified loss allowance is deemed to be immaterial.

47. Changes in accounting policies (continued)

Adoption of IFRS 9 (continued)

Impairment (continued)

The group applies IFRS 9's simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This approach resulted in the following loss allowance increases on 1 March 2018:

	Loss allowance adjustment R'000
Trade receivables	**19 282**
Contract assets	**12 130**
	31 412

Refer note 9 for further details on the loss allowance calculation and the effect the adoption of IFRS 9 had on the current year results.

Impact on the group's financial results due to the adoption of IFRS 9

Statement of financial position*

	Balance at 28 February 2018 (as previously reported) R'000	IFRS 9 effect R'000	Balance at 1 March 2018 (restated) R'000
Assets			
Non-current assets			
Trade and other receivables	**81 915**	**(2 409)**	**79 506**
Deferred income tax assets	**39 614**	**8 795**	**48 409**
Current assets			
Trade and other receivables	**1 489 575**	**(16 873)**	**1 472 702**
Contract assets	**280 933**	**(12 130)**	**268 803**
Equity			
Retained earnings	**3 200 300**	**(22 617)**	**3 177 683**

* *Only those line items affected by IFRS 9 have been included above.*

The group's opening retained earnings as at 1 March 2018 are as follows:

	2019 R'000
Closing retained earnings balance 28 February 2018	**3 200 300**
Increase in provision for trade receivables and contract assets	**(31 412)**
Increase in deferred tax due to impairment provisions	**8 795**
Opening retained earnings balance 1 March 2018 (restated)	**3 177 683**

47. Changes in accounting policies (continued)

Adoption of IFRS 15

In accordance with the transition paragraphs of IFRS 15, the group decided to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to opening retained earnings under the modified retrospective restatement method, where applicable.

The adoption of IFRS 15 from 1 March 2018 has resulted in changes to the accounting policies with regards to the process followed in order to recognise revenue from the various sources applicable to the group. However, these changes have not resulted in the need to restate any prior period figures.

The group's revenue is primarily generated from the following sources:

- Contracting revenue
- Commercial quarry revenue
- Bitumen and emulsion products and services
- Asphalt supply revenue
- Plant hire revenue
- Property sales and development fees

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18: *Revenue*, IAS 11: *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer based on the satisfaction of performance obligations.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control over a product or services to a customer.

The nature of the changes in the accounting policies were as follows:

Revenue type	Description	Previous accounting treatment under IAS 11 and IAS 18	New accounting treatment under IFRS 15
Contracting revenue	Revenue generated through construction contracts, where the group's performance creates or enhances customer controlled assets.	Revenue from construction contracts was recognised on the stage of completion method.	The group recognises revenue over time by measuring the progress towards the satisfaction of performance obligations stipulated in the construction contracts. Progress measured using the costs incurred to date over the total estimated construction cost of the contract.
Commercial quarry revenue	Revenue is generated through the sales of aggregates to the construction market.	Revenue from the sale of goods was recognised when significant risks and rewards of ownership were passed to the customer.	The group recognises revenue at a point in time, being when the customer takes possession of the goods.
Bitumen and emulsion products and services	Revenue generated through the sales of bitumen products and the provision of bitumen-related services.	Revenue was recognised when significant risks and rewards of ownership of the goods have passed to the buyer.	The group recognises revenue at a point in time, being when the customer takes possession of the products; or the group recognises revenue over time by measuring the progress towards the satisfaction of performance obligations for bitumen services provided.

47. Changes in accounting policies (continued)

Adoption of IFRS 15 (continued)

Revenue type	Description	Previous accounting treatment under IAS 11 and IAS 18	New accounting treatment under IFRS 15
Asphalt supply revenue	Revenue is generated through the supply of asphalt to the road construction market.	Revenue from the sale of asphalt was recognised when significant risks and rewards of ownership were passed to the customer.	The group recognises revenue at a point in time, being when the customer takes possession of the asphalt.
Plant hire revenue	Revenue generated from plant hired out to customers.	Revenue from plant hire was recognised on a percentage completion basis over time based on operating hours.	The group recognises revenue over time by measuring the progress towards the satisfaction of performance obligations. Progress measured using operating hours for which the customer received and consumed the benefits provided.
Property sales and development fees	Property sales: Revenue generated from the sale of property.	Property sales: Revenue was recognised when risks and rewards of ownership were transferred.	Property sales: Revenue recognised at a point in time once ownership has transferred.
	Development fees: Revenue receivable for project management services, development fees and subsidies receivable for the development of housing.	Development fees: These fees were recognised on the stage of completion method.	Development fees: Revenue recognised over time based on the satisfaction of performance obligations stipulated in the contracts with customers.

Holding company statement of financial position

for the year ended 28 February 2019

	Note	2019 R'000	2018 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	4.1	**1 890 371**	1 883 466
Loans to group companies	4.2	**186 911**	296 511
Total non-current assets		**2 077 282**	2 179 977
Current assets			
Trade and other receivables	5	**163**	125
Current income tax receivable		**23**	22
Cash and cash equivalents	6	**174**	687
Total current assets		**360**	834
Total assets		**2 077 642**	2 180 811
EQUITY			
Ordinary shares	7	**1 817**	1 817
Share premium	7	**2 059 776**	2 059 776
Reserves		**6 905**	85 364
Retained income		**8 804**	33 127
Total equity		**2 077 302**	2 180 084
LIABILITIES			
Current liabilities			
Trade and other payables	8	**340**	727
Total current liabilities		**340**	727
Total liabilities		**340**	727
Total equity and liabilities		**2 077 642**	2 180 811

The notes on pages 177 to 186 are an integral part of these financial statements.

Holding company statement of comprehensive income

for the year ended 28 February 2019

	Note	**2019 R'000**	2018 R'000
Revenue	9	**114 782**	163 575
Other gains/(losses) – net	10	**(140 000)**	(22 300)
Administrative expenses		**(2 739)**	(3 316)
Operating (loss)/profit		**(27 957)**	137 959
Finance income	11	**80**	98
(Loss)/profit before income tax		**(27 877)**	138 057
Income tax expense	12	**(22)**	(27)
(Loss)/profit for the year		**(27 899)**	138 030
Other comprehensive (loss)/income		**–**	–
Total comprehensive (loss)/income for the year		**(27 899)**	138 030

The notes on pages 177 to 186 are an integral part of these financial statements.

Holding company statement of changes in equity

for the year ended 28 February 2019

	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 2017	1 817	2 059 776	85 364	58 672	2 205 629
Changes in equity:					
Total comprehensive income for the year	–	–	–	138 030	138 030
Dividends paid	–	–	–	(163 575)	(163 575)
Total changes	–	–	–	(25 545)	(25 545)
Balance at 28 February 2018	1 817	2 059 776	85 364	33 127	2 180 084
Changes in equity:					
Unutilised share option reserve reversed	**–**	**–**	**(85 364)**	**85 364**	**–**
Share option reserve (refer note 4.1)	**–**	**–**	**6 905**	**–**	**6 905**
Total comprehensive loss for the year	**–**	**–**	**–**	**(27 899)**	**(27 899)**
Dividends paid	**–**	**–**	**–**	**(81 788)**	**(81 788)**
Total changes	**–**	**–**	**(78 459)**	**(24 323)**	**(102 782)**
Balance at 28 February 2019	**1 817**	**2 059 776**	**6 905**	**8 804**	**2 077 302**
Note	7	7			

The notes on pages 177 to 186 are an integral part of these financial statements.

Holding company statement of cash flows

for the year ended 28 February 2019

	Note	**2019 R'000**	2018 R'000
Cash flow from operating activities			
Cash used in operations	13	**(3 164)**	(2 945)
Dividends received	9	**114 782**	163 575
Interest received	11	**80**	98
Taxation paid	13	**(23)**	(28)
Net cash generated from operating activities		**111 675**	160 700
Cash flows from investing activities			
Acquisition of subsidiaries		**–**	(75 127)
Loans advanced to group companies		**(33 000)**	(165 000)
Loans repaid by group companies		**2 600**	243 400
Net cash (used in)/generated from investing activities		**(30 400)**	3 273
Cash flows from financing activities			
Dividends paid		**(81 788)**	(163 575)
Net cash used in financing activities		**(81 788)**	(163 575)
Net (decrease)/increase in cash and cash equivalents		**(513)**	398
Cash and cash equivalents at the beginning of the year		**687**	289
Cash and cash equivalents at the end of the year	6	**174**	687

The notes on pages 177 to 186 are an integral part of these financial statements.

Holding company notes to the financial statements

for the year ended 28 February 2019

1. Summary of significant accounting policies

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

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

1.1 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

Non-current loans have no set terms and are intended to provide the subsidiary with a long-term source of additional capital. As a result, the loans are considered to be an interest in the subsidiary. The loans are accounted for under IAS 27 and are carried at cost.

1.2 Financial instruments

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

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

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

The company’s categories are as follows:

- Financial assets held at amortised cost
- Financial liabilities held at amortised cost

No financial instruments were designated as held at fair value through profit or loss during the year.

Financial assets held at amortised cost

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

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

The recoverable amount of the company’s financial assets held at amortised cost are 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 financial assets are impaired. Financial assets 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 asset and has an impact on the estimated future cash flows of the asset that can be reliably estimated.

1. Summary of significant accounting policies (continued)

1.2 Financial instruments (continued)

Financial assets held at amortised cost (continued)

A loss allowance in respect of financial assets held 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.

Financial assets held at amortised cost on the face of, or included in the notes to, the statement of financial position includes:

(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.

(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.

Impairment of financial assets held at amortised cost

The company applies IFRS 9's simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The expected loss rates are based on the revenue payment profiles over a 12-month period before 1 March 2018 together with the corresponding historical credit losses experienced within these periods per customer classification. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the GDPs, inflation rates, prime lending rates, US Dollar exchange rates and the credit ratings of the countries in which it operates to be the most relevant factors, and has accordingly adjusted the historical loss rates based on expected changes in these factors.

In determining the recoverability of trade and other receivables, the company considers, amongst others, the frequency of payments, the financial performance of the relevant parties and any contractual agreements that might be in place. If there is no reasonable expectation of recovery then the trade receivable is written off. Where receivables are written off, it is company policy to continue to engage in enforcement activity in order to attempt to recover the receivable due. When recoveries are made, these are included in profit and loss.

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 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.

Derecognition

Financial instruments are derecognised when substantially all risks and rewards of ownership have been transferred.

Financial assets or a portion thereof are derecognised when the company's contractual rights to the cash flows expire or when the company transfers all the risks and rewards related to the financial asset or when the company 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 statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

1. Summary of significant accounting policies (continued)

1.3 Share capital and equity

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

Ordinary shares are classified as equity.

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

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

1.4 Share-based payments

The company 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 performance shares 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 shares 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 shares that are expected to vest. It recognises the impact of the revision to original estimates, in the statement of profit or loss, with a corresponding adjustment to equity. When the shares are issued, the company either issues new shares or uses treasury shares held within the group. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium or other reserves dependent on whether new shares or treasury shares are used.

The grant by the company of performance shares 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 Standards, interpretations and amendments to published standards

New and amended standards adopted by the company

A number of International Financial Reporting Standards, Interpretations and amendments have become effective for the first time for the year ended 28 February 2019.

The company has applied the following amendment for the first time for the current reporting period that has had a significant impact on the current and prior period:

International Financial Reporting Standards and amendments effective for the first time for 28 February 2019 year-end

Number	**Executive summary**
IFRS 9: *Financial Instruments*	This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit loss model that replaces the current incurred loss impairment model.

1. Summary of significant accounting policies (continued)

1.6 Standards, interpretations and amendments to published standards (continued)

New standards and interpretations not yet adopted by the company

There are no new International Financial Reporting Standards, Interpretations and amendments that have been issued during the year but are not yet effective for the year ended 28 February 2019 and have not been early adopted by the company that are considered to have a significant effect on the company's financial reporting.

1.7 Changes in accounting policies

The company has adopted IFRS 9 as issued by the IASB, effective from 1 March 2018:

IFRS 9 replaces the provisions of IAS 39 and was adopted by the company without restating comparative information in accordance with the transitional provisions included in the standard. The adoption of IFRS 9 had the following impact on the company:

- Change in classification of the measurement categories for financial instruments; and
- Change from the IAS 39 incurred loss model to the expected credit loss ("ECL") model to calculate impairments of financial instruments.

Details of the impact are provided below:

IFRS 9 introduces new measurement categories for financial assets. The measurement categories of IFRS 9 and IAS 39 are illustrated in the table below:

IAS 39*	IFRS 9*
Loans and receivables	Financial assets at amortised cost

* *Only those categories of financial assets applicable to the company have been disclosed above.*

Effective 1 March 2018, the company classifies its financial assets in each of the IFRS 9 measurement categories according to its business model for managing the financial asset together with the cash flow characteristics of the financial asset. The reclassification into the new measurement categories of IFRS 9 did not have a significant impact on the company.

There was no change to the measurement of financial liabilities, which are measured at either amortised cost or fair value through profit and loss. Furthermore the adoption of IFRS 9 did not require the reclassification of any financial liabilities.

Impairment

Prior to the adoption of IFRS 9 the company's methodology for calculating the allowance for credit losses was based on an incurred loss model in terms of IAS 39, where at the end of each reporting period the company assessed whether any objective evidence of impairment existed. Had any evidence existed at the time of consideration, an allowance for credit losses was calculated on the financial asset at amortised cost as the difference between the financial asset's carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate (its recoverable amount).

Under IFRS 9, the company revised its methodology for calculating the allowance for credit losses on its financial assets to an expected credit loss model. This model is applicable to the company's trade and other receivables. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9. However, the identified loss allowance is deemed to be immaterial.

The company applies IFRS 9's simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The change in accounting policy did not have any financial effect on the company.

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 company'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	Financial assets held at amortised cost R'000	Financial liabilities held at amortised cost R'000	Total carrying value R'000
At 28 February 2018				
Trade and other receivables	5	125	–	125
Cash and cash equivalents	6	687	–	687
Trade and other payables	8	–	(727)	(727)
Total		812	(727)	85
At 28 February 2019				
Trade and other receivables	5	**163**	**–**	**163**
Cash and cash equivalents	6	**174**	**–**	**174**
Trade and other payables	8	**–**	**(340)**	**(340)**
Total		**337**	**(340)**	**(3)**

The trade and other receivables and trade and other payables disclosed in the above tables exclude the non-financial assets and liabilities carried on the statement of financial position.

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 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:

	2019 1% R'000	**2019 -1% R'000**	2018 1% R'000	2018 -1% R'000
Cash and cash equivalents	**1**	**(1)**	5	(5)
Increase/(decrease) in profitability	**1**	**(1)**	5	(5)

2. Financial instruments and financial risk management (continued)

Financial risk factors (continued)

(b) Credit risk

The company has no significant concentration of credit risk. The company has policies that limit the amount of credit exposure to any financial institution.

	Rating	2019 R'000	2018 R'000
Concentration of credit risk			
Cash and cash equivalents	BBB	**174**	687
Total cash and cash equivalents (refer note 6)		**174**	687
Current trade and other receivables	Not rated	**163**	125
Total current trade and other receivables (refer note 5)		**163**	125

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 R0,3 million (2018: R0,8 million).

The credit ratings above have been obtained from publicly available information.

(c) Liquidity risk

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

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

	Carrying amount R'000	Contractual cash flows R'000	Within 1 year R'000	2 to 5 years R'000
Year ended 28 February 2018				
Non-derivative financial liabilities				
Trade and other payables	727	727	727	–
Total	727	727	727	–
Year ended 28 February 2019				
Non-derivative financial liabilities				
Trade and other payables	**340**	**340**	**340**	**–**
Total	**340**	**340**	**340**	**–**

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

3. Capital risk management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

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

	2019 R'000	2018 R'000
Cash and cash equivalents (refer note 6)	**(174)**	(687)
Net debt	**(174)**	(687)
Total equity	**2 077 302**	2 180 084
Total capital and net debt	**2 077 128**	2 179 397
Gearing ratio	**(0,01%)**	(0,03%)

4.1 Investment in subsidiaries

	2019 R'000	2018 R'000
Name of company		
Direct investment at cost		
Aquatic Services (Pty) Ltd	**111 336**	111 336
B&E International (Pty) Ltd	**438 442**	438 442
Burma Plant Hire (Pty) Ltd	**11 532**	11 532
Raubex (Pty) Ltd	**1 001 620**	1 001 620
Raubex Construction (Mauritius) Ltd	**1**	1
Raubex FIC (Pty) Ltd	**75 127**	75 127
Tosas Holdings (Pty) Ltd	**–**	120 000
Tosas (Pty) Ltd	**120 000**	–
Total direct investment in subsidiaries	**1 758 058**	1 758 058
Indirect investment on issue of share options to employees of subsidiaries		
Akasia Road Surfacing (Pty) Ltd	**52**	52
B&E International (Pty) Ltd	**13 940**	13 940
Burma Plant Hire (Pty) Ltd	**778**	778
Milling Techniks (Pty) Ltd	**3 739**	3 739
National Asphalt (Pty) Ltd	**10 496**	10 496
Phambili Road Surfacing (Pty) Ltd	**190**	190
Raubex (Pty) Ltd	**81 482**	74 577
Raubex Construction (Pty) Ltd	**2 057**	2 057
Raubex KZN (Pty) Ltd	**2 104**	2 104
Raumix Aggregates (Pty) Ltd	**1 707**	1 707
Roadmac Surfacing (Pty) Ltd	**3 178**	3 178
Roadmac Surfacing Cape (Pty) Ltd	**1 058**	1 058
Roadmac Surfacing KZN (Pty) Ltd	**2 108**	2 108
SPH Kundalila (Pty) Ltd	**9 424**	9 424
Total indirect investment in subsidiaries	**132 313**	125 408
Total investment in subsidiaries	**1 890 371**	1 883 466

Holding company notes to the financial statements continued

for the year ended 28 February 2019

4.1 Investment in subsidiaries (continued)

During the year the investment in Tosas Holdings (Pty) Ltd was unbundled in order to simplify the group structure. The investment in Tosas (Pty) Ltd was unbundled from Tosas Holdings (Pty) Ltd to Raubex Group Limited, resulting in Raubex Group Limited directly owning 100% of Tosas (Pty) Ltd. Raubex Group further capitalised a loan of R140 million owed by Tosas (Pty) Ltd to its investment in subsidiary.

Subsequent to the unbundling and capitalisation, R140 million of the investment was impaired due to the poor market conditions currently being experienced by Tosas (Pty) Ltd.

During the prior year the investments held in L&R Civils (Pty) Ltd and Strata Civils (Pty) Ltd were impaired – refer note 4 of the group financial statements for further information in this regard.

4.2 Loans to group companies

	2019 R'000	2018 R'000
Burma Plant Hire (Pty) Ltd	**42 535**	42 535
Raubex (Pty) Ltd	**113 383**	222 983
Raumix Aggregates (Pty) Ltd	**30 993**	30 993
Total loans to/(from) group companies	**186 911**	296 511
Non-current assets	**186 911**	296 511
Total loans to/(from) group companies	**186 911**	296 511

The carrying amounts of investment in subsidiaries are shown net of impairment losses.

Details of the group's employee performance scheme are disclosed in note 35 to the group financial statements.

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

The loans to group companies have been classified as non-current assets as settlement is expected to occur after a period of 12 months.

	2019 R'000	2018 R'000
5. Trade and other receivables		
Prepayments	**163**	125
Total trade and other receivables	**163**	125
The fair values of trade and other receivables are as follows:		
Prepayments	**163**	125
Total trade and other receivables	**163**	125
As of 28 February 2019, no receivables were neither past due nor impaired.		
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balance	**174**	687
Total cash and cash equivalents	**174**	687

7. Share capital and share premium

	Number of shares R'000	Ordinary shares R'000	Share premium R'000	Total R'000
At 1 March 2017	181 750	1 817	2 059 776	2 061 593
At 28 February 2018	181 750	1 817	2 059 776	2 061 593
At 28 February 2019	**181 750**	**1 817**	**2 059 776**	**2 061 593**

The total authorised number of ordinary shares is 500 million shares (2018: 500 million) with a par value of 1 cent per share (2018: 1 cent per share). All issued shares are fully paid.

	2019 R'000	2018 R'000
8. Trade and other payables		
Trade payables	**70**	470
Accrued expenses	**270**	257
Total trade and other payables	**340**	727
9. Revenue		
Dividends received from subsidiaries	**114 782**	163 575
Total revenue	**114 782**	163 575
10. Other gains/(losses)		
Impairment of investments in subsidiaries (refer note 4)	**(140 000)**	(22 300)
Total other gain/(losses)	**(140 000)**	(22 300)
11. Finance income and costs		
Finance income:		
Interest income on cash resources	**80**	98
Total finance income	**80**	98
Net finance income/(costs)	**80**	98
12. Income tax expense		
South African normal taxation		
Current tax		
Current period	**22**	27
Total South African normal taxation	**22**	27

Reconciliation between applicable tax rate and effective tax rate:

	2019 %	2018 %
Applicable tax rate	**28,00**	28,00
Exempt income	**115,29**	(33,18)
Disallowed charges	**(143,37)**	5,20
Effective tax rate	**(0,08)**	0,02

Holding company notes to the financial statements continued

for the year ended 28 February 2019

	2019 R'000	2018 R'000
13. Cash generated from/(used in) operations		
Profit before income tax	**(27 877)**	138 057
Adjustments for:		
Other gains/(losses)	**140 000**	22 300
Interest received	**(80)**	(98)
Dividends received	**(114 782)**	(163 575)
Changes in working capital		
Trade and other receivables	**(38)**	–
Trade and other payables	**(387)**	371
Net cash used in operations	**(3 164)**	(2 945)
In the cash flow statement taxation paid is calculated as follows:		
Balance receivable at the beginning of the year	**(22)**	(21)
Add: Current year tax charge (refer note 12)	**22**	27
Add: Balance receivable at the end of the year	**23**	22
Taxation paid	**23**	28
14. Related parties		
Relationship		
Subsidiaries — Refer note 41 of the group financial statements		
Related-party balances		
Loans to related parties		
At the beginning of the year	**296 511**	374 911
Loans advanced during the year	**33 000**	165 000
Loans capitalised during the year	**(140 000)**	–
Loan repayments received	**(2 600)**	(243 400)
At year-end	**186 911**	296 511
Other fees paid to/(received from) related parties		
Raubex (Pty) Ltd	**3**	3

15. Directors' emoluments

Refer notes 37 and 38 of the group financial statements.

6 Shareholder information

Raubex Group Limited
(Incorporated in the Republic of South Africa)
Registration number 2006/023666/06
Share code: RBX
ISIN: ZAE000093183
("Raubex" or "the company")

Notice of annual general meeting of shareholders for the year ended 28 February 2019

Notice is hereby given that the next annual general meeting of shareholders of Raubex will be held at 10:00 on Friday, 2 August 2019 at The Firs, 302 3rd Floor, corner Craddock and Biermann Road, Rosebank, 2196.

This notice includes the attached proxy form.

Record dates, proxies and voting

Record date to receive the notice	Friday, 21 June 2019
Last date to trade to be eligible to vote	Tuesday, 23 July 2019
Record date to be eligible to vote	Friday, 26 July 2019

Accordingly, the date on which a person must be registered as a shareholder in the register of the company for purposes of being entitled to attend and vote at the meeting is Friday, 26 July 2019 ("record date").

If you are a registered shareholder as at the record date (ie a shareholder who has not dematerialised your shares or has dematerialised your shares with "own name" registration as at the record date):

- you are entitled to attend the meeting in person and vote at the meeting;
- alternatively, you may appoint a proxy to attend, participate and vote at the meeting, on your behalf.

Any appointment of a proxy:

- may be effected by using the attached proxy form; and
- must be delivered in accordance with the instructions contained in the attached proxy form, failing which it will not be effective.

A proxy need not be a shareholder of the company.

If you are a beneficial shareholder and not a registered shareholder as at the record date (ie a shareholder who has dematerialised your shares without "own name" registration as at the record date):

- and wish to attend the meeting, you must obtain the necessary letter of authority to represent the registered shareholder of your shares from your CSDP or broker;
- and do not wish to attend the meeting but would like your vote to be recorded at the meeting, you should contact the registered shareholder of your shares through your CSDP or broker and furnish them with your voting instructions;
- you must not complete the attached proxy form.

All meeting participants will be required to provide identification reasonably satisfactory to the chairman of the meeting.

Purpose of the meeting

The purpose of this meeting is to:

- present the audited annual financial statements of the group and holding company for the year ended 28 February 2019 (including the directors' report and the audit committee report);
- consider any matters raised by shareholders; and
- consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions set out below.

For the ordinary resolutions numbers 1 to 7 to be adopted, the support of more than 50% of the total number of votes exercised by shareholders, present in person or by proxy, is required.

For the special resolutions numbers 1 to 3 to be adopted, the support of at least 75% of the total number of votes exercised by shareholders, present in person or by proxy, is required.

Ordinary resolution 1 – adoption of annual financial statements

Resolution: to adopt the audited annual financial statements of the group and holding company for the year ended 28 February 2019.

Ordinary resolution number 2 – reappointment of independent external auditors

Resolution: to reappoint PricewaterhouseCoopers Inc., upon the recommendation of the audit committee, as the independent registered auditor of the company for the ensuing financial year, and to note that the individual registered auditor who will undertake the audit during the financial year ending 28 February 2020, is CJ Hertzog.

The audit committee and the board (based on the findings of the audit committee) are satisfied that PricewaterhouseCoopers Inc. meets the provisions of the Companies Act, 71 of 2008. Accordingly, the audit committee and the board have proposed the reappointment of PricewaterhouseCoopers Inc. as the independent auditor of the company for the ensuing financial year ending 28 February 2020.

Ordinary resolution numbers 3.1 to 3.4 – re-election of directors

Resolution: to re-elect each of the following directors who retire by rotation in accordance with the provisions of the company's memorandum of incorporation and, being eligible, offer themselves for re-election.

3.1 F Kenney
3.2 LA Maxwell
3.3 BH Kent
3.4 SR Bogatsu

Reason and effect for ordinary resolutions 3.1 to 3.4

The company's memorandum of incorporation provides that one-third of non-executive directors must retire by rotation at each annual general meeting, and may be re-elected if eligible. The non-executive directors to retire shall be those who have been longest in office. The board has, however, recommended that all of the non-executive directors retire and may be re-elected if eligible. The board considered the performance and contribution made by each non-executive director, and fully supports the re-election of each of the directors. Each of these directors have offered themselves for re-election at the annual general meeting.

Brief curriculum vitae of the non-executive directors offering themselves for re-election are provided on pages 32 and 33 of this integrated report.

Ordinary resolution numbers 4.1 to 4.3 – election of audit committee members

Resolution: to elect each of the following independent non-executive directors as members of the audit committee.

4.1 LA Maxwell
4.2 BH Kent
4.3 SR Bogatsu

Ordinary resolutions 4.1, 4.2 and 4.3 are subject to the relevant directors' re-election as director pursuant to ordinary resolutions numbers 3.2, 3.3 and 3.4 above.

Brief curriculum vitae of the independent non-executive directors offering themselves for election as members of the audit committee are provided on page 33 of this integrated report. The board has reviewed the expertise, qualification and relevant experience of the appointed audit committee members and recommends that each of these directors be elected.

Ordinary resolution number 5 – endorsement of Raubex remuneration policy

Resolution: to endorse the company's remuneration policy as set out in the remuneration committee report, by way of a non-binding advisory vote.

Ordinary resolution number 6 – endorsement of Raubex remuneration implementation report

Resolution: to endorse through a non-binding advisory vote, the company's remuneration implementation report as set out in the remuneration committee report.

Reason and effect for ordinary resolutions 5 and 6

As required in terms of principle 14 of King IV, the company's remuneration policy and remuneration implementation report should be tabled to shareholders for separate non-binding advisory votes at the annual general meeting. These votes enable shareholders to express their views on the remuneration policies adopted by the company and on the implementation thereof. Shareholders are requested to endorse the company's remuneration policy and remuneration implementation report set out on pages 42 to 51 of this integrated report.

Ordinary resolution number 7 – directors' authority to implement special and ordinary resolutions

Resolution: to authorise any director or the company secretary of the company, to do all such things and sign all such documents as may be necessary for, or incidental to the implementation of the resolutions passed at this meeting.

Special resolution number 1 – remuneration of non-executive directors

Resolution: to approve the remuneration of the non-executive directors of the company as a special resolution, in terms of the memorandum of incorporation of the company and sections 66(8) and (9) of the Companies Act, 71 of 2008, for the 2020 financial year as follows:

Designation	Proposed annual remuneration
Chairman	**R1 075 462**
Lead independent non-executive director	**R873 813**
Non-executive director	**R672 165**

Special resolution number 2 – general authority to repurchase shares

Resolution: to approve, as contemplated in paragraph 5.72 of the JSE Listings Requirements, the general authority of the company or any of its subsidiaries from time to time, to repurchase the company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the company's memorandum of incorporation, the provisions of the Companies Act, 71 of 2008 and the JSE Listings Requirements (each as presently constituted and as amended from time to time), provided that:

- any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
- authorisation thereto being given by the memorandum of incorporation of the company;
- at any point in time, the company may only appoint one agent to effect any repurchase(s) on the company's behalf;
- this general authority will be valid until the company's next annual general meeting, or 15 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 second business day following the day on which the relevant threshold is reached or exceeded, and the announcement shall comply with the requirements of the JSE Listings Requirements in this regard;

- repurchases by the company or any of its subsidiaries of its own securities may not, in aggregate in any one financial year, exceed 20% of the company's issued share capital as at the date of the passing of this resolution (although it should be noted that the directors will limit any purchase to a maximum of 5% of the issued share capital);
- the number of shares purchased and held by a subsidiary or subsidiaries of the company shall not exceed 10% in aggregate of the number of issued shares in the company at the relevant time;
- in determining the price at which securities issued by the company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such securities may be acquired will be 10% of the weighted average of the market value at which such securities are traded on the JSE as determined over the 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 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 confirming that:
  - the repurchase has been authorised;
  - the company and its subsidiaries have passed the solvency and liquidity test; and
  - since the test was done there have been no material changes to the financial position of the group.

Additional disclosure required in terms of the JSE Listings Requirements relating to special resolution number 2

Solvency and liquidity statement

The board of directors of the company confirm that the company will not enter into a transaction to repurchase shares in terms of special resolution number 2, unless after considering the effect of such repurchase:

- the company and its subsidiaries (collectively, the group) will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of meeting;
- the assets of the company and the group, valued in accordance with the accounting policies used in the latest audited group annual financial statements, will exceed the liabilities of the company and the group for a period of 12 months after the date of the notice of meeting;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of meeting;
- the working capital available to the company and the group will be adequate for the ordinary business purposes for a period of 12 months after the date of the notice of meeting; and
- a resolution has been passed by the board of directors confirming that:
  - the repurchase has been authorised;
  - the company and its subsidiaries have passed the solvency and liquidity test; and
  - since the test was done there have been no material changes to the financial position of the group.

Directors' responsibility statement

The directors, whose names are given on pages 32 and 33 of the integrated report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to the above special resolution number 2 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the above special resolution contains all relevant information required by the JSE Listings Requirements.

General information

Information relating to the major shareholders of the company can be found on page 166 of the integrated report of which this notice forms part.

There has been no material change in the financial or trading position of the company and its subsidiaries subsequent to the publication of the company's audited financial statements for the year ended 28 February 2019.

Information relating to the share capital of the company can be found on page 141 of the integrated report of which this notice forms part.

Statement by the directors

The directors of the company have no present intention of making any repurchases but believe that the company should retain the flexibility to take action if future repurchases were considered desirable and in the best interests of shareholders.

The intention of the directors of the company is to utilise the authority if, at some future date, the cash resources of the company are in excess of its requirements. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the company and the long-term cash needs of the company and will ensure that any such utilisation is in the interests of the shareholders.

The method by which the company intends to repurchase its securities and the date on which such repurchase will take place, have not yet been determined.

Special resolution number 3 – financial assistance to related or inter-related company

Resolution: to authorise the directors, in terms of and subject to the provisions of sections 44 and 45 of the Companies Act,71 of 2008, to cause the company to provide any direct or indirect financial assistance to or for the benefit of any company or corporation which is related or inter-related to the company for such amounts and on such terms and conditions as the board of the company may determine.

Reason and effect

The reason for and effect of special resolution number 3 is to grant the directors of the company the authority to cause the company to provide financial assistance to any company or corporation which is related or inter-related to the company.

The financial assistance will be provided as part of the day-to-day operations of the company in the normal course of its business and in accordance with its memorandum of incorporation and the provisions of the Companies Act, 71 of 2008.

The directors will, in accordance with sections 44(3)(b) and 45(3)(b) of the Companies Act, 71 of 2008, ensure that financial assistance is only provided if the requirements of that section are satisfied, inter alia, that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test set out in section 4 of the Companies Act, 71 of 2008.

Notice in terms of section 45(5) of the Companies Act, 71 of 2008, in respect of special resolution number 3

Notice is hereby given to shareholders of the company in terms of section 45(5) of the Companies Act, 71 of 2008, of a resolution adopted by the board authorising the company to provide such direct or indirect financial assistance as specified in special resolution number 3 above:

- by the time that this notice of annual general meeting is delivered to shareholders of the company, the board would have adopted a resolution ("section 45 board resolution") authorising the company to provide, at any time and from time to time during the period of two years commencing on the date on which the special resolution is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act, 71 of 2008, as more fully detailed in special resolution number 3 above;
- the section 45 board resolution will be effective only if and to the extent that special resolution number 3 above is adopted by the shareholders of the company, and the provision of any such direct or indirect financial assistance by the company, pursuant to such resolution, is subject to the board being satisfied that (i) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, 71 of 2008, and that (ii) the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Companies Act, 71 of 2008; and
- inasmuch as the section 45 board resolution contemplates that such financial assistance will in the aggregate exceed one-tenth of one percent of the company's net worth at the date of adoption of such resolution, the company hereby provides notice of the section 45 board resolution to shareholders of the company. Such notice will also be provided to any trade union representing any employees of the company to the extent applicable.

By order of the board

GM Chemaly
Company secretary

26 June 2019

Terms of reference

AMCU	Association of Mineworkers and Construction Union
ASPASA	Aggregate and Sand Producers Association of Southern Africa
B-BBEE	Broad-Based Black Economic Empowerment
BCAWU	Building Construction and Allied Workers Union
CDP	Carbon Disclosure Project
CIBD	Construction Industry Development Board
CO2	Carbon dioxide
CO_2e	Carbon dioxide equivalent
company	Raubex Group Limited
COSO	Committee of Sponsoring Organisations of the Treadway Commission
CRMP	Compliance Risk Management Plan
CSDP	Central Securities Depository Participant
CSI	Corporate Social Investment
ECD	Early childhood development
ETDP SETA	Education, training and development SETA
exco	Raubex executive committee
GHG Protocol	The Greenhouse Gas Protocol
group	Raubex Group Limited and all subsidiary companies
HDSA	Historically disadvantaged South African
HIV/AIDS	Human immunodeficiency virus
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IFRS IC	International Financial Reporting Standards Interpretation Committee
IIA SA	Institute of Internal Auditors South Africa
IIRC	The International Integrated Reporting Framework
International <IR> Framework	The International Integrated Reporting Framework
ISO	International Organisation for Standardisation
IT	Information technology
JSE	Johannesburg Stock Exchange Limited
JSE Listings Requirements	Listings Requirements of the JSE Limited
King IV	King IV Report on Corporate Governance for South Africa 2016
kWh	Kilowatt hour
LTIFR	Lost Time Injury Frequency Rate
merSETA	Manufacturing, Engineering and Related Services SETA
MWh	Megawatt
NQA	Namibia Qualifications Authority
NUM	National Union of Mineworkers
NUMSA	National Union of Metalworkers of South Africa
OHSAS	Occupational Health and Safety Assessment Series
PICC	Presidential Infrastructure Co-Ordinating Commission
PWC	PricewaterhouseCoopers Inc.
RAP	Reclaimed Asphalt Pavement
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
SABITA	South African Bitumen Association
SABS	South African Bureau of Standards
SACPCMP	South African Council for the Project and Construction Management Professions
SANRAL	South African National Roads Agency SOC Limited
SANS	South African National Standards
SARMA	Southern Africa Ready-mix Association
SENS	Securities Exchange News Service
SETA	Sector Education and Training Authority
SHEQ	Safety, Health, Environment and Quality
SLP	Social Labour Plan
SOE	State-owned enterprise
UIF	Unemployment Insurance Fund
VRP	Voluntary Rebuilding Programme
W	Watt
WBCSD	World Business Council for Sustainable Development
WMA	Warm Mix Asphalt
WRI	World Resource Institute

Form of proxy

Raubex Group Limited
(Incorporated in the Republic of South Africa)
Registration number 2006/023666/06
Share code: RBX
ISIN: ZAE000093183
("Raubex" or "the company")

To be completed by registered certificated shareholders and dematerialised shareholders with own-name registration only.

This form of proxy relates to the annual general meeting of the company to be held at 10:00 on Friday, 2 August 2019 at The Firs, 302 3rd Floor, corner Craddock and Biermann Road, Rosebank, 2196.

This form of proxy is for use by registered certificated shareholders and dematerialised shareholders with own-name registration only.

Dematerialised shareholders holding shares other than with "own-name" registration, must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary letter of representation to attend the annual general meeting in person and vote, or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person. If your CSDP or broker does not obtain your voting instructions from you in respect of the annual general meeting, it will be obliged to act in terms of your mandate or, if your mandate is silent, to abstain from voting. The instruction must be provided within the time period required by your CSDP or broker, as the case may be.

These shareholders must not use this form of proxy.

Terms used in this form of proxy have the meaning given to them in the notice of annual general meeting to which this form of proxy is attached.

Please print clearly when completing this form and refer to the instructions and notes at the end of this form for an explanation of the use of this proxy form and the rights of the shareholder and the proxy.

I/we (full name in block letters)

of (address)

Telephone (work) (home)

being a shareholder(s) of the company and being the registered owner/s of ordinary shares in the company;

hereby appoint of

or failing him/her of

or failing him/her, the chairman of the annual general meeting;

to attend and participate in the annual general meeting and to speak and to vote or abstain from voting for me/us and on my/our behalf in respect of all matters arising, including any poll and all resolutions put to the annual general meeting.

My/our proxy shall vote as follows:

(Please indicate with an "X" in the appropriate spaces below how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain at his/her discretion.)

A shareholder is entitled to one vote for every share held.

	For	Against	Abstain
Ordinary resolution number 1 – adoption of annual financial statements			
Ordinary resolution number 2 – reappointment of independent external auditors			
Ordinary resolution number 3 – re-election of directors 3.1 F Kenney			
3.2 LA Maxwell			
3.3 BH Kent			
3.4 SR Bogatsu			
Ordinary resolution number 4 – election of audit committee members 4.1 LA Maxwell			
4.2 BH Kent			
4.3 SR Bogatsu			
Ordinary resolution number 5 – endorsement of Raubex remuneration policy			
Ordinary resolution number 6 – endorsement of Raubex remuneration implementation report			
Ordinary resolution number 7 – directors' authority to implement special and ordinary resolutions			
Special resolution number 1 – remuneration of non-executive directors			
Special resolution number 2 – general authority to repurchase shares			
Special resolution number 3 – financial assistance to related or inter-related company			

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this day of 2019

Signature

Notes to the form of proxy

1. A shareholder may insert the name or names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the annual general meeting" but any such deletion must be initialled by the shareholder.
2. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
3. A proxy need not be a shareholder of the company.
4. A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the space provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder or his proxy, or cast them in the same way.
5. To facilitate the administration of the voting process, please lodge this proxy form with the company's transfer secretaries, Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), before 10:00 on Wednesday, 31 July 2019. Any proxy form not delivered by this time may be handed to the chairman prior to the commencement of the annual general meeting.
6. The completion and lodging of this form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof, should such shareholder wish to do so.
7. The chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
8. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries or the company.
9. Where there are joint holders of any shares, any one holder may sign the form of proxy. The vote/s of the senior shareholder (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote/s of the other joint shareholder/s.
10. Unless revoked, the appointment of a proxy in terms of this form of proxy remains valid until the end of the annual general meeting, including if the annual general meeting is postponed or adjourned, or part thereof is postponed or adjourned.

Notes

General information

Nature of business
Diversified construction and materials supply group

Directors
F Kenney (Non-executive chairman)
RJ Fourie (Chief executive officer)
JF Gibson (Financial director)
NF Msiza (Governance, compliance and risk director)
LA Maxwell (Lead independent non-executive director)
BH Kent (Independent non-executive director)
SR Bogatsu (Independent non-executive director)

Company secretary
GM Chemaly

Registration number
2006/023666/06

ISIN
ZAE000093183

Share code
RBX

Registered office
Building 1, Highgrove Office Park
50 Tegel Avenue
Highveld Park
Centurion
0169
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Business address
Cleveley
Kenneth Kaunda Road Extension
Bloemfontein
South Africa
9300

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 Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

(PO Box 61051, Marshalltown, 2107)

Investor relations
GM Chemaly

Preparation of the annual financial statements
JF Gibson CA(SA)

www.raubex.com

Registered office

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