



**Raubex Group Limited and its subsidiaries**

Registration number: 2006/023666/06

**ANNUAL FINANCIAL STATEMENTS**

for the year ended 29 February 2020

**Raubex Group Limited and its subsidiaries**  
Annual financial statements for the year ended 29 February 2020

**General information**

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| <b>Nature of business</b>  | Diversified construction and materials supply group  |
| <b>Directors</b>   | RJ Fourie (Chief Executive Officer)<br>JF Gibson (Financial Director)<br>NF Msiza (Governance, Compliance and Risk Director)<br>F Kenney (Non-executive, Chairman)<br>LA Maxwell (Lead Independent Non-executive)<br>BH Kent (Independent Non-executive)<br>SR Bogatsu (Independent Non-executive) |
| <b>Secretary</b>   | GM Chemaly   |
| <b>Registered office</b>   | Building 1<br>Highgrove Office Park<br>50 Tegel Avenue<br>Highveld<br>0169<br><br>PO Box 66192<br>Highveld<br>0169   |
| <b>Business address</b>  | Cleveley<br>Kenneth Kaunda Road (Extension)<br>Bloemfontein<br>South Africa<br>9301  |
| <b>Postal address</b>  | PO Box 3722<br>Bloemfontein<br>9301  |
| <b>Auditors</b>  | PricewaterhouseCoopers Inc.<br>Registered Auditors   |
| <b>Company registration number</b>   | 2006/023666/06   |
| <b>Officer responsible for the preparation of the financial statements</b> | JF Gibson  |
| <b>Designation</b>   | Financial Director   |
| <b>Qualification</b>   | Chartered Accountant (SA)  |

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

**Raubex Group Limited and its subsidiaries**  
**Annual financial statements for the year ended 29 February 2020**

**Index**

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

| <b>Index</b>  | <b>Page</b> |
|---|-------------|
| Statement of responsibility by the board of directors | 3           |
| Statement of compliance by the company secretary      | 4           |
| Independent auditor's report                          | 5 - 12      |
| Audit committee report                                | 13 - 15     |
| Directors' report                                     | 16 - 19     |
| Group statement of financial position                 | 20          |
| Group statement of profit or loss                     | 21          |
| Group statement of comprehensive income               | 22          |
| Group statement of changes in equity                  | 23- 24      |
| Group statement of cash flows                         | 25          |
| Notes to the group financial statements               | 26 - 99     |
| Holding company statement of financial position       | 100         |
| Holding company statement of comprehensive income     | 101         |
| Holding company statement of changes in equity        | 102         |
| Holding company statement of cash flows               | 103         |
| Holding company notes to the financial statements     | 104 - 112   |

**Statement of responsibility by the board of directors for the year ended 29 February 2020**

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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 16 to 112 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 Listing 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 impact of Covid-19 has been considered by the directors as part of their going concern assessment. The directors have no reason to believe that the group will not be a going concern in the foreseeable future based on available cash resources, forecasts and the measures put in place to manage the risks associated with Covid-19. The viability of the company and the group is supported by the financial statements.

The financial statements have been audited by the independent auditors, PricewaterhouseCoopers Inc., who has been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. PricewaterhouseCoopers Inc.'s unmodified audit report is presented on page 5 to 12.

The financial statements were approved and authorised for issue by the board of directors on 27 May 2020 and signed on its behalf by:



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**RJ Fourie**  
Chief Executive Officer



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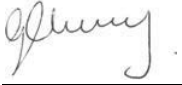
**JF Gibson**  
Financial Director

**Raubex Group Limited and its subsidiaries**  
Annual financial statements for the year ended 29 February 2020

**Statement of compliance by the company secretary**

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I certify that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, 71 of 2008, in respect of the year ended 29 February 2020, and that all such returns are true, correct and up to date.



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**GM Chemaly**  
Company secretary  
27 May 2020



## *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 29 February 2020, 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 (IFRS) 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 20 to 112 comprise:

- the group and holding company statements of financial position as at 29 February 2020;
- 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.


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PricewaterhouseCoopers Inc.,  
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T: +27 (0) 51 503 4100, F: +27 (0) 51 813 1700, [www.pwc.co.za](http://www.pwc.co.za)

Chief Executive Officer: L S Machaba  
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.  
Reg. no. 1998/012055/21, VAT reg.no. 4950174682

## Our audit approach

### Overview

|   |  |
|---|--|
|  | <p><b>Overall group materiality</b></p> <ul style="list-style-type: none"> <li>Overall group materiality: R61.1 million, which represents 0.7% of consolidated revenue.</li> </ul>   |
|   | <p><b>Group audit scope</b></p> <ul style="list-style-type: none"> <li>The consolidated financial statements are a consolidation of the Company and 113 reporting entities (which comprise subsidiaries, joint ventures, joint operations and associates). Full scope audits were performed at all financially significant components, and a combination of full scope audits and review procedures were performed over the remaining components, as well as in respect of the consolidation process, in order to gain sufficient evidence over the consolidated numbers.</li> </ul> |
|   | <p><b>Key audit matters</b></p> <ul style="list-style-type: none"> <li>Accounting treatment of construction contracts; and</li> <li>Disposal of Raubex Property Investments (Pty) Ltd. (“RPI”).</li> </ul>   |

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 consolidated 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 financial statements as a whole.

|  |   |
|--|---|
| <i>Overall group materiality</i>                       | R61.1 million.  |
| <i>How we determined it</i>                            | 0.7% of consolidated revenue.   |
| <i>Rationale for the materiality benchmark applied</i> | We have selected consolidated revenue as the 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. The Group operates in an environment with high turnover and low margins and consolidated revenue has remained stable year-on-year. 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. |



## How we tailored our group audit scope

We tailored the scope of our audit 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 three divisions: the Roads and Earthworks division, the Materials division and the Infrastructure division that are operating across 8 different geographical locations – South Africa, Botswana, Namibia, Mozambique, Zambia, Zimbabwe, Cameroon and Australia.

The consolidated financial statements are a consolidation of the Company and 113 reporting entities. Full scope audits were performed at all financially significant components, and a combination of full scope audits and review procedures were performed over the remaining components, as well as in respect of 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 judgment, 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.

| Key audit matter  | How our audit addressed the key audit matter  |
|---|---|
| <p><i>Accounting treatment of construction contracts</i></p> <p><i>Refer to Notes 15 (Contract assets and liabilities) and 28 (Revenue) to the consolidated financial statements.</i></p> <p>Contracting revenue relating to construction contracts with customers, recognised at an amount of R6.1 billion as at 29 February 2020, contributes to a significant portion of the Group's revenue. This revenue 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</p> | <p>We performed the following procedures on a sample of construction contracts:</p> <ul style="list-style-type: none"> <li>• We obtained evidence regarding the total contract revenue by examining signed contracts, management's costing per contract and signed variation order documentation;</li> <li>• We discussed the status of contracts with management, directors, finance and technical staff, and contract registers were scrutinised. In these discussions, which included consideration of profit margins, loss making contracts and contract assets and liabilities balances, specific emphasis was placed on uncertified contract revenue;</li> <li>• We tested a sample of costs incurred to date by</li> </ul> |



| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <p>are immediately recognised as an expense in contract costs.</p> <p>Construction contract revenue within the Group results from Cost-plus, Re-measurable and Fixed Price contracts. Revenue recognition from these types of contracts involve a high degree of estimation uncertainty and complexity. The assumptions and estimates used by management in the measurement and recognition of contract revenue include:</p> <ul style="list-style-type: none"> <li>• Estimated project costs;</li> <li>• The profit margins on the contracts; and</li> <li>• Any variable considerations, claims or uninstalled materials to be recognised based on negotiations with the contract client.</li> </ul> <p>We considered the accounting treatment of construction contracts to be a matter of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"> <li>• Management’s assessment involves making significant estimates about the profit margin and cost to completion; and</li> <li>• Given the magnitude of the contract revenue and contract assets and liabilities balances, the accounting treatment of construction contracts has a significant impact on the financial statements.</li> </ul> | <p>agreeing it to underlying documentation. No material differences were noted;</p> <ul style="list-style-type: none"> <li>• We recalculated costs incurred to date relative to the total estimated construction costs and agreed it to management’s calculations. No material differences were noted;</li> <li>• We agreed certified revenue recognised to work certified to date by contract engineering experts. No material differences were noted;</li> <li>• We assessed the competency of the contract engineering experts by obtaining evidence relating to their qualifications and professional memberships;</li> <li>• 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 obtained from management and other relevant documentation (e.g. external factors such as rain delays). We found no aspects in this regard which required further consideration; and</li> <li>• 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 contract assets- and liabilities in the consolidated financial statements. No material differences were noted.</li> </ul> |

| Key audit matter  | How our audit addressed the key audit matter   |
|---|--|
| <p><i>Disposal of Raubex Property Investments (Pty) Ltd. ("RPI")</i></p> <p><i>Refer to Notes 6 (Business combinations, Disposals made during the financial period) and 18 (Other financial assets) to the consolidated financial statements.</i></p> <p><u>Sale of shares:</u></p> <p>During the financial year the Group, acting through its wholly owned subsidiary Raubex Roads and Earthworks Holdings (Pty) Ltd. (the "Seller"), entered into an agreement of sale on 27 February 2020, with an empowerment company (the "Purchaser") for the sale of 100% of the shares ("Sale Shares") and loan claims ("Loan Claims") that the Seller holds in RPI. (the "Transaction").</p> <p>Management concluded that it has lost control of RPI by considering the relevant factors in IFRS 10, <i>Consolidated financial statements</i> (IFRS 10).</p> <p>The purchase price payable for the Sale Shares and Loan Claims was R383 million, which consists of the following:</p> <ul style="list-style-type: none"> <li>- R187 million will be payable on the closing date, once all the necessary security is in place, including registration of first covering mortgage bonds over the properties in the portfolio;</li> <li>- R81.4 million consists of a vendor loan which is repayable within 5 years bearing interest at 9,82% per annum; and</li> <li>- R114.6 million consists of a preference share investment in the purchaser at zero coupon and redeemable at the election of the purchaser within 10 years through the payment of a preference share dividend of R114.6 million.</li> </ul> <p>The preference shares were discounted on subscription date to fair value using a rate of 10.82%, being the similar lending rate applicable to the Group on a similar transaction, plus a 1% risk premium for the private nature of the equity investment.</p> <p>The key judgement applied by management in performing the fair value calculation of the preference shares, was the discount rate used.</p> <p>The initial recognition and measurement of the preference share investment resulted in a loss of R73.6 million, charged to the consolidated statement of profit or loss in the current year, as part of the loss on the sale and leaseback transaction.</p> | <p><u>Sale of shares:</u></p> <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We held discussions with management to obtain a detailed understanding of the Transaction;</li> <li>• Utilising our accounting expertise we evaluated management's assessment that the Group lost control over RPI (and therefore the property portfolio) after the disposal of 100% of RPI's equity shares, taking into account the following factors in terms of IFRS 10: <ul style="list-style-type: none"> <li>○ The purpose and design of RPI;</li> <li>○ What the relevant activities of RPI are;</li> <li>○ How decisions about those activities are made;</li> <li>○ Whether the rights of the Group give it the current ability to direct the relevant activities;</li> <li>○ Whether the Group is exposed, or has rights, to variable returns from its involvement with RPI; and</li> <li>○ Whether the Group has the ability to use its power over RPI to affect the amount of the Group's returns.</li> </ul> </li> </ul> <p>Based on our evaluation, we accepted management's assessment that the Group lost control over RPI;</p> <ul style="list-style-type: none"> <li>• Utilising our accounting expertise we evaluated the classification of the preference share investment as a financial asset at fair value through profit or loss, against the requirements of IFRS 9, <i>Financial instruments</i>. Based on our evaluation, we accepted management's classification of the investment;</li> <li>• We agreed the purchase price of R383 million to the signed agreement of sale, the vendor loan amount of R81.4 million to the signed loan agreement and the preference share investment of R114.6 million to the signed subscription agreement. No differences were noted;</li> <li>• We evaluated the discount rate used by management by comparing it to market related lending rates for similar instruments, and found the rate as falling within an acceptable range;</li> <li>• Using management's discount rate, we recalculated the loss on the recognition of the preference shares of R73.6 million. No material differences were noted; and</li> <li>• We assessed the adequacy of the relevant disclosures in the financial statements in accordance with the applicable IFRS standards.</li> </ul> |

| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <p><u>Sale and leaseback agreement:</u></p> <p>RPI owns a property portfolio which has been independently valued at R383 million. RPI leases the Properties to the Group, as well as to certain third parties, on a market related triple net lease basis.</p> <p>The Transaction has been accounted for as a sale and leaseback under IFRS 16, <i>Leases</i> (IFRS 16) which resulted in a loss on the sale and leaseback of R68.5 million, a right of use asset of R283.5 million and a lease liability of R357.9million.</p> <p>We considered the disposal of RPI to be a matter of most significance to our audit due to the following:</p> <ul style="list-style-type: none"> <li>• Due to the multiple accounting implications of the transaction, it required significant attention during the performance of the audit; and</li> <li>• Given the magnitude of the amounts involved, the accounting treatment of the transaction has a significant impact on the financial statements.</li> </ul> | <p><u>Sale and leaseback agreement:</u></p> <ul style="list-style-type: none"> <li>• Utilising our accounting expertise, we evaluated management’s assessment regarding the accounting treatment of the sale of the property portfolio in terms of IFRS 16 and accepted management’s assessment that the sale of the property portfolio should be treated as a sale and leaseback transaction;</li> <li>• We agreed the carrying amounts of all of the properties as per management’s calculations, that form part of the property portfolio, to the carrying amounts included in the trial balances at effective date of sale. No differences were noted;</li> <li>• We agreed the proceeds received for the sale of the property portfolio to the signed sale agreement. No differences were noted;</li> <li>• We agreed the lease payments and lease term as per management’s calculations to the signed lease agreement. No differences were noted;</li> <li>• We recalculated the loss on the sale and leaseback transaction of R68.5 million, the right of use asset of R283.5 million and the lease liability of R357.9 million in terms of the requirements of IFRS 16, and compared our recalculated amounts to management’s calculation. No material differences were noted; and</li> <li>• We assessed the adequacy of the relevant disclosures in the financial statements in accordance with IFRS 16.</li> </ul> |

### Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled “Raubex Group Limited and its subsidiaries Annual Financial Statements for the year ended 29 February 2020”, 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 document titled “Raubex Group Limited Integrated Report 2020”, which is expected to be made available to us after that date. The other information does not include the consolidated or the 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 have 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 the 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 the 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 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 14 years.

*PricewaterhouseCoopers Inc.*

PricewaterhouseCoopers Inc.  
Director: CJ Hertzog  
Registered Auditor  
Bloemfontein  
28 May 2020

**Raubex Group Limited and its subsidiaries**  
**Annual financial statements for the year ended 29 February 2020**

**Audit committee report**

The audit committee is pleased to present this report for the financial year ended 29 February 2020 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) | 01/03/2007     | BCom, CA(SA)                                   |
| Mr BH Kent    | Independent non-executive            | 24/02/2011     | BCom, CA(SA), FCMA, HDip Tax, HDip Company Law |
| Ms SR Bogatsu | Independent non-executive            | 01/06/2017     | 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          | 06-May-19 | 24-Jul-19 | 05-Nov-19 | 26-Feb-20 |
|---------------|-----------|-----------|-----------|-----------|
| Mr LA Maxwell | ✓         | ✓         | ✓         | ✓         |
| Mr BH Kent    | ✓         | ✓         | ✓         | ✓         |
| Ms SR Bogatsu | ✓         | ✓         | ✓         | ✓         |

**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 listing requirements.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted fees for the year ended 29 February 2020.

*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.

## **Audit committee report (continued)**

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### **Statutory duties (continued)**

#### *Auditor suitability*

The audit committee met with the external auditor on 27 May 2020 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 Listing 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 2019.

#### *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.

The Executive Committee ("Exco") fulfils the role of the information technology steering committee and assists the audit committee to fulfil their oversight role with regards to the governance of IT risks.

#### *Internal audit*

The audit committee is responsible for ensuring that the 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.

## **Audit committee report (continued)**

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### **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.

#### *Disposal of Raubex Property Investments (Pty) Ltd ("RPI")*

During the financial year the group, entered into an agreement of sale with an empowerment company, for the sale of 100% of the shares and loan claims held in RPI for R383 million. RPI owns a property portfolio which includes both commercial properties and residential properties, which it leases to various Raubex subsidiaries as well as certain third parties. The group further entered into a 12 year lease agreement with the empowerment company triggering a sale and leaseback transaction in terms of IFRS 16.

This matter is considered material given the magnitude of the amounts involved as the accounting treatment of the transaction has a significant impact on the financial statements.

The committee assessed the methodology and judgements applied by management in terms of the accounting treatment of construction contracts, focusing on the input method used to determine the progress towards the satisfaction of performance obligations for the accounting treatment of construction contracts.

For the disposal of RPI transaction the committee assessed managements application of the following:

- IFRS 9, in terms of the recognition of various financial assets arising on the sale of shares and loan claims;
- IFRS 10 in terms of managements assessment of losing control of RPI; and
- IFRS 16 in terms of the sale and leaseback transaction arising on the 12 year lease agreement entered into.

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.



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**LA Maxwell**  
**Chairman of the Audit Committee**

**27 May 2020**



## **Raubex Group Limited and its subsidiaries**

### **Annual financial statements for the year ended 29 February 2020**

## **Directors' report**

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This report presented by the directors is a constituent document of the group consolidated financial statements at 29 February 2020.

### **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 note 13, 42 and 43 of the group financial statements.

### **Group financial results**

Group earnings attributable to owners of the parent for the year ended 29 February 2020 were R251.9 million (2019: R58.0 million), representing basic earnings per share of 139.0 cents (2019: 31.9 cents). Headline earnings per share were 161.7 cents (2019: 57.0 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 (2019: nil).

Full details of the authorised and issued capital of the company at 29 February 2020 are set out in note 24 and 25 of these financial statements.

### **Employee Long Term Incentive Scheme**

During the year 2 083 602 (2019: 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 36 of these financial statements.

### **Dividend**

The following dividends were declared during the year ended 29 February 2020:

- Final dividend number 24 declared on 13 May 2019 of 22 cents per ordinary share (2019: 33cps)
- Interim dividend number 25 declared on 11 November 2019 of 22 cents per ordinary share (2019: 12cps)

Due to the Covid-19 cash preservation measures taken by the group, no final dividend in respect of the year ended 29 February 2020 was declared. Refer to note 44 for further details regarding the pandemic. Only an interim dividend was declared and paid with regards to the year ended 29 February 2020 resulting in a total dividend for the year of R40 million (22 cents per share).

### **Business combinations**

#### ***Disposal of subsidiary***

#### **Raubex Property Investments (Pty) Ltd ("RPI")**

During the financial year the group, acting through its wholly owned subsidiary Raubex Roads and Earthworks Holdings Proprietary Limited (the "Seller"), entered into an agreement of sale on 27 February 2020, with Acorn Black Investments Proprietary Limited, acting through its wholly owned subsidiary, ABI 2 Proprietary Limited (the "Purchaser" or "ABI"), for the sale of 100% of the shares and loan claims the Seller holds in RPI (the "Transaction"). The purchase price payable was R383 million.

The Transaction is a Qualifying Transaction as contemplated under Statement 102 of the of Broad-Based Black Economic Empowerment Codes and will ensure that the Company's Roads and Earthworks division secures greater than 51% Black Ownership based on the Company's current scorecard assumptions until 28 February 2028 and will ensure a minimum of 35% Black Ownership thereafter, which is in compliance with the target shareholding stipulated in the Amended Construction Sector Codes Gazetted on 1 December 2017.

Refer to note 6 for further details regarding the transaction.

## **Directors' report (continued)**

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### **Business combinations (Continued)**

#### **Transactions with non-controlling interests**

##### *Acquisitions*

#### **Shisalanga Construction (Pty) Ltd ("Shisalanga")**

On 1 March 2019, the group restructured its asphalt operations in KwaZulu Natal and effectively increased its interest in Shisalanga from 60% to 76% through a subscription agreement and a share buyback agreement. The subscription for shares was based on the net asset value of Shisalanga and was settled through the transfer of assets held by group subsidiary, National Asphalt (Pty) Ltd, valued at R49,9 million. The share buyback from the non-controlling shareholder was settled with R9,9 million in cash.

#### **Raubex Building (Pty) Ltd ("Raubex Building")**

On 1 June 2019, the group acquired an additional 5% of the issued share capital from a non-controlling shareholder of Raubex Building for R3,5 million settled in cash, increasing the Group's shareholding from 77% to 82%.

#### **B&E International Namibia (Pty) Ltd ("B&E Namibia")**

On 1 November 2019, the group acquired the remaining 51% of the issued share capital from a non-controlling shareholder of B&E Namibia for R4,2 million settled in cash, increasing the Group's effective shareholding from 37% to 74%.

Details of the transactions with non-controlling interests are set out in note 6 of these financial statements.

#### **Capital commitments**

Details of capital commitments are set out in note 40 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 R581.5 million (2019: R420.9 million). Property, plant and equipment acquired through the acquisition of subsidiaries during the year amounted to R0 million (2019: R129.9 million).

#### **Contingencies**

Details of contingencies are set out in note 41 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 21 of these financial statements.

#### **Events after the reporting period**

##### *Novel Coronavirus ("Covid-19")*

IAS 10 Events After The Reporting Period contains requirements for when events after the end of the reporting period should be adjusted in the financial statements. Adjusting events are those providing evidence of conditions existing at the end of the reporting period, whereas non-adjusting events are indicative of conditions arising after the reporting period. The group's reporting period ended 29 February 2020 and the Covid-19 pandemic has been determined to be a non-adjusting event. In South Africa, the first suspected case of Covid-19 tested positive on 5 March 2020, a National State of Disaster was declared on 15 March 2020, confirming that the virus had become a local pandemic.

The challenges that the Company faces from the Covid-19 pandemic are complex and unpredictable and as such, it is not possible to quantify the financial impact at this time. The impact of Covid-19 on accounting standards that require the use of forward-looking information (expected credit losses and goodwill impairment) was assessed based on information available as at 29 February 2020.

## Directors' report (continued)

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### Events after the reporting period (continued)

#### Going concern

The directors have assessed the ability of the company to continue as a going concern and in particular with respect to Covid-19 have taken the following into consideration in their assessment:

- The group's fixed costs base, including payroll costs;
- Curtailment of revenue streams for the duration of the lockdown;
- Composition of the secured order book available to commence works on post lockdown;
- Credit risk inherent in the group's customer base;
- Contractual terms and conditions under which the group is engaged on its various contracts and the remedies that are available to recover time and costs under suspension of works;
- Balance sheet strength including available cash resources, level of gearing and unencumbered fixed assets available for refinancing;
- Rolling cash flow forecasts based on lockdown scenarios and Covid-19 relief measures;
- Current banking facilities available to the group; and
- The South African Government social relief and economic support package of R500bn (~10% of GDP) announced on 21 April 2020, including an economic recovery strategy that is said to include interventions such as a substantial infrastructure build programme.

The challenges that the company faces from the Covid-19 pandemic are ongoing and remain complex and unpredictable. Due to the current state of uncertainty around the pandemic, all necessary steps are being taken to preserve the company's cash going forward, including:

- Placing a hold on all capital expenditure and acquisitions;
- Placing a hold on all incentive bonus payments;
- Rescheduling instalments due on asset backed finance agreements; and
- A decision by the board not to declare a final dividend for the year ended 29 February 2020.

In solidarity with those who are effected by Covid-19, the group's executive committee members elected for a 25% reduction in their remuneration to be applied for a three month period.

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

#### Special Resolutions

The following special resolutions were passed during the year:

##### Special resolution number one: Remuneration of non-executive directors

Resolved in terms of article 26.3.2 of the company's Memorandum of Incorporation and in accordance with section 66(8) and 66(9) of the Companies Act, 71 of 2008, that the remuneration payable to the non-executive directors for 2020 financial year be as follows:

|   | <b>Annual remuneration</b> |
|---|----------------------------|
|   | <b>R</b>                   |
| Chairman                                | 1 075 462                  |
| Lead independent non-executive director | 873 813                    |
| Non-executive director                  | 672 165                    |

##### 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 page 1 of these financial statements.

#### Interests of directors in the share capital

Details of ordinary shares held directly and indirectly per individual director and details of performance shares granted to the directors are set out in note 38 of these financial statements.

**Directors' report (continued)**

**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 24 of these financial statements.

*The shareholder spread is summarised as follows:*

|                         | Number of<br>shares<br>2020 | Number of<br>shares<br>2019 | % held<br>2020 | % held<br>2019 |
|-------------------------|-----------------------------|-----------------------------|----------------|----------------|
| Public shareholders     | 169 848 062                 | 171 261 333                 | 93.4           | 94.2           |
| Non-public shareholders | 11 901 974                  | 10 488 703                  | 6.6            | 5.8            |
| <b>Total shares</b>     | <b>181 750 036</b>          | <b>181 750 036</b>          | <b>100</b>     | <b>100</b>     |

*Non-public shareholders are summarised as follows:*

|                                    | Number of<br>shares<br>2020 | Number of<br>shares<br>2019 | % held<br>2020 | % held<br>2019 |
|------------------------------------|-----------------------------|-----------------------------|----------------|----------------|
| Directors of the company           | 9 034 790                   | 9 034 790                   | 5.0            | 5.0            |
| Directors of subsidiaries          | 1 961 647                   | 1 094 659                   | 1.1            | 0.6            |
| Employees                          | -                           | 289 116                     | -              | 0.2            |
| Treasury shares – Raubex (Pty) Ltd | 905 537                     | 70 138                      | 0.5            | -              |
| <b>Total shares</b>                | <b>11 901 974</b>           | <b>10 488 703</b>           | <b>6.6</b>     | <b>5.8</b>     |

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

|                                  | Number of<br>shares<br>2020 | Number of<br>shares<br>2019 | % of shares in<br>issue<br>2020 | % of shares in<br>issue<br>2019 |
|----------------------------------|-----------------------------|-----------------------------|---------------------------------|---------------------------------|
| Old Mutual Investment Group      | 32 909 086                  | 17 237 157                  | 18.1                            | 9.5                             |
| PSG Asset Management             | 22 454 003                  | 21 408 727                  | 12.4                            | 11.8                            |
| Government Employee Pension Fund | 20 677 038                  | 24 189 438                  | 11.4                            | 13.3                            |
| Somerset Capital Management      | 10 049 168                  | 10 304 337                  | 5.5                             | 5.7                             |
| Investec                         | 9 085 344                   | 10 133 232                  | 5.0                             | 5.6                             |
| <b>Total shares</b>              | <b>95 174 639</b>           | <b>83 272 891</b>           | <b>52.4</b>                     | <b>45.9</b>                     |

**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 2021 financial year.

**Raubex Group Limited and its subsidiaries**  
Annual financial statements for the year ended 29 February 2020

**Group statement of financial position**

|   | Note | 2020<br>R'000    | 2019<br>R'000    |
|---|------|------------------|------------------|
| <b>ASSETS</b>   |      |                  |                  |
| <b>Non-current assets</b>                             |      |                  |                  |
| Property, plant and equipment                         | 10   | 2 451 516        | 2 535 579        |
| Right-of-use assets                                   | 11   | 376 379          | -                |
| Intangible assets                                     | 12   | 1 028 427        | 1 037 605        |
| Investment in associates and joint ventures           | 13   | 56 425           | 42 566           |
| Deferred income tax assets                            | 23   | 131 890          | 94 684           |
| Inventories   | 14   | 55 057           | 67 474           |
| Trade and other receivables                           | 16   | 26 393           | 53 978           |
| Other financial assets                                | 18   | 122 471          | -                |
| <b>Total non-current assets</b>                       |      | <b>4 248 558</b> | <b>3 831 886</b> |
| <b>Current assets</b>                                 |      |                  |                  |
| Inventories   | 14   | 586 642          | 698 178          |
| Contract assets                                       | 15   | 323 654          | 293 993          |
| Trade and other receivables                           | 16   | 1 602 045        | 1 448 393        |
| Other financial assets                                | 18   | 187 000          | -                |
| Current income tax receivable                         |      | 20 586           | 30 541           |
| Cash and cash equivalents (excluding bank overdrafts) | 17   | 1 013 556        | 962 611          |
| <b>Total current assets</b>                           |      | <b>3 733 483</b> | <b>3 433 716</b> |
| <b>Total assets</b>                                   |      | <b>7 982 041</b> | <b>7 265 602</b> |
| <b>EQUITY</b>   |      |                  |                  |
| Share capital   | 24   | 1 817            | 1 817            |
| Share premium   | 24   | 2 059 688        | 2 059 688        |
| Treasury shares                                       | 25   | (16 002)         | (1 218)          |
| Other reserves  | 26   | (1 141 844)      | (1 177 135)      |
| Retained earnings                                     |      | 3 352 698        | 3 181 700        |
| <b>Equity attributable to owners of the parent</b>    |      | <b>4 256 357</b> | <b>4 064 852</b> |
| Non-controlling interest                              | 27   | 257 417          | 262 272          |
| <b>Total equity</b>                                   |      | <b>4 513 774</b> | <b>4 327 124</b> |
| <b>LIABILITIES</b>                                    |      |                  |                  |
| <b>Non-current liabilities</b>                        |      |                  |                  |
| Borrowings  | 19   | 491 614          | 362 989          |
| Lease liabilities                                     | 11   | 402 147          | -                |
| Provisions for liabilities and charges                | 20   | 108 316          | 105 625          |
| Deferred income tax liabilities                       | 23   | 280 057          | 292 389          |
| Other financial liabilities                           | 21   | 107 352          | 119 868          |
| <b>Total non-current liabilities</b>                  |      | <b>1 389 486</b> | <b>880 871</b>   |
| <b>Current liabilities</b>                            |      |                  |                  |
| Trade and other payables                              | 22   | 1 417 392        | 1 366 715        |
| Contract liabilities                                  | 15   | 226 825          | 326 852          |
| Borrowings  | 19   | 306 199          | 298 758          |
| Lease liabilities                                     | 11   | 52 951           | -                |
| Current income tax liabilities                        |      | 43 759           | 38 923           |
| Provisions for liabilities and charges                | 20   | 8 686            | 11 359           |
| Other financial liabilities                           | 21   | 22 969           | 15 000           |
| <b>Total current liabilities</b>                      |      | <b>2 078 781</b> | <b>2 057 607</b> |
| <b>Total liabilities</b>                              |      | <b>3 468 267</b> | <b>2 938 478</b> |
| <b>Total equity and liabilities</b>                   |      | <b>7 982 041</b> | <b>7 265 602</b> |

**Raubex Group Limited and its subsidiaries**  
**Annual financial statements for the year ended 29 February 2020**

**Group statement of profit or loss**

|  | Note  | 2020<br>R'000      | 2019<br>R'000      |
|--|-------|--------------------|--------------------|
| Revenue  | 28    | 8 734 896          | 8 519 142          |
| Cost of sales  | 31    | <u>(7 643 854)</u> | <u>(7 665 128)</u> |
| <b>Gross profit</b>                                    |       | <b>1 091 042</b>   | 854 014            |
| Other income   | 29    | 26 901             | 31 844             |
| Other gains/(losses) - net                             | 30    | (57 424)           | (24 580)           |
| Administrative expenses                                | 31    | (543 559)          | (527 042)          |
| Net impairment losses on financial and contract assets | 15,16 | <u>(36 502)</u>    | <u>(127 191)</u>   |
| <b>Operating profit</b>                                |       | <b>480 458</b>     | 207 045            |
| Finance income   | 32    | 49 150             | 48 612             |
| Finance costs  | 32    | <u>(83 410)</u>    | <u>(73 858)</u>    |
| Finance costs - net                                    | 32    | <u>(34 260)</u>    | <u>(25 246)</u>    |
| Share of loss of equity accounted investments          | 13    | <u>(34)</u>        | <u>(1 115)</u>     |
| <b>Profit before income tax</b>                        |       | <b>446 164</b>     | 180 684            |
| Income tax expense                                     | 33    | <u>(144 813)</u>   | <u>(63 842)</u>    |
| <b>Profit for the year</b>                             |       | <b>301 351</b>     | 116 842            |
| <b>Attributable to:</b>                                |       |                    |                    |
| Owners of the parent                                   |       | 251 904            | 57 957             |
| Non-controlling interests                              | 27    | <u>49 447</u>      | <u>58 885</u>      |
|  |       | <b>301 351</b>     | 116 842            |
| Basic earnings per share (cents)                       | 4     | 139.0              | 31.9               |
| Diluted earnings per share (cents)                     | 4     | 138.2              | 31.8               |

**Raubex Group Limited and its subsidiaries**  
Annual financial statements for the year ended 29 February 2020

**Group statement of comprehensive income**

|  | Note | 2020<br>R'000  | 2019<br>R'000 |
|--|------|----------------|---------------|
| <b>Profit for the year</b>   |      | <b>301 351</b> | 116 842       |
| <b>Other comprehensive income:</b>                                   |      |                |               |
| <b>Items that will not be reclassified to profit or loss</b>         |      |                |               |
| Re-measurements of post-employment benefit obligations               |      | 117            | 461           |
| <b>Items that may be subsequently reclassified to profit or loss</b> |      |                |               |
| Currency translation differences                                     | 26   | 27 823         | 14 670        |
| <b>Other comprehensive income for the year, net of tax</b>           |      | <b>27 940</b>  | 15 131        |
| <b>Total comprehensive income for the year</b>                       |      | <b>329 291</b> | 131 973       |
| <b>Attributable to:</b>  |      |                |               |
| Owners of the parent   |      | 279 170        | 73 045        |
| Non-controlling interests  | 27   | 50 121         | 58 928        |
| <b>Total comprehensive income for the year</b>                       |      | <b>329 291</b> | 131 973       |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Group statement of changes in equity

|  | Share capital<br>R'000 | Share premium<br>R'000 | Treasury shares<br>R'000 | Other reserves<br>R'000 | Retained<br>earnings<br>R'000 | Total<br>attributable to<br>owners of the<br>parent company<br>R'000 | Non-controlling<br>interest<br>R'000 | Total equity<br>R'000 |
|--|------------------------|------------------------|--------------------------|-------------------------|-------------------------------|--|--------------------------------------|-----------------------|
| <b>Balance at 28 February 2018</b>                       | 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                              | -                      | -                      | -                        | -                       | (22 617)                      | (22 617)   | -                                    | (22 617)              |
| <b>Restated balance at 1 March 2018</b>                  | 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               |
| <b>Balance at 28 February 2019</b>                       | 1 817                  | 2 059 688              | (1 218)                  | (1 177 135)             | 3 181 700                     | 4 064 852  | 262 272                              | 4 327 124             |
| Note   | 24                     | 24                     | 25                       | 26                      |                               |  | 27                                   |                       |

The notes on pages 26 to 99 are an integral part of these financial statements.



## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Group statement of changes in equity (continued)

|   | Share capital | Share premium    | Treasury shares | Other reserves     | Retained earnings | Total attributable to owners of the parent company | Non-controlling interest | Total equity     |
|---|---------------|------------------|-----------------|--------------------|-------------------|--|--------------------------|------------------|
|   | R'000         | R'000            | R'000           | R'000              | R'000             | R'000  | R'000                    | R'000            |
| <b>Balance at 28 February 2019</b>      | <b>1 817</b>  | <b>2 059 688</b> | <b>(1 218)</b>  | <b>(1 177 135)</b> | <b>3 181 700</b>  | <b>4 064 852</b>                                   | <b>262 272</b>           | <b>4 327 124</b> |
| Changes in equity:                      |               |                  |                 |                    |                   |  |                          |                  |
| Share option reserve                    | -             | -                | -               | 8 142              | -                 | 8 142  | -                        | 8 142            |
| Acquisition of treasury shares          | -             | -                | (14 784)        | -                  | -                 | (14 784)   | -                        | (14 784)         |
| Acquisition of non-controlling interest | -             | -                | -               | -                  | (1 268)           | (1 268)  | (16 531)                 | (17 799)         |
| Profit for the year                     | -             | -                | -               | -                  | 251 904           | 251 904  | 49 447                   | 301 351          |
| Other comprehensive income for the year | -             | -                | -               | 27 149             | 117               | 27 266   | 674                      | 27 940           |
| Dividends paid                          | -             | -                | -               | -                  | (79 755)          | (79 755)   | (38 445)                 | (118 200)        |
| Total changes                           | -             | -                | (14 784)        | 35 291             | 170 998           | 191 505  | (4 855)                  | 186 650          |
| <b>Balance at 29 February 2020</b>      | <b>1 817</b>  | <b>2 059 688</b> | <b>(16 002)</b> | <b>(1 141 844)</b> | <b>3 352 698</b>  | <b>4 256 357</b>                                   | <b>257 417</b>           | <b>4 513 774</b> |
| Note                                    | 24            | 24               | 25              | 26                 |                   |  | 27                       |                  |

The notes on pages 26 to 99 are an integral part of these financial statements.

**Raubex Group Limited and its subsidiaries**  
Annual financial statements for the year ended 29 February 2020

**Group statement of cash flows**

|   | Note      | 2020<br>R'000    | 2019<br>R'000    |
|---|-----------|------------------|------------------|
| <b>Cash flows from operating activities</b>                 |           |                  |                  |
| Cash generated from operations                              | 37        | 790 205          | 788 924          |
| Interest received   | 32        | 49 150           | 48 612           |
| Interest paid   | 32        | (71 062)         | (57 782)         |
| Income tax paid   | 37        | (178 023)        | (163 926)        |
| <b>Net cash generated from operating activities</b>         |           | <b>590 270</b>   | <b>615 828</b>   |
| <b>Cash flows from investing activities</b>                 |           |                  |                  |
| Purchases of property, plant and equipment                  | 10        | (581 535)        | (420 865)        |
| Proceeds from sale of property, plant and equipment         | 37        | 116 140          | 60 142           |
| Acquisition of subsidiaries                                 |           | -                | (115 434)        |
| Loans granted to associates and joint ventures              | 13        | (13 893)         | (36 919)         |
| <b>Net cash used in investing activities</b>                |           | <b>(479 288)</b> | <b>(513 076)</b> |
| <b>Cash flows from financing activities</b>                 |           |                  |                  |
| Proceeds from borrowings                                    | 37.1      | 583 165          | 341 286          |
| Repayment of borrowings                                     | 37.1      | (454 387)        | (481 625)        |
| Repayment of lease liabilities (capital repayments)         |           | (51 646)         | -                |
| Dividends paid to owners of the parent                      | 5         | (79 755)         | (81 756)         |
| Dividends paid to non-controlling interests                 | 27        | (38 445)         | (12 758)         |
| Acquisition of non-controlling interest                     | 6         | (17 600)         | (1 700)          |
| Acquisition of treasury shares                              | 25        | (14 784)         | -                |
| <b>Net cash used in financing activities</b>                |           | <b>(73 452)</b>  | <b>(236 553)</b> |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |           | <b>37 530</b>    | <b>(133 801)</b> |
| Cash and cash equivalents at the beginning of the year      |           | 962 611          | 1 084 088        |
| Effects of exchange rates on cash and cash equivalents      |           | 6 127            | 12 324           |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>17</b> | <b>1 006 268</b> | <b>962 611</b>   |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements

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#### 1. 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 rounded to the nearest thousand rand and 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 2019. More specifically, the adoption of IFRS 16, which required the group to change its accounting policies. Refer to note 46 for details on new standards, interpretations and amendments that have been issued but which are not yet applicable to the group.

Refer to note 47 for further details of the impact the adoption of IFRS 16 had 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 2019 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.

The directors are of the view that no material uncertainties relating to the group's ability to continue as a going concern exist. The directors are also satisfied 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.

#### 2. 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 to note 10)
- Estimates regarding impairment of property, plant and equipment (refer to note 10)
- Estimated impairment of goodwill (refer to note 12)
- Contract revenue recognition and profit taking (refer to note 15 and 28)  
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 to note 20)

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 3. 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, right-of-use assets, investments, inventories, contract assets, 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, contract liabilities and external interest bearing borrowings.

#### Segmental analysis

| Operating segments   | Materials<br>R'000 | Roads and<br>earthworks<br>R'000 | Infrastructure<br>R'000 | Other*<br>R'000 | Consolidated<br>R'000 |
|--|--------------------|----------------------------------|-------------------------|-----------------|-----------------------|
| <b>For the year ended 28 February 2019</b>                           |                    |                                  |                         |                 |                       |
| Revenue  | 2 750 801          | 3 634 494                        | 2 133 847               | -               | <b>8 519 142</b>      |
| Operating profit   | 358 543            | (245 796)                        | 94 298                  | -               | <b>207 045</b>        |
| Finance income   | 11 827             | 34 273                           | 2 512                   | -               | <b>48 612</b>         |
| Finance costs  | (49 430)           | (12 981)                         | (3 170)                 | (8 277)         | <b>(73 858)</b>       |
| Share of profit of investments accounted for using the equity method | -                  | (768)                            | (347)                   | -               | <b>(1 115)</b>        |
| Taxation   | (96 820)           | 62 903                           | (29 925)                | -               | <b>(63 842)</b>       |
| <b>Profit for the year</b>   | <b>224 120</b>     | <b>(162 369)</b>                 | <b>63 368</b>           | <b>(8 277)</b>  | <b>116 842</b>        |
| Segment assets   | 3 126 141          | 2 931 238                        | 1 208 223               | -               | <b>7 265 602</b>      |
| Segment liabilities  | 1 169 979          | 1 013 282                        | 659 960                 | 95 257          | <b>2 938 478</b>      |
| Depreciation and amortisation  | 257 062            | 97 094                           | 33 917                  | -               | <b>388 073</b>        |
| Capital expenditure  | 260 604            | 61 004                           | 99 257                  | -               | <b>420 865</b>        |
| Inter segment revenue  | 67 305             | 59 654                           | 19 851                  | -               | <b>146 810</b>        |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 3. Segmental Information (continued)

Segmental analysis (continued)

| Operating segments   | Materials<br>R'000 | Roads and<br>earthworks<br>R'000 | Infrastructure<br>R'000 | Other*<br>R'000 | Consolidated<br>R'000 |
|--|--------------------|----------------------------------|-------------------------|-----------------|-----------------------|
| <b>For the year ended 29 February 2020</b>                           |                    |                                  |                         |                 |                       |
| Revenue  | 2 749 368          | 3 237 134                        | 2 748 394               | -               | 8 734 896             |
| Operating profit   | 367 676            | 3 110                            | 178 197                 | (68 525)        | 480 458               |
| Finance income   | 16 869             | 28 737                           | 3 544                   | -               | 49 150                |
| Finance costs  | (62 955)           | (8 645)                          | (4 116)                 | (7 694)         | (83 410)              |
| Share of profit of investments accounted for using the equity method | -                  | (95)                             | 61                      | -               | (34)                  |
| Taxation   | (95 375)           | (6 990)                          | (57 514)                | 15 066          | (144 813)             |
| <b>Profit for the year</b>   | <b>226 215</b>     | <b>16 117</b>                    | <b>120 172</b>          | <b>(61 153)</b> | <b>301 351</b>        |
| Segment assets   | 3 393 412          | 2 610 900                        | 1 384 760               | 592 969         | 7 982 041             |
| Segment liabilities  | 1 345 343          | 859 725                          | 817 368                 | 445 831         | 3 468 267             |
| Depreciation and amortisation  | 314 595            | 105 804                          | 41 302                  | -               | 461 701               |
| Capital expenditure  | 431 678            | 61 364                           | 88 493                  | -               | 581 535               |
| Inter segment revenue  | 98 525             | 83 129                           | 25 533                  | -               | 207 187               |

\* Other consists of amounts that cannot be allocated to specific segments, including the voluntary rebuilding programme expense detailed in note 21 together with the fair value charge on the preference shares acquired in ABI detailed in note 6 and 18.

Approximately 1.9% (2019: 12.5%) of total revenue is derived from a single external customer i.e. The South African National Roads Agency (SANRAL), these revenues are attributable to all the operating segments.

Approximately 14% (2019: 11%) of total revenue is derived from South African local municipalities and provincial governments, these revenues are attributable to all the operating segments as well.

Additional voluntary disclosure: Geographical information

|  | South Africa<br>R'000 | Rest of Africa<br>R'000 | Australia<br>R'000 | Other*<br>R'000 | Consolidated<br>R'000 |
|--|-----------------------|-------------------------|--------------------|-----------------|-----------------------|
| <b>For the year ended 28 February 2019</b>                           |                       |                         |                    |                 |                       |
| Revenue  | 6 990 062             | 1 205 510               | 323 570            | -               | 8 519 142             |
| Operating profit   | 80 736                | 110 294                 | 16 015             | -               | 207 045               |
| Finance income   | 47 121                | 1 309                   | 182                | -               | 48 612                |
| Finance costs  | (49 185)              | (15 627)                | (769)              | (8 277)         | (73 858)              |
| Share of profit of investments accounted for using the equity method | (1 115)               | -                       | -                  | -               | (1 115)               |
| Taxation   | (26 124)              | (33 876)                | (3 842)            | -               | (63 842)              |
| <b>Profit for the year</b>   | <b>51 433</b>         | <b>62 100</b>           | <b>11 586</b>      | <b>(8 277)</b>  | <b>116 842</b>        |
| Segment assets   | 6 285 905             | 754 203                 | 225 494            | -               | 7 265 602             |
| Segment liabilities  | 2 324 638             | 422 325                 | 96 258             | 95 257          | 2 938 478             |
| Depreciation and amortisation  | 316 610               | 62 345                  | 9 118              | -               | 388 073               |
| Capital expenditure  | 340 726               | 18 043                  | 62 096             | -               | 420 865               |
| Inter segment revenue  | 342 089               | 117 871                 | -                  | -               | 459 960               |
| <b>For the year ended 29 February 2020</b>                           |                       |                         |                    |                 |                       |
| Revenue  | 7 090 798             | 1 096 146               | 547 952            | -               | 8 734 896             |
| Operating profit   | 413 126               | 109 702                 | 26 155             | (68 525)        | 480 458               |
| Finance income   | 47 839                | 1 211                   | 100                | -               | 49 150                |
| Finance costs  | (69 479)              | (3 940)                 | (2 297)            | (7 694)         | (83 410)              |
| Share of profit of investments accounted for using the equity method | (34)                  | -                       | -                  | -               | (34)                  |
| Taxation   | (80 889)              | (52 796)                | (11 128)           | -               | (144 813)             |
| <b>Profit for the year</b>   | <b>310 563</b>        | <b>54 177</b>           | <b>12 830</b>      | <b>(76 219)</b> | <b>301 351</b>        |
| Segment assets   | 6 450 726             | 679 141                 | 259 205            | 592 969         | 7 982 041             |
| Segment liabilities  | 2 460 531             | 435 780                 | 126 125            | 445 831         | 3 468 267             |
| Depreciation and amortisation  | 414 842               | 33 904                  | 12 955             | -               | 461 701               |
| Capital expenditure  | 525 815               | 6 243                   | 49 477             | -               | 581 535               |
| Inter segment revenue  | 242 414               | 7 715                   | -                  | -               | 250 129               |

\* Other consists of amounts that cannot be allocated to specific segments, including the voluntary rebuilding programme expense detailed in note 21 together with the fair value charge on the preference shares acquired in ABI detailed in note 6 and 18.

International revenues from external customers account for 18.8% (2019: 18.0%) of total group revenue from external customers and were generated from operations in Australia, Botswana, Cameroon, Mozambique, Namibia and Zambia.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 3. Segmental Information (continued)

##### Reclassification of comparative figures

In order to provide further understanding of the Group's International operations, the international segment disclosed under the additional voluntary disclosure for geographical information has been split into two geographies i.e. "Rest of Africa" and "Australia".

*Additional voluntary disclosure: Geographical information (As previously disclosed):*

|  | Local<br>R'000 | International<br>R'000 | Other<br>R'000 | Consolidated<br>R'000 |
|--|----------------|------------------------|----------------|-----------------------|
| <b>For the year ended 28 February 2019</b>   |                |                        |                |                       |
| 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 | (1 115)        | -                      | -              | (1 115)               |
| Taxation                                     | (26 124)       | (37 718)               | -              | (63 842)              |
| <b>Profit for the year</b>                   | <b>51 433</b>  | <b>73 686</b>          | <b>(8 277)</b> | <b>116 842</b>        |
| 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               |

#### 4. 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.

|  | 2020<br>R'000 | 2019<br>R'000 |
|--|---------------|---------------|
| Profit attributable to owners of the parent entity   | 251 904       | 57 957        |
| Weighted average number of ordinary shares in issue* | 181 276       | 181 680       |
| <b>Basic earnings per share (cents)</b>              | <b>139.0</b>  | <b>31.9</b>   |

##### 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.

|   | 2020<br>R'000 | 2019<br>R'000 |
|---|---------------|---------------|
| Profit attributable to owners of the parent entity                        | 251 904       | 57 957        |
| Weighted average number of ordinary shares in issue *                     | 181 276       | 181 680       |
| <i>Adjustments for:</i>   |               |               |
| Shares deemed issued for no consideration (share options)                 | 1 030         | 508           |
| Weighted average number of ordinary shares for diluted earnings per share | 182 306       | 182 188       |
| <b>Diluted earnings per share (cents)</b>                                 | <b>138.2</b>  | <b>31.8</b>   |

##### Headline

|   |                |                |
|---|----------------|----------------|
| Profit attributable to owners of the parent entity  | 251 904        | 57 957         |
| <i>Adjustments for:</i>   |                |                |
| Profit on sale of property, plant and equipment (note 30)                                       | (24 008)       | (9 930)        |
| Impairment of goodwill (note 30)  | 1 659          | 51 477         |
| Loss on sale and leaseback transaction (note 6)   | 68 525         | -              |
| Add back: Non-controlling interests' portion of profit on sale of property, plant and equipment | 4 710          | 1 758          |
| Total tax effects of adjustments  | (9 662)        | 2 288          |
| <b>Basic headline earnings</b>  | <b>293 128</b> | <b>103 550</b> |
| Weighted average number of shares*  | 181 276        | 181 680        |
| <b>Headline earnings per share (cents)</b>  | <b>161.7</b>   | <b>57.0</b>    |
| Headline earnings   | 293 128        | 103 550        |
| Adjusted weighted average number of shares  | 182 306        | 182 188        |
| <b>Diluted headline earnings per share (cents)</b>  | <b>160.8</b>   | <b>56.8</b>    |

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

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

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#### 5. 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:

|                                       | 2020                       |                | 2019                       |                |
|---------------------------------------|----------------------------|----------------|----------------------------|----------------|
|                                       | Number of<br>shares ('000) | Value<br>R'000 | Number of<br>shares ('000) | Value<br>R'000 |
| Previous year final dividend paid     | 181 750                    | 39 985         | 181 750                    | 59 978         |
| Current year interim dividend paid    | 181 750                    | 39 985         | 181 750                    | 21 810         |
| Dividends received on treasury shares | (906)                      | (215)          | (70)                       | (32)           |
| Total dividends paid                  |                            | 79 755         |                            | 81 756         |

Due to the Covid-19 cash preservation measures taken by the group, no final dividend in respect of the year ended 29 February 2020 was declared. Refer to note 44 for further details regarding the pandemic. Only an interim dividend was declared and paid with regards to the year ended 29 February 2020 resulting in a total dividend for the year of R40 million (22 cents per share) (2019: 34 cents per share).

#### *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 Services by the company paying the dividend or by a regulated intermediary and not the person liable for the tax.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

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#### 6. 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 re-measured 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.

##### *Changes in ownership interests*

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

Any difference between the purchase consideration and the carrying value of the net assets acquired is recognised in equity against retained earnings. The gains and losses on disposals to non-controlling interests are also recorded in equity against retained earnings.

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.



## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 6. Business combinations (continued)

*Disposals made during the financial period*

##### **Raubex Property Investments (Pty) Ltd ("RPI")**

During the financial year the group, acting through its wholly owned subsidiary Raubex Roads and Earthworks Holdings Proprietary Limited (the "Seller"), entered into an agreement of sale on 27 February 2020, with Acorn Black Investments Proprietary Limited, acting through its wholly owned subsidiary, ABI 2 Proprietary Limited (the "Purchaser" or "ABI"), for the sale of 100% of the shares and loan claims the Seller holds in RPI (the "Transaction").

RPI owns a property portfolio which includes both commercial properties and residential units which have been independently valued at R383 million (the "Properties"). RPI leases the Properties to the Raubex group as well as certain third parties on a market related triple net lease basis (the "RPI Business"). The Properties are considered to be non-core assets of the Group and the group has entered into a 12-year, triple net lease with ABI based on an 8,75% yield. ABI is a South African based Black Women Owned Private Equity Investment company.

The Transaction constitutes a Qualifying Transaction as contemplated under Statement 102 of the of Broad-Based Black Economic Empowerment Codes. The Transaction was effected through the sale of 100% of the issued shares ("Sale Shares") and loan claims ("Loan Claims") in RPI, by the Seller, which owns and operates the RPI Business, to the Purchaser.

The Transaction will ensure that the Company's Roads and Earthworks division secures greater than 51% Black Ownership based on the Company's current scorecard assumptions until 28 February 2028 and will ensure a minimum of 35% Black Ownership thereafter, which is in compliance with the target shareholding stipulated in the Amended Construction Sector Codes Gazetted on 1 December 2017.

The Purchase Price payable for the Sale Shares and Loan Claims was R383 million which consists of the following:

- R187 million will be payable on the closing date, once all the necessary security is in place, including registration of first covering mortgage bonds over the properties in the portfolio;
- R81.4 million consists of a vendor loan which is repayable within 5 years bearing interest at 9.82% per annum; and
- R114.6 million consists of an equity preference share investment in ABI at zero coupon and redeemable at the election of ABI within 10 years through the payment of a preference share dividend of R114.6 million.

The group is satisfied that it no longer controls RPI in terms of IFRS 10, refer to note 42 for further details in this regard. No investment in RPI was retained and no components of other comprehensive income attributable to RPI that required reclassification. The Transaction has been accounted for as a sale and leaseback under IFRS 16, which resulted in a loss on sale and leaseback of R68.5 million (R53.5 million after tax), a right of use asset of R283.5 million and a lease liability of R357.9 million. The right of use asset will be depreciated and the lease liability amortized over the 12 year lease period.

|  |           |
|--|-----------|
| Total consideration receivable (note 18)                     | 383 062   |
| Cash   | 187 000   |
| Vendor loan  | 81 443    |
| Preference share investment in ABI                           | 114 619   |
| Fair value adjustment on preference share (note 18)          | (73 591)  |
| Net liabilities recognised on sale and leaseback transaction | (74 382)  |
| Right-of-use asset   | 283 498   |
| Lease liability  | (357 880) |
| Carrying value of assets derecognised, leased back from RPI  | (303 614) |
| Net loss on sale and leaseback transaction                   | (68 525)  |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

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#### 6. Business combinations (continued)

*Transactions with non-controlling interests*

Acquisitions

##### **Shisalanga Construction (Pty) Ltd ("Shisalanga")**

On 1 March 2019, the group restructured its asphalt operations in KwaZulu Natal and effectively increased its interest in Shisalanga from 60% to 76% through a subscription agreement and a share buyback agreement. The subscription for shares was based on the net asset value of Shisalanga and was settled through the transfer of assets held by group subsidiary, National Asphalt (Pty) Ltd, valued at R49.9 million to Shisalanga. The share buyback from the non-controlling shareholder was settled with R9.9 million in cash.

##### **Raubex Building (Pty) Ltd ("Raubex Building")**

On 1 June 2019, the group acquired an additional 5% of the issued share capital from a non-controlling shareholder of Raubex Building for R3.5 million settled in cash, increasing the Group's shareholding from 77% to 82%.

##### **B&E International Namibia (Pty) Ltd ("B&E Namibia")**

On 1 November 2019, the group's subsidiary Narindonde Construction (Pty) Ltd acquired the remaining 51% of the issued share capital from the non-controlling shareholder of B&E Namibia for R4.2 million settled in cash. This increased the group's effective shareholding from 37% to 74%.

Also refer to note 42 - 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.

## **Notes to the group financial statements (continued)**

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### **7. 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 assets at fair value through profit or loss (FVPL);
- Financial assets at fair value through other comprehensive income (FVOCI);
- 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.

**Notes to the group financial statements (continued)**

**7. Financial instruments (continued)**

**Categories of financial instruments**

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

|   | Note | Financial assets at amortised cost<br>R'000 | Financial assets at fair value through profit or loss<br>R'000 | Financial liabilities at amortised cost<br>R'000 | Financial liabilities at fair value through profit or loss<br>R'000 | Total carrying value<br>R'000 |
|---|------|---|--|--|---|-------------------------------|
| <b>At 28 February 2019</b>              |      |   |  |  |   |                               |
| 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                              | 19   | -   | -  | (661 747)  | -   | (661 747)                     |
| Other financial liabilities             | 21   | -   | -  | (95 257)   | (39 611)  | (134 868)                     |
| Contract liabilities                    | 15   | -   | -  | (326 852)  | -   | (326 852)                     |
| Trade and other payables                | 22   | -   | -  | (1 236 645)                                      | -   | (1 236 645)                   |
| <b>Total</b>                            |      | <b>2 740 242</b>                            | <b>-</b>   | <b>(2 320 501)</b>                               | <b>(39 611)</b>   | <b>380 130</b>                |
| <b>At 29 February 2020</b>              |      |   |  |  |   |                               |
| Loans to associates and joint ventures  | 13   | 55 314                                      | -  | -  | -   | 55 314                        |
| Non-current trade and other receivables | 16   | 26 393                                      | -  | -  | -   | 26 393                        |
| Other financial assets                  | 18   | 268 443                                     | 41 028   | -  | -   | 309 471                       |
| Contract assets                         | 15   | 323 654                                     | -  | -  | -   | 323 654                       |
| Trade and other receivables             | 16   | 1 502 404                                   | -  | -  | -   | 1 502 404                     |
| Cash and cash equivalents               | 17   | 1 013 556                                   | -  | -  | -   | 1 013 556                     |
| Borrowings                              | 19   | -   | -  | (797 813)  | -   | (797 813)                     |
| Lease liabilities                       | 11   | -   | -  | (455 098)  | -   | (455 098)                     |
| Other financial liabilities             | 21   | -   | -  | (87 951)   | (42 370)  | (130 321)                     |
| Contract liabilities                    | 15   | -   | -  | (226 825)  | -   | (226 825)                     |
| Trade and other payables                | 22   | -   | -  | (1 310 687)                                      | -   | (1 310 687)                   |
| <b>Total</b>                            |      | <b>3 189 764</b>                            | <b>41 028</b>  | <b>(2 878 374)</b>                               | <b>(42 370)</b>   | <b>310 048</b>                |

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 R99.6 million (2019: R60.2 million) and the total value of non-financial liabilities excluded from trade and other payables is R106.7 million (2019: R130.1 million).

**Notes to the group financial statements (continued)**

**7. Financial instruments (continued)**

**Categories of financial instruments (continued)**

|   | Note | Total carrying<br>value<br>R'000 | Total Fair<br>value<br>R'000 | Explanation<br>note |
|---|------|----------------------------------|------------------------------|---------------------|
| <b>At 28 February 2019</b>              |      |                                  |                              |                     |
| Loans to associates and joint ventures  | 13   | 41 504                           | 41 504                       | a                   |
| Non-current trade and other receivables | 16   | 53 978                           | 53 978                       | b                   |
| Contract assets                         | 15   | 293 993                          | 293 993                      | d                   |
| Trade and other receivables             | 16   | 1 388 156                        | 1 388 156                    | e                   |
| Cash and cash equivalents               | 17   | 962 611                          | 962 611                      | f                   |
| Borrowings                              | 19   | (661 747)                        | (661 747)                    | g                   |
| Other financial liabilities             | 21   | (134 868)                        | (134 868)                    | i                   |
| Contract liabilities                    | 15   | (326 852)                        | (326 852)                    | d                   |
| Trade and other payables                | 22   | (1 236 645)                      | (1 236 645)                  | j                   |
| <b>Total</b>                            |      | <b>380 130</b>                   | <b>380 130</b>               |                     |
| <b>At 29 February 2020</b>              |      |                                  |                              |                     |
| Loans to associates and joint ventures  | 13   | 55 314                           | 55 314                       | a                   |
| Non-current trade and other receivables | 16   | 26 393                           | 26 393                       | b                   |
| Other financial assets                  | 18   | 309 471                          | 309 471                      | c                   |
| Contract assets                         | 15   | 323 654                          | 323 654                      | d                   |
| Trade and other receivables             | 16   | 1 502 404                        | 1 502 404                    | e                   |
| Cash and cash equivalents               | 17   | 1 013 556                        | 1 013 556                    | f                   |
| Borrowings                              | 19   | (797 813)                        | (797 813)                    | g                   |
| Lease liabilities                       | 11   | (455 098)                        | (455 098)                    | h                   |
| Other financial liabilities             | 21   | (130 321)                        | (130 321)                    | i                   |
| Contract liabilities                    | 15   | (226 825)                        | (226 825)                    | d                   |
| Trade and other payables                | 22   | (1 310 687)                      | (1 310 687)                  | j                   |
| <b>Total</b>                            |      | <b>310 048</b>                   | <b>310 048</b>               |                     |

- a 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.
- b 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.
- c Other financial assets are either carried at fair value through profit and loss or at amortised cost, refer to note 18 where any significant unobservable inputs have been disclosed in this regard.
- d 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 using the effective interest rate method was not deemed to be significant.
- e 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.
- f 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.
- g Borrowings are made up of bank borrowings and unsecured loans.
- Bank borrowings are held at amortised cost and calculated using the specific fixed terms of the agreements in place. Refer to note 19 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 equal fair value.
- h Lease liabilities held at amortised cost and calculated using the specific terms of the agreements in place. The carrying value of lease liabilities is deemed to approximate its fair value due to the fact that the interest rates used in the amortisation are similar to that of current market lending rates applicable at commencement of the lease.
- i Other financial liabilities are either carried at fair value through profit and loss or at amortised cost, refer to note 21 where any significant unobservable inputs have been disclosed in this regard.
- j 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.

**Notes to the group financial statements (continued)**

**7. Financial instruments (continued)**

**Fair value estimation**

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

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

The following table presents the group's financial assets and liabilities that are measured at fair value at 29 February 2020:

|   | Level 1<br>R'000 | Level 2<br>R'000 | Level 3<br>R'000 | Total<br>R'000 |
|---|------------------|------------------|------------------|----------------|
| <b>Liabilities</b>  |                  |                  |                  |                |
| <b>At 28 February 2019</b>  |                  |                  |                  |                |
| <b>Financial liabilities at fair value through profit or loss</b> |                  |                  |                  |                |
| Contingent considerations   | -                | -                | 39 611           | 39 611         |
| <b>Total liabilities</b>  | <b>-</b>         | <b>-</b>         | <b>39 611</b>    | <b>39 611</b>  |
| <b>At 29 February 2020</b>  |                  |                  |                  |                |
| <b>Financial liabilities at fair value through profit or loss</b> |                  |                  |                  |                |
| Contingent considerations   | -                | -                | 42 370           | 42 370         |
| <b>Total liabilities</b>  | <b>-</b>         | <b>-</b>         | <b>42 370</b>    | <b>42 370</b>  |
| <b>Assets</b>   |                  |                  |                  |                |
| <b>At 29 February 2020</b>  |                  |                  |                  |                |
| <b>Financial assets at fair value through profit or loss</b>      |                  |                  |                  |                |
| Preference shares   | -                | -                | 41 028           | 41 028         |
| <b>Total assets</b>   | <b>-</b>         | <b>-</b>         | <b>41 028</b>    | <b>41 028</b>  |

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

*(a) Financial instruments in level 1*

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

*(b) Financial instruments in level 2*

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

*(c) Financial instruments in level 3*

The following table presents the changes in Level 3 instruments for the year ended 29 February 2020:

|  | Note | Put option<br>R'000 | Contingent<br>considerations<br>R'000 | Total<br>R'000 |
|--|------|---------------------|---------------------------------------|----------------|
| <b>Liabilities</b>   |      |                     |                                       |                |
| <b>Year ended 28 February 2019</b>                               |      |                     |                                       |                |
| Opening balance  |      | 60 267              | -                                     | 60 267         |
| Acquisition of subsidiaries                                      |      | -                   | 37 034                                | 37 034         |
| Gains/losses recognised in profit or loss                        | 30   | (13 181)            | -                                     | (13 181)       |
| Finance costs recognised in profit or loss                       |      | 1 373               | 2 577                                 | 3 950          |
| Financial liabilities written off during the year through Equity |      | (48 459)            | -                                     | (48 459)       |
| Closing balance  |      | -                   | 39 611                                | 39 611         |
| <b>Year ended 29 February 2020</b>                               |      |                     |                                       |                |
| Opening balance  |      | -                   | 39 611                                | 39 611         |
| Finance costs recognised in profit or loss                       |      | -                   | 2 759                                 | 2 759          |
| Closing balance  |      | -                   | 42 370                                | 42 370         |

See note 21 for disclosures relating to the measurement of the contingent considerations and put option.

**Notes to the group financial statements (continued)**

**7. Financial instruments (continued)**

**Fair value estimation (continued)**

(c) Financial instruments in level 3 (continued)

|   | Note | Preference<br>shares<br>R'000 | Total<br>R'000 |
|---|------|-------------------------------|----------------|
| <b>Assets</b>   |      |                               |                |
| <b>Year ended 29 February 2020</b>                      |      |                               |                |
| Opening balance   |      | -                             | -              |
| Acquisition of financial assets                         |      | 114 619                       | 114 619        |
| Loss as part of sale and leaseback transaction (note 6) |      | (73 591)                      | (73 591)       |
| Closing balance   |      | <u>41 028</u>                 | <u>41 028</u>  |

See note 18 for disclosures relating to the measurement of the preference shares.

**8. 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 any publicly traded investments.                                     | N/a                            | N/a  |
| Credit risk                           | Cash and cash equivalents, Trade receivables, receivables under finance lease and contract assets.                                  | Credit ratings<br>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 co-operation 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.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 8. 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<br>Rand and<br>Namibian<br>Dollar*<br>R'000 | Australian Dollar<br>R'000 | Botswana Pula<br>R'000 | Central African<br>Franc<br>(Cameroon)<br>R'000 | Euro<br>R'000 | Mozambican<br>Metical<br>R'000 | US Dollar<br>R'000 | Zambian<br>Kwacha<br>R'000 | Total<br>R'000   |
|--|------|---|----------------------------|------------------------|---|---------------|--------------------------------|--------------------|----------------------------|------------------|
| <b>Year ended 28 February 2019</b>                   |      |   |                            |                        |   |               |                                |                    |                            |                  |
| <b>Non-current assets</b>                            |      |   |                            |                        |   |               |                                |                    |                            |                  |
| Trade and other receivables                          | 16   | 53 978  | -                          | -                      | -   | -             | -                              | -                  | -                          | 53 978           |
| <b>Current assets</b>                                |      |   |                            |                        |   |               |                                |                    |                            |                  |
| 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          |
| <b>Total monetary assets</b>                         |      | <b>2 303 995</b>  | <b>69 806</b>              | <b>132 307</b>         | <b>69 265</b>                                   | <b>26 346</b> | <b>1 018</b>                   | <b>7 037</b>       | <b>88 964</b>              | <b>2 698 738</b> |
| <b>Non-current liabilities</b>                       |      |   |                            |                        |   |               |                                |                    |                            |                  |
| Borrowings   | 19   | 321 151   | 38 200                     | 3 638                  | -   | -             | -                              | -                  | -                          | 362 989          |
| <b>Current liabilities</b>                           |      |   |                            |                        |   |               |                                |                    |                            |                  |
| Borrowings   | 19   | 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                             | 22   | 1 124 570   | 36 305                     | 23 701                 | 47 354  | -             | 1 530                          | 182                | 3 003                      | 1 236 645        |
| <b>Total monetary liabilities</b>                    |      | <b>1 951 264</b>  | <b>93 357</b>              | <b>32 161</b>          | <b>58 544</b>                                   | <b>-</b>      | <b>1 530</b>                   | <b>182</b>         | <b>88 206</b>              | <b>2 225 244</b> |
| <b>Net monetary assets/(liabilities) at year end</b> |      | <b>352 731</b>  | <b>(23 551)</b>            | <b>100 146</b>         | <b>10 721</b>                                   | <b>26 346</b> | <b>(512)</b>                   | <b>6 855</b>       | <b>758</b>                 | <b>473 494</b>   |

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



## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 8. 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<br>Rand and<br>Namibian<br>Dollar*<br>R'000 | Australian Dollar<br>R'000 | Botswana Pula<br>R'000 | Central African<br>Franc<br>(Cameroon)<br>R'000 | Euro<br>R'000  | Mozambican<br>Metical<br>R'000 | US Dollar<br>R'000 | Zambian<br>Kwacha<br>R'000 | Total<br>R'000   |
|--|------|---|----------------------------|------------------------|---|----------------|--------------------------------|--------------------|----------------------------|------------------|
| <b>Year ended 29 February 2020</b>                   |      |   |                            |                        |   |                |                                |                    |                            |                  |
| <b>Non-current assets</b>                            |      |   |                            |                        |   |                |                                |                    |                            |                  |
| Trade and other receivables                          | 16   | 26 393  | -                          | -                      | -   | -              | -                              | -                  | -                          | 26 393           |
| <b>Current assets</b>                                |      |   |                            |                        |   |                |                                |                    |                            |                  |
| Contract assets                                      | 15   | 268 991   | 15 072                     | -                      | 22 051  | -              | 17 540                         | -                  | -                          | 323 654          |
| Trade and other receivables                          | 16   | 1 348 406   | 82 115                     | 34 738                 | 37 047  | -              | -                              | -                  | 98                         | 1 502 404        |
| Cash and cash equivalents                            | 17   | 876 007   | 73 460                     | 65 457                 | 105   | (4 479)        | 1 797                          | 946                | 263                        | 1 013 556        |
| <b>Total monetary assets</b>                         |      | <b>2 519 797</b>  | <b>170 647</b>             | <b>100 195</b>         | <b>59 203</b>                                   | <b>(4 479)</b> | <b>19 337</b>                  | <b>946</b>         | <b>361</b>                 | <b>2 866 007</b> |
| <b>Non-current liabilities</b>                       |      |   |                            |                        |   |                |                                |                    |                            |                  |
| Borrowings   | 19   | 435 668   | 52 970                     | 2 976                  | -   | -              | -                              | -                  | -                          | 491 614          |
| <b>Current liabilities</b>                           |      |   |                            |                        |   |                |                                |                    |                            |                  |
| Borrowings   | 19   | 276 001   | 23 945                     | 3 459                  | 2 794   | -              | -                              | -                  | -                          | 306 199          |
| Contract liabilities                                 | 15   | 209 158   | 17 667                     | -                      | -   | -              | -                              | -                  | -                          | 226 825          |
| Trade and other payables                             | 22   | 1 114 766   | 96 389                     | 43 145                 | 50 296  | -              | 5 074                          | 203                | 814                        | 1 310 687        |
| <b>Total monetary liabilities</b>                    |      | <b>2 035 593</b>  | <b>190 971</b>             | <b>49 580</b>          | <b>53 090</b>                                   | <b>-</b>       | <b>5 074</b>                   | <b>203</b>         | <b>814</b>                 | <b>2 335 325</b> |
| <b>Net monetary assets/(liabilities) at year end</b> |      | <b>484 204</b>  | <b>(20 324)</b>            | <b>50 615</b>          | <b>6 113</b>                                    | <b>(4 479)</b> | <b>14 263</b>                  | <b>743</b>         | <b>(453)</b>               | <b>530 682</b>   |

\* 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 R99.6 million (2019: R60.2 million) and the total value of non-financial liabilities excluded from trade and other payables is R106.7 million (2019: R130.1 million).

**Notes to the group financial statements (continued)**

**8. 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:

| Year ended 28 February 2019   | Change in exchange rate | Increase/(decrease) in profit before tax or reserves of the group due to a depreciation of the Rand | Increase/(decrease) in profit before tax or reserves of the group due to an appreciation of the Rand |
|---|-------------------------|---|--|
|   |                         | Rand R'000  | Rand R'000   |
| <b>Total monetary assets</b>  |                         | 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)  |
| <b>Total monetary liabilities</b>                                     |                         | (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  |
| <b>Net increase/(decrease) in group profit before tax or reserves</b> |                         | 12 078  | (12 078)   |
| <b>Year ended 29 February 2020</b>                                    |                         |   |  |
| <b>Total monetary assets</b>  |                         | 34 622  | (34 622)   |
| Australian Dollar   | 10%                     | 17 065  | (17 065)   |
| Botswana Pula   | 10%                     | 10 020  | (10 020)   |
| Central African Franc (Cameroon)                                      | 10%                     | 5 920   | (5 920)  |
| Euro  | 10%                     | (448)   | 448  |
| Mozambique Metical  | 10%                     | 1 934   | (1 934)  |
| US Dollar   | 10%                     | 95  | (95)   |
| Zambian Kwacha  | 10%                     | 36  | (36)   |
| <b>Total monetary liabilities</b>                                     |                         | (29 972)  | 29 972   |
| Australian Dollar   | 10%                     | (19 097)  | 19 097   |
| Botswana Pula   | 10%                     | (4 958)   | 4 958  |
| Central African Franc (Cameroon)                                      | 10%                     | (5 309)   | 5 309  |
| Mozambique Metical  | 10%                     | (507)   | 507  |
| US Dollar   | 10%                     | (20)  | 20   |
| Zambian Kwacha  | 10%                     | (81)  | 81   |
| <b>Net increase/(decrease) in group profit before tax or reserves</b> |                         | 4 650   | (4 650)  |

**Notes to the group financial statements (continued)**

**8. 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:

| Year ended 28 February 2019                              | 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 |
|--|-------------------------|--|---|
|  |                         |  |   |
| <b>Net increase/(decrease) in group operating profit</b> |                         | 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   |
| <b>Year ended 29 February 2020</b>                       |                         | <b>14 230</b>  | <b>(14 230)</b>   |
| <b>Net increase/(decrease) in group operating profit</b> |                         | <b>14 230</b>  | <b>(14 230)</b>   |
| Australian Dollar  | 10%                     | 2 675  | (2 675)   |
| Botswana Pula  | 10%                     | 7 667  | (7 667)   |
| Central African Franc (Cameroon)                         | 10%                     | (4 979)  | 4 979   |
| Mozambique Metical                                       | 10%                     | (901)  | 901   |
| US Dollar  | 10%                     | 154  | (154)   |
| Zambian Kwacha   | 10%                     | 9 614  | (9 614)   |

\* 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 to 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 any publicly traded investments.

(iii) Cash flow interest rate risk

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

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

Interest rate risk - Sensitivity analysis

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

|  | 2020        |              | 2019        |              |
|--|-------------|--------------|-------------|--------------|
|  | 1%<br>R'000 | -1%<br>R'000 | 1%<br>R'000 | -1%<br>R'000 |
| Cash and cash equivalents                        | 7 298       | (7 298)      | 6 931       | (6 931)      |
| Bank borrowings                                  | (5 675)     | 5 675        | (4 739)     | 4 739        |
| Loans to Joint ventures and associates (note 13) | 398         | (398)        | 298         | (298)        |
| Increase/(decrease) in profitability             | 2 021       | (2 021)      | 2 490       | (2 490)      |

**Notes to the group financial statements (continued)**

**8. Financial risk management (continued)**

**Financial risk factors (continued)**

*(b) Credit risk*

Credit risk refers to the risk that a counter party 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:

|   | Gross<br>carrying value<br>R'000 | Loss<br>allowance<br>R'000 | Net<br>carrying value<br>R'000 | % of total |
|---|----------------------------------|----------------------------|--------------------------------|------------|
| <b>Trade and other receivables</b>                |                                  |                            |                                |            |
| <b>For the year ended 28 February 2019</b>        |                                  |                            |                                |            |
| South African National Road Agency                | 56 727                           | (316)                      | 56 411                         | 3.9        |
| South African Provincial and Municipal Government | 313 936                          | (8 076)                    | 305 860                        | 21.2       |
| South African Private Sector                      | 785 789                          | (70 302)                   | 715 487                        | 49.6       |
| Rest of Africa Public sector                      | 412 452                          | (146 839)                  | 265 613                        | 18.4       |
| Rest of Africa Private sector                     | 67 195                           | (14 245)                   | 52 950                         | 3.7        |
| Australia Public Sector                           | 3 760                            | -                          | 3 760                          | 0.3        |
| Australia Private Sector                          | 42 053                           | -                          | 42 053                         | 2.9        |
| Total trade and other receivables (note 16)       | <u>1 681 912</u>                 | <u>(239 778)</u>           | <u>1 442 134</u>               | <u>100</u> |

**For the year ended 29 February 2020**

|   |                  |                  |                  |            |
|---|------------------|------------------|------------------|------------|
| South African National Road Agency                | 1 351            | (21)             | 1 330            | 0.1        |
| South African Provincial and Municipal Government | 351 223          | (10 580)         | 340 643          | 22.3       |
| South African Private Sector                      | 894 062          | (61 267)         | 832 795          | 54.5       |
| Rest of Africa Public sector                      | 243 194          | (157 964)        | 85 230           | 5.6        |
| Rest of Africa Private sector                     | 228 268          | (7 575)          | 220 693          | 14.4       |
| Australia Public Sector                           | 40 492           | (4)              | 40 488           | 2.6        |
| Australia Private Sector                          | 7 892            | (274)            | 7 618            | 0.5        |
| Total trade and other receivables (note 16)       | <u>1 766 482</u> | <u>(237 685)</u> | <u>1 528 797</u> | <u>100</u> |

The total value of non-financial assets excluded from trade and other receivables is R99.6 million (2019: R60.2 million)

|   | Gross<br>carrying value<br>R'000 | Loss<br>allowance<br>R'000 | Net<br>carrying value<br>R'000 | % of total |
|---|----------------------------------|----------------------------|--------------------------------|------------|
| <b>Contract assets</b>                            |                                  |                            |                                |            |
| <b>For the year ended 28 February 2019</b>        |                                  |                            |                                |            |
| South African National Road Agency                | 19 329                           | (113)                      | 19 216                         | 6.5        |
| South African Provincial and Municipal Government | 71 010                           | (2 035)                    | 68 975                         | 23.5       |
| South African Private Sector                      | 97 714                           | (5 423)                    | 92 291                         | 31.4       |
| Rest of Africa Public sector                      | 16 406                           | -                          | 16 406                         | 5.6        |
| Rest of Africa Private sector                     | 91 928                           | (23)                       | 91 905                         | 31.3       |
| Australia Public Sector                           | 2 776                            | -                          | 2 776                          | 0.9        |
| Australia Private Sector                          | 2 424                            | -                          | 2 424                          | 0.8        |
| Total contract assets (note 15)                   | <u>301 587</u>                   | <u>(7 594)</u>             | <u>293 993</u>                 | <u>100</u> |

**For the year ended 29 February 2020**

|   |                |                 |                |            |
|---|----------------|-----------------|----------------|------------|
| South African National Road Agency                | 6 209          | (91)            | 6 118          | 1.9        |
| South African Provincial and Municipal Government | 73 758         | (2 331)         | 71 427         | 22.1       |
| South African Private Sector                      | 158 702        | (6 380)         | 152 322        | 47.1       |
| Rest of Africa Public sector                      | 16 285         | (16 285)        | -              | -          |
| Rest of Africa Private sector                     | 78 884         | (169)           | 78 715         | 24.3       |
| Australia Public Sector                           | 6 353          | (1)             | 6 352          | 2.0        |
| Australia Private Sector                          | 8 724          | (4)             | 8 720          | 2.7        |
| Total contract assets (note 15)                   | <u>348 915</u> | <u>(25 261)</u> | <u>323 654</u> | <u>100</u> |

**Notes to the group financial statements (continued)**

**8. Financial risk management (continued)**

**Financial risk factors (continued)**

*(b) Credit risk (continued)*

Other financial assets only consist of South African private customers, refer to note 18 for further details.

*Impairment of financial assets*

The group's financial assets are subject to the expected credit loss model.

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 the 12 month period before 1 March 2019 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 GDP's, 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.

The loss allowance for trade and other receivables and contract assets at year end is made up as follows:

|  | Current and<br>past due<br>R'000 | Credit<br>Impaired<br>R'000 | Total<br>R'000 |
|--|----------------------------------|-----------------------------|----------------|
| <b>Trade and other receivables</b>                   |                                  |                             |                |
| <b>Balance at 28 February 2018 (IAS 39)</b>          | -                                | 97 655                      | 97 655         |
| Amounts restated through retained earnings           | 19 282                           | -                           | 19 282         |
| <b>Opening balance at 1 March 2018</b>               | 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)       |
| <b>Closing balance at 28 February 2019</b>           | 16 518                           | 223 260                     | 239 778        |
| <b>Opening balance at 1 March 2019</b>               | 16 518                           | 223 260                     | 239 778        |
| Exchange differences                                 | 14                               | (20 941)                    | (20 927)       |
| Current year loss allowance                          | 6 657                            | 56 239                      | 62 896         |
| Amounts written off during the year as uncollectible | (793)                            | (10 694)                    | (11 487)       |
| Unused amounts reversed                              | (6 689)                          | (25 885)                    | (32 574)       |
| <b>Closing balance at 29 February 2020</b>           | 15 707                           | 221 979                     | 237 686        |

**Notes to the group financial statements (continued)**

**8. Financial risk management (continued)**

**Financial risk factors (continued)**

*(b) Credit risk (continued)*

*Impairment of financial assets (continued)*

|  | Current and<br>past due<br>R'000 | Credit<br>Impaired<br>R'000 | Total<br>R'000 |
|--|----------------------------------|-----------------------------|----------------|
| <b>Contract assets</b>                               |                                  |                             |                |
| <b>Balance at 28 February 2018 (IAS39)</b>           | -                                | -                           | -              |
| Amounts restated through retained earnings           | 12 130                           | -                           | 12 130         |
| <b>Opening balance at 1 March 2018</b>               | 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)        |
| <b>Closing balance at 28 February 2019</b>           | 1 344                            | 6 250                       | 7 594          |
| <b>Opening balance at 1 March 2019</b>               | 1 344                            | 6 250                       | 7 594          |
| Current year loss allowance                          | 1 646                            | 20 150                      | 21 796         |
| Amounts written off during the year as uncollectible | -                                | (39)                        | (39)           |
| Unused amounts reversed                              | (551)                            | (3 539)                     | (4 090)        |
| <b>Closing balance at 29 February 2020</b>           | 2 439                            | 22 822                      | 25 261         |

Included in the prior 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 effectively provides for the full accounts receivable balance due from the RDA as at 29 February 2020. Refer to 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.

For all other financial assets held at amortised cost, no significant expected credit loss was noted during the year.

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 7.

**Notes to the group financial statements (continued)**

**8. Financial risk management (continued)**

**Financial risk factors (continued)**

*(c) Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash. The group does not make use of committed credit facilities.

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<br>R'000 | Contractual cash<br>flows<br>R'000 | Within 1 year<br>R'000 | 2 to 5 years<br>R'000 | 5 years and later<br>R'000 |
|---|--------------------------|------------------------------------|------------------------|-----------------------|----------------------------|
| <b>Year ended 28 February 2019</b>          |                          |                                    |                        |                       |                            |
| <b>Non-derivative financial liabilities</b> |                          |                                    |                        |                       |                            |
| 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              | -                     | -                          |
| <b>Total</b>                                | <b>2 360 112</b>         | <b>2 497 914</b>                   | <b>1 977 172</b>       | <b>451 507</b>        | <b>69 235</b>              |
| <b>Year ended 29 February 2020</b>          |                          |                                    |                        |                       |                            |
| <b>Non-derivative financial liabilities</b> |                          |                                    |                        |                       |                            |
| Bank borrowings                             | 788 216                  | 878 178                            | 351 503                | 507 126               | 19 549                     |
| Unsecured loan                              | 2 309                    | 2 309                              | 2 309                  | -                     | -                          |
| Lease liabilities                           | 455 098                  | 674 521                            | 87 048                 | 257 630               | 329 843                    |
| Other financial liabilities                 | 130 321                  | 167 841                            | 22 969                 | 99 872                | 45 000                     |
| Contract liabilities                        | 226 825                  | 226 825                            | 226 825                | -                     | -                          |
| Trade and other payables                    | 1 310 687                | 1 310 687                          | 1 310 687              | -                     | -                          |
| <b>Total</b>                                | <b>2 913 456</b>         | <b>3 260 361</b>                   | <b>2 001 341</b>       | <b>864 628</b>        | <b>394 392</b>             |

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 R106.7million (2019: R130.1 million).

Total financial institution backed contract guarantees provided to third parties on behalf of subsidiary companies amounted to R1 929.5 million (2019: R1 758.2 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.

**Notes to the group financial statements (continued)**

**9. Capital risk management**

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

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

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:

|   | 2020<br>R'000    | 2019<br>R'000    |
|---|------------------|------------------|
| Borrowings (refer note 19)                  | 797 813          | 661 747          |
| Other financial liabilities (refer note 21) | 130 321          | 134 868          |
| Trade and other payables (refer note 22)    | 1 417 392        | 1 366 715        |
| Contract liabilities (refer note 15)        | 226 825          | 326 852          |
| Current income tax liabilities              | 43 759           | 38 923           |
| <b>Defined Debt</b>                         | <b>2 616 110</b> | <b>2 529 105</b> |
| Capital & Reserves                          | 4 513 774        | 4 327 124        |
| Less: Intangible assets (refer note 12)     | (1 028 427)      | (1 037 605)      |
| <b>Defined Shareholders Funds</b>           | <b>3 485 347</b> | <b>3 289 519</b> |
| <b>Debt covenant gearing ratio</b>          | <b>0.75</b>      | <b>0.77</b>      |

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

|   | 2020<br>R'000 | 2019<br>R'000 |
|---|---------------|---------------|
| Total borrowings (refer note 19)                | 797 813       | 661 747       |
| Less: cash and cash equivalents (refer note 17) | (1 013 556)   | (962 611)     |
| Net debt  | (215 743)     | (300 864)     |
| Total equity                                    | 4 513 774     | 4 327 124     |
| Total capital and net debt                      | 4 298 031     | 4 026 260     |
| Gearing ratio                                   | (5.0%)        | (7.5%)        |



Notes to the group financial statements (continued)

10. Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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 - 20 years |
| - Plant and machinery               | 5 - 20 years  |
| - Vehicles                          | 3 - 8 years   |
| - Furniture, fittings and equipment | 2 - 8 years   |

Aircraft is split into the following three components; air frame, engine and avionics. These components are depreciated based on the number of flight hours flown during the period to the total estimated number of flight hours. Aircrafts are disclosed under 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 assesses the recoverability of property, plant and equipment when there is sufficient information to evidence an indicator of impairment. 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, if any, 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<br>buildings<br>R'000 | Plant and<br>machinery<br>R'000 | Vehicles<br>R'000 | Furniture, fittings<br>and equipment<br>R'000 | Total<br>R'000   |
|------------------------------------|--------------------------------|---------------------------------|-------------------|---|------------------|
| <b>At 28 February 2018</b>         |                                |                                 |                   |   |                  |
| Cost                               | 323 760                        | 3 320 733                       | 732 759           | 69 836  | 4 447 088        |
| Accumulated depreciation           | (12 120)                       | (1 645 495)                     | (333 629)         | (45 679)                                      | (2 036 923)      |
| Net book amount                    | 311 640                        | 1 675 238                       | 399 130           | 24 157  | 2 410 165        |
| <b>Year ended 28 February 2019</b> |                                |                                 |                   |   |                  |
| 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   | -                |
| <b>Closing net book amount</b>     | <b>395 021</b>                 | <b>1 746 794</b>                | <b>372 059</b>    | <b>21 705</b>                                 | <b>2 535 579</b> |
| <b>At 28 February 2019</b>         |                                |                                 |                   |   |                  |
| 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)      |
| <b>Net book amount</b>             | <b>395 021</b>                 | <b>1 746 794</b>                | <b>372 059</b>    | <b>21 705</b>                                 | <b>2 535 579</b> |

Notes to the group financial statements (continued)

10. Property, plant and equipment (continued)

|  | Land and<br>buildings<br>R'000 | Plant and<br>machinery<br>R'000 | Vehicles<br>R'000 | Furniture, fittings<br>and equipment<br>R'000 | Total<br>R'000   |
|--|--------------------------------|---------------------------------|-------------------|---|------------------|
| <b>Year ended 29 February 2020</b>     |                                |                                 |                   |   |                  |
| Opening net book amount                | 395 021                        | 1 746 794                       | 372 059           | 21 705  | 2 535 579        |
| Exchange differences                   | 1 396                          | 2 529                           | 243               | 86  | 4 254            |
| Additions                              | 12 597                         | 504 519                         | 53 939            | 10 480  | 581 535          |
| Loss of control of subsidiary (note 6) | (183 692)                      | -                               | -                 | -   | (183 692)        |
| Disposals                              | (17 865)                       | (57 145)                        | (16 651)          | (471)   | (92 132)         |
| Depreciation                           | (5 136)                        | (332 590)                       | (47 274)          | (9 028)                                       | (394 028)        |
| Reclassification                       | 992                            | (17 314)                        | 16 658            | (336)   | -                |
| <b>Closing net book amount</b>         | <b>203 313</b>                 | <b>1 846 793</b>                | <b>378 974</b>    | <b>22 436</b>                                 | <b>2 451 516</b> |
| <b>At 29 February 2020</b>             |                                |                                 |                   |   |                  |
| Cost                                   | 205 120                        | 3 824 654                       | 755 621           | 81 682  | 4 867 077        |
| Accumulated depreciation               | (1 807)                        | (1 977 861)                     | (376 647)         | (59 246)                                      | (2 415 561)      |
| <b>Net book amount</b>                 | <b>203 313</b>                 | <b>1 846 793</b>                | <b>378 974</b>    | <b>22 436</b>                                 | <b>2 451 516</b> |

Aircraft with a book value of R55.7 million (2019: R56.1 million) have been included under vehicles.

Depreciation expense of R394.0 million (2019: R376.9 million) has been charged in cost of sales (refer note 31).

A register containing the information required by the Companies Act, 71 of 2008, is available for inspection at the registered office of the company. Bank borrowings are secured on property, plant and equipment for a book value of R1 040.4 million (2019: R789.1 million).

A general notarial bond of R26.2 million (2019: R29.5 million) is registered over property with a carrying value of R46.2 million (2019: R45.8 million) as security for borrowing and asset finance facilities.

Lease rentals of R38.4 million (2019: R35.6 million) relating to the leasing of property, plant and equipment, are included in the statement of profit or loss (note 31).

Borrowings are disclosed in note 19 of these financial statements.

11. Leases

The statement of financial position reflects the following amounts relating to leases:

*Right-of-use assets*

|   | Land and<br>buildings<br>R'000 | Plant and<br>machinery<br>R'000 | Total<br>R'000 |
|---|--------------------------------|---------------------------------|----------------|
| <b>Year ended 29 February 2020</b>            |                                |                                 |                |
| Opening net book amount                       | -                              | -                               | -              |
| Adoption of IFRS 16 (refer note 47)           | 41 408                         | 201 959                         | 243 367        |
| <b>Opening net book value at 1 March 2019</b> | <b>41 408</b>                  | <b>201 959</b>                  | <b>243 367</b> |
| Additions                                     | 286 996                        | 64 609                          | 351 605        |
| Disposals                                     | (1 903)                        | (157 831)                       | (159 734)      |
| Depreciation                                  | (12 817)                       | (46 313)                        | (59 130)       |
| Modifications                                 | 271                            | -                               | 271            |
| <b>Closing net book amount</b>                | <b>313 955</b>                 | <b>62 424</b>                   | <b>376 379</b> |
| Cost  | 326 133                        | 82 804                          | 408 937        |
| Accumulated depreciation                      | (12 178)                       | (20 380)                        | (32 558)       |
| <b>Net book amount</b>                        | <b>313 955</b>                 | <b>62 424</b>                   | <b>376 379</b> |

*Lease liabilities*

|  | 2020<br>R'000  | 2019<br>R'000 |
|--|----------------|---------------|
| <b>Year ended 29 February 2020</b>     |                |               |
| Opening balance                        | -              | -             |
| Adoption of IFRS 16 (refer note 47)    | 244 313        | -             |
| <b>Opening balance at 1 March 2019</b> | <b>244 313</b> | <b>-</b>      |
| Additions                              | 425 769        | -             |
| Interest                               | 15 510         | -             |
| Lease payments                         | (67 156)       | -             |
| Disposals                              | (163 435)      | -             |
| Modifications                          | 97             | -             |
| <b>At 29 February 2020</b>             | <b>455 098</b> | <b>-</b>      |
| Current                                | 52 951         | -             |
| Non-current                            | 402 147        | -             |
|  | <b>455 098</b> | <b>-</b>      |

Lease liability additions exceed right-of-use asset additions due to the fact that the group entered into a sale and leaseback transaction during the year with RPI, refer to note 6 for further details. The sale and leaseback transaction resulted in a right-of-use asset of R283.5 million and a lease liability of R357.9 million being recognised on 28 February 2020, which will be depreciated and amortised over the 12 year lease period. In terms of IFRS 16, the sale and leaseback transaction reduced the profit and related right-of-use asset recognised in the group based on the benefit retained in the underlying assets being leased back.

Notes to the group financial statements (continued)

11. Leases (continued)

The statement of profit and loss reflects the following amounts relating to leases:

|  | 2020<br>R'000 | 2019<br>R'000 |
|--|---------------|---------------|
| <i>Included in cost of sales and administrative expenses:</i>                        |               |               |
| Depreciation on right-of-use assets  | 59 130        | -             |
| Expenses relating to short-term leases   | 34 481        | -             |
| Expenses relating to low-value asset leases  | 2 481         | -             |
| Expenses relating to variable lease payments not included in lease liabilities       | 1 396         | -             |
| <i>Included in finance costs</i>   |               |               |
| Interest expense   | 15 510        | -             |
| The total cash outflow for leases during the year                                    | 105 514       | -             |
| Capital repayments on capitalised leases   | 51 646        | -             |
| Interest repayments on capitalised leases  | 15 510        | -             |
| Lease payments relating to short-term, low-value and variable leases not capitalised | 38 358        | -             |

**The group's leasing activities and how leases are accounted for**

The Group leases various offices, land for construction site offices, land for quarrying activities, residential units for site accommodation, plant and machinery and office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions as well as extension and termination options. Rental contracts vary in length, and range from month to month agreements up to 12 years.

The lease agreements do not impose any covenants on the Group.

Until 28 February 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit and loss on a straight-line basis over the period of the lease.

From 1 March 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any incentives receivable;
- variable lease payments that are based on an index or rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs if applicable.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less at commencement date. Low value asset leases comprise small items of office equipment.

*Extension and termination options*

Extension and termination options are included in the majority of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option such as current market lease rates, availability and cost of similar assets. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of R14,3 million have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, a number of leases relating to plant and machinery were settled with suppliers in order to terminate the respective lease agreements earlier than contracted and take ownership of the underlying assets.

**Notes to the group financial statements (continued)**

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**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.

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 - 50 years

*Impairment considerations*

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

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.

Notes to the group financial statements (continued)

12. Intangible assets (continued)

|   | Goodwill<br>R'000 | Customer<br>Relationships<br>R'000 | Trademarks<br>R'000 | Mining rights<br>R'000 | Total<br>R'000   |
|---|-------------------|------------------------------------|---------------------|------------------------|------------------|
| <b>At 1 March 2018</b>                  |                   |                                    |                     |                        |                  |
| Cost                                    | 859 264           | 3 763                              | 21 053              | 101 384                | 985 464          |
| Accumulated amortisation and impairment | (18 374)          | (727)                              | -                   | (18 557)               | (37 658)         |
| <b>Net book amount</b>                  | <b>840 890</b>    | <b>3 036</b>                       | <b>21 053</b>       | <b>82 827</b>          | <b>947 806</b>   |
| <b>Year ended 28 February 2019</b>      |                   |                                    |                     |                        |                  |
| 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)         |
| <b>Closing net book amount</b>          | <b>851 076</b>    | <b>-</b>                           | <b>21 053</b>       | <b>165 476</b>         | <b>1 037 605</b> |
| <b>At 1 March 2019</b>                  |                   |                                    |                     |                        |                  |
| Cost                                    | 920 927           | 3 763                              | 21 053              | 192 184                | 1 137 927        |
| Accumulated amortisation and impairment | (69 851)          | (3 763)                            | -                   | (26 708)               | (100 322)        |
| <b>Net book amount</b>                  | <b>851 076</b>    | <b>-</b>                           | <b>21 053</b>       | <b>165 476</b>         | <b>1 037 605</b> |
| <b>Year ended 29 February 2020</b>      |                   |                                    |                     |                        |                  |
| Opening net book amount                 | 851 076           | -                                  | 21 053              | 165 476                | 1 037 605        |
| Impairment loss                         | (1 659)           | -                                  | -                   | -                      | (1 659)          |
| Exchange differences                    | 1 024             | -                                  | -                   | -                      | 1 024            |
| Amortisation charge                     | -                 | -                                  | -                   | (8 543)                | (8 543)          |
| <b>Closing net book amount</b>          | <b>850 441</b>    | <b>-</b>                           | <b>21 053</b>       | <b>156 933</b>         | <b>1 028 427</b> |
| <b>At 29 February 2020</b>              |                   |                                    |                     |                        |                  |
| Cost                                    | 921 951           | 3 763                              | 21 053              | 192 184                | 1 138 951        |
| Accumulated amortisation and impairment | (71 510)          | (3 763)                            | -                   | (35 251)               | (110 524)        |
| <b>Net book amount</b>                  | <b>850 441</b>    | <b>-</b>                           | <b>21 053</b>       | <b>156 933</b>         | <b>1 028 427</b> |

The goodwill relating to the acquisition of Donkerhoek Quarry (Pty) Ltd, in the materials division, was impaired during the year.

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 prior year due to the significant decrease in earnings in the cash generating unit. The goodwill impaired amounted 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 had experienced a significant decrease in earnings during the prior 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 to note 30).

Amortisation of mining rights of R8.5 million (2019: R11.2 million) is included in cost of sales in the statement of profit or loss (refer note 31).

Notes to the group financial statements (continued)

12. Intangible assets (continued)

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

|                                    | Materials<br>R'000 | Roads and<br>earthworks<br>R'000 | Infrastructure<br>R'000 | Total<br>R'000   |
|------------------------------------|--------------------|----------------------------------|-------------------------|------------------|
| <b>Goodwill</b>                    |                    |                                  |                         |                  |
| Year ended 28 February 2019        | 589 844            | 219 392                          | 41 840                  | 851 076          |
| <b>Year ended 29 February 2020</b> | <b>588 185</b>     | <b>219 392</b>                   | <b>42 864</b>           | <b>850 441</b>   |
| <b>Trademarks</b>                  |                    |                                  |                         |                  |
| Year ended 28 February 2019        | 21 053             | -                                | -                       | 21 053           |
| <b>Year ended 29 February 2020</b> | <b>21 053</b>      | <b>-</b>                         | <b>-</b>                | <b>21 053</b>    |
| <b>Mining rights</b>               |                    |                                  |                         |                  |
| Year ended 28 February 2019        | 165 476            | -                                | -                       | 165 476          |
| <b>Year ended 29 February 2020</b> | <b>156 933</b>     | <b>-</b>                         | <b>-</b>                | <b>156 933</b>   |
| <b>Total intangible assets</b>     |                    |                                  |                         |                  |
| Year ended 28 February 2019        | 776 373            | 219 392                          | 41 840                  | 1 037 605        |
| <b>Year ended 29 February 2020</b> | <b>766 171</b>     | <b>219 392</b>                   | <b>42 864</b>           | <b>1 028 427</b> |

The recoverable amounts of cash generating units are determined using value in use calculations covering a 5 year period which are based on financial budgets approved by management for the year ended 28 February 2021. Should the value in use calculation indicate any possible impairment, 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 12% and 16%. The pre-tax discount rates reflect specific risks relating to the entities within the Group and the countries in which they operate (if applicable).

The recoverable amounts of goodwill and trademarks will still exceed their carrying values if the growth rate is 0%. A rise in the pre-tax discount rate to 21% will remove the remaining headroom and the carrying value will exceed the recoverable amount.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 13. Investment in associates and joint ventures

The group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures and joint operations (note 43).

##### Equity Method

Under the equity method, the investments are 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. Profits are then subsequently only recognised to the extent that these exceed previously unrecognised losses.

Intercompany 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 investments are impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount in the statement of profit or loss.

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

|                              | 2020<br>R'000 | 2019<br>R'000 |
|------------------------------|---------------|---------------|
| Investment in associates     | 1 041         | 1 061         |
| Loans to associates          | 22 726        | 22 726        |
| Investment in joint ventures | 70            | 1             |
| Loans to joint ventures      | 32 588        | 18 778        |
|                              | 56 425        | 42 566        |

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

The loans to associates and joint ventures bear interest at 11.75% (2019: 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 above). 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:

|   |               |               |
|---|---------------|---------------|
| Carrying value at the beginning of the year | 23 787        | 26 344        |
| Loans (from)/to associates                  | -             | (1 800)       |
| Share of loss in associate                  | (20)          | (757)         |
| <b>Carrying value at end of the year</b>    | <b>23 767</b> | <b>23 787</b> |

The associates as listed below have share capital consisting solely of ordinary shares, which are held indirectly by the group; the country of incorporation or registration is also their principal place of business. The proportion of interest held is also the proportion of voting rights held.

Nature of investments in associates:

| Name of entity   | Place of business/country of incorporation | % of attributable interest | % of attributable interest | Nature of the relationship | Measurement method |
|--|--|----------------------------|----------------------------|----------------------------|--------------------|
|  |  | 2020                       | 2019                       |                            |                    |
| 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.

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

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 13. Investment in associates and joint ventures (continued)

##### 13.1. Associates (continued)

###### Financial Information at 100%

|  | Lufhereng      |               | Centremark    |               |
|--|----------------|---------------|---------------|---------------|
|  | 2020<br>R'000  | 2019<br>R'000 | 2020<br>R'000 | 2019<br>R'000 |
| <b>Statement of financial position</b> |                |               |               |               |
| <b>Assets</b>                          |                |               |               |               |
| Non-current assets                     | 8              | 7             | 9 041         | 9 636         |
| Current assets                         | 130 038        | 59 213        | 15 824        | 14 960        |
| <b>Total Assets</b>                    | <b>130 046</b> | <b>59 220</b> | <b>24 865</b> | <b>24 596</b> |
| <b>Equity and liabilities</b>          |                |               |               |               |
| Equity                                 | 8 207          | 7 912         | (2 360)       | (2 143)       |
| Non-current liabilities                | -              | -             | 1 724         | 1 862         |
| Current liabilities                    | 121 839        | 51 308        | 25 501        | 24 877        |
| <b>Total equity and liabilities</b>    | <b>130 046</b> | <b>59 220</b> | <b>24 865</b> | <b>24 596</b> |
| <b>Statement of profit or loss</b>     |                |               |               |               |
| Revenue                                | 387 416        | 292 557       | 27 036        | 26 527        |
| Profit/(Loss)                          | 295            | 42            | (216)         | (1 745)       |

##### 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:

|   | 2020<br>R'000 | 2019<br>R'000 |
|---|---------------|---------------|
| Carrying value at the beginning of the year | 18 779        | 85 445        |
| Investment in joint ventures                | -             | -             |
| Share of (loss)/profit in joint ventures    | (14)          | (358)         |
| Loans to joint ventures                     | 13 893        | 38 719        |
| Change in ownership                         | -             | (105 027)     |
| <b>Carrying value at end of the year</b>    | <b>32 658</b> | <b>18 779</b> |

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 2020 | % of attributable interest 2019 | Nature of the relationship | Measurement method |
|---|--|---------------------------------|---------------------------------|----------------------------|--------------------|
| Turnkey Real Estate Company (Pty) Ltd ("TREC")  | South Africa                               | 82                              | 77                              | Note 1                     | Equity             |
| Ndlu Housing (Pty) Ltd ("Ndlu Housing")         | South Africa                               | 33.34                           | 33.34                           | Note 2                     | Equity             |
| Waterfall George (Pty) Ltd ("Waterfall George") | South Africa                               | 50                              | -                               | Note 3                     | Equity             |

Note 1: 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% in the prior year through acquisition of the land owners share holding in the company, 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. Subsequently during the current year the group, through its subsidiary Raubex Building (Pty) Ltd, increased its effective ownership in TREC to 82%.

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

Note 3: Waterfall George was established during the current year to develop strategically acquired land in the Western Cape.

All 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).



## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 13. Investment in associates and joint ventures (continued)

##### 13.2. Joint Ventures (continued)

###### Financial Information at 100%

|  | Turnkey Real Estate Company |                | Ndlu Housing  |               |
|--|-----------------------------|----------------|---------------|---------------|
|  | 2020<br>R'000               | 2019*<br>R'000 | 2020<br>R'000 | 2019<br>R'000 |
| <b>Statement of financial position</b> |                             |                |               |               |
| <b>Assets</b>                          |                             |                |               |               |
| Non-current assets                     | -                           | 318            | 7             | 6             |
| Current assets                         | -                           | 106 513        | 40 371        | 30 101        |
| <b>Total Assets</b>                    | <b>-</b>                    | <b>106 831</b> | <b>40 378</b> | <b>30 107</b> |
| <b>Equity and liabilities</b>          |                             |                |               |               |
| Equity                                 | -                           | (790)          | 287           | 253           |
| Non-current liabilities                | -                           | -              | -             | -             |
| Current liabilities                    | -                           | 107 621        | 40 091        | 29 854        |
| <b>Total equity and liabilities</b>    | <b>-</b>                    | <b>106 831</b> | <b>40 378</b> | <b>30 107</b> |
| <b>Statement of profit or loss</b>     |                             |                |               |               |
| Revenue                                | -                           | -              | 74 165        | 39 600        |
| Profit/(Loss)                          | -                           | (738)          | 35            | 34            |

\* 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.

|  | Waterfall George |               |
|--|------------------|---------------|
|  | 2020<br>R'000    | 2019<br>R'000 |
| <b>Statement of financial position</b> |                  |               |
| <b>Assets</b>                          |                  |               |
| Non-current assets                     | 5                | -             |
| Current assets                         | 12 650           | -             |
| <b>Total Assets</b>                    | <b>12 655</b>    | <b>-</b>      |
| <b>Equity and liabilities</b>          |                  |               |
| Equity                                 | (51)             | -             |
| Non-current liabilities                | -                | -             |
| Current liabilities                    | 12 706           | -             |
| <b>Total equity and liabilities</b>    | <b>12 655</b>    | <b>-</b>      |
| <b>Statement of profit or loss</b>     |                  |               |
| Revenue                                | -                | -             |
| Profit/(Loss)                          | (51)             | -             |

#### 13.3. Reconciliation of carrying amounts of investments in associates and joint ventures:

|  | Net assets | Group's share (%) | Group's share<br>(R'000) | Loans to associates<br>and Joint ventures<br>R'000 | Carrying<br>amount<br>R'000 |
|--|------------|-------------------|--------------------------|--|-----------------------------|
| 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                      |
| <b>Carrying amount at 28 February 2019</b> |            |                   |                          |  | <b>42 566</b>               |
| Turnkey Real Estate Company                | -          | -                 | -                        | -  | -                           |
| Ndlu Housing                               | 287        | 33.34             | 95                       | 20 000   | 20 095                      |
| Lufhereng                                  | 8 207      | 25.34             | 2 080                    | -  | 2 080                       |
| Centremark                                 | (2 360)    | 44                | (1 038)                  | 22 726   | 21 688                      |
| Waterfall George                           | (51)       | 50                | (26)                     | 12 588   | 12 562                      |
| <b>Carrying amount at 29 February 2020</b> |            |                   |                          |  | <b>56 425</b>               |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

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

Development land is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, development and borrowing costs 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.

|   | 2020<br>R'000  | 2019<br>R'000  |
|---|----------------|----------------|
| Crusher stone   | 151 137        | 176 153        |
| Gypsum  | 42 383         | 49 802         |
| Consumable stores                                       | 133 197        | 117 077        |
| Development land  | 123 585        | 225 518        |
| Other materials including bitumen, rubber and emulsions | 191 397        | 197 102        |
|   | <u>641 699</u> | <u>765 652</u> |
| Less: non-current inventories                           | (55 057)       | (67 474)       |
| Total current inventories                               | <u>586 642</u> | <u>698 178</u> |

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 mine dumps and gypsum dump have sufficient aggregate reserves to last 32 and 5 years respectively at current sales volumes.

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 349.4 million (2019: R2 325.7 million) (refer to note 31). No inventories are encumbered.

No write-offs of inventory to net realisable value were required during the current year.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

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#### 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 to note 28 for further details on judgements required when recognising revenue.

The costs of construction services and activities are initially recognised as expenses 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.

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, dependant 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 contracts 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.

#### *Retentions*

Retentions are common practice in the construction industry and are used to guarantee the performance of a contractor and safeguard against defects for an initial period after construction is complete. Retentions are generally withheld as work is certified over the course of the contract, in accordance with a specified percentage stipulated in the contract with the customer, alternatively some contracts allow for retention guarantees to be provided through financial institutions.

Retentions by their nature only become due once a project is complete and the contractual defects liability period has expired. Once retentions become due they are invoiced and allocated to trade receivables, where standard contractual payment terms apply.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 15. Contract assets and liabilities (continued)

Contracts in progress and retentions are made up as follows:

|  | 2020<br>R'000 | 2019<br>R'000 |
|--|---------------|---------------|
| Costs incurred plus profits recognised, less recognised losses relating to contracts at year end | 5 115 374     | 4 063 996     |
| Less: progress billings  | (5 115 732)   | (4 242 837)   |
| Net balance sheet position for ongoing contracts   | (358)         | (178 841)     |
| Consisting of:   |               |               |
| Amounts due from customers for contract work   | 227 795       | 148 303       |
| Less: loss allowance   | (1 328)       | (292)         |
| Amounts due from customers for contract work - net   | 226 467       | 148 011       |
| Amounts due to customers for contract work   | (226 825)     | (326 852)     |
| Net balance sheet position for ongoing contracts   | (358)         | (178 841)     |
| Retentions   | 121 120       | 153 284       |
| Less: loss allowance   | (23 933)      | (7 302)       |
| Retentions - net   | 97 187        | 145 982       |
| Amounts due from customers for contract work   | 226 467       | 148 011       |
| Retentions   | 97 187        | 145 982       |
| Total contracts assets at reporting date   | 323 654       | 293 993       |
| Amounts due to customers for contract work   | 226 825       | 326 852       |
| Total contracts liabilities at reporting date  | 226 825       | 326 852       |

Retentions to be received after 12 months amounted to R34.1 million (2019: R41.8 million) and fall in the normal operating cycle of the group.

Included in contract liabilities in the prior year, 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.

Reconciliation of net amounts due from customers for contract work for the year:

|  | 2020<br>R'000 | 2019<br>R'000 |
|--|---------------|---------------|
| <b>Balance at 1 March</b>  | 148 303       | 135 964       |
| Add: Contract assets recognised during the year on contracts started in the current year | 146 274       | 101 433       |
| Add: Contract assets recognised during the year on contracts started in prior years      | 81 520        | 32 668        |
| Less: Contract assets reversed on contracts started in the current year                  | -             | (5 635)       |
| Less: Contract assets reversed on contracts started in prior years                       | (148 303)     | (116 127)     |
| <b>Balance before loss allowances</b>  | 227 794       | 148 303       |
| Loss allowance   | (1 328)       | (292)         |
| <b>Balance - net</b>   | 226 466       | 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:

|   | 2020<br>R'000 | 2019<br>R'000 |
|---|---------------|---------------|
| <b>Balance at 1 March</b>   | 326 852       | 227 940       |
| Add: Contract liabilities recognised during the year on contracts started in the current year | 118 744       | 154 217       |
| Add: Contract liabilities recognised during the year on contracts started in prior years      | 108 081       | 101 502       |
| Less: Contract liabilities reversed on contracts started in the current year                  | -             | -             |
| Less: Contract liabilities reversed on contracts started in prior years                       | (326 852)     | (156 807)     |
| <b>Balance - net</b>  | 226 825       | 326 852       |

Contract liabilities are reversed and recognised as revenue as costs incurred plus recognised profits catch up with the progress billings over the period of the contract.

Other than the fluctuations between amounts due from/to customers for contract work and progress billings on contracts there were no other significant factors that resulted in the changes in the contract asset and liabilities balances during the year.

#### Loss allowance on contract assets

|   | 2020<br>R'000 | 2019<br>R'000 |
|---|---------------|---------------|
| Balance at the end of the prior year                            | 7 594         | -             |
| Amounts restated under opening retained earnings                | -             | 12 130        |
| Balance at beginning of year                                    | 7 594         | 12 130        |
| Current year loss allowance for receivables and contract assets | 21 796        | 6 460         |
| Receivables written off during the year as uncollectible        | (39)          | (2 119)       |
| Unused amounts reversed   | (4 090)       | (8 877)       |
| <b>Balance at the end of the year</b>                           | 25 261        | 7 594         |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 15. Contract assets and liabilities (continued)

##### Error and reclassification of comparative figures

It was noted that the reconciliation of net amounts due to customers for contract work for the year was incorrect and had an error in the movement allocations for the 2019 year where R23.2 million was incorrectly allocated to the "Less: Contract liabilities reversed on contracts started in the current year" line but should have been shown as "Add: Contract liabilities recognised during the year on contracts started in the current year". The prior year disclosures have therefore been corrected to disclose this:

|   | 2019<br>(as previously<br>stated) | Correction      | 2019<br>(as currently<br>stated) |
|---|-----------------------------------|-----------------|----------------------------------|
| <b>Balance at 1 March 2018</b>  | <b>227 940</b>                    |                 | <b>227 940</b>                   |
| Add: Exchange differences   | -                                 |                 | -                                |
| Add: Contract liabilities recognised during the year on contracts started in the current year | <b>130 975</b>                    | <b>23 242</b>   | <b>154 217</b>                   |
| Add: Contract liabilities recognised during the year on contracts started in the prior year   | <b>101 502</b>                    |                 | <b>101 502</b>                   |
| Less: Contract liabilities reversed on contracts started in the current year                  | <b>23 242</b>                     | <b>(23 242)</b> | -                                |
| Less: Contract liabilities reversed on contracts started in the prior year                    | <b>(156 807)</b>                  |                 | <b>(156 807)</b>                 |
| <b>Balance at 28 February 2019</b>  | <b>326 852</b>                    | -               | <b>326 852</b>                   |

The above correction has no impact on the statement of financial position or the statement of profit or loss of the current or prior year.

#### 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 to note 8 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.

##### Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business and 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.

|  | 2020<br>R'000    | 2019<br>R'000 |
|--|------------------|---------------|
| Trade receivables  | <b>1 593 953</b> | 1 522 906     |
| Receivables under finance leases   | <b>54 444</b>    | 79 944        |
| Prepayments  | <b>54 679</b>    | 27 941        |
| Value-added taxation   | <b>44 962</b>    | 32 296        |
| Receivables from related parties (note 38)                                       | <b>84 628</b>    | 61 343        |
| Loans to related parties (note 38)   | <b>33 457</b>    | 17 719        |
| Total trade and other receivables  | <b>1 866 123</b> | 1 742 149     |
| Less: loss allowance   | <b>(237 685)</b> | (239 778)     |
| Total trade and other receivables - net  | <b>1 628 438</b> | 1 502 371     |
| Less: Non-current trade and other receivables (receivables under finance leases) | <b>(26 393)</b>  | (53 978)      |
| Total current trade and other receivables - net                                  | <b>1 602 045</b> | 1 448 393     |

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.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 16. Trade and other receivables (continued)

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

|                           | 2020             | 2019             |
|---------------------------|------------------|------------------|
|                           | R'000            | R'000            |
| South African Rand        | 1 428 732        | 1 164 015        |
| Australian Dollar         | 89 824           | 46 135           |
| Botswana Pula             | 40 632           | 46 443           |
| Central African CFA Franc | 38 287           | 32 116           |
| Mozambican Metical        | 10 676           | -                |
| Namibian Dollar           | 17 939           | 141 725          |
| Zambian Kwacha            | 2 189            | 71 937           |
| Zimbabwean Dollar         | 159              | -                |
|                           | <b>1 628 438</b> | <b>1 502 371</b> |

#### Loss allowance on trade and other receivables

|   |                |                |
|---|----------------|----------------|
| Balance at the end of the prior year                            | 239 778        | 97 655         |
| Amounts restated under opening retained earnings                | -              | 19 282         |
| Balance at beginning of year                                    | 239 778        | 116 937        |
| Exchange differences  | (20 927)       | (8 886)        |
| Acquisition of subsidiaries                                     | -              | 676            |
| Current year loss allowance for receivables and contract assets | 62 896         | 164 066        |
| Receivables written off during the year as uncollectible        | (11 487)       | (21 694)       |
| Unused amounts reversed   | (32 574)       | (11 321)       |
| <b>Balance at the end of the year</b>                           | <b>237 686</b> | <b>239 778</b> |

The creation and release of provision for impaired receivables have been included in other operating expenses in the statement of profit or loss (refer to note 31).

Included in the loss allowance for trade and other receivables in the prior year, 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. The full accounts receivable balance due from the RDA has effectively been provided for as at 29 February 2020. 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:

|   | 2020          | 2019          |
|---|---------------|---------------|
|   | R'000         | R'000         |
| Total gross investment in finance leases    | 62 630        | 98 337        |
| No later than 1 year                        | 34 381        | 36 201        |
| Later than 1 year and no later than 5 years | 28 249        | 62 136        |
| Unearned finance income                     | (8 186)       | (18 393)      |
| <b>Net investment in lease</b>              | <b>54 444</b> | <b>79 944</b> |

Represented by:

|   |        |        |
|---|--------|--------|
| Present value of minimum lease instalments  | 54 444 | 79 944 |
| No later than 1 year                        | 28 050 | 25 966 |
| Later than 1 year and no later than 5 years | 26 394 | 53 978 |

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.

|  | 2020             | 2019           |
|--|------------------|----------------|
|  | R'000            | R'000          |
| Cash on hand                           | 2 475            | 2 220          |
| Bank balances                          | 737 530          | 469 225        |
| Investments on call                    | 273 551          | 491 166        |
| <b>Total cash and cash equivalents</b> | <b>1 013 556</b> | <b>962 611</b> |

For purpose of the consolidated cash flow statement, cash and cash equivalents consist of:

|                           |           |         |
|---------------------------|-----------|---------|
|                           | 1 006 268 | 962 611 |
| Cash on hand              | 1 013 556 | 962 611 |
| Bank overdrafts (note 19) | (7 288)   | -       |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 17. Cash and cash equivalents (continued)

The credit ratings breakdown of cash and cash equivalents is as follows:

|                                       | Rating    |                  |                |
|---------------------------------------|-----------|------------------|----------------|
| Cash and cash equivalents - Australia | AA        | 73 460           | 18 894         |
| Cash and cash equivalents - Zambia    | A         | -                | 2 181          |
| Cash and cash equivalents - Zambia    | B         | 499              | -              |
| Cash and cash equivalents - Other     | BBB       | 937 122          | 939 316        |
| Cash on hand                          | Not rated | 2 475            | 2 220          |
|                                       |           | <b>1 013 556</b> | <b>962 611</b> |

#### 18. Other financial assets

Other financial assets consist of the following:

- Redeemable preference shares in ABI (Financial assets at fair value through profit and loss);
- A vendor loan receivable from ABI (Financial assets held at amortised cost); and
- Other receivable from ABI (Financial assets held at amortised cost)

Initially other financial assets are recognised at fair value, unless otherwise stated, and are subsequently measured at either amortised cost using the effective interest rate method or at fair value through profit or loss.

Other financial assets consist of the following at year end:

|  | Other<br>R'000 | Vendor<br>loan<br>R'000 | Preference<br>shares<br>R'000 | Total<br>R'000 |
|--|----------------|-------------------------|-------------------------------|----------------|
| <b>At 1 March 2019</b>   | -              | -                       | -                             | -              |
| - Receivable from ABI and investment in ABI resulting from the disposal of Raubex Property Investments (Pty) Ltd | 187 000        | 81 443                  | 114 619                       | 383 062        |
| Charged to statement of profit or loss:  |                |                         |                               |                |
| - Loss as part of sale and leaseback transaction (note 6)  | -              | -                       | (73 591)                      | (73 591)       |
| <b>At 28 February 2020</b>   | <b>187 000</b> | <b>81 443</b>           | <b>41 028</b>                 | <b>309 471</b> |
| Non-current  | -              | 81 443                  | 41 028                        | 122 471        |
| Current  | 187 000        | -                       | -                             | 187 000        |
|  | <b>187 000</b> | <b>81 443</b>           | <b>41 028</b>                 | <b>309 471</b> |

During the year, the group disposed of its shares in Raubex Property Investments (Pty) Ltd for R383 million. Refer to note 6 for further details on the transaction.

Of the Purchase Price, R187 million will be received on the closing date and the balance of R196 million, will consist of a vendor loan of R81,4 million and an equity preference share investment in ABI of R114,6 million at zero coupon. The three financial assets are classified as follows:

##### Preference shares

The preference shares are redeemable at the election of ABI on payment of a R1 preferential dividend per share which is required to be paid within 10 years of the subscription date. The preference dividends shall accrue interest at a zero rate, with the exception only of default interest which shall accrue upon the issuer failing to declare all preference dividends within the stipulated 10 year period. Thereafter any outstanding preference dividends will bear interest at the prime rate, calculated from the day immediately following the due date for payment until the date of payment.

The preference shares were discounted on subscription date to fair value using a rate 10,82% being the similar lending rate applicable to the group on a similar transaction, plus a 1% risk premium for the private nature of the equity investment. The maximum 10 years available to the issuer was used as the investment term. No default interest has been included in the fair value of the preference shares as the occurrence of default on the preferential dividends is deemed to be highly unlikely at year end.

##### Vendor loan

The vendor loan of R81,4 million is repayable within 5 years, and bears interest at 9,82% per annum.

##### Other

The R187 million receivable from ABI is payable on closing date, once all the necessary security is in place, including registration of first covering mortgage bonds over the properties in the portfolio. No fair value adjustment has been made as the conditions for payment are expected to be met within the next financial year, therefore the financing component is deemed to be immaterial.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 18. Other financial assets (continued)

##### 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 assets 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<br>R'000 | Effect on FV, if discount rate was 2.5% lower at acquisition date<br>R'000 |
|-------------------|--|---|--|
| Preference shares | 10.82%   | (8 204)   | 10 516   |

#### 19. 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 borrower 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 property, plant and equipment or, if lower, the present value of the minimum instalments. The corresponding liability is included in the statement of financial position as an instalment sales agreement obligation under borrowings.

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.

|                              | 2020<br>R'000 | 2019<br>R'000 |
|------------------------------|---------------|---------------|
| <i>Non-current</i>           |               |               |
| Bank borrowings              | 491 614       | 362 989       |
| Total non-current borrowings | 491 614       | 362 989       |
| <i>Current</i>               |               |               |
| Bank borrowings              | 296 602       | 295 194       |
| Unsecured loans              | 2 309         | 3 564         |
| Bank overdrafts              | 7 288         | -             |
| Total current borrowings     | 306 199       | 298 758       |
| Total borrowings             | 797 813       | 661 747       |

##### Bank borrowings

The bank borrowings are secured by hypothec over property, plant and equipment with a book value of R1 040.4 million (2019: R789.1 million) and repayable in monthly instalments of R42.3 million (2019: R32.3 million) with an effective interest rate ranging between 4.17% and 10.05% per annum (2019: 4.05% and 10.05%). Bank borrowings mature September 2026.

A general notarial bond of R26.2 million (2019: R29.5 million) is registered over property with a carrying value of R46.2 million (2019: R45.8 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 unutilised facilities for asset backed finance of R386.0 million (2019: R547.2 million). The facilities are subject to annual review.



## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 19. Borrowings (continued)

Gross future minimum payments on bank borrowings are as follows:

|   | 2020            | 2019     |
|---|-----------------|----------|
|   | R'000           | R'000    |
| No later than 1 year                        | 351 503         | 333 471  |
| Later than 1 year and no later than 5 years | 507 126         | 391 507  |
| Later than 5 years                          | 19 549          | 9 235    |
|   | <b>878 178</b>  | 734 213  |
| Future finance charges on bank borrowings   | <b>(89 962)</b> | (76 030) |
| Present value of bank borrowings            | <b>788 216</b>  | 658 183  |

The current banking facilities are subjected to the group maintaining a gearing ratio of not more than 1.25. The gearing ratio for purposes of the debt covenants is calculated in note 9 – capital risk management.

|                                    | 2020         | 2019  |
|------------------------------------|--------------|-------|
|                                    | R'000        | R'000 |
| Independent Family Trust (note 38) | <b>2 309</b> | 3 564 |
| Total unsecured loans              | <b>2 309</b> | 3 564 |

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

#### 20. 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.

The provisions are made up as follows:

|  | Materials<br>provision<br>R'000 | Rehabilitation<br>provision<br>R'000 | Post-employment<br>benefits<br>R'000 | Total<br>R'000  |
|--|---------------------------------|--------------------------------------|--------------------------------------|-----------------|
| <b>At 1 March 2018</b>                         | 15 823                          | 79 041                               | 3 739                                | 98 603          |
| Acquisition of subsidiaries                    | -                               | 18 368                               | -                                    | 18 368          |
| <i>Charged to statement of profit or loss:</i> |                                 |                                      |                                      |                 |
| - Additional provision                         | 18 973                          | 4 715                                | -                                    | 23 688          |
| - Unwinding of discount (note 32)              | -                               | 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)           |
| <b>At 28 February 2019</b>                     | <b>11 359</b>                   | <b>102 526</b>                       | <b>3 099</b>                         | <b>116 984</b>  |
| <i>Charged to statement of profit or loss:</i> |                                 |                                      |                                      |                 |
| - Additional provision                         | <b>17 311</b>                   | <b>238</b>                           | -                                    | <b>17 549</b>   |
| - Unwinding of discount (note 32)              | -                               | <b>4 096</b>                         | -                                    | <b>4 096</b>    |
| - Provisions utilised                          | <b>(20 105)</b>                 | <b>(1 360)</b>                       | -                                    | <b>(21 465)</b> |
| - Current service cost                         | -                               | -                                    | <b>36</b>                            | <b>36</b>       |
| - Interest expense                             | -                               | -                                    | <b>341</b>                           | <b>341</b>      |
| - Expected employer benefit payments           | -                               | -                                    | <b>(113)</b>                         | <b>(113)</b>    |
| - Past service cost gain                       | -                               | -                                    | <b>(264)</b>                         | <b>(264)</b>    |
| Actuarial gain for the year                    | -                               | -                                    | <b>(162)</b>                         | <b>(162)</b>    |
| <b>At 29 February 2020</b>                     | <b>8 565</b>                    | <b>105 500</b>                       | <b>2 937</b>                         | <b>117 002</b>  |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 20. Provisions for liabilities and charges (continued)

| <b>Analysis of total provisions:</b> | <b>2020</b>    | <b>2019</b>  |
|--------------------------------------|----------------|--------------|
|                                      | <b>R'000</b>   | <b>R'000</b> |
| <b>Non-current</b>                   |                |              |
| Rehabilitation provision             | <b>105 500</b> | 102 526      |
| Post-employment benefits             | <b>2 816</b>   | 3 099        |
| Total non-current provisions         | <b>108 316</b> | 105 625      |
| <b>Current</b>                       |                |              |
| Materials provision                  | <b>8 565</b>   | 11 359       |
| Post-employment benefits             | <b>121</b>     | -            |
| Total current provisions             | <b>8 686</b>   | 11 359       |
| <b>Total provisions</b>              | <b>117 002</b> | 116 984      |

The additional provisions have been included in other operating expenses in the statement of profit or loss (refer to note 31).

#### 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 6.05% (2019: 6.55%) and an average inflation rate of 4.19% (2019: 4.70%) 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.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 20. Provisions for liabilities and charges (continued)

##### Post-employment benefits:

One of the subsidiaries in the group i.e. Tosas (Pty) Ltd provides post-retirement healthcare benefits to certain of their retirees, employed prior to 1 January 1998 who retire and satisfy the necessary requirements of the medical fund. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

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

|   | 2020<br>R'000 | 2019<br>R'000 |
|---|---------------|---------------|
| Non-current present value of unfunded obligations | 2 816         | 3 099         |
| Current present value of unfunded obligations     | 121           | -             |
| Balance at the end of the year                    | <u>2 937</u>  | <u>3 099</u>  |
| Consisting of:                                    |               |               |
| Retirement Benefits                               | 658           | 1 297         |
| Death-In-Service Benefits                         | 40            | 45            |
| Continuation Members Benefits                     | 2 239         | 1 757         |
| Balance at the end of the year                    | <u>2 937</u>  | <u>3 099</u>  |

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:

|                           | 2020  | 2019  |
|---------------------------|-------|-------|
| Discount rate             | 11.7% | 11.2% |
| Healthcare cost inflation | 8.9%  | 9.4%  |
| Expected retirement age   | 59    | 59    |

The weighted average duration of the post-retirement healthcare benefit is 16.0 years (2019: 17.6 years).

The expected maturity analysis of undiscounted benefit payments:

|                            | Less than a year | Between 1 - 5 years | Between 6 - 10<br>years | Between 11 - 15<br>years |
|----------------------------|------------------|---------------------|-------------------------|--------------------------|
|                            | R'000            | R'000               | R'000                   | R'000                    |
| <b>At 28 February 2019</b> |                  |                     |                         |                          |
| Benefit payments           | 113              | 571                 | 1 032                   | 2 418                    |
| <b>At 29 February 2020</b> |                  |                     |                         |                          |
| Benefit payments           | 127              | 622                 | 1 174                   | 2 410                    |

Projection of results of the valuation as at 29 February 2020 to 28 February 2021 is set out below.

|                                    | Post-employment<br>benefit liability<br>R'000 |
|------------------------------------|---|
| As at 29 February 2020             | 2 937   |
| Current service cost               | 31  |
| Interest expense                   | 336   |
| Expected employer benefit payments | <u>(127)</u>                                  |
| As at 28 February 2021             | <u>3 177</u>                                  |

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.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

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

|   | Put option<br>R'000 | Contingent<br>considerations<br>R'000 | Voluntary<br>rebuilding<br>programme<br>R'000 | Total<br>R'000 |
|---|---------------------|---------------------------------------|---|----------------|
| <b>At 1 March 2018</b>                      | 60 267              | -                                     | 101 980                                       | 162 247        |
| - Acquisition of subsidiaries               | -                   | 37 034                                | -   | 37 034         |
| Charged to statement of profit or loss:     |                     |                                       |   |                |
| - Unwinding of discount (note 32)           | 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)       |
| <b>At 28 February 2019</b>                  | -                   | 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        |
| <b>At 1 March 2019</b>                      | -                   | 39 611                                | 95 257  | 134 868        |
| Charged to statement of profit or loss:     |                     |                                       |   |                |
| - Unwinding of discount (note 32)           | -                   | 2 759                                 | 7 694   | 10 453         |
| Expiry/Settlement of financial liabilities: |                     |                                       |   |                |
| - Voluntary Rebuilding Programme Settlement | -                   | -                                     | (15 000)                                      | (15 000)       |
| <b>At 29 February 2020</b>                  | -                   | 42 370                                | 87 951  | 130 321        |
| Non-current                                 | -                   | 34 401                                | 72 951  | 107 352        |
| Current                                     | -                   | 7 969                                 | 15 000  | 22 969         |
|   | -                   | 42 370                                | 87 951  | 130 321        |

#### Sensitivity Analysis - Significant unobservable inputs (Level 3)

Below is a sensitivity analysis with regards to the discount rate 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<br>to establish FV at<br>acquisition date | Effect on FV, if<br>discount rate was<br>2.5% higher at<br>acquisition date<br>R'000 | Effect on FV, if<br>discount rate was<br>2.5% lower at<br>acquisition date<br>R'000 |
|---|--|--|---|
| Metadynamics – Contingent Consideration | 6.40%  | (2 205)  | 2 480   |
| Transkei – Contingent Consideration     | 6.40%  | (932)  | 1 035   |

Refer to the transaction descriptions below for further details relating to the other unobservable inputs inherent in the financial liabilities held at fair value through profit and loss.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

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#### 21. Other financial liabilities (continued)

##### **OMV Stilfontein (Pty) Ltd and OMV (Pty) Ltd ("OMV") – Put Option**

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

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

The purchase consideration for the Sale Shares of each of the Stilfontein and Potchefstroom operations is an amount equal to the amount determined in terms of the following formula i.e. The lesser of an earnings multiple of 6.5 or the 30 day VWAP earnings multiple at which Raubex Group Limited trades on the 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 prior 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 prior the year.

##### **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 4 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 above.

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 4 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 above.

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 a 12 year period, from the effective date, 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%.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

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#### 22. 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.

|   | 2020             | 2019             |
|---|------------------|------------------|
|   | R'000            | R'000            |
| Trade payables                            | 462 679          | 548 312          |
| Payables due to related parties (note 38) | 31 262           | 28 076           |
| Loans from related parties (note 38)      | 36 563           | 10 156           |
| Advance payments received                 | 9 295            | 72 560           |
| Value-added taxation                      | 97 410           | 57 510           |
| Accruals and other payables               | 780 183          | 650 101          |
| Total trade and other payables            | <u>1 417 392</u> | <u>1 366 715</u> |

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

#### 23. 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.

The group assesses the underlying economic circumstances of all deferred tax assets recognised on tax losses in order to ensure that future taxable profits are probable.

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.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 23. Deferred income tax (continued)

|                                       | 2020<br>R'000  | 2019<br>R'000 |
|---------------------------------------|----------------|---------------|
| <b>Deferred tax assets</b>            |                |               |
| Non-current                           | (131 890)      | (94 684)      |
| <b>Deferred tax liabilities</b>       |                |               |
| Non-current                           | <b>280 057</b> | 292 389       |
| <b>Deferred tax liabilities (net)</b> | <b>148 167</b> | 197 705       |

A net deferred tax asset amount of R79.6 million is expected to be recovered over the next 12 months.

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

|  | 2020<br>R'000  | 2019<br>R'000 |
|--|----------------|---------------|
| <b>Balance at beginning of year</b>    | <b>197 705</b> | 302 422       |
| Exchange differences                   | (1 583)        | (16 932)      |
| Acquisition of subsidiaries (note 6)   | -              | 26 140        |
| Charged to equity (adoption of IFRS 9) | -              | (8 795)       |
| Charged to statement of profit or loss | (48 001)       | (105 309)     |
| Charged to comprehensive income        | 46             | 179           |
| <b>Balance at year end</b>             | <b>148 167</b> | 197 705       |

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<br>depreciation<br>R'000 | Construction<br>contracts<br>R'000 | Other<br>R'000 | Total<br>R'000 |
|--|--------------------------------------|------------------------------------|----------------|----------------|
| <b>Deferred tax liabilities</b>        |                                      |                                    |                |                |
| <b>At 1 March 2018</b>                 | 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         |
| <b>At 28 February 2019</b>             | 451 549                              | 28 297                             | 1 284          | 481 130        |
| Exchange differences                   | -                                    | -                                  | -              | -              |
| Charged to statement of profit or loss | 15 436                               | 562                                | -              | 15 998         |
| <b>At 28 February 2020</b>             | <b>466 985</b>                       | <b>28 859</b>                      | <b>1 284</b>   | <b>497 128</b> |

|  | Provisions<br>R'000 | Tax losses<br>R'000 | Other<br>R'000  | Total<br>R'000   |
|--|---------------------|---------------------|-----------------|------------------|
| <b>Deferred tax assets</b>             |                     |                     |                 |                  |
| <b>At 1 March 2018</b>                 | (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)          |
| <b>At 28 February 2019</b>             | (152 019)           | (106 996)           | (24 410)        | (283 425)        |
| Exchange differences                   | (1 671)             | -                   | 88              | (1 583)          |
| Charged to statement of profit or loss | 6 737               | (29 053)            | (41 683)        | (63 999)         |
| Charged to comprehensive income        | 46                  | -                   | -               | 46               |
| <b>At 28 February 2020</b>             | <b>(146 907)</b>    | <b>(136 049)</b>    | <b>(66 005)</b> | <b>(348 961)</b> |

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. Deferred income tax assets to the value R7.1 million in respect of tax losses carried forward were not recognised in the group at year end due to the uncertainty pertaining to future taxable profits.

Included in "Other" deferred tax assets is a deferred tax asset relating to the loss recognised on the sale and leaseback transaction of R16.5 million and a deferred tax asset relating to the net lease liability arising from the sale and leaseback transaction of R21 million. Refer to note 6 for further details.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 24. 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<br>'000 | Ordinary shares<br>R'000 | Share premium<br>R'000 | Total<br>R'000   |
|---------------------|--------------------------|--------------------------|------------------------|------------------|
| At 1 March 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        |
| At 29 February 2020 | <b>181 750</b>           | <b>1 817</b>             | <b>2 059 688</b>       | <b>2 061 505</b> |

No new shares were issued during the year (2019: nil).

The total authorised number of ordinary shares is 500 million shares (2019: 500 million) with a par value of 1 cent per share (2019: 1 cent per share). All issued shares are fully paid.

#### 25. 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.

|  | 2020<br>R'000 | 2019<br>R'000 |
|--|---------------|---------------|
| Treasury Shares held by Raubex (Pty) Ltd | 16 002        | 1 218         |
| <b>Total</b>                             | <b>16 002</b> | <b>1 218</b>  |

Treasury Shares are shares in Raubex Group Limited that are held by group companies. During the current financial year the company acquired an additional 835,399 of its own shares through purchases on the JSE Limited. The total amount paid to acquire the shares was R14,8 million and has been deducted from shareholders' equity. The related weighted average share price at the time of purchase was R17,67.

The weighted average share price of the remaining treasury shares held at year end is R17,67.

#### Analysis of movement in treasury shares:

|  | Number of<br>shares | Value<br>R'000 |
|--|---------------------|----------------|
| At 1 March 2018                              | 70 138              | 1 218          |
| At 28 February 2019                          | 70 138              | 1 218          |
| Treasury shares acquired by Raubex (Pty) Ltd | <b>835 399</b>      | <b>14 784</b>  |
| At 29 February 2020                          | <b>905 537</b>      | <b>16 002</b>  |



## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 26. Other reserves

|  | Foreign currency<br>translation reserve<br>R'000 | Common control<br>reserve<br>R'000 | Equity settled share<br>based payment<br>R'000 | Put option written<br>on non-controlling<br>interest<br>R'000 | Total<br>R'000     |
|--|--|------------------------------------|--|---|--------------------|
| <b>At 1 March 2018</b>   | (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 (note 36)                                    | -  | -                                  | 6 905  | -   | 6 905              |
| <b>At 28 February 2019</b>   | <b>(8 742)</b>                                   | <b>(1 175 298)</b>                 | <b>6 905</b>                                   | <b>-</b>  | <b>(1 177 135)</b> |
| Translation difference of foreign subsidiaries                                       | <b>27 823</b>                                    | -                                  | -  | -   | <b>27 823</b>      |
| Non-controlling interests' portion of translation difference of foreign subsidiaries | <b>(674)</b>                                     | -                                  | -  | -   | <b>(674)</b>       |
| Performance shares granted to employees (note 36)                                    | -  | -                                  | <b>8 142</b>                                   | -   | <b>8 142</b>       |
| <b>At 29 February 2020</b>   | <b>18 407</b>                                    | <b>(1 175 298)</b>                 | <b>15 047</b>                                  | <b>-</b>  | <b>(1 141 844)</b> |

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.

#### 27. Non-controlling interest

|  | 2020<br>R'000  | 2019<br>R'000  |
|--|----------------|----------------|
| Balance at beginning of year                             | 262 272        | 157 240        |
| Profit attributable to non-controlling interest          | 49 447         | 58 885         |
| FCTR attributable to non-controlling interest            | 674            | 43             |
| Non-controlling interest arising on business combination | -              | 60 654         |
| Acquisition of non-controlling interest                  | (16 531)       | (1 792)        |
| Dividends paid to non-controlling interest               | (38 445)       | (12 758)       |
| <b>Balance at end of year</b>                            | <b>257 417</b> | <b>262 272</b> |

Refer to note 42 for a breakdown of non-controlling interest percentages per subsidiary.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

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#### 28. 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.

Although in most instances contracts are expected to last more than 12 months, 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 the group has applied the 12 month financing practical expedient in terms of IFRS 15 and no element of financing is deemed to be present and no adjustment for the time value of money are made to the group's transaction prices.

#### *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 to 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 to 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.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 28. Revenue (continued)

Revenue generated per activity is as follows:

|   | 2020<br>R'000    | 2019<br>R'000    |
|---|------------------|------------------|
| Contracting revenue                             | 6 084 060        | 5 992 304        |
| Commercial quarry aggregates and gypsum revenue | 1 111 402        | 900 591          |
| Bitumen and emulsion products and services      | 580 884          | 573 028          |
| Asphalt supply revenue                          | 281 646          | 633 556          |
| Plant hire revenue                              | 473 329          | 339 028          |
| Property sales and development fees             | 203 575          | 80 635           |
| <b>Total revenue</b>                            | <b>8 734 896</b> | <b>8 519 142</b> |

*Disaggregation of revenue*

| Disaggregation of revenue by activity and segment     | Materials<br>R'000 | Roads and<br>earthworks<br>R'000 | Infrastructure<br>R'000 | Consolidated<br>R'000 |
|---|--------------------|----------------------------------|-------------------------|-----------------------|
| <b>For the year ended 28 February 2019</b>            |                    |                                  |                         |                       |
| 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, property rentals and development fees | -                  | -                                | 80 635                  | 80 635                |
| <b>Total revenue for the year</b>                     | <b>2 750 801</b>   | <b>3 634 494</b>                 | <b>2 133 847</b>        | <b>8 519 142</b>      |

#### **For the year ended 29 February 2020**

|   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| Contracting revenue                                   | 1 164 637        | 2 374 604        | 2 544 819        | 6 084 060        |
| Commercial quarry aggregates and gypsum revenue       | 1 111 402        | -                | -                | 1 111 402        |
| Bitumen and emulsion products and services            | -                | 580 884          | -                | 580 884          |
| Asphalt supply revenue                                | -                | 281 646          | -                | 281 646          |
| Plant hire revenue                                    | 473 329          | -                | -                | 473 329          |
| Property sales, property rentals and development fees | -                | -                | 203 575          | 203 575          |
| <b>Total revenue for the year</b>                     | <b>2 749 368</b> | <b>3 237 134</b> | <b>2 748 394</b> | <b>8 734 896</b> |

#### Disaggregation of revenue by activity and geography

|   | South Africa<br>R'000 | Rest of Africa<br>R'000 | Australia<br>R'000 | Consolidated<br>R'000 |
|---|-----------------------|-------------------------|--------------------|-----------------------|
| <b>For the year ended 28 February 2019</b>            |                       |                         |                    |                       |
| Contracting revenue                                   | 4 864 294             | 804 440                 | 323 570            | 5 992 304             |
| Commercial quarry aggregates and gypsum revenue       | 765 389               | 135 202                 | -                  | 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, property rentals and development fees | 80 635                | -                       | -                  | 80 635                |
| <b>Total revenue for the year</b>                     | <b>6 990 062</b>      | <b>1 205 510</b>        | <b>323 570</b>     | <b>8 519 142</b>      |

#### **For the year ended 29 February 2020**

|   |                  |                  |                |                  |
|---|------------------|------------------|----------------|------------------|
| Contracting revenue                                   | 4 850 717        | 685 391          | 547 952        | 6 084 060        |
| Commercial quarry aggregates and gypsum revenue       | 940 479          | 170 923          | -              | 1 111 402        |
| Bitumen and emulsion products and services            | 374 517          | 206 367          | -              | 580 884          |
| Asphalt supply revenue                                | 248 181          | 33 465           | -              | 281 646          |
| Plant hire revenue                                    | 473 329          | -                | -              | 473 329          |
| Property sales, property rentals and development fees | 203 575          | -                | -              | 203 575          |
| <b>Total revenue for the year</b>                     | <b>7 090 798</b> | <b>1 096 146</b> | <b>547 952</b> | <b>8 734 896</b> |

#### Disaggregation of revenue by customer sector and geography

|  | South Africa<br>R'000 | Rest of Africa<br>R'000 | Australia<br>R'000 | Consolidated<br>R'000 |
|--|-----------------------|-------------------------|--------------------|-----------------------|
| <b>For the year ended 28 February 2019</b> |                       |                         |                    |                       |
| Public sector                              | 1 730 985             | 33 161                  | 68 389             | 1 832 535             |
| Private sector                             | 5 259 077             | 1 172 349               | 255 181            | 6 686 607             |
| <b>Total revenue for the year</b>          | <b>6 990 062</b>      | <b>1 205 510</b>        | <b>323 570</b>     | <b>8 519 142</b>      |

#### **For the year ended 29 February 2020**

|                                   |                  |                  |                |                  |
|-----------------------------------|------------------|------------------|----------------|------------------|
| Public sector                     | 1 502 522        | 43 827           | 180 813        | 1 727 162        |
| Private sector                    | 5 588 276        | 1 052 319        | 367 139        | 7 007 734        |
| <b>Total revenue for the year</b> | <b>7 090 798</b> | <b>1 096 146</b> | <b>547 952</b> | <b>8 734 896</b> |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 28. Revenue (continued)

##### Error and reclassification of comparative figures

Reclassification of comparative figures in respect of the geographies and activities from which revenue was recognised:

| Disaggregation of revenue by activity and geography                                | South Africa<br>R'000 | Rest of Africa<br>R'000 | Australia<br>R'000 | Consolidated<br>R'000 |
|--|-----------------------|-------------------------|--------------------|-----------------------|
| <b>For the year ended 28 February 2019</b>   |                       |                         |                    |                       |
| <b>International revenue (activities as previously stated)</b>                     |                       |                         |                    |                       |
| Contracting revenue  | 4 943 199             | 1 049 105               | -                  | 5 992 304             |
| Commercial quarry aggregates and gypsum revenue                                    | 686 484               | 214 107                 | -                  | 900 591               |
| <i>Re-allocation of revenue to correct revenue activity (note 1)</i>               |                       |                         |                    |                       |
| Contracting revenue  | (78 905)              | 78 905                  | -                  | -                     |
| Commercial quarry aggregates and gypsum revenue                                    | 78 905                | (78 905)                | -                  | -                     |
| <i>Re-allocation of revenue to disaggregate international geographies (note 2)</i> |                       |                         |                    |                       |
| Contracting revenue  | -                     | (323 570)               | 323 570            | -                     |
| Commercial quarry aggregates and gypsum revenue                                    | -                     | -                       | -                  | -                     |
| <b>International revenue (activities as currently stated)</b>                      |                       |                         |                    |                       |
| Contracting revenue  | <b>4 864 294</b>      | <b>804 440</b>          | <b>323 570</b>     | <b>5 992 304</b>      |
| Commercial quarry aggregates and gypsum revenue                                    | <b>765 389</b>        | <b>135 202</b>          | <b>-</b>           | <b>900 591</b>        |

##### Note 1

Local commercial quarry aggregates and gypsum revenue of R78.9 million was incorrectly disclosed in the prior year as international commercial quarry aggregates and gypsum revenue. The prior year disclosures have therefore been corrected to disclose this. The reclassification has no impact on the statement of financial position or the statement of profit or loss of the current or prior year.

##### Note 2

In order to provide further understanding of where the Group's International revenue is derived from, international revenue has been disaggregated into two geographies i.e. "Rest of Africa" and "Australia".

|   | 2020<br>R'000    | 2019<br>R'000    |
|---|------------------|------------------|
| <b>29. Other income</b>                                     |                  |                  |
| Income received under finance leases                        | 10 106           | 13 398           |
| Insurance recoveries  | 3 497            | 6 213            |
| Interest on accounts receivable                             | 6 357            | 9 512            |
| Seta recoveries   | 2 024            | 2 127            |
| Bad debts recovered   | 4 917            | 594              |
| Total other income  | <b>26 901</b>    | <b>31 844</b>    |
| <b>30. Other gains/(losses)</b>                             |                  |                  |
| Profit on sale of fixed assets                              | 24 008           | 9 930            |
| Gain/(loss) on exchange differences                         | (15 788)         | 1 583            |
| Put option reversed (note 21)                               | -                | 13 181           |
| Impairment of goodwill (note 12)                            | (1 659)          | (51 477)         |
| Loss on sale and leaseback transaction (note 6)             | (68 525)         | -                |
| Gain on remeasurement of financial asset                    | -                | 2 203            |
| Gain on early termination of leases                         | 4 540            | -                |
| Total other gains/(losses)                                  | <b>(57 424)</b>  | <b>(24 580)</b>  |
| <b>31. Expenses by nature</b>                               |                  |                  |
| Changes in inventories (note 14)                            | 123 953          | 59 544           |
| Subcontractors  | 2 038 570        | 2 174 323        |
| Raw materials and consumables (note 14)                     | 2 225 458        | 2 266 139        |
| Employee benefit expense (note 35)                          | 2 132 426        | 2 119 849        |
| Depreciation and amortisation (note 10, 11 and 12)          | 461 701          | 388 073          |
| Short-term, low-value and variable lease payments (note 11) | 38 358           | -                |
| Operating lease rentals                                     | -                | 35 580           |
| Repairs and maintenance                                     | 514 713          | 466 938          |
| Other operating expenses                                    | 652 234          | 681 724          |
| Total cost of sales and administrative expenses             | <b>8 187 413</b> | <b>8 192 170</b> |
| Total cost of sales   | <b>7 643 854</b> | <b>7 665 128</b> |
| Total administrative expenses                               | <b>543 559</b>   | <b>527 042</b>   |
| Total cost of sales and administrative expenses             | <b>8 187 413</b> | <b>8 192 170</b> |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 31. Expenses by nature (continued)

##### Error and reclassification of prior year figures

During the current year the group amended its statement of profit and loss to incorporate the requirements of IAS 1.82(ba) which requires that the net impairment loss on financial and contract assets be presented as a separate line. In the prior year, the net impairment loss formed part of cost of sales, therefore the cost of sales relating to the prior year in the statement of profit and loss and relevant notes has been restated to reflect this change. Refer to summary of changes below:

|  | 2019<br>as previously<br>reported<br>R'000 | Reclassification<br>R'000 | 2019<br>as currently<br>reported<br>R'000 |
|--|--|---------------------------|---|
| <b>Statement of profit and loss</b>                    |  |                           |   |
| Cost of sales  | (7 792 319)                                | 127 191                   | (7 665 128)                               |
| Net impairment losses on financial and contract assets | -  | (127 191)                 | (127 191)                                 |
| <b>Expenses by nature (note 31)</b>                    |  |                           |   |
| Other operating expenses                               | 808 915                                    | (127 191)                 | 681 724                                   |

The above reclassification has no impact on the statement of financial position or the statement of profit or loss of the current or prior year.

#### 32. 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.

|   |                 |          |
|---|-----------------|----------|
| <b>Finance income:</b>  | <b>2020</b>     | 2019     |
|   | <b>R'000</b>    | R'000    |
| Interest income on cash resources   | <b>45 701</b>   | 45 201   |
| Other interest  | <b>3 449</b>    | 3 411    |
| Total finance income  | <b>49 150</b>   | 48 612   |
| <b>Finance costs:</b>   |                 |          |
| <i>Cash finance costs</i>   |                 |          |
| Bank borrowings   | <b>(54 452)</b> | (57 020) |
| Interest expense on lease liabilities   | <b>(15 510)</b> | -        |
| Other interest  | <b>(1 100)</b>  | (762)    |
| <i>Non-cash finance costs</i>   |                 |          |
| Unwinding of discount - rehabilitation provision (note 20)                          | <b>(4 096)</b>  | (3 043)  |
| Unwinding of discount - contingent consideration liability and put option (note 21) | <b>(2 759)</b>  | (3 950)  |
| Unwinding of discount - voluntary rebuilding programme (note 21)                    | <b>(7 694)</b>  | (8 277)  |
| Unwinding of discount - retentions  | <b>2 201</b>    | (806)    |
| Total finance costs   | <b>(83 410)</b> | (73 858) |
| <b>Net finance costs</b>  | <b>(34 260)</b> | (25 246) |

#### 33. 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.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 33. Income tax expense (continued)

|   | 2020<br>R'000   | 2019<br>R'000   |
|---|-----------------|-----------------|
| <b>South African normal taxation</b>                                    |                 |                 |
| <b>Current tax</b>  |                 |                 |
| Current period  | 109 661         | 89 425          |
| Adjustments for current tax of prior periods                            | 3 167           | 1 190           |
| Capital gains tax   | 18 745          | 902             |
| Total South African normal taxation                                     | <u>131 573</u>  | <u>91 517</u>   |
| <b>Deferred tax</b>   |                 |                 |
| Originating and reversing temporary differences                         | (50 685)        | (65 394)        |
| Total South African deferred taxation                                   | <u>(50 685)</u> | <u>(65 394)</u> |
| Total South African taxation  | <u>80 888</u>   | <u>26 123</u>   |
| <b>Foreign taxation</b>   |                 |                 |
| <b>Current tax</b>  |                 |                 |
| Current period  | 61 216          | 78 785          |
| Adjustments for current tax of prior periods                            | 25              | (1 152)         |
| Total foreign normal tax  | <u>61 241</u>   | <u>77 633</u>   |
| <b>Deferred tax</b>   |                 |                 |
| Originating and reversing temporary differences                         | 2 684           | (39 914)        |
| Total foreign deferred tax  | <u>2 684</u>    | <u>(39 914)</u> |
| Total foreign taxation  | <u>63 925</u>   | <u>37 719</u>   |
| <b>Total income tax expense</b>   | <u>144 813</u>  | <u>63 842</u>   |
| <b>Reconciliation between applicable and effective tax rate:</b>        |                 |                 |
|   | %               | %               |
| Applicable tax rate   | 28.00           | 28.00           |
| Goodwill written off  | 0.10            | 7.98            |
| Expenses attributable to exempt income                                  | 0.27            | 1.04            |
| Capital gains tax   | (1.18)          | (0.12)          |
| Tax losses written off  | (0.88)          | 1.03            |
| Impairment of loan accounts   | 0.50            | -               |
| Current tax recognised in prior periods                                 | 0.72            | 0.02            |
| Disallowed charges - other  | 0.68            | 1.37            |
| Disallowed charges - share options                                      | 0.51            | 1.07            |
| Disallowed charges - VRP settlement agreement and unwinding of discount | 0.66            | 1.28            |
| Special allowances  | (0.47)          | (2.12)          |
| Loss on sale and leaseback transaction                                  | 0.92            | -               |
| Tax at rates in foreign countries                                       | 1.01            | (4.22)          |
| Withholding tax on dividends  | 1.62            | -               |
|   | <u>32.46</u>    | <u>35.33</u>    |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 33. Income tax expense (continued)

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

|  | 2020                |              |                    | 2019                |              |                    |
|--|---------------------|--------------|--------------------|---------------------|--------------|--------------------|
|  | Before tax<br>R'000 | Tax<br>R'000 | After tax<br>R'000 | Before tax<br>R'000 | Tax<br>R'000 | After tax<br>R'000 |
| Currency translation differences                             | 27 823              | -            | 27 823             | 14 670              | -            | 14 670             |
| Actuarial (loss)/gain on post-employment benefit obligations | 163                 | 46           | 117                | 640                 | 179          | 461                |
| Other comprehensive income                                   | 27 986              | 46           | 27 940             | 15 310              | 179          | 15 131             |

#### 34. Auditors' remuneration

|                             | 2020<br>R'000 | 2019<br>R'000 |
|-----------------------------|---------------|---------------|
| Fees                        | 12 333        | 11 329        |
| Prior year under provision  | 483           | 327           |
| Tax and non-audit services  | 193           | 217           |
| Total auditors remuneration | 13 009        | 11 873        |

#### 35. Employee benefit expense

##### *Pension obligations (Retirement fund contributions)*

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

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

##### *Other post-employment obligations*

One company in the group provides post-retirement healthcare benefits to their retirees. Refer to note 20 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:

|   | 2020<br>R'000 | 2019<br>R'000 |
|---|---------------|---------------|
| Wages and salaries  | 1 911 328     | 1 906 942     |
| Performance shares granted to employees (note 36)           | 8 142         | 6 905         |
| Long term incentive bonus provision (cash retention scheme) | 15 376        | 15 391        |
| Retrenchment and termination cost                           | 10 348        | -             |
| Retirement fund contributions                               | 91 347        | 97 713        |
| Medical aid contributions                                   | 40 778        | 39 567        |
| Other contributions and accruals                            | 55 107        | 53 331        |
| Total employee benefit expense                              | 2 132 426     | 2 119 849     |

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.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 36. 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 5 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 3 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 3 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 3 years of service with the balance vesting after 4 years of service from the grant date.

Performance conditions comprise of KPI's and targets which are determined by the remuneration committee ("remco") and take into consideration the groups strategic objectives and shareholder interests.

The vesting of shares awarded under the LTI scheme is subject the following performance conditions:

##### LTI Scheme 2018:

- 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, CalgroM3, Group Five, Stefanutti Stocks and WBHO

##### LTI Scheme 2019:

- 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, CalgroM3, PPC, Sephanku, 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.

The following table sets out a summary of the long term incentive KPI targets and weighting

##### LTI Scheme 2018:

| KPI's  | 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% |

##### LTI Scheme 2019:

| KPI's  | Weight | Threshold = 50% participation     | Target = 100% participation               | Stretch = 150% participation              |
|--|--------|-----------------------------------|---|---|
| Average ROICE* > WACC                        | 50%    | WACC                              | WACC plus 1%                              | 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% |



## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 36. Employee Long-term Incentive Scheme (continued)

ROICE, WACC and TSR are defined in the Company's remuneration policy as follows:

|              |   |
|--------------|---|
| <b>ROICE</b> | NOPAT / (Total borrowings + total equity)   |
| <b>NOPAT</b> | Profit after tax + net finance charges after tax  |
| <b>WACC</b>  | WACC formula= $(E/V * Ke) + [(D/V * Kd) * (1 - \text{tax rate})]$<br>E = Market value of equity<br>V = Total market value of equity and debt<br>Ke = Cost of equity<br>D = Market value of debt<br>Kd = Cost of debt<br>Tax rate = Corporate tax rate   |
| <b>TSR</b>   | 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*<br><i>*Market price to be determined on a 20 business-day VWAP basis prior to the start and end of the performance period.</i> |

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.

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<br>(ROICE)  | b) LTI Scheme 2018<br>(TSR)  | c) LTI Scheme 2019<br>(ROICE)  | d) LTI Scheme 2019<br>(TSR)  |
|---|--|--|--|--|
| Nature of arrangement   | Performance shares granted   | Performance shares granted   | Performance shares granted   | Performance shares granted   |
| Options approved  | 911 188  | 911 188  | 1 041 801  | 1 041 801  |
| Number of options granted                                     | 911 188  | 911 188  | 1 041 801  | 1 041 801  |
| Number of options outstanding                                 | 911 188  | 911 188  | 1 041 801  | 1 041 801  |
| Exercise price  | R nil  | R nil  | R nil  | R nil  |
| Date of grant   | 01 August 2018   | 01 August 2018   | 01 August 2019   | 01 August 2019   |
| Share price at the date of grant                              | R 19.85  | R 19.85  | R 19.24  | R 19.24  |
| Contractual life  | 4 years  | 4 years  | 4 years  | 4 years  |
| Vesting conditions  | Refer to LTI summary above   | Refer to LTI summary above   | Refer to LTI summary above   | Refer to LTI summary above   |
| Performance period:   | 1 March 2018 to 28 Feb 2021  | 1 March 2018 to 28 Feb 2021  | 1 March 2019 to 28 Feb 2022  | 1 March 2019 to 28 Feb 2022  |
| Employment period (1st 50%):                                  | 1 August 2018 to 31 July 2021  | 1 August 2018 to 31 July 2021  | 1 August 2019 to 31 July 2022  | 1 August 2019 to 31 July 2022  |
| Employment period (remaining 50%):                            | 1 August 2018 to 31 July 2022  | 1 August 2018 to 31 July 2022  | 1 August 2019 to 31 July 2023  | 1 August 2019 to 31 July 2023  |
| Settlement  | Shares   | Shares   | Shares   | Shares   |
| Expected volatility   | n/a  | 33.8%  | n/a  | 33.4%  |
| Expected option life at grant date                            | 1st 50% of performance shares - 3 years<br>2nd 50% of performance shares - 4 years | 1st 50% of performance shares - 3 years<br>2nd 50% of performance shares - 4 years | 1st 50% of performance shares - 3 years<br>2nd 50% of performance shares - 4 years | 1st 50% of performance shares - 3 years<br>2nd 50% of performance shares - 4 years |
| Risk free interest rate                                       | 7.84%  | 7.84%  | 6.99%  | 6.99%  |
| Expected dividend yield                                       | 3.10%  | 3.10%  | 2.00%  | 2.00%  |
| Expected departures (grant date)                              | 0%   | 0%   | 0%   | 0%   |
| Expected outcome of meeting performance criteria (grant date) | 50%  | 150%   | 50%  | 150%   |
| Fair value of options determined at the grant date            | R 17.77  | R 22.97  | R 17.98  | R 21.66  |
| Valuation model   | Spot rate at grant date  | Monte - Carlo  | Spot rate at grant date  | Monte - Carlo  |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 36. Employee Long-term Incentive Scheme (continued)

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

| 28 February 2019            |                  |             |
|-----------------------------|------------------|-------------|
| Number of options<br>(‘000) | Weighted average |             |
|                             | Expected         | Contractual |
| 911 188                     | 3                | 3           |
| 911 188                     | 2                | 2           |

| 29 February 2020           |  |             |
|----------------------------|--|-------------|
| Number of shares<br>(‘000) | Weighted average remaining life (yrs.) |             |
|                            | Expected                               | Contractual |
| 1 041 801                  | 3                                      | 3           |
| 1 041 801                  | 2                                      | 2           |
| 911 188                    | 2                                      | 2           |
| 911 188                    | 1                                      | 1           |

A reconciliation of movements in the number of performance shares can be summarised as follows:

|                                  | 2020             |                | 2019             |                |
|----------------------------------|------------------|----------------|------------------|----------------|
|                                  | Number of shares | Exercise price | Number of shares | Exercise price |
| Outstanding at beginning of year | 1 822 375        | R 0.00         | -                | R 0.00         |
| Performance shares granted       | 2 083 602        | R 0.00         | 1 822 375        | R 0.00         |
| Performance shares forfeited     | -                | R 0.00         | -                | R 0.00         |
| Performance shares exercised     | -                | R 0.00         | -                | R 0.00         |
| Outstanding at end of year       | 3 905 977        | R 0.00         | 1 822 375        | R 0.00         |
| Exercisable at end of year       | -                | R 0.00         | -                | R 0.00         |

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

|  | 2020         | 2019         |
|--|--------------|--------------|
|  | R'000        | R'000        |
| <b>Expense – equity settled arrangements</b>           |              |              |
| Employee long term incentive (note 35)                 | 8 142        | 6 905        |
| Total share equity settled share based payment expense | <b>8 142</b> | <b>6 905</b> |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

| 37. Cash generated from operations  | 2020<br>R'000  | 2019<br>R'000  |
|---|----------------|----------------|
| Profit before income tax  | 446 164        | 180 684        |
| <i>Adjustment for:</i>  |                |                |
| Depreciation (note 10)  | 394 028        | 376 886        |
| Depreciation on right-of-use assets (note 11)   | 59 130         | -              |
| Amortisation (note 12)  | 8 543          | 11 187         |
| Goodwill Impairment (note 12)   | 1 659          | 51 477         |
| Profit on sale of assets (note 30)  | (24 008)       | (9 930)        |
| Interest received (note 32)   | (49 150)       | (48 612)       |
| Interest paid (note 32)   | 83 410         | 73 858         |
| Foreign exchange loss/(gains) - unrealised  | 5 995          | (18 213)       |
| Provisions (note 20)  | 18             | 13             |
| Share of loss of equity accounted investments (note 13)                                   | 34             | 1 115          |
| Performance shares granted to employees (note 35)   | 8 142          | 6 905          |
| Gain on early termination of leases   | (4 540)        | -              |
| Put option written off (note 30)  | -              | (13 181)       |
| Loss on sale and leaseback transaction (note 6)   | 68 525         | -              |
| Financial asset re-measurement  | -              | (2 203)        |
| <i>Changes in working capital</i>   |                |                |
| Inventories   | 12 332         | 24 561         |
| Trade and other receivables   | (126 067)      | 60 917         |
| Contract assets   | (29 661)       | (25 190)       |
| Contract liabilities  | (100 027)      | 98 912         |
| Trade and other payables  | 50 678         | 34 738         |
| <i>Changes in other financial liabilities</i>   |                |                |
| Voluntary rebuilding programme payment (note 21)  | (15 000)       | (15 000)       |
| <b>Net cash generated from operations</b>   | <b>790 205</b> | <b>788 924</b> |
| In the cash flow statement, proceeds from sale of property, plant and equipment comprise: |                |                |
| Net book amount (note 10)   | 92 132         | 50 212         |
| Profit on disposal of property, plant and equipment (note 30)                             | 24 008         | 9 930          |
| Proceeds from disposal of property, plant and equipment                                   | 116 140        | 60 142         |
| In the statement of cash flows taxation paid is calculated as follows:                    |                |                |
| Balance (receivable)/due at beginning of the year   | 8 382          | 3 063          |
| Add: acquisitions   | -              | 95             |
| Add: current year tax charge (note 33)  | 192 814        | 169 150        |
| Add: balance (payable)/receivable at end of the year                                      | (23 173)       | (8 382)        |
| Taxation paid   | 178 023        | 163 926        |

#### 37.1. Cash flow from financing activities

An analysis of movements in liabilities arising from financing activities for each period has been presented below:

|                                     | Put option<br>R'000 | Contingent<br>considerations<br>R'000 | Lease<br>Liabilities<br>R'000 | Borrowings -<br>Unsecured Loans<br>R'000 | Borrowings -<br>Bank Borrowings<br>R'000 |
|-------------------------------------|---------------------|---------------------------------------|-------------------------------|--|--|
| <b>Balance at 1 March 2018</b>      | 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)            | -                                     | -                             | -  | -  |
| <b>Balance at 28 February 2019</b>  | <b>-</b>            | <b>39 611</b>                         | <b>-</b>                      | <b>3 564</b>                             | <b>658 183</b>                           |
| <b>Note</b>                         | <b>21</b>           | <b>21</b>                             | <b>11</b>                     | <b>19</b>                                | <b>19</b>                                |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 37.1. Cash flow from financing activities (continued)

|                                     | Put option<br>R'000 | Contingent<br>considerations<br>R'000 | Lease<br>Liabilities<br>R'000 | Borrowings -<br>Unsecured Loans<br>R'000 | Borrowings -<br>Bank Borrowings<br>R'000 |
|-------------------------------------|---------------------|---------------------------------------|-------------------------------|--|--|
| <b>Balance at 28 February 2019</b>  | -                   | 39 611                                | -                             | 3 564                                    | 658 183                                  |
| Recognised on adoption of IFRS 16   | -                   | -                                     | 244 313                       | -  | -  |
| <b>Balance at 1 March 2019</b>      | -                   | 39 611                                | 244 313                       | 3 564                                    | 658 183                                  |
| Repayments of financial liabilities | -                   | -                                     | (67 156)                      | (1 255)                                  | (453 132)                                |
| Proceeds from financial liabilities | -                   | -                                     | -                             | -  | 583 165                                  |
| Unwinding of discount               | -                   | 2 759                                 | -                             | -  | -  |
| Interest accrued on leases          | -                   | -                                     | 15 510                        | -  | -  |
| Acquisition of leases               | -                   | -                                     | 425 886                       | -  | -  |
| Termination of leases               | -                   | -                                     | (163 455)                     | -  | -  |
| <b>Balance at 29 February 2020</b>  | -                   | 42 370                                | 455 098                       | 2 309                                    | 788 216                                  |
| <b>Note</b>                         | 21                  | 21                                    | 11                            | 19                                       | 19                                       |

#### 38. Related parties

##### Relationships

Joint Operations Refer to note 43

Companies and trusts controlled by directors and directors of subsidiaries:

Bridgetown Dolomite Mine Joint Venture  
 BM Pretorius Jnr Trust  
 Corpco 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

##### Related party balances

|  | 2020<br>R'000 | 2019<br>R'000 |
|--|---------------|---------------|
| <b>Amounts included in trade receivables regarding related parties</b> |               |               |
| Lemati Developers (Pty) Ltd  | -             | 1 540         |
| Phoenix Highway Joint Operation  | 1 142         | -             |
| Rau-Mon Joint Operation  | 31 363        | 27 370        |
| Raubex/Nodoli Construction Joint Operation                             | 19 347        | -             |
| Raubex/Moloto Joint Operation  | -             | 483           |
| Raubex/Enza Joint Operation  | 20 281        | 18 866        |
| Raubex/Enza/RB Joint Operation   | 3 565         | 2 555         |
| RJ Fourie Boerdery   | 4             | 2             |
| Sacyr Westforce Joint Operation  | 106           | -             |
| Vharanani/Raubex Joint Operation                                       | 8 820         | 10 527        |
| Receivables from related parties (refer to note 16)                    | <b>84 628</b> | <b>61 343</b> |

##### Amounts included in trade payables regarding related parties

|  |               |               |
|--|---------------|---------------|
| Akasia/Actophambili Joint Operation                | -             | 79            |
| Rau-Mon Joint Operation                            | 31 262        | 27 755        |
| Roadmac Surfacing/Enza Joint Operation             | -             | 242           |
| Payables due to related parties (refer to note 22) | <b>31 262</b> | <b>28 076</b> |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 38. Related parties (continued)

|   | 2020          | 2019          |
|---|---------------|---------------|
|   | R'000         | R'000         |
| <b>Loans to related parties</b>             |               |               |
| Akasia/Actophambili Joint Operation         | -             | 31            |
| Kentha/Raumix Joint Operation               | 1 489         | 1 207         |
| Mamiki Capital Investments (Pty) Ltd        | -             | 3 394         |
| MD Dikoko                                   | 187           | 187           |
| Oranje Mynbou en Vervoer (Pty) Ltd          | 1 850         | 1 850         |
| Phoenix Highway Joint Operation             | 2 219         | -             |
| Raubex/Enza/RB Joint Operation              | 2 177         | 4 443         |
| Raubex/Enza Joint Operation                 | 17 362        | 2 646         |
| Raubex/Moloto Joint Operation               | 937           | -             |
| Raubex/WBHO Joint Venture                   | 2             | -             |
| Roadmac Surfacing/Enza Joint Operation      | 1             | 1 518         |
| Roadmac Surfacing/RTH Joint Operation       | -             | 839           |
| Sacyr Westforce Joint Operation             | 5 629         | -             |
| Verdino 192 (Pty) Ltd                       | 1 604         | 1 604         |
| Loans to related parties (refer to note 16) | <b>33 457</b> | <b>17 719</b> |

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

Loans to entities controlled by key management:

|                                |              |              |
|--------------------------------|--------------|--------------|
| At beginning of year           | 7 036        | 4 642        |
| Loans advanced during the year | -            | 3 394        |
| Loan repayments received       | (3 394)      | (1 000)      |
| At end of year                 | <b>3 642</b> | <b>7 036</b> |

Loans to joint operations:

|                                |               |               |
|--------------------------------|---------------|---------------|
| At beginning of year           | 10 683        | 3 527         |
| Loans advanced during the year | 23 785        | 9 549         |
| Loan repayments received       | (4 653)       | (2 393)       |
| At end of year                 | <b>29 815</b> | <b>10 683</b> |

Total loans to related parties:

|                                   |               |               |
|-----------------------------------|---------------|---------------|
| At beginning of year              | 17 719        | 8 169         |
| Loans advanced during the year    | 23 785        | 12 943        |
| Loan repayments received          | (8 047)       | (3 393)       |
| At end of year (refer to note 16) | <b>33 457</b> | <b>17 719</b> |

#### Loans from related parties

*Included in trade payables (note 22):*

|   |        |       |
|---|--------|-------|
| Akasia/Actophambili Joint Operation               | 225    | -     |
| Klaas en Ellie Beleggings (Pty) Ltd               | 3 651  | 5 892 |
| Raubex Building/Umso Construction Joint Operation | 30 058 | 2 179 |
| Roadmac Surfacing/RTH Joint Operation             | 577    | -     |
| Vharanani/Raubex Joint Operation                  | 2 052  | 2 085 |

*Included in borrowings (note 19):*

|                            |               |               |
|----------------------------|---------------|---------------|
| Independent Family Trust   | 2 309         | 3 564         |
| Loans from related parties | <b>38 872</b> | <b>13 720</b> |

Loans from entities controlled by key management:

|                                |              |              |
|--------------------------------|--------------|--------------|
| At beginning of year           | 9 456        | 10 329       |
| Loans received during the year | -            | -            |
| Loan repayments made           | (3 496)      | (873)        |
| At end of year                 | <b>5 960</b> | <b>9 456</b> |

Loans from joint operations:

|                                |               |              |
|--------------------------------|---------------|--------------|
| At beginning of year           | 4 264         | 17 199       |
| Loans received during the year | 28 681        | 2 085        |
| Loan repayments made           | (33)          | (15 020)     |
| At end of year                 | <b>32 912</b> | <b>4 264</b> |

Total loans from related parties:

|   |               |               |
|---|---------------|---------------|
| At beginning of year                          | 13 720        | 27 528        |
| Loans received during the year                | 28 681        | 2 085         |
| Loan repayments made                          | (3 529)       | (15 893)      |
| At end of year (refer to note 19 and note 22) | <b>38 872</b> | <b>13 720</b> |

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

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 38. Related parties (continued)

|  | 2020<br>R'000  | 2019<br>R'000  |
|--|----------------|----------------|
| <b>Subcontractors' fees received from/ (paid to) related parties</b> |                |                |
| Lemati Developers (Pty) Ltd  | (88)           | 4 561          |
| Phoenix Highway Joint Operation                                      | 8 917          | -              |
| Rau-Mon Joint Operation  | (7 649)        | (1 525)        |
| Raubex/Enza Joint Operation  | 235 556        | 127 183        |
| Raubex/Enza/RB Joint Operation                                       | 27 932         | 21 382         |
| Raubex/Moloto Joint Operation  | 26             | 75 967         |
| Raubex/Nodoli Construction Joint Operation                           | 40 791         | -              |
| Raubex Building/Umso Construction Joint Operation                    | 64 618         | 41 327         |
| Roadmac Surfacing/Enza Joint Operation                               | 410            | 30 340         |
| Roadmac Surfacing/RTH Joint Operation                                | -              | 20 115         |
| Sacyr Westforce Joint Operation                                      | 32 861         | -              |
| Vharanani/Raubex Joint Operation                                     | 122 452        | 55 733         |
|  | <b>525 826</b> | <b>375 083</b> |

#### Rental of equipment and premises received paid to related parties

|                                    |                |                |
|------------------------------------|----------------|----------------|
| Corpco 851 CC                      | -              | (188)          |
| Kentha/Raumix Joint Operation      | (1 525)        | (1 508)        |
| NFG Property Sales (Pty) Ltd       | (438)          | (417)          |
| Rapid River Developments (Pty) Ltd | (143)          | (1 433)        |
|                                    | <b>(2 106)</b> | <b>(3 546)</b> |

#### Administration fees received from related parties

|                               |   |     |
|-------------------------------|---|-----|
| Raubex/Sakula Joint Operation | - | 300 |
|-------------------------------|---|-----|

#### Other fees received from/ (paid to) related parties

|                    |           |            |
|--------------------|-----------|------------|
| RJ Fourie Boerdery | 45        | 115        |
|                    | <b>45</b> | <b>115</b> |

#### Related party transactions with directors and prescribed officers

##### Directors emoluments

| 2019                 | Directors fees<br>R'000 | Salaries<br>R'000 | Incentive Bonuses<br>R'000 | Retirement fund<br>contributions<br>R'000 | Other benefits*<br>R'000 | Total Emoluments<br>R'000 |
|----------------------|-------------------------|-------------------|----------------------------|---|--------------------------|---------------------------|
| <b>Executive</b>     |                         |                   |                            |   |                          |                           |
| 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                    |
| <b>Non-executive</b> |                         |                   |                            |   |                          |                           |
| 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.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 38. Related parties (continued)

| 2020                 | Directors fees | Salaries | Incentive Bonuses | Retirement fund | Other benefits | Total Emoluments |
|----------------------|----------------|----------|-------------------|-----------------|----------------|------------------|
|                      | R'000          | R'000    | R'000             | contributions   | R'000          | R'000            |
| <b>Executive</b>     |                |          |                   |                 |                |                  |
| RJ Fourie            | -              | 3 507    | 4 167             | 345             | 333            | 8 352            |
| JF Gibson            | -              | 2 581    | 2 880             | 238             | 37             | 5 736            |
| NF Msiza             | -              | 2 658    | 1 504             | 245             | 6              | 4 413            |
| Total emoluments     | -              | 8 746    | 8 551             | 828             | 376            | 18 501           |
| <b>Non-executive</b> |                |          |                   |                 |                |                  |
| F Kenney             | 1 056          | -        | -                 | -               | -              | 1 056            |
| LA Maxwell           | 858            | -        | -                 | -               | -              | 858              |
| BH Kent              | 660            | -        | -                 | -               | -              | 660              |
| SR Bogatsu           | 660            | -        | -                 | -               | -              | 660              |
| Total emoluments     | 3 234          | -        | -                 | -               | -              | 3 234            |

| Prescribed officers emoluments 2019 | Salaries | Incentive Bonuses | Retirement fund | Other benefits* | Total Emoluments |
|-------------------------------------|----------|-------------------|-----------------|-----------------|------------------|
|                                     | R'000    | R'000             | contributions   | R'000           | R'000            |
| 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.

| Prescribed officers emoluments 2020 | Salaries | Incentive Bonuses | Retirement fund | Other benefits | Total Emoluments |
|-------------------------------------|----------|-------------------|-----------------|----------------|------------------|
|                                     | R'000    | R'000             | contributions   | R'000          | R'000            |
| LJ Raubenheimer                     | 2 496    | 3 011             | 251             | 329            | 6 087            |
| IJM van Niekerk                     | 2 420    | 1 387             | 223             | 241            | 4 271            |
| RL Shedlock                         | 3 608    | 1 830             | 440             | 544            | 6 422            |
| DC Lourens                          | 2 328    | 1 331             | 215             | 254            | 4 128            |
| JA Louw                             | 1 649    | 1 027             | 152             | 198            | 3 026            |
| GM Chemaly                          | 1 505    | 227               | 139             | 12             | 1 883            |
| Total emoluments                    | 14 006   | 8 813             | 1 420           | 1 578          | 25 817           |

#### Share options/performance shares granted to directors and prescribed officers

| Performance shares 2019    | Shares                      | Shares granted during the year | Shares exercised during the year | Shares outstanding  | Strike price |
|----------------------------|-----------------------------|--------------------------------|----------------------------------|---------------------|--------------|
|                            | outstanding at 1 March 2018 |                                |                                  | at 28 February 2019 |              |
| <b>Executive directors</b> |                             |                                |                                  |                     |              |
| RJ Fourie                  | -                           | 395 149                        | -                                | 395 149             | R 0.00       |
| JF Gibson                  | -                           | 273 142                        | -                                | 273 142             | R 0.00       |
| NF Msiza                   | -                           | 139 816                        | -                                | 139 816             | R 0.00       |
| <b>Prescribed officers</b> |                             |                                |                                  |                     |              |
| LJ Raubenheimer            | -                           | 291 315                        | -                                | 291 315             | R 0.00       |
| IJM van Niekerk            | -                           | 205 431                        | -                                | 205 431             | R 0.00       |
| RL Shedlock                | -                           | 212 737                        | -                                | 212 737             | R 0.00       |
| DC Lourens                 | -                           | 189 319                        | -                                | 189 319             | R 0.00       |
| JA Louw                    | -                           | 95 466                         | -                                | 95 466              | R 0.00       |
| GM Chemaly                 | -                           | 20 000                         | -                                | 20 000              | R 0.00       |

The performance shares granted to directors and prescribed officers during the prior year are in terms of the new long term incentive scheme, details of which are set out in note 36 to these group financial statements.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 38. Related parties (continued)

| Performance shares 2020    | Shares outstanding at 1 March 2019 | Shares granted during the year | Shares exercised during the year | Shares outstanding at 29 February 2020 | Strike price |
|----------------------------|------------------------------------|--------------------------------|----------------------------------|--|--------------|
| <b>Executive directors</b> |                                    |                                |                                  |  |              |
| RJ Fourie                  | 395 149                            | 442 372                        | -                                | 837 521                                | R 0.00       |
| JF Gibson                  | 273 142                            | 306 331                        | -                                | 579 473                                | R 0.00       |
| NF Msiza                   | 139 816                            | 156 723                        | -                                | 296 539                                | R 0.00       |
| <b>Prescribed officers</b> |                                    |                                |                                  |  |              |
| LJ Raubenheimer            | 291 315                            | 325 476                        | -                                | 616 791                                | R 0.00       |
| IJM van Niekerk            | 205 431                            | 231 126                        | -                                | 436 557                                | R 0.00       |
| RL Shedlock                | 212 737                            | 243 301                        | -                                | 456 038                                | R 0.00       |
| DC Lourens                 | 189 319                            | 226 048                        | -                                | 415 367                                | R 0.00       |
| JA Louw                    | 95 466                             | 107 515                        | -                                | 202 981                                | R 0.00       |
| GM Chemaly                 | 20 000                             | 44 710                         | -                                | 64 710                                 | R 0.00       |

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 36 to these group financial statements.

#### Interests of directors in the share capital

Details of ordinary shares held directly and indirectly per individual director are listed below as at 29 February 2020.

|                            | 2020<br>Number of shares | 2019<br>Number of shares |
|----------------------------|--------------------------|--------------------------|
| <b>Beneficial</b>          |                          |                          |
| <b>Direct and Indirect</b> |                          |                          |
| 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.

#### 39. Directors', prescribed officers and key management emoluments

| Executive  | 2020<br>R'000 | 2019<br>R'000 |
|--|---------------|---------------|
| For services as directors of the company           | 18 501        | 25 145        |
| For services as prescribed officers of the company | 25 817        | 40 554        |
| For services as key management                     | 89 730        | 96 038        |

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

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

| Key management emoluments 2019 | Salaries | Incentive Bonuses | Retirement fund contributions | Other benefits | Total Emoluments |
|--------------------------------|----------|-------------------|-------------------------------|----------------|------------------|
|                                | R'000    | R'000             | R'000                         | R'000          | R'000            |
|                                | 52 750   | 27 944            | 6 784                         | 8 560          | 96 038           |
| Key management emoluments 2020 | Salaries | Incentive Bonuses | Retirement fund contributions | Other benefits | Total Emoluments |
|                                | R'000    | R'000             | R'000                         | R'000          | R'000            |
|                                | 52 225   | 22 616            | 6 558                         | 8 331          | 89 730           |



## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 40. Commitments

##### Capital commitments

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

|                               | 2020<br>R'000 | 2019<br>R'000 |
|-------------------------------|---------------|---------------|
| Property, plant and equipment | 29 752        | -             |
| Investments in subsidiaries   | -             | 49 920        |
| Total capital commitments     | <u>29 752</u> | <u>49 920</u> |

##### 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:

|   | 2020<br>R'000 | 2019<br>R'000  |
|---|---------------|----------------|
| No later than 1 year                        | -             | 64 186         |
| Later than 1 year and no later than 5 years | -             | 118 872        |
| Later than 5 years                          | -             | 2 977          |
| Total operating lease commitments           | <u>-</u>      | <u>186 035</u> |

##### Voluntary rebuilding programme commitment

The future voluntary rebuilding programme commitment, consisting of the 8 remaining payments of R15 million per annum to be settled on 1 July each year, amounts to the following at year end:

|   | 2020<br>R'000 | 2019<br>R'000 |
|---|---------------|---------------|
| Voluntary rebuilding programme (refer to note 21) | 120 000       | 135 000       |

##### Error and restatement of comparative figures

As a result of procedures adopted to transition to IFRS 16 it was found that operating lease commitments of R112,8 million were incorrectly excluded from the operating lease commitments disclosed by the Group for the year ended 28 February 2019. The misstatement had no material impact on the Group's statement of financial position or statement of profit or loss.

|   | 2019<br>As previously<br>reported<br>R'000 | restatement<br>R'000 | 2019<br>As currently<br>reported<br>R'000 |
|---|--|----------------------|---|
| No later than 1 year                        | 27 572                                     | 36 614               | 64 186                                    |
| Later than 1 year and no later than 5 years | 45 713                                     | 73 159               | 118 872                                   |
| Later than 5 years                          | -  | 2 977                | 2 977                                     |
| Total operating lease commitments           | <u>73 285</u>                              | <u>112 750</u>       | <u>186 035</u>                            |

#### 41. Contingencies

Total financial institution backed contract guarantees provided to third parties on behalf of subsidiary companies amounted to R1 929.5 million (2019: R1 758.2 million). The directors do not believe that any exposure to loss is likely. Total available facilities in this regard amount to R4 712.7 million (2019: R4 262.8 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.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 42. Interest in subsidiaries

##### Direct\*

Raubex (Pty) Ltd  
Raubex FIC (Pty) Ltd  
Raubex Foreign Holdings (Pty) Ltd\*\*  
L & R Civils (Pty) Ltd

|  | Country of incorporation and place of business | Issued share capital | Effective %       | Effective %       | Effective % held by       | Effective % held by       | Shares at cost | Shares at cost |
|--|--|----------------------|-------------------|-------------------|---------------------------|---------------------------|----------------|----------------|
|  |  |                      | held by the group | held by the group | non-controlling interests | non-controlling interests | 2020           | 2019           |
|  |  |                      | 2020              | 2019              | 2020                      | 2019                      | 2020           | 2019           |
|  |  | Shares               | %                 | %                 | %                         | %                         | R'000          | R'000          |

|   |              |     |     |     |    |    |           |           |
|---|--------------|-----|-----|-----|----|----|-----------|-----------|
| H | South Africa | 300 | 100 | 100 | -  | -  | 2 018 163 | 1 001 620 |
| H | South Africa | 200 | 100 | 100 | -  | -  | 75 127    | 75 127    |
| H | South Africa | 100 | 100 | -   | -  | -  | -         | -         |
| I | South Africa | 300 | 80  | 80  | 20 | 20 | -         | -         |

##### Indirect

Akasia Road Surfacing (Pty) Ltd  
Aliwal Dolorite Quarry (Pty) Ltd  
B&E International - North (Namibia) (Pty) Ltd  
B&E International (Botswana) (Pty) Ltd  
B&E International (Foreign) (Pty) Ltd  
B&E International (Namibia) (Pty) Ltd  
B&E International (Pty) Ltd\*  
B&E International Eswatini (Pty) Ltd  
B&E International Mining (Pty) Ltd  
B&E International Mozambique Limitada  
Belabela Asphalt (Pty) Ltd  
Belabela Quarries (Pty) Ltd  
Burma Plant Hire (Pty) Ltd\*  
Burma Plant Hire and Mining (Pty) Ltd  
Burma Plant Hire (Namibia) (Pty) Ltd  
Canyon Rock (Pty) Ltd  
Cloetesdal Developments (Pty) Ltd  
Comar Plant Design and Manufacturing (Pty) Ltd  
Crushco (Pty) Ltd  
Donkerhoek (Pty) Ltd  
Donkerhoek Quartzite (Pty) Ltd  
Empa Plant (Pty) Ltd  
Empa Structures (Pty) Ltd  
Forte Demolition Solutions (Pty) Ltd  
Forward Infra (Pty) Ltd  
Greenmined Environmental (Pty) Ltd  
Harding Quarry (Pty) Ltd  
Howard Quarry (Pty) Ltd  
Inzalo Crushing and Aggregates (Pty) Ltd  
Komani Quarry (Pty) Ltd  
Lime Sales Ltd

|   |              |           |     |     |    |    |         |         |
|---|--------------|-----------|-----|-----|----|----|---------|---------|
| A | South Africa | 100       | 100 | 100 | -  | -  | 120 796 | 120 796 |
| Q | South Africa | 100       | 74  | 74  | 26 | 26 | 7 619   | 7 619   |
| P | Namibia      | 100       | 100 | 100 | -  | -  | -       | -       |
| D | Botswana     | 10 000    | 74  | 74  | 26 | 26 | -       | -       |
| C | South Africa | 100       | 100 | 100 | -  | -  | -       | -       |
| C | Namibia      | 200       | 74  | 37  | 26 | 63 | -       | -       |
| C | South Africa | 1 000     | 100 | 100 | -  | -  | 473 844 | 473 844 |
| C | Eswatini     | 100       | 100 | -   | -  | -  | -       | -       |
| C | South Africa | 100       | 49  | 49  | 51 | 51 | -       | -       |
| C | Mozambique   | 16 835    | 100 | 100 | -  | -  | -       | -       |
| A | Botswana     | 100       | 49  | 49  | 51 | 51 | 1       | 1       |
| Q | Botswana     | 1 660 000 | 74  | 74  | 26 | 26 | -       | -       |
| P | South Africa | 100       | 100 | 100 | -  | -  | 11 532  | 11 532  |
| P | South Africa | 100       | 100 | 100 | -  | -  | -       | -       |
| P | Namibia      | 100       | 100 | 100 | -  | -  | -       | -       |
| Q | South Africa | 120       | 74  | 74  | 26 | 26 | 46 294  | 46 294  |
| I | South Africa | 100       | 74  | -   | 26 | -  | -       | -       |
| P | South Africa | 1 000     | 100 | 100 | -  | -  | 3 000   | 3 000   |
| Q | South Africa | 100       | 74  | 74  | 26 | 26 | -       | -       |
| Q | South Africa | 200       | 70  | 70  | 30 | 30 | -       | -       |
| Q | South Africa | 4 000     | 74  | 74  | 26 | 26 | -       | -       |
| D | South Africa | 400       | 70  | 70  | 30 | 30 | 23 527  | 23 527  |
| I | South Africa | 100       | 70  | 70  | 30 | 30 | 4 099   | 4 099   |
| T | South Africa | 100       | 49  | 49  | 51 | 51 | -       | -       |
| M | South Africa | 100       | 100 | 100 | -  | -  | -       | -       |
| E | South Africa | 1 000     | 100 | 100 | -  | -  | -       | -       |
| Q | South Africa | 870 000   | 74  | 74  | 26 | 26 | -       | -       |
| Q | South Africa | 100       | 70  | 70  | 30 | 30 | -       | -       |
| Q | South Africa | 10 000    | 74  | 74  | 26 | 26 | 9       | 9       |
| Q | South Africa | 100       | 70  | 70  | 30 | 30 | -       | -       |
| Q | South Africa | 100       | 74  | 74  | 26 | 26 | 37 000  | 37 000  |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 42. Interest in subsidiaries (continued)

##### Indirect (continued)

Malmesbury Sand (Pty) Ltd  
 Matlosana Industries (Pty) Ltd  
 Metadynamics (Pty) Ltd  
 Middelburg Quarry (Pty) Ltd  
 Milling Techniks (Pty) Ltd  
 MRCN (Pty) Ltd t/a Westforce Construction  
 Muscle Construction (Pty) Ltd  
 Narindonde Construction (Pty) Ltd  
 National Asphalt (Pty) Ltd  
 National Cold Asphalt (Pty) Ltd  
 OMV (Pty) Ltd  
 OMV Kimberley (Pty) Ltd  
 OMV Kimberley Mining (Pty) Ltd  
 OMV Mining (Pty) Ltd  
 OMV Stilfontein (Pty) Ltd  
 OMV Stilfontein Mining (Pty) Ltd  
 Petra Quarry (Pty) Ltd  
 Phuhlisa Development Solutions (Pty) Ltd  
 Queenstown Quarry (Pty) Ltd  
 Raubex (Pty) Ltd  
 Raubex Building (Pty) Ltd  
 Raubex Civil (Pty) Ltd  
 Raubex Construction (Pty) Ltd  
 Raubex Construction (Pty) Ltd  
 Raubex Construction (Mauritius) Ltd  
 Raubex Construction Namibia (Pty) Ltd  
 Raubex Construction Zambia Ltd  
 Raubex Construction Zimbabwe (Pvt) Ltd  
 Raubex Infra (Pty) Ltd  
 Raubex Infrastructure Holdings (Pty) Ltd\*\*  
 Raubex KZN (Pty) Ltd  
 Raubex Lesotho (Pty) Ltd  
 Raubex Ltd  
 Raubex Materials Holdings (Pty) Ltd\*\*  
 (Formerly Raubex Civil (Pty) Ltd)  
 Raubex Mining (Pty) Ltd

|   | Country of incorporation and place of business | Issued share capital | Effective %       | Effective %       | Effective % held by       | Effective % held by       | Shares at cost | Shares at cost |
|---|--|----------------------|-------------------|-------------------|---------------------------|---------------------------|----------------|----------------|
|   |  |                      | held by the group | held by the group | non-controlling interests | non-controlling interests |                |                |
|   | Shares   |                      | 2020              | 2019              | 2020                      | 2019                      | 2020           | 2019           |
|   |  |                      | %                 | %                 | %                         | %                         | R'000          | R'000          |
| Q | South Africa                                   | 4 000                | 100               | 100               | -                         | -                         | 10 600         | 10 600         |
| Q | South Africa                                   | 100                  | 60                | 60                | 40                        | 40                        | -              | -              |
| G | South Africa                                   | 120                  | 49                | 49                | 51                        | 51                        | -              | -              |
| Q | South Africa                                   | 100                  | 74                | 74                | 26                        | 26                        | 2 300          | 2 300          |
| R | South Africa                                   | 100                  | 100               | 100               | -                         | -                         | 15 000         | 15 000         |
| I | Australia                                      | 4 000                | 70                | 70                | 30                        | 30                        | 64 035         | 66 238         |
| D | South Africa                                   | 100                  | 26                | 26                | 74                        | 74                        | -              | -              |
| C | Namibia  | 100                  | 74                | 74                | 26                        | 26                        | -              | -              |
| A | South Africa                                   | 100                  | 100               | 100               | -                         | -                         | -              | -              |
| D | South Africa                                   | 100                  | 100               | 100               | -                         | -                         | 1 124          | 1 124          |
| Q | South Africa                                   | 800                  | 70                | 70                | 30                        | 30                        | 54 452         | 54 452         |
| Q | South Africa                                   | 800                  | 100               | 100               | -                         | -                         | 37 500         | 37 500         |
| Q | South Africa                                   | 100                  | 74                | 74                | 26                        | 26                        | -              | -              |
| Q | South Africa                                   | 100                  | 74                | 74                | 26                        | 26                        | -              | -              |
| D | South Africa                                   | 800                  | 70                | 70                | 30                        | 30                        | 34 706         | 34 706         |
| Q | South Africa                                   | 100                  | 52                | 52                | 48                        | 48                        | -              | -              |
| Q | South Africa                                   | 100                  | 74                | 74                | 26                        | 26                        | 3 849          | 3 849          |
| F | South Africa                                   | 1 000                | 80                | 80                | 20                        | 20                        | 418            | 418            |
| Q | South Africa                                   | 100                  | 74                | 74                | 26                        | 26                        | 21 929         | 21 929         |
| H | Australia                                      | 7 000                | 100               | 100               | -                         | -                         | -              | -              |
| I | South Africa                                   | 100                  | 82                | 77                | 18                        | 23                        | 31 200         | 27 700         |
| H | South Africa                                   | 100                  | 100               | 100               | -                         | -                         | 14 999         | 14 999         |
| R | South Africa                                   | 1 000                | 100               | 100               | -                         | -                         | 87 301         | 87 301         |
| R | Australia                                      | 100                  | 68                | -                 | 32                        | -                         | -              | -              |
| I | Mauritius                                      | 100                  | 100               | 100               | -                         | -                         | 1              | 1              |
| D | Namibia  | 100                  | 49                | 49                | 51                        | 51                        | -              | -              |
| R | Zambia   | 5 000 000            | 100               | 100               | -                         | -                         | 6 009          | 6 009          |
| I | Zimbabwe                                       | 1 400                | 65                | 65                | 35                        | 35                        | 1              | 1              |
| I | South Africa                                   | 900                  | 100               | 100               | -                         | -                         | 40 224         | 40 224         |
| H | South Africa                                   | 100                  | 100               | -                 | -                         | -                         | -              | -              |
| R | South Africa                                   | 100                  | 100               | 100               | -                         | -                         | 43 907         | 43 907         |
| R | Lesotho  | 100                  | 100               | 100               | -                         | -                         | -              | -              |
| I | Cameroon                                       | 1 000 000            | 100               | 100               | -                         | -                         | -              | -              |
| H | South Africa                                   | 100                  | 100               | 100               | -                         | -                         | -              | -              |
| Q | South Africa                                   | 100                  | 70                | 70                | 30                        | 30                        | -              | -              |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 42. Interest in subsidiaries (continued)

##### Indirect (continued)

Raubex REI Holdings (Pty) Ltd\*\*  
 Raubex Renovo (Pty) Ltd  
 Raubex Roads and Earthworks Holdings (Pty) Ltd\*\*  
 (formerly Roadmac Holdings (Pty) Ltd  
 Raudev (Pty) Ltd  
 Raumix Aggregates (Pty) Ltd  
 Raumix Holdings (Pty) Ltd  
 Raumix Mining (Pty) Ltd  
 Roadmac (Pty) Ltd  
 Roadmac Chip and Seal (Pty) Ltd  
 Roadmac Surfacing (Pty) Ltd  
 Roadmac Surfacing Cape (Pty) Ltd  
 Shisalanga Construction (Pty) Ltd  
 SPH Sand (Pty) Ltd  
 SPH Kundalila (Pty) Ltd (SPH Group)\*  
 SPH Kundalila Mining (Pty) Ltd  
 Strata Civils (Pty) Ltd  
 Syiaka Specialised Services (Pty) Ltd  
 Tosas (Pty) Ltd\*  
 Tosas Eastern Cape (Pty) Ltd  
 Tosas Botswana (Pty) Ltd  
 Tosas Namibia (Pty) Ltd  
 Transkei Quarries (Pty) Ltd  
 Turnkey Real Estate Company (Pty) Ltd  
 Verlesha (Pty) Ltd  
 Westforce Hire (Pty) Ltd  
 Willows Quarries (Pty) Ltd  
 Zamori Construction (Pty) Ltd  
 Zisena (Pty) Ltd

|   | Country of incorporation and place of business | Issued share capital | Effective %       | Effective %       | Effective % held by       | Effective % held by       | Shares at cost | Shares at cost |
|---|--|----------------------|-------------------|-------------------|---------------------------|---------------------------|----------------|----------------|
|   |  |                      | held by the group | held by the group | non-controlling interests | non-controlling interests |                |                |
|   |  |                      | 2020              | 2019              | 2020                      | 2019                      |                |                |
|   | Shares   | %                    | %                 | %                 | %                         | R'000                     | R'000          |                |
| H | South Africa                                   | 100                  | 100               | -                 | -                         | -                         | -              | -              |
| I | South Africa                                   | 1 000                | 100               | 100               | -                         | -                         | -              | -              |
| H | South Africa                                   | 100                  | 100               | 100               | -                         | -                         | -              | -              |
| I | South Africa                                   | 100                  | 80                | 80                | 20                        | 20                        | 8 084          | 8 084          |
| Q | South Africa                                   | 916                  | 100               | 100               | -                         | -                         | -              | -              |
| H | South Africa                                   | 100                  | 100               | 100               | -                         | -                         | 23 674         | 23 674         |
| Q | South Africa                                   | 100                  | 49                | 49                | 51                        | 51                        | -              | -              |
| H | South Africa                                   | 100                  | 100               | 100               | -                         | -                         | 84 550         | 84 550         |
| R | Namibia  | 100                  | 50                | -                 | 50                        | -                         | -              | -              |
| R | South Africa                                   | 100                  | 100               | 100               | -                         | -                         | 20 000         | 20 000         |
| R | South Africa                                   | 200                  | 100               | 100               | -                         | -                         | 24 299         | 24 299         |
| A | South Africa                                   | 100                  | 76                | 60                | 24                        | 40                        | 48 300         | 38 400         |
| Q | South Africa                                   | 100                  | 74                | 74                | 26                        | 26                        | -              | -              |
| C | South Africa                                   | 100                  | 100               | 100               | -                         | -                         | 111 336        | 111 336        |
| Q | South Africa                                   | 100                  | 49                | 49                | 51                        | 51                        | -              | -              |
| I | South Africa                                   | 500                  | 100               | 100               | -                         | -                         | -              | -              |
| C | South Africa                                   | 100                  | 49                | -                 | 51                        | -                         | -              | -              |
| H | South Africa                                   | 100                  | 100               | 100               | -                         | -                         | 120 000        | -              |
| B | South Africa                                   | 100                  | 50                | 50                | 50                        | 50                        | -              | -              |
| B | Botswana                                       | 134                  | 100               | 100               | -                         | -                         | -              | -              |
| B | Namibia  | 100                  | 100               | 90                | -                         | 10                        | -              | -              |
| Q | South Africa                                   | 100                  | 49                | 49                | 51                        | 51                        | -              | -              |
| I | South Africa                                   | 100                  | 82                | 82                | 18                        | 18                        | 1              | 1              |
| Q | South Africa                                   | 100                  | 74                | 74                | 26                        | 26                        | -              | -              |
| I | Australia                                      | 100                  | 70                | 70                | 30                        | 30                        | -              | -              |
| Q | South Africa                                   | 100                  | 74                | 74                | 26                        | 26                        | -              | -              |
| D | South Africa                                   | 120                  | 100               | 100               | -                         | -                         | 35 799         | 35 799         |
| R | South Africa                                   | 100                  | 49                | 49                | 51                        | 51                        | -              | -              |

\* During the year the group undertook a restructuring exercise which resulted in a number of entities being indirectly held by Raubex Group Limited as opposed to the prior year where they were directly held

\*\* The above mentioned restructuring exercise also resulted in a number of new holding companies being established within the group

100% owned dormant entities have not been disclosed in the table above.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

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#### 42. Interest in subsidiaries (continued)

##### Nature of business:

|   |  |
|---|--|
| A | Asphalt production   |
| B | Manufacturing and distribution of value added bituminous products          |
| C | Contract Crushing and material handling                                    |
| D | Dormant entity   |
| E | Application for water permits, mining licenses and environmental control   |
| F | Professional consulting firm - Engineering and project management services |
| G | Gypsum calcining and milling entity  |
| H | Investment and holding company   |
| I | Infrastructure   |
| M | Road marking   |
| P | Plant hire, plant manufacture and plant design                             |
| Q | Commercial quarrying   |
| R | Rehabilitation of roads, civil and general construction work               |
| T | Turnkey demolition, remediation and asbestos abatement solutions entity    |

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
- Syiaka Specialised Services (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.

No group companies were deregistered during the year.

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.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 42. Interest in subsidiaries (continued)

##### Disposal of subsidiary - Raubex Property Investments (Pty) Ltd ("RPI")

During the year the group sold 100% of its shareholding in RPI to ABI 2 Proprietary Limited ("ABI"), refer to note 6 and note 18 for further details. Management concluded that it has lost control of the entity by considering the following factors in terms of IFRS 10:

- The purpose and design of RPI;
- What the relevant activities of RPI are;
- Whether the rights of the group give it the current ability to direct the relevant activities;
- Whether the group is exposed, or has rights, to variable returns from its involvement with RPI; and
- Whether the group has the ability to use its power over RPI to affect the amount of the group's returns;

RPI owns and manages a property portfolio which includes both commercial properties and residential units. RPI leases these properties to the Raubex group as well as certain third parties. Rental income earned will be used for working capital requirements as well for repayment on loans and investments that originated through the financing structure of the sale of shares transaction.

Subsequent to the sale of shares transaction the group has no involvement in the day to day running of RPI and therefore cannot direct any of the relevant activities. RPI is 100% held by ABI and ABI have all the powers to appoint and remove directors.

Although the group has the right to receive repayment of amounts loaned to ABI as part of the financing structure of the transaction, the ultimate responsibility regarding the repayment of finance rests with RPI and its shareholder ABI. Further to this, the group has no influence over any refinancing arrangements or any decisions to sell any of the properties once the initial 12 year lease agreement expires in accordance with its terms.

##### 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<br>R'000 | Dividends paid to non-controlling interest<br>R'000 | Total assets<br>R'000 | Total liabilities<br>R'000 | Net increase/ (decrease) in cash and cash equivalents<br>R'000 |
|--|--|---|-----------------------|----------------------------|--|
| <b>At 28 February 2019</b>   |  |   |                       |                            |  |
| Aggregate of all subsidiaries with non-controlling interests in the group* | 214 972  | (12 758)  | 2 085 400             | 1 354 201                  | (17 780)   |
| <b>Total</b>   | <b>214 972</b>                                     | <b>(12 758)</b>                                     | <b>2 085 400</b>      | <b>1 354 201</b>           | <b>(17 780)</b>  |

##### At 29 February 2020

Aggregate of all subsidiaries with non-controlling interests in the group\*

|              |                |                 |                  |                  |               |
|--------------|----------------|-----------------|------------------|------------------|---------------|
|              | <b>353 122</b> | <b>(38 445)</b> | <b>2 516 417</b> | <b>1 514 011</b> | <b>57 166</b> |
| <b>Total</b> | <b>353 122</b> | <b>(38 445)</b> | <b>2 516 417</b> | <b>1 514 011</b> | <b>57 166</b> |

|  | Non-controlling interest balance at the beginning of the year<br>R'000 | Total comprehensive income attributable to non-controlling interest<br>R'000 | Non-controlling interest on acquisition of subsidiary<br>R'000 | Disposal and acquisition of non-controlling interests<br>R'000 | Dividends paid to non-controlling interest<br>R'000 | Non-controlling interest balance at the end of the year<br>R'000 |
|--|--|--|--|--|---|--|
| <b>At 28 February 2019</b>   |  |  |  |  |   |  |
| Aggregate of all subsidiaries with non-controlling interests in the group* | 157 240  | 58 928   | 60 654   | (1 792)  | (12 758)  | 262 272  |
| <b>Total</b>   | <b>157 240</b>   | <b>58 928</b>  | <b>60 654</b>  | <b>(1 792)</b>   | <b>(12 758)</b>                                     | <b>262 272</b>   |
| <b>At 29 February 2020</b>   |  |  |  |  |   |  |
| Aggregate of all subsidiaries with non-controlling interests in the group* | 262 272  | 50 121   | -  | (16 531)   | (38 445)  | 257 417  |
| <b>Total</b>   | <b>262 272</b>   | <b>50 121</b>  | <b>-</b>   | <b>(16 531)</b>  | <b>(38 445)</b>                                     | <b>257 417</b>   |

\* Refer to the table at the beginning of note 42 for the full list of subsidiaries with non-controlling interest in the group. None of these individual subsidiaries are material to the group.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

#### 43. Interest in joint operations

Joint operations are those entities in which the group has joint control. The group recognises its direct right to assets, liabilities, revenue and expenses and its share of any jointly held or incurred assets, liabilities, revenue and expenses of joint operations in the consolidated financial statements.

| Joint Operations                                    | Country      | Nature of business | Interest held 2020 (%) | Interest held 2019 (%) |
|---|--------------|--------------------|------------------------|------------------------|
| 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 construction  | 60%                    | 60%                    |
| Rau-Mon Joint Operation                             | South Africa | Infrastructure     | 87%                    | 87%                    |
| Raubex / Enza / Joint Operation                     | South Africa | Road construction  | 80%                    | 80%                    |
| Raubex / Enza / RB Joint Operation                  | South Africa | Road construction  | 40%                    | 40%                    |
| Raubex / Moloto Joint Operation                     | South Africa | Road Construction  | 80%                    | 80%                    |
| Raubex / Nodoli Joint Operation                     | South Africa | Infrastructure     | 50%                    | -                      |
| Raubex / Sakula Joint Operation                     | South Africa | Infrastructure     | 75%                    | 75%                    |
| Raubex / WBHO Joint Operation                       | South Africa | Road Construction  | 50%                    | -                      |
| 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%                    |
| Sacyr Westforce Joint Venture                       | Australia    | Infrastructure     | 50%                    | 0%                     |
| Vharanani / Raubex Joint Operation                  | South Africa | Road surfacing     | 49%                    | 49%                    |

#### FINANCIAL INFORMATION:

##### Statement of financial position

(Recognise in proportion to interest in assets and liabilities)

##### Assets

|                      |                |               |
|----------------------|----------------|---------------|
| Current assets       | 212 503        | 91 336        |
| Non - current assets | 3 169          | -             |
| Total Assets         | <u>215 672</u> | <u>91 336</u> |

##### Equity and liabilities

|                              |                |               |
|------------------------------|----------------|---------------|
| Equity                       | 79             | (32)          |
| Current liabilities          | 213 186        | 91 368        |
| Non - current liabilities    | 2 406          | -             |
| Total equity and liabilities | <u>215 671</u> | <u>91 336</u> |

##### Statement of profit or loss

(Recognise in proportion to interest in assets and liabilities)

|                                     |         |          |
|-------------------------------------|---------|----------|
| Revenue                             | 551 716 | 304 565  |
| Profit/(Loss) attributable to group | -       | (12 433) |

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.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

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#### 44. Events after the reporting period

##### *Novel Coronavirus ("Covid-19")*

IAS 10 Events After The Reporting Period contains requirements for when events after the end of the reporting period should be adjusted in the financial statements. Adjusting events are those providing evidence of conditions existing at the end of the reporting period, whereas non-adjusting events are indicative of conditions arising after the reporting period. The group's reporting period ended 29 February 2020 and the Covid-19 pandemic has been determined to be a non-adjusting event. In South Africa, the first suspected case of Covid-19 tested positive on 5 March 2020, a National State of Disaster was declared on 15 March 2020, confirming that the virus had become a local pandemic.

Following the declaration of the National State of Disaster, a 21 day national lockdown commenced on 26 March 2020 which was extended to 30 April 2020. All businesses other than those providing essential services as defined by legislation, were required to be closed for the duration of the lockdown.

Construction in South Africa was not classified as an essential service under the initial lockdown legislation and accordingly all works on the group's South African construction projects were under suspension for the duration of the lockdown. Only essential safety related, traffic control and security services were ongoing to maintain and protect project sites.

On 23 April 2020, the government announced a risk adjusted strategy for a gradual and phased reopening of the economy. The country effectively moved from a level 5 to a level 4 status from 1 May 2020, allowing inter alia, certain construction activities as well as mining operations to recommence under strict health and safety regulations.

As a result of the lockdown and suspension of works, various contractual claims will be pursued by the group on a contract for contract basis, with remedies including extension of time and cost claims, depending on the nature of the contract and the contractual terms and conditions under which the contracting parties are engaged.

Certain materials handling and processing operations in the mining sector were classified as essential services by legislation during the initial lockdown period, including services to collieries that supply Eskom. These activities were limited and the majority of activities in the materials division, including commercial quarry activities, were only permitted to recommence from 1 May 2020.

In the rest of Africa and internationally, Botswana imposed a 48 day lockdown which ended on 20 May 2020, during which time all Raubex operations in the country were suspended. Materials handling and processing operations in Namibia have continued to operate uninterrupted, however the South African lockdown has resulted in cross border logistical issues which have impacted on production efficiencies. In Mozambique, crushing operations were also affected by logistical issues as a result of the South African lockdown and were curtailed. In Western Australia and Cameroon, operations have been uninterrupted to date and have not been materially impacted by Covid-19.

The challenges that the Company faces from the Covid-19 pandemic are complex and unpredictable and as such, it is not possible to quantify the financial impact at this time. The impact of Covid-19 on accounting standards that require the use of forward-looking information (expected credit losses and goodwill impairment) was assessed based on information available as at 29 February 2020.

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



## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Notes to the group financial statements (continued)

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#### 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 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.

For entities currently operating in hyper-inflationary economies, IAS 29 *Financial reporting in hyper-inflationary economies* has been applied before translating the results and financial positions from functional currency to the presentation currency of the group.

This was only applicable to Raubex Construction Zimbabwe (Pvt) Ltd for the year ended 29 February 2020, which operates in Zimbabwe using the Zimbabwean Dollar as its functional currency.

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.

**Notes to the group financial statements (continued)**

**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 29 February 2020.

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:

| <b>International Financial Reporting Standards and amendments effective for the first time for 29 February 2020 year-end</b> |  |
|--|--|
| <b>Number</b>  | <b>Executive summary</b>   |
| IFRS 16 – Leases<br><br>Effective: 1 January 2019<br>(Group's year ended 29 February 2020)                                   | <p>This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular.</p> <p>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.</p> <p>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'.</p> |

Refer to 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 29 February 2020.

*New standards and interpretations not yet adopted by the group:*

A number of International Financial Reporting Standards, Interpretations and amendments have been issued during the year but are not yet effective for the year ended 29 February 2020 and have not been early adopted by the group.

None of the 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.

**Notes to the group financial statements (continued)**

**47. Changes in accounting policies**

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 March 2019.

The Group has adopted IFRS 16 retrospectively from 1 March 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised cumulatively in the opening balance sheet on 1 March 2019.

*Adjustments recognised on adoption of IFRS 16*

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 March 2019 was 8.1%. There were no leases previously classified as finance leases by the lessee within the Group at 28 February 2019.

The total lease liability recognised on 1 March 2019 can be reconciled back to the operating lease commitments at 28 February 2019 as follows:

|  |                |
|--|----------------|
|  | <b>2019</b>    |
|  | <b>R'000</b>   |
| Operating lease commitments disclosed at 28 February 2019                                  | 73 285         |
| add: lease commitments not disclosed at 28 February 2019*                                  | <u>112 750</u> |
| Restated operating lease commitments at 28 February 2019                                   | <b>186 035</b> |
| Restated operating lease commitments discounted using the incremental borrowing rate       | <b>172 541</b> |
| Less: short-term and low-value leases not capitalised                                      | (4 047)        |
| Less: lease liabilities relating to termination options reasonably certain to be exercised | (3 431)        |
| Add: lease liabilities relating to extension options reasonably certain to be exercised    | <u>79 250</u>  |
| <b>Lease liability recognised as at 1 March 2019</b>                                       | <b>244 313</b> |
| Current lease liabilities  | <b>69 988</b>  |
| Non-current lease liabilities  | <u>174 325</u> |
|  | <b>244 313</b> |

\* As a result of procedures adopted to transition to IFRS 16 it was found that operating lease commitments of R112,8 million were excluded, in error, from the operating lease commitments disclosed by the Group for the year ended 28 February 2019. The misstatement had no material impact on the Group's statement of financial position or statement of profit or loss.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by any prepaid or accrued lease payments or any onerous lease provisions relating to leases recognised in the balance sheet as at 28 February 2019 where applicable.

The recognised right-of-use assets relate to the following types of assets:

|                                  | 29 February<br>2020<br>R'000 | 1 March<br>2019<br>R'000 |
|----------------------------------|------------------------------|--------------------------|
| Land and buildings               | 313 955                      | 41 408                   |
| Plant and machinery              | <u>62 424</u>                | <u>201 959</u>           |
| <b>Total right-of-use assets</b> | <b>376 379</b>               | <b>243 367</b>           |

The change in accounting policy affected the following items in the balance sheet on 1 March 2019

**Statement of financial position at transition\*:**

|                                | Balance at<br>28 February<br>2019<br>R'000 | IFRS 16<br>effect<br>R'000 | Balance at<br>1 March<br>2019<br>R'000 |
|--------------------------------|--|----------------------------|--|
| <b>Assets</b>                  |  |                            |  |
| <b>Non-current assets</b>      |  |                            |  |
| Right-of-use assets            | -  | 243 367                    | 243 367                                |
| <b>Liabilities</b>             |  |                            |  |
| <b>Non-current liabilities</b> |  |                            |  |
| Lease Liabilities              | -  | 174 325                    | 174 325                                |
| <b>Current liabilities</b>     |  |                            |  |
| Trade and other payables       | 1 366 715                                  | (945)                      | 1 365 770                              |
| Lease Liabilities              | -  | 69 988                     | 69 988                                 |

\* Only those line items affected by IFRS 16 have been included above

There was no impact on retained earnings from the adoption of IFRS 16 on 1 March 2019.

**Notes to the group financial statements (continued)**

**47. Changes in accounting policies (continued)**

**Impact on segment disclosures and earnings per share:**

Segment assets, segment liabilities and earnings before interest and tax all increased as a result of the change in accounting policy, while an increase in finance costs resulted in a net decrease in profit before tax.

The net financial effect of the change at 29 February 2020 is as follows:

|   | Materials<br>R'000 | Roads and<br>Earthworks<br>R'000 | Infrastructure<br>R'000 | Other<br>R'000 | Total<br>R'000 |
|---|--------------------|----------------------------------|-------------------------|----------------|----------------|
| <i>Statement of financial position effects:</i> |                    |                                  |                         |                |                |
| Segment assets                                  | 74 789             | 17 542                           | 550                     | 283 498        | 376 379        |
| Segment liabilities                             | 77 920             | 18 708                           | 590                     | 357 880        | 455 098        |
| <i>Income statement effects:</i>                |                    |                                  |                         |                |                |
| Segment lease expenses reversed                 | 57 421             | 8 383                            | 1 352                   | -              | 67 156         |
| Additional segment depreciation                 | (51 234)           | (7 346)                          | (550)                   | -              | (59 130)       |
| Segment Earnings before Interest and Tax        | 6 187              | 1 037                            | 802                     | -              | 8 026          |
| Segment Finance costs                           | (13 571)           | (1 837)                          | (102)                   | -              | (15 510)       |
| Segment profit before tax                       | (7 384)            | (800)                            | 700                     | -              | (7 484)        |

Earnings per share decreased 2,97 cents per share for the year ended 29 February 2020 as a result of the adoption of IFRS 16.

**Practical expedients applied**

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 March 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Holding company statement of financial position

|                                     | Note | 2020<br>R'000    | 2019<br>R'000    |
|-------------------------------------|------|------------------|------------------|
| <b>ASSETS</b>                       |      |                  |                  |
| <b>Non-current assets</b>           |      |                  |                  |
| Investment in subsidiaries          | 4.1  | 2 233 745        | 1 890 371        |
| Loans to group companies            | 4.2  | 184 560          | 186 911          |
| <b>Total non-current assets</b>     |      | <b>2 418 305</b> | <b>2 077 282</b> |
| <b>Current assets</b>               |      |                  |                  |
| Trade and other receivables         | 5    | 172              | 163              |
| Current income tax receivable       |      | -                | 23               |
| Cash and cash equivalents           | 6    | 149              | 174              |
| <b>Total current assets</b>         |      | <b>321</b>       | <b>360</b>       |
| <b>Total assets</b>                 |      | <b>2 418 626</b> | <b>2 077 642</b> |
| <b>EQUITY</b>                       |      |                  |                  |
| Ordinary shares                     | 7    | 1 817            | 1 817            |
| Share premium                       | 7    | 2 059 776        | 2 059 776        |
| Reserves                            |      | 15 047           | 6 905            |
| Retained income                     |      | 341 550          | 8 804            |
| <b>Total equity</b>                 |      | <b>2 418 190</b> | <b>2 077 302</b> |
| <b>LIABILITIES</b>                  |      |                  |                  |
| <b>Current liabilities</b>          |      |                  |                  |
| Trade and other payables            | 8    | 426              | 340              |
| Current income tax payable          |      | 10               | -                |
| <b>Total current liabilities</b>    |      | <b>436</b>       | <b>340</b>       |
| <b>Total liabilities</b>            |      | <b>436</b>       | <b>340</b>       |
| <b>Total equity and liabilities</b> |      | <b>2 418 626</b> | <b>2 077 642</b> |

The notes on pages 104 to 112 are an integral part of these financial statements.

**Raubex Group Limited and its subsidiaries**  
Annual financial statements for the year ended 29 February 2020

**Holding company statement of comprehensive income**

|   | Note | 2020<br>R'000  | 2019<br>R'000   |
|---|------|----------------|-----------------|
| Revenue   | 9    | 79 970         | 114 782         |
| Other gains/(losses) - net                            | 10   | 335 233        | (140 000)       |
| Administrative expenses                               |      | (2 540)        | (2 739)         |
| <b>Operating profit/(loss)</b>                        |      | <b>412 663</b> | <b>(27 957)</b> |
| Finance income  | 11   | 73             | 80              |
| <b>Profit/(loss) before income tax</b>                |      | <b>412 736</b> | <b>(27 877)</b> |
| Income tax expense                                    | 12   | (20)           | (22)            |
| <b>Profit/(loss) for the year</b>                     |      | <b>412 716</b> | <b>(27 899)</b> |
| Other comprehensive income/(loss)                     |      | -              | -               |
| <b>Total comprehensive income/(loss) for the year</b> |      | <b>412 716</b> | <b>(27 899)</b> |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Holding company statement of changes in equity

|  | Share capital | Share premium | Reserves for own<br>shares/ share<br>repurchase reserve | Retained<br>earnings | Total equity |
|--|---------------|---------------|---|----------------------|--------------|
|  | R'000         | R'000         | R'000   | R'000                | R'000        |
| <b>Balance at 1 March 2018</b>           | 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 (note 4.2)          | -             | -             | 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)    |
| <b>Balance at 28 February 2019</b>       | 1 817         | 2 059 776     | 6 905   | 8 804                | 2 077 302    |
| Changes in equity:                       |               |               |   |                      |              |
| Share option reserve (note 4.2)          | -             | -             | 8 142   | -                    | 8 142        |
| Total comprehensive income for the year  | -             | -             | -   | 412 716              | 412 716      |
| Dividends paid                           | -             | -             | -   | (79 970)             | (79 970)     |
| Total changes                            | -             | -             | 8 142   | 332 746              | 340 888      |
| <b>Balance at 29 February 2020</b>       | 1 817         | 2 059 776     | 15 047  | 341 550              | 2 418 190    |
| Note                                     | 7             | 7             |   |                      |              |

The notes on pages 104 to 112 are an integral part of these financial statements.

**Raubex Group Limited and its subsidiaries**  
Annual financial statements for the year ended 29 February 2020

**Holding company statement of cash flows**

|   | Note | 2020<br>R'000   | 2019<br>R'000   |
|---|------|-----------------|-----------------|
| <b>Cash flow from operating activities</b>                    |      |                 |                 |
| Cash used in operations                                       | 13   | (2 462)         | (3 164)         |
| Dividends received  | 9    | 79 970          | 114 782         |
| Interest received   | 11   | 73              | 80              |
| Taxation paid   | 13   | 13              | (23)            |
| <b>Net cash generated from operating activities</b>           |      | <b>77 594</b>   | <b>111 675</b>  |
| <b>Cash flows from investing activities</b>                   |      |                 |                 |
| Loans advanced to group companies                             |      | (56 085)        | (33 000)        |
| Loans repaid by group companies                               |      | 58 436          | 2 600           |
| <b>Net cash generated from/(used in) investing activities</b> |      | <b>2 351</b>    | <b>(30 400)</b> |
| <b>Cash flows from financing activities</b>                   |      |                 |                 |
| Dividends paid  |      | (79 970)        | (81 788)        |
| <b>Net cash used in financing activities</b>                  |      | <b>(79 970)</b> | <b>(81 788)</b> |
| <b>Net decrease in cash and cash equivalents</b>              |      |                 |                 |
| Cash and cash equivalents at the beginning of the year        |      | 174             | 687             |
| <b>Cash and cash equivalents at the end of the year</b>       | 6    | <b>149</b>      | <b>174</b>      |



## **Holding company notes to the financial statements**

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### **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 and taking the uncertainties created by Covid-19 into consideration, 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 IFRS 9 and are carried at cost.

#### **1.2 Financial instruments**

Financial instruments are recognised when the entity becomes party to the contractual provisions of the instruments. 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:

- Financial assets at amortised cost;
- Financial assets at fair value through profit or loss (FVPL);
- Financial assets at fair value through other comprehensive income (FVOCI);
- 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 statement comprehensive income.

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 company'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.

## **Holding company notes to the financial statements (continued)**

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### **1.2 Financial instruments (continued)**

#### *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 (i.e. the effective interest rate computed at initial recognition of these financial assets).

The company assesses at the end of each reporting period whether there is objective evidence that 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.

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's financial assets are subject to the expected credit loss model.

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 2019 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 GDP, inflation rates, prime lending rates and the credit ratings of South Africa 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.

For all other financial assets held at amortised cost, no significant expected credit loss was noted during the year.

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.

## **Holding company notes to the financial statements (continued)**

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### **1.2 Financial instruments (continued)**

#### *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.

### **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.

**Holding company notes to the financial statements (continued)**

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**1.5 Revenue recognition**

The company's only revenue stream is dividend income which is measured at the fair value of the consideration received.

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

**1.6 Group restructuring transactions**

The company's recognises the profit or loss arising on any group restructuring transactions in other gains or losses. The profit or loss recognised is the difference between the cost of the investment disposed of and the proceeds received.

**1.7 Standards, interpretations and amendments to published standards**

*New and amended standards adopted by the company:*

A number of International Financial Reporting Standards, Interpretations and amendments have become effective for the first time for the year ended 29 February 2020. None of these standards interpretations or amendments have a significant effect on the company's financial reporting.

*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 29 February 2020 and have not been early adopted by the company that are considered to have a significant effect on the company's financial reporting.

**Holding company notes to the financial statements (continued)**

**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 co-operation with the group's operating units. The board provides principles for overall risk management.

**Categories of financial instruments**

|                             |     | Financial<br>assets held at<br>amortised cost<br>R'000 | Financial<br>liabilities held at<br>amortised cost<br>R'000 | Total carrying<br>value<br>R'000 |
|-----------------------------|-----|--|---|----------------------------------|
| <b>At 28 February 2019</b>  |     |  |   |                                  |
| Loans to group companies    | 4.2 | 186 911  | -   | 186 911                          |
| Trade and other receivables | 5   | 163  | -   | 163                              |
| Cash and cash equivalents   | 6   | 174  | -   | 174                              |
| Trade and other payables    | 8   | -  | (340)   | (340)                            |
| Total                       |     | <u>187 248</u>   | <u>(340)</u>  | <u>186 908</u>                   |
| <b>At 29 February 2020</b>  |     |  |   |                                  |
| Loans to group companies    | 4.2 | 184 560  | -   | 184 560                          |
| Trade and other receivables | 5   | 172  | -   | 172                              |
| Cash and cash equivalents   | 6   | 149  | -   | 149                              |
| Trade and other payables    | 8   | -  | (426)   | (426)                            |
| Total                       |     | <u>184 881</u>   | <u>(426)</u>  | <u>184 455</u>                   |

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:

|                                      | 2020     |            | 2019     |            |
|--------------------------------------|----------|------------|----------|------------|
|                                      | 1%       | -1%        | 1%       | -1%        |
|                                      | R'000    | R'000      | R'000    | R'000      |
| Cash and cash equivalents            | 1        | (1)        | 1        | (1)        |
| Increase/(decrease) in profitability | <u>1</u> | <u>(1)</u> | <u>1</u> | <u>(1)</u> |

**Holding company notes to the financial statements (continued)**

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

*(b) Credit risk*

The Company has no significant concentration of credit risk. The Company has policies that limit the amount of credit exposure to any financial institution.

|   |           | <b>2020</b>  | 2019       |
|---|-----------|--------------|------------|
|   | Rating    | <b>R'000</b> | R'000      |
| Concentration of credit risk                                |           |              |            |
| Cash and cash equivalents                                   | BBB       | <u>149</u>   | <u>174</u> |
| Total cash and cash equivalents (refer to note 6)           |           | <u>149</u>   | <u>174</u> |
| Current trade and other receivables                         | Not rated | <u>172</u>   | <u>163</u> |
| Total current trade and other receivables (refer to note 5) |           | <u>172</u>   | <u>163</u> |

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 (2019: R0.3 million).

The credit ratings above have been obtained from publicly available information.

*(c) Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash.

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:

|   | Contractual cash |            |               |              |
|---|------------------|------------|---------------|--------------|
|   | Carrying amount  | flows      | Within 1 year | 2 to 5 years |
| Year ended 28 February 2019                 | R'000            | R'000      | R'000         | R'000        |
| <b>Non-derivative financial liabilities</b> |                  |            |               |              |
| Trade and other payables                    | 340              | 340        | 340           | -            |
| Total                                       | <u>340</u>       | <u>340</u> | <u>340</u>    | <u>-</u>     |

|   | Contractual cash |            |               |              |
|---|------------------|------------|---------------|--------------|
|   | Carrying amount  | flows      | Within 1 year | 2 to 5 years |
| Year ended 29 February 2020                 | R'000            | R'000      | R'000         | R'000        |
| <b>Non-derivative financial liabilities</b> |                  |            |               |              |
| Trade and other payables                    | 426              | 426        | 426           | -            |
| Total                                       | <u>436</u>       | <u>426</u> | <u>426</u>    | <u>-</u>     |

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:

|  | <b>2020</b>      | 2019             |
|--|------------------|------------------|
|  | <b>R'000</b>     | R'000            |
| Cash and cash equivalents (refer note 6) | <u>(149)</u>     | <u>(174)</u>     |
| Net debt                                 | <u>(149)</u>     | <u>(174)</u>     |
| Total equity                             | <u>2 418 190</u> | <u>2 077 302</u> |
| Total capital and net debt               | <u>2 418 041</u> | <u>2 077 128</u> |
| Gearing ratio                            | <b>(0.01%)</b>   | (0.01%)          |

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Holding company notes to the financial statements (continued)

| 4.1 Investment in subsidiaries  | 2020<br>R'000    | 2019<br>R'000    |
|---|------------------|------------------|
| <b>Name of company</b>  |                  |                  |
| <b>Direct investment at cost*</b>   |                  |                  |
| Aquatic Services (Pty) Ltd  | -                | 111 336          |
| B&E International (Pty) Ltd   | -                | 438 442          |
| Burma Plant Hire (Pty) Ltd  | -                | 11 532           |
| Raubex (Pty) Ltd  | 2 018 163        | 1 001 620        |
| Raubex Construction (Mauritius) Ltd   | -                | 1                |
| Raubex FIC (Pty) Ltd  | 75 127           | 75 127           |
| Tosas (Pty) Ltd   | -                | 120 000          |
| <b>Total direct investment in subsidiaries</b>                                    | <b>2 093 290</b> | <b>1 758 058</b> |
| <b>Indirect investment on issue of share options to employees of subsidiaries</b> |                  |                  |
| 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  | 89 624           | 81 482           |
| 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            |
| <b>Total indirect investment in subsidiaries</b>                                  | <b>140 455</b>   | <b>132 313</b>   |
| <b>Total investment in subsidiaries</b>   | <b>2 233 745</b> | <b>1 890 371</b> |

\* Disclosure table excludes investments directly held by the company with a cost of less than R450.

During the current year, the group undertook a restructuring exercise, which resulted in the sale of a number of investments in subsidiaries to its 100% owned subsidiary, Raubex (Pty) Ltd. The restructuring transaction was done at market value and the company received shares in Raubex (Pty) Ltd in exchange for the investments. The profit on sale of these investments is included in other gains/(losses), refer to note 10.

During the prior 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. The impairment was included in other gains/(losses), refer to note 10.

| 4.2 Loans to group companies                 | 2020<br>R'000  | 2019<br>R'000  |
|--|----------------|----------------|
| Burma Plant Hire (Pty) Ltd                   | -              | 42 535         |
| Raubex (Pty) Ltd                             | 140 018        | 113 383        |
| Raubex FIC (Pty) Ltd                         | 13 550         | -              |
| Raumix Aggregates (Pty) Ltd                  | 30 992         | 30 993         |
| <b>Total loans to/(from) group companies</b> | <b>184 560</b> | <b>186 911</b> |
| Non-current assets                           | 184 560        | 186 911        |
| <b>Total loans to group companies</b>        | <b>184 560</b> | <b>186 911</b> |

The carrying amounts of investment in subsidiaries are shown net of impairment losses. No significant impairment loss was noted during the current year.

Details of the groups' employee performance scheme are disclosed in note 36 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.

## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Holding company notes to the financial statements (continued)

|                                       |              |       |
|---------------------------------------|--------------|-------|
| <b>5. Trade and other receivables</b> | <b>2020</b>  | 2019  |
|                                       | <b>R'000</b> | R'000 |
| Prepayments                           | <u>172</u>   | 163   |
| Total trade and other receivables     | <u>172</u>   | 163   |

The fair values of trade and other receivables are as follows:

|                                   |            |     |
|-----------------------------------|------------|-----|
| Prepayments                       | <u>172</u> | 163 |
| Total trade and other receivables | <u>172</u> | 163 |

As of 29 February 2020, no receivables were neither past due nor impaired.

#### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

|  |            |     |
|--|------------|-----|
| Bank balance                           | <u>149</u> | 174 |
| <b>Total cash and cash equivalents</b> | <u>149</u> | 174 |

#### 7. Share capital and share premium

|                     | Number of shares | Ordinary shares<br>R'000 | Share premium<br>R'000 | Total<br>R'000 |
|---------------------|------------------|--------------------------|------------------------|----------------|
| At 1 March 2018     | <u>181 750</u>   | 1 817                    | 2 059 776              | 2 061 593      |
| At 28 February 2019 | <u>181 750</u>   | 1 817                    | 2 059 776              | 2 061 593      |
| At 29 February 2020 | <u>181 750</u>   | 1 817                    | 2 059 776              | 2 061 593      |

The total authorised number of ordinary shares is 500 million shares (2019: 500 million) with a par value of 1 cent per share (2019: 1 cent per share). All issued shares are fully paid.

|                                    |              |       |
|------------------------------------|--------------|-------|
| <b>8. Trade and other payables</b> | <b>2020</b>  | 2019  |
|                                    | <b>R'000</b> | R'000 |
| Trade payables                     | 54           | 70    |
| Accrued expenses                   | <u>372</u>   | 270   |
| Total trade and other payables     | <u>426</u>   | 340   |

#### 9. Revenue

|                                      |               |         |
|--------------------------------------|---------------|---------|
| Dividends received from subsidiaries | <u>79 970</u> | 114 782 |
| Total revenue                        | <u>79 970</u> | 114 782 |

#### 10. Other gains/(losses)

|  |                |           |
|--|----------------|-----------|
| Impairment of investments in subsidiaries (note 4) | -              | (140 000) |
| Profit on sale of investments (note 4)             | <u>335 233</u> | -         |
| Total other gain/(losses)                          | <u>335 233</u> | (140 000) |

Proceeds on sale of investments are made up as follows:

|  |                    |   |
|--|--------------------|---|
| Net carrying value of interest in subsidiaries | <u>681 310</u>     | - |
| Profit on disposal                             | 335 233            | - |
| Non-cash proceeds received                     | <u>(1 016 543)</u> | - |
| Net proceeds                                   | <u>-</u>           | - |

#### 11. Finance income and costs

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

##### Finance income:

|                                   |           |    |
|-----------------------------------|-----------|----|
| Interest income on cash resources | <u>73</u> | 80 |
| Total finance income              | <u>73</u> | 80 |

|                    |           |    |
|--------------------|-----------|----|
| Net finance income | <u>73</u> | 80 |
|--------------------|-----------|----|



## Raubex Group Limited and its subsidiaries

Annual financial statements for the year ended 29 February 2020

### Holding company notes to the financial statements (continued)

| 12. Income tax expense  | 2020<br>R'000 | 2019<br>R'000 |
|---|---------------|---------------|
| <b>South African normal taxation</b>                                      |               |               |
| <b>Current tax</b>  |               |               |
| Current period  | 20            | 22            |
| Total South African normal taxation                                       | <u>20</u>     | <u>22</u>     |
| <b>Reconciliation between applicable tax rate and effective tax rate:</b> |               |               |
|   | %             | %             |
| Applicable tax rate   | 28.00         | 28.00         |
| Exempt income - dividends received  | (5.43)        | 115.29        |
| Exempt income - profit on sale of investments                             | (22.74)       | -             |
| Disallowed charges  | 0.17          | (143.37)      |
| <b>Effective tax rate</b>   | <u>0.00</u>   | <u>(0.08)</u> |

### 13. Cash generated from/(used in) operations

|                                 |                |                |
|---------------------------------|----------------|----------------|
| Profit/(loss) before income tax | 412 736        | (27 877)       |
| <i>Adjustments for:</i>         |                |                |
| Other gains/(losses)            | (335 233)      | 140 000        |
| Interest received               | (73)           | (80)           |
| Dividends received              | (79 970)       | (114 782)      |
| Changes in working capital      |                |                |
| Trade and other receivables     | (9)            | (38)           |
| Trade and other payables        | 87             | (387)          |
| Net cash used in operations     | <u>(2 462)</u> | <u>(3 164)</u> |

In the cash flow statement taxation paid is calculated as follows:

|  |             |           |
|--|-------------|-----------|
| Balance receivable at beginning of year              | (23)        | (22)      |
| Add: current year tax charge (note 12)               | 20          | 22        |
| Add: balance receivable/(payable) at end of the year | (10)        | 23        |
| Net tax paid/(received)                              | <u>(13)</u> | <u>23</u> |

### 14. Related parties

**Relationship**  
Subsidiaries Refer to note 42 of the group financial statements

| Related party balances                     | 2020<br>R'000  | 2019<br>R'000  |
|--|----------------|----------------|
| <b>Loans to related parties (note 4.2)</b> |                |                |
| At beginning of year                       | 186 911        | 296 511        |
| Loans advanced during the year             | 56 085         | 33 000         |
| Loans capitalised during the year          | -              | (140 000)      |
| Loan repayments received                   | (58 436)       | (2 600)        |
| At year end                                | <u>184 560</u> | <u>186 911</u> |

#### Other fees paid to related parties

|                  |   |   |
|------------------|---|---|
| Raubex (Pty) Ltd | 3 | 3 |
|------------------|---|---|

### 15. Directors' emoluments

Refer to note 38 of the group financial statements where the directors' emoluments have been disclosed.

### 16. Events after the reporting period

#### Novel Coronavirus ("Covid-19")

IAS 10 Events After The Reporting Period contains requirements for when events after the end of the reporting period should be adjusted in the financial statements. Adjusting events are those providing evidence of conditions existing at the end of the reporting period, whereas non-adjusting events are indicative of conditions arising after the reporting period. The company's reporting period ended 29 February 2020 and the Covid-19 pandemic has been determined to be a non-adjusting event. In South Africa, the first suspected case of Covid-19 tested positive on 5 March 2020, a National State of Disaster was declared on 15 March 2020, confirming that the virus had become a local pandemic.

The challenges that the Company faces from the Covid-19 pandemic are complex and unpredictable and as such, it is not possible to quantify the financial impact at this time. The impact of Covid-19 on accounting standards that require the use of forward-looking information (expected credit losses) was assessed based on information available as at 29 February 2020.