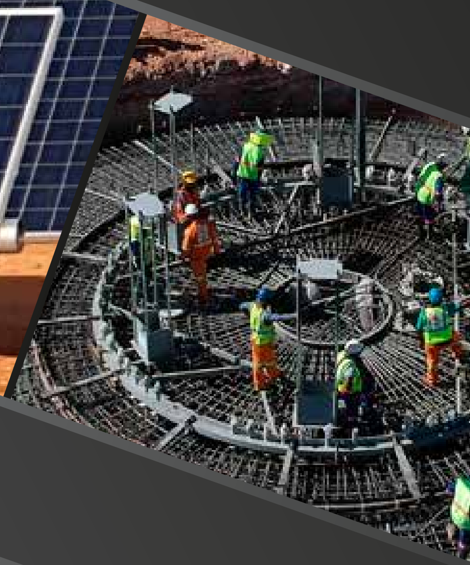
Raubex Group Limited



INTEGRATED REPORT
2020

Contents

Our vision and mission

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

Key facts

- Revenue increased **2.5%** to R8.73 billion (2019: R8.52 billion)
- Operating profit increased **132.1%** to R480.5 million (2019: R207.0 million)
- Headline earnings per share increased **183.7%** to 161.7 cents per share (2019: 57.0 cents per share)
- Earnings per share increased **335.7%** to 139.0 cents per share (2019: 31.9 cents per share)
- Cash generated from operations increased **0.2%** to R790.2 million (2019: R788.9 million)
- Net asset value increased to **R4.51 billion** (2019: R4.33 billion)
- Capital expenditure increased to **R581.5 million** (2019: R420.9 million)
- Order book increased to **R10.14 billion** (2019: R8.01 billion)
- No final dividend declared due to Covid-19 cash preservation measures (2019: 22 cents)

Scope and boundary of integrated report

The board is pleased to present this integrated report which covers the activities and performance of Raubex and all of its operating subsidiaries, joint ventures and branches, both local and international, for the year ended 29 February 2020. The report aims to provide a balanced, comprehensible and complete view of the business by reporting on the financial and non-financial performance of the group to enable stakeholders to make an informed assessment of Raubex.

The board acknowledges its responsibility to ensure the integrity of this integrated report and has considered the volume and complexity of the information included in the integrated report. To this end, the board is of the opinion that it does not warrant a summarised version.

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

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

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

Disclaimer

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

This integrated report for the year ended 29 February 2020 was published and posted to shareholders on 29 June 2020 and is also available on the company's website.

Assurance

The annual financial statements have been audited by PricewaterhouseCoopers Inc. and their independent auditor's report is contained on page 76 of this integrated report.

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

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

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

Approval of integrated report

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

The integrated report was approved by the board on 23 June 2020 and signed on its behalf by:

RJ Fourie
Chief executive officer

JF Gibson
Financial director

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About Raubex

Raubex at a glance

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

The group consists of three divisions as follows:

Materials Division

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

Roads and Earthworks Division

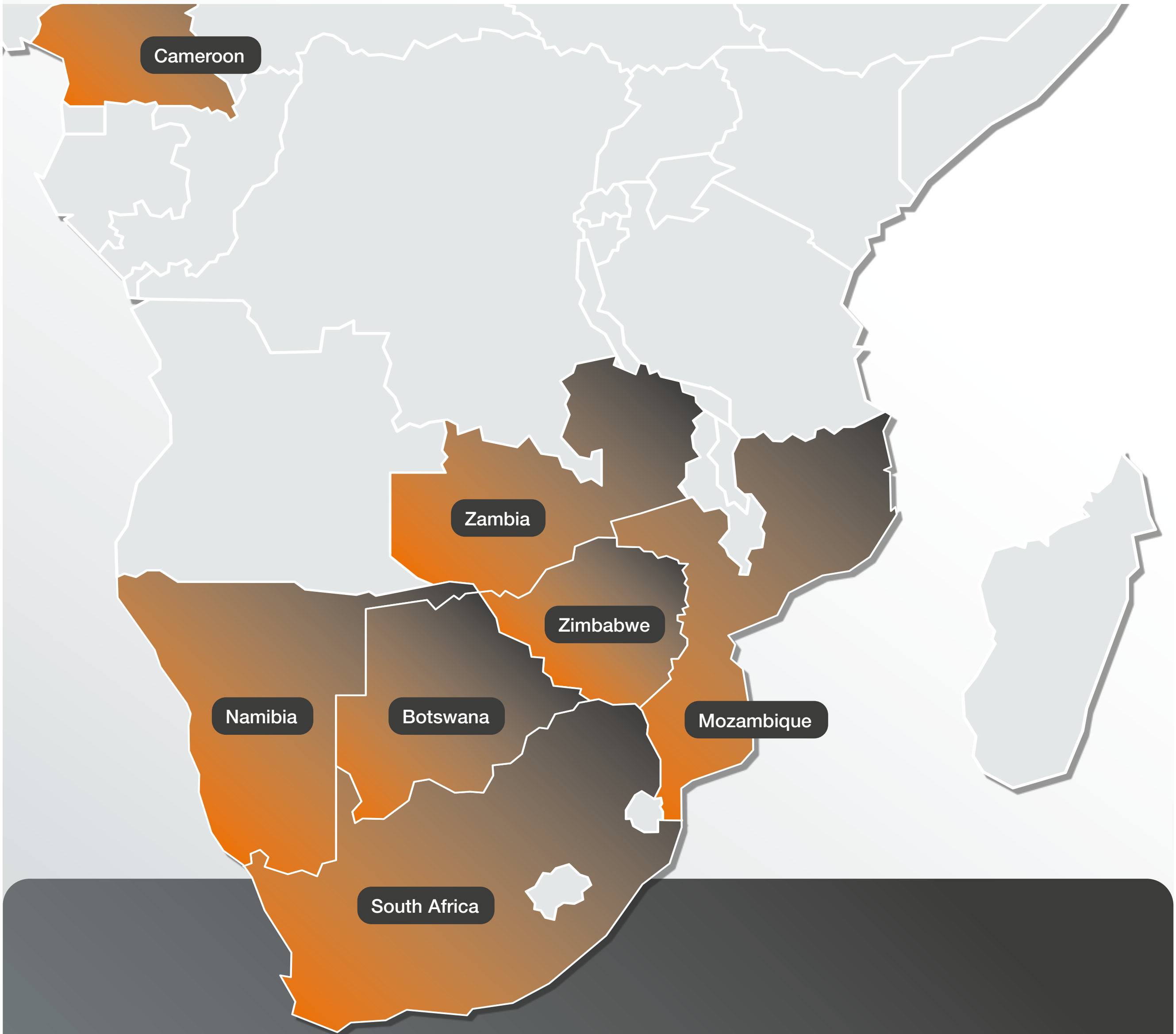
This division specialises in road construction and earthworks as well as road surfacing and rehabilitation which includes the manufacturing and laying of asphalt, chip and spray, surface dressing, enrichments, slurry seals and the manufacture and distribution of value added bituminous products throughout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

Infrastructure Division

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

For more detail on each of these divisions and segments, refer to pages 28 to 30 of this integrated report.

Footprint



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

Raubex business model

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

Inputs

Financial capital
- Debt
- Equity

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

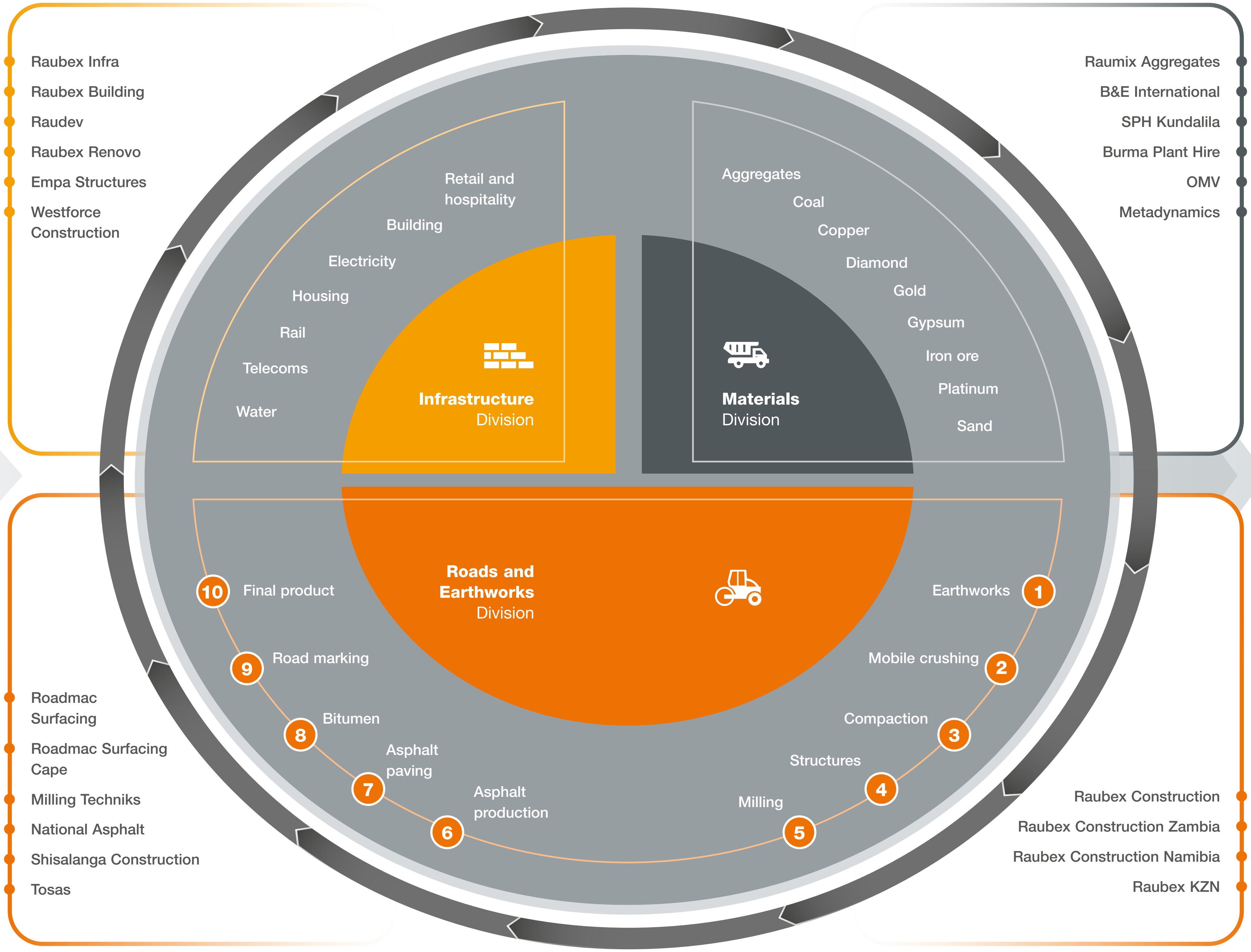
Intellectual capital
- Intellectual property
- Organisational capital
- Intangibles

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

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

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

Business activities and processes



Outputs

Financial capital
- Borrowings of R797.8 million
- Equity of R4.51 billion
- Gearing (debt/equity) of 17.7%

Manufactured capital
- Property, plant and equipment of R2.45 billion
- Capital expenditure of R581.5 million
- Proceeds on disposal of R116.1 million

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

Human capital
- Diversified board of directors
- Strong management team
- Diverse and professional workforce
- 7 418 employees
- Training and skills development
- Remuneration policy

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

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

External environment

Regulatory environment | Economic environment | Technology | Environmental issues

Strategic objectives

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

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

Objectives	Description	Focus for 2020	Progress during 2020	Focus for 2021
Drive to attain a more balanced portfolio of work in the construction and related services sector	Reduce the high level of exposure to a relatively small customer base, ie SANRAL and the South African provincial and municipal governments	▪ Execute the secured REIPPPP contracts efficiently and secure new work in the impending bid windows of the programme ▪ Maintain relationships with existing mining clients and pursue opportunities to expand the customer base in this sector ▪ Expand the client base in the affordable housing and commercial building sector through strategic partnerships ▪ Continue with the roll out of Woodwind Estates and look for replacement opportunities to develop on completion ▪ Execute opportunities secured in the Lufhereng Integrated Urban Development project and deliver a quality product to the client ▪ Pursue strategic acquisitions that will diversify revenue streams while complementing the existing operating divisions ▪ Look to participate in PPP opportunities and become a strategic partner to execute construction works in PPP projects	▪ Executed works to the value of R576 million on four REIPPPP projects with R326 million of works remaining in the order book to be completed in FY2021 ▪ Successfully transitioned from diamond mining operations in Namibia to coal mining operations in South Africa while maintaining relationships with existing clients ▪ Secured a healthy order book of work in the affordable housing and commercial building sector of ~R1.68 billion as well as a pipeline of future development opportunities through strategic partnerships ▪ Continued with the roll out of Woodwind Estates where 310 units have been completed to date. A further 116 units are under construction. Identified a replacement site to develop on completion of Woodwind Estates ▪ Completed 400 FLISP units in the Lufhereng Integrated Urban Development project ▪ A number of strategic acquisitions were considered, however no transactions were concluded during the year ▪ Good progress has been made in forming strategic partnerships to bid for PPP projects which are expected to come to the market in the year ahead	▪ Execute the secured REIPPPP contracts efficiently and secure new work in the impending bid windows of the programme ▪ Maintain relationships with existing mining clients and pursue opportunities to expand the customer base in this sector ▪ Execute the secured order book efficiently and expand the client base in the affordable housing and commercial building sector through strategic partnerships ▪ Continue with the roll out of Woodwind Estates and mature replacement opportunities that have been identified ▪ Execute opportunities secured in the Lufhereng Integrated Urban Development project and deliver a quality product to the client ▪ Obtain a better understanding of the impact of Covid-19 on the group's business model, while looking for strategic acquisition opportunities that will diversify revenue streams while complementing the existing operating divisions ▪ Look to participate in bids for PPP project opportunities that come to market and become a strategic partner to execute construction works in PPP projects
Expand existing business models into new geographies	Expand strategy in new geographic markets/ replicate current integrated business model outside of South Africa	▪ Maintain a presence in Zambia while pursuing the settlement of the Zambia Link 8000 debt and reducing exposure to these works until the funding impasse is resolved ▪ Continue to pursue high margin opportunities in Africa within acceptable risk tolerance ▪ Maintained relationships with key clients in the retail and hospitality sector in Africa ▪ Grow the business in Western Australia at measured pace, organically, through the acquisition of skills and unlocking synergies within the group	▪ Suspended all work on Zambia Link 8000 contracts until the funding impasse is resolved. Secured a mediation settlement order in the high court of Zambia for the outstanding debt to be settled in monthly instalments by 31 December 2029 ▪ Good progress was made towards financial closure of the Beitbridge border post upgrade project where Raubex has secured the construction works with the concessionaire, pending financial closure of the project with the lenders ▪ Successfully completed the Onomo hotel in Cameroon and nearing completion of the Douala Grand Mall which is estimated to be completed before 31 July 2020 ▪ Consistent results were reported from the operations in Western Australia. A new business unit focused on roads and earthworks was established organically during the year through the acquisition of skills in the market	▪ Adopt a more conservative strategy for tendering for work in Africa ▪ Focus on reaching financial closure on the Beitbridge border post upgrade project as well as contract crushing opportunities in Mozambique ▪ Maintain relationships with key clients in the retail and hospitality sector in Africa and monitor the impact of Covid-19 on this sector ▪ Grow the business in Western Australia at measured pace, organically, through the acquisition of skills and unlocking synergies within the group
Build on existing competitive advantages	Continued business optimisation programmes and realisation of synergies between the different business units	▪ Pursue work from concessionaires and private customers while monitoring activity at SANRAL ▪ Focus on production monitoring and efficiencies at site level ▪ Execute the current order book efficiently and realise the low tendered margin in the current operating environment ▪ Maintain the infrastructure division margins ▪ Monitor the success of retention scheme in retaining key management	▪ Increased the order book of work on routes operated by concessionaires from R1.25 billion to R1.62 billion including work from Bakwena, TRAC and N3TC ▪ Production monitoring has highlighted community unrest and disturbances across multiple sites as the main cause of inefficiencies in the execution of certain affected contracts ▪ Contracts were executed efficiently with the roads and earthworks division returning to profitability due to rightsizing initiatives undertaken in the prior year. Community unrest has continued to erode margins on certain sites ▪ Infrastructure margins improved from 4.4% to 6.5% ▪ Implemented retention scheme for key management employees effective 1 March 2018, all scheme participants have been retained since the inception of the scheme	▪ Maintain relationships with concessionaires while executing and increasing the order book of work from SANRAL ▪ Focus on production monitoring and efficiencies at site level including inter-group supply chain synergies ▪ Execute the current order book efficiently and realise the low tendered margin in the current operating environment ▪ Maintain the infrastructure division margins ▪ Monitor the success of retention scheme in retaining key management ▪ Focus on maintaining a strong balance sheet during the year which will allow participation in large projects with large performance guarantee requirements, including participation in PPP projects
Transformation in terms of South Africa's B-BBEE objectives	Transformation and alignment to B-BBEE scorecards	▪ Maintain level 1 B-BBEE rating in terms of the Construction Sector Codes ▪ Maintain the required black ownership level of the quarrying entities regulated by the Mining Charter III ▪ Monitor any changes in legislation and ensure compliance ▪ Improve on employment equity score ▪ Monitor progress and report on compliance in terms of the VRP agreement with government ▪ Initiate development and mentorship initiatives to grow emerging contractor revenue in line with the VRP agreement targets ▪ Initiate a process to optimise the group B-BBEE ownership structure over the medium term in order to streamline compliance to varying sets of legislation including the Construction Sector Codes, the Mining Charter III and the requirements of SOEs including SANRAL's transformation policy	▪ Maintained a level 1 B-BBEE rating in terms of the Construction Sector Codes ▪ Maintained the required black ownership level of the quarrying entities regulated by the Mining Charter III ▪ Monitored changes in legislation and ensured compliance. There were no material changes in legislation during the year ▪ The group's employment equity score remained stable at 12.84 points compared to 12.97 points under the Management Control section of the Construction Sector Codes. Rightsizing initiatives during the year have set a new base for measuring employment equity due to a number of retrenchments ▪ Compliance with the VRP agreement was maintained and progress reports were submitted to the PICC in line with the VRP agreement ▪ Development and mentorship initiatives were curtailed due to the weak operating environment, however, a number of joint venture contracts were executed during the year, including the ongoing upgrade of sections of the N4 Bakwena Platinum Corridor ▪ Optimised the group's B-BBEE ownership structure through a sale and leaseback transaction of the group's property portfolio valued at R383 million. The transaction is a qualifying transaction in terms of S102 of the B-BBEE codes and will ensure a minimum of 51% black ownership of the group until 28 February 2028 and a minimum of 35% black ownership thereafter which is in compliance with the codes and excludes any enhancement in black ownership from institutional shareholders	▪ Maintain level 1 B-BBEE rating in terms of the Construction Sector Codes ▪ Maintain the required black ownership level of the quarrying entities regulated by the Mining Charter III ▪ Monitor any changes in legislation and ensure compliance ▪ Improve on employment equity score ▪ Monitor progress and report on compliance in terms of the VRP agreement with government ▪ Secure work in joint venture arrangements with selected VRP contractors to ensure their revenue growth is in line with VRP agreement targets

Five-year review

29 February		2020	2019*	2018	2017	2016
Profit performance						
Revenue	R'm	**8 735**	8 519	8 542	9 006	7 926
Operating profit	R'm	**481**	207	672	662	711
Depreciation on property, plant and equipment	R'm	**394**	377	357	373	371
Depreciation on right-of-use assets	R'm	**59**	–	–	–	–
Profit before income tax	R'm	**446**	181	641	619	662
Profit after income tax	R'm	**301**	117	453	409	469
Earnings attributable to owners of the parent	R'm	**252**	58	424	372	445
Earnings attributable to non-controlling interest	R'm	**49**	59	29	37	24
Financial position						
Total assets	R'm	**7 982**	7 266	7 140	6 994	6 727
Total equity	R'm	**4 514**	4 327	4 198	3 950	3 833
Total liabilities	R'm	**3 468**	2 939	2 942	3 044	2 894
Total property, plant and equipment	R'm	**2 482**	2 536	2 410	2 364	2 336
Total right-of-use assets	R'm	**376**	–	–	–	–
Cash flow information						
Cash from operating activities	R'm	**790**	789	1040	1224	1050
Capital expenditure	R'm	**582**	421	441	441	550
Free cash flow	R'm	**147**	264	517	665	359
Cash and cash equivalent	R'm	**1 006**	963	1084	1104	970
Ratio and statistics						
Operating profit margin	%	**5.5**	2.4	7.9	7.3	9.0
Earnings per share	cents	**139.0**	31.9	233.5	203.7	236.9
Diluted earnings per share	cents	**138.2**	31.8	233.5	202.2	234.3
Headline earnings per share	cents	**161.7**	57.0	228.6	201.7	234.4
Total dividend per share	cents	**22.0**	34.0	78.0	90.0	78.0
Net asset value per share	cents	**2 483.5**	2 380.7	2 309.7	2 173.2	1 970.7
Return on capital employed	%	**7.7**	3.8	12.2	12.2	13.3
Return on equity	%	**6.7**	2.7	10.8	10.4	12.2
Current ratio	times	**1.8**	1.7	1.7	1.8	1.8
Gearing (debt:equity)	%	**17.7**	15.3	18.5	24.1	28.5
Head count		**7 418**	7 321	8 271	9 871	10 516
JSE statistics						
Market value per share						
– At year end	cents	**2 100**	1 860	2 272	2 451	1 600
– Highest (year to 29 February)	cents	**2 550**	2 373	2 640	2 643	2 399
– Lowest (year to 29 February)	cents	**1 500**	1 680	1 735	1 670	1 267
Closing PE ratio	times	**10.5**	32.6	10.6	9.5	7.0
Market capitalisation – close	R'm	**3 816**	3 381	4 129	4 455	3 028
Volume traded (year to 29 February)	'000	**44 577**	72 313	74 644	59 819	69 822
Weighted number of shares	'000	**181 276**	181 680	181 381	182 668	187 961
Issued shares at 29 February	'000	**181 750**	181 750	181 750	181 750	189 250

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

Material risks and opportunities

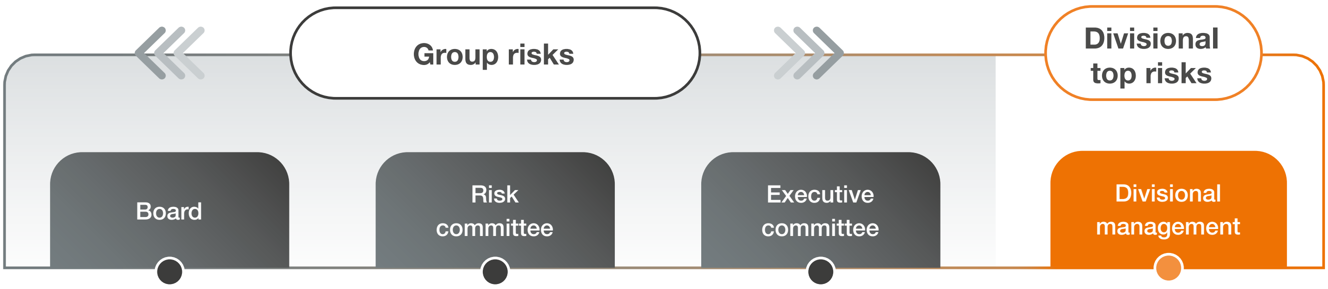
"Our risk management systems are underpinned by our values and strategic objectives. We proactively manage risks to enable the achievement of strategic goals and deliver value to our stakeholders. Risk management is part of our strategy and remains a critical component of good corporate governance. While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

Risk management approach

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

Risk governance

The board's approach to risk governance supports the group's strategic objectives. The risk committee oversees risk management on behalf of the board, through regular reporting by exco and divisional management on strategic risks and related mitigating controls. The risk committee continually assesses the risk management structure to ensure clear roles of identifying, analysing, evaluating, treating, managing and reporting of risks are defined. The risk committee's responsibilities are set out in the governance report on page 41 of this integrated report.



The board sets the approach to risk governance for the group, including identifying opportunities and risks when approving the strategy. The board has delegated the monitoring of risk governance to the risk committee which is a committee of the board.

The risk committee oversees risk management including the assessment of risk and opportunities in relation to the triple context. The committee receives periodic and independent assurance on the effectiveness of risk management, to ensure compliance with governance requirements and standards.

Exco is responsible for executive oversight of the group's top risks. Exco is responsible and accountable for management of risks. Risk management is a standing agenda item for all group exco meetings. Divisional managing directors discuss the top risks and mitigation strategies in their respective divisions.

Oversight of risk governance at divisional level is executed through divisional exco and cost management meetings. Risks identified at each subsidiary company are discussed during cost management meetings and consolidated into top risks and discussed at relevant divisional exco meetings.

Material risks and opportunities continued

Top risks mitigation

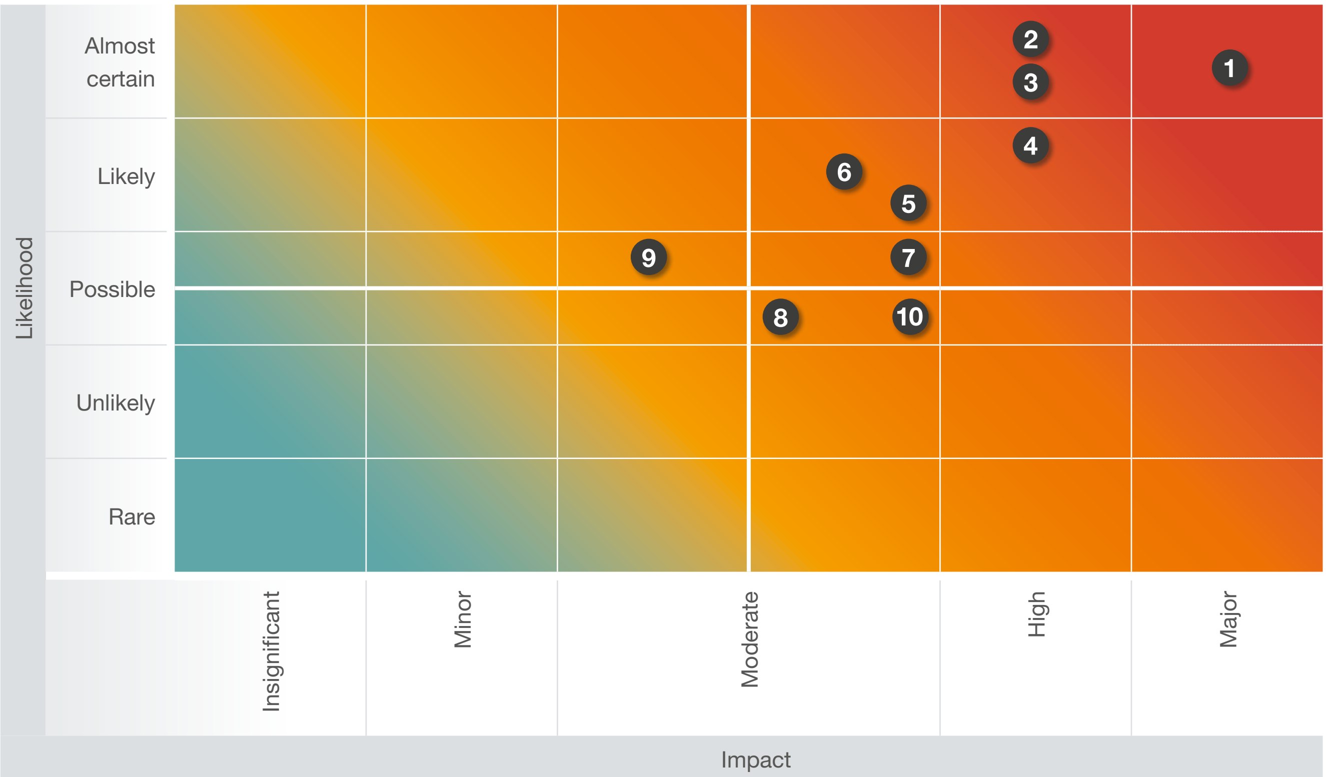
The group's top risks are identified by exco together with the required strategies to mitigate chances of occurrence and to reduce the impact should they occur.

The group's top 10 risks include:

Top 10 risks

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

Residual risk ratings



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

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

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

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

Detailed risk register

Risk description	Level of risk	Mitigation of risk
1 Challenging market conditions – lower public sector spend		
Weak market conditions particularly in the South African road construction sector, where the lack of SANRAL spend is impacting the road construction operations, which includes the supply of asphalt and bitumen to the market	Major	Tender activity increased during the latter part of 2019 and early 2020 and the group submitted tenders for the advertised jobs where appropriate. The award of these tenders are still pending While this risk is currently still considered a major risk, this may turn into an opportunity for the group going forward, once these tenders are awarded The group continues to engage with SANRAL and government as its key stakeholders The group is also exploring other opportunities in order to grow its customer base
2 Local labour and community unrest causing work stoppages		
Raubex operates in remote locations where projects are subject to the risk of local social unrest which leads to unsafe working conditions for employees, project delays, lower production and damage to equipment There has been an increase in the number of instances of work stoppages and standing time as a result of disruptions caused by communities and local labour	Major	Policy on responding to labour and community unrest developed and implemented The group continually engages with local labour and communities through project consultants and community liaison officers Communities are engaged before site establishment to manage expectations relating to the works and contract participation goals Engage with professional bodies, government and police in addressing the unrest Gauteng Task Team headed by the South African Police Service (SAPS) has been established to address this issue
3 Competitive conditions leading to low margins		
Excess capacity in the construction industry and slow roll out of infrastructure projects have resulted in the competitive conditions currently being experienced Tender margins are down to levels that are insufficient to compensate for risk on a sustainable basis	High	Contract pricing is closely reviewed by experienced senior management before tenders are submitted The group focuses more on tenders where synergies can be realised through its vertically integrated business model in order to enhance the group margin Effective project execution and close out

Material risks and opportunities continued

Risk description	Level of risk	Mitigation of risk
4 Tender award corruption		
Lack of transparency in award of provincial and municipal tenders effectively excludes the group from sources of revenue it would otherwise participate in	High	The group is committed to the highest standards of ethical behaviour in its business conduct and has adopted an anti-fraud and corruption policy Key controls over the group's tendering processes are in place, including the approved authorisations It is the group's policy to take a firm stance against tender award irregularities and to challenge the award of tenders through formal legal processes where awards are not consistent with pricing, technical ability and other scorecard criteria
5 Bitumen supply		
The group has concerns around the ability of South African oil refineries to ensure an adequate and efficient supply of bitumen to the local market in light of the country's ageing coastal refineries, which are prone to unplanned maintenance shut downs Timeously getting adequate stock into storage without having to unnecessarily incur excessive storage costs, is complicated by the instability of the refineries through increasing unplanned shutdowns	High	The group owns and rents bitumen storage facilities which are sufficient to ensure approximately six weeks' of supply to its operations Strategic planning to ensure adequate supply when SANRAL comes back online with the awarding of road rehabilitation and maintenance contracts
6 Credit risk		
Challenging conditions continue to be experienced in the South African market with an increasing number of customers showing signs of financial distress as a result of lack of work, which results in non-payment or payment delays These conditions result in the group being exposed to higher levels of credit risk in its customer base	Moderate	Strict credit approval and review procedures as well as a "stop supply" policy are in place in order to manage the risk to an acceptable level
7 Loss of critical skills		
Loss of critical skilled personnel due to intimidation, threats during community unrests and lack of work due to economic uncertainty and disruptions	Moderate	Perform regular risk assessments to ascertain the safety of our personnel Continuously engage with community leaders Engage with key personnel and implement retention policies to retain critical skills

Risk description	Level of risk	Mitigation of risk
8 Volatility in commodity prices		
The volatility in commodity prices has an impact on production volumes of mines The group's materials handling operations are particularly exposed to the cycles of coal, copper, diamond, gold, iron ore and platinum commodities	Moderate	The group follows due diligence procedures before contracts are entered into and evaluates both pricing risk and client risk relating to the commodity before committing resources to contracts Capital employed is spread across various commodities to mitigate risks related to specific commodities
9 Changes in B-BBEE legislation		
Changes in the B-BBEE legislation and government's procurement regulations	Moderate	The group has achieved a level 1 B-BBEE score which enables it to remain competitive amongst its peers when tendering for work Employee and community development trusts have been established to comply with the black ownership requirements of the Mining Charter which is required to retain the group's mining licences at its commercial quarries The group proactively monitors changes to B-BBEE legislation to enable it to timeously implement compliance plans to remain competitive and achieve its transformation goals In terms of the VRP agreement reached with government, Raubex has elected to form alliances with two emerging contractors and to develop and mentor them over a period of seven years. These alliances should facilitate compliance with the new regulations through the formation of black empowered joint ventures The group has entered into a sale and leaseback, which is a qualifying transaction in terms of section 102 of the B-BBEE Codes, to ensure compliance with the Construction Sector Codes beyond 2021
10 Delay in roll out of future REIPPPP		
Time delays in award of renewable power projects in future bid windows will result in excess capacity in this discipline until work can be executed	Moderate	With the signing of the power purchase agreements on 4 April 2018 by the Minister of Energy, this risk has been substantially mitigated and a number of contracts have been negotiated and secured. Work has commenced on these projects during the first half of the 2020 financial year The Integrated Resource Plan ("IRP") 2019 was approved in October 2019, which supports a diversified energy mix We continue engaging with key stakeholders regarding bid window round 5 and manage our capacity accordingly to allow effective execution of the projects when they are awarded

Material risks and opportunities continued

Emerging risks

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

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

Group risk response plan on Covid-19 coronavirus

During March 2020, the group identified the spread of the Covid-19 coronavirus as a significant risk to the group. As more and more cases of infections from Covid-19 were reported globally and locally in South Africa, the group immediately developed and implemented a Covid-19 group risk response plan. It is our corporate and social responsibility to protect our employees, clients, stakeholders and the communities in which we operate, while implementing all available measures to avoid unnecessary risks and overburdening of the current health system in South Africa.

Our high level Covid-19 risk response plan includes the following:

- proactive measures to mitigate the Covid-19 potential risk;
- communication and awareness; and
- reporting protocols in mitigating the Covid-19 risk.

Exco supported by the board, as the Covid-19 steering committee, has been responsible for developing the risk response plan and providing oversight to the subsidiaries within the group. The main objective of the Covid-19 steering committee, is the wellbeing of our workforce and ensuring sustainability across our business operations. The board, exco and the group's workforce take joint responsibility in preventing the spread of Covid-19.

The group has implemented the following measures to contain and prevent the spread of Covid-19:

Awareness and communication

- classification of our workforce in line with the occupational risk pyramid and understanding the risk exposure level;
- communicating and raising awareness about Covid-19 amongst the workforce;
- implementing a dedicated email address where all Covid-19 instances, cases, absence from work and other relevant information must be logged;
- dedicated occupational health and safety officers to assist with the development of health and safety programmes aimed at managing and in so doing, reducing the number and severity of workplace illnesses due to Covid-19; and
- emphasis on workplace hygiene as a priority for our workforce, both at permanent and non-permanent sites and increasing hygiene measures where possible.

Limitation of engagement

- working remotely where possible is encouraged and promoted, with our IT platforms supporting this protocol; and
- all sites are operating in accordance with relevant regulations and guidelines issued by government.

Disaster Management Act, 57 of 2020: Regulations to address, prevent and combat the spread of Covid-19

- our risk and compliance department continuously reviews the lockdown regulations and guidelines, as and when they are issued by government, and ensures distribution thereof to key role players to ensure effective group compliance of the regulations and guidelines.

Insurance

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

Fraud hotline

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

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

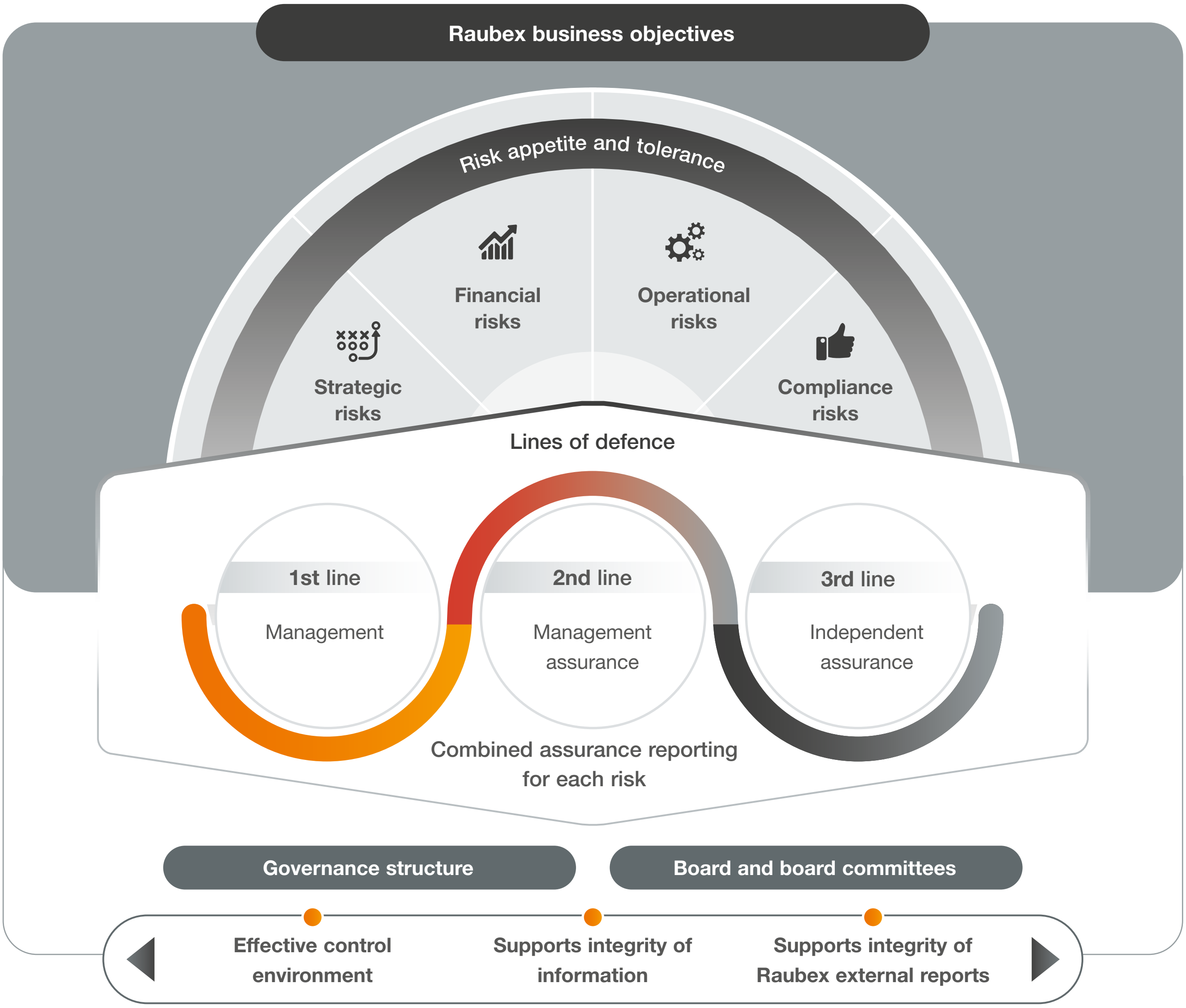
South Africa FreeCall:	0800 20 53 14
Namibia FreeCall:	0800 01 50 05
Malawi FreeCall:	50800 (free for Airtel subscribers only)
Zambia FreeCall:	847 (ZAIN TNM) 8000 0847 (MTL)
Email:	raubex@tip-offs.com
Website:	www.tip-offs.com
FreeFax:	0800 00 77 88 (free for South Africa only)
FreePost:	KZN 138 (free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

Material risks and opportunities continued

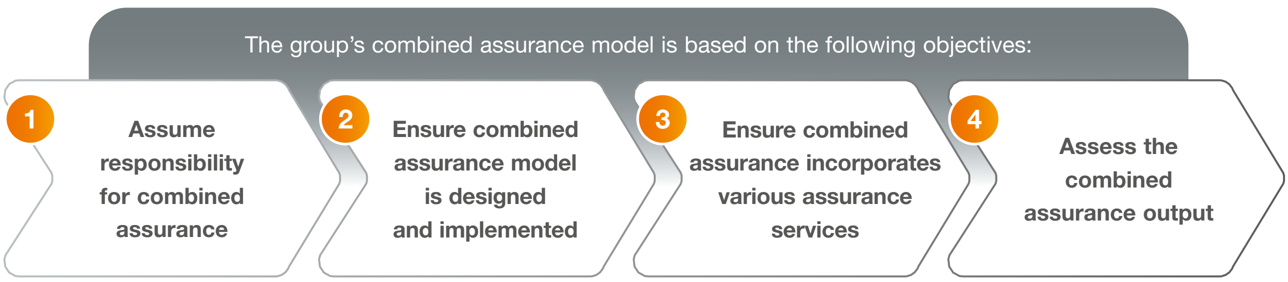
Combined assurance approach

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

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



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



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

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

Opportunities

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

Despite tough trading conditions, the group has maintained a strong balance sheet throughout the period and is well positioned to participate in current and future opportunities in the construction sector.

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

Infrastructure opportunities throughout the rest of Africa and abroad

A more conservative approach has been adopted with regard to tendering for work in Africa. Infrastructure opportunities throughout the rest of Africa and in other international markets offer opportunities for Raubex to redeploy skills. Africa has a constantly growing demand for infrastructure and services and this makes it viable for the group to selectively target opportunities on a pre-determined set of criteria. The international construction market is also experiencing some opportunities and the group has supported its footprint in the Western Australian market, through Westforce Construction and Raubex Construction Australia, where the construction sector is more buoyant than in South Africa and a number of infrastructure opportunities are being executed.

Water security

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

Skills development

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

SANRAL

SANRAL remains a key stakeholder to the group. While we experienced a decline of tender activity over the past two years, we are encouraged by the increase in new tender requests for road construction in excess of R17 billion, during the latter part of 2019 and early part of 2020. Raubex remains confident and well positioned to participate in current and future opportunities in this sector as conditions improve.

Growth in the affordable housing market

The infrastructure division within Raubex continues to experience favourable conditions in the affordable residential housing market, including multi-storey BNGs (breaking new ground) and commercial construction which include hospitals,

Material risks and opportunities continued

prisons and Urban Regeneration Projects. The group's residential development "Woodwind Estates" in Midrand, experienced strong demand for completed units and further phases are being rolled out. Raubex is also well positioned to participate in building and civil infrastructure opportunities created by the Lufhereng Integrated Urban Development project to the west of Soweto. Opportunities were secured in completing FLISP (Finance Linked Individual Subsidy Programme) housing units in the Lufhereng project. The group continues to accelerate the roll out of Woodwind Estates and to secure opportunities in the Lufhereng Integrated Urban Development project.

Prospects in the mining sector

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

Eskom REIPPPP

The group's infrastructure division has successfully executed work on round 3 and 4 bid window projects and has established a solid reputation in the market. Raubex is a preferred subcontractor to many clients due to quality of work and on-time delivery of projects. The infrastructure division continues to negotiate and finalise contracts. In the 2020 State of the Nation Address, the president announced a section 34 Ministerial Determination to be issued to give effect to the Integrated Resource Plan ("IRP"), enabling the development of additional grid capacity from renewable energy, natural gas, hydro power, battery storage and coal. The impending opening of bid window 5 of the renewable energy IPP and working with producers to accelerate completion of window 4 projects, is encouraging.

South African government national development plan

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

Commitment to transformation

The group is committed to transformation and the development of its employees. Our transformation agenda supports government's initiatives which seek to address the inequalities of the past and to make the South African economy more inclusive of historically disadvantaged South Africans. To ensure sustainability, we strive to continue making progress in improving our B-BBEE credentials as measured by the B-BBEE scorecard set out on page 62 of this integrated report. The group was awarded the 2018 most empowered construction company by Empowerdex in terms of the Amended Codes of Good Practice on B-BBEE. Raubex was the 2018 category winner of both the Amended Codes-Overall and the Sector Codes-Amended. In the current financial year, the group was rated second in the Empowerdex rankings, and considered as a consistent performer.

The group also entered into a sale and leaseback transaction, which constitutes a qualifying transaction in terms of section 102 of the B-BBEE Codes. This transaction will ensure that the group'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.

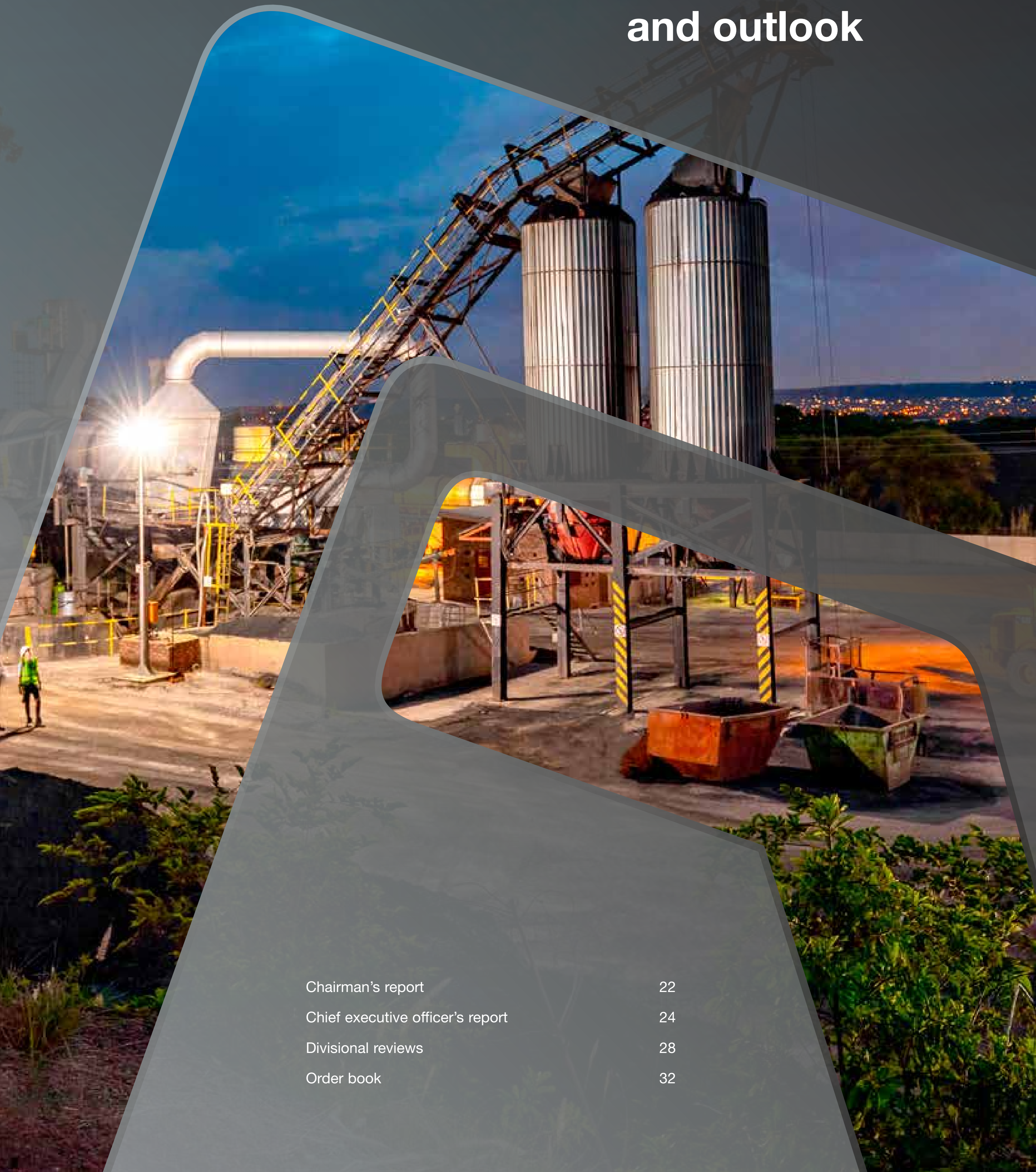
Acquisitive growth in the materials division

Opportunities exist to strengthen the materials division's commercial quarry activities by establishing new greenfield sites and by acquiring strategically positioned and established quarries. The construction materials market is also a focus area for future expansion and an area which the group will look to strengthen in order to achieve a more diversified revenue stream. The impact of Covid-19 on the group's business as well as the business of any target entity will need to be understood before any acquisitions are undertaken.

Geographical expansion of the group

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

02
Performance and outlook



Chairman's report

Freddie Kenney *Chairman*

> **Despite difficult economic conditions, the group has managed to deliver growth to its shareholders through a resilient operational performance in what has been a very challenging year in the South African construction industry.**

The year in review

Despite difficult economic conditions, the group has managed to deliver growth to its shareholders through a resilient operational performance in what has been a very challenging year in the South African construction industry.

A substantial increase in tender activity has been observed during the second half of the year, which is encouraging for the year ahead.

Materials Division

The materials division continues to diversify the group from the construction sector and contributed 67% of group operating profit. The year was characterised by the successful transition from diamond mining operations in Namibia to coal mining operations in South Africa, as well as the re-establishment of crushing operations in Mozambique. Commercial quarry operations have continued to support the results of the materials division, however the occurrence of community unrest at specific operations has been increasing and has impacted performance.

Roads and Earthworks Division

Losses in the roads and earthworks division have been curtailed, following rightsizing initiatives undertaken in the previous year. This division is now better positioned to manage the lower volume of construction work on hand, while sufficient capacity has been maintained to participate in any improvement in the sector where a lot of tender activity has been observed.

Infrastructure Division

The infrastructure division reported strong results with growth in this division driven by activity in the renewable energy sector where contracts are being well executed, as well as activities in the affordable housing and commercial building sector.

The Integrated Resource Plan 2019 announced by the Minister of Mineral Resources and Energy on 18 October 2019, will further support the prospects of this division over the medium term.

Opportunities for this division to participate in Public-Private Partnership ("PPP") projects have also started coming to the fore.

International Division

International operations have continued to diversify the group's revenue streams, albeit at lower margins.

A strategic decision has been taken by the group to adopt a more conservative approach with regard to tendering for work in Africa.

In Western Australia, the construction market has remained buoyant and to date, has not been impacted by Covid-19, while the government looks to stimulate the economy through infrastructure spend. A new Raubex business unit focused on roads and earthworks was recently established and synergies and skills transfer between South Africa and Western Australia continue to be explored. Raubex will continue with a cautious approach to exploring this market and will look to grow its footprint organically at a measured pace.

Dividend

The board has taken the decision not to declare a final dividend for FY2020 due to Covid-19 cash preservation measures implemented. This is the first time since the listing of Raubex in 2007 that a final dividend has not been declared, however it was considered appropriate given the extraordinary and unpredictable circumstances created by the Covid-19 pandemic.

Covid-19

The group's performance for FY2020 has been overshadowed by the Covid-19 outbreak and the unfolding global crises.

The implications of Covid-19 on the South African economy and the construction industry are complex and unpredictable and as such it is not possible to quantify the financial impact that Covid-19 will have on the group's results and prospects at this time.

The current status of the group's operations is set out on page 25 of the CEO's report.

As a result of the uncertainties around Covid-19, 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 affected by Covid-19, the group's executive committee members elected for a 25% reduction in their remuneration to be applied over a three-month period.

Raubex has implemented policies and procedures applicable to all sites and offices to protect the health of employees, customers, clients and other stakeholders. Our response included measures to educate and inform our employees about the Covid-19 virus and how to prevent and contain it from spreading, in line with expert guidelines from national health agencies and the World Health Organisation.

Various CSI initiatives have been implemented by Raubex since the outbreak of Covid-19, which include amongst others, donation of 6 000 masks and food parcels to local hospitals and communities in the areas in which Raubex operates.

Board composition and governance

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

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

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

I remain satisfied that the board is appropriately balanced and contains the skills required to ensure that the group is well-governed, and that the interests of our shareholders, other stakeholders, and the societies in which we do business are well-served.

Changes to the board

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

King IV

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

Transformation and empowerment

Transformation

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

Sale and leaseback

Effective 28 February 2020, the company disposed of its property portfolio held by Raubex Property Investments (Pty) Limited to Acorn Black Investments (Pty) Limited.

The sale and leaseback transaction is a qualifying transaction in terms of section 102 of the B-BBEE Codes and will ensure that the roads and earthworks division secures >51% black economic interest until 28 February 2028 and a minimum of 35% black economic Interest thereafter, which is in compliance with the target black shareholding stipulated in the Codes.

Appreciation

The group's management teams and employees have again stood out as one of Raubex's key strengths. We continue to operate in a very challenging environment which has been exacerbated by the Covid-19 pandemic, but I am confident that we will respond appropriately to the current crisis and emerge stronger from it.

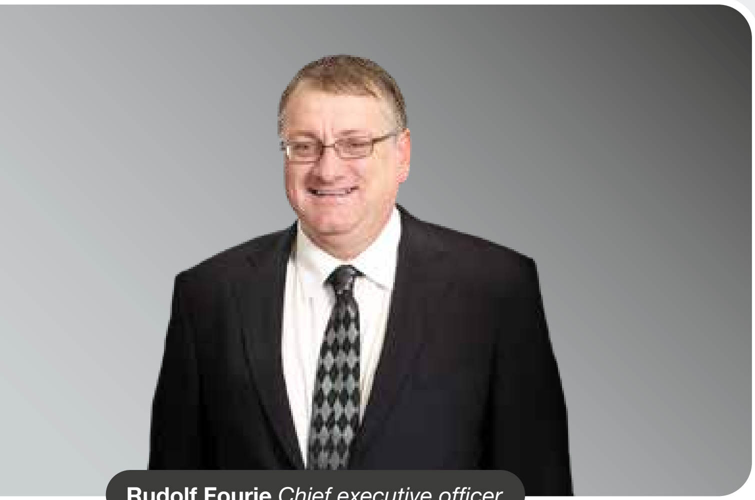
I would like to thank Rudolf Fourie and his executive team who continued to lead the group with focus and distinction during this difficult year, as well as my fellow non-executive directors for their active participation in board and committee meetings, and for providing valuable insight and oversight.

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

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

Freddie Kenney
Chairman

Chief executive officer's report



Rudolf Fourie *Chief executive officer*

We are very pleased to report an improvement in results across all three of the group's operating divisions.

"Rightsizing initiatives undertaken in the prior year have seen the roads and earthworks division return to profitability, while sufficient capacity has been maintained to participate in any improvement in the sector.

"We have been encouraged by a substantial increase in tender activity observed in the second half of the year and are hopeful that the relevant state-owned enterprises will continue to adjudicate and award these contracts as a means to stimulate the South African economy and create jobs following the Covid-19 lockdown."

Financial overview

Revenue increased by 2.5% to R8.73 billion while operating profit increased by 132.1% to R480.5 million from the corresponding prior year.

Profit before tax increased by 146.9% to R446.2 million (2019: R180.7 million), with the effective tax rate decreasing to 32.5% (2019: 35.3%).

Group operating profit margin increased to 5.5% (2019: 2.4%).

Earnings per share increased by 335.7% to 139.0 cents (2019: 31.9 cents) with headline earnings per share increasing by 183.7% to 161.7 cents (2019: 57.0 cents).

On 28 February 2020, the group disposed of its interest in Raubex Property Investments (Pty) Ltd to Acorn Black Investments (Pty) Ltd ("the Transaction"). The Transaction constituted a qualifying transaction as contemplated under Statement 102 of the Broad-Based Black Economic Empowerment Codes. 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). The loss on sale and leaseback has been excluded from headline earnings per share.

Cash generated from operations increased by 0.2% to R790.2 million (2019: R788.9 million) before finance charges and taxation.

Net finance costs increased to R34.3 million (2019: R25.3 million). The increase is mainly attributable to the adoption of IFRS 16: *Leases* to which R15.5 million of finance charges are attributable. Total non-cash finance costs amounted to R12.3 million (2019: R16.1 million).

The group has maintained a strong balance sheet during the year, although there was a net increase in working capital which was mainly due to the milestone payment profile relating to projects in the renewable energy sector under the Renewable

Energy Independent Power Producer Procurement Programme ("REIPPPP") as well as the Douala Grand Mall in Cameroon.

Trade and other receivables increased by 8.4% to R1.63 billion (2019: R1.50 billion). The net trade and other receivables balance includes the reallocation of an R85 million provision which was previously disclosed under contract liabilities. This relates to work in progress on the suspended Zambia Road Development Agency ("RDA") contracts and has now effectively been included as a provision for doubtful debts. Contract assets increased by 10.1% to R323.7 million (2019: R294.0 million).

Inventories decreased by 16.2% to R641.7 million (2019: R765.7 million), which was mainly due to the disposal of property development stock of R111.6 million which formed part of the Transaction highlighted above. These properties are now recognised as a right-of-use asset under IFRS 16. No cash flow effect has been recognised in the statement of cash flows, as the proceeds had not been received at year end in terms of the financing structure of the Transaction.

Trade and other payables increased by 3.7% to R1.42 billion (2019: R1.37 billion), while contract liabilities decreased by 30.6% to R226.8 million (2019: R326.9 million). The decrease in contract liabilities is mainly as a result of the reallocation of R85 million relating to work in progress on the suspended Zambia RDA contracts, which has now been disclosed as a provision for doubtful debts under trade and other receivables.

Capital expenditure on property, plant and equipment increased by 38.2% to R581.5 million (2019: R420.9 million), while net capital expenditure increased by 29.0% to R465.4 million (2019: R360.7 million). The increase in capital expenditure was mainly as a result of plant requirements to service new coal mining operations in South Africa, replacing diamond mining operations in Namibia, where excess plant had been disposed of.

Borrowings increased by 20.6% to R797.8 million (2019: R661.7 million) as a result of the increase in capital expenditure and consist mainly of instalment sale agreements relating to plant and equipment, repayable in monthly instalments.

The group had a net cash inflow for the year of R37.5 million and total cash and cash equivalents at the end of the year of R1.01 billion (2019: R962.6 million).

Operational overview

Materials Division

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

The materials division contributed 67.0% of group operating profit for the year and has continued to diversify the group from the construction industry.

A combination of factors impacted on the performance of the division during the first half of the year including (i) community unrest, which has affected a number of commercial quarry operations across the country; (ii) completion of certain materials handling contracts in the diamond mining sector in Namibia; and (iii) establishment costs and lower production volumes initially achieved following transition to new materials handling contracts in the coal mining sector in South Africa.

The transition from the diamond mining contracts to new coal mining contracts was completed during the year and production efficiencies improved in the second half of the year. Commercial quarry operations also reported an improvement in their second half results for the year, although community unrest has continued to impact certain operations in specific geographic locations.

Contract crushing operations continue experiencing weak demand in line with the low level of activity in the overall construction sector.

Roads and Earthworks Division

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

The division is primarily dependent on the South African road construction sector through its construction capacity, as well as through asphalt and bitumen supply operations, and is directly and indirectly exposed to government expenditure on road construction and maintenance in the country.

The division has continued to experience a lack of work resulting in weak trading conditions in the South African road construction sector and is still carrying some excess capacity to that which is required for the current volume of work on hand. The division has been able to replace some of its order book with work on roads operated by private concessionaires, while public sector spend has remained low during the year.

Rightsizing initiatives undertaken mainly in the prior year have curtailed the losses that were reported in the previous corresponding period and the division is now much better positioned to manage the lower volume of work while it has maintained sufficient capacity to participate in an expected improvement in the sector.

Infrastructure Division

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

The infrastructure division has experienced strong growth during the year where it has been participating in the REIPPPP and has also been active in the affordable housing and commercial building sector in the South African market. The Onomo hotel in Cameroon was successfully completed during the year, while work on the Douala Grand Mall is nearing completion. In Western Australia, consistent results have continued to be reported across various projects.

International

The group's international operations consist of materials supply and mining services as well as construction activities. These operations are located in the African jurisdictions of Botswana, Cameroon, Mozambique, Namibia, Zambia and Zimbabwe. A footprint has also been established in Western Australia.

Activities in Botswana have reported consistent results for the year and include commercial quarry operations in Gaborone, as well as bitumen and asphalt supply operations.

In Cameroon, the Onomo hotel in Douala was successfully completed during the year. The Douala Grand Mall is estimated to be completed before the end of July 2020 and although good progress has been made in delivering a top quality mall to the client, this project reported a R35 million operating loss for the year, due to difficult operating conditions.

In Namibia, the materials division has continued to service the copper mining operations of the Tschudi mine near Tsumeb, while bitumen supply operations through Tosas are ongoing in the country.

The materials division also established a footprint in Mozambique during the year and is currently involved in commercial crushing operations in the country.

In Western Australia, consistent results have been reported by Westforce Construction and the group will continue with a cautious approach to growing its business model organically in the country, while exploring synergies and transferring skills between its South African and Australian operations.

The decrease in the international operating margin is mainly related to activities in Namibia, where certain materials handling contracts in the diamond mining sector were completed in the prior year and replaced with work in the South African coal sector at lower margins. In Cameroon, overall activities have not been profitable and have also weighed on the international operating margin.

Prospects

The implications of Covid-19 on the South African economy and the construction industry are complex and unpredictable and as such it is not possible to quantify the financial impact that Covid-19 will have on the group's results and prospects at this time.

In South Africa, a National State of Disaster was declared on 15 March 2020, followed by a 21-day national lockdown which commenced on 26 March 2020 and 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 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 conditions in the South African construction sector are expected to remain challenging in the short term and the group will be required to manage a number of issues, including the excess capacity being carried in anticipation of future contract awards, relatively low margin contracts in the current order book and the unpredictable impact of Covid-19. The outlook over the medium term was seen to be improving prior to the Covid-19 lockdown when a substantial increase in tender activity was observed.

The South African National Roads Agency SOC Limited ("SANRAL") is planning extensive upgrades to the N2/N3 road network in KwaZulu-Natal as well as a number of periodic maintenance contracts in the Eastern Cape, Northern Cape and Western Cape provinces, for which tenders have closed and are in the process of adjudication. A number of road maintenance contracts were also released by various provincial government administrations and awarded prior to the lockdown. In addition, tenders have also closed for significant upgrades to the OR Tambo International Airport and the Cape Town International Airport by the Airports Company South Africa SOC Limited ("ACSA"), although the impact that Covid-19 will have on the timing of these awards is unknown.

In the South African road construction sector, the group has tendered on ~R22 billion of work between October 2019 and March 2020 and should be well positioned to participate in some of this work, through both its roads and earthworks and materials divisions. The timing of certain awards could be delayed as a result of the impact of the Covid-19 lockdown and the financial effects resulting from the measures taken by government, but it is hoped that the social relief and economic support package of R500 billion (~10% of GDP) announced by the South African government on 21 April 2020, including an economic recovery strategy and interventions such as a substantial infrastructure build programme, will help to stimulate the South African economy over the medium term.

The group has adopted a more conservative strategy with regard to tendering for construction work in the rest of Africa, but will continue to look for opportunities with suitable risk and reward profiles. The project for the upgrade and maintenance of the Beitbridge border post in Zimbabwe is an exciting prospect for the group and good progress has been made by the concessionaire towards financial close of this project.

On 18 October 2019, the Minister of Mineral Resources and Energy announced the approval by cabinet of the Integrated Resource Plan 2019 ("IRP 2019") which is an electricity infrastructure development plan which identifies the preferred generation technology required to meet the expected demand growth in South Africa. The IRP 2019 has made provision for significant roll out of renewable energy up to the year 2030, providing for 6 000 MW additional capacity from photovoltaic and 14 400 MW additional capacity from wind. The group is well positioned to benefit from the roll out of work in the REIPPPP and this commitment by government to renewable energy in the electricity supply mix, will further support the prospects of the infrastructure division over the medium term.

In the affordable housing sector, the group's participation in the Lufhereng Integrated Housing Development in Soweto is ongoing and its affordable housing development at Woodwind Estates in Midrand will continue to be rolled out in a phased approach. The impact of Covid-19 on this market segment is still to be assessed and a cautious approach to the roll out and working capital invested in private development projects will be followed until the supply and demand dynamics in this sector are better understood.

Various opportunities to participate in Public-Private Partnership ("PPP") projects have started coming to the fore in the South African market and participation in these projects is part of the group's strategy for future growth.

The progress made to date in Western Australia is pleasing and the construction market in the country continues to be buoyant. The construction operations in Western Australia have not been adversely impacted by Covid-19 and some new project opportunities could come to the fore as the Australian government looks to stimulate their economy through infrastructure spend. The group will continue to explore this market and look to grow its footprint in Western Australia in the year ahead.

The contract opportunities which have been tendered on in the South African construction sector are encouraging and the group will look to participate in these projects from both a construction and materials supply perspective. The time taken by the various clients to adjudicate and award these contracts as well as the government's response to the financial effects of Covid-19, will determine when conditions are likely to improve for the South African construction sector. The Raubex management team is fully committed to steering the group through these uncertain times and will continue to focus on maintaining a strong balance sheet and cash position which will ensure the short-term sustainability of the group and position it well for future growth.

Acknowledgements

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

Rudolf Fourie
Chief executive officer

Divisional reviews

Materials
Division

Divisional Managing Director: Materials Division

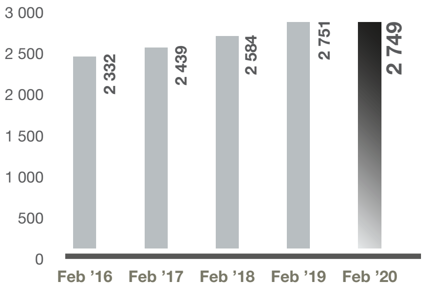
Izak van Niekerk (42) BSc Eng, Hons BCom, MBA

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

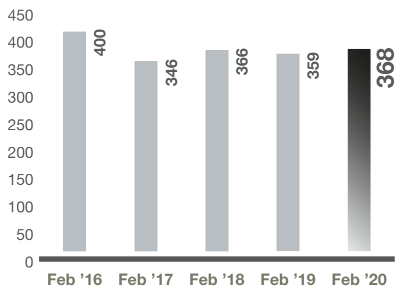
The materials division comprises three main disciplines including:

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

Revenue (R million)



Operating profit (R million)



■ *Materials*

- Revenue for the division decreased 0.1% to R2.75 billion (2019: R2.75 billion) while operating profit increased 2.5% to R367.7 million (2019: R358.5 million).
- The divisional operating profit margin increased to 13.4% (2019: 13.0%).
- The division incurred capital expenditure of R431.7 million during the year (2019: R260.6 million).
- The division has a secured order book of R1.81 billion (2019: R1.93 billion).

Roads and Earthworks
Division

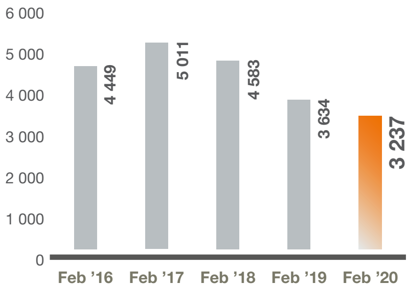
This division specialises in road construction, earthworks and structures, as well as road surfacing and rehabilitation which includes the manufacturing and laying of asphalt, chip and spray, surface dressing, enrichments, slurry seals and the manufacture and distribution of value added bituminous products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

Divisional Managing Director: Roads and Earthworks Division

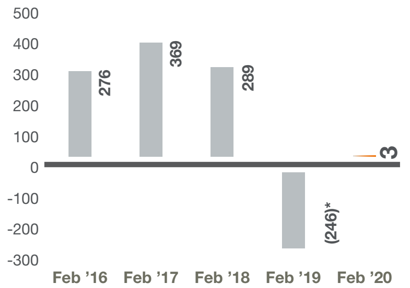
Louis Raubenheimer (54) BEng (Civil) UP – 1991

Louis joined Raubex as a junior engineer in January 1992. He has been with Raubex for 28 years. As an eight-year old he witnessed the founding of Raubex by his father. He has been part of the rise from a small family company to a public listed company. Louis was instrumental in the creation of the infrastructure division as well as the establishment of the group's footprint in Western Australia. He is well experienced in the management of people, capital, resources, projects and companies.

Revenue (R million)



Operating profit/(loss) (R million)



■ *Roads and earthworks*

* *The results for this division in FY2019 also include a present value charge and work in progress adjustment with respect to the accounts receivable balance due from the RDA in Zambia for an amount of R116.7 million and a goodwill impairment charge attributable to the asphalt cash-generating unit for an amount of R51.5 million. Operationally, an onerous contract was completed on the Moloto road, this contract reported an operating loss of R36.3 million for the year.*

- Revenue for the division decreased 10.9% to R3.24 billion (2019: R3.63 billion) and operating profit increased 101.3% to R3.1 million (2019: R245.8 million operating loss).
- The divisional operating profit margin increased to 0.1% (2019: 6.8% operating loss margin).
- The division incurred capital expenditure of R61.4 million during the year (2019: R61.0 million).
- The division has a secured order book of R5.46 billion (2019: R3.19 billion).

Infrastructure
Division

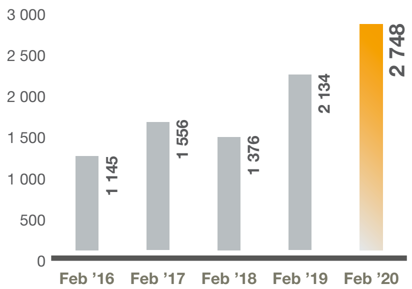
Divisional Managing Director: Infrastructure Division

Dirk Lourens (47) SACPCMP – Pr.CM

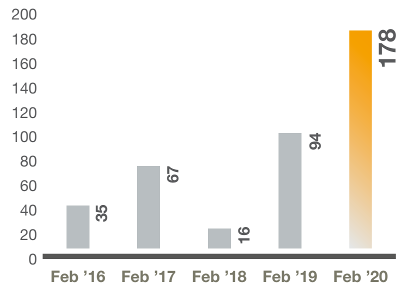
Dirk Lourens was appointed as divisional head effective 1 May 2017. Dirk joined the infrastructure division when it was established in July 2012. Prior to this, Dirk was co-founder of Meyker Construction in 1995, which was later acquired by Sanyati Construction. Dirk is a professional construction manager registered with SACPCMP with over 20 years' experience in the construction industry.

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

Revenue (R million)



Operating profit (R million)



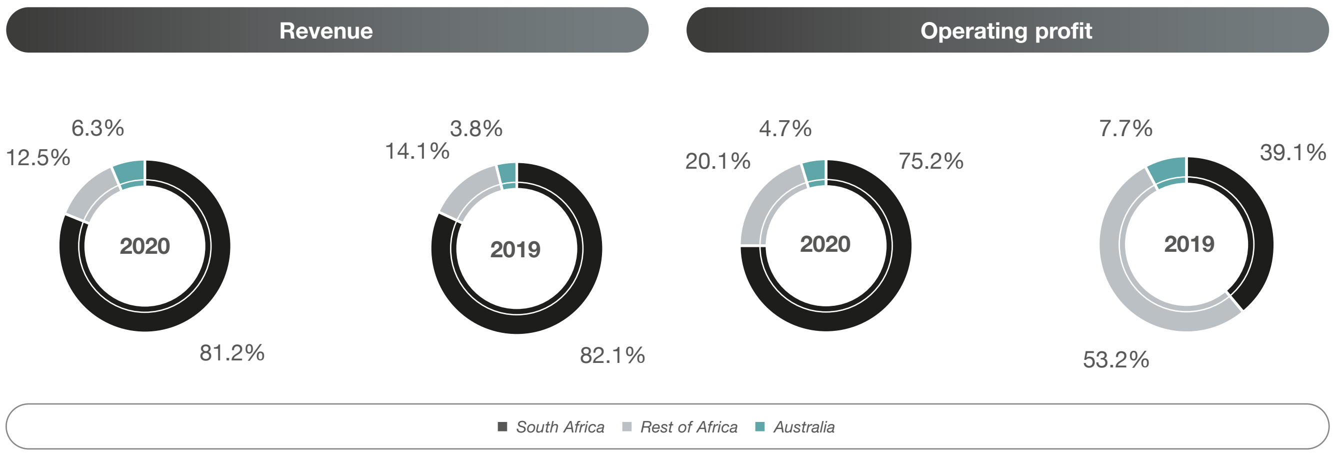
Infrastructure

- Revenue for the division increased 28.8% to R2.75 billion (2019: R2.13 billion) and operating profit increased 89.0% to R178.2 million (2019: R94.3 million).
- The divisional operating profit margin increased to 6.5% (2019: 4.4%).
- The division incurred capital expenditure of R88.5 million (2019: R99.3 million).
- The division has a secured order book of R2.87 billion (2019: R2.89 billion).

International

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

International reporting has now been split into separate geographical segments for the "rest of Africa" and "Australia".



Rest of Africa

- Revenue decreased by 9.1% to R1.10 billion (2019: R1.21 billion) while operating profit decreased by 0.5% to R109.7 million (2019: R110.3 million). The operating profit in the prior year was impacted by a present value charge and work in progress adjustment that was incurred with respect to the overdue accounts receivable balance due from the RDA in Zambia for a combined value of R116.7 million before tax.
- Operating profit margin increased to 10.0% (2019: 9.1%).
- The order book for the rest of Africa decreased to R482.7 million (2019: R919.2 million).

Australia

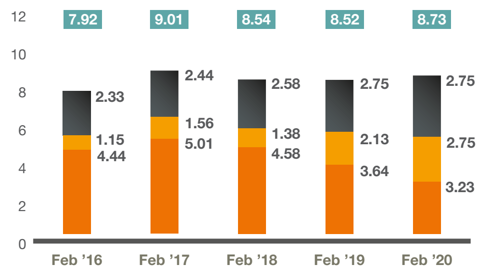
- Revenue increased 69.3% to R548.0 million (2019: R323.6 million) while operating profit increased by 63.3% to R26.2 million (2019: R16.0 million).
- Operating profit margin decreased to 4.8% (2019: 4.9%).
- The order book for Australia increased to R452.1 million (2019: R213.2 million).

Divisional reviews continued

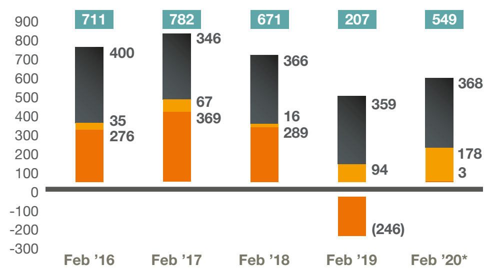
Overview

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

Revenue (R billion)



Operating profit (R million)

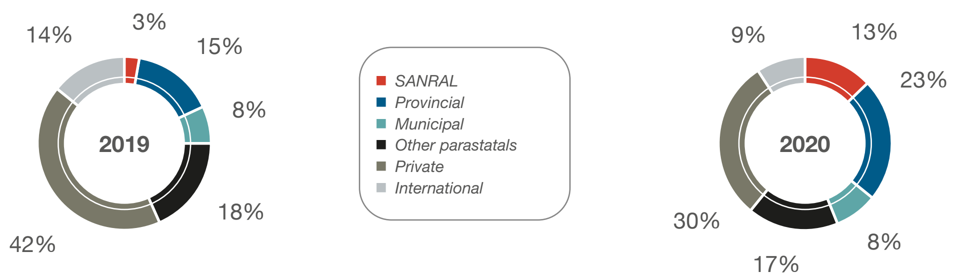


Roads and earthworks | Infrastructure | Materials

* 2020 operating profit excludes the loss on sale and leaseback transaction of R68.5 million.

Order book

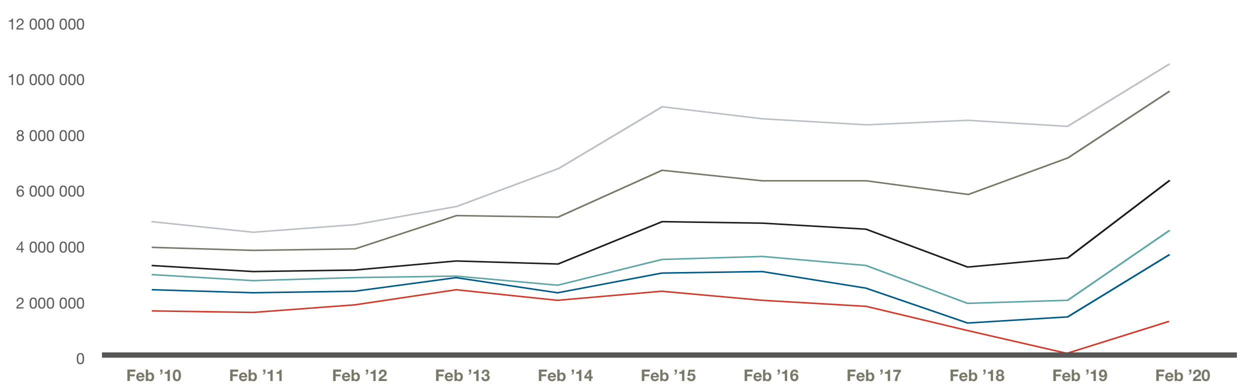
The group's secured order book has increased 26.6% to R10.14 billion (2019: R8.01 billion). The order book is represented by the following customer categories:



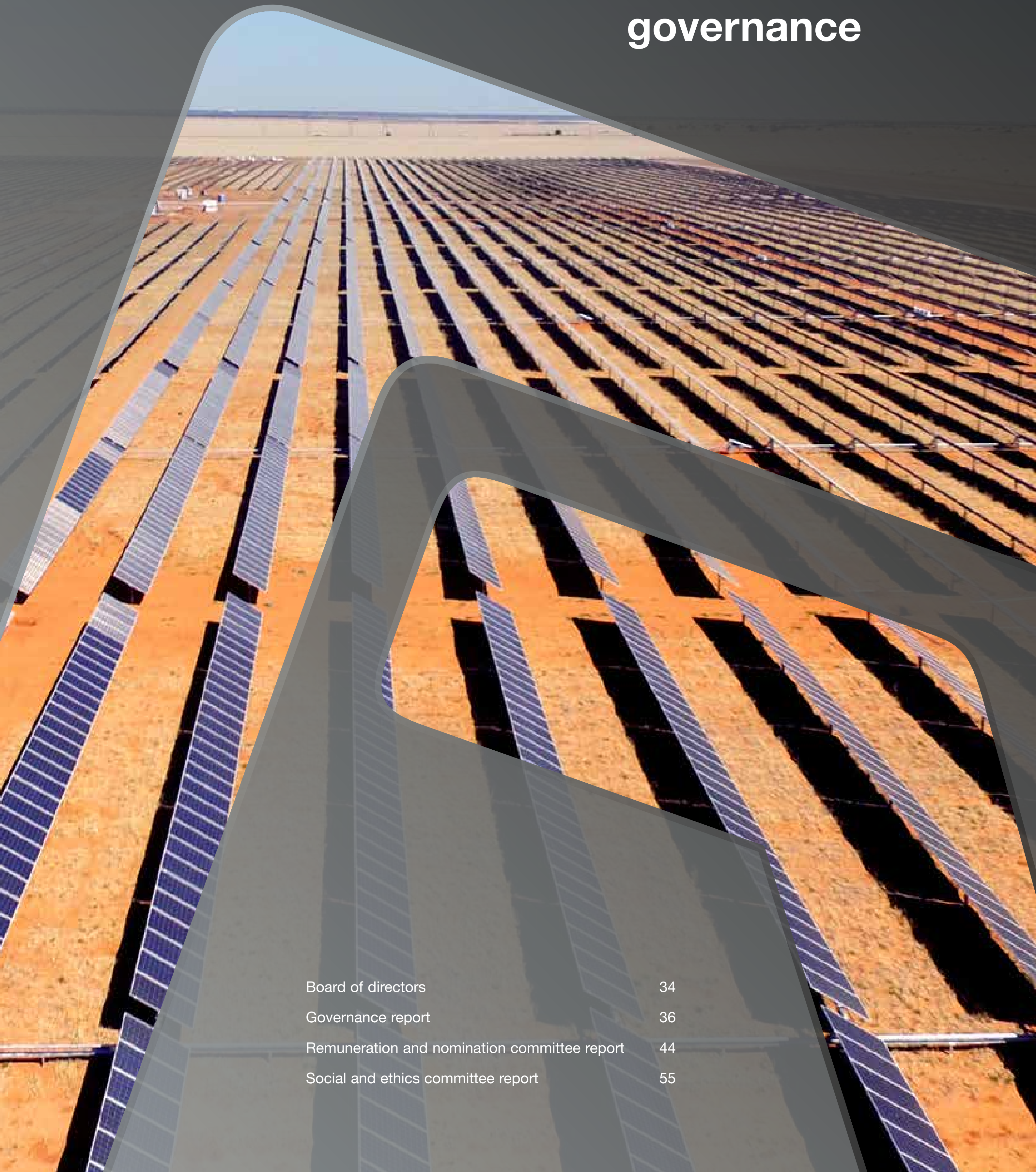
The international order book consists of contracts outside of South Africa, in the rest of Africa and Western Australia.

The group's historical order book per customer category over the last 11 years is illustrated below:

Order book – 100% stacked line (R'000)



03
Corporate governance



Board of directors

NON-EXECUTIVE CHAIRMAN

Freddie Kenney (65)

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

EXECUTIVE DIRECTORS

Rudolf Johannes Fourie (54) *NDip Marketing Management*

Chief executive officer

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

James Finlay Gibson (46) *BCom, CA(SA)*

Financial director

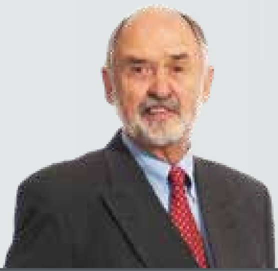
James is a chartered accountant and holds a Bachelor of Commerce degree from the University of Cape Town. After completing his articles with Grant Thornton in 2000, James spent time in the United Kingdom and gained experience contracting to Panasonic Corporation and P&O Nedlloyd in London. On his return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

Ntombi (Felicia) Msiza (45) *BCom, HDip (Tax), MBA, Chartered Director (SA)*

Executive director responsible for governance, risk and compliance

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

INDEPENDENT NON-EXECUTIVE DIRECTORS



Leslie (Les) Arthur Maxwell (73) *BCom, CA(SA)*

Lead independent non-executive director

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

Bryan Hugh Kent (75) *BCom, FCMA, CA(SA), HDip (Tax), HDip (Company Law)*

Independent non-executive director

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

Setshego Rebecca Bogatsu (57) *BCom, MBA*

Independent non-executive director

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

COMPANY SECRETARY AND LEGAL ADVISOR

Grace Miriam Chemaly (47) *B.Iuris, LLB, admitted attorney, notary & conveyancer*

Company secretary and legal advisor

Grace joined Raubex as group company secretary and legal advisor effective 16 October 2017. Grace was admitted as an attorney in 1998 and as a notary and conveyancer in 2000 and has more than 12 years' experience as a group company secretary and legal advisor in the JSE listed environment.

Risk committee

Remuneration and nomination committee

Audit committee

Social and ethics committee

Governance report

Introduction

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

These corporate governance principles encompass:

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

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

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

Statement of compliance

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

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

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

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

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

During the 2020 financial year, Raubex was compliant in all material respects with the requirements of the Companies Act, 71 of 2008, the Companies Act regulations, the JSE Listings Requirements and its Memorandum of Incorporation.

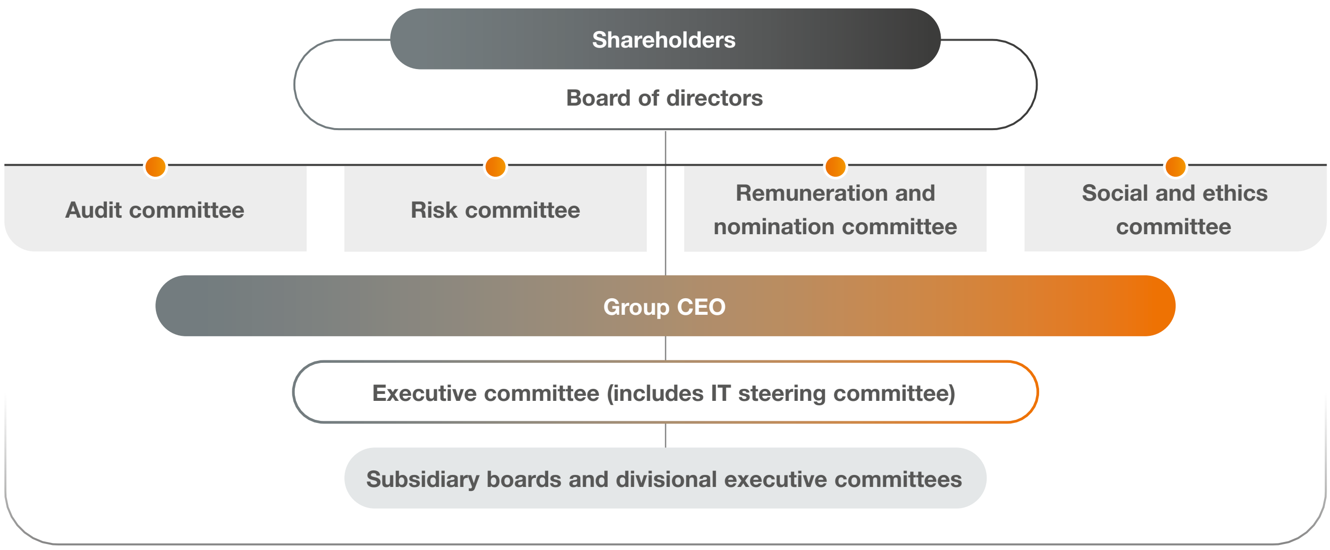
Statement of going concern

The board concluded and expressed in its responsibility statement of the 2020 annual financial statements, that the group is a going concern. The 2020 interim and annual financial statements were prepared on this basis.

Board accountability and delegation

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

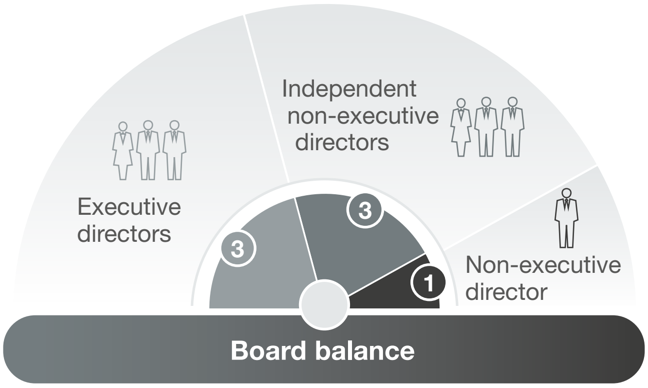
Governance structure

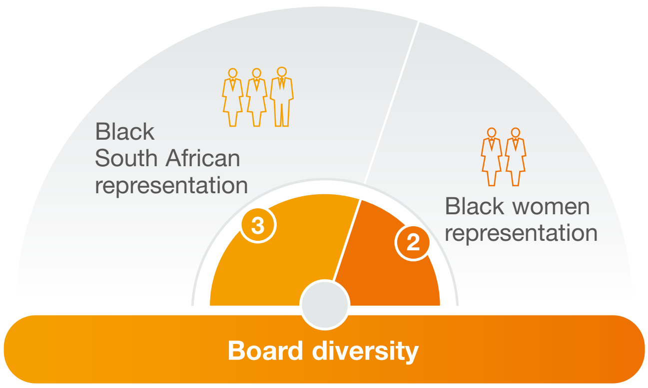


Structure of the board

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

The board is made up as follows:





Board meetings and attendance

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

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

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

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

	23 April 2019 (Special meeting)	7 May 2019	15 July 2019 (Special meeting)	25 July 2019	6 November 2019	4 December 2019 (Special meeting)	27 February 2020 (Board and strategy)
F Kenney (chairman)	✓	✓	✓	✓	✓	✓	✓
LA Maxwell	✓	✓	✓	✓	✓	✓	✓
BH Kent	✓	✓	✓	✓	✓	✓	✓
SR Bogatsu	✓	✓	✓	✓	✓	✓	✓
RJ Fourie	✓	✓	✓	✓	✓	✓	✓
JF Gibson	✓	✓	✓	✓	✓	✓	✓
NF Msiza	✓	✓	✓	✓	✓	✓	✓

✓ *Attended.*

Directors of Raubex

The directors of the group and their credentials are set out on pages 34 and 35 of the integrated report.

Chairman and lead independent director

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

Board race and gender diversity policy

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

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

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

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

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

Role of the board

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

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

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

Chairman and chief executive officer

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

Role of the chairman

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

Role of the chief executive officer

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

Independence of the board

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

The board maintains its independence through:

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

Interests in contracts and conflicts of interest

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

Board and committees' evaluation

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

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

Re-election of directors

In accordance with the memorandum of incorporation of Raubex, one-third of non-executive directors are subject to retirement by rotation and re-election by shareholders on an annual basis. The board has however elected to apply a more conservative approach which provides that all of the non-executive directors are subject to retirement by rotation and re-election of shareholders on an annual basis.

Share dealing by directors and exco

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

Governance committees

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

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

Audit committee

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

The following members serve on the audit committee:

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

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

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

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

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

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

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

- to assist the board in fulfilling its responsibilities in respect of financial reporting issues and compliance with laws and regulations;
- to monitor and supervise the effective functioning and performance of the internal auditors;
- to ensure that the scope of the internal audit function has no limitations imposed by management and that there is no impairment of its independence;
- to evaluate the independence, effectiveness and performance of the external auditors;
- to ensure that the respective roles and functions of internal audit and external audit are sufficiently clarified and co-ordinated;
- to review financial statements for proper and complete disclosure of timely, reliable and consistent information and to confirm that the accounting policies used are appropriate; and
- to oversee integrated reporting and ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.

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

The audit committee report is set out on page 82 of the group's annual financial statements.

Remuneration and nomination committee

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

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

The following members serve on the committee:

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

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

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

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

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

The remuneration and nomination committee report is set out on page 44 of this integrated report.

Risk committee

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

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

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

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

The following members serve on the risk committee:

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

Exco members attend the risk committee meeting by invitation. The board determines the levels of risk tolerance and has delegated to management the responsibility to implement and monitor the risk management plan and quarterly risk assessments.

The risk committee is responsible for:

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

A formal risk recording and rating methodology is in place which allows risks to be identified and ranked in relation to each subsidiary, which is ultimately recorded in the group risk register after being reviewed. Decisions are then made on how best to mitigate, manage or transfer high impact, high probability risks. The board relies on the three lines of defence set out on page 19 to manage risk within the group in an integrated manner. The group's highest risks in terms of likelihood and impact are then mitigated by way of various processes, which can be found on pages 13 to 15. The committee's future focus areas include stress testing in the context of a changing economic climate as well as embedding a common risk language across the group.

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

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

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

	6 May 2019	24 July 2019	5 Nov 2019	26 Feb 2020
BH Kent (chairman)	✓	✓	✓	✓
LA Maxwell (member)	✓	✓	✓	✓
F Kenney (member)	✓	✓	✓	✓
NF Msiza (member)	✓	✓	✓	✓
RL Shedlock (member)	✓	✓	✓	✓

√ *Attended.*

Social and ethics committee

The Companies Act, 71 of 2008, requires all listed public companies to have a social and ethics committee. In line with these requirements, the group has an established social and ethics committee and the social and ethics committee report is set out on page 55 of the integrated report.

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

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

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

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

The social and ethics committee is responsible for:

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

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

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

IT steering committee

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

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

The committee has adopted formal terms of reference which have been approved by the board. The finance director on behalf of the committee, reports to the audit committee on IT-related matters.

The committee is responsible for:

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

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

Executive committee ("exco")

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

The group chief executive is the chairman of exco.

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

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

The following members serve on the exco of the group:

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

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

Company secretary

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

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

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

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

Litigation and legal

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

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

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

Internal audit

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

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

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

Compliance with laws, rules, codes and standards

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

The board delegates compliance management to the risk committee and assurance is adequately provided through the three lines of defence set out on page 19. The board also ensures that the group complies with applicable laws and considers adherence to non-binding rules, codes and standards through its defined regulatory universe. The board has delegated to management the implementation of an effective compliance framework and processes. Compliance risk forms part of the group's risk management process and a compliance function has been established which is managed by a designated compliance officer who reports into the risk committee. The regulatory compliance controls and monitoring which was introduced in the previous years were continued during the current financial year. The compliance policy and framework was approved by the board and aligned to the combined assurance plan of the group.

The group's compliance management objectives aim to:

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

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

Board and committee changes

There were no changes to the board or committees' memberships during the 2020 financial year.

Stakeholder communication and relations

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

Communication with stakeholders is considered to be transparent and effective. Further detail on the group's stakeholder communication is available on page 65 of this integrated report.

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

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

Remuneration and nomination committee report

Background statement and report on activities

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

The South African construction industry has continued to operate under challenging conditions during the past year, with a number of industry participants becoming distressed and succumbing to some form of business administration, including business rescue processes and liquidation. These processes have resulted in large-scale job losses across the industry. The decisions taken by the Raubex management team in the prior year to right size its respective business units in the road construction sector, have enabled the group to curtail the losses previously reported and has better positioned the group to survive the current economic cycle.

Although the majority of retrenchments took place in the 2019 financial year, in order to ensure the sustainability of the businesses, regrettably a further 393 (2019: 724) employees were retrenched in the year ended 29 February 2020.

A prudent approach to annual increases in remuneration effective 1 March 2019 was applied across the group, with executive committee members electing to receive 0% increase and operating subsidiaries afforded increases between 0% and 4.5% depending on their individual performance and outlook.

The group has continued to see highly skilled and experienced operational management either exiting the construction industry or emigrating to foreign jurisdictions. The reasons behind this continuing trend can be ascribed to the uncertain economic conditions the industry is facing, as well as an escalation of community unrest and intimidation which employees are exposed to on construction sites across the country.

The group's remuneration philosophy has been tailored not only to remunerate fairly, responsibly and transparently as required by King IV, but also to retain skilled and experienced operational management to navigate the group through these difficult times in the short term and position the group for long-term sustainability and growth.

Role of remco and charter

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

The committee is responsible for:

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

Members and meeting attendance

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

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

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

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

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

	6 May 2019	24 July 2019	26 Feb 2020
LA Maxwell (chairman)	✓	✓	✓
F Kenney (member)	✓	✓	✓
BH Kent (member)	✓	✓	✓
SR Bogatsu (member)	✓	✓	✓

✓ Attended

Remuneration committee activities and key focus areas

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

- the fees payable to the chairman of the board and non-executive directors were reviewed and a recommendation made to the board regarding fees payable for the ensuing year;

- the remuneration of the executive directors and exco members was reviewed and a recommendation made to the board regarding adjustments and increases to the Total Guaranteed Package ("TGP") of these executives for the ensuing year;
- the performance of the executive directors and exco members was reviewed in line with their key performance indicators ("KPIs") and a recommendation was made to the board in respect of the short-term incentive payable to these executives;
- the maximum cap of 200% of "TGP" for the short term incentive was reviewed and considered to be appropriate, and the cap of 100% of TGP for certain exco members was reviewed and increased to 200% of TGP for the ensuing year;
- the KPIs for the long-term incentive scheme were reviewed and considered to be appropriate for the coming year;
- the performance share allocations in terms of the long-term incentive scheme were reviewed and a recommendation made to the board in respect of the number of performance shares to be awarded;
- the remuneration of the company secretary was reviewed and a recommendation made to the board regarding her participation in the short-term incentive scheme and allocation of performance shares in the terms of the long-term incentive scheme;
- the result of shareholders' vote on the non-binding advisory endorsement of the remuneration policy of the group at the last annual general meeting held on 2 August 2019, was considered;
- in line with recent trends and best practice, the inclusion of malus and clawback provisions in the group's remuneration policy was considered, following which the remuneration policy was reviewed and remco agreed to include malus and clawback provisions as a condition to the award of further performance shares under the long-term incentive scheme; and
- remco further undertook to investigate the legalities and practical implications of including more broad based malus and clawback provisions in the group's remuneration policy.

Non-binding advisory endorsement on remuneration policy

At the annual general meeting held on 2 August 2019, of the total shares voted, 99.4% (2018: 91.8%) voted in favour of the remuneration policy and 0.6% (2018: 8.2%) voted against the policy, with 0.02% of voters abstaining (2018: 0.05%). The remco is very satisfied with the level of support received from shareholders for the remuneration policy. There have been no changes to the remuneration policy for the ensuing year other than the inclusion of malus and clawback provisions as a condition of future performance share awards related to the long-term incentive scheme.

Remuneration policy effective 1 March 2020

Introduction

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

Principles

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

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

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

Remuneration and nomination committee report continued

Components of remuneration structure

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

<table>
<tr><th>Remuneration component</th><th>Remuneration policy</th></tr>
<tr><td>Total Guaranteed Package ("TGP")</td><td>
▪ TGP is defined as basic salary plus the cost of all company contributions and allowances including fixed travel, pension, provident, life and disability insurance, medical aid contributions and a 13th cheque.
▪ The policy for TGP is to pay salaries that are at least in line with the median TGP for comparable positions in the industry and geographies in which the group operates and applies to all levels other than senior management level. The policy for TGP at senior management level is to pay salaries that are below the median, with a higher weighting attributed to the STI component which is in line with the group's performance-related philosophy.
▪ The T.A.S.K.® grading system has been adopted throughout the group to grade jobs into defined bands.
▪ Experience, responsibility and individual performance are considered when determining and reviewing TGP.
▪ Remco determines TGP of the executive directors and exco members.
▪ Divisional heads determine the TGP of subsidiary directors, officers and employees, with input from line management and subject to approval of the group chief executive officer.
▪ Annual increase guidelines based on CPI inflation and industry trends are determined by exco and reviewed by remco before implementation.
▪ All new appointments with TGP in excess of R1 million per annum require approval of the group chief executive officer.
▪ The remuneration of hourly paid employees is determined by the industry bargaining council for the construction industry and by union agreements where unions have sufficient representation in companies operating outside of the construction industry.
</td></tr>
<tr><td>Short-Term Incentive ("STI")</td><td>
▪ Executive directors and exco members participate in an STI scheme which is administered by remco.
▪ The STI scheme awards are dependent on the achievement of KPIs which are weighted 70% towards financial KPIs and 30% towards personal KPIs.
▪ The financial KPIs, as detailed in table 1 below, comprise a measure of:
– Profit before tax against budget;
– HEPS growth; and
– Free cash flow per share.
▪ The financial KPIs each have an equal weighting and have participation hurdles comprising threshold, target and stretch granting 50%, 100% and 150% participation respectively with linear vesting in between hurdles.
▪ The personal KPIs, as detailed in table 2 below, are determined by remco and comprise a measure of:
– Leadership;
– Stakeholder relationships;
– Risk management;
– Compliance management
– Health and safety; and
– B-BBEE transformation.
▪ The STI award is capped at a maximum of 200% of TGP.
▪ Subsidiary company directors, officers and employees participate in an STI scheme which is essentially a ring fenced "bonus pool" per subsidiary, which is administered by the divisional heads and group chief executive officer based on the profitability of the respective subsidiaries. The total STI payable per subsidiary is limited to a maximum allowed participation percentage in the bonus pool based on the relevant subsidiaries' annual profit before tax. Individual participation in the bonus pool is capped at 200% of TGP.
▪ The STI calculation is based on the audited results of the relevant subsidiary, division or consolidated group as applicable for the year ended 28 February and is paid out in May of the following financial year.
</td></tr>
</table>

Remuneration component	Remuneration policy
Long-Term Incentive ("LTI")	▪ The LTI scheme was approved by shareholders at the annual general meeting held on 27 July 2018 and is an equity-settled share scheme administered in terms of scheme rules which allow for a rolling annual award of Raubex ordinary shares ("performance shares") for full value with no consideration payable. ▪ Executive directors and exco members participate in the scheme which is administered by remco. ▪ The vesting of performance shares awarded in terms of the scheme is subject to both performance conditions and employment conditions being met. ▪ Performance conditions are measured over a performance period of three years from 1 March of the year in which the LTI award is granted. ▪ Employment conditions are measured from grant date and require the continued employment of the participant for the duration of the employment period. ▪ The employment period in relation to an LTI award is three years from grant date for 50% of performance shares awarded and four years from grant date for the remaining 50% of performance shares awarded in terms of the LTI scheme. ▪ In terms of the scheme rules, provided the performance conditions and employment conditions are met, 50% of performance shares awarded vest after three years of service with the balance vesting after four years of service from the grant date. ▪ Performance conditions comprise KPIs and targets which are determined by remco and take into consideration the group's strategic objectives and shareholder interests. ▪ The vesting of performance shares awarded under the LTI scheme is subject to the following performance conditions, as detailed in table 3 below: – Average ROICE relative to the WACC of the Raubex group; – Total Shareholder Return ("TSR") relative to the following seven peer group companies listed under the construction and materials sector on the JSE: Afrimat, Balwin, Calgro M3, PPC, Sephaku, Stefanutti Stocks and WBHO. ▪ The performance conditions carry an equal weighting and have participation hurdles comprising threshold, target and stretch granting 50%, 100% and 150% participation respectively with linear vesting in between hurdles. ▪ The annual value of performance shares for any participant will be capped at a maximum value of 200% of the TGP of the participant, with the value for each participant determined at the discretion of remco and subject to approval by the board, dependent on the relevant participant's position, function and seniority in the group. ▪ The number of performance shares awarded to individual participants in terms of the LTI scheme on an annual basis is based on TGP divided by the volume weighted average share price for the 20 business day period ending on the last day of the month preceding the month in which the decision to award the performance shares is determined. ▪ The scheme will continue for a period of five years from the initial grant date. ▪ Performance share awards made on/or after 1 August 2020 will be subject to the inclusion of malus (pre-vesting forfeiture) and clawback (post-vesting forfeiture) provisions in participants' award letters Trigger events are defined as any: – Material misstatement of the company's results; or – Gross misconduct by the participant leading to material loss caused by the participant's actions. The clawback period has not been defined and will be at the discretion of the remco.

Remuneration component	Remuneration policy
Retention Scheme ("RS")	▪ High performing employees who possess the required professional and operational expertise which are critical to retain for the group to achieve its strategic objectives are selected to participate in a cash-settled RS. The RS is administered by the exco with RS participants identified by divisional heads and other group exco members for approval by the chief executive officer. ▪ Executive directors and exco members who participate in the LTI scheme as detailed above, are not eligible to participate in the RS. ▪ The RS award is capped at 100% of TGP and settled in cash on the third anniversary of the award, provided the employee has completed the employment condition of three years of service from the effective date of award. ▪ Employees participating in the RS are eligible for further awards after completion of the three-year retention period and settlement of the initial award.

Table 1: Short-Term Incentive financial KPI targets and weighting

Financial KPIs – 70%	Weight	Threshold = 50% participation	Target = 100% participation	Stretch = 150% participation
Profit before tax	23.3%	80% of budget	100% of budget	120% of budget
HEPS growth %	23.3%	CPI + 5%	CPI +10%	CPI + 15%
Free cash flow per share ("FCFPS")	23.3%	FCFPS = 50% of earnings per share, ie 2 x earnings cover	FCFPS = 66.67% of earnings per share, ie 1.5 x earnings cover	FCFPS = earnings per share, ie 1 x earnings cover

Table 2: Short-Term Incentive personal KPI weighting

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

Table 3: Long-Term Incentive KPI targets and weighting

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

* *The above KPIs will be assessed over the 3 year performance period as set out in the participant's grant letter, starting from 1 March of the financial year in which the grant was awarded. The peer group is comprised of Afrimat, Balwin, Calgro M3, PPC, Sephaku, Stefanutti Stocks and WBHO.*

Remuneration policy definitions

Term	Definition and formula
Consumer price index ("CPI")	The annual consumer price inflation as published by Statistics South Africa for the month of February of the relevant financial year for which the KPI is to be determined
Profit before tax	Profit before income tax as reported in terms of International Financial Reporting Standards ("IFRS")
HEPS	Headline earnings per share as defined in the South African Institute of Chartered Accountants circular 1/2019 and reported in terms of the JSE Listings Requirements
Free cash flow per share ("FCFPS")	Calculated from the statement of cash flows according to the following formula: Cash generated from operations *Less:* Income tax paid *Less:* Purchases of property, plant and equipment *Less:* Working capital loans granted to associates and joint ventures *Add:* Proceeds from sale of property, plant and equipment *Add:* Expansion capital expenditure* *Divided by:* Weighted average number of shares in issue during the year * *Expansion Capital Expenditure is defined as capital expenditure for new acquisitions or capital improvements to increase current production capacity and will not include capital expenditure to maintain current operations.*
ROICE	NOPAT/(Total Borrowings + Total Equity)
NOPAT	Profit after tax + net finance charges after tax
WACC	WACC Formula = (E/V * Ke) + (D/V) * Kd * (1 – tax rate) E = Market value of equity V = Total market value of equity and debt Ke = Cost of equity D = Market value of debt Kd = Cost of debt Tax rate = Corporate tax rate
Total shareholder return	TSR = (Change in market price per share over the performance period + dividends received per share)/ market price per share at the beginning of performance period* * *Market price to be determined on a 20-business day VWAP basis prior to the start and end of the performance period.*

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

Implementation report

Fees payable to the chairman and non-executive directors

The fees payable to the chairman of the board and non-executive directors are based on a fixed annual fee structure with no individual meeting fees payable. The fees for the financial year ended 29 February 2020 were approved by shareholders at the annual general meeting held on 2 August 2019. The proposed fees for the ensuing financial year ending 28 February 2021, which are being tabled for shareholder approval as per the notice of annual general meeting included in this integrated report, are set out below.

	2020 Annual fees (R)	Proposed 2021 Annual fees (R)	Proposed percentage increase %
Chairman	**1 075 462**	**1 139 990**	**6.0**
Lead independent non-executive	**873 813**	**926 242**	**6.0**
Independent non-executive	**672 165**	**712 495**	**6.0**

Remuneration and nomination committee report continued

Review of remuneration of executive directors and exco members

As mentioned in the background statement to this report, the conditions in the construction industry required rightsizing of certain business units which resulted in a number of retrenchments during the prior year. As a result of the industry conditions, no annual increases were applied to the remuneration of the executive directors and exco members for the year ended 29 February 2020. The remuneration of the executive directors and exco members was reviewed by the remco for the ensuing year and a recommendation made to the board that a 6% increase be applied to the Total Guaranteed Package ("TGP") of these executives for the year commencing 1 March 2020. This recommendation was approved by the board.

Review of performance of executive directors and group exco members

The short-term incentive ("STI") which was paid out in May 2019 was based on the financial results and KPIs for the year ended 28 February 2019. In reviewing the performance of executive directors and exco members for the period, financial KPIs accounted for 70% of the maximum STI. The remaining 30% of the STI was based on achieving personal KPIs adjudicated by remco.

The key financial indicators for the year ended 28 February 2019 used to determine the achievement of the financial KPIs are set out below:

Profit before tax	R'000
Audited profit before tax for the year ended 28 February 2019	**180 684**
Budgeted profit before tax for the year ended 28 February 2019	**702 100**
Threshold %	**80.0%**
Achieved %	**25.7%**
Participation %	**–**

Headline earnings per share growth	Cents
Audited HEPS – 28 February 2018	**228.6**
Audited HEPS – 28 February 2019	**57.0**
Threshold growth % = February 2019 CPI	**4.1%**
Growth achieved %	**(75.1%)**
Participation %	**–**

Free cash flow per share	R'000
Cash generated from operations	**788 924**
Less: Income tax paid	**(163 926)**
Less: Purchases of property, plant and equipment	**(420 865)**
Less: Working capital loans granted to associates and joint ventures	**(36 919)**
Add: Proceeds from sale of property, plant and equipment	**60 142**
Add: Expansion capital expenditure	**–**
Free cash flow	**227 356**
Weighted average number of shares in issue ('000)	**181 680**
Free cash flow per share ("FCFPS") (cents)	**125.1**
Earnings per share ("EPS") (cents)	**31.9**
Add: Present value charge and WIP adjustment on Zambia debtor	**41.8**
Add: Impairment of asphalt cash-generating unit	**28.3**
Earnings per share ("EPS") (cents) after above none-cash adjustments	**102.0**
Stretch ratio = 1 x earnings cover	**100%**
FCFPS/EPS (ratio achieved)	**122.7%**
Participation %	**150%**
Less: Remco discretionary adjustment applied*	**(50%)**
Remco adjusted participation %	**100%**

* *Despite the stretch target of 150% being achieved, the remco through agreement with the executive directors considered it appropriate to adjust the participation percentage downward to 100% participation. This adjustment was due to the poor industry conditions highlighted in the background statement of this remco report and consensus that the overall level of executive bonuses should be reduced.*

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

RJ Fourie: Short-Term Incentive computation – FY2019

Bonus component	KPI threshold	Participation	Weighting	Score
Financial KPIs				
Profit before tax/budget	80% of budget	–	23.3%	–
HEPS growth %	CPI	–	23.3%	–
Free cash flow per share	FCFPS = 50% of EPS	100%	23.3%	23.3%
Total			70%	23.3%
Personal KPIs	Strategy execution	100%	5%	5%
	Stakeholder relationship	100%	5%	5%
	Risk identification and mitigation	80%	5%	4%
	No material non-compliance	100%	5%	5%
	B-BBEE scorecard (EE and transformation)	80%	5%	4%
	Health and safety	80%	5%	4%
Total			30%	27%

Bonus calculation	R'000
Annual cost to company	4 139
STI participation factor	200%
Maximum STI	8 278
Total financial KPIs	23.3%
Total personal KPIs	27%
Actual score achieved	50.3%
STI payable	4 167

JF Gibson: Short-Term Incentive computation – FY2019

Bonus component	KPI threshold	Participation	Weighting	Score
Financial KPIs				
Profit before tax/budget	80% of budget	–	23.3%	–
HEPS growth %	CPI	–	23.3%	–
Free cash flow per share	FCFPS = 50% of EPS	100%	23.3%	23.3%
Total			70%	23.3%
Personal KPIs	Strategy execution	100%	5%	5%
	Stakeholder relationship	100%	5%	5%
	Risk identification and mitigation	80%	5%	4%
	No material non-compliance	100%	5%	5%
	B-BBEE scorecard (EE and transformation)	80%	5%	4%
	Health and safety	80%	5%	4%
Total			30%	27%

Bonus calculation	R'000
Annual cost to company	2 861
STI participation factor	200%
Maximum STI	5 722
Total financial KPIs	23.3%
Total personal KPIs	27%
Actual score achieved	50.3%
STI payable	2 880

NF Msiza: Short-Term Incentive computation – FY2019				
Bonus component	**KPI threshold**	**Participation**	**Weighting**	**Score**
Financial KPIs				
Profit before tax/budget	80% of budget	–	23.3%	–
HEPS growth %	CPI	–	23.3%	–
Free cash flow per share	FCFPS = 50% of EPS	100%	23.3%	23.3%
Total			70%	23.3%
Personal KPIs	Strategy execution	100%	5%	5%
	Stakeholder relationship	100%	5%	5%
	Risk identification and mitigation	100%	5%	5%
	No material non-compliance	100%	5%	5%
	B-BBEE scorecard (EE and transformation)	80%	5%	4%
	Health and safety	80%	5%	4%
Total			30%	28%

Bonus calculation	R'000
Annual cost to company	2 929
STI participation factor	100%
Maximum STI	2 929
Total financial KPIs	23.3%
Total personal KPIs	28%
Actual score achieved	51.3%
STI payable	1 504

Summary of remuneration of executive directors and prescribed officers

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

R'000	Year	Salary[1]	Short-term incentive bonus[2]	Long-term incentive bonus[3]	Retirement funding contribution[4]	Other benefits[5]	Total emoluments
Executive directors							
RJ Fourie	**2020**	**3 507**	**4 167**	**–**	**345**	**333**	**8 352**
	2019	3 507	5 908	1 295	345	361	11 416
JF Gibson	**2020**	**2 581**	**2 880**	**–**	**238**	**37**	**5 736**
	2019	2 582	4 084	895	238	17	7 816
NF Msiza	**2020**	**2 658**	**1 504**	**–**	**245**	**6**	**4 413**
	2019	2 658	2 091	917	245	2	5 913
Total	**2020**	**8 746**	**8 551**	**–**	**828**	**376**	**18 501**
	2019	8 747	12 083	3 107	828	380	25 145
Prescribed officers							
LJ Raubenheimer	**2020**	**2 496**	**3 011**	**–**	**251**	**329**	**6 087**
	2019	2 496	5 292	953	251	346	9 338
DC Lourens	**2020**	**2 328**	**1 331**	**–**	**215**	**254**	**4 128**
	2019	2 215	1 891	819	204	240	5 369

R'000	Year	Salary[1]	Short-term incentive bonus[2]	Long-term incentive bonus[3]	Retirement funding contribution[4]	Other benefits[5]	Total emoluments
Prescribed officers (continued)							
TG Wiese[6]	**2020**	**–**	**–**	**–**	**–**	**–**	**–**
	2019	827	4 407	1 185	188	438	7 045
IJM van Niekerk	**2020**	**2 420**	**1 387**	**–**	**223**	**241**	**4 271**
	2019	2 420	1 000	883	223	235	4 761
RL Shedlock	**2020**	**3 608**	**1 830**	**–**	**440**	**544**	**6 422**
	2019	3 608	2 299	1 423	435	512	8 277
JA Louw	**2020**	**1 649**	**1 027**	**–**	**152**	**198**	**3 026**
	2019	1 649	1 258	750	152	189	3 998
GM Chemaly	**2020**	**1 505**	**227**	**–**	**139**	**12**	**1 883**
	2019	1 469	150	–	136	11	1 766
Total	**2020**	**14 006**	**8 813**	**–**	**1 420**	**1 578**	**25 817**
	2019	14 684	16 297	6 013	1 589	1 971	40 554

Notes
1. *Figures include 13th cheque.*
2. *Paid in May each year based on prior year performance.*
3. *Early termination of retention scheme in 2019 which was replaced with the LTI share scheme effective 1 August 2018. Refer table below for number of performance shares awarded during the period, no vesting has occurred.*
4. *Employer contribution towards a defined contribution retirement fund.*
5. *Other benefits include car allowances, employer contribution to medical aid schemes and other benefits.*
6. *Retired 30 April 2018.*

Prescribed officers

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

Contracts and severance

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

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

Non-executive directors' fees

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

	2020 R'000	2019 R'000
Non-executive directors		
F Kenney	**1 056**	1 003
LA Maxwell	**858**	815
BH Kent	**660**	627
SR Bogatsu	**660**	627
Total	**3 234**	3 072

Performance shares granted to directors and prescribed officers

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

	Year	Performance shares outstanding at beginning of year	Performance shares awarded during year	Performance shares vested during year	Performance shares outstanding at end of year	Deemed value of performance shares vested (R'000)
Executive directors						
RJ Fourie	**2020**	**395 149**	**442 372**	**–**	**837 521**	**–**
	2019	–	395 149	–	395 149	–
JF Gibson	**2020**	**273 142**	**306 331**	**–**	**579 473**	**–**
	2019	–	273 142	–	273 142	–
NF Msiza	**2020**	**139 816**	**156 723**	**–**	**296 539**	**–**
	2019	–	139 816	–	139 816	–
Prescribed officers						
LJ Raubenheimer	**2020**	**291 315**	**325 476**	**–**	**616 791**	**–**
	2019	–	291 315	–	291 315	–
DC Lourens	**2020**	**189 319**	**226 048**	**–**	**415 367**	**–**
	2019	–	189 319	–	189 319	–
IJM van Niekerk	**2020**	**205 431**	**231 126**	**–**	**436 557**	**–**
	2019	–	205 431	–	205 431	–
RL Shedlock	**2020**	**212 737**	**243 301**	**–**	**456 038**	**–**
	2019	–	212 737	–	212 737	–
JA Louw	**2020**	**95 466**	**107 515**	**–**	**202 981**	**–**
	2019	–	95 466	–	95 466	–
GM Chemaly	**2020**	**20 000**	**44 710**	**–**	**64 710**	**–**
	2019	–	20 000	–	20 000	–

Performance shares issued in 2019 vest 50% on 1 August 2021 and 50% on 1 August 2022, provided conditions are met.

Performance shares issued in 2020 vest 50% on 1 August 2022 and 50% on 1 August 2023, provided conditions are met.

Interests of directors in the share capital of Raubex

The aggregate beneficial holdings of the directors of the group and their associates in the issued ordinary shares of the group are as detailed below. There have been no changes in these shareholdings between 1 March 2020 and 27 May 2020, the date of approval of the annual financial statements.

	Number of shares held			
	29 February 2020		28 February 2019	
	Direct	Indirect	Direct	Indirect
Beneficial				
RJ Fourie	**4 603 676**	**–**	4 603 676	–
JF Gibson	**365 730**	**–**	365 730	–
F Kenney	**–**	**4 065 384***	–	4 065 384
Total	**4 969 406**	**4 065 384**	4 969 406	4 065 384

** 4 065 384 ordinary shares pledged as security for 12 months relating to borrowings in the amount of R23 million.*

Lionmaxwell

LA Maxwell
Chairman of the remuneration and nomination committee

23 June 2020

Social and ethics committee report

Introduction

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

Members

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

The current members of the committee are as follows:

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

Exco members of the group attend by invitation.

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

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

Meetings

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

	24 July 2019	26 February 2020
SR Bogatsu (chairperson)	✓	✓
F Kenney (member)	✓	✓
JA Louw (member)	✓	✓

✓ *Attended.*

Statutory duties

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

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

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

The social and ethics committee also:

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

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

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

On behalf of the social and ethics committee

SR Bogatsu
Social and ethics committee chairperson

23 June 2020

04
Sustainability report

Sustainability highlights

- Level 1 B-BBEE (new Construction Sector Codes)
- 83.95% HDSAs in total workforce
- 15.71% HDSAs in top and senior management
- 15.49% of total workforce are women
- R40.1 million spent on training and development
- Safety – Lost time injury rate of 0.89 compared to target of <1.00
- One fatality
- Carbon emissions of 146 957 tonnes CO_2e

Introduction and approach to sustainability

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

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

Standards, audits and external assurances

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

Internal standards

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

International and local standards

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

Audits and external assurance

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

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

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

Our employees

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

Headcount

Employee headcount per geography – for the year ended 29 February 2020, the group employed:

- 7 418 (2019: 7 321) employees;
- 92.80% (2019: 92%) are based in South Africa;
- 7.20% (2019: 8%) are based in international operations; and
- 3 142 of the total workforce are employed on limited duration contracts.

Country	Male	Female	2020	2019
South Africa	5 818	1 066	**6 884**	6 757
International	475	59	**534**	564
Total employees	6 293	1 125	**7 418**	7 321

Due to a reduction in public sector infrastructure spend, the group was forced to commence with restructuring which resulted in a number of retrenchments of permanent employees during the year, as well as a reduction in the employment of local labour on limited duration contracts of employment due to completion of works. A total of 393 permanent employees were retrenched during the year, of which 227 were retrenched in the materials division due to end of life and changes in scope of certain mining contracts, while in the group's roads and earthworks division, 151 retrenchments took place and five at head office.

Employment equity

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

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

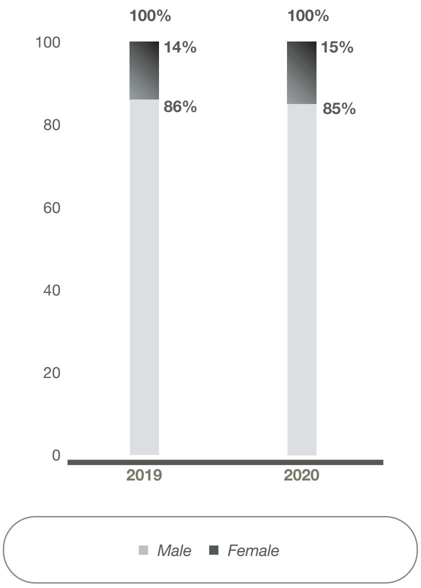
- implementation and regular review of the employment equity policy;
- establishment and implementation of policies and strategic plans relating to employment equity;
- recommending and monitoring employment equity programmes;
- investigating complaints relating to employment equity programmes;
- reviewing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

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

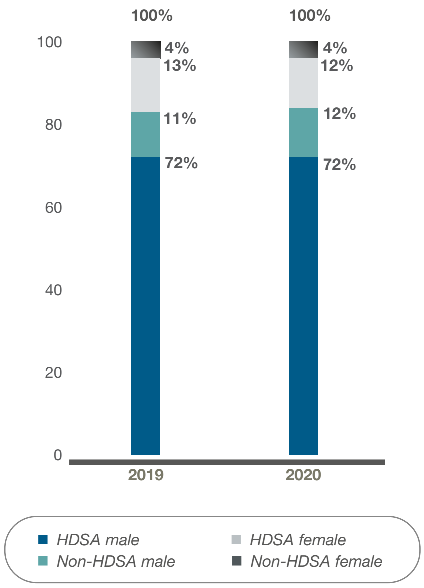
Raubex acknowledges the need to improve its HDSA employee representation at senior and top management levels. This will be addressed through increased focus on training and mentoring of HDSA employees which will ensure a talent pool from which management level positions can be filled within the group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

As at 29 February 2020, of the 6 884 South African employees, 84.5% (2019: 83%) were male employees and 15.5% (2019: 17%) were female employees.

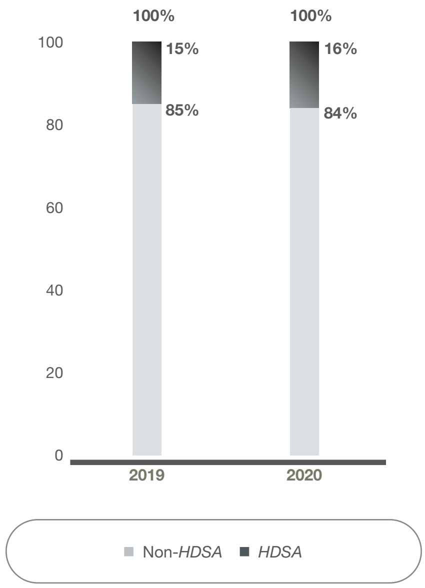
Total employee headcount per gender



Employee headcount per HDSA classification (South Africa)



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



Our employees continued

Developing and enhancing skills

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

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

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

Training and development statistics

Programme	Number of participants	Number of HDSA	HDSA (%)	Number of women	Women (%)	Expenditure (R'000)
Operator competencies	2 451	1 991	81%	58	2%	2 261
Health and safety training	1 923	1 666	87%	376	20%	2 641
Apprenticeships	91	68	75%	–	–	7 735
Learnerships and internships	232	229	99%	90	39%	19 720
SETA and various soft skills	1 770	1 458	82%	258	15%	7 758

For the year under review the group's total expenditure on training and development amounts to R40.1 million.

	2020	2019
Total trainees (including apprenticeships, practical students and learnerships)	323	262
Total workforce	7 418	7 321
% of total workforce	4.4%	3.6%

Disabled employees on learnerships included above:

	HDSA male 2020	HDSA female 2020	HDSA male 2019	HDSA female 2019
Business practice	7	24	10	21

Apprenticeships

Raubex currently has 91 enrolled apprentices (2019: 80) through merSETA and the UIF programme launched by the Department of Labour, which runs over a period of three years on average.

Bursaries

Raubex offers bursaries to promising students within the construction industry. There are currently 66 active bursary holders (2019: 54) within the group. Bursary holders are individuals that receive a bursary from the group to study full or part time at an accredited tertiary institution. Such individuals are often then retained by the group through suitable employment in order to benefit from the investment made.

Total	% HDSA	Number of HDSA
66	85%	56

Employee relations and trade unions

The group has set out its position on stakeholder relationships in its code of conduct, which specifically addresses the need for management and employees to take account of the legitimate interests and expectations of its stakeholders in their decision making and actions. The group recognises the right of employees' freedom of association and as such, promotes and supports the existence of the relevant structures and relationships.

The group human resource manager is responsible for union negotiations (where applicable) and employee relationship matters and is supported by divisional human resource officers in carrying out these functions.

Approximately 22.7% (2019: 24.6%) of the workforce are represented by various unions with the majority belonging to the unions as detailed below. The membership figures fluctuate during the year depending on the start and completion of projects, including also employee interest, particularly prior to major wage negotiations.

Union membership

	NUM	AMCU	BCAWU	NUMSA	Small unions	Total
2020	**8.7%**	**6.0%**	**0.7%**	**2.3%**	**4.9%**	**22.7%**
2019	9.6%	6.4%	0.7%	2.2%	5.7%	24.6%

Dispute resolution

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

Bargaining council – wage negotiations

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

Transformation

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

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

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

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

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

The group is proud of its empowerment credentials and the progress it has made with regard to transformation. The group was awarded the 2018 most empowered construction company by Empowerdex in terms of the Amended Codes of Good Practice on B-BBEE, and during 2020 achieved an overall consolidated rating of Level 1 contributor to B-BBEE using the amended Construction Sector Code (2019: Level 1). The group scores highly in the equity ownership, skills development, enterprise and supplier development and social economic development elements of the scorecard. The management control element of the scorecard is an area for improvement. The increased focus that the group has placed on training in recent years and moving forward is expected to address this over the medium term.

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

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

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

Transformation continued

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

B-BBEE elements	Target score including bonus points	Bonus points achieved	Actual score achieved
Ownership	31 points	1 point	**26.47 points**
Management control	22 points	3 points	**12.94 points**
Skills development	26 points	4.33 points	**24.43 points**
Enterprise and supplier development	38 points	3.28 points	**37.28 points**
Socio-economic development	6 points	0.54 points	**5.54 points**
Total score	123 points	12.15 points	**106.66 points**
Priority elements achieved	Yes		
Empowering supplier status	Yes		
Final B-BBEE status level	Level 1		

Statement 102 B-BBEE transaction

On 28 February 2020, the group disposed of its interest in Raubex Property Investments (Pty) Ltd to Acorn Black Investments (Pty) Ltd.

This transaction constituted a qualifying transaction as contemplated under Statement 102 of the 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 29 February 2028, which is in compliance with the target shareholding stipulated in the Amended Construction Sector Codes gazetted on 1 December 2017.

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

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

VRP commitments

Over the 12-year period stipulated in the agreement, the relevant construction companies will be required to make a collective annual payment into a fund established for this purpose. In the case of Raubex, the annual payment amounts to R15 million. The fund has been constituted as a trust and the trust assets will be used for the development and enhancement of the construction industry and, in particular, transformation objectives in the construction industry, as well as the promotion of social infrastructure for all South Africans. Raubex has made four annual contributions totalling R60 million to the trust up to 29 February 2020.

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

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

Integrity commitments

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

Competition Commission

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

Occupational health and safety

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

Leadership and accountability

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

The group has developed the following targets and objectives:

Safety objectives

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

Health and safety policy

It is the policy of the group to:

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

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

Occupational health and safety continued

Fatalities

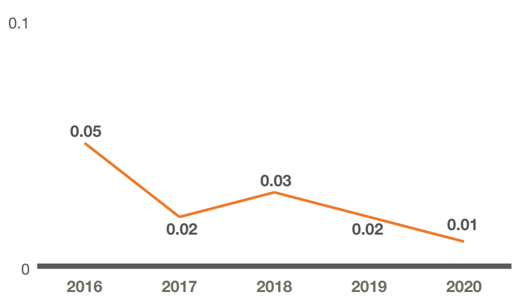
The group reported one fatality during the year (2019: three fatalities). The fatality had however been a freak accident where a Roadmac Cape employee had been fatally injured by the wheel of a passing truck which had come loose and collided with the now deceased employee.

Our sincere condolences go out to the family, colleagues and friends of the Raubex employee who lost his life during the 2020 financial year. Any loss of life is tragic and we remain committed to our safety and awareness campaigns. The rate of 0.01 was recorded for the financial year and although this is an improvement from the previous year, it is still above our zero fatality target which we strive to achieve.

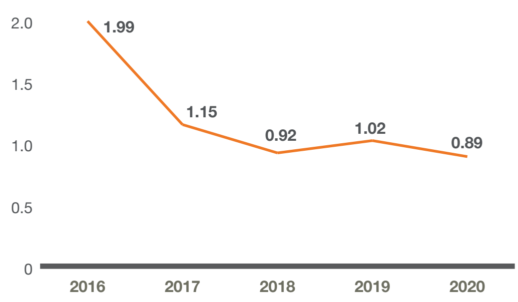
LTIFR

The group reported an LTIFR rate of 0.89 (2019: 1.02) during the financial year.

Fatality rate



LTIFR rate



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

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

All figures include sub-contractors injured on Raubex sites.

Safety training

The Raubex group has initiated the process of developing and obtaining accreditation for a training programme in order to develop in-house safety officers which will focus predominately on HDSA employees. During the financial year, 1 923 employees were trained on health and safety, 87% of total employees trained were HDSA.

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

Medical examinations

In-house occupational health practitioners are employed in order to conduct pre, annual and exit medicals according to site and position requirements. During the period March 2019 to February 2020, the medical teams conducted a total of 4 112 (2019: 4 902) occupational medical examinations on various sites nationally and where permitted (within legal requirements) also in bordering countries. The in-house team now consists of two occupational medical nurses with their assistants who provide a full service across the group. They are supported on an external and ad hoc basis by a medical practitioner as per legislation. In certain instances external service providers are used due to demand or geographical location.

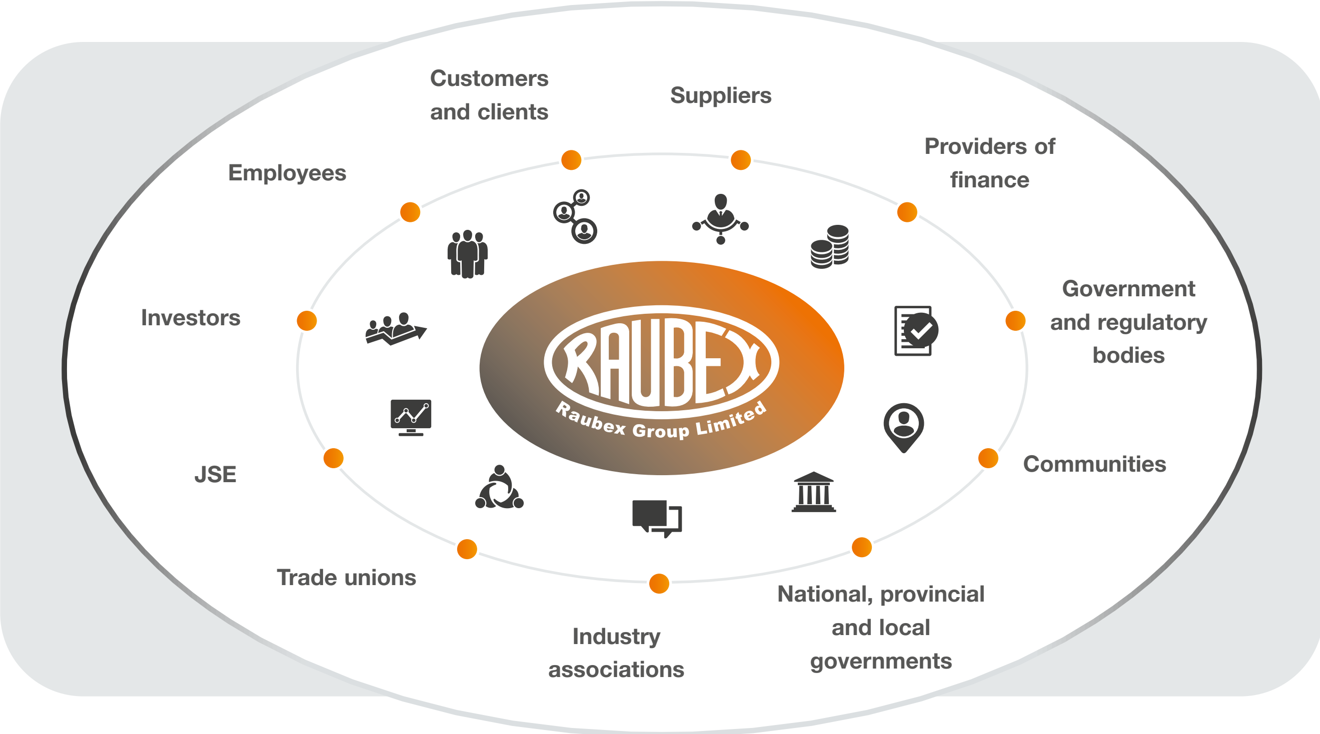
HIV/AIDS

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

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

Stakeholder engagement

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



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

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

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

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

Stakeholder engagement continued

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

Corporate social investment ("CSI")

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

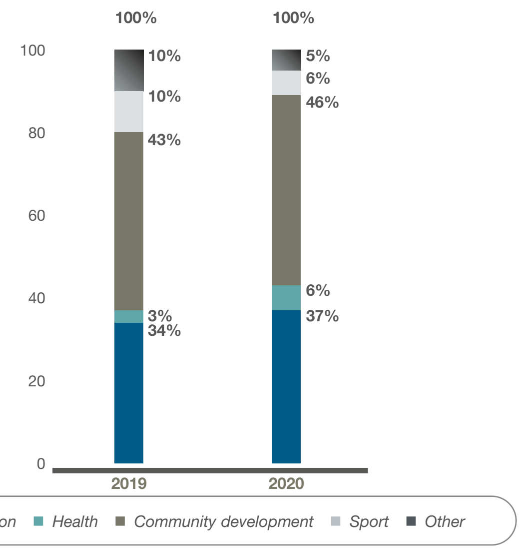
The group is aware of its social responsibilities and believes it is crucial for businesses to play a positive role in the communities within which they operate. The group's CSI strategy is to focus on education and skills development initiative.

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

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

The group contributed R4.9 million (2019: R5.5 million) which amounts to a combined 1.6% (2019: 4.7%) of profit after taxation towards social economic development projects which has been allocated according to the categories as detailed:

CSI spend breakdown (%)



The main projects supported by Raubex during FY2020 are as detailed below:

Monyetla Bursary Project

The Monyetla Bursary Project ("Monyetla") is a registered public benefit organisation with the aim to assist grade 12 learners from previously disadvantaged and poor communities in the Free State, improve their results and afford them opportunities to qualify for bursaries and tertiary education. This has enabled poor families to break the cycle of poverty. The word "monyetla" means "opportunity" in Sesotho. The initiative was established in February 2007 and currently offers additional classes for 11 subjects which are presented by some of the most experienced educators the province has to offer.

During the 2019 school year a total of 1 000 grade 12 learners attended the programme.

This group of learners achieved an overall pass rate of 94% (2019: 90%) with 54% (2019: 47%) of the learners obtaining a bachelor's pass.

In April 2019, Raubex visited the grade 12 learners enrolled in the programme to present them with possible bursaries and training opportunities that the group was currently offering. The group also shared information on how the group has grown from humble beginnings to become one of South Africa's leading construction companies. In addition, management of the group attended a team building activity aimed at strengthening the partnership between the learners and the group.

Since 2007, this project has assisted scores of students to qualify for bursaries. It is a registered public benefit organisation and is presented at the University of the Free State south campus in Bloemfontein. The project offers Mathematics, English (Home & First Additional Language), Accounting, Physical Sciences, Geography, Life Sciences, Economics, Mathematical Literacy, Computer Application Technology, Agricultural Sciences and Business Studies.

Monyetla is grateful for the involvement of Raubex in this project which continues to change the lives of many learners. Monyetla is very pleased with the fact that it consistently produces results above the Free State averages, year after year. Two schools that sent their learners to the Saturday programme showed great improvement in results. The Hodisa Technical School in Bloemfontein moved from a 60% to 90.5% pass rate while Ntemoseng Secondary School in Botshabelo had a 97.2% pass rate for 2019. Following last year's success, 1 320 grade 12 learners have registered for the 2020 programme.

Monyetla was supported with a financial contribution of R85 000 (2019: R100 000), this contribution allows learners to be exempted from programme fees, which Monyetla covers with the support of their sponsors.

Corporate social investment ("CSI") continued

Spoudazo: Township Vegetable Tunnel Project

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

During 2019/2020, a further five vegetable tunnels were set up, new or repurposed, for identified beneficiaries. Raubex funded the set up and mentorship process of these tunnels during the year. To date there are a total 62 (2019: 57) vegetable tunnels in the Free State.

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

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

Spoudazo was supported with a financial contribution of R139 662 (2019: R209 291) during the year.

Bambanani Projects

Bambanani Projects ("Bambanani") is a non-profit organisation that desires to bring hope to those in need. The word "bambanani" means "helping hands" in Zulu.

Bambanani's focus area is the Transkei, in the Eastern Cape. Bambanani's main area of work is based in Thoboyi Village, just outside of Nqamakwe. Here they serve the people of the surrounding villages and have seen amazing transformation stories. Their vision is to reach 100 000 people with life skills training and mentorship as they develop leaders who can mentor their own. The programmes consist of mentoring and leadership development, life skills training, sport development programmes, programmes for children, aid relief and orphan care.

Most families within the villages are broken and run by single mothers or grandmothers who carry the burden of the children and grandchildren. Some must survive on a grant of R1 700 per month and struggle to provide for the needs of the children. Bambanani identifies these families and assists them with "month packs" to ease the pressure. These packs consist of basic groceries which lasts for a month until their situation has improved.

Bambanani was supported with a financial contribution of R383 000 (2019: R460 500) during the year.

Pothole repair initiative

The group has embarked on an initiative to repair pothole-ridden roads/streets in and around the Mangaung Metropolitan Municipality ("Metro"). Roadmac Surfacing (Pty) Ltd ("Roadmac"), one of the group's subsidiary companies, is responsible for driving this initiative in the area.

The group strongly believes that infrastructure assets are the foundation of a country's economic development, hence initiation of this initiative. While assisting the Metro to maintain its existing road infrastructure, the initiative is also alleviating the potential undue harm and costs any potholes may cause motorists and residents of the Metro.

All work is being done on a pro bono basis and during the year, Roadmac's team has managed to repair 3 187 potholes in the area at a cost of R832 282 (2019: R175 509). Potholes identified are generally repaired within 72 hours of being reported to the team.

Raubex is aware of its social responsibilities and believes it is crucial for businesses to play a positive role in the communities within which they operate. This project is one example of the flagship corporate social investment (CSI) initiatives currently being undertaken by the group.

Corporate social investment (“CSI”) continued

In addition to the main projects supported by Raubex as detailed above, contributions were also made to the other organisations and initiatives during the year as detailed below.

See table below for summary of contributions (above R100 000) made during FY2020:

	2020 R	2019 R
Spoudazo Enterprises	**139 662**	209 291
Monyetla Bursary Project	**85 000**	100 000
Potholes Project	**832 282**	175 509
Bambanani Projects	**383 000**	460 500
Alexander community relief	**152 190**	150 396
Academy of Excellence	**100 000**	40 000
Lettie Fouche School	**100 000**	–
Little Miracles	**100 000**	100 000
Tsepang Educare Trust	**100 000**	200 000
Little Angels	**400 000**	–
Thuso Ya Batho Project	**140 218**	–
LIV Lukhanyiso Project	**–**	132 000
Naval Hill Planetarium road repair	**–**	100 000
Zimele Centre for the Mentally and Physically Challenged	**–**	149 000
Songo Welfare	**–**	375 000
ACC School	**50 000**	140 000
Smile Foundation	**–**	100 000
Anchor of Hope	**260 000**	150 000
Bakwena – community programmes	**–**	350 000
Egerton Primary School	**59 090**	100 000
Biggarsberg Primary School	**48 286**	100 000
Sum of contributions below R100 000	**1 968 560**	2 313 616
Total	**4 918 287**	5 445 312

Environmental sustainability

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

Environmental policy

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

It is the policy of the group to:

- comply with all relevant legislation and regulatory requirements relating to the environment;
- identify significant environmental risks and put in place controls to mitigate these risks;
- promote sustainability strategies and the efficient use of materials and resources throughout the group, including water, electricity and raw materials including bitumen, aggregates, diesel and burner fuel;
- avoid the unnecessary use of hazardous materials and take all steps to protect human health and the environment when such materials are required to be used, stored and disposed of;
- promote the reuse and recycling of materials;
- promote environmental awareness amongst our employees and encourage them to work in an environmentally responsible manner;

- promote the implementation and audit of health, safety and environmental management systems and the attainment of industry recognised certifications;
- measure the group's carbon footprint annually and include the key data in the group's integrated report and also submit the key data to the Carbon Disclosure Project ("CDP")
- develop environmental objectives and targets and compare these to actual results and industry standards
- communicate the environmental policy throughout the organisation and make it publicly available to interested parties;
- communicate our environmental commitment to clients, customers and the public and encourage their support; and
- strive to improve our environmental performance and periodically review the environmental policy in light of current and planned future activities.

Compliance with environmental laws

The group is aware of its environmental responsibilities and the environmental legislation applicable to its various business operations. There is a culture of compliance within the senior management structures of the group and systems have been implemented to measure the impact that the group's activities have on the environment. The social and ethics committee is responsible for monitoring compliance to the policy and reporting on environmental matters. We monitor and drive compliance with applicable legislation regulating the management of the environmental impacts, including compliance with the National Environment Management Act, 107 of 1998, including air quality and waste.

Accreditation

We continue to drive improvements through certified environmental management systems. The operations continued to make progress towards their objective to obtain industry recognised certification across all segments. ISO accreditation is part of the group's sustainability strategy and the following accreditations were valid at 29 February 2020:

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

Environmental incidents

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

Environmental sustainability continued

Carbon footprint

The group recently completed its tenth annual carbon footprint assessment in May 2020 and will continue to submit the results on a voluntary basis to the Carbon Disclosure Project. The group's carbon footprint assessment has been compiled by external service providers using the following methodology and data submitted by the group, no external assurance was provided:

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

A summary of the group's carbon footprint for the year ended 29 February 2020 is tabled below:

Carbon emissions	2020 Tonnes CO_2e	2019 Tonnes CO_2e
Scope 1 (vehicles, mobile machinery, stationary fuels)	**121 876**	142 873
Scope 2 (electricity – location)	**24 904**	22 870
Out of scope (non-Kyoto gases)	**195**	175
Total carbon emissions	**146 975**	165 918
	kWh	kWh
Electricity consumed	**24 231 968**	24 454 398

Intensity reporting

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

Kg CO_2e/revenue intensity

	2020	2019
Revenue (R'000)	**8 734 896**	8 519 142
CO_2e/revenue (R'000)	**16.83 kg**	19.48 kg

Kg CO_2e/asphalt production intensity

	2020	2019
Asphalt production (tonnes)	**718 124**	818 613
Asphalt production CO_2e (tonnes)	**21 139**	22 275
CO_2e/asphalt tonnes produced	**29.4 kg**	27.2 kg
Target	**< 30 kg/tonne**	< 30 kg/tonne

Asphalt production

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

Warm mix asphalt

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

Reclaimed asphalt pavement ("RAP")

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

Bio fuels and bag houses

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

New crumb rubber technology ("NCRT")

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

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

Rooftop photovoltaic ("PV") system – Estoire

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

Through this solar PV installation, Raubex has generated over 55 MWh (2019: 56 MWh) of renewable energy, with Raubex Infra (Pty) Ltd offsetting an average of 77.5% (2019: 78%) of its office electricity needs.

Ground mounted photovoltaic ("PV") system – Cleveley

Following the success of the Estoire PV plant's contribution to cost-effective and clean energy, the decision was taken to add a similar system at the Cleveley premises in Bloemfontein. Past utility bills were evaluated which indicated that a 81 kW PV system was required, accordingly a 81.35 kW ground mounted PV system was installed near the entrance to the office premises. The installation consists of 250 x 325 W monocrystalline PV modules, connected in strings of 18 modules each to 2 x 50 kW inverters which feed into the main distribution box at a 400 V three-phase level. The system was commissioned on 1 July 2018.

Through this solar PV installation, Raubex has generated over 180 MWh (2019: 48 MWh) of renewable energy and offset an average of 79.8% (2019: 72%) of its monthly office electricity requirements.

Water management

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

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

Other environmental sustainability initiatives

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

These initiatives include the following:

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

05

Financial performance

Statement of responsibility by the board of directors

for the year ended 29 February 2020

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 presented on pages 85 to 187 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act, 71 of 2008 of South Africa and the JSE Listings Requirements, and include amounts based on judgements and estimates made by management. The directors are also responsible for the preparation of the other information included in the annual report and for both its accuracy and its consistency with the annual financial statements.

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

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

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

The going concern basis has been adopted in preparing the financial statements. The 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., that has been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. PricewaterhouseCoopers Inc.'s unmodified audit report is presented on pages 76 to 81.

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

RJ Fourie
Chief Executive Officer

JF Gibson
Financial Director

Statement of compliance by the company secretary

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

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 89 to 187 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.

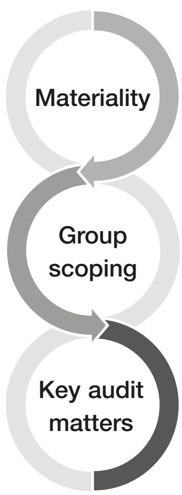
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Our audit approach

Overview



Overall group materiality

- Overall group materiality: R61.1 million, which represents 0.7% of consolidated revenue.

Group audit scope

- 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.

Key audit matters

- Accounting treatment of construction contracts; and
- Disposal of Raubex Property Investments (Pty) Ltd ("RPI").

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.

Overall group materiality	R61.1 million.
How we determined it	0.7% of consolidated revenue.
Rationale for the materiality benchmark applied	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 3 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
Accounting treatment of construction contracts	
Refer to Notes 15 (Contract assets and liabilities) and 28 (Revenue) to the consolidated financial statements. 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 are immediately recognised as an expense in contract costs. Construction contract revenue within the group results from Cost-plus, Re-measurable and Fixed Price contracts. Revenue recognition from 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: ▪ Estimated project costs; ▪ The profit margins on the contracts; and ▪ Any variable considerations, claims or uninstalled materials to be recognised based on negotiations with the contract client. We considered the accounting treatment of construction contracts to be a matter of most significance to our current year audit due to the following: ▪ Management’s assessment involves making significant estimates about the profit margin and cost to completion; and ▪ Given the magnitude of the contract revenue and contract assets and liabilities balances, the accounting treatment of construction contracts has a significant impact on the financial statements.	We performed the following procedures on a sample of construction contracts: ▪ We obtained evidence regarding the total contract revenue by examining signed contracts, management’s costing per contract and signed variation order documentation; ▪ 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; ▪ We tested a sample of costs incurred to date by agreeing it to underlying documentation. No material differences were noted; ▪ 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; ▪ We agreed certified revenue recognised to work certified to date by contract engineering experts. No material differences were noted; ▪ We assessed the competency of the contract engineering experts by obtaining evidence relating to their qualifications and professional memberships; ▪ We performed reasonability tests on the expected profit margin by comparing it to similar ongoing projects and contracts completed during the year. We tested profit margins from year to year on projects running over the financial year end. Deviations in margins were evaluated against explanations 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 ▪ 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><th colspan="2">Disposal of Raubex Property Investments (Pty) Ltd. (“RPI”)</th></tr>
<tr><td>

Refer to Notes 6 (Business combinations, Disposals made during the financial period) and 18 (Other financial assets) to the consolidated financial statements.

Sale of shares:
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”).

Management concluded that it has lost control of RPI by considering the relevant factors in IFRS 10, *Consolidated financial statements* (IFRS 10).

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 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.

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.

The key judgement applied by management in performing the fair value calculation of the preference shares, was the discount rate used.

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.

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Sale of shares:
We performed the following audit procedures:
- We held discussions with management to obtain a detailed understanding of the Transaction;
- 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:
  – The purpose and design of RPI;
  – What the relevant activities of RPI are;
  – How decisions about those activities are made;
  – 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.
  Based on our evaluation, we accepted management’s assessment that the group lost control over RPI;
- 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, *Financial instruments*. Based on our evaluation, we accepted management’s classification of the investment;
- 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;
- 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;
- 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
- We assessed the adequacy of the relevant disclosures in the financial statements in accordance with the applicable IFRS standards.

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</table>

Key audit matter	How our audit addressed the key audit matter
Disposal of Raubex Property Investments (Pty) Ltd. ("RPI") *(continued)*	
Sale and leaseback agreement: 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. The Transaction has been accounted for as a sale and leaseback under IFRS 16, *Leases* (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 R357.9 million. We considered the disposal of RPI to be a matter of most significance to our audit due to the following: ▪ Due to the multiple accounting implications of the transaction, it required significant attention during the performance of the audit; and ▪ Given the magnitude of the amounts involved, the accounting treatment of the transaction has a significant impact on the financial statements.	**Sale and leaseback agreement:** ▪ 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; ▪ 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; ▪ We agreed the proceeds received for the sale of the property portfolio to the signed sale agreement. No differences were noted; ▪ We agreed the lease payments and lease term as per management's calculations to the signed lease agreement. No differences were noted; ▪ 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 ▪ We assessed the adequacy of the relevant disclosures in the financial statements in accordance with IFRS 16.

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

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 3 independent, non-executive directors set out below. It meets at least 4 times per annum, with authority to convene additional meetings as circumstances require.

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

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

During the year under review 4 meetings were held and attended as follows:

Name	6 May 2019	24 July 2019	5 November 2019	26 February 2020
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 Listings 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.

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 Listings Requirements.

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

Audit committee report continued

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

Comment on key audit matters reported in the external audit report

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

Accounting treatment of construction contracts

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

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

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 management's 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 management's 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.

LA Maxwell
Chairman of the Audit Committee

27 May 2020

Directors' report

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 notes 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 notes 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: 33 cents per share)
- Interim dividend number 25 declared on 11 November 2019 of 22 cents per ordinary share (2019: 12 cents per share)

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.

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.

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 R500 billion (~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 affected by Covid-19, the group's executive committee members elected for a 25% reduction in their remuneration to be applied for a 3-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 1: Remuneration of non-executive directors

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

	Annual remuneration R
Chairman	**1 075 462**
Lead independent non-executive director	**873 813**
Non-executive director	**672 165**

Special resolution number 2: 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 3: 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 34 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.

Shareholder spread

The company has 1 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 shares 2020	Number of shares 2019	% held 2020	% held 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
Total shares	**181 750 036**	181 750 036	**100**	100
Non-public shareholders are summarised as follows:				
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**	–
Total shares	**11 901 974**	10 488 703	**6.6**	5.8

	Number of shares 2020	Number of shares 2019	% of shares in issue 2020	% of shares in issue 2019
Beneficial shareholders with a holding greater than 5% of the issued shares				
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
Total shares	**95 174 639**	83 272 891	**52.4**	45.9

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.

Group statement of financial position

for the year ended 29 February 2020

	Note	2020 R'000	2019 R'000
ASSETS			
Non-current assets			
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**	–
Total non-current assets		**4 248 558**	3 831 886
Current assets			
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
Total current assets		**3 733 483**	3 433 716
Total assets		**7 982 041**	7 265 602
EQUITY			
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
Equity attributable to owners of the parent		**4 256 357**	4 064 852
Non-controlling interest	27	**257 417**	262 272
Total equity		**4 513 774**	4 327 124
LIABILITIES			
Non-current liabilities			
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
Total non-current liabilities		**1 389 486**	880 871
Current liabilities			
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
Total current liabilities		**2 078 781**	2 057 607
Total liabilities		**3 468 267**	2 938 478
Total equity and liabilities		**7 982 041**	7 265 602

The notes on pages 94 to 174 are an integral part of these financial statements.

Group statement of profit or loss

for the year ended 29 February 2020

	Note	2020 R'000	2019 R'000
Revenue	28	**8 734 896**	8 519 142
Cost of sales	31	**(7 643 854)**	(7 665 128)
Gross profit		**1 091 042**	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	**(36 502)**	(127 191)
Operating profit		**480 458**	207 045
Finance income	32	**49 150**	48 612
Finance costs	32	**(83 410)**	(73 858)
Finance costs – net	32	**(34 260)**	(25 246)
Share of loss of equity-accounted investments	13	**(34)**	(1 115)
Profit before income tax		**446 164**	180 684
Income tax expense	33	**(144 813)**	(63 842)
Profit for the year		**301 351**	116 842
Attributable to:			
Owners of the parent		**251 904**	57 957
Non-controlling interests	27	**49 447**	58 885
		301 351	116 842
Basic earnings per share (cents)	4	**139.0**	31.9
Diluted earnings per share (cents)	4	**138.2**	31.8

The notes on pages 94 to 174 are an integral part of these financial statements.

Group statement of comprehensive income

for the year ended 29 February 2020

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

The notes on pages 94 to 174 are an integral part of these financial statements.

Group statement of changes in equity

for the year ended 29 February 2020

	Share capital R'000	Share premium R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Total attributable to owners of the parent company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 28 February 2018	1 817	2 059 688	(1 218)	(1 219 859)	3 200 300	4 040 728	157 240	4 197 968
Change in accounting policy	–	–	–	–	(22 617)	(22 617)	–	(22 617)
Restated balance at 1 March 2018	1 817	2 059 688	(1 218)	(1 219 859)	3 177 683	4 018 111	157 240	4 175 351
Changes in equity:								
Unutilised share option reserve reversed	–	–	–	(27 267)	27 267	–	–	–
Share option reserve	–	–	–	6 905	–	6 905	–	6 905
Unutilised put option reserve reversed	–	–	–	48 459	–	48 459	–	48 459
Non-controlling interest arising on business combination	–	–	–	–	(4)	(4)	60 654	60 650
Acquisition of non-controlling interest	–	–	–	–	92	92	(1 792)	(1 700)
Profit for the year	–	–	–	–	57 957	57 957	58 885	116 842
Other comprehensive income for the year	–	–	–	14 627	461	15 088	43	15 131
Dividends paid	–	–	–	–	(81 756)	(81 756)	(12 758)	(94 514)
Total changes	–	–	–	42 724	4 017	46 741	105 032	151 773
Balance at 28 February 2019	1 817	2 059 688	(1 218)	(1 177 135)	3 181 700	4 064 852	262 272	4 327 124
Balance at 28 February 2019	**1 817**	**2 059 688**	**(1 218)**	**(1 177 135)**	**3 181 700**	**4 064 852**	**262 272**	**4 327 124**
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**
Balance at 29 February 2020	**1 817**	**2 059 688**	**(16 002)**	**(1 141 844)**	**3 352 698**	**4 256 357**	**257 417**	**4 513 774**
Note	24	24	25	26			27	

The notes on pages 94 to 174 are an integral part of these financial statements.

Group statement of cash flows

for the year ended 29 February 2020

	Note	2020 R'000	2019 R'000
Cash flows from operating activities			
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)
Net cash generated from operating activities		**590 270**	615 828
Cash flows from investing activities			
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)
Net cash used in investing activities		**(479 288)**	(513 076)
Cash flows from financing activities			
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)**	–
Net cash used in financing activities		**(73 452)**	(236 553)
Net increase/(decrease) in cash and cash equivalents		**37 530**	(133 801)
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
Cash and cash equivalents at the end of the year	17	**1 006 268**	962 611

The notes on pages 94 to 174 are an integral part of these financial statements.

Notes to the group financial statements
for the year ended 29 February 2020

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 notes 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)

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 3 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.

3. Segmental information (continued)

Segmental analysis

	Materials R'000	Roads and earthworks R'000	Infra-structure R'000	Other* R'000	Consoli-dated R'000
Operating segments					
For the year ended 28 February 2019					
Revenue	2 750 801	3 634 494	2 133 847	–	8 519 142
Operating profit	358 543	(245 796)	94 298	–	207 045
Finance income	11 827	34 273	2 512	–	48 612
Finance costs	(49 430)	(12 981)	(3 170)	(8 277)	(73 858)
Share of profit of investments accounted for using the equity method	–	(768)	(347)	–	(1 115)
Taxation	(96 820)	62 903	(29 925)	–	(63 842)
Profit for the year	224 120	(162 369)	63 368	(8 277)	116 842
Segment assets	3 126 141	2 931 238	1 208 223	–	7 265 602
Segment liabilities	1 169 979	1 013 282	659 960	95 257	2 938 478
Depreciation and amortisation	257 062	97 094	33 917	–	388 073
Capital expenditure	260 604	61 004	99 257	–	420 865
Inter-segment revenue	67 305	59 654	19 851	–	146 810
For the year ended 29 February 2020					
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)**
Profit for the year	**226 215**	**16 117**	**120 172**	**(61 153)**	**301 351**
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 notes 6 and 18.*

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

Approximately 14% (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.

3. Segmental information (continued)

Additional voluntary disclosure: Geographical information

	South Africa R'000	Rest of Africa R'000	Australia R'000	Other* R'000	Consolidated R'000
For the year ended 28 February 2019					
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)
Profit for the year	51 433	62 100	11 586	(8 277)	116 842
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
For the year ended 29 February 2020					
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)**
Profit for the year	**310 563**	**54 177**	**12 830**	**(76 219)**	**301 351**
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 notes 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.

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 2 geographies, ie "Rest of Africa" and "Australia".

3. Segmental information (continued)

Reclassification of comparative figures (continued)

Additional voluntary disclosure: Geographical information (as previously disclosed):

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

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 R'000	2019 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
Basic earnings per share (cents)	**139.0**	31.9

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	2020 R'000	2019 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
Adjustments for:		
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
Diluted earnings per share (cents)	**138.2**	31.8

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

4. Earnings per share (continued)

Headline

	2020 R'000	2019 R'000
Profit attributable to owners of the parent entity	**251 904**	57 957
Adjustments for:		
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
Basic headline earnings	**293 128**	103 550
Weighted average number of shares*	**181 276**	181 680
Headline earnings per share (cents)	**161.7**	57.0
Headline earnings	**293 128**	103 550
Adjusted weighted average number of shares	**182 306**	182 188
Diluted headline earnings per share (cents)	**160.8**	56.8

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

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:

	Number of shares 2020 ('000)	Value 2020 R'000	Number of shares 2019 ('000)	Value 2019 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 Service by the company paying the dividend or by a regulated intermediary and not the person liable for the tax.

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 remeasured to fair value at the acquisition date; and gains or losses arising from such remeasurement are recognised in profit or loss.

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

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.

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").

6. Business combinations (continued)

Disposals made during the financial period (continued)

Raubex Property Investments (Pty) Ltd ("RPI") (continued)

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 amortised over the 12-year lease period.

	2020 R'000
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)**

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.

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.

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 R'000	Financial assets at fair value through profit or loss R'000	Financial liabilities at amortised cost R'000	Financial liabilities at fair value through profit or loss R'000	Total carrying value R'000
At 28 February 2019						
Loans to associates and joint ventures	13	41 504	–	–	–	41 504
Non-current trade and other receivables	16	53 978	–	–	–	53 978
Contract assets	15	293 993	–	–	–	293 993
Trade and other receivables	16	1 388 156	–	–	–	1 388 156
Cash and cash equivalents	17	962 611	–	–	–	962 611
Borrowings	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)
Total		2 740 242	–	(2 320 501)	(39 611)	380 130
At 29 February 2020						
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)**
Total		**3 189 764**	**41 028**	**(2 878 374)**	**(42 370)**	**310 048**

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).

7. Financial instruments (continued)

Categories of financial instruments (continued)

	Note	Total carrying value R'000	Total fair value R'000	Explanation note
At 28 February 2019				
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
Total		380 130	380 130	
At 29 February 2020				
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
Total		**310 048**	**310 048**	

(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 relate to the non-current portion of receivables under finance leases. The carrying value of receivables under finance lease is deemed to approximate its fair value as the interest rate applicable to the lease is similar to that of current market rates.

(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 include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 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.

7. Financial instruments (continued)

Categories of financial instruments (continued)

(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.

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 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Liabilities				
At 28 February 2019				
Financial liabilities at fair value through profit or loss				
Contingent considerations	–	–	39 611	39 611
Total liabilities	–	–	39 611	39 611
At 29 February 2020				
Financial liabilities at fair value through profit or loss				
Contingent considerations	**–**	**–**	**42 370**	**42 370**
Total liabilities	**–**	**–**	**42 370**	**42 370**
Assets				
At 29 February 2020				
Financial assets at fair value through profit or loss				
Preference shares	**–**	**–**	**41 028**	**41 028**
Total assets	**–**	**–**	**41 028**	**41 028**

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.

7. Financial instruments (continued)

Fair value estimation (continued)

(c) Financial instruments in level 3

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

	Note	Put option R'000	Contingent considerations R'000	Total R'000
Liabilities				
Year ended 28 February 2019				
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
Year ended 29 February 2020				
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.

	Preference shares R'000	Total R'000
Assets		
Year ended 29 February 2020		
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	**41 028**	**41 028**

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 age analysis	Credit application controls in place. Only credible financial institutions are used, delayed payments are managed and payment guarantees are obtained.
Liquidity risk	Borrowings and other liabilities.	Rolling cash flow forecasts	Overdraft and credit facilities available to the group. Excess cash balances are maintained above current trading requirements.

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

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

Financial risk factors

(a) Market risk

(i) Foreign exchange risk

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

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

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

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 Rand and Namibian Dollar* R'000	Australian Dollar R'000	Botswana Pula R'000	Central African Franc (Cameroon) R'000	Euro R'000	Mozambican Metical R'000	US Dollar R'000	Zambian Kwacha R'000	Total R'000
Year ended 28 February 2019										
Non-current assets										
Trade and other receivables	16	53 978	–	–	–	–	–	–	–	53 978
Current assets										
Contract assets	15	249 823	5 200	–	22 564	–	–	–	16 406	293 993
Trade and other receivables	16	1 196 911	45 712	44 987	30 931	–	–	–	69 615	1 388 156
Cash and cash equivalents	17	803 283	18 894	87 320	15 770	26 346	1 018	7 037	2 943	962 611
Total monetary assets		2 303 995	69 806	132 307	69 265	26 346	1 018	7 037	88 964	2 698 738
Non-current liabilities										
Borrowings	19	321 151	38 200	3 638	–	–	–	–	–	362 989
Current liabilities										
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
Total monetary liabilities		1 951 264	93 357	32 161	58 544	–	1 530	182	88 206	2 225 244
Net monetary assets/(liabilities) at year-end		352 731	(23 551)	100 146	10 721	26 346	(512)	6 855	758	473 494

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

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 Rand and Namibian Dollar* R'000	Australian Dollar R'000	Botswana Pula R'000	Central African Franc (Cameroon) R'000	Euro R'000	Mozambican Metical R'000	US Dollar R'000	Zambian Kwacha R'000	Total R'000
Year ended 29 February 2020										
Non-current assets										
Trade and other receivables	16	26 393	–	–	–	–	–	–	–	26 393
Current assets										
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
Total monetary assets		2 519 797	170 647	100 195	59 203	(4 479)	19 337	946	361	2 866 007
Non-current liabilities										
Borrowings	19	435 668	52 970	2 976	–	–	–	–	–	491 614
Current liabilities										
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
Total monetary liabilities		2 035 593	190 971	49 580	53 090	–	5 074	203	814	2 335 325
Net monetary assets/(liabilities) at year-end		484 204	(20 324)	50 615	6 113	(4 479)	14 263	743	(453)	530 682

* *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

for the year ended 29 February 2020

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:

	Change in exchange rate	Increase/(decrease) in profit before tax or reserves of the group due to a depreciation of the Rand R'000	Increase/(decrease) in profit before tax or reserves of the group due to an appreciation of the Rand R'000
Year ended 28 February 2019			
Total monetary assets		39 476	(39 476)
Australian Dollar	10%	6 981	(6 981)
Botswana Pula	10%	13 231	(13 231)
Central African Franc (Cameroon)	10%	6 927	(6 927)
Euro	10%	2 635	(2 635)
Mozambique Metical	10%	102	(102)
US Dollar	10%	704	(704)
Zambian Kwacha	10%	8 896	(8 896)
Total monetary liabilities		(27 398)	27 398
Australian Dollar	10%	(9 336)	9 336
Botswana Pula	10%	(3 216)	3 216
Central African Franc (Cameroon)	10%	(5 854)	5 854
Mozambique Metical	10%	(153)	153
US Dollar	10%	(18)	18
Zambian Kwacha	10%	(8 821)	8 821
Net increase/(decrease) in group profit before tax or reserves		12 078	(12 078)
Year ended 29 February 2020			
Total monetary assets		**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)**
Total monetary liabilities		**(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**
Net increase/(decrease) in group profit before tax or reserves		**4 650**	**(4 650)**

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:

	Change in exchange rate	Increase/(decrease) in operating profit of the group due to a depreciation of the Rand R'000	Increase/(decrease) in operating profit of the group due to an appreciation of the Rand R'000
Year ended 28 February 2019			
Net increase/(decrease) in group operating profit		8 432	(8 432)
Australian Dollar	10%	1 602	(1 602)
Botswana Pula	10%	7 025	(7 025)
Central African Franc (Cameroon)	10%	213	(213)
Mozambique Metical	10%	199	(199)
US Dollar	10%	269	(269)
Zambian Kwacha*	10%	(876)	876
Year ended 29 February 2020			
Net increase/(decrease) in group operating profit		**14 230**	**(14 230)**
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 to 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.

8. Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow interest rate risk (continued)

Interest rate risk – Sensitivity analysis

Interest rate risk is presented by way of sensitivity analysis in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expenses and, if appropriate, shareholders' equity. A 1 percentage point movement in the prime interest rate would have the following effect on post-tax profit for the year:

	2020 1% R'000	2020 -1% R'000	2019 1% R'000	2019 -1% 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)

(b) Credit risk

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

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

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

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

The group's customers are concentrated primarily in South Africa, but also exist in the rest of Africa and Australia (refer to note 16). The majority of the customers are concentrated in the public, industrial and resource sector. Refer to the concentration of customers below:

	Gross carrying value R'000	Loss allowance R'000	Net carrying value R'000	% of total
Trade and other receivables				
For the year ended 28 February 2019				
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)	1 681 912	(239 778)	1 442 134	100

8. Financial risk management (continued)

Financial risk factors (continued)

(b) *Credit risk* (continued)

	Gross carrying value R'000	Loss allowance R'000	Net carrying value R'000	% of total
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)	**1 766 482**	**(237 685)**	**1 528 797**	**100**

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

	Gross carrying value R'000	Loss allowance R'000	Net carrying value R'000	% of total
Contract assets				
For the year ended 28 February 2019				
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)	301 587	(7 594)	293 993	100
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)	**348 915**	**(25 261)**	**323 654**	**100**

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

8. Financial risk management (continued)

Financial risk factors (continued)

(b) *Credit risk* (continued)

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 GDPs, inflation rates, prime lending rates, US dollar exchange rates and the credit ratings of the countries in which it operates to be the most relevant factors, and has accordingly adjusted the historical loss rates based on expected changes in these factors.

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

	Current and past due R'000	Credit impaired R'000	Total R'000
Trade and other receivables			
Balance at 28 February 2018 (IAS 39)	–	97 655	97 655
Amounts restated through retained earnings	19 282	–	19 282
Opening balance at 1 March 2018	19 282	97 655	116 937
Exchange differences	–	(8 886)	(8 886)
Acquisition of subsidiaries	–	676	676
Current year loss allowance	4 191	159 875	164 066
Amounts written off during the year as uncollectible	–	(21 694)	(21 694)
Unused amounts reversed	(6 955)	(4 366)	(11 321)
Closing balance at 28 February 2019	16 518	223 260	239 778
Opening balance at 1 March 2019	**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)**
Closing balance at 29 February 2020	**15 707**	**221 979**	**237 686**

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

Financial risk factors (continued)

(b) Credit risk (continued)

	Current and past due R'000	Credit impaired R'000	Total R'000
Contract assets			
Balance at 28 February 2018 (IAS 39)	–	–	–
Amounts restated through retained earnings	12 130	–	12 130
Opening balance at 1 March 2018	12 130	–	12 130
Current year loss allowance	210	6 250	6 460
Amounts written off during the year as uncollectible	(2 119)	–	(2 119)
Unused amounts reversed	(8 877)	–	(8 877)
Closing balance at 28 February 2019	1 344	6 250	7 594
Opening balance at 1 March 2019	**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)**
Closing balance at 29 February 2020	**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.

(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 R'000	Contractual cash flows R'000	Within 1 year R'000	2 to 5 years R'000	5 years and later R'000
Year ended 28 February 2019					
Non-derivative financial liabilities					
Bank borrowings	658 183	734 213	333 471	391 507	9 235
Unsecured loan	3 564	3 564	3 564	–	–
Other financial liabilities	134 868	196 640	76 640	60 000	60 000
Contract liabilities	326 852	326 852	326 852	–	–
Trade and other payables	1 236 645	1 236 645	1 236 645	–	–
Total	2 360 112	2 497 914	1 977 172	451 507	69 235

8. Financial risk management (continued)

Financial risk factors (continued)

(c) ***Liquidity risk*** (continued)

	Carrying amount R'000	Contractual cash flows R'000	Within 1 year R'000	2 to 5 years R'000	5 years and later R'000
Year ended 29 February 2020					
Non-derivative financial liabilities					
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	–	–
Total	2 913 456	3 260 361	2 001 341	864 628	394 392

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 R106.7 million (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.

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

9. Capital risk management (continued)

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

	2020 R'000	2019 R'000
Total borrowings (note 19)	**797 813**	661 747
Less: Cash and cash equivalents (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%)

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 to 20 years
▪ Plant and machinery	5 to 20 years
▪ Vehicles	3 to 8 years
▪ Furniture, fittings and equipment	2 to 8 years

Aircraft is split into the following 3 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.

10. Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses) – net" in the statement of profit or loss.

	Land and buildings R'000	Plant and machinery R'000	Vehicles R'000	Furniture, fittings and equipment R'000	Total R'000
At 28 February 2018					
Cost	323 760	3 320 733	732 759	69 836	4 447 088
Accumulated depreciation	(12 120)	(1 645 495)	(333 629)	(45 679)	(2 036 923)
Net book amount	311 640	1 675 238	399 130	24 157	2 410 165
Year ended 28 February 2019					
Opening net book amount	311 640	1 675 238	399 130	24 157	2 410 165
Exchange differences	283	1 437	(228)	218	1 710
Acquisition of subsidiaries	22 365	104 212	2 733	627	129 937
Additions	68 934	302 055	42 414	7 462	420 865
Disposals	(3 007)	(33 105)	(13 314)	(786)	(50 212)
Depreciation	(4 806)	(302 097)	(59 572)	(10 411)	(376 886)
Reclassification	(388)	(946)	896	438	–
Closing net book amount	395 021	1 746 794	372 059	21 705	2 535 579
At 28 February 2019					
Cost	411 208	3 466 840	733 799	74 774	4 686 621
Accumulated depreciation	(16 187)	(1 720 046)	(361 740)	(53 069)	(2 151 042)
Net book amount	395 021	1 746 794	372 059	21 705	2 535 579
Year ended 29 February 2020					
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)**	**–**
Closing net book amount	**203 313**	**1 846 793**	**378 974**	**22 436**	**2 451 516**
At 29 February 2020					
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)**
Net book amount	**203 313**	**1 846 793**	**378 974**	**22 436**	**2 451 516**

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

Lease liabilities

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

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.

11. Leases (continued)

	2020 R'000	2019 R'000
The statement of profit and loss reflects the following amounts relating to leases:		
Included in cost of sales and administrative expenses:		
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**	–
Included in finance costs		
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.

11. Leases (continued)

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.

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 1 year period.

Trademarks and licences

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

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

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

- Mining rights for commercial quarries 9 to 50 years

12. Intangible assets (continued)

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.

	Goodwill R'000	Customer relationships R'000	Trademarks R'000	Mining rights R'000	Total R'000
At 28 February 2018					
Cost	859 264	3 763	21 053	101 384	985 464
Accumulated amortisation and impairment	(18 374)	(727)	–	(18 557)	(37 658)
Net book amount	840 890	3 036	21 053	82 827	947 806
Year ended 28 February 2019					
Opening net book amount	840 890	3 036	21 053	82 827	947 806
Acquisition of subsidiaries	59 800	–	–	90 800	150 600
Impairment loss	(51 477)	–	–	–	(51 477)
Exchange differences	1 863	–	–	–	1 863
Amortisation charge	–	(3 036)	–	(8 151)	(11 187)
Closing net book amount	851 076	–	21 053	165 476	1 037 605
At 28 February 2019					
Cost	920 927	3 763	21 053	192 184	1 137 927
Accumulated amortisation and impairment	(69 851)	(3 763)	–	(26 708)	(100 322)
Net book amount	851 076	–	21 053	165 476	1 037 605
Year ended 29 February 2020					
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)**
Closing net book amount	**850 441**	**–**	**21 053**	**156 933**	**1 028 427**
At 29 February 2020					
Cost	**921 951**	**3 763**	**21 053**	**192 184**	**1 138 951**
Accumulated amortisation and impairment	**(71 510)**	**(3 763)**	**–**	**(35 251)**	**(110 524)**
Net book amount	**850 441**	**–**	**21 053**	**156 933**	**1 028 427**

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).

12. Intangible assets (continued)

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 to note 31).

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

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

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.

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 (refer to 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.

13. Investment in associates and joint ventures (continued)

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 R'000	2019 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:

	2020 R'000	2019 R'000
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)
Carrying value at the end of the year	**23 767**	23 787

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 2020	% of attributable interest 2019	Nature of the relationship	Measurement method
Lufhereng Development Company (Pty) Ltd ("Lufhereng")	South Africa	**25.34**	25.34	Note 1	Equity
Centremark Roadmarking (Pty) Ltd ("Centremark")	South Africa	**44**	44	Note 2	Equity

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

Note 2: Centremark specialises in line marking and the installation of road studs. Its services give the group the ability to complete the full road construction cycle from start to finish. Centremark was previously a fully consolidated subsidiary but became an associate effective 2 August 2017.

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

13. Investment in associates and joint ventures (continued)

13.1 Associates (continued)

Financial Information at 100%

	Lufhereng		Centremark	
	2020 R'000	**2019 R'000**	**2020 R'000**	**2019 R'000**
Statement of financial position				
Assets				
Non-current assets	**8**	7	**9 041**	9 636
Current assets	**130 038**	59 213	**15 824**	14 960
Total assets	**130 046**	59 220	**24 865**	24 596
Equity and liabilities				
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
Total equity and liabilities	**130 046**	59 220	**24 865**	24 596
Statement of profit or loss				
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 R'000	**2019 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)
Carrying value at the end of the year	**32 658**	18 779

The joint ventures listed below have share capital consisting solely of ordinary shares, which are held directly by the group.

13. Investment in associates and joint ventures (continued)

13.2 Joint ventures (continued)

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 owner's shareholding 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).

Financial information at 100%

	Turnkey Real Estate Company		Ndlu Housing	
	2020 R'000	**2019* R'000**	**2020 R'000**	**2019 R'000**
Statement of financial position				
Assets				
Non-current assets	**–**	318	**7**	6
Current assets	**–**	106 513	**40 371**	30 101
Total assets	**–**	106 831	**40 378**	30 107
Equity and liabilities				
Equity	**–**	(790)	**287**	253
Non-current liabilities	**–**	–	**–**	–
Current liabilities	**–**	107 621	**40 091**	29 854
Total equity and liabilities	**–**	106 831	**40 378**	30 107
Statement of profit or loss				
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.*

13. Investment in associates and joint ventures (continued)

13.2 Joint ventures (continued)

Financial information at 100% (continued)

	Waterfall George 2020 R'000	Waterfall George 2019 R'000
Statement of financial position		
Assets		
Non-current assets	5	–
Current assets	12 650	–
Total assets	12 655	–
Equity and liabilities		
Equity	(51)	–
Non-current liabilities	–	–
Current liabilities	12 706	–
Total equity and liabilities	12 655	–
Statement of profit or loss		
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 (R'000)	Loans to associates and joint ventures R'000	Carrying amount 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
Carrying amount at 28 February 2019					42 566
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
Carrying amount at 29 February 2020					56 425

14. Inventories

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

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

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

Development land to be transferred after 12 months falls within the normal operating cycle of the group.

	2020 R'000	2019 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
	641 699	765 652
Less: Non-current inventories	**(55 057)**	(67 474)
Total current inventories	**586 642**	698 178

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.

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.

15. Contract assets and liabilities (continued)

The group presents as a contract asset, the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers are included within trade and other receivables and retentions are included in contracts in progress. The invoicing of progress billings is done either as costs are incurred on a monthly basis or to match major capital outlay or on the achievement of milestones, dependent on the arrangement with customers in terms of the contract.

The group presents as a contract liability, the gross amount due to customers for contract work for all construction contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

When the outcome of a contract cannot be estimated reliably, at any stage, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract using the above mentioned method to determine the progress towards the satisfaction of the group's performance obligations. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately to the extent that the remaining contract costs are deemed to be unavoidable in terms of IAS 37.

Contract revenue within the group results from "cost-plus", "remeasurable" 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.

Contracts in progress and retentions are made up as follows:

	2020 R'000	2019 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 contract assets at reporting date	**323 654**	293 993
Amounts due to customers for contract work	**226 825**	326 852
Total contract 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.

15. Contract assets and liabilities (continued)

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 2 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 R'000	2019 R'000
Balance at 1 March	**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)
Balance before loss allowances	**227 794**	148 303
Loss allowance	**(1 328)**	(292)
Balance – net	**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 R'000	2019 R'000
Balance at 1 March	**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)
Balance – net	**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 R'000	2019 R'000
Balance at the end of the prior year	**7 594**	–
Amounts restated under opening retained earnings	**–**	12 130
Balance at the 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)
Balance at the end of the year	**25 261**	7 594

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

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 1 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.

16. Trade and other receivables (continued)

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

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

	2020 R'000	2019 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**	–
	1 628 438	1 502 371
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 the beginning of the 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)
Balance at the end of the year	**237 686**	239 778

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 2 Link 8000 road contracts in Zambia which have been suspended, pending the resolution of the current funding impasse.

16. Trade and other receivables (continued)

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

	2020 R'000	2019 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)
Net investment in lease	**54 444**	79 944
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 include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less.

	2020 R'000	2019 R'000
Cash on hand	**2 475**	2 220
Bank balances	**737 530**	469 225
Investments on call	**273 551**	491 166
Total cash and cash equivalents	**1 013 556**	962 611
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)**	–

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

	Rating	2020 R'000	2019 R'000
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
		1 013 556	962 611

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 R'000	Vendor loan R'000	Preference shares R'000	Total R'000
At 1 March 2019	–	–	–	–
– 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)
At 29 February 2020	187 000	81 443	41 028	309 471
Non-current	–	81 443	41 028	122 471
Current	187 000	–	–	187 000
	187 000	81 443	41 028	309 471

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 3 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 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. 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.

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 R'000	Effect on FV, if discount rate was 2.5% lower at acquisition date 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 R'000	2019 R'000
Non-current		
Bank borrowings	**491 614**	362 989
Total non-current borrowings	**491 614**	362 989
Current		
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.

19. Borrowings (continued)

Gross future minimum payments on bank borrowings are as follows:

	2020 R'000	2019 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
	878 178	734 213
Future finance charges on bank borrowings	**(89 962)**	(76 030)
Present value of bank borrowings	**788 216**	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 R'000	2019 R'000
Unsecured loans		
Independent Family Trust (note 38)	**2 309**	3 564
Total unsecured loans	**2 309**	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 provision R'000	Rehabilitation provision R'000	Post-employment benefits R'000	Total R'000
At 1 March 2018	15 823	79 041	3 739	98 603
Acquisition of subsidiaries	–	18 368	–	18 368
Charged to statement of profit or loss:				
– 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)
At 28 February 2019	11 359	102 526	3 099	116 984

20. Provisions for liabilities and charges (continued)

	Materials provision R'000	Rehabilitation provision R'000	Post-employment benefits R'000	Total R'000
Charged to statement of profit or loss:				
– Additional provision	17 311	238	–	17 549
– Unwinding of discount (note 32)	–	4 096	–	4 096
– Provisions utilised	(20 105)	(1 360)	–	(21 465)
– Current service cost	–	–	36	36
– Interest expense	–	–	341	341
– Expected employer benefit payments	–	–	(113)	(113)
– Past service cost gain	–	–	(264)	(264)
Actuarial gain for the year	–	–	(162)	(162)
At 29 February 2020	**8 565**	**105 500**	**2 937**	**117 002**

Analysis of total provisions

	2020 R'000	2019 R'000
Non-current		
Rehabilitation provision	105 500	102 526
Post-employment benefits	2 816	3 099
Total non-current provisions	108 316	105 625
Current		
Materials provision	8 565	11 359
Post-employment benefits	121	–
Total current provisions	8 686	11 359
Total provisions	**117 002**	**116 984**

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

20. Provisions for liabilities and charges (continued)

Post-employment benefits

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

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

	2020 R'000	2019 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	**2 937**	3 099
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	**2 937**	3 099

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 R'000	Between 1 and 5 years R'000	Between 6 and 10 years R'000	Between 11 and 15 years R'000
At 28 February 2019				
Benefit payments	113	571	1 032	2 418
At 29 February 2020				
Benefit payments	**127**	**622**	**1 174**	**2 410**

20. Provisions for liabilities and charges (continued)

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

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

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.

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

	Put option R'000	Contingent considerations R'000	Voluntary rebuilding programme R'000	Total R'000
At 1 March 2018	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)
At 28 February 2019	–	39 611	95 257	134 868
Non-current	–	39 611	80 257	119 868
Current	–	–	15 000	15 000
	–	39 611	95 257	134 868

21. Other financial liabilities (continued)

	Put option R'000	Contingent considerations R'000	Voluntary rebuilding programme R'000	Total R'000
At 1 March 2019	–	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)
At 29 February 2020	–	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 to establish FV at acquisition date	Effect on FV, if discount rate was 2.5% higher at acquisition date R'000	Effect on FV, if discount rate was 2.5% lower at acquisition date R'000
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.

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

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

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

The purchase consideration for the Sale Shares of each of the Stilfontein and Potchefstroom operations is an amount equal to the amount determined in terms of the following formula, ie the lesser of an earnings multiple of 6.5 or the 30-day VWAP earnings multiple at which Raubex Group Limited trades on the Johannesburg Stock Exchange, multiplied by the average profit after tax for the 3 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 the prior year.

21. Other financial liabilities (continued)

Metadynamics (Pty) Ltd ("Metadynamics") – contingent consideration

The contingent consideration arrangement requires the group to pay, in cash, to the former owners, an additional amount limited to a maximum undiscounted amount of R59.15 million based on the average profit after tax achieved over the 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%.

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 R'000	2019 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	**1 417 392**	1 366 715

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.

	2020 R'000	2019 R'000
Deferred tax assets		
Non-current	**(131 890)**	(94 684)
Deferred tax liabilities		
Non-current	**280 057**	292 389
Deferred tax liabilities (net)	**148 167**	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 R'000	2019 R'000
Balance at the beginning of the year	**197 705**	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
Balance at year-end	**148 167**	197 705

23. Deferred income tax (continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated depreciation R'000	Construction contracts R'000	Other R'000	Total R'000
Deferred tax liabilities				
At 1 March 2018	424 545	39 372	1 284	465 201
Exchange differences	(18 093)	–	–	(18 093)
Charged to statement of profit or loss	13 325	(11 075)	–	2 250
Acquisition of subsidiaries	31 772	–	–	31 772
At 28 February 2019	451 549	28 297	1 284	481 130
Exchange differences	**–**	**–**	**–**	**–**
Charged to statement of profit or loss	**15 436**	**562**	**–**	**15 998**
At 29 February 2020	**466 985**	**28 859**	**1 284**	**497 128**

	Provisions R'000	Tax losses R'000	Other R'000	Total R'000
Deferred tax assets				
At 1 March 2018	(75 064)	(49 438)	(38 277)	(162 779)
Exchange differences	874	287	–	1 161
Charged to statement of profit or loss	(63 892)	(57 534)	13 867	(107 559)
Charged to comprehensive income	179	–	–	179
Charged to equity (adoption of IFRS 9)	(8 795)	–	–	(8 795)
Acquisition of subsidiaries	(5 321)	(311)	–	(5 632)
At 28 February 2019	(152 019)	(106 996)	(24 410)	(283 425)
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**
At 29 February 2020	**(146 907)**	**(136 049)**	**(66 005)**	**(348 961)**

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.

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 '000	Ordinary shares R'000	Share premium R'000	Total 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	**181 750**	**1 817**	**2 059 688**	**2 061 505**

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 R'000	2019 R'000
Treasury shares held by Raubex (Pty) Ltd	**16 002**	1 218
Total	**16 002**	1 218

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 shares	Value 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	**835 399**	**14 784**
At 29 February 2020	**905 537**	**16 002**

26. Other reserves

	Foreign currency translation reserve R'000	Common control reserve R'000	Equity-settled share-based payment R'000	Put option written on non-controlling interest R'000	Total R'000
At 1 March 2018	(23 369)	(1 175 298)	27 267	(48 459)	(1 219 859)
Translation difference of foreign subsidiaries	14 670	–	–	–	14 670
Non-controlling interests' portion of translation difference of foreign subsidiaries	(43)	–	–	–	(43)
Unutilised put option reserve reversed	–	–	–	48 459	48 459
Unutilised share reserve from expired share option scheme reversed	–	–	(27 267)	–	(27 267)
Performance shares granted to employees (note 36)	–	–	6 905	–	6 905
At 28 February 2019	(8 742)	(1 175 298)	6 905	–	(1 177 135)
Translation difference of foreign subsidiaries	**27 823**	**–**	**–**	**–**	**27 823**
Non-controlling interests' portion of translation difference of foreign subsidiaries	**(674)**	**–**	**–**	**–**	**(674)**
Performance shares granted to employees (note 36)	**–**	**–**	**8 142**	**–**	**8 142**
At 29 February 2020	**18 407**	**(1 175 298)**	**15 047**	**–**	**(1 141 844)**

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 R'000	2019 R'000
Balance at the beginning of the 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)
Balance at the end of the year	**257 417**	262 272

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

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 1 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.

Revenue generated per activity is as follows:

	2020 R'000	2019 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
Total revenue	**8 734 896**	8 519 142

28. **Revenue** (continued)

Disaggregation of revenue

	Materials R'000	Roads and earthworks R'000	Infrastructure R'000	Consolidated R'000
Disaggregation of revenue by activity and segment				
For the year ended 28 February 2019				
Contracting revenue	1 511 182	2 427 910	2 053 212	5 992 304
Commercial quarry aggregates and gypsum revenue	900 591	–	–	900 591
Bitumen and emulsion products and services	–	573 028	–	573 028
Asphalt supply revenue	–	633 556	–	633 556
Plant hire revenue	339 028	–	–	339 028
Property sales, property rentals and development fees	–	–	80 635	80 635
Total revenue for the year	2 750 801	3 634 494	2 133 847	8 519 142
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**
Total revenue for the year	**2 749 368**	**3 237 134**	**2 748 394**	**8 734 896**

	South Africa R'000	Rest of Africa R'000	Australia R'000	Consolidated R'000
Disaggregation of revenue by activity and geography				
For the year ended 28 February 2019				
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
Total revenue for the year	6 990 062	1 205 510	323 570	8 519 142
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**
Total revenue for the year	**7 090 798**	**1 096 146**	**547 952**	**8 734 896**

28. Revenue (continued)

	South Africa R'000	Rest of Africa R'000	Australia R'000	Consolidated R'000
Disaggregation of revenue by customer sector and geography				
For the year ended 28 February 2019				
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
Total revenue for the year	6 990 062	1 205 510	323 570	8 519 142
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**
Total revenue for the year	**7 090 798**	**1 096 146**	**547 952**	**8 734 896**

Error and reclassification of comparative figures

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

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

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 2 geographies, ie "Rest of Africa" and "Australia".

	2020 R'000	2019 R'000
29. Other income		
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	**26 901**	31 844
30. Other gains/(losses)		
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)	**(57 424)**	(24 580)
31. Expenses by nature		
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 (notes 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	**8 187 413**	8 192 170
Total cost of sales	**7 643 854**	7 665 128
Total administrative expenses	**543 559**	527 042
Total cost of sales and administrative expenses	**8 187 413**	8 192 170

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 as previously reported R'000	Reclassi-fication R'000	2019 as currently reported R'000
Statement of profit and loss			
Cost of sales	(7 792 319)	127 191	(7 665 128)
Net impairment losses on financial and contract assets	–	(127 191)	(127 191)
Expenses by nature (note 31)			
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.

Notes to the group financial statements continued

for the year ended 29 February 2020

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.

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

33. Income tax expense (continued)

	2020 R'000	2019 R'000
South African normal taxation		
Current tax		
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	131 573	91 517
Deferred tax		
Originating and reversing temporary differences	(50 685)	(65 394)
Total South African deferred taxation	(50 685)	(65 394)
Total South African taxation	80 888	26 123
Foreign taxation		
Current tax		
Current period	61 216	78 785
Adjustments for current tax of prior periods	25	(1 152)
Total foreign normal tax	61 241	77 633
Deferred tax		
Originating and reversing temporary differences	2 684	(39 914)
Total foreign deferred tax	2 684	(39 914)
Total foreign taxation	63 925	37 719
Total income tax expense	144 813	63 842

Reconciliation between applicable and effective tax rate:

	2020 %	2019 %
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	–
	32.46	35.33

33. Income tax expense (continued)

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

	Before tax 2020 R'000	Tax 2020 R'000	After tax 2020 R'000	Before tax 2019 R'000	Tax 2019 R'000	After tax 2019 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 R'000	2019 R'000
Fees	**12 333**	11 329
Prior year underprovision	**483**	327
Tax and non-audit services	**193**	217
Total auditor's 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 R'000	2019 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.

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 4 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 KPIs and targets which are determined by the remuneration committee ("remco") and take into consideration the group's 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 7 peer group companies listed under the construction and materials sector on the JSE: Afrimat, Aveng, Basil Read, Calgro M3, Group Five, Stefanutti Stocks and WBHO.

LTI Scheme 2019

- Average ROICE relative to the WACC of the Raubex Group
- Total shareholder return ("TSR") relative to the following 7 peer group companies listed under the construction and materials sector on the JSE: Afrimat, Balwin, Calgro M3, PPC, Sephaku, Stefanutti Stocks and WBHO.

The performance conditions carry an equal weighting and have participation hurdles comprising threshold, target and stretch granting 50%, 100% and 150% participation respectively.

36. Employee Long-term Incentive Scheme (continued)

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

LTI Scheme 2018

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

LTI Scheme 2019

KPIs	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%

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

ROICE	NOPAT/(Total borrowings + total equity)
NOPAT	Profit after tax + net finance charges after tax
WACC	WACC formula = (E/V * Ke) + [(D/V* Kd)* (1 – tax rate)] E = Market value of equity V = Total market value of equity and debt Ke = Cost of equity D = Market value of debt Kd = Cost of debt Tax rate = Corporate tax rate
TSR	TSR = (change in market price per share over the performance period + dividends received per share)/market price per share at the beginning of performance period*.

* *Market price to be determined on a 20 business day VWAP basis prior to the start and end of the performance period.*

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.

36. Employee Long-term Incentive Scheme (continued)

The fair value of the performance shares is determined using a combination of the Monte Carlo model and the spot rate of the performance shares at grant date. Refer below for the significant inputs used to determine the fair value of the performance shares awarded:

Arrangement	(a) LTI Scheme 2018 (ROICE)	(b) LTI Scheme 2018 (TSR)	(c) LTI Scheme 2019 (ROICE)	(d) LTI Scheme 2019 (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	1 August 2018	1 August 2018	1 August 2019	1 August 2019
Share price at the date of grant	R19.85	R19.85	R19.24	R19.24
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 February 2021	1 March 2018 to 28 February 2021	1 March 2019 to 28 February 2022	1 March 2019 to 28 February 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 2nd 50% of performance shares – 4 years	1st 50% of performance shares – 3 years 2nd 50% of performance shares – 4 years	1st 50% of performance shares – 3 years 2nd 50% of performance shares – 4 years	1st 50% of performance shares – 3 years 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	R17.77	R22.97	R17.98	R21.66
Valuation model	Spot rate at grant date	Monte Carlo	Spot rate at grant date	Monte Carlo

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

28 February 2019

	Weighted average remaining life (years)	
Number of options ('000)	Expected	Contractual
911 188	3	3
911 188	2	2

29 February 2020

	Weighted average remaining life (years)	
Number of shares ('000)	Expected	Contractual
1 041 801	**3**	**3**
1 041 801	**2**	**2**
911 188	**2**	**2**
911 188	**1**	**1**

36. Employee Long-term Incentive Scheme (continued)

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

	Number of shares 2020	Exercise price 2020	Number of shares 2019	Exercise price 2019
Outstanding at the beginning of the year	**1 822 375**	**R0.00**	–	R0.00
Performance shares granted	**2 083 602**	**R0.00**	1 822 375	R0.00
Performance shares forfeited	**–**	**R0.00**	–	R0.00
Performance shares exercised	**–**	**R0.00**	–	R0.00
Outstanding at end of year	**3 905 977**	**R0.00**	1 822 375	R0.00
Exercisable at the end of the year	**–**	**R0.00**	–	R0.00

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

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

37. Cash generated from operations

	2020 R'000	2019 R'000
Profit before income tax	**446 164**	180 684
Adjustment for:		
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 remeasurement	**–**	(2 203)
Changes in working capital		
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
Changes in other financial liabilities		
Voluntary rebuilding programme payment (note 21)	**(15 000)**	(15 000)
Net cash generated from operations	**790 205**	788 924

37. Cash generated from operations (continued)

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

	2020 R'000	2019 R'000
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:

	2020 R'000	2019 R'000
Balance (receivable)/due at the 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 the 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 R'000	Contingent conside-rations R'000	Lease liabilities R'000	Borrowings – unsecured loans R'000	Borrowings – bank borrowings R'000
Balance at 1 March 2018	60 267	–	–	3 225	773 331
Repayments of financial liabilities	–	–	–	–	(481 625)
Proceeds from financial liabilities	–	–	–	339	340 947
Acquisition of subsidiaries	–	37 034	–	–	24 581
Foreign exchange differences	–	–	–	–	949
Unwinding of discount	1 373	2 577	–	–	–
Put option written off	(61 640)	–	–	–	–
Balance at 28 February 2019	–	39 611	–	3 564	658 183
Recognised on adoption of IFRS 16	**–**	**–**	**244 313**	**–**	**–**
Balance at 1 March 2019	**–**	**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)**	**–**	**–**
Balance at 29 February 2020	**–**	**42 370**	**455 098**	**2 309**	**788 216**
Note	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
- Corpclo 851 CC
- Klaas en Ellie Beleggings (Pty) Ltd
- Mamiki Capital Investments (Pty) Ltd
- NFG Property Sales (Pty) Ltd
- Rapid River Developments (Pty) Ltd
- RJ Fourie Boerdery
- Van Der Berg Familie Trust
- BM Pretorius Jnr Trust
- Independent Family Trust
- Lemati Developers (Pty) Ltd
- MD Dikoko
- Oranje Mynbou en Vervoer (Pty) Ltd
- Raubex Eiendomme (Pty) Ltd
- The Burger Family Trust
- Verdino 192 (Pty) Ltd

	2020 R'000	2019 R'000
Related-party balances		
Amounts included in trade receivables regarding related parties		
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 (note 16)	84 628	61 343
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 (note 22)	31 262	28 076
Loans to related parties		
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 (note 16)	33 457	17 719

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

38. Related parties (continued)

	2020 R'000	2019 R'000
Related-party balances (continued)		
Loans to related parties (continued)		
Loans to entities controlled by key management:		
At the beginning of the year	**7 036**	4 642
Loans advanced during the year	**–**	3 394
Loan repayments received	**(3 394)**	(1 000)
At the end of the year	**3 642**	7 036
Loans to joint operations:		
At the beginning of the year	**10 683**	3 527
Loans advanced during the year	**23 785**	9 549
Loan repayments received	**(4 653)**	(2 393)
At the end of the year	**29 815**	10 683
Total loans to related parties:		
At the beginning of the year	**17 719**	8 169
Loans advanced during the year	**23 785**	12 943
Loan repayments received	**(8 047)**	(3 393)
At the end of the year (note 16)	**33 457**	17 719
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	**38 872**	13 720
Loans from entities controlled by key management:		
At the beginning of the year	**9 456**	10 329
Loans received during the year	**–**	–
Loan repayments made	**(3 496)**	(873)
At the end of the year	**5 960**	9 456
Loans from joint operations:		
At the beginning of the year	**4 264**	17 199
Loans received during the year	**28 681**	2 085
Loan repayments made	**(33)**	(15 020)
At the end of the year	**32 912**	4 264
Total loans from related parties:		
At the beginning of the year	**13 720**	27 528
Loans received during the year	**28 681**	2 085
Loan repayments made	**(3 529)**	(15 893)
At the end of the year (notes 19 and 22)	**38 872**	13 720

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

38. Related parties (continued)

	2020 R'000	2019 R'000
Subcontractors' fees received from/(paid to) related parties		
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
	525 826	375 083
Rental of equipment and premises paid to related parties		
Corpclo 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)
	(2 106)	(3 546)
Administration fees received from related parties		
Raubex/Sakula Joint Operation	**–**	300
Other fees received from related parties		
RJ Fourie Boerdery	**45**	115
	45	115

Related-party transactions with directors and prescribed officers

Directors emoluments

	Directors' fees R'000	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits* R'000	Total emoluments R'000
2019						
Executive						
RJ Fourie	–	3 507	5 908	345	1 656	11 416
JF Gibson	–	2 582	4 084	238	912	7 816
NF Msiza	–	2 658	2 091	245	919	5 913
Total emoluments	–	8 747	12 083	828	3 487	25 145
Non-executive						
F Kenney	1 003	–	–	–	–	1 003
LA Maxwell	815	–	–	–	–	815
BH Kent	627	–	–	–	–	627
SR Bogatsu	627	–	–	–	–	627
Total emoluments	3 072	–	–	–	–	3 072

* *Included in other benefits are amounts paid for the early termination of the retention scheme in 2019 which was replaced with the new LTI share scheme effective 1 August 2018.*

38. Related parties (continued)

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

Directors emoluments (continued)

	Directors' fees R'000	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits R'000	Total emoluments R'000
2020						
Executive						
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
Non-executive						
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

	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits* R'000	Total emoluments R'000
2019					
TG Wiese**	827	4 407	188	1 623	7 045
LJ Raubenheimer	2 496	5 292	251	1 299	9 338
IJM van Niekerk***	2 420	1 000	223	1 118	4 761
RL Shedlock	3 608	2 299	435	1 935	8 277
DC Lourens	2 215	1 891	204	1 059	5 369
JA Louw	1 649	1 258	152	939	3 998
GM Chemaly	1 469	150	136	11	1 766
Total emoluments	14 684	16 297	1 589	7 984	40 554
2020					
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

* *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.*

Notes to the group financial statements continued

for the year ended 29 February 2020

38. Related parties (continued)

Share options/performance shares granted to directors and prescribed officers

	Shares outstanding at 1 March 2018	Shares granted during the year	Shares exercised during the year	Shares outstanding at 28 February 2019	Strike price
Performance shares 2019					
Executive directors					
RJ Fourie	–	395 149	–	395 149	R0.00
JF Gibson	–	273 142	–	273 142	R0.00
NF Msiza	–	139 816	–	139 816	R0.00
Prescribed officers					
LJ Raubenheimer	–	291 315	–	291 315	R0.00
IJM van Niekerk	–	205 431	–	205 431	R0.00
RL Shedlock	–	212 737	–	212 737	R0.00
DC Lourens	–	189 319	–	189 319	R0.00
JA Louw	–	95 466	–	95 466	R0.00
GM Chemaly	–	20 000	–	20 000	R0.00

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.

	Shares outstanding at 1 March 2019	Shares granted during the year	Shares exercised during the year	Shares outstanding at 29 February 2020	Strike price
Performance shares 2020					
Executive directors					
RJ Fourie	**395 149**	**442 372**	**–**	**837 521**	**R0.00**
JF Gibson	**273 142**	**306 331**	**–**	**579 473**	**R0.00**
NF Msiza	**139 816**	**156 723**	**–**	**296 539**	**R0.00**
Prescribed officers					
LJ Raubenheimer	**291 315**	**325 476**	**–**	**616 791**	**R0.00**
IJM van Niekerk	**205 431**	**231 126**	**–**	**436 557**	**R0.00**
RL Shedlock	**212 737**	**243 301**	**–**	**456 038**	**R0.00**
DC Lourens	**189 319**	**226 048**	**–**	**415 367**	**R0.00**
JA Louw	**95 466**	**107 515**	**–**	**202 981**	**R0.00**
GM Chemaly	**20 000**	**44 710**	**–**	**64 710**	**R0.00**

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

Interest of directors in share capital

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

	Number of shares 2020	Number of shares 2019
Beneficial		
Direct and indirect		
RJ Fourie	**4 603 676**	4 603 676
JF Gibson	**365 730**	365 730
F Kenney	**4 065 384**	4 065 384

At the date of this report, these interests remained unchanged.

39. Directors', prescribed officers and key management emoluments

	2020 R'000	2019 R'000
Executive		
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.

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

40. Commitments

Capital commitments

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

	2020 R'000	2019 R'000
Property, plant and equipment	**29 752**	–
Investments in subsidiaries	**–**	49 920
Total capital commitments	**29 752**	49 920

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 R'000	2019 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	**–**	186 035

40. Commitments (continued)

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 R'000	2019 R'000
Voluntary rebuilding programme (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 As previously reported R'000	Restatement R'000	2019 As currently reported 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	73 285	112 750	186 035

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.

42. Interest in subsidiaries

		Country of incorporation and place of business	Issued share capital Shares	Effective % held by the group		Effective % held by non-controlling interests		Shares at cost	
				2020 %	2019 %	2020 %	2019 %	2020 R'000	2019 R'000
Direct*									
Raubex (Pty) Ltd	H	ZA	300	**100**	100	**–**	–	**2 018 163**	1 001 620
Raubex FIC (Pty) Ltd	H	ZA	200	**100**	100	**–**	–	**75 127**	75 127
Raubex Foreign Holdings (Pty) Ltd**	H	ZA	100	**100**	–	**–**	–	**–**	–
L & R Civils (Pty) Ltd	I	ZA	300	**80**	80	**20**	20	**–**	–
Indirect									
Akasia Road Surfacing (Pty) Ltd	A	ZA	100	**100**	100	**–**	–	**120 796**	120 796
Aliwal Dolorite Quarry (Pty) Ltd	Q	ZA	100	**74**	74	**26**	26	**7 619**	7 619
B&E International – North (Namibia) (Pty) Ltd	P	NA	100	**100**	100	**–**	–	**–**	–
B&E International (Botswana) (Pty) Ltd	D	BW	10 000	**74**	74	**26**	26	**–**	–
B&E International (Foreign) (Pty) Ltd	C	ZA	100	**100**	100	**–**	–	**–**	–
B&E International (Namibia) (Pty) Ltd	C	NA	200	**74**	37	**26**	63	**–**	–
B&E International (Pty) Ltd*	C	ZA	1 000	**100**	100	**–**	–	**473 844**	473 844
B&E International Eswatini (Pty) Ltd	C	SZ	100	**100**	–	**–**	–	**–**	–

42. Interest in subsidiaries (continued)

		Country of incorporation and place of business	Issued share capital Shares	Effective % held by the group 2020 %	Effective % held by the group 2019 %	Effective % held by non-controlling interests 2020 %	Effective % held by non-controlling interests 2019 %	Shares at cost 2020 R'000	Shares at cost 2019 R'000
Indirect (continued)									
B&E International Mining (Pty) Ltd	C	ZA	100	**49**	49	**51**	51	**–**	–
B&E International Mozambique Limitada	C	MZ	16 835	**100**	100	**–**	–	**–**	–
Belabela Asphalt (Pty) Ltd	A	BW	100	**49**	49	**51**	51	**1**	1
Belabela Quarries (Pty) Ltd	Q	BW	1 660 000	**74**	74	**26**	26	**–**	–
Burma Plant Hire (Pty) Ltd*	P	ZA	100	**100**	100	**–**	–	**11 532**	11 532
Burma Plant Hire and Mining (Pty) Ltd	P	ZA	100	**100**	100	**–**	–	**–**	–
Burma Plant Hire (Namibia) (Pty) Ltd	P	NA	100	**100**	100	**–**	–	**–**	–
Canyon Rock (Pty) Ltd	Q	ZA	120	**74**	74	**26**	26	**46 294**	46 294
Cloetesdal Developments (Pty) Ltd	I	ZA	100	**74**	–	**26**	–	**–**	–
Comar Plant Design and Manufacturing (Pty) Ltd	P	ZA	1 000	**100**	100	**–**	–	**3 000**	3 000
Crushco (Pty) Ltd	Q	ZA	100	**74**	74	**26**	26	**–**	–
Donkerhoek (Pty) Ltd	Q	ZA	200	**70**	70	**30**	30	**–**	–
Donkerhoek Quartzite (Pty) Ltd	Q	ZA	4 000	**74**	74	**26**	26	**–**	–
Empa Plant (Pty) Ltd	D	ZA	400	**70**	70	**30**	30	**23 527**	23 527
Empa Structures (Pty) Ltd	I	ZA	100	**70**	70	**30**	30	**4 099**	4 099
Forte Demolition Solutions (Pty) Ltd	T	ZA	100	**49**	49	**51**	51	**–**	–
Forward Infra (Pty) Ltd	M	ZA	100	**100**	100	**–**	–	**–**	–
Greenmined Environmental (Pty) Ltd	E	ZA	1 000	**100**	100	**–**	–	**–**	–
Harding Quarry (Pty) Ltd	Q	ZA	870 000	**74**	74	**26**	26	**–**	–
Howard Quarry (Pty) Ltd	Q	ZA	100	**70**	70	**30**	30	**–**	–
Inzalo Crushing and Aggregates (Pty) Ltd	Q	ZA	10 000	**74**	74	**26**	26	**9**	9
Komani Quarry (Pty) Ltd	Q	ZA	100	**70**	70	**30**	30	**–**	–
Lime Sales Ltd	Q	ZA	100	**74**	74	**26**	26	**37 000**	37 000
Malmesbury Sand (Pty) Ltd	Q	ZA	4 000	**100**	100	**–**	–	**10 600**	10 600
Matlosana Industries (Pty) Ltd	Q	ZA	100	**60**	60	**40**	40	**–**	–
Metadynamics (Pty) Ltd	G	ZA	120	**49**	49	**51**	51	**–**	–
Middelburg Quarry (Pty) Ltd	Q	ZA	100	**74**	74	**26**	26	**2 300**	2 300
Milling Techniks (Pty) Ltd	R	ZA	100	**100**	100	**–**	–	**15 000**	15 000
MRCN (Pty) Ltd t/a Westforce Construction	I	AU	4 000	**70**	70	**30**	30	**64 035**	66 238
Muscle Construction (Pty) Ltd	D	ZA	100	**26**	26	**74**	74	**–**	–
Narindonde Construction (Pty) Ltd	C	NA	100	**74**	74	**26**	26	**–**	–
National Asphalt (Pty) Ltd	A	ZA	100	**100**	100	**–**	–	**–**	–
National Cold Asphalt (Pty) Ltd	D	ZA	100	**100**	100	**–**	–	**1 124**	1 124
OMV (Pty) Ltd	Q	ZA	800	**70**	70	**30**	30	**54 452**	54 452
OMV Kimberley (Pty) Ltd	Q	ZA	800	**100**	100	**–**	–	**37 500**	37 500
OMV Kimberley Mining (Pty) Ltd	Q	ZA	100	**74**	74	**26**	26	**–**	–
OMV Mining (Pty) Ltd	Q	ZA	100	**74**	74	**26**	26	**–**	–
OMV Stilfontein (Pty) Ltd	D	ZA	800	**70**	70	**30**	30	**34 706**	34 706
OMV Stilfontein Mining (Pty) Ltd	Q	ZA	100	**52**	52	**48**	48	**–**	–
Petra Quarry (Pty) Ltd	Q	ZA	100	**74**	74	**26**	26	**3 849**	3 849
Phuhlisa Development Solutions (Pty) Ltd	F	ZA	1 000	**80**	80	**20**	20	**418**	418
Queenstown Quarry (Pty) Ltd	Q	ZA	100	**74**	74	**26**	26	**21 929**	21 929
Raubex (Pty) Ltd	H	AU	7 000	**100**	100	**–**	–	**–**	–
Raubex Building (Pty) Ltd	I	ZA	100	**82**	77	**18**	23	**31 200**	27 700
Raubex Civil (Pty) Ltd	H	ZA	100	**100**	100	**–**	–	**14 999**	14 999
Raubex Construction (Pty) Ltd	R	ZA	1 000	**100**	100	**–**	–	**87 301**	87 301

42. Interest in subsidiaries (continued)

		Country of incorporation and place of business	Issued share capital Shares	Effective % held by the group 2020 %	Effective % held by the group 2019 %	Effective % held by non-controlling interests 2020 %	Effective % held by non-controlling interests 2019 %	Shares at cost 2020 R'000	Shares at cost 2019 R'000
Indirect (continued)									
Raubex Construction (Pty) Ltd	R	AU	100	**68**	–	**32**	–	**–**	–
Raubex Construction (Mauritius) Ltd	I	MU	100	**100**	100	**–**	–	**1**	1
Raubex Construction Namibia (Pty) Ltd	D	NA	100	**49**	49	**51**	51	**–**	–
Raubex Construction Zambia Ltd	R	ZM	5 000 000	**100**	100	**–**	–	**6 009**	6 009
Raubex Construction Zimbabwe (Pvt) Ltd	I	ZW	1 400	**65**	65	**35**	35	**1**	1
Raubex Infra (Pty) Ltd	I	ZA	900	**100**	100	**–**	–	**40 224**	40 224
Raubex Infrastructure Holdings (Pty) Ltd**	H	ZA	100	**100**	–	**–**	–	**–**	–
Raubex KZN (Pty) Ltd	R	ZA	100	**100**	100	**–**	–	**43 907**	43 907
Raubex Lesotho (Pty) Ltd	R	LS	100	**100**	100	**–**	–	**–**	–
Raubex Ltd	I	CM	1 000 000	**100**	100	**–**	–	**–**	–
Raubex Materials Holdings (Pty) Ltd** (Formerly Raubex Civil (Pty) Ltd)	H	ZA	100	**100**	100	**–**	–	**–**	–
Raubex Mining (Pty) Ltd	Q	ZA	100	**70**	70	**30**	30	**–**	–
Raubex REI Holdings (Pty) Ltd**	H	ZA	100	**100**	–	**–**	–	**–**	–
Raubex Renovo (Pty) Ltd	I	ZA	1 000	**100**	100	**–**	–	**–**	–
Raubex Roads and Earthworks Holdings (Pty) Ltd** (Formerly Roadmac Holdings (Pty) Ltd)	H	ZA	100	**100**	100	**–**	–	**–**	–
Raudev (Pty) Ltd	I	ZA	100	**80**	80	**20**	20	**8 084**	8 084
Raumix Aggregates (Pty) Ltd	Q	ZA	916	**100**	100	**–**	–	**–**	–
Raumix Holdings (Pty) Ltd	H	ZA	100	**100**	100	**–**	–	**23 674**	23 674
Raumix Mining (Pty) Ltd	Q	ZA	100	**49**	49	**51**	51	**–**	–
Roadmac (Pty) Ltd	H	ZA	100	**100**	100	**–**	–	**84 550**	84 550
Roadmac Chip and Seal (Pty) Ltd	R	NA	100	**50**	–	**50**	–	**–**	–
Roadmac Surfacing (Pty) Ltd	R	ZA	100	**100**	100	**–**	–	**20 000**	20 000
Roadmac Surfacing Cape (Pty) Ltd	R	ZA	200	**100**	100	**–**	–	**24 299**	24 299
Shisalanga Construction (Pty) Ltd	A	ZA	100	**76**	60	**24**	40	**48 300**	38 400
SPH Sand (Pty) Ltd	Q	ZA	100	**74**	74	**26**	26	**–**	–
SPH Kundalila (Pty) Ltd (SPH Group)*	C	ZA	100	**100**	100	**–**	–	**111 336**	111 336
SPH Kundalila Mining (Pty) Ltd	Q	ZA	100	**49**	49	**51**	51	**–**	–
Strata Civils (Pty) Ltd	I	ZA	500	**100**	100	**–**	–	**–**	–
Syiaka Specialised Services (Pty) Ltd	C	ZA	100	**49**	–	**51**	–	**–**	–
Tosas (Pty) Ltd*	H	ZA	100	**100**	100	**–**	–	**120 000**	–
Tosas Eastern Cape (Pty) Ltd	B	ZA	100	**50**	50	**50**	50	**–**	–
Tosas Botswana (Pty) Ltd	B	BW	134	**100**	100	**–**	–	**–**	–
Tosas Namibia (Pty) Ltd	B	NA	100	**100**	90	**–**	10	**–**	–
Transkei Quarries (Pty) Ltd	Q	ZA	100	**49**	49	**51**	51	**–**	–
Turnkey Real Estate Company (Pty) Ltd	I	ZA	100	**82**	82	**18**	18	**1**	1
Verlesha (Pty) Ltd	Q	ZA	100	**74**	74	**26**	26	**–**	–
Westforce Hire (Pty) Ltd	I	AU	100	**70**	70	**30**	30	**–**	–
Willows Quarries (Pty) Ltd	Q	ZA	100	**74**	74	**26**	26	**–**	–
Zamori Construction (Pty) Ltd	D	ZA	120	**100**	100	**–**	–	**35 799**	35 799
Zisena (Pty) Ltd	R	ZA	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.

42. Interest in subsidiaries (continued)

Nature of business

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

Country of incorporation and place of business:

AU Australia	BW Botswana	CM Cameroon	SZ Eswatini	LS Lesotho	MU Mauritius
MZ Mozambique	NA Namibia	ZA South Africa	ZM Zambia	ZW Zimbabwe	

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

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

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

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

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

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

Management has assessed that, in terms of IFRS 10, the group is considered to exercise control over these entities through its ability to affect returns and direct the entities' relevant activities, despite owning less than 50% of the issued shares. Thus the group has power over and is exposed to, or has rights to, variable returns from its involvement with these entities:

- B&E International Mining (Pty) Ltd
- Belabela Asphalt (Pty) Ltd
- Forte Demolition Solutions (Pty) Ltd
- Metadynamics (Pty) Ltd
- Muscle Construction (Pty) Ltd
- Raubex Construction Namibia (Pty) Ltd
- Raumix Mining (Pty) Ltd
- SPH Kundalila Mining (Pty) Ltd
- 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.

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 as 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 has 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 R'000	Dividends paid to non-controlling interest R'000	Total assets R'000	Total liabilities R'000	Net increase/ (decrease) in cash and cash equivalents R'000
At 28 February 2019					
Aggregate of all subsidiaries with non-controlling interests in the group*	214 972	(12 758)	2 085 400	1 354 201	(17 780)
Total	214 972	(12 758)	2 085 400	1 354 201	(17 780)
At 29 February 2020					
Aggregate of all subsidiaries with non-controlling interests in the group*	**353 122**	**(38 445)**	**2 516 417**	**1 514 011**	**57 166**
Total	**353 122**	**(38 445)**	**2 516 417**	**1 514 011**	**57 166**

42. Interest in subsidiaries (continued)

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

* *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.*

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%**	–
Vharanani/Raubex Joint Operation	South Africa	Road surfacing	**49%**	49%

43. Interest in joint operations (continued)

Financial information

	2020 R'000	2019 R'000
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	**215 672**	91 336
Equity and liabilities		
Equity	**79**	(32)
Current liabilities	**213 186**	91 368
Non-current liabilities	**2 406**	–
Total equity and liabilities	**215 671**	91 336
Statement of profit or loss		
(Recognised in proportion to interest in assets and liabilities)		
Revenue	**551 716**	304 565
Profit/(loss) attributable to the 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.

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.

44. Events after the reporting period (continued)

Novel coronavirus ("Covid-19") (continued)

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 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.

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

for the year ended 29 February 2020

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:

International Financial Reporting Standards and amendments effective for the first time for 29 February 2020 year-end

Number	Executive summary
IFRS 16: *Leases* Effective: 1 January 2019 (group's year ended 29 February 2020)	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17: *Leases*, IFRIC 4: *Determining whether an Arrangement contains a Lease*, SIC 15: *Operating Leases – Incentives* and SIC 27: *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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.

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.

47. Changes in accounting policies (continued)

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

	2019 R'000
Operating lease commitments disclosed at 28 February 2019	73 285
Add: Lease commitments not disclosed at 28 February 2019*	112 750
Restated operating lease commitments at 28 February 2019	186 035
Restated operating lease commitments discounted using the incremental borrowing rate	172 541
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	79 250
Lease liability recognised as at 1 March 2019	244 313
Current lease liabilities	69 988
Non-current lease liabilities	174 325
	244 313

* *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 2020 R'000	1 March 2019 R'000
Land and buildings	**313 955**	41 408
Plant and machinery	**62 424**	201 959
Total right-of-use assets	**376 379**	243 367

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 28 February 2019 R'000	IFRS 16 effect R'000	Balance at 1 March 2019 R'000
Assets			
Non-current assets			
Right-of-use assets	–	243 367	243 367
Liabilities			
Non-current liabilities			
Lease liabilities	–	174 325	174 325
Current liabilities			
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.

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 R'000	Roads and Earthworks R'000	Infrastructure R'000	Other R'000	Total R'000
Statement of financial position effects:					
Segment assets	74 789	17 542	550	283 498	376 379
Segment liabilities	77 920	18 708	590	357 880	455 098
Income statement effects:					
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*.

Holding company statement of financial position

for the year ended 29 February 2020

	Note	2020 R'000	2019 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	4.1	**2 233 745**	1 890 371
Loans to group companies	4.2	**184 560**	186 911
Total non-current assets		**2 418 305**	2 077 282
Current assets			
Trade and other receivables	5	**172**	163
Current income tax receivable		**–**	23
Cash and cash equivalents	6	**149**	174
Total current assets		**321**	360
Total assets		**2 418 626**	2 077 642
EQUITY			
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
Total equity		**2 418 190**	2 077 302
LIABILITIES			
Current liabilities			
Trade and other payables	8	**426**	340
Current income tax payable		**10**	–
Total current liabilities		**436**	340
Total liabilities		**436**	340
Total equity and liabilities		**2 418 626**	2 077 642

The notes on pages 179 to 187 are an integral part of these financial statements.

Holding company statement of comprehensive income

for the year ended 29 February 2020

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

The notes on pages 179 to 187 are an integral part of these financial statements.

Holding company statement of changes in equity

for the year ended 29 February 2020

	Share capital R'000	Share premium R'000	Reserves for own shares/ share repurchase reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 1 March 2018	1 817	2 059 776	85 364	33 127	2 180 084
Changes in equity:					
Unutilised share option reserve reversed	–	–	(85 364)	85 364	–
Share option reserve (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)
Balance at 28 February 2019	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**
Balance at 29 February 2020	**1 817**	**2 059 776**	**15 047**	**341 550**	**2 418 190**
Note	7	7			

The notes on pages 179 to 187 are an integral part of these financial statements.

Holding company statement of cash flows

for the year ended 29 February 2020

	Note	2020 R'000	2019 R'000
Cash flow from operating activities			
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)
Net cash generated from operating activities		**77 594**	111 675
Cash flows from investing activities			
Loans advanced to group companies		**(56 085)**	(33 000)
Loans repaid by group companies		**58 436**	2 600
Net cash generated from/(used in) investing activities		**2 351**	(30 400)
Cash flows from financing activities			
Dividends paid		**(79 970)**	(81 788)
Net cash used in financing activities		**(79 970)**	(81 788)
Net decrease in cash and cash equivalents		**(25)**	(513)
Cash and cash equivalents at the beginning of the year		**174**	687
Cash and cash equivalents at the end of the year	6	**149**	174

The notes on pages 179 to 187 are an integral part of these financial statements.

Holding company notes to the financial statements

for the year ended 29 February 2020

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.

Financial assets held at amortised cost

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

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

The recoverable amount of the company's financial assets held at amortised cost are calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (ie the effective interest rate computed at initial recognition of these financial assets).

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

1. Summary of significant accounting policies (continued)

1.2 Financial instruments (continued)

Financial assets held at amortised cost (continued)

A loss allowance in respect of financial assets held at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Financial assets held at amortised cost on the face of, or included in the notes to, the statement of financial position includes:

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provisions for impairment.

(b) Cash and cash equivalents and bank overdrafts

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 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.

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. Summary of significant accounting policies (continued)

1.3 Share capital and equity

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

Ordinary shares are classified as equity.

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

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

1.4 Share-based payments

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

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

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

1.5 Revenue recognition

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 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.

2. Financial instruments and financial risk management

Overview

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

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

Categories of financial instruments

	Note	Financial assets held at amortised cost R'000	Financial liabilities held at amortised cost R'000	Total carrying value R'000
At 28 February 2019				
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		187 248	(340)	186 908
At 29 February 2020				
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		**184 881**	**(426)**	**184 455**

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 1 percentage point movement in the prime interest rate would have the following effect on post-tax profit for the year:

	2020 1% R'000	2020 -1% R'000	2019 1% R'000	2019 -1% R'000
Cash and cash equivalents	**1**	**(1)**	1	(1)
Increase/(decrease) in profitability	**1**	**(1)**	1	(1)

2. Financial instruments and financial risk management (continued)

Financial risk factors (continued)

(b) Credit risk

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

	Rating	2020 R'000	2019 R'000
Concentration of credit risk			
Cash and cash equivalents	BBB	**149**	174
Total cash and cash equivalents (note 6)		**149**	174
Current trade and other receivables	Not rated	**172**	163
Total current trade and other receivables (note 5)		**172**	163

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:

	Carrying amount R'000	Contractual cash flows R'000	Within 1 year R'000	2 to 5 years R'000
Year ended 28 February 2019				
Non-derivative financial liabilities				
Trade and other payables	340	340	340	–
Total	340	340	340	–
Year ended 29 February 2020				
Non-derivative financial liabilities				
Trade and other payables	**426**	**426**	**426**	**–**
Total	**436**	**426**	**426**	**–**

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.

3. Capital risk management (continued)

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

	2020 R'000	2019 R'000
Cash and cash equivalents (note 6)	**(149)**	(174)
Net debt	**(149)**	(174)
Total equity	**2 418 190**	2 077 302
Total capital and net debt	**2 418 041**	2 077 128
Gearing ratio	**(0.01%)**	(0.01%)

4.1 Investment in subsidiaries

	2020 R'000	2019 R'000
Name of company		
Direct investment at cost*		
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
Total direct investment in subsidiaries	**2 093 290**	1 758 058
Indirect investment on issue of share options to employees of subsidiaries		
Akasia Road Surfacing (Pty) Ltd	**52**	52
B&E International (Pty) Ltd	**13 940**	13 940
Burma Plant Hire (Pty) Ltd	**778**	778
Milling Techniks (Pty) Ltd	**3 739**	3 739
National Asphalt (Pty) Ltd	**10 496**	10 496
Phambili Road Surfacing (Pty) Ltd	**190**	190
Raubex (Pty) Ltd	**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
Total indirect investment in subsidiaries	**140 455**	132 313
Total investment in subsidiaries	**2 233 745**	1 890 371

** 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.

4.1 Investment in subsidiaries (continued)

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 R'000	2019 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
Total loans to/(from) group companies	**184 560**	186 911
Non-current assets	**184 560**	186 911
Total loans to group companies	**184 560**	186 911

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 group's 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.

	2020 R'000	2019 R'000
5. Trade and other receivables		
Prepayments	172	163
Total trade and other receivables	**172**	163
The fair values of trade and other receivables are as follows:		
Prepayments	172	163
Total trade and other receivables	**172**	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	149	174
Total cash and cash equivalents	**149**	174

7. Share capital and share premium

	Number of shares	Ordinary shares R'000	Share premium R'000	Total R'000
At 1 March 2018	181 750	1 817	2 059 776	2 061 593
At 28 February 2019	181 750	1 817	2 059 776	2 061 593
At 29 February 2020	**181 750**	**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.

	2020 R'000	2019 R'000
8. Trade and other payables		
Trade payables	54	70
Accrued expenses	372	270
Total trade and other payables	426	340
9. Revenue		
Dividends received from subsidiaries	79 970	114 782
Total revenue	79 970	114 782
10. Other gains/(losses)		
Impairment of investments in subsidiaries (note 4)	–	(140 000)
Profit on sale of investments (note 4)	335 233	–
Total other gain/(losses)	335 233	(140 000)
Proceeds on sale of investments are made up as follows:		
Net carrying value of interest in subsidiaries	681 310	–
Profit on disposal	335 233	–
Non-cash proceeds received	(1 016 543)	–
Net proceeds	–	–
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	73	80
Total finance income	73	80
Net finance income	73	80
12. Income tax expense		
South African normal taxation		
Current tax		
Current period	20	22
Total South African normal taxation	20	22

Reconciliation between applicable tax rate and effective tax rate:

	2020 %	2019 %
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)
Effective tax rate	0.00	(0.08)

	2020 R'000	2019 R'000

13. Cash generated from/(used in) operations

	2020 R'000	2019 R'000
Profit/(loss) before income tax	**412 736**	(27 877)
Adjustments for:		
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	**(2 462)**	(3 164)
In the cash flow statement taxation paid is calculated as follows:		
Balance receivable at the beginning of the year	**(23)**	(22)
Add: Current year tax charge (note 12)	**20**	22
Add: Balance receivable/(payable) at the end of the year	**(10)**	23
Net tax paid/(received)	**(13)**	23

14. Related parties

Relationship

Subsidiaries — Refer to note 42 of the group financial statements

Related-party balances

	2020 R'000	2019 R'000
Loans to related parties (note 4.2)		
At the beginning of the 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	**184 560**	186 911
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.

06
Shareholder information

Notice of annual general meeting

Raubex Group Limited
(Incorporated in the Republic of South Africa)
Registration number 2006/023666/06
Share code: RBX
ISIN: ZAE000093183
("Raubex" or "the company")

Notice of annual general meeting of shareholders for the year ended 29 February 2020

Notice is hereby given that the next annual general meeting of shareholders of Raubex will be held at 10:00 on Friday, 31 July 2020 at the Raubex offices, Cleveley, Kenneth Kuanda Road Extension, Bloemfontein, 9301.

Electronic participation

The annual general meeting can also be attended at the Raubex offices, Building 1, Highgrove Office Park, 50 Tegel Avenue, Centurion, 0169, which venue will be linked electronically to the annual general meeting in Bloemfontein.

This notice includes the attached proxy form.

Record dates, proxies and voting

Record date to receive the notice	Friday, 19 June 2020
Last date to trade to be eligible to vote	Tuesday, 21 July 2020
Record date to be eligible to vote	Friday, 24 July 2020

Accordingly, the date on which a person must be registered as a shareholder in the register of the company for purposes of being entitled to attend and vote at the meeting is Friday, 24 July 2020 ("record date").

If you are a registered shareholder as at the record date (ie a shareholder who has not dematerialised your shares or has dematerialised your shares with "own name" registration as at the record date):

- you are entitled to attend the meeting in person and vote at the meeting;
- alternatively, you may appoint a proxy to attend, participate and vote at the meeting, on your behalf.

Any appointment of a proxy:

- may be effected by using the attached proxy form; and
- must be delivered in accordance with the instructions contained in the attached proxy form, failing which it will not be effective.

A proxy need not be a shareholder of the company.

If you are a beneficial shareholder and not a registered shareholder as at the record date (ie a shareholder who has dematerialised your shares without "own name" registration as at the record date):

- and wish to attend the meeting, you must obtain the necessary letter of authority to represent the registered shareholder of your shares from your CSDP or broker;
- and do not wish to attend the meeting but would like your vote to be recorded at the meeting, you should contact the registered shareholder of your shares through your CSDP or broker and furnish them with your voting instructions;
- you must not complete the attached proxy form.

All meeting participants will be required to provide identification reasonably satisfactory to the chairman of the meeting.

Purpose of the meeting

The purpose of this meeting is to:

- present the group audited annual financial statements of the company for the year ended 29 February 2020 (including the directors' report and the audit committee report);
- consider any matters raised by shareholders; and
- consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions set out below.

For the ordinary resolutions numbers 1 to 7 to be adopted, the support of more than 50% of the total number of votes exercised by shareholders, present in person or by proxy, is required.

For the special resolutions numbers 1 to 3 to be adopted, the support of at least 75% of the total number of votes exercised by shareholders, present in person or by proxy, is required.

Ordinary resolution 1 – adoption of annual financial statements

Resolution: to adopt the audited annual financial statements of the group and holding company for the year ended 29 February 2020.

Ordinary resolution number 2 – reappointment of independent external auditors

Resolution: to reappoint PricewaterhouseCoopers Inc., upon the recommendation of the audit committee, as the independent registered auditor of the company for the ensuing financial year, and to note that the individual registered auditor who will undertake the audit during the financial year ending 28 February 2021, is CJ Hertzog.

The audit committee and the board (based on the findings of the audit committee) are satisfied that PricewaterhouseCoopers Inc. meets the provisions of the Companies Act, 71 of 2008. Accordingly, the audit committee and the board have proposed the reappointment of PricewaterhouseCoopers Inc. as the independent auditor of the company for the ensuing financial year ending 28 February 2021.

Ordinary resolutions numbers 3.1 to 3.4 – re-election of directors

Resolution: to re-elect each of the following directors who retire by rotation in accordance with the provisions of the company's memorandum of incorporation and, being eligible, offer themselves for re-election.

3.1 F Kenney
3.2 LA Maxwell
3.3 BH Kent
3.4 SR Bogatsu

Reason and effect for ordinary resolutions 3.1 to 3.4
The company's memorandum of incorporation provides that one-third of non-executive directors must retire by rotation at each annual general meeting, and may be re-elected if eligible. The non-executive directors to retire shall be those who have been longest in office. The board has however recommended that all of the non-executive directors retire and may be re-elected if eligible. The board considered the performance and contribution made by each non-executive director, and fully supports the re-election of each of the directors. Each of these directors have offered themselves for re-election at the annual general meeting.

Brief curriculum vitae of the non-executive directors offering themselves for re-election are provided on pages 34 and 35 of this integrated report.

Ordinary resolutions numbers 4.1 to 4.3 – election of audit committee members

Resolution: to elect each of the following independent non-executive directors, as members of the audit committee.

4.1 LA Maxwell
4.2 BH Kent
4.3 SR Bogatsu

Ordinary resolutions 4.1, 4.2 and 4.3 are subject to the relevant director's re-election as director pursuant to ordinary resolutions number 3.2, 3.3 and 3.4 above.

Brief curriculum vitae of the independent non-executive directors offering themselves for election as members of the audit committee are provided on pages 34 and 35 of this integrated report. The board has reviewed the expertise, qualification and relevant experience of the appointed audit committee members and recommends that each of these directors be elected.

Ordinary resolution number 5 – endorsement of Raubex remuneration policy

Resolution: to endorse the company's remuneration policy as set out in the remuneration committee report, by way of a non-binding advisory vote.

Ordinary resolution number 6 – endorsement of Raubex remuneration implementation report

Resolution: to endorse through a non-binding advisory vote, the company's remuneration implementation report as set out in the remuneration committee report.

Reason and effect for ordinary resolutions 5 and 6
As required in terms of principle 14 of King IV, the company's remuneration policy and remuneration implementation report should be tabled to shareholders for separate non-binding advisory votes at the annual general meeting. These votes enable shareholders to express their views on the remuneration policies adopted by the company and on the implementation thereof. Shareholders are requested to endorse the company's remuneration policy and remuneration implementation report set out on pages 45 to 54 of this integrated report.

Ordinary resolution number 7 – directors' authority to implement special and ordinary resolutions

Resolution: to authorise any director or the company secretary of the company, to do all such things and sign all such documents as may be necessary for, or incidental to the implementation of the resolutions passed at this meeting.

Special resolution number 1 – remuneration of non-executive directors

Resolution: to approve the remuneration of the non-executive directors of the company as a special resolution, in terms of the memorandum of incorporation of the company and section 66(8) and (9) of the Companies Act, 71 of 2008, for the 2021 financial year as follows:

Designation	Proposed annual remuneration
Chairman	R1 139 990
Lead independent non-executive director	R926 242
Independent non-executive director	R712 495

Special resolution number 2 – general authority to repurchase shares

Resolution: to approve, as contemplated in paragraph 5.72 of the JSE Listings Requirements, the general authority of the company or any of its subsidiaries from time to time, to repurchase the company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the company's memorandum of incorporation, the provisions of the Companies Act, 71 of 2008, and the JSE Listings Requirements (each as presently constituted and as amended from time to time), provided that:

- any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter-party (reported trades are prohibited);
- authorisation thereto being given by the memorandum of incorporation of the company;
- at any point in time, the company may only appoint one agent to effect any repurchase(s) on the company's behalf;
- this general authority will be valid until the company's next annual general meeting, or 15 months from the date of passing of this special resolution, whichever is earlier;
- an announcement will be published as soon as the company, or any of its subsidiaries, has acquired securities of a relevant class constituting, on a cumulative basis, 3% of the number of securities of that relevant class in issue prior to the acquisition pursuant to which the aforesaid 3% threshold is reached, and for each 3% in aggregate acquired thereafter, containing full details of such repurchases, such announcement to be published as soon as possible and not later than 08:30 on the second business day following the

day on which the relevant threshold is reached or exceeded, and the announcement shall comply with the requirements of the JSE Listings Requirements in this regard;

- repurchases by the company or any of its subsidiaries of its own securities may not, in aggregate in any one financial year, exceed 20% of the company's issued share capital as at the date of the passing of this resolution (although it should be noted that the directors will limit any purchase to a maximum of 5% of the issued share capital);
- the number of shares purchased and held by a subsidiary or subsidiaries of the company shall not exceed 10% in aggregate of the number of issued shares in the company at the relevant time;
- in determining the price at which securities issued by the company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such securities may be acquired will be 10% of the weighted average of the market value at which such securities are traded on the JSE as determined over the five business days immediately preceding the date of repurchase of such securities by the company or any of its subsidiaries. The JSE Limited should be consulted for a ruling if such securities have not been traded during the course of such five business day period;
- the company or any of its subsidiaries may not repurchase any securities during a "prohibited period" (as such term is defined in the JSE Listings Requirements), unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been submitted to the JSE in writing prior to the commencement of the prohibited period; and
- a resolution has been passed by the board of directors confirming that:
  - the repurchase has been authorised;
  - the company and its subsidiaries have passed the solvency and liquidity test; and
  - since the test was done there have been no material changes to the financial position of the group.

Additional disclosure required in terms of the JSE Listings Requirements relating to special resolution number 2

Solvency and liquidity statement

The board of directors of the company confirm that the company will not enter into a transaction to repurchase shares in terms of special resolution number 2, unless after considering the effect of such repurchase:

- the company and its subsidiaries (collectively, the group) will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of meeting;
- the assets of the company and the group, valued in accordance with the accounting policies used in the latest audited group annual financial statements, will exceed the liabilities of the company and the group for a period of 12 months after the date of the notice of meeting;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of meeting;
- the working capital available to the company and the group will be adequate for the ordinary business purposes for a period of 12 months after the date of the notice of meeting; and
- a resolution has been passed by the board of directors confirming that:
  - the repurchase has been authorised;
  - the company and its subsidiaries have passed the solvency and liquidity test; and
  - since the test was done there have been no material changes to the financial position of the group.

Directors' responsibility statement

The directors, whose names are given on pages 34 and 35 of the integrated report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to the above special resolution number 2 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the above special resolution contains all relevant information required by the JSE Listings Requirements.

General information

Information relating to the major shareholders of the company can be found on page 88 of the integrated report of which this notice forms part.

There has been no material change in the financial or trading position of the company and its subsidiaries subsequent to the publication of the company's audited preliminary financial statements for the year ended 29 February 2020.

Information relating to the share capital of the company can be found on page 144 of the integrated report of which this notice forms part.

Statement by the directors

The directors of the company have no present intention of making any repurchases but believe that the company should retain the flexibility to take action if future repurchases were considered desirable and in the best interests of shareholders.

The intention of the directors of the company is to utilise the authority if, at some future date, the cash resources of the company are in excess of its requirements. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the company and the long-term cash needs of the company and will ensure that any such utilisation is in the interests of shareholders.

Notice of annual general meeting continued

The method by which the company intends to repurchase its securities and the date on which such repurchase will take place, have not yet been determined.

Special resolution number 3 – financial assistance to related or inter-related company

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

Reason and effect

The reason for and effect of special resolution number 3 is to grant the directors of the company the authority to cause the company to provide financial assistance to any company or corporation which is related or inter-related to the company.

The financial assistance will be provided as part of the day-to-day operations of the company in the normal course of its business and in accordance with its memorandum of incorporation and the provisions of the Companies Act, 71 of 2008.

The directors will, in accordance with sections 44(3)(b) and 45(3)(b) of the Companies Act, 71 of 2008, ensure that financial assistance is only provided if the requirements of that section are satisfied, inter alia, that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test set out in section 4 of the Companies Act, 71 of 2008.

Notice in terms of section 45(5) of the Companies Act, 71 of 2008, in respect of special resolution number 3

Notice is hereby given to shareholders of the company in terms of section 45(5) of the Companies Act, 71 of 2008, of a resolution adopted by the board authorising the company to provide such direct or indirect financial assistance as specified in special resolution number 3 above:

- by the time that this notice of annual general meeting is delivered to shareholders of the company, the board would have adopted a resolution ("section 45 board resolution") authorising the company to provide, at any time and from time to time during the period of two years commencing on the date on which the special resolution is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act, 71 of 2008, as more fully detailed in special resolution number 3 above;
- the section 45 board resolution will be effective only if and to the extent that special resolution number 3 above is adopted by the shareholders of the company, and the provision of any such direct or indirect financial assistance by the company, pursuant to such resolution, is subject to the board being satisfied that (i) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, 71 of 2008, and that (ii) the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Companies Act, 71 of 2008; and
- in as much as the section 45 board resolution contemplates that such financial assistance will in the aggregate exceed one-tenth of one percent of the company's net worth at the date of adoption of such resolution, the company hereby provides notice of the section 45 board resolution to shareholders of the company. Such notice will also be provided to any trade union representing any employees of the company to the extent applicable.

By order of the board

GM Chemaly
Company Secretary

23 June 2020

Form of proxy

Raubex Group Limited
(Incorporated in the Republic of South Africa)
Registration number 2006/023666/06
Share code: RBX
ISIN: ZAE000093183
("Raubex" or "the company")

To be completed by registered certificated shareholders and dematerialised shareholders with own-name registration only

This form of proxy relates to the annual general meeting of the company to be held at 10:00 on Friday, 31 July 2020 at the Raubex offices, Cleveley, Kenneth Kuanda Road Extension, Bloemfontein, 9301.

The annual general meeting can also be attended at the Raubex offices, Building 1, Highgrove Office Park, 50 Tegel Avenue, Centurion, 0169, which venue will be linked electronically to the annual general meeting in Bloemfontein.

This form of proxy is for use by registered certificated shareholders and dematerialised shareholders with own-name registration only.

Dematerialised shareholders holding shares other than with "own name" registration, must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary letter of representation to attend the annual general meeting in person and vote, or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person. If your CSDP or broker does not obtain your voting instructions from you in respect of the annual general meeting, it will be obliged to act in terms of your mandate or, if your mandate is silent, to abstain from voting. The instruction must be provided within the time period required by your CSDP or broker, as the case may be.

These shareholders must not use this form of proxy.

Terms used in this form of proxy have the meaning given to them in the notice of annual general meeting to which this form of proxy is attached.

Please print clearly when completing this form and refer to the instructions and notes at the end of this form for an explanation of the use of this proxy form and the rights of the shareholder and the proxy.

I/we (full name in block letters)

of (address)

Telephone (work) (home)

being a shareholder(s) of the company and being the registered owner/s of ordinary shares in the company

hereby appoint of

or failing him/her of

or failing him/her, the chairman of the annual general meeting;

to attend and participate in the annual general meeting and to speak and to vote or abstain from voting for me/us and on my/our behalf in respect of all matters arising, including any poll and all resolutions put to the annual general meeting.

My/our proxy shall vote as follows:

(Please indicate with an "X" in the appropriate spaces below how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain at his/her discretion.)

A shareholder is entitled to 1 vote for every share held.

	For	Against	Abstain
Ordinary resolution 1 – adoption of annual financial statements			
Ordinary resolution number 2 – reappointment of independent external auditors			
Ordinary resolution number 3 – re-election of directors 3.1 F Kenney			
3.2 LA Maxwell			
3.3 BH Kent			
3.4 SR Bogatsu			
Ordinary resolution number 4 – election of audit committee members 4.1 LA Maxwell			
4.2 BH Kent			
4.3 SR Bogatsu			
Ordinary resolution number 5 – endorsement of Raubex remuneration policy			
Ordinary resolution number 6 – endorsement of Raubex remuneration implementation report			
Ordinary resolution number 7 – directors' authority to implement special and ordinary resolutions			
Special resolution number 1 – remuneration of non-executive directors			
Special resolution number 2 – general authority to repurchase shares			
Special resolution number 3 – financial assistance to related or inter-related company			

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this day of 2020

Signature

Notes to the form of proxy

1. A shareholder may insert the name or names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the annual general meeting" but any such deletion must be initialled by the shareholder.
2. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
3. A proxy need not be a shareholder of the company.
4. A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the space provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder or his proxy, or cast them in the same way.
5. To facilitate the administration of the voting process, please lodge this proxy form with the company's transfer secretaries, Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132, South Africa), before 17:00 on Wednesday, 29 July 2020. Any proxy form not delivered by this time may be handed to the chairman prior to the commencement of the annual general meeting.
6. The completion and lodging of this form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof, should such shareholder wish to do so.
7. The chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
8. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries or the company.
9. Where there are joint holders of any shares, any one holder may sign the form of proxy. The vote(s) of the senior shareholder (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
10. Unless revoked, the appointment of a proxy in terms of this form of proxy remains valid until the end of the annual general meeting, including if the annual general meeting is postponed or adjourned, or part thereof is postponed or adjourned.

Terms of reference

AMCU	Association of Mineworkers and Construction Union
ASPASA	Aggregate and Sand Producers Association of Southern Africa
B-BBEE	Broad Based Black Economic Empowerment
BCAWU	Building Construction and Allied Workers Union
CDP	Carbon Disclosure Project
CIBD	Construction Industry Development Board
CO_2	Carbon dioxide
CO_2e	Carbon dioxide equivalent
Company	Raubex Group Limited
COSO	Committee of Sponsoring Organisations of the Treadway Commission
CRMP	Compliance Risk Management Plan
CSDP	Central Securities Depository Participant
CSI	Corporate Social Investment
ECD	Early childhood development
ETDP SETA	Education, training and development SETA
exco	Raubex executive committee
GHG Protocol	The Greenhouse Gas Protocol
Group	Raubex Group Limited and all subsidiary companies
HDSA	Historically disadvantaged South African
HIV/AIDS	Human immunodeficiency virus
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IFRS IC	International Financial Reporting Standards Interpretation Committee
IIA SA	Institute of Internal Auditors South Africa
IIRC	The International Integrated Reporting Council
International <IR> Framework	The International Integrated Reporting Framework
ISO	International Organisation for Standardisation
IT	Information technology
JSE	Johannesburg Stock Exchange Limited
JSE Listings Requirements	Listings Requirements of the JSE Limited
King IV	King IV Report on Corporate Governance for South Africa 2016
kWh	Kilowatt hour
LTIFR	Lost Time Injury Frequency Rate
merSETA	Manufacturing, Engineering and Related Services SETA
MWh	Megawatt
NQA	Namibia Qualifications Authority
NUM	National Union of Mineworkers

Terms of reference continued

NUMSA	National Union of Metalworkers of South Africa
OHSAS	Occupational Health and Safety Assessment Series
PICC	Presidential Infrastructure Co-Ordinating Commission
PPP	Public Private Partnership
PWC	PricewaterhouseCoopers Inc.
RAP	Reclaimed Asphalt Pavement
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
SABITA	South African Bitumen Association
SABS	South African Bureau of Standards
SACPCMP	South African Council for the Project and Construction Management Professions
SANRAL	South African National Roads Agency SOC Limited
SANS	South African National Standards
SARMA	Southern Africa Ready-mix Association
SENS	Securities Exchange News Service
SETA	Sector Education and Training Authority
SHEQ	Safety, Health, Environment and Quality
SLP	Social Labour Plan
SOE	State-owned enterprise
UIF	Unemployment Insurance Fund
VRP	Voluntary Rebuilding Programme
W	Watt
WBCSD	World Business Council for Sustainable Development
WMA	Warm Mix Asphalt
WRI	World Resource Institute

General information

Nature of business
Diversified construction and materials supply group

Directors
F Kenney (Non-executive chairman)
RJ Fourie (Chief executive officer)
JF Gibson (Financial director)
NF Msiza (Governance, compliance and risk director)
LA Maxwell (Lead independent non-executive director)
BH Kent (Independent non-executive director)
SR Bogatsu (Independent non-executive director)

Company Secretary
GM Chemaly

Registration number
2006/023666/06

ISIN
ZAE000093183

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RBX

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2196

Auditors
PricewaterhouseCoopers Inc.

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Ave
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