



# **PRE-LISTING STATEMENT**

**MARCH 2007**



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## **IMPORTANT LEGAL NOTES**

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### **SPECIAL NOTE IN REGARD TO THE OFFER**

This Pre-listing statement only constitutes an offer for sale of Raubex shares in South Africa and to selected institutional investors in other jurisdictions to whom the Offer will specifically be addressed and is only addressed to persons to whom it may lawfully be made. The distribution of this Pre-listing statement and the Offer may be restricted by law. Persons into whose possession this Pre-listing statement comes must inform themselves about and observe any such restrictions. This Pre-listing statement does not constitute an offer of, or an invitation to purchase, any of the Raubex shares in any jurisdiction in which such offer or sale would be unlawful. No one has taken any action that would permit a public offering of Raubex shares to occur outside South Africa. To the extent that this Pre-listing statement is provided to persons outside South Africa the following is noted:

### **UNITED KINGDOM**

The Pre-listing statement is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(1) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(1) of the Order (all such persons together being referred to as "relevant persons"). The Raubex shares offered pursuant to this Pre-listing statement have not been offered or sold nor will they be offered or sold in circumstances which have resulted or will result in an offer to the public in the United Kingdom within the meaning of the United Kingdom Public Offers of Securities Regulations 1995 and are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire any Raubex shares offered pursuant to this Pre-listing statement will be engaged in only with, relevant persons and where all applicable provisions of the United Kingdom Financial Services and Markets Act 2000 ("FSMA") have been complied with. Any person in the United Kingdom who is not a relevant person should not act or rely on this Pre-listing statement or any of its contents. In addition no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any Raubex shares offered pursuant to this Pre-listing statement, except in circumstances in which section 21(1) of FSMA does not apply.

### **GENERAL**

This Pre-listing statement and the Offer do not constitute an offer in or from the United States, Canada, Australia, Japan or any other jurisdiction where the dissemination of this Pre-listing statement or the making of the Offer may be illegal or fails to conform to the laws of such jurisdiction ("Affected Jurisdiction"). To the extent that this Pre-listing statement may be sent to any Affected Jurisdiction, it is provided for information purposes only. Persons in Affected Jurisdictions may not accept the Offer. No person accepting the Offer should use the mail of any such Affected Jurisdiction nor any other means, instrumentality or facility in such Affected Jurisdiction for any purpose, directly or indirectly, relating to the Offer. It shall be the responsibility of any persons resident in a jurisdiction outside of South Africa to inform themselves about and observe any applicable legal requirements in the relevant jurisdiction.

### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Many of the statements included in this Pre-listing statement are forward-looking statements that involve risks and uncertainties. Forward-looking statements may generally be identified by the use of terminology such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", or similar phrases. Other than statements of historical facts, all statements, including, among others, statements regarding the future financial position of the Raubex Group, business strategy, projected levels of growth in its market, projected costs, estimates of capital expenditures and plans and objectives of management for future operation, are forward-looking statements. The actual future performance of the Raubex Group could differ materially from these forward-looking statements. Important factors that could cause actual results to differ materially from these expectations include those risks set out in Part E of this Pre-listing statement headed "Risk factors", as well as other matters not yet known to the board of directors of Raubex (the "Board") or not currently considered material by them. Undue reliance should not be placed on these forward-looking statements. All written and oral forward-looking statements attributable to the Board or persons acting on their behalf are qualified in their entirety by these cautionary statements. Moreover, unless the Board is required by law to update these statements, they will not necessarily update any of these statements after the date of this Pre-listing statement, either to equate them to actual results or to changes in their expectations.

### **Special note regarding date of information provided**

Unless the context clearly indicates otherwise, all information provided in this Pre-listing statement is provided as at the Last Practicable Date.



**(Previously Lexshell 49 Investments Limited)**

(Incorporated in the Republic of South Africa)

(Registration number 2006/023666/06)

JSE share code: RBX ISIN: ZAE000093183

("Raubex" or the "Company")

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## PRE-LISTING STATEMENT

**Prepared and issued in terms of the Listings Requirements of the JSE Limited ("JSE") relating to an Offer in respect of the sale of 55 852 730 Raubex ordinary shares between R13.50 and R15.00 per Raubex share (the "Offer Price") in terms of a private placing.**

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**Opening date of the private placing (09:00)**

Monday, 5 March 2007

**Closing date of the private placing (12:00)**

Thursday, 15 March 2007

**Proposed listing date on the JSE (09:00) ("the listing date")**

Tuesday, 20 March 2007

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**Sales can only be made at an acquisition cost, for a single addressee acting as applicant, of not less than R100 000.**

At the listing date the authorised share capital of Raubex will comprise 500 000 000 ordinary shares with a par value of R0,01 (one cent) each. The Company will have an issued share capital of R1 621 298, comprising 162 129 832 ordinary shares with a par value of R0,01 (one cent) each. The Offer Shares rank *pari passu* with the existing Raubex Shares.

This Pre-listing statement is not an invitation to the public to subscribe for shares in Raubex but is issued in compliance with the Listings Requirements of the JSE for the purposes of giving information to the public with regard to Raubex. The proposed listing of the Raubex Shares on the JSE is conditional upon a minimum sale of 32 425 966 shares being obtained in order to qualify for the shareholder spread requirements of the JSE, as the offer of the Raubex Shares is not being underwritten. The private placing is open to selected investors only.

This document is for the use of investors participating in the Private Placement and prospective investors post the Listing. The information required by the Listings Requirements of the JSE is included in this Pre-listing statement.

Approval of Raubex's application for the listing of 162 129 832 shares in the "Industrials – Heavy Construction" sector of the JSE lists, under the abbreviated name "Raubex" JSE code "RBX" and ISIN: ZAE000093183 has been granted by the JSE, subject to fulfilment of the conditions precedent referred to in paragraph 43 of this Pre-listing statement. It is anticipated that the listing of the shares on the JSE will become effective from the commencement of business on Tuesday, 20 March 2007.

**The shares will only be traded in electronic form and as such all shareholders who elect to receive shares in certificated form will have to dematerialise their certificated shares should they wish to trade therein.**

The Directors, whose names are given in the "Corporate information" section of this Pre-listing statement, collectively and individually, accept responsibility for the accuracy of the information given 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 this Pre-listing statement contains all information required by law and the Listing Requirements of the JSE.

The investment bank, sponsor, attorneys, independent reporting accountants and transfer secretaries have consented in writing to act in the capacities stated and to their names being included in this Pre-listing statement and have not withdrawn their consents prior to the publication of this Pre-listing statement. The independent reporting accountants have consented to the inclusion of their reports in the form and context in which they appear and have not withdrawn such consent prior to the publication of this Pre-listing statement.

Copies of this Pre-listing statement are only available in English and may be obtained during normal business hours from 09:00 on Monday, 5 March 2007 until 12:00 on Thursday, 15 March 2007 from the registered office of Raubex, the office of the investment bank and sponsor to Raubex, the addresses of which are set out in the "Corporate information" section of this Pre-listing statement.

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**Bookrunner, investment bank  
and sponsor**



**Attorneys**



**Financial communications  
adviser**



**Joint auditors and reporting accountants**



**Malan Du Preez Inc/Ing**  
Registered Accountants and Auditors  
Geregistreerde Rekenmeesters en Ouditiers

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## CORPORATE INFORMATION

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### Directors of Raubex

M C Matjila (*Chairman*)#  
J E Raubenheimer  
G M Raubenheimer  
F Diedrechsens  
F Kenney#  
M B Swana#  
L Maxwell\*

# Non-executive

\* Independent non-executive

### Bookrunner, investment bank and sponsor

Investec Bank Limited  
(Registration number 1969/004763/06)  
Second Floor, 100 Grayston Drive  
Sandown  
Sandton, 2196  
(PO Box 785700, Sandton, 2146)

### Reporting accountants

PricewaterhouseCoopers Advisory Services (Proprietary) Limited  
(Registration number 1999/024417/07)  
2 Eglin Road  
Sunninghill, 2157  
(Private Bag X36, Sandton, 2157)

### Joint auditors and reporting accountants

PricewaterhouseCoopers Inc.  
Registered Accountants and Auditors  
(Registration number 1998/012055/21)  
61 Second Avenue  
Westdene  
Bloemfontein, 9301  
(PO Box 818, Bloemfontein, 9300)

### Commercial banker

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Westdene  
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### Company Secretary and registered office of Raubex

MDP Secretarial Services (Proprietary) Limited  
1st Floor, Leopard Creek Building  
The Greens Office Park  
Centurion, 0169  
(PO Box 66192, Highveld, 0169)

### Attorneys

Werksmans Inc.  
(Registration number 1990/007215/21)  
155, 5th Street  
Sandown  
Sandton, 2196  
(Private Bag 10015, Sandton, 2146)

### Joint auditors and reporting accountants

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### Financial communications adviser

College Hill (Proprietary) Limited  
(Registration number 1997/002334/07)  
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5 Second Avenue  
Hyde Park  
Sandton, 2196  
(PO Box 413187, Craighall, 2024)

### Transfer secretaries

Computershare Investor Services 2004  
(Proprietary) Limited  
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Ground Floor  
70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)

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## SALIENT INFORMATION

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The following information is only a summary of the more detailed information contained in the main body of this Pre-listing statement and it may not contain all the information that investors should consider before deciding to invest in the Offer Shares. Investors should read the entire Pre-listing statement, including the "Risk Factors" and the historical consolidated financial information and other information about Raubex contained herein.

The definitions and interpretation set out on pages 10 to 13 of this Pre-listing statement apply *mutatis mutandis* to the salient information of the Listing presented below.

### OVERVIEW

Raubex is a construction company with a specific focus on infrastructure development, that operates across all nine South African provinces and throughout southern Africa. J E 'Koo's' Raubenheimer founded the business in Bloemfontein in 1974 and progressively developed the Company into a leader in road construction and rehabilitation and associated infrastructure development, including concrete structures.

Raubex has a proud record of over 30 years of uninterrupted profitability and employs over 2 800 people. The Company is also a major supplier of aggregates to the construction industry.

In the mid-1990s, Raubex began developing its SADC footprint and secured various projects in Botswana, Mozambique, Namibia and Zambia. Today Raubex generates approximately 6% of its revenue outside of South Africa.

Raubex is not in the business of constructing large buildings, stadiums or other major commercial building projects and primarily operates in the infrastructure development markets.

Raubex's philosophy is to achieve optimal efficiency across all its business lines and projects. Over the years, the Group spawned a number of subsidiaries but, due to changing requirements and shifts within the market, a restructuring programme recently took place seeing the Group consolidate into the three main divisions today, being road and civil infrastructure construction, road rehabilitation and aggregates.

### KEY STRENGTHS

#### **An experienced management with a proven track record**

The senior management of Raubex (seven individuals) have a cumulative 118 years of experience with Raubex. This experience filters through into the contracts completed and ensures that Raubex is a leader amongst its peers.

#### **Leading positions in attractive markets**

Raubex is a market leader in its business lines in southern Africa. Raubex's market presence and the scale and geographic reach of its operations gives it a clear advantage relative to smaller local competitors.

#### **Well-established, recognised brands**

Raubex offers its products and services through well-established brand names in each of the markets in which it operates. Brands such as Raumix, Raubex Construction and Roadmac have been in existence for many years and enjoy significant brand recognition in the industries in which they operate. The Raubex brand has been in existence for more than 30 years.

#### **Balanced business portfolio**

Raubex has a balanced portfolio across its lines of business and geographies. It has a strong customer base, including Government organisations throughout southern Africa.

#### **Proven financial performance and stable cash flows**

Raubex has shown significant growth and increased profitability over the last three years and has an uninterrupted profit history spanning over three decades. This has resulted in strong cash flows, increased investment in equipment and the ability to fund value enhancing acquisitions.



## **Raubex fleet of plant and equipment**

Raubex Group owns and operates one of the largest fleets of road construction and maintenance equipment in South Africa. The fleet is largely geared towards road construction and an illustrative example of this is the fact that Raubex owns by far the largest fleet of road reclaimers in South Africa.

## **Operational advantages**

Raubex's operational advantages include, among other things:

- a large fleet of surfacing equipment which is up to date with the latest technology available;
- on-site mechanical division which ensures that redundancy time is able to be kept to a minimum, ensuring equipment is optimally utilised;
- possess an African patent for an ultra-thin asphalt surfacing called ULM;
- well-positioned aggregate crushing operations; and
- have the maximum CIDB rating of nine, which enables Raubex to tender on all contracts.

## **Empowerment credentials**

Raubex has two main anchor BEE shareholders in Matlapeng Holdings (which holds its Raubex shares through BVI, a subsidiary of Matlapeng) and Kenworth which currently, collectively, own 42 615 384 shares (26.29%) in Raubex's share capital, post-Listing, whilst other BEE shareholders, comprising management of certain operating subsidiaries, own 3 162 384 shares (1.95%) in Raubex's share capital, bringing the total BEE shareholding to 28.24%.

Raubex's anchor BEE shareholders, who carry full equity and voting rights participation and are actively involved partners in the management and operations of Raubex, have agreed to a five-year "lock-in" period post-Listing, so as to maintain Raubex's BEE shareholding above 26%, which should result in no future dilution for shareholders.

The 'other' BEE shareholders will have a three-year phased "lock-in" period post-Listing.

## **STRATEGY**

The key elements of Raubex's strategy are as follows:

### **Maximise profitability of established businesses**

In all the markets in which it has established operations, Raubex intends to continue its ongoing business optimisation programmes, including maintaining and increasing utilisation where possible, seeking to maximise return on new capital expenditure and focusing on the improvement of key business drivers with the goal of maximising profitability.

### **Improve market position**

Raubex aims to be the market leader in the markets in which it operates. Raubex continually seeks opportunities to further strengthen its position in its key markets and believes that it is well-positioned to benefit from further industry consolidation in southern Africa.

### **Expand existing businesses into new geographies**

Raubex looks to penetrate new geographic markets where it believes it can achieve a leading position. Raubex's expansion strategy is to identify countries with favourable economies and end-user markets, which should allow Raubex to leverage off its existing infrastructure.

## **SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION**

The consolidated income statements of Raubex Opco and its subsidiaries for the financial year ended 28 February 2006 and the unaudited forecast consolidated income statement of Raubex Opco and its subsidiaries reflecting the financial position of Raubex Opco and its subsidiaries for the year ending 28 February 2007 and the unaudited *pro forma* forecast consolidated income statement for the year ending 28 February 2007, adjusted for the First and Second Restructurings and for the full financial year's income from entities acquired during the 2007 financial year, are set out below.

This information has been extracted from the audited consolidated financial statements and the unaudited *pro forma* financial information included in Annexures 3 and 9 to this Pre-listing statement. This information should be read in conjunction with, and is qualified in its entirety by, reference to such financial statements and financial information and the related notes.

## Consolidated income statements

|                                     | <b>Year ended<br/>28 February<br/>2006<br/>(R'000)</b> | <b>Unaudited<br/>forecast<br/>28 February<br/>2007<br/>(R'000)</b> | <b>Unaudited<br/>Pro forma<br/>forecast<br/>28 February<br/>2007<br/>(R'000)</b> |
|-------------------------------------|--|--|--|
| <b>Revenue</b>                      | <b>633 254</b>   | <b>1 286 448</b>   | <b>1 696 507</b>   |
| Operating profit                    | 73 823   | 201 000  | 280 342  |
| Net finance costs                   | 2 045  | (1 686)  | (7 509)  |
| Income from associates              | 9 090  | 5 721  | (158)  |
| Loss of joint ventures              | (1 545)  | –  | –  |
| Profit before taxation              | 83 413   | 205 035  | 272 675  |
| Taxation                            | (19 012)   | (69 221)   | (86 731)   |
| <b>Profit for year</b>              | <b>64 401</b>  | <b>135 814</b>   | <b>185 944</b>   |
| <b>Attributable to:</b>             |  |  |  |
| Ordinary shareholders               | 36 026   | 79 022   | 185 696  |
| Minority shareholders               | 28 375   | 56 792   | 248  |
| Illustrative shares in issue ('000) | 100 000  | 100 000  | 162 130  |
| Earnings per share (cents)          | 36.0   | 79.0   | 114.5  |
| Headline earnings per share (cents) | 38.9   | 77.2   | 111.5  |

## CURRENT TRADING AND PROSPECTS

Locally, a number of Government-led initiatives such as the 2010 Soccer World Cup, Gautrain, road network upgrades, low cost housing and the increase in water and electricity demand should inevitably result in increased demand for the services provided by the Raubex Group.

From an infrastructure development perspective, the Government announced a budget infrastructure spend of R372 billion over the next five years and more specifically a road spend of over R60 billion over the next three years. This is likely to be increased in light of recent reports on the state of the country's roads, water, sanitation and airports. The SAICE report, dated November 2006, rated the country's infrastructure an unsatisfactory D+ overall. Roads were rated even less satisfactory at D- to E+. In the 2005/6 year only R1.75 billion was allocated to repairing and maintaining roads. It is estimated that approximately R200 billion is needed to repair and construct new roads in the country. Road projects alone are expected to account for a minimum of R8 billion next year according to the Minister of Finance of South Africa's preliminary budget speech in August 2006. Most industry players, including Raubex, only began seeing the tangible results of the announced investments filter through to the order book in the past year.

South Africa is currently experiencing a capacity constraint in the civil engineering sector. Whilst this means that the Government may experience difficulties in meeting original timeframes, it is believed that this allows highly specialised and empowered companies such as Raubex to be more selective in the projects that it undertakes to focus on high quality projects and better margin levels.

Whilst the local competitive landscape in civil engineering is vibrant, international players may find it difficult to compete due to the highly specialised nature of the work which requires intimate knowledge and specialised skills adapted to the local operational environment.

The Company has bright prospects organically in view of the accelerated road development programme and also acquisitively due to the opportunities for consolidation in the industry.

## DIVIDEND POLICY

Raubex intends to adopt a competitive dividend policy, which should reflect the growth, long-term earnings and cash flow of Raubex, while maintaining an appropriate dividend cover. The Board intends to adopt a target dividend cover of approximately 3 times. A dividend cover of approximately 3 times was utilised for the financial year ending 28 February 2007. There is, however, no assurance that a dividend will be paid out and any dividend proposed by the Board in respect

of any financial period will be dependent upon the operating results, financial position, investment strategy, capital requirements and other factors. It is currently anticipated that most of the cash available and cash generated by the business will be invested in the continued growth of its activities.

It is anticipated that interim dividends will be paid in October and final dividends will be paid in April of each year, in the approximate proportion of one-third and two-thirds of the annual dividend, respectively. The first dividend to be declared is expected to be the interim dividend for the 2008 financial year.

## SUMMARY OF THE OFFER

The Offer comprises an offering by Raubex of up to 55 852 730 Raubex Shares, at the Offer Price, to:

- select institutional investors in South Africa and the United Kingdom;
- private clients of selected stockbroking companies in South Africa.

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|   |                             |
|---|-----------------------------|
| Offer price per share   | R13.50 – R15.00             |
| Number of shares to be offered  | 55 852 730                  |
| Minimum Rand value of subscription per subscriber acting as applicant | R100 000                    |
| Amount to be raised in terms of the Offer                             | R754 011 855 – R837 790 950 |

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The Offer is conditional on the listing of all the issued Raubex Shares on the JSE, failing which the Offer and any acceptance thereof shall not be of any force or effect and no person shall have claim whatsoever against Raubex or any other person as a result of the failure of any condition precedent. JSE approval of the Listing is conditional on the attainment of a spread of shareholders acceptable to the JSE.

All Raubex Shares (including the Offer Shares) that are in issue at the date of this Pre-listing statement will rank *pari passu* in all respects.

**There is no minimum amount which in the opinion of the Directors must be raised by Raubex through the Offer for sale of new Shares. The Offer is subject to the attainment of a spread of shareholders acceptable to the JSE and constituting 500 public shareholders. The Listings Requirements also require that a minimum of 20% of the Shares are held by the public as defined in the Listings Requirements.**

## SALIENT DATES AND TIMES

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|  |                         |
|--|-------------------------|
| Opening date of the Offer (09:00) on   | Monday, 5 March 2007    |
| Closing Date of the Offer (12:00) on   | Thursday, 15 March 2007 |
| Raubex shares issued in terms of the Offer listed on the JSE in the "Industrials – Heavy Construction" sector of the JSE on or about | Tuesday, 20 March 2007  |

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The dates and times in this Pre-listing statement are subject to change and any changes will be published in the press.

## RISK FACTORS

The section of this Pre-listing statement entitled "Risk Factors" describes certain risk factors that should be considered together with the other information in this Pre-listing statement before making a decision to purchase any Offer Shares. Although information has been provided in this Pre-listing statement in relation to the Offer Shares, a prospective purchaser should use his own judgment and seek advice from an independent financial adviser as to the appropriate value of the Offer Shares.

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## DEFINITIONS

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In this Pre-listing statement and the attachments hereto, unless the context indicates otherwise, the words in the first column shall have the meanings assigned to them in the second column, the singular includes the plural and *vice versa*, an expression which denotes one gender includes the other genders, a natural person includes a juristic person and *vice versa* and cognate expressions shall bear corresponding meanings.

|                           |   |
|---------------------------|---|
| "2010 Soccer World Cup"   | the Federation Internationale de Football Association football world cup to be hosted in South Africa in 2010;  |
| "ANC"                     | African National Congress;  |
| "Aquatic Services"        | Aquatic Services (registration number 1969/009523/07), a private company duly incorporated in accordance with the laws of South Africa;   |
| "Articles of Association" | the articles of association of Raubex;  |
| "BEE"                     | when used within the context of this Pre-listing statement, a qualifying description of an act or subject matter pertaining to black economic empowerment contemplated by the BEE Act;                                    |
| "BEE Act"                 | the Broad-Based Black Economic Empowerment Act, 2003;   |
| "Board" or "Raubex Board" | the board of directors of Raubex;   |
| "Business Day"            | any day other than a Saturday, Sunday or an official public holiday in South Africa;  |
| "BVI"                     | Business Venture Investments No. 918 (Proprietary) Limited (registration number 2004/022134/07), a private company duly incorporated in accordance with the laws applicable in South Africa;                              |
| "CAPEX"                   | capital expenditure;  |
| "Certificated Shares"     | Raubex Shares, which are held and represented by a share certificate or other documents of title, which shares have not been dematerialised in terms of the requirements of STRATE;                                       |
| "CGT"                     | Capital Gains Tax;  |
| "CIDB"                    | the Construction Industry Development Board of South Africa;  |
| "Closed Periods"          | closed periods as defined in the Listings Requirements;   |
| "Closing Date"            | the Closing Date of the Offer, expected to be 15 March 2007, but may be amended by way of an announcement in the press and on SENS;   |
| "Code"                    | the Code of Corporate Practices and Conduct as set out in the Second King Report on Corporate Governance;   |
| "COLTO"                   | Committee of Land Transport Officials;  |
| "Common Monetary Area"    | the geographic region comprising South Africa, the Republic of Namibia and the Kingdoms of Swaziland and Lesotho;   |
| "Companies Act"           | the South African Companies Act, 1973 (Act 61 of 1973), as amended;   |
| "Competition Act"         | the South African Act, 89 of 1998, as amended;  |
| "COSATU"                  | Congress of South African Trade Unions;   |
| "CSDP"                    | Central Securities Depository Participant, a participant as defined in section 1 of the Securities Services Act, 2004 (Act 36 of 2004);   |
| "Dematerialisation"       | the process by which documents of title held by holders of Certificated Shares in a tangible form are converted or held in an electronic form as uncertificated securities in accordance with the requirements of STRATE; |
| "Dematerialised Shares"   | Raubex Shares, which are held in an electronic form as uncertificated securities in accordance with the requirements of STRATE;   |

|                                |  |
|--------------------------------|--|
| “Directors”                    | the Directors of Raubex at the date of this Pre-Listing statement and whose names are given in the Corporate information section of this Pre-Listing statement;  |
| “documents of title”           | share certificates, certified transfer deeds, balance receipts or any other documents of title to certificated shares;   |
| “EBIT”                         | earnings before interest and taxation;   |
| “EBITA”                        | earnings before interest, taxation and amortisation (after depreciation);  |
| “EBITDA”                       | earnings before interest, taxation, depreciation and amortisation;   |
| “Employment Equity Act”        | the Employment Equity Act, 55 of 1998;   |
| “EPS”                          | earnings per share;  |
| “Exchange Control Regulations” | the Exchange Control Regulations issued from time to time by Excon;  |
| “Excon”                        | the Exchange Control Department of the South African Reserve Bank;   |
| “First Restructuring”          | the interposition of Raubex as a holding company of Raubex Opco in terms of the agreement between the vendors of Raubex Opco and Raubex, dated 11 December 2006, in terms of which Raubex has issued 99 990 000 Raubex ordinary shares at an issue price of R0.01 (one cent) to the existing shareholders of Raubex Opco, and transferred the existing 10 000 shares of R0.01 (one cent) each in the issued share capital of Raubex to the Vendors of Raubex Opco; |
| “Further Allotment”            | the allotment of shares in excess of the number of shares to be sold or subscribed for in the Offer;   |
| “Gautrain”                     | the railway network to be developed and built, linking the City of Pretoria and the City of Johannesburg in the Province of Gauteng, South Africa;   |
| “Group”                        | Raubex and its subsidiaries;   |
| “HDI”                          | Historically disadvantaged individual;   |
| “HDSA”                         | Historically disadvantaged South African;  |
| “Income Tax Act”               | Income Tax Act, 1962 (Act 58 of 1962), as amended;   |
| “HIV/AIDS”                     | Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome;   |
| “Investment Bank”              | Investec Bank Limited (registration number 1969/004763/06), a public company duly incorporated in accordance with the laws of South Africa, whose shares are listed on the JSE;  |
| “Investec Bank”                | Investec Bank Limited (registration number 1969/004763/06), a public company duly incorporated in accordance with the laws of South Africa, whose shares are listed on the JSE;  |
| “JSE”                          | JSE Limited (registration number 2005/022939/06), a public company incorporated in accordance with the laws of South Africa, which is licensed as an exchange under the Securities Services Act, 2004 (Act 36 of 2004);  |
| “Kenworth”                     | Kenworth (Proprietary) Limited (registration number 2004/009037/07), a private company duly incorporated in accordance with the laws of South Africa;  |
| “King Code” or “Code”          | the Second King Report on Corporate Governance;  |
| “Last Practicable Date”        | close of business, Thursday, 22 February 2007, being the last practicable date on which information could be included in this Pre-listing statement prior to its finalisation;   |
| “Listing”                      | listing of 162 129 832 Raubex Shares on the JSE in the “Industrials – Heavy Construction” sector under the abbreviated name “Raubex” JSE code RBX and ISIN: ZAE000093183, subject to the conditions precedent referred to in paragraph 43 of this Pre-listing statement;   |

|                                      |  |
|--------------------------------------|--|
| “Listing Date”                       | the date upon which Raubex lists its shares on the stock exchange operated by the JSE, which is expected to be Monday, 26 March 2007;  |
| “Listings Requirements”              | the Listings Requirements of the JSE;  |
| “Malan Du Preez”                     | Malan Du Preez Inc., auditors of Pretoria;   |
| “Matlapeng”                          | Matlapeng Holdings (Proprietary) Limited (registration number 2004/007858/07), a private company duly incorporated in accordance with the laws of South Africa;                                    |
| “NACM”                               | nominal annual, compounded monthly;  |
| “National Asphalt”                   | National Asphalt (Proprietary) Limited (registration number 1988/005674/07), a private company duly incorporated in accordance with the laws of South Africa;                                      |
| “NAV”                                | net asset value;   |
| “Offer”                              | the offer contained in this Pre-Listing Statement, as more fully set out in part G hereto, in terms of which Raubex offers the Offer Shares to various investors as more fully described herein;   |
| “Offer Price”                        | the price payable for the Offer Shares at the Listing Date by the Selected Investors, which is expected to be R13.50 – R15.00;   |
| “Offer Shares”                       | 55 852 730 Raubex Shares of a par value of R0.01 (one cent) each, to be offered to the Selected Investors on the Listing Date;   |
| “Over Allotment”                     | the allotment of shares in excess of the number of shares to be sold or subscribed for in the Offer;   |
| “PAT”                                | profit after taxation;   |
| “PPP”                                | Public Private Partnerships;   |
| “Pre-listing statement”              | this Pre-listing statement, its annexures and attachments, dated 2 March 2007;   |
| “Private Placement”                  | an offer for sale by way of placement of 55 852 730 Ordinary Shares;   |
| “PWC”                                | PricewaterhouseCoopers Inc., auditors of Johannesburg;   |
| “Rand” or “R”                        | the lawful currency of South Africa;   |
| “Raubex”                             | Raubex Group Limited (previously known as “Lexshell 49 Investments Limited”) (registration number 2006/023666/06), a public company duly incorporated in accordance with the laws of South Africa; |
| “Raubex Construction”                | Raubex Construction (Proprietary) Limited (registration number 1993/007002/07), a private company duly incorporated in accordance with the laws of South Africa;                                   |
| “Raubex Group” or “Group”            | Raubex, any company which is a Subsidiary of the company and any other company which is a Subsidiary of or is controlled by such Subsidiary from time to time;                                     |
| “Raubex Opco”                        | Raubex (Proprietary) Limited (registration number 1978/004596/07), a private company duly incorporated in accordance with the laws of South Africa;  |
| “Raubex Shares” or “Ordinary Shares” | ordinary shares with a par value of R0.01 (one cent) each in the authorised and issued share capital of Raubex;  |
| “Raumix”                             | Raumix (Proprietary) Limited (registration number 1982/008336/07), a private company duly incorporated in accordance with the laws of South Africa;  |
| “Roadmac”                            | Roadmac (Proprietary) Limited (registration number 1997/000224/07), a private company duly incorporated in accordance with the laws of South Africa;   |
| “SABS”                               | South Africa Bureau of Standards;  |
| “SADC”                               | Southern African Development Community;  |

|                                  |  |
|----------------------------------|--|
| "SAICE"                          | South Africa Institution of Civil Engineers;   |
| "SANRAL"                         | South African National Road Agency Limited;  |
| "SARB"                           | South African Reserve Bank;  |
| "Selected Investors"             | the individuals to whom Raubex will make the Offer; which individuals are more fully described in part G hereto;   |
| "Second Restructuring"           | the acquisition of the minority shareholders in Raubex Group and the issuing of 44 238 456 Raubex shares to these minorities in Raubex Group;  |
| "SENS"                           | Securities Exchange News Service of the JSE;   |
| "Settlement Date"                | the date of implementation of the Offer when the acquired Offer Shares will be transferred to applicants against payment of the Offer Price in accordance with paragraph 50 headed "Payment and delivery of Offer Shares" on page 43 of this Pre-Listing Statement, expected to be 20 March 2007;  |
| "Shareholder/s"                  | an individual who holds shares in the issued share capital of Raubex;  |
| "South Africa" or "the Republic" | the Republic of South Africa;  |
| "South African Exchange Control" | the Exchange Control Department of the SARB;   |
| "SPH Group"                      | SPH Group (Proprietary) Limited (registration number 1970/006295/07), a private company duly incorporated in accordance with the laws of South Africa;   |
| "SPH Kundalila" or "SPH"         | SPH Kundalila (Proprietary) Limited (registration number 1997/015857/07), a private company duly incorporated in accordance with the laws of South Africa;   |
| "SPH Vendors"                    | Una Adonis, Sama Family Trust, Petter-Bowyer Family Trust, Jeremy Petter-Bowyer, Cornelius Muller, Gerrit Grobler, Kau Msimango, Chester Aldridge, Shaun van Malsen, Johannes Gerhardus Swart, Christopher Campbell and Johannes Dirk Swart;   |
| "STC"                            | Secondary Tax on Companies;  |
| "STRATE"                         | STRATE Limited (registration number 1998/022242/06), a public company incorporated in South Africa, being the company responsible for operating the electronic settlement system for transactions that take place on the JSE and off-market transactions;  |
| "STRATE System"                  | a clearing and settlement environment for security transactions to be settled and transfer of ownership to be recorded electronically, managed by STRATE;  |
| "Subsidiary"                     | a subsidiary as defined in the Companies Act;  |
| "TNAV"                           | tangible net asset value;  |
| "Transfer Secretaries"           | Computershare Investor Services (2004) (Proprietary) Limited (registration number 2004/003647/07), a company incorporated in South Africa;   |
| "UST"                            | Uncertificated Securities Tax, as determined in the South African Uncertificated Securities Tax Act, 31 of 1998;   |
| "VAT"                            | Value-Added Tax;   |
| "Vendors"                        | Kenworth (Proprietary) Limited, Business Venture Investments No. 918 (Proprietary) Limited Raubenbel (Proprietary) Limited, Francois Diedrehsen, Jacobus Marthinus Geyser, Johann Herbst, G M Raubenheimer Investments (Proprietary) Limited, Theunis Jacobus Botha, Walta Ceronio, Henning Jonathan Jordaan, Abraham Frederik Stephanus Kriek, Gert Hendrik Rautenbach, Johannes Antonie Pelser, Charles Edwin Backlund, Neil Gary Schrier, David Mark le Cordeur, Roland Joseph Tickle, Johannes Jacobus Louis Hosia van de Merwe, Joseph Mutoto Mwewa, Gert Johannes Coffee, Louis Johannes Raubenheimer, Rudolf Johannes Fourie, Chester Kilvington Aldridge, Wolfgang Herman Werner Reusch and Gregory Wayne Whittaker; and |
| "Vendors of Raubex Opco"         | Kenworth (Proprietary) Limited, Business Venture Investments No. 918 (Proprietary) Limited, Raubenbel (Proprietary) Ltd and Francois Diedrehsen.   |



**(Previously Lexshell 49 Investments Limited)**

(Incorporated in the Republic of South Africa)

(Registration number 2006/023666/06)

JSE share code: RBX ISIN: ZAE000093183

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## PRE-LISTING STATEMENT

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In this Pre-listing statement and in the annexures hereto, unless otherwise stated or the context clearly indicates otherwise, the words in the definitions and interpretation section shall have the meanings stated therein, words in the singular shall include the plural and *vice versa*, words importing one gender shall include the other genders and references to persons shall include juristic persons and *vice versa*.

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### PART A: THE BUSINESS OF RAUBEX GROUP

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#### I. OVERVIEW

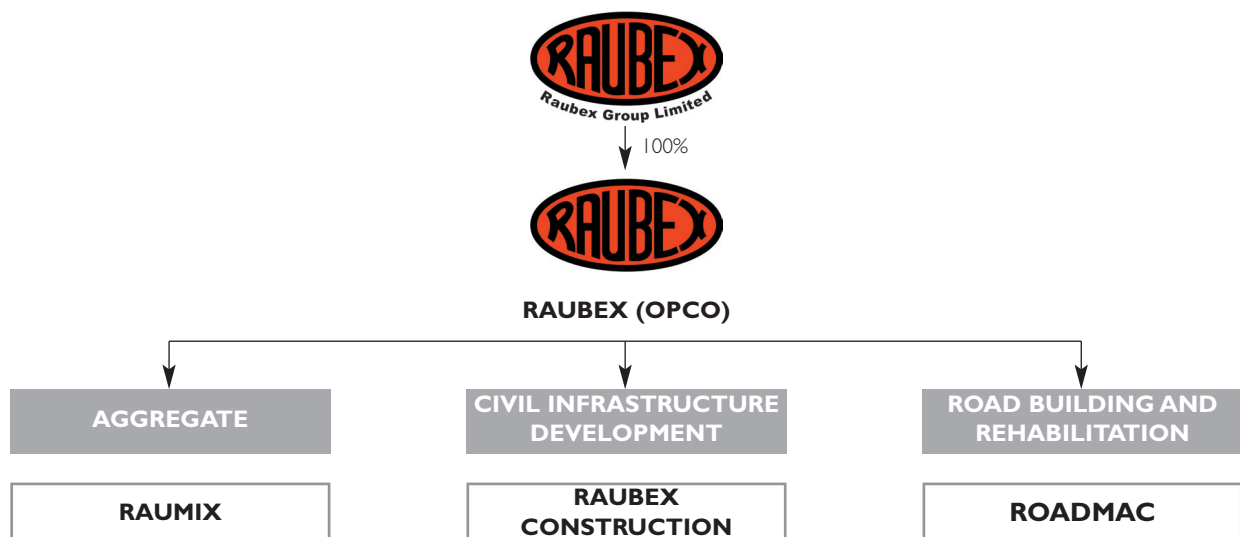
Raubex is a construction company with a specific focus on infrastructure development, that operates across all nine South African provinces and throughout southern Africa. J E 'Koos' Raubenheimer founded the business in Bloemfontein in 1974 and progressively developed the Company into a leader in road construction and rehabilitation and associated infrastructure development, including concrete structures. Raubex has a proud record of over 30 years of uninterrupted profitability and employs over 2 800 people. The Company is also a major supplier of aggregates to the construction industry.

In the mid-1990s, Raubex began developing its SADC footprint and secured various projects in Botswana, Mozambique, Namibia and Zambia. Today Raubex generates approximately 6% of its revenue outside of South Africa.

Raubex's main line of business is road building and road rehabilitation. Whilst the vast majority of contracts emanate from Government-related bodies including local municipalities, provinces and SANRAL, Raubex also services the private sector.

Raubex is not in the business of constructing large buildings, stadiums or other major commercial building projects and primarily operates in the infrastructure development markets.

Raubex's philosophy is to achieve optimal efficiency across all its business lines and projects. Over the years, the Group spawned a number of subsidiaries but, due to changing requirements and shifts within the market, a restructuring programme recently took place seeing the Group consolidate into the three main divisions.





## **2. NATURE OF BUSINESS AND STRATEGY OF RAUBEX**

Raubex is a dynamic South African construction group that has delivered consistent growth through leadership, innovation and quality. The Company is proud of its BEE credentials and in terms of ownership is more than 26% owned by previously disadvantaged groups. This BEE shareholding is a near unencumbered interest in Raubex and the Company views this as an important advantage in its business strategy.

Raubex's vision is to leverage its position to become the leading road construction and associated infrastructure operator in southern Africa. Raubex's mission is to create wealth for its shareholders, maximise cash and dividends, whilst providing for sustainable re-investment and satisfying the needs of all its stakeholders.

The Company intends to continue growing both organically and acquisitively. As a publicly traded company Raubex should be better placed to participate in Public Private Partnerships due to the enhanced financing options available to Raubex as well as its enhanced profile. The impact of this should be positive on Raubex in light of the Government spending plans on infrastructure and in the tendering process for PPP projects in South Africa over the next five to ten years.

There are many 'family owned' companies operating in the sector, several of which are too small to compete on a national level, to this effect Raubex is one of the few unlisted civil engineering companies with a CIDB rating of nine – the highest possible rating which enables the Company to tender on any capital project in South Africa. The Directors will proactively continue to identify value enhancing opportunities for the various divisions of the Group. In southern Africa, acquisitions in geographies well known to the Company may also be considered. Zambia is a primary area of focus as all Raubex's divisions operate there and prospects for expansion are good.

## **3. INCORPORATION AND HISTORY**

### **1974**

Raubex was founded by Koos Raubenheimer in November 1974. The first contract was awarded to it by the Free State Provincial Administration to construct a bridge over the Vetrivier near Bultfontein. The Company therefore started off as a concrete structures contractor. The developing road network required an increasing number of bridges and Raubex was there to build them.

### **1975 – 1986**

During the next years until 1986 the Company started to diversify into road construction and crushing. In this period Raubex completed 109 projects which included 50 bridges. Raubex took on its first major road construction project, namely the construction of the Kroonstad to Koppies road.

### **1987 – 1996**



From 1987 onward the Company would take on larger road construction projects and would start venturing outside its original playing field namely the Free State. From 1987 to 1996 the completed projects increased to 200.

### **1996 – present**

During 1996 a process of unbundling helped strengthen the competitive spirit and would help Raubex through tough years, when infrastructure spending was at a low. During 2004 the process was reversed and the Company consolidated into the current three divisions. During this period the Company showed rapid growth in the road rehabilitation sector.

## **4. GROUP STRUCTURE AND DIVISIONS**

Management believes that Raubex has a well-balanced portfolio of operations across its lines of business and geographies. The following table illustrates Raubex's businesses as segmented along its road rehabilitation, aggregate and civil construction sectors. Revenue and EBIT totals are provided for the year ending 28 February 2007, on a *pro forma* basis.

| Business  | Description  | Financial information (R'million) |         |
|---|--|-----------------------------------|---------|
|  | <ul style="list-style-type: none"> <li>corporate head office located in Centurion, South Africa, responsible for the Group strategy and risk management, with an operational head office in Bloemfontein, South Africa</li> </ul>  | Revenue                           | 1 696.5 |
|   |  | EBIT                              | 280.2   |
|  | <ul style="list-style-type: none"> <li>a specialist road and civil infrastructure construction company</li> <li>key areas of competence include new road construction, heavy road rehabilitation and concrete structures</li> </ul>  | Revenue                           | 455.4   |
|   |  | Percentage Group revenue          | 26.8%   |
|   |  | EBIT                              | 48.1    |
|  | <ul style="list-style-type: none"> <li>specialises in the manufacturing and the laying of asphalt, chip and spray, surface dressing, enrichments and slurry seals</li> <li>owns an African patent for an ultra-thin asphalt surfacing called ULM and is the leading applicator in this market</li> </ul> | Revenue                           | 963.1   |
|   |  | Percentage Group revenue          | 56.8%   |
|   |  | EBIT                              | 147.8   |
|  | <ul style="list-style-type: none"> <li>specialist producer and supplier of crushed aggregate to the construction industry and services requirements of the broader building industry including infrastructure projects</li> </ul>  | Revenue                           | 278.0   |
|   |  | Percentage Group revenue          | 16.4%   |
|   |  | EBIT                              | 84.3    |

## Divisions

Raubex is a leading road construction and rehabilitation company in South Africa with a considerable market share. Raubex operates via three divisions:

### (i) Road Surfacing and Rehabilitation – Roadmac

Today Roadmac Surfacing is a leading road surfacing company in southern Africa with offices in all the major centres, namely Johannesburg, Durban, Cape Town and Bloemfontein with a staff complement of over 1 200 people and an annual turnover of close to R1 billion.

Roadmac Surfacing specialises in the manufacturing and the laying of asphalt, chip and spray, surface dressing, enrichments and slurry seals. Roadmac also has an African patent for ultra-thin asphalt surfacing called ULM and is the leading applicator in this market.

Due to the highly specialised nature of its equipment, the division maintains its own mechanical division. Roadmac Surfacing's fleet of equipment is up to date with the latest technology available. Fully equipped in-house maintenance and servicing facilities in all major centres ensures that all equipment required for a project is kept in optimal working conditions for maximum availability to ensure projects are completed on time. Roadmac has five fully mobile asphalt plants that can produce asphalt at up to 120 tons per hour.

Roadmac Surfacing has 10 chip and spray teams, 14 paving teams and five slurry teams which enable it to service the total surfacing need of its clients. This division is committed to producing a quality and superior product and is equipped with fully mobile laboratories for quality control. Roadmac is seen as a leading surfacing contractor in this regard.

To date Roadmac Surfacing has surfaced over 50 000 000m<sup>2</sup> of road in southern Africa. It has also successfully completed over a hundred contracts with some of the highest profile contracts in southern Africa, namely:

- the surfacing of the Katse Dam Wall;
- resurfacing of the N1 Highway into Cape Town;
- the major portion of the Bakwena Toll highway;
- the Maputo Corridor from Komatipoort;
- the E B Cloete Interchange to Umhlanga on the N2 Highway;
- Marianhill Toll Road; and
- the Bloemfontein Bypass on the N1 Highway.

Roadmac has worked cross-border in countries such as Namibia, Lesotho, Mozambique and Zambia.

## **(ii) Aggregates – Raumix**

Raumix is a specialist producer and supplier of crushed aggregate to the construction industry. Crushing operations began in 1977 and currently Raumix operates three fixed quarries in South Africa (Roslyn, Midrand and Bloemfontein) and two in Zambia (Lusaka and Livingstone). In addition, it also operates five mobile contract crushers across southern Africa.

The division supplies Raubex in South Africa and also supplies the road construction industry and services requirements of the broader building industry including infrastructure projects.

Raumix has a commercial capacity of 1 600 000 tons of aggregates per year for its fixed quarries and the mobile contract crushing plants can produce in excess of 1 300 000 tons of aggregate per year.

The aggregate supply industry is dependant on the construction industry. Locally, a number of initiatives taken to achieve the Government's growth targets such as for example road network upgrades, low cost housing projects and the increase in water and electricity demand should inevitably result in increased demand for crushed aggregates.

Raumix holds a unique position in its chosen market. The ability to produce aggregates that comply with SABS and COLTO specifications requires unique skills. Raumix has over the years developed the skills and retained the services of competent people to be one of the few contract crushing specialists in southern Africa.

Recently, Raumix acquired SPH Kundalila, which was a successful strategic acquisition that opened new routes to market for Raumix and secured a high quality new client base. The acquisition gives Raumix access to raw material inputs and shall enable Raumix to broaden its raw material supply base to include mining houses. SPH Kundalila has been involved in the screening and processing of mined materials since 1969 and currently operates at 11 sites in South Africa.

## **(iii) Road and Civil Infrastructure Construction – Raubex Construction**

Raubex Construction is a road and civil infrastructure construction company. It has notable project management expertise and a reputation for delivering effective and specialised solutions under local construction industry conditions.

The key areas of competence include new road construction (green fields), heavy road rehabilitation and concrete structures. The division has operated in all nine provinces of South Africa but also in Botswana, Lesotho, Namibia and Zambia.

The project management teams are well-resourced and skilled by a strong team of engineers, technologists, artisans, skilled labour and personnel managers. The company has sophisticated specialised equipment as well as an extensive network of long-term relationships with services suppliers.

Raubex Construction currently has approximately 20 projects under management with a total contract value of over R800 million.

To date Raubex Construction has built close to 1 500 km of roads in southern Africa. Some of the projects recently completed by Raubex Construction include:

- the reconstruction of 18 kilometres of the N6 from Queenstown to Bailey;
- the reconstruction of 22 kilometres of the N11 between Ladysmith and Newcastle;
- the reconstruction of 20 kilometres of the FR57 between Middeldrift and Dimbuza;
- the reconstruction of 50 kilometres of the R700 from Bloemfontein to Soutpan;
- the construction of 118 kilometres of new road in Namibia (in joint venture with Cape-based Haw and Ingles (Proprietary) Limited) to form Phase I of Main Road 118 from the mining town of Rosh Pinah to Aus; and
- Raubex Construction are currently in their seventh year of managing the routine maintenance of the N3 from Cedara to Durban and the N2 from Hibberdene to Umdloti.

## 5. MAJOR AND CONTROLLING SHAREHOLDERS

Immediately prior to the Offer, based on the assumption that the First and Second restructurings have been implemented, the shareholders who will beneficially hold 5% or more of the issued share capital are as follows:

| Shareholder  | Number of shares held | Percentage of shares in issue* |
|--|-----------------------|--------------------------------|
| Raubenbel (Proprietary) Limited                            | 55 000 000            | 33.9                           |
| Business Venture Investments No. 918 (Proprietary) Limited | 22 000 000            | 13.6                           |
| Kenworth (Proprietary) Limited                             | 20 615 384            | 12.7                           |

Insofar as is known to Raubex, the major shareholders who will hold 5% or more of the issued shares, immediately after the Offer, assuming the Offer is fully subscribed, are as follows:

| Shareholder  | Number of shares held | Percentage of shares in issue* |
|--|-----------------------|--------------------------------|
| Raubenbel (Proprietary) Limited                            | 30 000 000            | 18.5                           |
| Business Venture Investments No. 918 (Proprietary) Limited | 22 000 000            | 13.6                           |
| Kenworth (Proprietary) Limited                             | 20 615 384            | 12.7                           |

\* Based on 162 129 832 shares in issue.

There has been no change in control of Raubex, in the five-year period preceding the date of this Pre-listing statement.

## 6. KEY STRENGTHS

Raubex believes its key strengths include:

- **An experienced management with a proven track record**

The senior management of Raubex (seven individuals) have a cumulative 118 years of experience with Raubex. This experience filters through into the contracts completed and ensures that Raubex is a leader amongst its peers.

- **Leading positions in attractive markets**

Raubex is a market leader in its business lines in southern Africa. Raubex's market presence and the scale and geographic reach of its operations gives it a clear advantage relative to smaller local competitors.

- **Well-established, recognised brands**

Raubex offers its products and services through well-established brand names in each of the markets in which it operates. Brands such as Raumix, Raubex Construction and Roadmac have been in existence for many years and enjoy significant brand recognition in the industries in which they operate. The Raubex brand has been in existence for more than 30 years.

- **Balanced business portfolio**

Raubex has a balanced portfolio across its lines of business and geographies. It has a wide variety of customers including Government organisations throughout southern Africa.

- **Proven financial performance and stable cash flows**

Raubex has shown significant growth and increased profitability over the last three years and has an uninterrupted profit history spanning over three decades. This has resulted in strong cash flows, increased investment in equipment and the ability to fund value enhancing acquisitions.

- **Raubex fleet of plant and equipment**

Raubex Group owns and operates one of the largest fleets of road construction and maintenance equipment in South Africa. The fleet is largely geared towards road construction and an illustrative example of this is the fact that Raubex owns by far the largest fleet of road reclaimers in South Africa.

- **Operational advantages**

Raubex's operational advantages include, among other things:

- a large fleet of surfacing equipment which is up to date with the latest technology available;
- on-site mechanical division which ensures that redundancy time is able to be kept to a minimum, ensuring equipment is optimally utilised;
- possess an African patent for an ultra-thin asphalt surfacing called ULM;
- well-positioned aggregate crushing operations; and
- have the maximum CIDB rating of nine, which enables Raubex to tender on all contracts.

- **Empowerment credentials**

Raubex has two main anchor BEE shareholders in Matlapeng Holdings (which holds its Raubex shares through BVI, a subsidiary of Matlapeng) and Kenworth which currently, collectively, own 42 615 384 shares (26.29%) in Raubex's share capital, post-Listing, whilst other BEE shareholders, comprising management of certain operating subsidiaries, own 3 162 384 shares (1.95%) in Raubex's share capital, bringing the total BEE shareholding to 28.24%.

Raubex's anchor BEE shareholders, who carry full equity and voting rights participation and are actively involved partners in the management and operations of Raubex, have agreed to a five-year "lock-in" period post-Listing, so as to maintain Raubex's BEE shareholding above 26%, which should result in no future dilution for shareholders.

The 'other' BEE shareholders will have a three-year phased "lock-in" period post-Listing.

## 7. STRATEGIES FOR GROWTH

The key elements of Raubex's strategy are as follows:

- **Maximise profitability of established businesses**

In all the markets in which it has established operations, Raubex intends to continue its ongoing business optimisation programmes, including maintaining and increasing utilisation where possible, seeking to maximise return on new capital expenditure and focusing on the improvement of key business drivers with the goal of maximising profitability.

- **Improve market position**

Raubex aims to be the market leader in the markets in which it operates. Raubex continually seeks opportunities to further strengthen its position in its key markets and believes that it is well-positioned to benefit from further industry consolidation in southern Africa.

- **Expand existing businesses into new geographies**

Raubex looks to penetrate new geographic markets where it believes it can achieve a leading position. Raubex's expansion strategy is to identify countries with favourable economies and end-user markets, which should allow Raubex to leverage off its existing infrastructure.

## 8. CURRENT TRADING AND PROSPECTS

Locally, a number of Government-led initiatives such as the 2010 Soccer World Cup, Gautrain, road network upgrades, low cost housing and the increase in water and electricity demand should inevitably result in increased demand for the services provided by the Raubex Group.

From an infrastructure development perspective, the South African Government announced a budget infrastructure spend of R372 billion over the next five years and more specifically a road spend of over R60 billion over the next three years. This is likely to be increased in light of recent reports on the state of the country's roads, water, sanitation and airports. The SAICE report, dated November 2006, rated the country's infrastructure an unsatisfactory D+ overall. Roads were rated even less satisfactory at D- to E+. In the 2005/6 year only R1.75 billion was allocated to repairing and maintaining roads. It is estimated that approximately R200 billion is needed to repair and construct new roads in the country. Road projects alone are expected to account for a minimum of R8 billion next year according to the Minister of Finance in South Africa's preliminary budget speech in August 2006. Most industry players, including Raubex, only began seeing the tangible results of the announced investments filter through to the order book in the past year.

South Africa is currently experiencing a capacity constraint in the civil engineering sector. Whilst this means that the Government may experience difficulties in meeting original timeframes, it is believed that this allows highly specialised and empowered companies such as Raubex to be more selective in the projects that it undertakes to focus on high quality projects and better margin levels.

Whilst the local competitive landscape in civil engineering is vibrant, international players may find it difficult to compete due to the highly specialised nature of the work which requires intimate knowledge and specialised skills adapted to the local operational environment.

The Company has bright prospects organically in view of the accelerated road development programme and also acquisitively due to the opportunities for consolidation in the industry.

## 9. BLACK ECONOMIC EMPOWERMENT

BEE is a central part of the South African Government's economic transformation strategy. A multi-faceted approach to BEE has been adopted which aims to increase the number of black people that manage, own and control South Africa's economy. The three core elements of the South African Government's BEE policy are: direct empowerment through ownership and control of enterprises and assets; human resource development and employment equity; and indirect empowerment through preferential procurement policies aimed at ensuring that black people benefit from South African tenders.

Several industries have taken the initiative to set their own specific targets related to, *inter alia*, the three core areas of BEE. These initiatives have been incorporated in transformation charters, some of which are presently in draft form. The transformation charters each contain a scorecard against which industry members are measured on their BEE progress. The scores achieved are important in competing and tendering for business from the public and private sectors. The scorecards have a cascading effect, with each commercial enterprise requiring a measure of BEE compliance from enterprises with which they do business, in order that they too can reach their BEE targets.

Raubex has two main anchor BEE shareholders in Matlapeng Holdings (which holds its Raubex shares through BVI, a subsidiary of Matlapeng) and Kenworth which currently own, collectively, 42 615 384 shares (26.29%) in Raubex's share capital, post-Listing, whilst other strategic BEE shareholders own 3 162 384 shares (1.95%) in Raubex's share capital, bringing the total BEE shareholding to 28.24%.

Matlapeng Holdings (Proprietary) Limited is a broad-based BEE company, majority owned by Kopano Ke Matla (COSATU's investment company) and the Black Managers Forum, representing two million HDSA people of which approximately 30% are HDSA women. Kenworth is the investment company of Freddey Kenny, an HDSA individual active in the construction sector. Both Matlapeng and Kenworth are represented on the Board of Raubex. Post-Listing, both Matlapeng and Kenworth will have near unencumbered shareholdings in the share capital of Raubex and have agreed to a five-year "lock-in" period post-Listing, so as to maintain Raubex's BEE shareholding above 26%.

All of Raubex's BEE shareholders carry full equity and voting rights participation making them actively involved partners in the management and operations of Raubex.

## 10. RATIONALE FOR LISTING

The Directors of Raubex believe that the Company has outgrown its private company status. In pursuing its intended vision and mission, the proposed Listing will allow the Company to achieve the following:

- greater access to capital markets;
- attract and retain the best talent in the industry;
- unlock value for existing shareholders and create value for future shareholders; and
- raise the Company profile leading to new business opportunities.

## 11. KEY INVESTMENT CONSIDERATIONS

The Directors of Raubex believe that the proposed Listing presents the following key investment considerations:

- leading position in road construction and rehabilitation, infrastructure development, pipelines, concrete structures and the supply of materials to the construction industry;
- strong management team supported by extensive and specialist skills;
- operational excellence specialised equipment and skills;
- rapidly growing client base including Government, mining and PPPs;
- high barriers to entry;
- strong southern African presence and successful partnerships with local companies in other countries;
- impressive and proven track record; and
- CIDB rating of nine – the highest possible rating which allows the Company to tender on any capital project in South Africa.

## 12. INFORMATION TECHNOLOGY

Raubex relies on the accounting programme Pastel for its accounting needs. The Company reviews the usage of the Pastel programme on a regular basis and where necessary the usage of the programme is modified to suite Raubex's specific needs.

The Group also makes use of an Access-based programme, specifically designed to fulfil the needs of the order departments and sites. This programme provides Raubex with hand costing figures for each cost point, as well as figures on the cost of equipment used on site.

A permanent Information Technology technician is on site to see to the daily needs of all computer users and to maintain the anti-virus programmes and firewalls.

## 13. EMPLOYEES

The following table sets out the number of employees for the Group, for the three financial years ended 28 February 2007:

| <b>Financial year ended</b> | <b>Number of employees</b> |
|-----------------------------|----------------------------|
| 28 February 2005            | 2 391                      |
| 28 February 2006            | 2 934                      |
| 28 February 2007            | 2 885                      |

Due to the inherent nature of the construction industry a relatively large number of employees are employed on a limited employment contract basis. Currently, approximately 46% of Raubex's employees are permanent, with the remainder being contracted staff.

Of the entire number of employees of the Group, 13.7% of employees were members of trade unions at 28 November 2006. The Directors consider the relationship with its employees to be of a high standard as the Raubex Group had no major industrial actions in its history.

In accordance with industry trends the Group offers on-site and off-site training programmes for its employees. A learnership programme has been sustained for some years and an escalation of articles of apprenticeship is in force. By virtue of its skills development programme and employment equity goals, the Group places great emphasis on the training of workers from the designated groups as defined in the Employment Equity Act.

## 14. HIV/AIDS

Raubex understands that the issues around HIV/AIDS have become an important part of any business operation in southern Africa today. For this reason, Raubex has extended training to staff to include programmes on dealing with HIV/AIDS.

The HIV/AIDS programme will facilitate continuous HIV/AIDS education and awareness by ensuring:

- the systematic and ongoing provision of credible information about HIV/AIDS using all Company media and communication methods;
- appointment of and ongoing support for peer educators in the workplace;
- health promotion campaigns; and
- Outreach to, partnership with and promotion of organisations involved in community-based HIV/AIDS initiatives and advocacy.

## 15. CORPORATE SOCIAL RESPONSIBILITY

Raubex subscribes to the philosophy that the purpose of a business is to produce wealth, but to do so as an organisation with an obligation to respond to the needs of the community. The Company believes that it is inextricably linked to the economic and social fabric of society and that its health as an organisation affects the wellbeing of individuals in the surrounding communities.



## **16. APPRENTICESHIP PROGRAMMES**

In addition to its support of the local community, Raubex has in accordance with industry trends offered on-site and off-site training to its unskilled workers. A three-year apprenticeship programme has been sustained for some years, with always at least 60 young adults in training, all of them recruited from school, this ensures that an escalation of articles of apprenticeship is in force and Raubex always has sufficient talent from which it can source its workforce.

By virtue of its skills development programme and employment equity goal, the Group place great emphasis on the training of workers from the designated groups as defined in the Employment Equity Act.

## **17. REGULATORY ENVIRONMENT**

Other than the Companies Act, Raubex is subject to a variety of legislation and regulations. Some of the principal South African legislation regulating the construction industry in which Raubex operates is highlighted below.

It should be noted that all legislation is subject to amendment and it is impossible to predict the outcome or timing of amendments and/or modifications to the applicable legislation and regulations promulgated in terms thereof, or their impact. Also, the regulatory environment of Raubex Zambia is not dealt with below.

### **The Competition Act**

The South African Competition Act, 89 of 1998, regulates competition and uncompetitive behaviour in South Africa. Broadly speaking, the Competition Act deals with both prohibited practices and merger control. Prohibited practices include: anti-competitive agreements and practices between competitors, as well as decisions by associations of competitors, such as price fixing. Dominant firms are also prohibited from abusing their positions of dominance in terms of the Competition Act.

With regard to merger control, qualifying mergers and acquisitions must be approved by the relevant Competition Authorities and in this regard the Competition Commission approved the acquisition by Raubex of SPH Kundalila and National Asphalt. Any future mergers or acquisitions by Raubex may require approval by the relevant Competition Authorities.

### **Labour-related legislation**

Employment and labour relations are regulated in South Africa by legislation, including, the Labour Relations Act, 66 of 1995, the Basic Conditions of Employment Act, 75 of 1997, the Employment Equity Act, 55 of 1998, the Skills Development Act, 97 of 1998, the Skills Development Levies Act, 9 of 1999, the Unemployment Insurance Act, 63 of 2001, the Unemployment Insurance Contributions Act, 4 of 2002, the Occupational Health and Safety Act, 85 of 1993, and the Compensation for Occupational Injuries and Diseases Act, 130 of 1993.

### **Other legislation**

Other legislation, including regulations promulgated thereunder with which Raubex have to comply are: the National Environmental Management Act, 107 of 1998, which Act regulates the enforcement and administration of environmental law and the principles to be applied in matters pertaining to environmental law, the National Water Act, 36 of 1998, which aims to protect and conserve water resources in South Africa and the Atmospheric Pollution Prevention Act, 45 of 1965, which provides for the prevention of atmospheric pollution.



## PART B: MANAGEMENT AND CORPORATE GOVERNANCE

### 18. DIRECTORS AND MANAGEMENT

Details of the current Directors of Raubex are set out below:

| Name, age and nationality                                 | Business address   | Occupation/ Function                           | Term of office                            |
|---|--|--|---|
| Marake Collin Matjila (45)<br>South African               | 53, 4th Street<br>Linden<br>2195   | Chairperson (Non-Executive)                    | Not fixed<br>(rotation every three years) |
| Jacobus (Koos) Essaias Raubenheimer (64)<br>South African | Cleveley<br>Eufees Extension<br>Bloemfontein<br>9300                               | Chief Executive Officer                        | Fixed                                     |
| Francois Diedrehsen (34)<br>South African                 | 1st Floor<br>Leopard Creek Building<br>The Greens Office Park<br>Centurion<br>0169 | Finance and Commercial<br>Director (Executive) | Fixed                                     |
| George (Thabo) Muller Raubenheimer (56)<br>South African  | Cleveley<br>Eufees Extension<br>Bloemfontein<br>9300                               | Director (Executive)                           | Fixed                                     |
| Mbali Bekiso Swana (50)<br>South African                  | 30 Broadway Street<br>Westville<br>3630  | Director (Non-Executive)                       | Not fixed<br>(rotation every three years) |
| Freddie Kenney (52)<br>South African                      | 16 Humphrey Simes Street<br>Bloemfontein<br>9303                                   | Director (Non-Executive)                       | Not fixed<br>(rotation every three years) |
| Les Maxwell* (60)<br>South African                        | 28 Harrison Street<br>Johannesburg<br>2001   | Director (Non-Executive)*                      | Not fixed<br>(rotation every three years) |

\* Indicates independent.

The Raubex Board currently comprises three Executive Directors and four Non-Executive Directors. In accordance with the Listings Requirements, one-third of the Directors have been appointed on a rotational basis and are obliged to retire and are eligible for re-election by Raubex shareholders at least once every three years in accordance with the articles of association of Raubex. All the Directors are citizens of South Africa.

The profiles of the Directors and senior management team are set out below:

#### Executive Directors

##### **Jacobus (Koos) Essaias Raubenheimer – Chief Executive Officer (64) – B.Sc.Eng (Civil) Pr. Eng**

Koos founded Raubex in 1974 and has acted as Managing Director/Chief Executive Officer of the Group since its inception. Prior to founding Raubex, Koos served as an engineer with the Free State and Kruger National Park roads departments for a period of nine years.

He has gained valuable experience in steering Raubex through a challenging market and believes Raubex shareholders will now benefit from the labours of a cohesive and loyal management team with a common purpose and a rich skills base.

Koos has over 42 years of construction experience which he continues to put to use in the strategic decision-making and navigation of Raubex. Leadership for Koos means shouldering responsibility for the bottom line, effective decision-making, communication and the well being of those in his charge.

### **Francois Diedrehsen – Finance and Commercial Director (34) – B.Compt (Hons)**

Francois joined Raubex in March 2004 after concluding Raubex's empowerment transaction with Matlapeng. He was appointed as a Director of Raubex early in 2006 and has led the restructuring and strategic planning of Raubex with a view to the eventual Listing. He has also led various mergers and acquisitions for the Group since joining.

Prior to Raubex, Francois was the Chief Executive Officer of JIC Mining and Construction, a leading mining contracting firm in South Africa, where he had spent 12 years. After leaving JIC Mining and Construction, Francois established the Matlapeng, where he was the Chief Executive Officer until accepting full-time employment at Raubex.

### **George (Thabo) Muller Raubenheimer – Executive Director (56) – B.Sc Eng (Civil) Pr. Eng**

Thabo joined Raubex in August 1975 as Project Engineer on Concrete projects and thereafter took charge of the administration and financial services of the Company. He was appointed as a Director of Raubex in 1986. Before joining Raubex, Thabo worked at the Department of Water Affairs as an Assistant Engineer for two years.

Thabo is also responsible for overseeing the Human Resources function in the organisation.

### **Non-executive Directors**

#### **Marake Collin Matjila – Non-Executive Chairperson of the Board (45) – BA (Law) (University of Lesotho), LLB (University of the Witwatersrand), MAP (Harvard University)**

Collin was an active member of the CIVIC Movement and has held various leadership positions in the ANC. He led the ANC negotiations prior to the formation of the Greater Johannesburg Transitional Metropolitan Council during 1994 and was appointed Chairperson of the Executive Committee until April 2000 when he joined Kopano Ke Matla Investment Company.

His extensive knowledge of Local Government earned him the appointment as the first Chairperson of the South African Local Government Association in 1996. He simultaneously served as Chairperson of the Commonwealth Local Government Forum and as an Executive Member of the International Union of Local Authorities. A keen sense for business, practical knowledge and leadership, executive management skills led to his appointment as the Chief Executive Officer of Kopano Ke Matla Investment Company, the investment arm of COSATU, in May 2000.

Within the public sector portfolio previous positions held by Collin had been Chief Executive Officer of the Command Centre for Emergency Reconstruction (a special purpose vehicle formed by Cabinet in 2001 to reconstruct flood-damaged infrastructure in the country with a project value of over R1.5 billion). Collin was also appointed as the Chairperson of the National Electricity Regulator in 2000 and currently serves as Chairperson of the National Energy Regulator of South Africa.

In addition to holding Director and chairperson positions in listed and unlisted entities, Collin has also been recognised as one of the Top 12 Business Personalities by The South African Chamber of Commerce. His role as Non-Executive chairperson enables him to pass on the wisdom gained in top management. His role includes providing strategic direction and guidance for the executive team.

#### **Mbali Bekiso Swana – Non-Executive Director (50) – BAS (UCT) B Arch (UCT)**

Mbali was appointed as a Non-Executive Director of Raubex on 1 September 2005. Mbali founded Plan Architects Incorporated in 1986. The firm is now well-established with offices in Durban, Johannesburg and Cape Town. In 1990 he founded a project and construction management firm, Swana Management Services and in 1996 he founded a property consulting firm. In 2000 he consolidated his project and construction interests with his property consulting firm into one multi-disciplinary platform under the umbrella of Prop 5 Corporation Limited where he is currently the Managing Director. Mbali has executed various major projects as a Project Manager and Construction Manager.

From 1995 to 2000 he contributed to the National Government programme of development of procurement specifications and systems aimed at aligning the South African Government's procurement policies to world best Practice and the South African Constitution. Between 1996 and 2000 he implemented the systems in the procurement of Correctional facilities with a CAPEX in excess of R700 million.

From 2000 to date he commenced the development of PPP tailored for competitive advantage of Prop 5. The programme was applied to the first South African PPP project "Traverna Campus" under concession by the DTI. The concession contract was procured at a capital expenditure of R500 million.

### **Freddie Kenny – Non-Executive Director (52)**

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

### **Leslie (Les) Arthur Maxwell – Independent Non-Executive Director (60) – CA(SA)**

Les joined Raubex as an Independent Non-Executive Director in 2007. He currently holds the position of Financial Director of JCI Limited, a position he was nominated for as a result of his extensive financial experience and strong grounding and knowledge of corporate governance. Les joined the Board of JCI as an independent financial Director to manage/effect the finalisation of the 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 19-year period, has held Directorships with Fralex Limited, Fraser Alexander Limited and Joy Manufacturing Co (Proprietary) Limited, where he held the position of Financial Director.

### **Senior Management**

In addition to Koos Raubenheimer, Francois Diedrechsens and Thabo Raubenheimer the following individuals comprise the senior management of Raubex:

### **Gert Johannes Coffee – Managing Director, Raumix (55) – B.Sc, B.Eng (Mechanical)**

Gert has been with Raubex for 23 years and was appointed as Managing Director of Raumix in 1992. Prior to his appointment, Gert was intricately involved with the quarry operations of the Group. Gert is now responsible for all quarrying and aggregate crushing across Raubex.

### **Rudolf Johannes Fourie – Managing Director, Roadmac (41) – N Dip Marketing Management**

Rudolf Fourie joined the Raubex Group in 1997 as Managing Director of a newly formed company Roadmac surfacing. Under his management it has grown to be the leading surfacing company in South Africa with an annual turnover of almost R1 billion. He has 18 years' experience in road surfacing and the bitumen industry. Prior to working for Raubex he worked as regional manager for the Colas Group until 1997 after he completed his studies in 1989.

### **Louis Johannes Raubenheimer – Managing Director, Raubex Construction (40) – B.Eng (Civil)**

Louis Raubenheimer joined the Group in 1992 as a site engineer. He has built his experience base through the successful management of road construction projects over the past 15 years. He played a key role in the development of the plant division of the Company and actively participated in the consolidation of the Group during the past three years.

### **James Finlay Gibson – Group financial accountant (33) – CA(SA)**

James completed his articles and qualified as a Chartered Accountant in 2000. James joined Raubex as Group financial accountant in 2006, after he had spent three years as Management Accountant at SABMiller plc. Prior to this James spent time abroad in the United Kingdom honing his skills and experience. James is, amongst other things, responsible for the preparation and analysis of the monthly reporting of the Group, taxation reporting and Group budgeting.

## **19. APPOINTMENT, QUALIFICATION, REMUNERATION AND BORROWING POWERS OF DIRECTORS**

**19.1** The relevant provisions of the articles of association of Raubex relating to the qualification, remuneration, borrowing powers and appointment of the Directors are set out in Annexure 18 to this Pre-listing statement.

**19.2** Set out in Annexure 14 to this Pre-listing statement are extracts of the relevant provisions of the articles of association of the operating Subsidiary companies of Raubex regarding:

- the qualification, remuneration, terms of office and appointment of the Directors;
- the borrowing powers exercisable by the Directors. The borrowing powers may be varied by amendment to the articles of association.

**19.3** None of the Directors have ever:

- been convicted of an offence resulting from dishonesty, fraud or embezzlement;
- been adjudged bankrupt or sequestrated in any jurisdiction;
- at any time assigned their estate, suspended payment or compounded with their creditors;
- been found guilty in disciplinary proceedings, by an employer or regulatory body, due to dishonest activities;
- been barred from entry into any profession or occupation; and/or
- been convicted in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act.

**19.4** The borrowing powers of the Directors have not been exceeded in the preceding three-year period prior to the date of this Pre-listing statement.

**19.5 Remuneration of the Directors**

The total remuneration and benefits paid and payable to the executive and non-executive Directors of Raubex Opco for the year ending 28 February 2007 is set out below:

|                           | Executive<br>(R) | Non-<br>executive<br>(R) | Total<br>(R) |
|---------------------------|------------------|--------------------------|--------------|
| Salaries                  | 1 641 000        | –                        | 1 641 000    |
| Fees                      | –                | –                        | –            |
| Benefits                  | 216 953          | –                        | 216 953      |
| Bonuses                   | 55 000           | –                        | 55 000       |
| Pension scheme benefits   | 47 520           | –                        | 47 520       |
| Medical aid contributions | 24 904           | –                        | 24 904       |

Further details of the Directors' remuneration and service agreements are set out in Annexure 13 to this Pre-listing statement. The remuneration payable to the Directors will not be varied in consequence of the Listing.

**20. DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF RAUBEX**

The Directors of Raubex will, directly or indirectly, hold the following number of Raubex Shares:

**Before the Offer**

| Name             | Direct           |                    | Indirect          |                    | Total             | Percentage<br>of issued<br>share<br>capital* |
|------------------|------------------|--------------------|-------------------|--------------------|-------------------|--|
|                  | Beneficial       | Non-<br>beneficial | Beneficial        | Non-<br>beneficial |                   |  |
| M C Matjila      | –                | 1 980 000          | –                 | 1 980 000          | –                 | 1.2  |
| J E Raubenheimer | –                | –                  | –                 | 55 000 000         | 55 000 000        | 33.9   |
| F Diedrechsén    | 3 000 000        | –                  | 2 750 000         | –                  | 5 750 000         | 3.5  |
| G M Raubenheimer | –                | –                  | –                 | 4 769 230          | 4 769 230         | 2.9  |
| M B Swana        | –                | –                  | 1 980 000         | –                  | 1 980 000         | 1.2  |
| F Kenney         | –                | –                  | 20 615 384        | –                  | 20 615 384        | 12.7   |
|                  | <b>3 000 000</b> | <b>–</b>           | <b>27 325 384</b> | <b>59 769 230</b>  | <b>90 094 614</b> | <b>55.6</b>                                  |

\* Based on 162 129 832 shares in issue.

**After the Offer**

| Name             | Direct           |                    | Indirect          |                    | Total             | Percentage<br>of issued<br>share<br>capital* |
|------------------|------------------|--------------------|-------------------|--------------------|-------------------|--|
|                  | Beneficial       | Non-<br>beneficial | Beneficial        | Non-<br>beneficial |                   |  |
| M C Matjila      | –                | –                  | 1 980 000         | –                  | 1 980 000         | 1.2  |
| J E Raubenheimer | –                | –                  | –                 | 25 000 000         | 25 000 000        | 15.4   |
| F Diedrechsén    | 1 500 000        | –                  | 2 750 000         | –                  | 4 250 000         | 2.6  |
| G M Raubenheimer | –                | –                  | –                 | 2 384 615          | 2 384 615         | 1.5  |
| M B Swana        | –                | –                  | 1 980 000         | –                  | 1 980 000         | 1.2  |
| F Kenney         | –                | –                  | 20 615 384        | –                  | 20 615 384        | 12.7   |
|                  | <b>1 500 000</b> | <b>–</b>           | <b>27 325 384</b> | <b>27 384 615</b>  | <b>56 209 999</b> | <b>34.6</b>                                  |

\* Based on 162 129 832 shares in issue.

There is a further allotment option given to the Bookrunner, as described in paragraph 55 on page 44. The five million shares offered by Koos Raubenheimer for the further allotment are excluded in from his restraint to sell Raubex shares for period of one year from the Listing Date.

Save as disclosed herein, there have been no change in the interests of the Directors in the share capital of Raubex, other than already mentioned in this Pre-listing statement.

Save as disclosed herein, there were no material beneficial interests, directly or indirectly, by of Directors in transactions that were effected by Raubex during the current or immediately preceding financial year or any earlier financial year and remain outstanding or unperformed.

## **21. MANAGEMENT LOCK-IN**

It is the intention of the senior management and Directors, who hold shares in Raubex prior to the Listing, to sell approximately 50% of their shareholding in the Private Placement, other than the BEE shareholders, whom have agreed to a five-year "lock-in" period post-Listing, so as to maintain Raubex's BEE shareholding above 26%.

It is also the intention that no further shares will be sold by senior management and Directors after the Listing Date for a phase-out period of three years from the listing, unless retirement age of 65 years of age has been reached or prior approval has been received from the Board.

## **22. CORPORATE GOVERNANCE**

The Directors endorse, and accept full responsibility for, the application of the principles necessary to ensure that effective Corporate Governance is practiced consistently throughout Raubex. In discharging this responsibility, the intention is to comply with the requirements of the Code in both letter and spirit. Raubex's approach to corporate governance strives to be stakeholder inclusive, based on good communication and integrated into every aspect of Raubex's business.

The Directors have pro-actively taken steps to ensure that all the elements required to make Raubex fully compliant with the recommendations incorporated in the Code have been implemented. The Board is of the opinion that Raubex is compliant with the Code in all material respects.

### **Chairperson and Chief Executive Officer**

The Board is chaired by Collin Matjila, a non-executive Director. The Chairperson is responsible for providing leadership to the Board, overseeing its efficient operation and has been tasked with ensuring effective Corporate Governance practices.

The Chief Executive Officer, Koos Raubenheimer is responsible for formulating, implementing and maintaining the strategic direction of Raubex, as well as ensuring that the day-to-day affairs of the Group are appropriately supervised and controlled.

### **Board**

The Board comprises three executive Directors and four non-executive Directors, one of whom is independent.

The Board's responsibilities include providing Raubex with clear strategic direction, ensuring that there is adequate succession planning at senior levels, overseeing operational performance and management, determining policies and processes which seek to ensure the integrity of Raubex's risk management and internal controls, implementing and maintaining Raubex's communication policy and overseeing Director selection, orientation and evaluation.

The Board will retain full and effective control over the business of Raubex. The Board has defined levels of materiality through a written delegation of authority, which sets out decisions the Board wishes to reserve for itself. The delegation will be regularly reviewed and monitored.

Non-executive Directors will bring an independent view to the Board's decision-making. As a Group, they should enjoy significant influence at the meetings.

The Executive Directors have fixed terms of appointment and all the Non-Executive Directors are subject, by rotation, to retirement and re-election by shareholders at least every three years, in accordance with Raubex's articles of association.

Generally, Directors have been and will be nominated based on their calibre, credibility, knowledge, experience, impact they are expected to have and time and attention they can devote to the role. The Remuneration and Nomination Committee is responsible for vetting the individuals proposed for Directorship and making recommendations to the full Board for approval. Before nomination, appropriate background checks are performed on proposed new Directors. New Directors are taken through a formal induction programme and are provided with all the necessary background information to familiarise them with issues affecting the Board.

The Board intends to meet at least four times a year with additional meetings called if necessary or desirable. Information relevant to a meeting is supplied on a timely basis to the Board ensuring Directors can make reasoned decisions. The Directors have unrestricted access to information and management in relation to Raubex, and where appropriate, may seek the advice of independent professionals on matters concerning the affairs of Raubex, at the expense of Raubex.

### **Independence of the Board**

The Board's independence from the team responsible for the daily management of Raubex will be maintained by:

- keeping separate the roles of the chairperson and the chief executive officer;
- functioning board committees comprised mainly of non-executive Directors;
- the non-executive Directors not holding fixed-term service contracts;
- all Directors, with prior permission of the Board, being entitled to seek independent professional advice and the affairs of Raubex at the Company's expense;
- all Directors having access to the advice and services of the Company Secretary;
- the appointment or dismissal of the Company Secretary being decided by the Board as a whole and not by one individual Director.

### **Board committees**

The responsibilities delegated to the committees are formally documented in terms of reference for that committee, which have been approved by the Board and will be reviewed annually. It is intended that the effectiveness of the committees will be reviewed annually by the Board, based on a self evaluation done by each committee of the degree to which they have fulfilled their terms of reference.

### **Audit Committee**

The Audit and Risk Management Committee is chaired by Les Maxwell, an independent non-executive Director. The committee consists of three non-executive Directors, one of whom is independent. The current members are:

- L Maxwell;
- C Matjila;
- F Kenney; and
- G M Raubenheimer.

It is intended that the committee will meet at least four times a year and is responsible for assisting the Board in fulfilling its responsibilities in respect of financial reporting issues, internal and external audit management, ensuring compliance with laws and regulations, risk management and development/maintenance of an effective internal control system.

Committee members have unrestricted access to information and management of Raubex and, where appropriate, may seek the advice of independent professionals on matters concerning the affairs of Raubex, at the expense of Raubex.

The Audit Committee sets the principles for recommending the use of the external auditors for non-audit purposes, which include:

- tax services, including advice on tax planning and transfer pricing issues;
- corporate restructuring;
- merger and acquisition advice; and
- training.

## **Remuneration and Nomination Committee**

The Remuneration and Nomination Committee is chaired by Les Maxwell, an independent non-executive Director. The committee consists of three non-executive Directors one of whom is independent. The current members are:

- L Maxwell;
- C Matjila;
- F Kenney;
- G M Raubenheimer; and
- F Diedrehsen.

The committee will meet at least twice a year and is responsible for assisting the Board in fulfilling its responsibilities in respect of maintaining an appropriate remuneration strategy, ensuring Raubex's Directors and senior executives are fairly rewarded, providing for succession planning, assessing the effectiveness of the composition of the Board and evaluating the Board and individual Director's performances.

The remuneration strategy is aimed at ensuring that levels of remuneration are sufficient to attract, retain and motivate executives and, where appropriate, aimed at aligning the executives' interests with that of Shareholders. Consequently, an element of the strategy is aimed at ensuring that the performance-related elements of the executive's remuneration should constitute a growing portion of total remuneration. The current remuneration package has two elements: a market-related base pay and incentive pay comprising an annual cash bonus. A portion of the remuneration package shall be subject to certain pre-defined performance targets being met.

In setting and approving remuneration levels and structures, the committee makes comparisons to remuneration paid by other companies in the same industry or similar industries, taking into account differing levels of responsibility, performance and complexity. The committee also gets advice from specialist remuneration consultants as and when needed and considers remuneration levels for other executives and staff in Raubex.

It is the intention of Raubex to add an additional element to the remuneration package, namely, a Raubex Employee Share Incentive Scheme, which will be subject to certain pre-defined performance targets being met. Raubex will implement this share scheme soon after the Listing.

## **Share dealing**

Following the Listing, the Board will implement an insider trading policy, in terms of which Closed Periods will apply. During any Closed Period, the Directors, officers and defined employees may not deal in the shares of Raubex.

Directors are required to obtain written clearance from the Chairperson of the Board before dealing in Raubex Shares.

In terms of the Listings Requirements, any share dealings by Directors are required to be released immediately on SENS. A register of share dealings by Directors will be maintained by the Company Secretary and reviewed by the Board on a quarterly basis.

## **Company Secretary**

The Company Secretary acts as adviser to the Board and plays a pivotal role in ensuring compliance with statutory regulations and the Code, the induction of new Directors, tabling information on relevant regulatory and legislative changes, and giving guidance to the Directors regarding their duties and responsibilities. The Directors have unlimited access to the advice and services of the Company Secretary.

## **Stakeholder communication**

In all communications with stakeholders, the Board aims to present a balanced and understandable assessment of Raubex's position. This is done through adhering to principles of openness and substance over form and striving to address material matters of significant interest and concern to all stakeholders.

The Board will encourage Shareholder attendance at general meetings and where appropriate provides full and understandable explanations of the effects of resolutions to be proposed.

Communication with institutional shareowners and investment analysts will be maintained through periodic presentations of financial results, one-on-one visits, trading statements and press announcements of interim and final results, as well as the pro-active dissemination of any messages considered relevant to investors.

**Environment**

Raubex recognises that its activities have an impact on the environment. Raubex has adopted a strategy that strives to minimise this impact by regularly reviewing its activities and compliance with all relevant legislation.

**Employment equity**

Raubex has a clearly defined employment equity strategy aimed at realising the potential of previously disadvantaged people in South Africa.

Raubex has complied in most of the material aspects with the South African legislative requirements on employment equity and has implemented employment equity plans, as detailed in paragraph 9 headed "Black Economic Empowerment" on page 20 of this Pre-listing statement.



## PART C: FINANCIAL INFORMATION – PROFIT HISTORY, FORECAST AND DIVIDEND POLICY

### 23. HISTORICAL FINANCIAL INFORMATION

Raubex will not have traded between the date of its incorporation and the Listing Date. Raubex has acquired the entire issued share capital of Raubex Opco prior to the Listing Date. The historical consolidated financial information of Raubex Opco and its subsidiaries for the three financial years ended 28 February 2006 is set out in Annexures 1 and 3. The historical consolidated reviewed, interim financial results of Raubex Opco and its subsidiaries for the period ended 31 August 2006 is set out in Annexure 5 to this Pre-listing statement, the preparation of which is the responsibility of the Directors. The information set out below should be read in conjunction with such historical financial information and Malan Du Preez and PWC's reports thereon set out in Annexures 2, 4, 6 and 7 to this Pre-listing statement.

#### Profit history

Set out below are summary income statements and balance sheets of Raubex Opco, which have been extracted from the financial information of Raubex Opco for the periods presented:

|                               | <b>Six months<br/>ended<br/>31 August<br/>2006<br/>(Reviewed)<br/>IFRS<br/>(R'000)</b> | <b>12 months<br/>ended<br/>28 February<br/>2006<br/>(Audited)<br/>IFRS<br/>(R'000)</b> | <b>12 months<br/>ended<br/>28 February<br/>2005<br/>(Audited)<br/>SA GAAP<br/>(R'000)</b> | <b>12 months<br/>ended<br/>29 February<br/>2004<br/>(Audited)<br/>SA GAAP<br/>(R'000)</b> |
|-------------------------------|--|--|---|---|
| Revenue                       | 689 268  | 633 254  | 608 532   | 710 106   |
| Other income                  | –  | 15 482   | 13 771  | 8 411   |
| Operating expenses            | (624 711)  | (578 054)  | (542 001)   | (651 809)   |
| <b>Operating profit</b>       | <b>64 557</b>  | <b>70 681</b>  | <b>80 302</b>   | <b>66 708</b>   |
| Investment revenue            | 4 637  | 8 417  | 1 201   | 4 367   |
| losses of joint ventures      | 2 678  | (1 545)  | (25)  | –   |
| Income from associates        | 5 204  | 9 090  | 2 569   | 1 022   |
| Finance costs                 | (2 724)  | (3 230)  | (5 778)   | (10 483)  |
| <b>Profit before taxation</b> | <b>74 352</b>  | <b>83 413</b>  | <b>78 269</b>   | <b>61 614</b>   |
| Taxation                      | (24 748)   | (19 012)   | (25 973)  | (21 388)  |
| <b>Profit for period</b>      | <b>49 604</b>  | <b>64 401</b>  | <b>52 296</b>   | <b>40 226</b>   |
| <b>Attributable to:</b>       |  |  |   |   |
| Ordinary shareholders         | 28 394   | 36 026   | 38 778  | 29 547  |
| Minority shareholders         | 21 210   | 28 375   | 13 518  | 10 679  |

**Balance sheets**

|  | <b>31 August<br/>2006<br/>(Reviewed)<br/>IFRS<br/>(R'000)</b> | <b>28 February<br/>2006<br/>(Audited)<br/>IFRS<br/>(R'000)</b> | <b>28 February<br/>2005<br/>(Audited)<br/>SA GAAP<br/>(R'000)</b> | <b>29 February<br/>2004<br/>(Audited)<br/>SA GAAP<br/>(R'000)</b> |
|--|---|--|---|---|
| <b>ASSETS</b>                                      |   |  |   |   |
| <b>Non-current assets</b>                          |   |  |   |   |
| Fixed assets                                       | 239 749   | 221 460  | 102 309   | 100 251   |
| Goodwill   | 3 479   | 2 019  | 1 975   | 2 089   |
| Investments in associates                          | 11 778  | 18 197   | 5 117   | 3 655   |
| Loans to Group companies                           | –   | –  | 6 495   | 4 542   |
| Other financial assets                             | –   | –  | 2 273   | 3 505   |
| Deferred taxation                                  | 1 402   | –  | –   | –   |
|  | <b>256 408</b>  | <b>241 676</b>   | <b>118 169</b>  | <b>114 043</b>  |
| <b>Current assets</b>                              |   |  |   |   |
| Inventories  | 11 831  | 11 548   | 9 418   | 13 959  |
| Current tax receivable                             | 10 292  | 8 442  | 4 005   | 836   |
| Construction contracts and receivables             | 48 624  | 25 244   | 15 704  | 25 940  |
| Trade and other receivables                        | 179 165   | 196 305  | 111 706   | 74 537  |
| Cash and cash equivalents                          | 90 768  | 60 776   | 57 178  | 17 088  |
|  | <b>340 680</b>  | <b>302 315</b>   | <b>198 011</b>  | <b>132 360</b>  |
| <b>Total assets</b>                                | <b>597 088</b>  | <b>543 991</b>   | <b>316 180</b>  | <b>246 403</b>  |
| <b>EQUITY AND LIABILITIES</b>                      |   |  |   |   |
| <b>Equity</b>                                      |   |  |   |   |
| Share capital                                      |   |  |   |   |
| Reserves   | –   | –  | 1 533   | 1 950   |
| Retained income                                    | 173 654   | 155 762  | 89 391  | 55 320  |
| Equity attributable to equity<br>holders of parent | 173 654   | 155 762  | 90 924  | 57 270  |
| Minority interest                                  | 101 676   | 83 772   | 34 897  | 21 885  |
| <b>Total equity</b>                                | <b>275 330</b>  | <b>239 534</b>   | <b>125 821</b>  | <b>79 155</b>   |
| <b>Liabilities</b>                                 |   |  |   |   |
| <b>Non-current liabilities:</b>                    |   |  |   |   |
| Loans from Group companies                         | 17 822  | 17 659   | 12 263  | 14 062  |
| Long-term liabilities                              | 70 269  | 49 209   | 45 951  | 33 096  |
| Deferred tax                                       | 26 249  | 22 782   | 12 101  | 12 029  |
|  | <b>114 340</b>  | <b>89 650</b>  | <b>70 315</b>   | <b>59 187</b>   |
| <b>Current liabilities:</b>                        |   |  |   |   |
| Long-term liabilities                              | 26 814  | 29 685   | 17 732  | 17 213  |
| Current tax payable                                | 11 345  | 7 177  | 11 901  | 12 659  |
| Trade and other payables                           | 168 176   | 171 227  | 87 525  | 66 976  |
| Provisions   | –   | 3 068  | –   | –   |
| Bank overdraft                                     | 1 083   | 3 650  | 2 886   | 11 213  |
|  | <b>207 418</b>  | <b>214 807</b>   | <b>120 044</b>  | <b>108 061</b>  |
| <b>Total liabilities</b>                           | <b>321 758</b>  | <b>304 437</b>   | <b>190 359</b>  | <b>167 248</b>  |
| <b>Total equity and liabilities</b>                | <b>597 088</b>  | <b>543 991</b>   | <b>316 180</b>  | <b>246 403</b>  |

## Unaudited *pro forma* financial information

### Unaudited profit forecast and *pro forma* profit forecast:

The unaudited forecast consolidated income statement of Raubex Opco and its subsidiaries for the year ending 28 February 2007 and the unaudited *pro forma* forecast consolidated income statement for the year ending 28 February 2007, adjusted for the restructure and full financial years income from entities acquired during the 2007 financial year; are set out below.

This unaudited *pro forma* financial information has been extracted from Annexure 9 and the section headed "*Pro Forma* Financial Information" in this Pre-listing statement. This information should be read in conjunction with, and is qualified in its entirety by reference to, such financial statements and financial information and the related notes.

### Consolidated income statements

|                                     | <b>Unaudited<br/>Forecast<br/>28 February<br/>2007<br/>(R'000)</b> | <b>Unaudited<br/><i>Pro Forma</i><br/>Forecast<br/>28 February<br/>2007<br/>(R'000)</b> |
|-------------------------------------|--|---|
| <b>Revenue</b>                      | <b>1 286 448</b>   | <b>1 696 507</b>  |
| Operating profit                    | 201 000  | 280 342   |
| Net finance costs                   | (1 686)  | (7 509)   |
| Income from associates              | 5 721  | (158)   |
| Profit before taxation              | 205 035  | 272 675   |
| Taxation                            | (69 221)   | (86 731)  |
| <b>Profit for year</b>              | <b>135 814</b>   | <b>185 994</b>  |
| <b>Attributable to:</b>             |  |   |
| Equity holders of the parent        | 79 022   | 185 696   |
| Minority interest                   | 56 792   | 248   |
| Shares in issue ('000)              | 100 000  | 162 130   |
| Earnings per share (cents)          | 79.0   | 114.5   |
| Headline earnings per share (cents) | 77.2   | 111.5   |

### Principal assumptions underlying the profit forecast:

The assumptions utilised in the profit forecast and which are considered by management to be significant or are key factors upon which the results of the Company will depend are disclosed below. The assumptions disclosed are not intended to be an exhaustive list. There are other routine assumptions which are not listed. Some assumptions may not materialise. Therefore, the actual results achieved during the forecast period may vary from the forecast and the variations may be material.

1. There will be no cancellation or significant delay on any of the contracts currently in place.
2. No new tenders which have not yet been awarded have been included in the forecast.
3. There will be no major disruption of operations due to weather, labour disputes or any other reason.
4. The present level of interest rates will remain substantially unchanged.
5. The present level of currency exchange rates will remain substantially unchanged.

### Unaudited *pro forma* balance sheet

The unaudited *pro forma* balance sheet of Raubex Opco and its subsidiaries is set out in Annexure 9 to this Pre-listing statement. This information should be read in conjunction with, and is qualified in its entirety by reference to, such financial statements and financial information and the related notes.

## **24. LOAN CAPITAL AND MATERIAL LOANS**

Details of the material loans to Raubex at the Last Practicable Date are set out in Annexure 17 to this Pre-listing Statement. Raubex has no outstanding loan capital at the Last Practicable Date. No debentures have ever been issued by Raubex. Raubex does not have any material loans receivable outstanding at 28 February 2006. No loans have been made or security furnished by Raubex to or for the benefit of any Director or manager.

## **25. DIVIDENDS AND DIVIDEND POLICY**

Raubex intends to adopt a competitive dividend policy, which should reflect the growth, long-term earnings and cash flow of Raubex, while maintaining an appropriate dividend cover. The Board intends to adopt a target dividend cover of approximately 3 times. A dividend cover of approximately 3 times was utilised for the financial year ending 28 February 2007. There is, however, no assurance that a dividend will be paid out and any dividend proposed by the Board in respect of any financial period will be dependent upon the operating results, financial position, investment strategy, capital requirements and other factors. It is currently anticipated that most of the cash available and cash generated by the business will be invested in the continued growth of its activities.

It is anticipated that interim dividends will be paid in October and final dividends will be paid in April of each year, in the approximate proportion of one-third and two-thirds of the annual dividend, respectively. The first dividend to be declared is expected to be the interim dividend for the 2008 financial year.

Any dividend or other money payable on or in respect of a Raubex share which is unclaimed may be retained and used by Raubex. If a dividend is retained and unclaimed for three years after the payment date, it shall revert to Raubex and may be dealt with by the Directors as they deem fit and may not be claimed by the shareholder concerned. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the Directors or shareholders at the time of declaration, subject to the Listings Requirements. Relevant extracts of the articles of association of Raubex relating to dividends are set out in Annexure 18 to this Pre-listing Statement.

## **26. MATERIAL CHANGES**

The material changes in the assets, liabilities and trading position of Raubex that have taken place between 31 August 2006 and the Last Practicable Date are as follows:

Raubex's agreement to acquire the entire issued share capital of Raubex Opco from the shareholders of Raubex Opco and the minority shareholders of the subsidiary companies of Raubex Opco as detailed in paragraph 39 headed "Shares issued, other than for cash" on page 40.

## **27. ADEQUACY OF WORKING CAPITAL**

The Directors are of the opinion that in the ordinary course of the business the working capital available to Raubex and its subsidiaries is sufficient for its present requirements, that is, for at least 12 months following the date of this Pre-listing statement and the issued share capital of Raubex after the Private Placing will be adequate for the purposes of the business of Raubex.

## PART D: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

**A brief discussion per income statement caption as detailed below of the performance of Raubex for the current and previous financial years.**

The following discussion and analysis should be read together with the rest of this Pre-listing statement, including the historical financial information in Annexure 3 and the forecast and *pro forma* forecast financial information included in Annexure 9 to this Pre-listing statement. The Company has performed a forecast and *pro forma* forecast to 28 February 2007, which takes into account the acquisition of minority shareholders from Raubex Opco, effective 1 March 2007 and assumes that acquisitions concluded in financial year ending 28 February 2007 have been included in the financial results for a full year.

### 28. REVENUE

| Years ended (R'000) | Unaudited<br>28 February<br>2007<br><i>Pro forma</i><br>forecast | Unaudited<br>28 February<br>2007<br>forecast | Audited<br>28 February<br>2006 |
|---------------------|--|--|--------------------------------|
| Revenue             | 1 696 507  | 1 286 448                                    | 633 253                        |
| Year on year growth | 167.9%   | 103.1%                                       | –                              |

The increase in growth between February 2006 and the *pro forma* forecast year to February 2007, is attributable to the following factors:

The general turnaround in the construction industry has begun to filter through to industry players, who have seen an increase in volumes and this has allowed Raubex to select better contracts with improved margins. The effect of the SPH Kundalila and National Asphalt acquisitions have been included for the 2007 year-end on a *pro forma* basis which were not included in 2006. These acquisitions have contributed approximately R335 million to Raubex's revenue.

### 29. OPERATING COSTS

| Years ended (R'000) | Unaudited<br>28 February<br>2007<br><i>Pro forma</i><br>forecast | Unaudited<br>28 February<br>2007<br>forecast | Audited<br>28 February<br>2006 |
|---------------------|--|--|--------------------------------|
| Operating costs     | 1 416 165  | 1 085 448                                    | 578 054                        |
| Year on year growth | 145.1%   | 87.8%  | –                              |

Operating costs have increased in line with the increase in revenue in the year to February 2007, however Raubex are in the process of ending long-term contracts with leaner margins started in 2004/2005 and beginning to see the benefit of increasing margins, which are able to be achieved in positive operating circumstances. As a result, the increase in operating costs have not tracked the increase in revenue, which has resulted in enhanced operating margins.

### 30. OPERATING PROFIT

| Years ended (R'000) | Unaudited<br>28 February<br>2007<br><i>Pro forma</i><br>forecast | Unaudited<br>28 February<br>2007<br>forecast | Audited<br>28 February<br>2006 |
|---------------------|--|--|--------------------------------|
| Gross profit        | 280 342  | 201 000                                      | 70 681                         |
| Year on year growth | 296.6%   | 184.4%                                       | –                              |

The benefit of increasing margins which Raubex are able to achieve in positive operating circumstances, as a result the increased operating costs have not tracked the increase in revenue, which has resulted in enhanced operating margins.

### 31. DEPRECIATION

| <b>Years ended (R'000)</b> | <b>Unaudited<br/>28 February<br/>2007<br/><i>Pro forma</i><br/>forecast</b> | <b>Unaudited<br/>28 February<br/>2007<br/>forecast</b> | <b>Audited<br/>28 February<br/>2006</b> |
|----------------------------|---|--|---|
| Depreciation               | 49 504  | 24 669   | 23 171                                  |
| Year on year growth        | 64.3%   | (18.1%)  | –                                       |

The increase in depreciation between financial year ended 28 February 2006 and the *pro forma* forecast to 28 February 2007, is attributable to the increase in fixed assets acquired in the acquisitions of SPH Kundalila, National Asphalt and Milling Techniks of R114 million. These fixed assets will be consolidated into Raubex Group effective 1 March 2007.

### 32. EMPLOYEE COSTS

| <b>Years ended (R'000)</b> | <b>Unaudited<br/>28 February<br/>2007<br/><i>Pro forma</i><br/>forecast</b> | <b>Unaudited<br/>28 February<br/>2007<br/>forecast</b> | <b>Audited<br/>28 February<br/>2006</b> |
|----------------------------|---|--|---|
| Employee costs             | 253 983   | 183 023  | 98 448                                  |
| Year on year growth        | 159.9%  | 87.3%  | –                                       |

Employee costs have increased year-on-year between February 2006 and 28 February 2007 as a result of two major factors: Raubex increased the general wage of its staff to be more competitive with the industry standards, in order to ensure that staff are retained and the increase in revenue resulted in an increase in contract labour hours required for the year. The increase to February 2007 *pro forma*, was as a result of an additional 650 employees employed through the acquisitions of SPH Kundalila and National Asphalt.

### 33. FINANCE COSTS

| <b>Years ended (R'000)</b> | <b>Unaudited<br/>28 February<br/>2007<br/><i>Pro forma</i><br/>forecast</b> | <b>Unaudited<br/>28 February<br/>2007<br/>forecast</b> | <b>Audited<br/>28 February<br/>2006</b> |
|----------------------------|---|--|---|
| Finance costs              | 18 919  | 8 572  | 3 230                                   |
| Year on year growth        | 485.7%  | 165.4%   | –                                       |

Finance costs have increased as a result of an increase in borrowings as detailed in part C of this Pre-listing statement. Approximately R107 million in long-term liabilities have been brought onto the Raubex balance sheet, for the year to 28 February 2007 *pro forma* forecast.

### 34. TAXATION

| <b>Years ended (R'000)</b> | <b>Unaudited<br/>28 February<br/>2007<br/><i>Pro forma</i><br/>forecast</b> | <b>Unaudited<br/>28 February<br/>2007<br/>forecast</b> | <b>Audited<br/>28 February<br/>2006</b> |
|----------------------------|---|--|---|
| Taxation                   | 86 730  | 69 221   | 19 012                                  |
| Effective tax rate         | 31.8%   | 33.8%  | 22.8%                                   |

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## PART E: RISK FACTORS

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*Investing in the Offer Shares involves risk. Before investing in the Offer Shares, prospective investors should carefully consider the risks described below in addition to the other information in this Pre-listing statement. Raubex's business, results of operations and financial condition may be materially and adversely affected in the future due to any of the following risks. The trading price of the Offer Shares could decline due to any of these risks. Furthermore, the risks and uncertainties specified below may not be the only ones Raubex faces. Additional risks and uncertainties not presently known to Raubex or that Raubex currently considers immaterial may also impair its business, results of operations or financial condition.*

### 35. RISKS RELATED TO RAUBEX'S BUSINESS

***Raubex's business is dependent on general economic conditions, especially in the construction industry.***

Although its product, customer and industry are designed to limit Raubex's exposure to economic downturns, localised downturns in markets where it has operations, including any downturns in the construction industry, could reduce demand for its products and services and negatively impact its revenues and profitability. In addition, at present, Raubex is unable to predict what long-term effect, if any, recent political events, including those relating to, or arising out of the growing threat of terrorism, and their attendant consequences, such as a diversion of Government funding from education or healthcare to deal with these events, will have on its business. Any of the foregoing economic or political events could negatively affect Raubex's industry or industries in which its customers operate, which may cause the demand for Raubex's products and services to decline and therefore harm its revenues and profitability.

***Failure to attract and retain key personnel and qualified employees could impede Raubex's ability to execute its business plan and growth strategy and lead to a loss of customers.***

Raubex's performance depends to a large extent on the efforts and abilities of its key personnel and employees. Raubex believes that its success will continue to depend, in part, upon its ability to continue to attract, retain and motivate the necessary personnel, including executive officers and certain other key employees. Between them, the key executives of Raubex have more than 118 years of experience in the aggregate and road rehabilitation and construction industry. These executives, along with other key personnel, have a knowledge and understanding of Raubex and its industry that cannot be readily duplicated in the short term. They generally have substantial experience and expertise in their fields of operations and have made significant contributions to the growth of Raubex as a whole. The competition for qualified personnel in the industry is strong and there can be no assurance that Raubex will be successful in retaining such personnel or attracting replacement personnel. Failure to attract and retain such personnel, including any member of Raubex's senior management team, could have a material adverse effect on Raubex's business by impairing its ability to execute its business plan and growth strategy, causing it to lose customers and reduce its revenues.

***Raubex's business largely involves contracting with customers, and if these agreements result in unrecoverable amounts and/or create disputes then this will negatively affect profitability.***

Raubex is exposed to risks relating to its entrance into large contracts with key customers. These risks include, among other things, material contract failure and inadequate contract variation management. In the case of material contract failure, Raubex is exposed to the risk that disputes may arise with third parties and the outstanding balances due to Raubex under the agreements, which in some instances may include material amounts, may not be recoverable on time or at all. The inability to recover amounts owed under large customer contracts in a timely manner may affect Raubex's cash flow positions, and may otherwise have a material adverse effect on its results of operations and financial conditions. Material contract failures may be caused by internal factors, including inadequate project and legal risk assessment, lack of clarity in the scope of work, poor labour or factory productivity or insufficient project management resources (e.g. skills and expertise). Contract failures may be caused by external factors as well, such as problematic customers or changes in general economic conditions, resulting in unrecoverable costs and forfeited profit margins and ultimately having an adverse effect on its financial condition or results of operations.

***Raubex conducts a significant portion of its business in South Africa and is subject to certain political, social and economic conditions there.***

Because Raubex is incorporated in and has its head office and a significant portion of its operations, customers and investors in South Africa, the country's political, social and economic conditions are relevant to investors in assessing a proposed investment in the Offer Shares. In general, South Africa faces many challenges in overcoming substantial inequalities in levels of social and economic development among its people. The South African Government has taken a number of significant steps towards addressing the political tensions and social and economic problems in South Africa, although certain problems still exist. While South Africa features a highly developed financial and legal infrastructure at the core of its economy, it has high levels of unemployment, poverty and crime. Particular considerations include how the South African Government will ultimately address such tensions and problems, to what extent its efforts will be successful, the political, social and economic consequences of such efforts and the effect on South African businesses of the continuing integration of the South African economy with the economies of the rest of the world. The economic direction of South Africa may be influenced by the extent to which the South African Government, organised labour and business are able to agree upon common goals and the means of achieving them. While Raubex believes that the economic sentiment is positive for the future, these political, social and economic problems may have a negative impact on the South African economy and, in turn, may have an adverse effect on Raubex's South African operations and on its business and financial performance as a whole.

As discussed in "Business of Raubex Group Limited – Black Economic Empowerment", BEE is a central part of the South African Government's economic transformation strategy. Raubex has implemented a number of BEE initiatives including the sale of more than 26% in Raubex to Matlapeng and Kenworth, two BEE entities and has made good progress on meeting its target BEE scorecard.

### **36. RISKS RELATED TO THE OFFER**

***The absence of an existing market for the Shares may limit their liquidity.***

Although the shares are expected to be listed on the JSE, there is no guarantee that an active trading market for the Shares will develop and continue after the Offer. If no active trading in the Shares develops or continues after the Offer, this could have a material adverse effect on the liquidity and the market price of the Offer Shares. There is currently no active market for the Shares. The Offer Price of the Offer Shares will be determined by the Bookrunner, the Selling Shareholders and Raubex and may not be indicative of the market price of the Offer Shares after the Offering.

***The market price of the Offer Shares may prove to be volatile and is subject to fluctuations, including significant decreases.***

The market price of the Offer Shares could be volatile and subject to significant fluctuations due to a variety of factors, some of which do not relate to Raubex's financial performance, including changes in general market conditions, the general performance of the JSE, changes in sentiment in the market regarding the Shares (or securities similar to them), regulatory changes affecting Raubex's operations, variations in Raubex's operating results, business developments for Raubex or its competitors, the operating and share price performance of other companies in the industries and markets in which Raubex operates, or speculation about Raubex's business in the press, media or the investment community. Furthermore, Raubex's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Shares.

***Raubex may not be able to declare and make dividend payments now and in the future.***

Raubex's ability to pay dividends on the Shares is dependent upon the availability of distributable reserves and upon the receipt by it of dividends and other distributions from subsidiaries. Raubex's subsidiaries' distributable reserves and the dividends they may declare may be restricted to protect the security of those subsidiaries, as applicable legislation does not allow for the payment of dividends unless capital adequacy requirements are met.



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## PART F: SHARE CAPITAL

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### 37. SHARE CAPITAL AND SHARE PREMIUM

In anticipation of the Listing, the existing Raubex Opco shareholders acquired the entire issued share capital of Raubex (then Lexshell 49 Investments Limited, a “shelf company”). At the date of this Pre-listing statement, Raubex had an authorised share capital of 500 000 000 Ordinary Shares of one cent each and an issued share capital of 162 129 832 Ordinary Shares of one cent each.

The existing Raubex Opco shareholders have entered into a written agreement in terms of which they have, prior to the Listing, dispose of the entire issued share capital of Raubex Opco to Raubex in exchange for the issue by Raubex of 100 000 000 Shares, as more fully described in paragraph 39 headed “Shares issued, otherwise than for cash” on page 40 of this Pre-listing statement. After the Restructuring, Raubex Opco will be a wholly-owned subsidiary of Raubex.

Accordingly, the authorised and issued Share Capital of Raubex on the Listing Date will be as follows:

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|  | <b>(R)</b> |
|--|------------|
| <b><i>Authorised share capital</i></b>       |            |
| 500 000 000 Ordinary Shares of one cent each | 5 000 000  |
| <b><i>Issued share capital</i></b>           |            |
| 162 129 832 Ordinary Shares of one cent each | 1 621 298  |

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The share premium of R1 451 425 810 on the Listing Date was created by the prices at which the Shares in Raubex Opco were acquired and the values at which shares in Raubex were issued in consideration for the acquisition of minority interests in subsidiaries in terms of the restructure and the acquisition of SPH Kundalila.

In terms of the Offer, no Shares will be offered at a par value or varying premiums or discounts.

The unissued Raubex Shares are under the control of the Directors, subject to the provisions of sections 221 and 222 of the Companies Act and the Listings Requirements.

There are no founders' or deferred shares. Other than the Raubex Shares which are expected to be listed on the JSE, no securities have been issued by Raubex nor listed on any other stock exchange.

In terms of Raubex's articles of association, any variation of the rights attaching to the Raubex Shares will require the consent of the ordinary shareholders in general meeting, provided that any variation which, directly or indirectly, adversely affects the special rights or restrictions relating to the Raubex Shares can only be effected with the prior written consent of shareholders holding at least 75% of the Raubex Shares, or the approval of a resolution of such holders, passed, *mutatis mutandis*, as a special resolution.

In accordance with the articles of association of Raubex, at a general meeting of the shareholders of Raubex every shareholder present in person or by proxy (or, if a body corporate, duly represented by an authorised representative), shall have one vote on a show of hands, and on a poll every shareholder present in person or by proxy shall be entitled to that proportion of the total votes in Raubex which the aggregate amount of the nominal value of the shares held bears to the aggregate amount of the nominal value of all the shares issued by Raubex. Accordingly, for so long as all the shares issued by Raubex have the same nominal value, a shareholder will have one vote for each Raubex share of which that person is the registered holder. No special voting powers are reserved to any founder, vendor, Director or other person.

All authorised and issued Raubex Shares, including those to be sold in terms of the Offer, will be of the same class and will rank *pari passu* in every respect. Set out in Annexure 18 to this Pre-listing statement are extracts from the articles of association of Raubex dealing with the rights of holders of Raubex Shares to dividends, profits and/or capital, including rights on liquidation and distribution of capital assets.

In terms of the articles of association of Raubex, dividends and any other payments due to holders of Raubex Shares which remain unclaimed after a period of three years from the payment date shall be forfeited to Raubex.

### 38. ALTERATIONS TO SHARE CAPITAL AND SHARE PREMIUM IN THE PAST THREE YEARS

Set out below are the alterations to the share capital of Raubex which have occurred during the past three years:

- Raubex was incorporated on 27 July 2006 (under the name "Lexshell 49 Investments Limited") with an authorised share capital of R1 000, divided into 1 000 ordinary shares with a par value of R1.00 each, and an issued share capital of R100, divided into 100 ordinary shares with a par value of R1.00 each and with no share premium;
- on 14 December 2006 Raubex sub-divided its authorised share capital into 100 000 ordinary shares with a par value of one cent each; and
- on 14 December 2006 Raubex increased its authorised share capital to R500 000, divided into 500 000 000 ordinary shares with a par value of one cent each and placed such authorised share capital under the control of the Directors.

At the date of this Pre-listing statement, no share premium has been paid in respect of any Raubex Shares and Raubex has not repurchased any Raubex Shares.

### 39. SHARES ISSUED, OTHERWISE THAN FOR CASH

As part of the First Restructuring, Raubex has entered into a written agreement in terms of which it has issued 99 990 000 Raubex ordinary shares at an issue price of one cent to the existing shareholders of Raubex Opco and transferred the existing 10 000 shares of one cent each in the issued share capital of Raubex to the existing shareholders of Raubex Opco, in consideration for transfer to Raubex of the entire issued share capital of Raubex Opco as detailed below:

| <b>Shareholder</b>                   | <b>Number of shares held</b> |
|--------------------------------------|------------------------------|
| Kenworth*                            | 20 000 000                   |
| Business Venture Investments No. 918 | 22 000 000                   |
| Raubenbel                            | 55 000 000                   |
| Francois Diedrechen                  | 3 000 000                    |
|                                      | <b>100 000 000</b>           |

\* Kenworth will receive an additional 615 384 shares through the Second restructuring.

Further to the First Restructuring, a Second Restructuring has been concluded by Raubex, through the buyout of minority shareholders in Raubex Group and the issuing of shares to these minorities in Raubex Group. Following the Second Restructuring, 44 238 456 shares in Raubex have been issued to minority shareholders of Raubex Group, as replacement for their shares in the share capital of Raubex Group companies.

For the purpose of the First Restructuring and the Second Restructuring, the entire issued share capital of Raubex Opco will be valued at an amount equal to 1 290 799 908. This value will be allocated to the par value of the Raubex Shares issued and the balance to share premium.

As part of the acquisition of SPH Kundalila, 17 891 376 Raubex Shares will be issued to the SPH vendors in order to settle the purchase consideration of R162 247 100.

A summary of the shares issued other than for cash in the preceding three-year period is illustrated below:

|                              | <b>Shares issued</b> |
|------------------------------|----------------------|
| Shares in issue              | 10 000               |
| First restructuring          | 99 990 000           |
| Second restructuring         | 44 238 456           |
| Acquisition of SPH Kundalila | 17 891 376           |
|                              | <b>162 129 832</b>   |

Save as set out in the preceding paragraph, no Raubex Shares were, within the three years preceding the date of this Pre-listing statement, issued, or agreed to be issued, by Raubex or any of its subsidiaries to any person, other than for cash.

Set out in Annexure 16 headed "Material acquisitions in the preceding three years", on page 133 of this Pre-listing statement, are further salient details relating to the above acquisition of SPH Kundalila.

#### **40. OPTIONS OR PREFERENTIAL RIGHTS IN RESPECT OF SHARES**

Neither Raubex nor any of its subsidiaries are party to any contract or arrangement (or proposed contract or arrangement), whereby an option or preferential right of any kind is (or is proposed to be) given to any person to subscribe for any shares in Raubex.

#### **41. PREVIOUS OFFERS**

There have been no offers for sale or sale of any shares of Raubex, Raubex Opco or any of its subsidiaries during the three years prior to the date of issue of this Pre-listing statement, other than the shares issues already mentioned in this Pre-listing statement

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## **PART G: PARTICULARS OF THE OFFER**

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### **42. PURPOSE OF THE OFFER AND LISTING**

The main purposes of the Offer and the Listing are to:

- enhance Raubex shareholder value;
- enhance the public profile and general public awareness of Raubex;
- provide Raubex with a further source from which capital can be raised, if required, to facilitate future expansion;
- afford institutions, private clients, other business associates of Raubex and members of the public the opportunity to participate directly in the equity of Raubex; and
- attract and retain high quality staff by affording employees of Raubex the opportunity to participate further in the equity and future growth of Raubex.

### **43. THE OFFER**

The Offer comprises an offering of up to 55 852 730 Raubex Shares, at the Offer Price, by means of a Private Placing. In connection with the Offer, the Bookrunner has the option from Raubenbel to allot an additional five million shares as part of the Offer or after the Listing of Raubex as fully described in paragraph 55 on page 44 of this Pre-listing statement.

The offering will be to selected Institutional investors in South Africa and the United Kingdom as well as private clients of selected stock broking companies in South Africa.

The Offer is conditional on the Listing of all the issued Raubex Shares on the JSE, failing which the Offer and any acceptance thereof shall not be of any force or effect and no person shall have claim whatsoever against the Offeror or any other person as a result of the failure of any condition. JSE approval of the Listing is conditional on the attainment of a spread of shareholders acceptable to the JSE.

All Raubex Shares (including the Offer Shares) that are in issue at the date of this Pre-listing statement will rank *pari passu* in all respects.

### **44. TIME AND DATE OF THE OPENING AND CLOSING OF THE OFFER**

The Offer opens at 09:00 on Monday, 5 March 2007 and is expected to close at 12:00 on Thursday, 15 March 2007. Indications of interest for the purposes of the book-building process referred to below in paragraph 45 below will be received up until 17:00 on Wednesday, 14 March 2007. Any changes to these dates and times will be released on SENS and published in the press.

### **45. OFFER PRICE**

It is estimated that the price for the Offer Shares will be between R13.50 and R15.00 per Offer Share. The Offer Price may, however, be outside of the price range.

The Bookrunner is seeking indications of interest from institutional investors to acquire the Offer Shares as part of a "book-building" process. Following this book-building process, the Offer Price will be determined by the Bookrunner after consultation with Raubex either prior to or on the Closing Date and will be released on SENS and published in the press. Any change to these dates and times will likewise be released on SENS and published in the press.

Among the factors which may be considered by the Bookrunner in determining the Offer Price are Raubex's historical and expected results of operations, an assessment of the investment markets' valuation of comparable companies, the prevailing market conditions, the demand for the Offer Shares and the prices at which investors bid to acquire the Offer Shares during the Bookbuilding process and the desire to establish an orderly after-market in the Raubex Shares.

### **46. PARTICIPATION IN THE OFFER**

Institutional investors in South Africa and the United Kingdom as well as selected private client stock broking firms in South Africa may participate in the Offer. Investors wishing to participate in the Offer should contact the Bookrunner prior to the cutoff time for providing indications of interest referred to in paragraph 44 above.

## **47. REPRESENTATION**

Any person applying for or accepting an offer of Offer Shares shall be deemed to have represented to Raubex and the Offeror that such person was in possession of a copy of this Pre-listing statement at that time. Any person applying for or accepting an offer of Offer Shares on behalf of another shall be deemed to have represented to the Offeror that such person is duly authorised to do so and warrants that such person and the purchaser for whom such person is acting as agent is duly authorised to do so in accordance with all relevant laws and such person guarantees the payment of the Offer Price and that a copy of this Pre-listing statement was in the possession of the purchaser for whom they are acting as agent.

## **48. ALLOCATION**

The basis of allocation of the Offer Shares will be determined by the Bookrunner in its sole discretion, after consultation with the Offeror and Raubex. It is intended that notice of the allocations will be given on or about before Friday, 16 March 2007. Applicants may receive no Raubex Shares or fewer than the number of Raubex Shares applied for. Any dealing in Raubex Shares prior to delivery of the Raubex Shares is at the risk of the applicant.

## **49. DEMATERIALISATION OF OFFER SHARES**

The Offer Shares will be transferred from the Offeror to successful applicants in Dematerialised form only. Accordingly, all successful applicants must appoint a CSDP, directly or through a broker, to receive and hold the Dematerialised Shares on their behalf. Should a shareholder require a physical share certificate for its Raubex Shares, it will have to materialise its Raubex Shares following the Listing and should contact its CSDP to do so. It is noted that there are risks associated with holding shares in certificated form, including the risk of loss or tainted script, which are no longer covered by the JSE Guarantee Fund. All shareholders who elect to convert their Dematerialised Shares into Certificated Shares will have to dematerialise their Raubex Shares should they wish to trade them under the terms of STRATE (see paragraph 53 headed "STRATE" on page 44 of this Pre-listing statement).

Each applicant's duly appointed CSDP or broker will receive the Dematerialised Shares on its behalf against payment of the Offer Price by the applicant's CSDP, which is expected to occur on Tuesday, 20 March 2007 during the STRATE settlement runs.

## **50. PAYMENT AND DELIVERY OF OFFER SHARES**

Each successful applicant must, as soon as possible after being notified of an allocation of Offer Shares, forward to:

- its CSDP, all information required by the applicant's CSDP and instruct its CSDP to pay, against delivery of the applicant's allocation of Offer Shares, the aggregate price for such Offer Shares to the designated account of Investec. Such information and instructions must be confirmed to the applicant's CSDP no later than 14:00, one Business Day (expected to be Monday, 19 March 2007) prior to the Settlement Date;
- the Bookrunner, details of its CSDP, the name of the account holder and number of shares and such other information as is required by the Bookrunner's CSDP in order to effect delivery of the relevant Offer Shares. Such information must be confirmed to the Bookrunner no later than 13:00, one Business Day (expected to be Monday, 19 March 2007) prior to the Settlement Date.

By no later than 17:00 on Friday, 16 March 2007, each applicant must place its funds with its CSDP or make other necessary arrangements to enable its CSDP to make payment for the allocated Offer Shares on Settlement Date, in accordance with each applicant's agreement with its CSDP.

The applicant's CSDP must commit in STRATE to the receipt of the applicant's allocation of Offer Shares against payment by no later than 17:00 on Friday, 16 March 2007.

On the Settlement Date (which is expected to be Tuesday, 20 March 2007), the applicant's allocation of Offer Shares will be credited to the applicant's CSDP or broker against payment during the STRATE settlement runs which occur throughout the day.

## **51. EXCHANGE CONTROL REGULATIONS**

Currency and shares are not freely transferable from South Africa to any jurisdiction falling outside the geographical borders of South Africa, other than jurisdictions falling within the Common Monetary Area and must be dealt with in terms of the Exchange Control Regulations of the SARB as described more fully in part H of this Pre-listing statement. The Exchange Control Regulations also regulate the acquisition by former residents and non-residents of Offer Shares.

Applicants who are resident outside the Common Monetary Area should seek advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable an acceptance of the Offer.

## **52. APPLICABLE LAW**

The Offer, applications, allocations and acceptances will be exclusively governed by the laws of South Africa and each applicant will be deemed, by applying for Raubex Shares, to have consented and submitted to the jurisdiction of the courts of South Africa in relation to all matters arising out of or in connection with the Offer.

## **53. STRATE**

Ordinary shares may only be traded on the JSE in electronic form (Dematerialised Shares) and will be trading for electronic settlement in terms of STRATE immediately following the Listing.

STRATE is a system of "paperless" transfer of securities. If you have any doubt as to the mechanics of STRATE please consult your broker, CSDP or other appropriate adviser and you are referred to the STRATE website (<http://www.strate.co.za>).

Some of the principal features of STRATE are as follows:

- electronic records of ownership replace share certificates and physical delivery of certificates;
- trades executed on the JSE must be settled within five Business Days;
- all investors owning Dematerialised Shares or wishing to trade their securities on the JSE are required to appoint either a broker or a CSDP to act on their behalf and to handle their settlement requirements; and
- unless investors owning Dematerialised Shares specifically request their CSDP to register them as an "own name" shareholder (which entails a fee), their CSDP's or broker's nominee company, holding shares on their behalf, will be the shareholder (member) of the relevant company and not the investor. Subject to the agreement between the investor and the CSDP or broker (or the CSDP's or broker's nominee company), generally in terms of the rules of STRATE, the investor is entitled to instruct the CSDP or broker (or the CSDP's or broker's nominee company), as to how it wishes to exercise the rights attaching to the shares and/or to attend and vote at shareholders' meetings.

## **54. LISTING OF RAUBEX SHARES ON THE JSE**

The JSE has approved the Listing of all the Raubex Shares in the "Industrials- – Heavy Construction" sector of the JSE lists under the abbreviated name "Raubex", symbol "RBX" and ISIN: ZAE000093183, subject to the attainment of a spread of shareholders, acceptable to the JSE, constituting 500 public shareholders. The Listings Requirements also require that a minimum of 20% of the Shares are held by the public as defined by the Listings Requirements. Should such conditions be fulfilled, the Listing is expected to be effective from the commencement of business on Tuesday, 20 March 2007.

## **55. FURTHER ALLOTMENT**

In connection with the Offer, the Bookrunner has the option from Raubenbel to allot an additional five million shares as part of the Offer or after the Listing of Raubex with a view to providing liquidity to the shares of Raubex after the Listing Date. However, there is no obligation for the Bookrunner to do so. Such action, if commenced, may be discontinued at any time, but may under no circumstances continue beyond the 30th calendar day after the Listing Date. The Bookrunner will act as the sole manager for this purpose and the Bookrunner will be paid a commission on the further allotment that will depend on the average price of Raubex on the JSE during the 30-day period.

Raubex will release on SENS and publish in the press regarding the results of the further allotment at the end of the 30-day period.

In the event of an over-subscription, no preference on allotment will be given to any company or group.

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## **PART H: TAX AND EXCHANGE CONTROL**

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### **56. TAXATION ISSUES**

The following is a summary of the material South African tax consequences in connection with the acquisition, ownership and disposal of shares. The following summary is not a comprehensive description of all of the tax considerations that may be relevant to a decision to acquire, purchase, own or dispose of the Raubex Shares and does not cover tax consequences that depend upon your particular tax circumstances or jurisdictions outside of South Africa. This discussion is only a general discussion, it is not a substitute for tax advice.

It is recommended that you consult your own tax adviser about the consequences of holding the Raubex Shares, as applicable, in your particular situation. The discussion in this section is based on current law. Changes in the law may alter the tax treatment of the Raubex Shares, as applicable, possibly on a retro-active basis.

#### **56.1 Residence-based system of taxation**

Since 1 January 2001 South Africa has moved from a largely source-based to a residence-based system of taxation.

Residents of South Africa are taxed on their world-wide income and capital gains, whereas non-residents are taxed only on income and certain capital gains sourced in South Africa or deemed to be from a source in South Africa.

##### **56.1.1 Individuals**

An individual will be a resident of South Africa for tax purposes if:

- such individual is ordinarily resident in South Africa. This term is not defined in the South African Income Tax Act, 58 of 1962 (“the Income Tax Act”), and therefore its meaning is determined according to guidelines established by the courts. Generally, a person’s ordinary residence will be, “the country to which he would naturally and as a matter of course return from his wandering; as contrasted with other lands it might be called his usual or principal residence and it would be described more aptly than other countries as his real home”; or
- the requirements of the physical presence test are met. This is determined with reference to the number of days spent by the individual in South Africa during a four-year period.

##### **56.1.2 Legal persons (company, close corporation and trust)**

As regards legal persons, a resident is defined in the Income Tax Act as any person which is incorporated, established or formed in South Africa or which has its place of effective management in South Africa. Reference can be made to ‘Income Tax Interpretation Note 6 – Resident: Place of Effective Management’, issued on 26 March 2002 which details the approach adopted by SARS.

##### **56.1.3 General proviso regarding treaty resident persons**

The Income Tax Act excludes from the definition of resident all persons (legal or natural) that are deemed to be exclusively resident in another country in terms of an agreement for the avoidance of double taxation to which South Africa is a party.

#### **56.2 Dividend income**

Dividends declared by a South African company are exempt from tax in the hands of the recipient. Non-resident shareholders’ tax was abolished with effect from 1 October 1995, and currently there is no withholding tax on dividends paid by a South African company to its shareholders, whether or not they are resident in South Africa.

However, STC is levied on the distribution of after-tax profits by way of a dividend, subject to certain exemptions. STC is triggered by the declaration of a dividend and is levied at 12.5%, bringing the effective company tax rate to 36.89%.

STC is a tax on the declaring company, not the recipient shareholder. Relief is therefore not provided by most double taxation agreements entered into by South Africa.

### 56.3 Disposal of shares

The disposal of shares will give rise to either a capital or revenue receipt or accrual in the hands of the taxpayer. In determining whether the income derived from the disposal of such shares is of a capital or revenue nature, the South African tax authorities and courts look at, among other things, the intention of the holder of the shares to determine whether the disposal gave rise to a capital or revenue profit. Profits derived from the disposal of South African shares held as long-term investments are generally regarded as profits of a capital nature and are not subject to South African income tax.

Subject to certain relief under double taxation agreements, if a non-resident shareholder trades in South African shares, such non-resident shareholder could be subject to South African income tax if the proceeds from the disposal would be seen as being from a South African source, which would generally be the case where the trading activities take place in South Africa.

### 56.4 Capital Gains Tax

Residents of South Africa are (subject to certain relief under double taxation agreements) subject to CGT in respect of gains made on the disposal of their world-wide assets.

Non-residents will incur liability for CGT only in relation to fixed property situated in South Africa, assets of a South African permanent establishment or shares in companies that are primarily South African fixed property owning. As this should not be the case in the present circumstances, the disposal of Raubex Shares by a non-resident shareholder should not be subject to CGT in South Africa.

The following table sets out the prescribed portion of a capital gain that would be included in a taxpayers' taxable income, the normal tax rates applicable to certain taxpayers and, consequently, the effective rate at which capital gains are taxed:

| Type of taxpayer                    | Prescribed portion of the capital gain included in taxable income expressed as a percentage | Statutory income tax rate (%) | Effective rate (%) |
|-------------------------------------|---|-------------------------------|--------------------|
| Individuals                         | 25  | 0 – 40                        | 0 – 10             |
| Trusts                              |   |                               |                    |
| Special                             | 25  | 0 – 40                        | 0 – 10             |
| Other                               | 50  | 40                            | 20                 |
| Life assurers                       |   |                               |                    |
| Individual policyholder fund        | 25  | 29                            | 7.25               |
| Company policyholder fund           | 50  | 29                            | 14.5               |
| Corporate fund                      | 50  | 29                            | 14.5               |
| Untaxed policyholder fund           | 0   | 0                             | 0                  |
| Companies                           | 50  | 29                            | 14.5               |
| Permanent establishments (branches) | 50  | 35                            | 17.5               |
| Collective investment schemes       | 0 – 50  | 0 – 29                        | 0 – 14.5           |

### 56.5 Corporate tax

The corporate tax rate is 29% of taxable income.

Additionally, STC is payable by resident companies of South Africa at a rate of 12.5% calculated on the net amount of dividends declared by a company during any dividend cycle, leading to an effective maximum tax rate on companies of 36.89%.

### 56.6 Uncertificated Securities Tax

The Raubex Shares will be uncertificated. Uncertificated securities tax is imposed in respect of the issue of, and every change in beneficial ownership of, any listed securities, at the rate of 0.25% of the taxable amount of such securities being the value or consideration given for the shares, determined in the South African Uncertificated Securities Tax Act, 1998 (Act 31 of 1998).



## **57. EXCHANGE CONTROL**

This Pre-Listing statement is not an Offer in any area of jurisdiction in which it is illegal to make such an Offer. In such circumstances, this Pre-Listing statement and any application form should be read for information purposes only.

The following summary is intended as a guide only and is therefore not comprehensive. If you are in any doubt hereto, please consult your professional adviser.

### **57.1 Emigrants from the Common Monetary Area**

- 57.1.1** A former resident of the Common Monetary Area who has emigrated from South Africa may use blocked Rand accounts to purchase shares in terms of this Pre-listing statement.
- 57.1.2** All payments in respect of sales for shares by non-residents using blocked Rand must be made through an authorised dealer in foreign exchange.
- 57.1.3** Share certificates issued in respect of shares purchased with blocked Rand in terms of this Pre-listing statement will be endorsed "non-resident" in accordance with the Exchange Control Regulations. Share certificates will be placed under the control of the authorised dealer through whom the payment was made.
- 57.1.4** Shares issued to a Dematerialised shareholder whose registration as a shareholder has been marked as being an "emigrant, will be similarly marked as being held by an "emigrant".
- 57.1.5** If applicable, refund monies payable in respect of unsuccessful applications, for shares in terms of this Pre-listing statement, emanating from blocked Rand accounts will be returned, in terms of the Exchange Control Regulations, to the authorised dealer administering such blocked Rand accounts for credit of such applicants' blocked Rand accounts. The CSDP or broker through whom the Raubex shareholders have Dematerialised their shares will ensure that they adhere to the Exchange Control Regulations.

### **57.2 Applicants resident outside the Common Monetary Area**

- 57.2.1** A person who is not resident in the Common Monetary Area should obtain advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable a sale to be made in terms of the Private Placing.
- 57.2.2** All share certificates issued to non-residents of South Africa will be endorsed "non-resident" in accordance with the Exchange Control Regulations.
- 57.2.3** All shares issued to Dematerialised shareholders, whose registration has been so endorsed will be endorsed "non-resident" in accordance with the Exchange Control Regulations. The CSDP or broker through whom the Raubex shareholders have Dematerialised their Shares will ensure that they adhere to the Exchange Control Regulations.

### **57.3 Raubex Shares acquired by non-residents**

Persons resident outside the Common Monetary Area applying for Raubex Shares pursuant to this Pre-listing statement should note that, while there are no restrictions similar to those placed on emigrants using blocked funds, in regard to Raubex Shares acquired by non-residents pursuant to this Pre-listing statement, in the case of Certificated Shares, the share certificates will be endorsed with the words "non-resident" and, in the case of Dematerialised shares, an appropriate electronic entry will be made in the relevant register reflecting a "non-resident" endorsement.

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## **PART I: ADDITIONAL INFORMATION**

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### **58. INFORMATION ON SUBSIDIARIES**

Details of Raubex's subsidiaries are set out in Annexure 14 to this Pre-listing statement.

### **59. PRINCIPAL IMMOVABLE PROPERTY OWNED OR LEASED**

Details of the principal immovable properties owned or leased by Raubex are set out in Annexure 15 to this Pre-listing statement.

None of the Directors have any material interest in any of the immovable properties owned or leased by Raubex, other than the property located at Cleveley, Eufees Extension in Bloemfontein which is owned by Raubex Eiendomme. Koos Raubenheimer is Director of Raubex Eiendomme and has an indirect, non-beneficial interest therein.

### **60. PROPERTY AND SUBSIDIARIES ACQUIRED OR TO BE ACQUIRED AND VENDORS**

Set out in Annexure 16 to this Pre-listing statement are details of the material acquisitions in the three years preceding the date of this Pre-listing statement.

None of the Directors or the promoters have a material beneficial interest in any of the securities in, or the business undertakings of, any other company or business enterprise or any immovable properties or other property in the nature of fixed assets acquired by Raubex.

At the date of this Pre-listing statement, there are no proposed acquisitions by Raubex of any property and there are no options to acquire any such property.

### **61. DISPOSAL OF PROPERTY**

At the date of this Pre-listing statement, there are no disposals of any material properties by Raubex nor are there any proposed disposals of material properties, in the three-year period preceding that date of this Pre-listing statement.

### **62. INTERESTS OF ADVISERS AND PROMOTERS**

None of the advisers, as set out in the "Corporate information" section on page 2 of this Pre-listing statement, hold any Shares or have agreed to acquire any Shares.

Raubex has not paid any amount (whether in cash or in securities), nor given any benefit to any promoters or any partnership, syndicate or other association of which the promoter was a member, not being a Director or a Selling Shareholder during the three years preceding the date of this Pre-listing statement. No promoters have any material beneficial interest in the promotion of Raubex.

### **63. MATERIAL CONTRACTS**

Annexure 19 to this Pre-listing statement sets out:

- material contracts that have been entered into by Raubex or its subsidiaries during the two years preceding the date of this Pre-listing statement, other than in the ordinary course of business;
- contracts entered into at any time prior to the two years preceding the date of this Pre-listing statement, other than in the ordinary course of business, that contain obligations or settlements material to Raubex or its subsidiaries at the date of this Pre-listing statement;
- particulars of the inter-company transactions during the two years preceding the date of this Pre-listing statement;
- particulars of existing contracts relating to Directors' and Managers' remuneration.

There are no existing or proposed contracts relating to royalties or; secretarial or technical fees payable by Raubex, nor are there any contracts entered into which contain an obligation or settlement that is material to Raubex or its Subsidiaries at the date of the Pre-listing statement, other than set out elsewhere in this Pre-listing statement.

## 64. MATERIAL CAPITAL COMMITMENTS

There were no material capital commitments at the last practicable date.

## 65. CONTINGENT LIABILITIES

There were no contingent liabilities at the Last Practicable Date.

## 66. LEASE PAYMENTS

Raubex has various operating lease agreements for machinery, offices, office equipment and other facilities. The future minimum lease payments under non-cancellable operating leases at 28 February 2007 in respect of periods in excess of five years was R4 868 413.

## 67. LOAN CAPITAL AND MATERIAL LOANS

Details of the material borrowings of Raubex at 28 February 2007 are set out in Annexure 17 to this Pre-listing statement.

Raubex has no debentures in issue at the date of this Pre-listing statement.

Raubex does not have any material loans receivable outstanding at the date of this Pre-listing statement.

No loans have been made or security furnished by Raubex to or for the benefit of any Director or manager at the date of this Pre-listing statement.

The inter-company loans of Raubex at 28 February 2007 are set out in Annexure 17 to this Pre-listing statement.

## 68. LITIGATION STATEMENT

No legal or arbitration proceedings have been instituted that may have or have had in the last 12 months, a material effect on Raubex's financial position nor is Raubex aware of any such proceedings that are pending or threatened.

## 69. EXPENSES

Raubex has not incurred any preliminary expenses (within the meaning of the Listings Requirements) over the last three financial years.

The expenses of the Offer (including expenses incurred in relation to issuing the New Shares, referred to as the issue expenses), estimated to be in the sum of approximately R17 million, shall be paid by the Company.

The table below sets out the total estimated expenses of the private placing and the listing (including the issue expenses):

| <b>Details</b>  | <b>Payable to</b>           | <b>(R'000)</b> |
|---|-----------------------------|----------------|
| Investment banking and sponsor fees                       | Investec                    | 2 500          |
| Capital raising fee <sup>(1)</sup>                        | Investec                    | 11 939         |
| Legal fees  | Werksmans Inc.              | 250            |
| Accounting and auditing fees –                            | PricewaterhouseCoopers Inc. | 600            |
| –   | Malan Du Preez Inc.         | 1 000          |
| Share creation duty                                       | –                           | –              |
| JSE documentation   | JSE                         | 64             |
| JSE listing fee   | JSE                         | 264            |
| Printing, publication, distribution and advertising costs | Various                     | 420            |
| Transfer secretaries                                      | Various                     | 20             |
| <b>Total expenses and fees</b>                            |                             | <b>17 057</b>  |

<sup>(1)</sup> The capital raising fee charged by Investec will be 1.5% of the total capital raised on the placing. Investec could also earn commission on the further allotment of shares as described in paragraph 55 on page 44. The capital raising fee shown above assumes 100% of the Shares as contemplated in the Offer have been placed (being 55 852 730 shares in Raubex) at an Offer Price at the mid-point of the Offer Price Range.

## **70. COMMISSIONS PAID OR PAYABLE IN RESPECT OF UNDERWRITING**

Save for the fees as disclosed in this Pre-listing statement, none of the advisers have any equity interest in Raubex.

## **71. CONSENTS**

The attorneys, each of the independent reporting accountants, the Bookrunner (in its capacity as bookrunner, financial adviser and sponsor), the transfer secretaries and the commercial banker named in this Pre-listing statement have consented in writing to act in the capacities stated, and to their names being stated in this Pre-listing statement and none of these consents have been withdrawn prior to the publication of this Pre-listing statement.

## **72. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at Raubex's registered office and the Sponsor's office set out in the "Corporate information" section during normal business hours (Saturdays, Sundays and official South African public holidays excepted) from the date of issue of this Pre-listing statement until the Closing Date:

- the memoranda and articles of association of Raubex and its main operating subsidiaries;
- the independent reporting accounts reports, dated 22 February 2007, which are included as Annexures 2, 4, 6, 7, 8, 10 and 12 to this Pre-listing statement;
- written consents of the attorneys, each of the independent reporting accountants, the Bookrunner (in its capacity as bookrunner, financial adviser and sponsor), the transfer secretaries and the commercial banker named in this Pre-listing statement to act in those capacities;
- the consolidated audited annual financial statements of Raubex and its subsidiaries for the three financial years ended 28 February 2006;
- copies of the material contracts referred to in "Additional Information – Material Contracts";
- the service agreements referred to in Annexure 13 to this Pre-listing statement; and
- a signed copy of this Pre-listing statement.

**SIGNED AT PRETORIA ON 2 MARCH 2007 BY OR ON BEHALF OF THE DIRECTORS OF RAUBEX GROUP LIMITED.**

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## THREE-YEAR HISTORICAL FINANCIAL INFORMATION OF RAUBEX OPCO AND ITS SUBSIDIARIES

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### 1. INTRODUCTION

The board of Directors of Raubex has resolved to apply for a listing on the Main Board of the JSE. In compliance with the Listings Requirements, the consolidated financial information of Raubex Opco is presented below. This historical financial information is the responsibility of the Directors of Raubex.

### 2. BASIS OF PREPARATION

The financial information included in this annexure has been extracted from the audited financial statements of Raubex Opco for the periods presented. The financial statements for the periods presented have been audited by Malan Du Preez Inc. and an unqualified audit opinion was issued for all years presented.

### 3. COMMENTARY

The commentary below includes a discussion of the business of Raubex Opco and its Subsidiaries (Raubex's sole operations) for the financial reporting period 29 February 2004 to 28 February 2006.

2004 and 2005 were years of restructuring and consolidation for Raubex Opco; years in which the focus changed from targeting contracts which benefited its revenue, but failed to flow through to the bottom line. Raubex's focus became more targeted at contracts which assisted profitability and, as a result, they were able to achieve better profitability from reduced turnover. The increase in Government spend in roads had not started to show benefit by February 2006 and Raubex were in the process of completing longer less profitable contracts taken on during the "lean" construction years in South Africa, in the early 2000s.

Net finance costs decreased during the periods presented as a consequence of a better cash position benefiting the Group, where cash and cash equivalents increased from R17 088 349 in 2004 to R61 077 745 in 2006 as well as the bank overdraft declined from R11 213 068 in 2004 to R1 277 908 in 2006. Raubex was in a position where their long-term liabilities were a result of finance leases over assets acquired by the Group.

Debtors increased for the period presented from R74 536 850 in 2004 to R197 486 006, as a result of long-term contracts which were terminating at this time. The increase in debtors was matched by an increase in trade and other payables which had increased from R66 975 544 in 2004 to R163 218 759 in 2006. The increase in both sides of the working capital cycle did not have a negative effective on the cash flow requirements of the Group during the period, which continued to be funded internally by the Group.

## CONSOLIDATED BALANCE SHEETS

|   | Notes | 2006<br>R          | 2005<br>R          | 2004<br>R          |
|---|-------|--------------------|--------------------|--------------------|
| <b>ASSETS</b>                                   |       |                    |                    |                    |
| <b>Non-current assets</b>                       |       |                    |                    |                    |
| Fixed assets                                    | 2     | 122 765 597        | 102 309 099        | 100 251 285        |
| Goodwill  | 3     | 6 942 763          | 1 975 588          | 2 089 640          |
| Investments in associates                       | 4     | 8 166 054          | 5 117 205          | 3 654 902          |
| Loans to Group companies                        | 5     | 6 175 607          | 6 494 601          | 4 542 382          |
| Other financial assets                          | 6     | 613 217            | 2 272 625          | 3 505 138          |
|   |       | <b>144 663 238</b> | <b>118 169 118</b> | <b>114 043 347</b> |
| <b>Current assets</b>                           |       |                    |                    |                    |
| Inventories                                     | 8     | 11 548 511         | 9 418 021          | 13 958 697         |
| Current tax receivable                          |       | 8 441 771          | 4 005 087          | 835 990            |
| Construction contracts and receivables          | 9     | 25 244 500         | 15 703 673         | 25 940 408         |
| Trade and other receivables                     | 10    | 197 486 006        | 111 706 230        | 74 536 850         |
| Cash and cash equivalents                       | 11    | 61 077 745         | 57 177 829         | 17 088 349         |
|   |       | <b>303 798 533</b> | <b>198 010 840</b> | <b>132 360 294</b> |
| <b>Total assets</b>                             |       | <b>448 461 771</b> | <b>316 179 958</b> | <b>246 403 641</b> |
| <b>EQUITY AND LIABILITIES</b>                   |       |                    |                    |                    |
| <b>Equity</b>                                   |       |                    |                    |                    |
| Share capital                                   | 12    | 300                | 300                | 300                |
| Reserves  |       | 1 261 664          | 1 533 004          | 1 950 497          |
| Retained income                                 |       | 102 152 006        | 89 390 857         | 55 319 461         |
| Equity attributable to equity holders of parent |       | 103 413 970        | 90 924 161         | 57 270 258         |
| Minority interest                               |       | 49 845 026         | 34 897 380         | 21 885 121         |
| <b>Total equity</b>                             |       | <b>153 258 996</b> | <b>125 821 541</b> | <b>79 155 379</b>  |
| <b>Liabilities</b>                              |       |                    |                    |                    |
| <b>Non-current liabilities</b>                  |       |                    |                    |                    |
| Loans from Group companies                      | 5     | 32 767 920         | 12 263 307         | 14 062 078         |
| Long-term liabilities                           | 13    | 49 208 954         | 45 950 516         | 33 096 250         |
| Deferred tax                                    | 7     | 11 867 807         | 12 101 104         | 12 029 428         |
|   |       | <b>93 844 681</b>  | <b>70 314 927</b>  | <b>59 187 756</b>  |
| <b>Current liabilities</b>                      |       |                    |                    |                    |
| Long-term liabilities                           | 13    | 29 684 764         | 17 731 746         | 17 213 269         |
| Current tax payable                             |       | 7 176 664          | 11 901 377         | 12 658 625         |
| Trade and other payables                        | 14    | 163 218 759        | 87 524 608         | 66 975 544         |
| Bank overdraft                                  | 11    | 1 277 908          | 2 885 756          | 11 213 068         |
|   |       | <b>201 358 095</b> | <b>120 043 487</b> | <b>108 060 506</b> |
| <b>Total liabilities</b>                        |       | <b>295 202 776</b> | <b>190 358 414</b> | <b>167 248 262</b> |
| <b>Total equity and liabilities</b>             |       | <b>448 461 772</b> | <b>316 179 955</b> | <b>246 403 641</b> |

## CONSOLIDATED INCOME STATEMENTS

|                               | Notes | 2006<br>R         | 2005<br>R         | 2004<br>R         |
|-------------------------------|-------|-------------------|-------------------|-------------------|
| Revenue                       |       | 633 706 351       | 608 532 216       | 710 105 634       |
| Other income                  |       | 15 482 057        | 13 771 366        | 8 411 246         |
| Operating expenses            |       | (576 381 185)     | (542 001 402)     | (651 808 830)     |
| <b>Operating profit</b>       | 15    | <b>72 807 223</b> | <b>80 302 180</b> | <b>66 708 050</b> |
| Investment revenue            |       | 7 964 379         | 1 200 658         | 4 367 291         |
| Losses on joint ventures      |       | (1 544 964)       | (25 410)          | –                 |
| Income from associates        |       | 8 228 315         | 2 569 539         | 1 021 544         |
| Finance costs                 | 16    | (3 230 306)       | (5 777 847)       | (10 483 309)      |
| <b>Profit before taxation</b> |       | <b>84 224 647</b> | <b>78 269 120</b> | <b>61 613 576</b> |
| Taxation                      | 17    | (21 059 183)      | (25 973 328)      | (21 387 763)      |
| <b>Profit for period</b>      |       | <b>63 165 464</b> | <b>52 295 792</b> | <b>40 225 813</b> |
| <b>Attributable to:</b>       |       |                   |                   |                   |
| Equity holders of parent      |       | 39 258 724        | 38 777 771        | 29 547 333        |
| Minority interest             |       | 23 906 740        | 13 518 021        | 10 678 480        |

## CONSOLIDATED CHANGES IN EQUITY

|   | Share capital<br>R | Non-<br>distributable<br>reserves<br>R | Retained<br>income<br>R | Total<br>attributable<br>to equity<br>holders of<br>the Group/<br>Company<br>R | Minority<br>interest<br>R | Total equity<br>R  |
|---|--------------------|--|-------------------------|--|---------------------------|--------------------|
| <b>Balance at 1 March 2003</b>                      | <b>300</b>         | <b>1 950 497</b>                       | <b>37 421 448</b>       | <b>39 372 245</b>  | <b>11 206 632</b>         | <b>79 155 379</b>  |
| Changes   |                    |  |                         |  |                           |                    |
| Profit for year                                     |                    |  | 29 547 333              | 29 547 333   | 10 678 480                | 40 225 813         |
| Amortisation of goodwill                            |                    |  | (149 320)               | (149 320)  |                           | (149 320)          |
| Dividends   |                    |  | (11 500 000)            | (11 500 000)   |                           | (4 706 375)        |
| Total changes                                       | –                  | –                                      | 17 898 013              | 17 898 013   | 10 678 489                | 46 666 162         |
| <b>Balance at 1 March 2004</b>                      | <b>300</b>         | <b>1 950 497</b>                       | <b>55 319 461</b>       | <b>57 270 258</b>  | <b>21 885 121</b>         | <b>79 155 379</b>  |
| Changes   |                    |  |                         |  |                           |                    |
| Profit for year                                     |                    |  | 38 777 771              | 38 777 771   | 13 518 021                | 52 295 792         |
| Realisation of subsidiary                           |                    | (417 493)                              |                         | (417 493)  |                           | (417 493)          |
| Dividends   |                    |  | (4 706 375)             | (4 706 375)  |                           | (4 706 375)        |
| Minority interest on acquisition of subsidiaries    |                    |  |                         |  | (505 762)                 | (505 762)          |
| Total changes                                       | –                  | (417 493)                              | 34 071 396              | 33 653 903   | 13 012 259                | 46 666 162         |
| <b>Balance at 1 March 2005</b>                      | <b>300</b>         | <b>1 533 004</b>                       | <b>89 390 857</b>       | <b>90 924 161</b>  | <b>34 897 380</b>         | <b>125 821 541</b> |
| Changes   |                    |  |                         |  |                           |                    |
| Profit for year                                     |                    |  | 39 258 724              | 39 258 724   | 23 906 740                | 63 165 464         |
| Previous year profit on fixed property written back |                    | (95 000)                               |                         | (95 000)   |                           | (95 000)           |
| Goodwill of subsidiary written back                 |                    | (176 340)                              |                         | (176 340)  |                           | (176 340)          |
| Dividends   |                    |  | (26 497 575)            | (26 497 575)   | (12 740 550)              | (39 238 125)       |
| Minority interest on acquisition of subsidiaries    |                    |  |                         |  | 3 781 456                 | 3 781 456          |
| Total changes                                       | –                  | (271 340)                              | 12 761 149              | 12 489 809   | 14 947 646                | 27 437 455         |
| <b>Balance at 28 February 2006</b>                  | <b>300</b>         | <b>1 261 664</b>                       | <b>102 152 006</b>      | <b>103 413 970</b>   | <b>49 845 026</b>         | <b>153 258 996</b> |



## CONSOLIDATED CASH FLOW STATEMENTS

|   | Notes | 2006<br>R           | 2005<br>R           | 2004<br>R           |
|---|-------|---------------------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>         |       |                     |                     |                     |
| Cash generated from operations                      | 18    | 81 815 652          | 99 996 783          | 43 402 239          |
| Interest income                                     |       | 3 401 610           | 1 200 658           | 4 367 291           |
| Dividends received                                  |       | 4 562 769           | –                   | –                   |
| Finance costs                                       |       | (3 230 306)         | (5 777 847)         | (10 483 309)        |
| Tax paid  | 19    | (31 050 499)        | (28 305 924)        | (20 168 040)        |
| Foreign exchange differences                        |       | 26 518              | 155 425             | –                   |
| <b>Net cash from operating activities</b>           |       | <b>55 525 744</b>   | <b>67 269 095</b>   | <b>17 118 181</b>   |
| <b>Cash flows from investing activities</b>         |       |                     |                     |                     |
| Purchase of property, plant and equipment           | 2     | (62 813 088)        | (49 150 955)        | (49 116 272)        |
| Sale of property plant and equipment                | 2     | 18 105 171          | 24 712 365          | 14 972 796          |
| Proceeds from loans from Group companies            |       | 20 823 607          | (82 573)            | (2 120 527)         |
| Proceeds from sale of goodwill                      |       | –                   | –                   | 114 000             |
| Sale of financial assets                            |       | 1 659 408           | –                   | –                   |
| Investments in associate companies                  |       | (3 082 312)         | 319 841             | (2 688 006)         |
| Acquisition of subsidiaries                         |       | (589 099)           | –                   | –                   |
| <b>Net cash from investing activities</b>           |       | <b>(25 896 313)</b> | <b>(24 201 322)</b> | <b>(38 838 009)</b> |
| <b>Cash flows from financing activities</b>         |       |                     |                     |                     |
| Repayment of borrowings                             |       | 15 211 456          | 10 055 392          | 2 877 639           |
| Dividends paid                                      | 20    | (39 238 125)        | (4 706 375)         | (11 500 000)        |
| Previous year profit on fixed property written back |       | (95 000)            | –                   | –                   |
| <b>Net cash from financing activities</b>           |       | <b>(24 121 669)</b> | <b>5 349 017</b>    | <b>(8 622 361)</b>  |
| <b>Total cash movement for period</b>               |       | <b>5 507 762</b>    | <b>48 416 790</b>   | <b>(30 342 189)</b> |
| Cash at the beginning of period                     |       | 54 292 073          | 5 875 281           | 36 217 470          |
| <b>Total cash at end of period</b>                  | 11    | <b>59 799 835</b>   | <b>54 292 071</b>   | <b>5 875 281</b>    |

## ACCOUNTING POLICIES

### I. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the Companies Act. The annual financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous year.

#### I.1 Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Allowance for doubtful debts.

Based on past experiences of little prospect of collecting debtors over the age of 120 days, allowance is made for such debtors if considered doubtful by the Directors and/or Management. Accounts are written off when they are delinquent.

#### I.2 Fixed assets

The cost of an item of fixed assets is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company and its subsidiaries;
- and the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of fixed assets and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of fixed assets, the carrying amount of the replaced part is derecognised.

Fixed assets are carried at cost less accumulated depreciation and any impairment losses.

Land and buildings are owner occupied and stated at its recoverable amount.

Depreciation is provided on all fixed assets, to write down the cost, less residual value, by equal instalments over their useful lives, as follows:

| Item                | Useful life |
|---------------------|-------------|
| Plant and machinery | 4 – 6 years |
| Motor vehicles      | 4 – 5 years |
| Office equipment    | 10 years    |
| Computer equipment  | 3 years     |

The depreciation charge for each period is recognised in profit or loss.

#### I.3 Goodwill

Goodwill is initially measured at cost, being the excess of the business combination over the Company and its Subsidiaries' interests of the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill, acquired in a business combination, is carried at cost less any accumulated impairment.

The excess of the Company and its Subsidiaries' interests in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination are recognised as a non-distributable reserve.

On acquisition, the Group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value. The excess of the net value above the cost price of the share investments in the subsidiaries is recognised as a non-distributable reserve. The excess of the cost of the share investments in subsidiaries above the net asset value is recognised as goodwill.

## **Company annual financial statements**

In the Company's separate annual financial statements, 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.

### **1.4 Investments in associates**

#### ***Group annual financial statements***

An investment in an associate is accounted for using the equity method, except when the asset is classified as held-for-sale. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profits or losses of the investee after acquisition date. The use of the equity method is discontinued from the date the Company ceases to have significant influence over an associate.

Any impairment losses are deducted from the carrying amount of the investment in associate.

Distributions received from the associate reduce the carrying amount of the investment. Profits and losses resulting from transactions with associates are recognised only to the extent of unrelated investors' interests in the associate.

The excess of the Company's interests of the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over the cost is accounted for as goodwill and is included in the carrying amount of the associate. The excess of the Company's share of the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over the cost is excluded from the carrying amount of the investment and is instead included as income in the period in which the investment is acquired.

#### ***Company annual financial statements***

The Company's investment in its associate is accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture of the Company.

Interests in associates are accounted for using the equity method, less impairment losses.

Under the equity method of accounting the Company's share of the associate's profit or loss for the year is recognised in the income statement. The Company's interest in the associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate.

### **1.5 Financial instruments**

#### ***Initial recognition***

The Company and its subsidiaries classify financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

#### ***Accounting policies***

Financial assets and financial liabilities are recognised on the Company and its Subsidiaries' balance sheet when the Company and its Subsidiaries becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified as at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting.

### **Subsequent measurement**

After initial recognition financial assets are measured as follows:

- loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost; and
- other financial assets at fair values, without any deduction for transaction costs which may incur on sale or other disposal.

After initial recognition financial liabilities are measured as follows:

- financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value; and
- other financial liabilities are measured at amortised cost using the effective interest method.

### **1.6 Loans to/(from) Group companies**

These include loans to holding companies, fellow Subsidiaries, Subsidiaries, joint ventures and associates.

These financial instruments are classified as held to maturity and are carried at amortised cost.

### **1.7 Tax**

#### **Current tax assets and liabilities**

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

#### **Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

#### **Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period.

### **1.8 Inventories**

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business and the estimated costs necessary to make the sale.

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

The cost of inventories of items that are not ordinarily inter-changeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

### **1.9 Construction contracts and receivables**

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by surveys of work done.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

#### **1.10 Trade and other receivables**

Trade and other receivables originated by the enterprises are treated as loans and receivables and are carried at amortised cost.

#### **1.11 Impairment of assets**

The Company and its Subsidiaries assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company and its Subsidiaries estimate the recoverable amount of the asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

#### **1.12 Provisions and contingencies**

Provisions are recognised when:

- the Company and its Subsidiaries have a present 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.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Contingent assets and contingent liabilities are not recognised but are disclosed in the notes to the financial statements if material.

#### **1.13 Revenue**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company and its Subsidiaries;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at balance sheet date.

Stage of completion is determined by surveys of work performed.

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

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

Dividends are recognised, in profit or loss, when the Company and its Subsidiaries' right to receive payment have been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. FIXED ASSETS

|                     | 2006               |                                  |                        | 2005               |                                  |                        |
|---------------------|--------------------|----------------------------------|------------------------|--------------------|----------------------------------|------------------------|
|                     | Cost<br>R          | Accumulated<br>depreciation<br>R | Carrying<br>value<br>R | Cost<br>R          | Accumulated<br>depreciation<br>R | Carrying<br>value<br>R |
| Land and buildings  | 8 896 377          | –                                | 8 896 377              | 6 931 677          | –                                | 6 931 677              |
| Plant and machinery | 189 570 001        | (88 200 861)                     | 101 369 140            | 152 701 238        | (68 871 646)                     | 83 829 592             |
| Motor vehicles      | 22 844 759         | (11 448 303)                     | 11 396 456             | 20 148 883         | (9 209 573)                      | 10 939 310             |
| Office equipment    | 1 216 506          | (763 742)                        | 452 764                | 883 743            | (565 451)                        | 318 292                |
| Computer equipment  | 1 403 641          | (752 781)                        | 650 860                | 781 017            | (490 789)                        | 290 228                |
|                     | <b>223 931 284</b> | <b>(101 165 687)</b>             | <b>122 765 597</b>     | <b>181 446 558</b> | <b>(79 137 459)</b>              | <b>102 309 099</b>     |

#### Reconciliation of fixed assets – 2006

|                     | Opening<br>balance<br>R | Additions<br>R    | Acquisitions<br>R | Disposals<br>R      | Depreciation<br>R   | Total<br>R         |
|---------------------|-------------------------|-------------------|-------------------|---------------------|---------------------|--------------------|
| Land and buildings  | 6 931 677               | 2 197 859         | –                 | (233 159)           | –                   | 8 896 377          |
| Plant and machinery | 83 829 592              | 51 819 056        | 1 551 814         | (9 996 453)         | (25 834 869)        | 101 369 140        |
| Motor vehicles      | 10 939 310              | 5 578 785         | 548 442           | (1 985 636)         | (3 684 445)         | 11 396 456         |
| Office equipment    | 318 292                 | 293 362           | 12 497            | (7 470)             | (163 917)           | 452 764            |
| Computer equipment  | 290 228                 | 543 357           | 267 916           | (11 449)            | (439 192)           | 650 860            |
|                     | <b>102 309 099</b>      | <b>60 432 419</b> | <b>2 380 669</b>  | <b>(12 234 167)</b> | <b>(30 122 423)</b> | <b>122 765 597</b> |

#### Reconciliation of fixed assets – 2005

|                     | Opening<br>balance<br>R | Additions<br>R    | Disposals<br>R      | Depreciation<br>subsidiaries<br>R | Total<br>R         |
|---------------------|-------------------------|-------------------|---------------------|-----------------------------------|--------------------|
| Land and buildings  | 4 613 872               | 2 995 877         | (678 072)           | 6 931 677                         | 8 896 377          |
| Plant and machinery | 80 172 890              | 41 209 423        | (15 192 904)        | (22 359 817)                      | 83 829 592         |
| Motor vehicles      | 11 098 404              | 4 697 354         | (1 460 415)         | (3 396 033)                       | 10 939 310         |
| Office equipment    | 285 112                 | 203 634           | –                   | (129 239)                         | 318 292            |
| Computer equipment  | 359 630                 | 44 667            | (1)                 | (155 283)                         | 290 228            |
|                     | <b>96 529 908</b>       | <b>49 150 955</b> | <b>(17 331 392)</b> | <b>(26 040 372)</b>               | <b>102 309 099</b> |

#### Pledged as security

Certain movable assets with a book value of R79 798 327 (2005: R67 960 856) and fixed assets with a book value of R5 222 524 (2005: R2 555 546) are pledged as security as stated in Note 13.

A general notarial bond of R60 000 000 is registered over machinery and vehicles in favour of Nedcor Bank Limited as security for overdraft and asset finance facilities granted to the Company, its holding company and Subsidiaries. Amount outstanding at year-end was R76 173 993 (2005: R38 720 669).

#### Directors' valuation

The Directors' valuation of the land and buildings at year-end amounted to R14 961 950 (2005: R10 206 158).

The valuation was based on open market value.

A register containing the information required by paragraph 22(3) of Schedule 4 to the Companies Act is available for inspection at the registered office of the Company.

### 3. GOODWILL

|          | 2006                      |                           |                               | 2005               |                  |               |
|----------|---------------------------|---------------------------|-------------------------------|--------------------|------------------|---------------|
|          | Cost<br>amortisation<br>R | Accumulated<br>value<br>R | Carrying<br>amortisation<br>R | Cost<br>value<br>R | Accumulated<br>R | Carrying<br>R |
| Goodwill | 6 942 763                 | –                         | 6 942 763                     | 1 975 588          | –                | 1 975 588     |

#### Reconciliation of goodwill – 2006

|          | Opening<br>balance<br>R | Acquisition of<br>subsidiaries<br>R | Total<br>R |
|----------|-------------------------|-------------------------------------|------------|
| Goodwill | 1 975 588               | 4 967 175                           | 6 942 763  |

#### Reconciliation of goodwill – 2005

|          | Opening<br>balance<br>R | Acquisition of<br>subsidiaries<br>R | Total<br>R |
|----------|-------------------------|-------------------------------------|------------|
| Goodwill | 440 850                 | 1 534 738                           | 1 975 588  |

### 4. INVESTMENTS IN ASSOCIATES

| Name of company                                  | Percentage<br>holding<br>2006 | Percentage<br>holding<br>2005 | Percentage<br>holding<br>2004 | Carrying<br>amount<br>2006<br>R | Carrying<br>amount<br>2005<br>R | Carrying<br>amount<br>2004<br>R |
|--|-------------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Muscle Construction (Proprietary) Limited        | 48                            | 48                            | 48                            | 483 352                         | –                               | 480 689                         |
| Centremark Roadmarking (Proprietary) Limited     | 60                            | 30                            | 30                            | –                               | 376 143                         | 554 578                         |
| Canyon Rock (Proprietary) Limited                | 45                            | 45                            | 45                            | 5 271 215                       | 1 579 179                       | 929 118                         |
| Roadmac Cape (Proprietary) Limited               | 40                            | 34                            | 34                            | 669 928                         | 374 710                         | –                               |
| Interactive Trading 150 (Proprietary) Limited    | 30                            | 30                            | 30                            | 30                              | 30                              | 30                              |
| Fixtrade Surfacing (Proprietary) Limited         | 20                            | 20                            | 20                            | 20                              | 20                              | –                               |
| Phambili Road Surfaces (Proprietary) Limited     | 74                            | 37                            | 37                            | –                               | 2 787 123                       | 1 690 487                       |
| Raubex Construction Zambia (Proprietary) Limited | 49                            | –                             | –                             | 1 741 509                       | –                               | –                               |
|  |                               |                               |                               | <b>8 166 054</b>                | <b>5 117 205</b>                | <b>3 654 902</b>                |

The carrying amounts of associates are shown using the equity method.

|  | <b>2006<br/>R</b>   | <b>2005<br/>R</b> | <b>2004<br/>R</b> |
|--|---------------------|-------------------|-------------------|
| <b>5. LOANS TO/(FROM) GROUP COMPANIES</b>  |                     |                   |                   |
| <b>Joint ventures</b>  |                     |                   |                   |
| Super Civil Construction/Muscle – Joint Venture<br>The loan is interest free and has no fixed terms of repayment.  | (1 090)             | (1 090)           | 4 016             |
| Raubex/BTS – Joint Venture<br>The loan is interest free and has no fixed terms of repayment.                       | –                   | 1 000             | –                 |
| Raubex/HIR Namibia roads – Joint Venture<br>The loan is interest free and has no fixed terms of repayment.         | (12 270 022)        | (1 250 000)       | –                 |
| Hex River – Joint Venture<br>The loan is interest free and has no fixed terms of repayment.                        | (13 519)            | –                 | –                 |
| Muscle/Roadmac – Joint Venture<br>The loan is interest free and has no fixed terms of repayment.                   | 2 264               | 1 132             | 5 186             |
| Kentha/Raumix – Joint Venture<br>The loan is interest free and has no fixed terms of repayment.                    | 23 324              | 227 701           | –                 |
| Multistone/Magtrans – Joint Venture<br>The loan is interest free and has no fixed terms of repayment.              | 64 573              | –                 | –                 |
| Haulking/JD Charles Construction – Joint Venture<br>The loan is interest free and has no fixed terms of repayment. | –                   | 10 386            | –                 |
| Raubex/Qetsimani – Joint Venture<br>The loan is interest free and has no fixed terms of repayment.                 | (1 084)             | (542)             | 250               |
| Raubex/BJM – Joint Venture<br>The loan is interest free and has no fixed terms of repayment.                       | 39 276              | 16 583            | 1 14 796          |
| Lacrete Construction/Muscle – Joint Venture<br>The loan is interest free and has no fixed terms of repayment.      | 48 500              | 22 311            | –                 |
| Raubex/Muscle – Joint Venture<br>The loan is interest free and has no fixed terms of repayment.                    | 5 500               | 3 496             | 3 503             |
| HIR – Joint Venture<br>The loan is interest free and has no fixed terms of repayment.                              | –                   | –                 | 500 000           |
|  | <b>(12 102 278)</b> | <b>(969 023)</b>  | <b>627 751</b>    |



|   | <b>2006<br/>R</b> | <b>2005<br/>R</b> | <b>2004<br/>R</b> |
|---|-------------------|-------------------|-------------------|
| <b>Associates</b>   |                   |                   |                   |
| Muscle Construction (Proprietary) Limited<br>The loan bears interest at prime and has no fixed terms of repayment (2005: 10.5% – 11.0%).        | 3 704 409         | 4 088 530         | 2 607 659         |
| Centremark Roadmarking (Proprietary) Limited<br>The loan is interest free and has no fixed terms of repayment (2005: Nil).                      | –                 | 649 966           | 649 966           |
| Canyon Rock (Proprietary) Limited<br>The loan is interest free and has no fixed terms of repayment (2005: Nil).                                 | (225 000)         | 1 400 000         | 600 000           |
| Roadmac Cape (Proprietary) Limited<br>The loan bears interest at 3.5% per annum and has no fixed terms of repayment (2005: Nil).                | 1 659 192         | (1 050 868)       | –                 |
| Interactive Trading (Proprietary) Limited<br>The loan bears interest at 8.5% per annum and has no fixed terms of repayment (2005: Nil).         | 48 569            | 37 889            | 31 379            |
| Fixtrade Surfacing (Proprietary) Limited<br>The loan bears interest at 8.5% per annum and has no fixed terms of repayment (2005: Nil).          | 580 000           | 10 681            | 701               |
| Phambili Road Surfaces (Proprietary) Limited<br>The loan is interest free and has no fixed terms of repayment (2005: Nil).                      | –                 | 24 926            | 24 926            |
| Raubex Construction Zambia (Proprietary) Limited<br>The loan bears interest at 8.5% per annum and has no fixed terms of repayment (2005: 3.5%). | (2 598 166)       | (68 602)          | –                 |
|   | 3 169 004         | 5 092 522         | 3 914 631         |
| <b>Holding company</b>  |                   |                   |                   |
| Raubenbel (Proprietary) Limited<br>The loan bears interest at 8.5% (2005: 10.0%) per annum and has no fixed terms of repayment.                 | (17 659 039)      | (9 892 205)       | (14 062 078)      |
| Non-current assets  | 6 175 607         | 6 494 601         | 4 542 382         |
| Non-current liabilities   | (32 767 920)      | (12 263 307)      | (14 062 078)      |
|   | (26 592 313)      | (5 768 706)       | (9 519 696)       |

|  | <b>2006<br/>R</b> | <b>2005<br/>R</b> | <b>2004<br/>R</b> |
|--|-------------------|-------------------|-------------------|
| <b>6. OTHER FINANCIAL ASSETS</b>   |                   |                   |                   |
| <b>Loans and receivables</b>   |                   |                   |                   |
| D C Sowden<br>The loan bears no interest and not repayable within the next 12 months (2005: Nil).                            | 20 000            | –                 | –                 |
| Raubex Botswana (Proprietary) Limited<br>The loan bears no interest and has no fixed terms for repayment (2005: Nil).        | 328 381           | 989 539           | 981 321           |
| D M le Cordeur<br>The loan is interest free and has no fixed terms for repayment (2005: Nil).                                | 264 836           | 846 086           | –                 |
| JD Charles Construction (Proprietary) Limited<br>The loan is interest free and has no fixed terms for repayment (2005: Nil). | –                 | 437 000           | –                 |
| Haw & Inglis (Proprietary) Limited<br>The loan is interest free and has no fixed terms for repayment (2005: Nil).            | –                 | 437 000           | 2 500 000         |
| DLC Construction (Proprietary) Limited<br>The loan is interest free and has no fixed terms for repayment (2005: Nil).        | –                 | –                 | 23 817            |
| Non-current assets   | 613 217           | 2 272 625         | 3 505 138         |
| Loans and receivables  | 613 217           | 2 272 625         | 3 505 138         |

## **7. DEFERRED TAX**

### **Deferred tax asset/(liability)**

|   |              |              |              |
|---|--------------|--------------|--------------|
| Accelerated capital allowances for tax purposes | (12 638 705) | (8 768 246)  | (9 987 878)  |
| Provision for accrued expenses                  | 1 026 508    | 425 990      | 218 900      |
| Construction contracts                          | (5 356 913)  | (3 720 804)  | (2 260 450)  |
| Tax loss available for future tax income        | 4 660 323    | (38 044)     | –            |
| Provision for bad debts                         | 71 230       | –            | –            |
| Other deferred tax                              | 369 750      | –            | –            |
|   | (11 867 807) | (12 101 104) | (12 029 428) |

The information for 2004 is not available.

## **8. INVENTORIES**

|               |            |           |            |
|---------------|------------|-----------|------------|
| Crusher stone | 2 054 171  | 1 306 053 | 662 535    |
| Consumables   | 9 494 340  | 8 111 968 | 13 296 162 |
|               | 11 548 511 | 9 418 021 | 13 958 697 |

## **9. CONSTRUCTION CONTRACTS AND RECEIVABLES**

Construction contracts and receivables comprise retention debtors and advances received in excess of work completed.

|  | <b>2006<br/>R</b>  | <b>2005<br/>R</b>  | <b>2004<br/>R</b> |
|--|--------------------|--------------------|-------------------|
| <b>10. TRADE AND OTHER RECEIVABLES</b>       |                    |                    |                   |
| Trade receivables                            | 179 815 324        | 111 549 311        | 74 446 246        |
| Trade and other receivables – Joint Ventures | 17 670 682         | 156 919            | 90 604            |
|  | <b>197 486 006</b> | <b>111 706 230</b> | <b>74 536 850</b> |

**Trade and other receivables pledged as security**

Trade and other receivables of R18 339 759 (2005: R12 438 152) were ceded to Nedbank Limited as security for overdraft facilities for the company, its holding company and fellow subsidiaries.

Exposure to Nedbank Limited at year-end amounted to R76 173 993 (2005: R38 721 669).

**11. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of:

|  |                   |                   |                  |
|--|-------------------|-------------------|------------------|
| Cash on hand                               | 640 860           | 667 433           | 514 200          |
| Bank balances                              | 60 028 014        | 56 414 831        | 16 533 229       |
| Cash and cash equivalents – Joint Ventures | 408 871           | 95 565            | 40 920           |
| Bank overdraft                             | (1 277 908)       | (2 885 756)       | (11 213 068)     |
|  | <b>59 799 837</b> | <b>54 292 073</b> | <b>5 875 281</b> |
| Current assets                             | 61 077 745        | 57 177 829        | 17 088 349       |
| Current liabilities                        | (1 277 908)       | (2 885 756)       | (11 213 068)     |
|  | <b>59 799 837</b> | <b>54 292 073</b> | <b>5 875 281</b> |

**12. SHARE CAPITAL**

**Authorised**

|                                     |       |       |       |
|-------------------------------------|-------|-------|-------|
| 4 000 Ordinary Shares of R1.00 each | 4 000 | 4 000 | 4 000 |
|-------------------------------------|-------|-------|-------|

**Issued**

|                                   |     |     |     |
|-----------------------------------|-----|-----|-----|
| 300 Ordinary Shares of R1.00 each | 300 | 300 | 300 |
|-----------------------------------|-----|-----|-----|

|  | <b>2006<br/>R</b> | <b>2005<br/>R</b> | <b>2004<br/>R</b> |
|--|-------------------|-------------------|-------------------|
| <b>13. LONG-TERM LIABILITIES</b>   |                   |                   |                   |
| Instalment sale agreements<br>The instalment sale agreements are secured by hypothec over certain fixed assets with a book value of R78 272 339 (2005: R65 986 804) repayable in monthly instalments of R3 057 607 (2005: R2 042 290) with an effective interest rate of ranging from 8.5% to 10.86% per annum (2005: 9.0% to 11.36%). | 76 105 159        | 55 359 689        | 42 181 510        |
| S P Mokwena<br>The loan is interest free (2005: Nil) and repayable over the remaining period of eight years.   | 192 000           | 192 000           | –                 |
| Other loans<br>The loans are interest free and have no fixed terms of repayment (2005: Nil).   | 325 936           | 1 821 793         | 1 031 265         |
| Haw & Inglis (Proprietary) Limited<br>The loan is interest free and not repayable in the next 12 months.   | 769 960           | –                 | –                 |
| Roadmac Cape (Proprietary) Limited<br>The loan is interest free and not repayable in the next 12 months.   | 769 960           | –                 | –                 |
| J E Raubenheimer – Director<br>The loan is interest free and has no fixed terms of repayment (2005: Nil).  | 10 944            | 912 470           | 1 142 348         |
| Raubex Construction Lesotho (Proprietary) Limited<br>The loan was interest free and had no fixed terms of repayment (2005: Nil).   | –                 | 4 532 769         | 4 532 769         |
| Mortgage bond – Nedcor Bank Limited<br>The mortgage is secured by first bond over land and buildings (refer to Note 2). The agreement is repayable in monthly instalments of R22 713 (2005: R26 836) at a interest rate of 8.5% per annum (2005: 7.9% to 9.8%)   | 705 177           | 848 959           | 1 421 627         |
|  | 78 893 718        | 63 682 262        | 50 309 519        |
| <b>Non-current liabilities</b>   |                   |                   |                   |
| At amortised cost  | 49 208 954        | 45 950 516        | 33 096 250        |
| <b>Current liabilities</b>   |                   |                   |                   |
| At amortised cost  | 29 684 764        | 17 731 746        | 17 213 269        |
|  | 78 893 718        | 63 682 262        | 50 309 519        |
| <b>14. TRADE AND OTHER PAYABLES</b>  |                   |                   |                   |
| Trade payables   | 159 754 394       | 87 508 150        | 66 946 103        |
| Trade and other payables – Joint Ventures  | 3 464 365         | 16 458            | 29 441            |
|  | 163 218 759       | 87 524 608        | 66 975 544        |

|  | 2006<br>R | 2005<br>R | 2004<br>R |
|--|-----------|-----------|-----------|
|--|-----------|-----------|-----------|

## 15. OPERATING PROFIT

is stated after:

### Operating lease charges

|   |            |            |            |
|---|------------|------------|------------|
| Premises  |            |            |            |
| Contractual amounts                             | 4 624 253  | 2 733 172  | 1 961 200  |
| Profit on sale of property, plant and equipment | 5 871 004  | 7 500 973  | 8 409 254  |
| Profit on sale of associates                    | 142 882    | –          | –          |
| Loss on exchange differences                    | (26 518)   | (155 425)  | (302 965)  |
| Depreciation on property, plant and equipment   | 30 122 424 | 26 073 850 | 23 573 848 |
| Employee costs                                  | 98 448 115 | 81 197 027 | 83 291 220 |
| Profit/(Loss) from joint ventures               | 1 495 502  | (999)      | 18 221     |
| Auditors' remuneration                          | 793 570    | 590 000    | 567 050    |

## 16. FINANCE COSTS

|                          |           |           |            |
|--------------------------|-----------|-----------|------------|
| Group companies          | 7 860     | 104 557   | 8 745      |
| Non-current borrowings   | 2 147 194 | 3 492 725 | 5 809 176  |
| Trade and other payables | 16 373    | 3 440     | 111 600    |
| Bank                     | 302 363   | 2 120 667 | 4 480 555  |
| Receiver of Revenue      | 756 516   | 4 584     | 8 021      |
| Other interest paid      | –         | 51 874    | 65 221     |
|                          | 3 230 306 | 5 777 847 | 10 483 309 |

## 17. TAXATION

Major components of the tax expense/(income):

### Current

|  |            |            |            |
|--|------------|------------|------------|
| Local income tax – current period                              | 18 180 602 | 24 307 903 | 18 487 067 |
| Local income tax – recognised in current tax for prior periods | 402 875    | –          | –          |
| Secondary Tax on Companies                                     | 3 305 625  | 1 593 750  | 1 437 500  |
|  | 21 889 102 | 25 901 653 | 19 924 567 |

### Deferred

|   |            |            |            |
|---|------------|------------|------------|
| Originating and reversing temporary differences | (829 919)  | 71 675     | 1 463 196  |
|   | 21 059 183 | 25 973 328 | 21 387 763 |

The income tax rate of 30% in 2005 was reduced to 29% in 2006.

## 18. CASH GENERATED FROM/(USED IN) OPERATIONS

|  |              |              |              |
|--|--------------|--------------|--------------|
| Profit before taxation                 | 84 224 647   | 78 269 120   | 60 592 032   |
| <i>Adjustments for:</i>                |              |              |              |
| Depreciation and amortisation          | 30 122 424   | 26 073 850   | 23 529 763   |
| Loss on sale of assets                 | (6 013 886)  | (7 500 973)  | (8 409 254)  |
| Dividends received                     | (4 562 769)  | –            | –            |
| Interest received                      | (3 401 610)  | (1 200 658)  | (4 367 291)  |
| Finance costs                          | 3 230 306    | 5 777 847    | 10 483 309   |
| Changes in working capital:            |              |              |              |
| Inventories                            | (2 130 490)  | 4 540 676    | (4 939 846)  |
| Trade and other receivables            | (85 779 776) | (39 746 338) | 28 867 798   |
| Construction contracts and receivables | (9 540 827)  | 11 599 803   | (4 820 808)  |
| Trade and other payables               | 75 694 151   | 22 189 561   | (57 533 464) |
|  | 81 815 652   | 99 996 783   | 43 402 239   |

|   | <b>2006<br/>R</b>   | <b>2005<br/>R</b>   | <b>2004<br/>R</b>   |
|---|---------------------|---------------------|---------------------|
| <b>19. TAX (PAID)/REFUNDED</b>                            |                     |                     |                     |
| Balance at beginning of period                            | (7 896 290)         | (10 300 561)        | (13 503 608)        |
| Current tax for the period recognised in income statement | (21 889 102)        | (25 901 653)        | (18 487 067)        |
| Balance at end of period                                  | (1 265 107)         | 7 896 290           | 11 822 635          |
|   | <b>(31 050 499)</b> | <b>(28 305 924)</b> | <b>(20 168 040)</b> |

## 20. DIVIDENDS PAID

|                            |              |             |              |
|----------------------------|--------------|-------------|--------------|
| Dividends paid during year | (39 238 125) | (4 706 375) | (11 500 000) |
|----------------------------|--------------|-------------|--------------|

## 21. CONTINGENCIES

The Company signed an unlimited guarantee and surety ship in favour of Nedbank Limited as security for the liabilities of overdraft facilities of the Company and its holding company and fellow Subsidiaries. The amount outstanding on 28 February 2006 is R76 173 933 (2005: R38 720 669).

## 22. RELATED PARTIES

### Relationships

|                 |                                      |
|-----------------|--------------------------------------|
| Holding company | Raubenbel (Proprietary) Limited      |
| Joint ventures  | Refer to Note 5                      |
| Associates      | Refer to Note 4                      |
| Directors       | G M Raubenheimer<br>J E Raubenheimer |

### Related party balances

#### Loan accounts – owing (to)/by related parties:

|  |              |             |              |
|--|--------------|-------------|--------------|
| Super Civil Construction/Muscle – Joint Venture  | (1 090)      | (1 090)     | 4 016        |
| G M Raubenheimer – Director                      | (14 582)     | (706 098)   | –            |
| J E Raubenheimer – Director                      | (10 944)     | (912 470)   | (1 142 348)  |
| Raubex/BTS – Joint Venture                       | –            | 1 000       | –            |
| Raubex/HIR Namibia Roads – Joint Venture         | (12 270 022) | (1 250 000) | –            |
| Hex River – Joint Venture                        | (13 519)     | –           | –            |
| Muscle/Roadmac – Joint Venture                   | 2 264        | 1 132       | 5 186        |
| Kentha/Raumix – Joint Venture                    | 23 324       | 227 701     | –            |
| Multistone/Magtrans – Joint Venture              | 64 573       | –           | –            |
| Haulking/JD Charles Construction – Joint Venture | –            | 10 386      | –            |
| Raubex/Qetsimani – Joint Venture                 | (1 084)      | (542)       | 250          |
| Raubex/BJM – Joint Venture                       | 39 276       | 16 583      | 114 796      |
| Lacrete Construction/Muscle – Joint Venture      | 48 500       | 22 311      | –            |
| Raubex/Muscle – Joint Venture                    | 5 500        | 3 496       | 3 503        |
| Muscle Construction (Proprietary) Limited        | 3 704 409    | 4 088 530   | 2 607 659    |
| Centremark Roadmarking (Proprietary) Limited     | –            | 649 966     | 649 966      |
| Canyon Rock (Proprietary) Limited                | (225 000)    | (1 400 000) | 600 000      |
| Roadmac Cape (Proprietary) Limited               | 1 659 192    | (1 050 868) | –            |
| Interactive Trading (Proprietary) Limited        | 48 569       | 37 889      | 31 379       |
| Fixtrade Surfacing (Proprietary) Limited         | 580 000      | 10 681      | 701          |
| Phambili Road Surfaces (Proprietary) Limited     | –            | 24 926      | 24 926       |
| Raubex Construction Zambia (Proprietary) Limited | (2 598 166)  | (68 602)    | –            |
| Raubenbel (Proprietary) Limited                  | (17 659 039) | (9 892 205) | (14 062 078) |
| Haw & Inglis (Proprietary) Limited               | (769 960)    | –           | –            |
| Roadmac Surfacing Cape (Proprietary) Limited     | (769 960)    | –           | –            |
| D C Sowden                                       | 20 000       | –           | –            |
| Raubex Botswana (Proprietary) Limited            | 328 381      | 989 539     | 981 321      |

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**Amounts included in trade receivable/(trade payable) regarding related parties**

|   |           |
|---|-----------|
| Muscle Construction (Proprietary) Limited | 1 660 639 |
| Multistone/Magtrans – Joint Venture       | 64 572    |
| Multistone/Magtrans – Joint Venture       | (1 650)   |
| Hex River – Joint Venture                 | (10 712)  |
| J E Raubenheimer                          | (63 362)  |
| Muscle Construction (Proprietary) Limited | (257 121) |
| Raubex Eiendomme (Proprietary) Limited    | (54 948)  |
| Raubex Eiendomme (Proprietary) Limited    | (25 080)  |
| Raubex/BGM – Joint Venture                | 131 717   |
| EB Cloete – Joint Venture                 | 4 100 552 |
| BBMM/RMS – Joint Venture                  | 4 242 177 |
| Hex River – Joint Venture                 | 1 090 007 |
| Roadmac Cape (Proprietary) Limited        | (51 436)  |

**Related party transactions**

|   |          |
|---|----------|
| Interest paid to/(received from) related parties: |          |
| Hex River – Joint Venture                         | 10 712   |
| Muscle Construction (Proprietary) Limited         | 156 657  |
| Muscle Construction                               | (49 806) |

**Purchases from/(sales to) related parties**

|   |              |
|---|--------------|
| Muscle Construction (Proprietary) Limited     | 11 607 120   |
| Muscle Construction (Proprietary) Limited     | (13 315 626) |
| Roadmac Cape (Proprietary) Limited            | (3 111 234)  |
| Interactive Trading 150 (Proprietary) Limited | (3 674 216)  |

**Sub-contractors' fees paid/(received)**

|                                       |           |
|---------------------------------------|-----------|
| Multistone/Magtrans – Joint Venture   | (148 120) |
| Roadmac Surfacing/BTS – Joint Venture | 497 332   |

**Plant hire paid to/(received from) related parties**

|  |             |
|--|-------------|
| Roadmac Cape (Proprietary) Limited               | (8 370 898) |
| Rent paid/(received)                             |             |
| Raubex Eiendomme (Proprietary) Limited           | 510 970     |
| Administration fees received from related party: |             |
| Hex River – Joint Venture                        | (77 400)    |

No comparatives are shown for certain related party transactions since the information is not available and it is impractical to compile.

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|             |             |             |
|-------------|-------------|-------------|
| <b>2006</b> | <b>2005</b> | <b>2004</b> |
| <b>R</b>    | <b>R</b>    | <b>R</b>    |

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**23. DIRECTOR'S REMUNERATION****23.1 Executive directors' remuneration**

Paid by Company

|                             |           |           |           |
|-----------------------------|-----------|-----------|-----------|
| – For services as Directors | 4 921 881 | 5 510 221 | 4 893 654 |
|-----------------------------|-----------|-----------|-----------|

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## **24. RISK MANAGEMENT**

### **Liquidity risk**

The Company's risk to liquidity is a result of the funds available to cover future commitments. The Company and its Subsidiaries manage liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

### **Interest rate risk**

As part of the Company's interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rate. Full details of interest rates relating to borrowings are detailed in Notes 4, 5, 6 and 13.

### **Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Company and its Subsidiaries only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

The Company is exposed to a number of guarantees for the overdraft facilities of Group companies. Refer to Note 21 for additional details.



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## **INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF RAUBEX OPCO AND ITS SUBSIDIARIES**

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"22 February 2007

The Directors  
Raubex Group Limited  
PO Box 3722  
Bloemfontein  
9300

Dear Sirs

### **REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE HISTORICAL FINANCIAL INFORMATION OF RAUBEX GROUP LIMITED ("Raubex")**

The board of directors of Raubex has resolved to apply for a listing on the Main Board of the JSE Limited ("the proposed listing").

At your request and for the purposes of the Pre-listing statement of Raubex, to be dated on or about 2 March 2007 ("the Pre-listing statement"), we present our report on the historical financial information of Raubex presented in Annexure I to the Pre-listing statement, in compliance with the Listings Requirements of the JSE Limited.

#### **Directors' responsibility for the financial statements**

The company's directors are responsible for the preparation, contents and presentation of the Pre-listing statement and the fair presentation of the Report of Historical Financial Information in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The compilation, contents and presentation of the Pre-listing statement and the Report of Historical Financial Information are the responsibility of the directors of Raubex. Our responsibility is to express an opinion on the financial information presented in the Report of Historical Financial Information, included in the Pre-listing statement.

#### **Reporting accountants' responsibility**

Our responsibility is to express an opinion on the financial information presented in the Report of Historical Financial Information, included in the Pre-listing statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information is free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial information, presents fairly, in all material respects, and for the purposes of the Pre-listing statement, the financial position of Raubex (Proprietary) Limited at 28 February 2006, 28 February 2005 and 29 February 2004, and of its cash flows for the period then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements.

## **Malan Du Preez Inc.**

*Chartered Accountants*

*Registered Accountants and Auditors*

Pretoria"

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## **THE PRELIMINARY 2006 IFRS FINANCIAL INFORMATION OF RAUBEX OPCO AND ITS SUBSIDIARIES**

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### **1. INTRODUCTION**

In compliance with the Listings Requirements of the JSE, the consolidated financial information of Raubex OPCO for the year ended 28 February 2006, prepared under IFRS, is presented below. This historical financial information is the responsibility of the Directors of Raubex.

### **2. BASIS OF PREPARATION**

The financial information included in this annexure has been extracted from the audited IFRS financial statements of Raubex Opco for the period presented. The financial statements for the period presented has been audited by Malan Du Preez Inc. and an unqualified special purposes opinion was issued for the year presented.

## CONSOLIDATED BALANCE SHEETS

|  | Notes | R                  |
|--|-------|--------------------|
| <b>ASSETS</b>  |       |                    |
| <b>Non-current assets</b>                              |       |                    |
| Fixed assets   | 2     | 221 459 999        |
| Goodwill   | 3     | 2 018 829          |
| Investments in associates                              | 4     | 18 196 645         |
|  |       | <b>241 675 473</b> |
| <b>Current assets</b>                                  |       |                    |
| Inventories  | 7     | 11 548 511         |
| Construction contracts in progress                     | 8     | 25 244 500         |
| Trade and other receivables                            | 9     | 196 304 516        |
| Current tax receivable                                 |       | 8 441 771          |
| Cash and cash equivalents                              | 10    | 60 775 698         |
|  |       | <b>302 314 996</b> |
| <b>Total assets</b>                                    |       | <b>543 990 469</b> |
| <b>EQUITY AND LIABILITIES</b>                          |       |                    |
| <b>Equity</b>  |       |                    |
| Share capital  | 11    | 300                |
| Retained income  |       | 155 761 739        |
| <b>Equity attributable to equity holders of parent</b> |       | <b>155 762 039</b> |
| Minority interest                                      |       | 83 771 549         |
| <b>Total equity</b>                                    |       | <b>239 533 588</b> |
| <b>Liabilities</b>                                     |       |                    |
| Non-current liabilities                                |       |                    |
| Loan from holding company                              | 5     | 17 659 039         |
| Borrowings   | 12    | 49 208 954         |
| Deferred tax   | 6     | 22 782 302         |
|  |       | <b>89 650 295</b>  |
| <b>Current liabilities</b>                             |       |                    |
| Short-term portion of borrowings                       | 12    | 29 684 764         |
| Current tax payable                                    |       | 7 176 664          |
| Trade and other payables                               | 13    | 171 226 500        |
| Provisions   | 14    | 3 068 171          |
| Bank overdrafts  | 10    | 3 650 487          |
|  |       | <b>214 806 586</b> |
| <b>Total liabilities</b>                               |       | <b>304 436 881</b> |
| <b>Total equity and liabilities</b>                    |       | <b>543 990 469</b> |

## CONSOLIDATED INCOME STATEMENTS

|  | Notes | R                 |
|--|-------|-------------------|
| Revenue                                  | 15    | 633 253 986       |
| Other income                             |       | 15 482 057        |
| Operating expenses                       |       | (578 054 474)     |
| <b>Operating profit</b>                  | 16    | <b>70 681 569</b> |
| Investment revenue                       | 17    | 8 416 744         |
| Losses on joint ventures                 |       | (1 544 964)       |
| Income from equity accounted investments |       | 9 090 184         |
| Finance costs                            | 18    | (3 230 306)       |
| <b>Profit before taxation</b>            |       | <b>83 413 227</b> |
| Taxation                                 | 19    | (19 011 960)      |
| <b>Profit for year</b>                   |       | <b>64 401 267</b> |
| <b>Attributable to:</b>                  |       |                   |
| Equity holders of parent                 |       | 36 025 834        |
| Minority interest                        |       | 28 375 433        |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Share capital<br>R | Non-<br>distributable<br>reserves<br>R | Retained<br>income<br>R | Total<br>attributable<br>to equity<br>holders<br>of the parent<br>company<br>R | Minority<br>interest<br>R | Total equity<br>R  |
|---|--------------------|--|-------------------------|--|---------------------------|--------------------|
| <b>Balance at 1 March 2005</b>  | <b>300</b>         | <b>1 533 004</b>                       | <b>146 233 480</b>      | <b>147 766 784</b>   | <b>63 679 873</b>         | <b>211 446 657</b> |
| Changes in equity:  |                    |  |                         |  |                           |                    |
| Negative goodwill on acquisition<br>of subsidiaries transferred to goodwill |                    | (1 533 004)                            | –                       | (1 533 004)  | –                         | (1 533 004)        |
| Profit for year   |                    | –                                      | 36 025 834              | 36 025 834   | 28 375 433                | 64 401 267         |
| Minority interest on acquisition of subsidiaries                            |                    | –                                      | –                       | –  | 4 456 793                 | 4 456 793          |
| Dividends   |                    | –                                      | (26 497 575)            | (26 497 575)   | (12 740 550)              | (39 238 125)       |
| Total changes   | –                  | (1 533 004)                            | 9 528 259               | 7 995 255  | 20 091 676                | 28 086 931         |
| <b>Balance at 28 February 2006</b>  | <b>300</b>         | <b>–</b>                               | <b>155 761 739</b>      | <b>155 762 039</b>   | <b>83 771 549</b>         | <b>239 533 588</b> |

## CONSOLIDATED CASH FLOW STATEMENT

|   | Notes | R                   |
|---|-------|---------------------|
| <b>Cash flows from operating activities</b> |       |                     |
| Cash generated from operations              | 21    | 84 642 413          |
| Investment revenue                          |       | 8 416 744           |
| Dividends paid                              | 23    | (39 238 125)        |
| Finance costs                               |       | (3 230 306)         |
| Taxation paid                               | 22    | (31 050 499)        |
| Income from joint ventures and associates   |       | 7 545 220           |
| <b>Net cash from operating activities</b>   |       | <b>27 085 447</b>   |
| <b>Cash flows from investing activities</b> |       |                     |
| Additions and acquisitions of fixed assets  | 2     | (71 997 164)        |
| Sale of fixed assets                        | 2     | 26 666 738          |
| Acquisition of subsidiaries                 |       | (2 434 250)         |
| Sale of financial assets                    |       | 1 659 408           |
| Investment in associates                    |       | (1 125 331)         |
| <b>Net cash from investing activities</b>   |       | <b>(47 230 599)</b> |
| <b>Cash flows from financing activities</b> |       |                     |
| Proceeds from borrowings                    |       | 15 211 456          |
| Proceeds from loan from holding company     |       | 7 766 834           |
| <b>Net cash from financing activities</b>   |       | <b>22 978 290</b>   |
| <b>Total cash movement for period</b>       |       | <b>2 833 138</b>    |
| Cash at beginning of period                 |       | 54 292 073          |
| <b>Total cash at end of period</b>          | 10    | <b>57 125 211</b>   |

## ACCOUNTING POLICIES

### I. PRESENTATION OF FINANCIAL STATEMENTS

These preliminary consolidated financial statements are the first published financial statements of the group prepared in accordance with International Financial Reporting Standards (IFRS). Consolidated and company financial statements until 28 February 2005 had been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP). SA GAAP differs in certain respects from IFRS. A reconciliation and description of the effects of the transition from SA GAAP to IFRS on the group's equity and net income are provided in Note 25.

The financial statements are prepared on the historical cost basis as modified principally by the revaluation of investments in mobile plant and equipment (only relates to the initial adoption of International Accounting Standard IAS 16: "Property, Plant and Equipment", refer Note 25. The financial statements are prepared on a going concern basis. Set out below are the principal accounting policies used consistently throughout the group.

When preparing these preliminary special purpose financial statements in terms of IFRS, management has improved certain disclosures and because these are preliminary purpose financial statements no comparative figures for 2005 have been shown.

The consolidated financial statements include those of the holding company, its subsidiaries, joint ventures and associates. All financial results are consolidated with similar items on a line-by-line basis, except for investments in associates which are included in the group's results as set out below:

#### 1.1 Significant judgements

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### **Provisions**

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

##### **Allowance for doubtful debts**

Based on past experiences of little prospect of collecting debtors over the age of 120 days, allowance is made for such debtors considered doubtful by the directors and/or management. Accounts are written off when they are delinquent.

#### 1.2 Fixed assets

Property, plant and equipment consist of the following categories:

##### (a) *Properties*

Company occupied property is carried at recoverable cost.

Where a property's carrying amount is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount in line with accounting policy 1.12.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in net profit.

##### (b) *Plant, equipment and vehicles*

Plant, equipment and vehicles, including capitalised leased assets, were previously stated at cost less accumulated depreciation and impairment. The adoption of IAS 16, effective 1 March 2005, require that where plant, equipment and vehicles comprise major components with different useful lives, these components are now accounted for and depreciated as separate items and residual values are re-assessed annually. In adopting IAS 16 at 1 March 2005 to achieve this, the exemption under IFRS 1 was used whereby fair values for these assets were deemed as cost at 1 March 2005 and residual values were re-assessed at that date. Depreciation is calculated to write-off the value of plant, equipment and vehicles to their estimated residual values on a straight-line basis over their expected useful lives. The expected useful lives are between five and 14 years. The estimated useful lives and residual values are reviewed annually.



(c) *Furniture, fittings and computer equipment*

Furniture, fittings and computer equipment are stated at cost less accumulated depreciation and impairment. Depreciation is calculated to write-off the cost of these assets to their estimated residual values on a straight-line basis over their expected useful lives on a component basis. The expected useful lives are generally three to five years. The estimated useful lives and residual values are reviewed annually.

(d) *Replacement and modification expenditure*

Expenditure incurred to replace or modify a significant component of property, plant and equipment is capitalised and any remaining book value of the component replaced is written off immediately in the income statement. Other repair and maintenance expenditure is charged directly to the income statement when incurred.

The effect of the adoption of IAS 16 for categories 1.2(b) and 1.2(c) has been applied retrospectively and the effect on the prior period equity and net profit is reflected in Note 26.

### **1.3 Goodwill**

Goodwill is initially measured at cost, being the excess of the business combination over the company's interest of the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill, acquired in a business combination, is carried at cost less any accumulated impairment.

The excess of the company and its subsidiaries' interests in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination are offset against goodwill.

### **1.4 Investments in subsidiaries**

The group financial statements include those of the holding company and its subsidiaries. The results of the subsidiaries are included from the effective date of acquisition.

On acquisition the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

### **1.5 Investment in joint ventures**

An investment in a joint venture is accounted for using the proportionate consolidation method, except when the asset is classified as held-for-sale. Under the proportionate consolidation method the group's share of each of the assets, liabilities, income and expenses of the investment is combined line-by-line with similar items in the group financial statements. The use of proportionate consolidation is discontinued from the date on which it ceases to have joint control over a jointly controlled entity.

### **1.6 Investments in associates**

An investment in an associate is accounted for using the equity method, except when the asset is classified as held-for-sale. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the profits or losses of the investee after acquisition date. The use of the equity method is discontinued from the date the group ceases to have significant influence over an associate.

### **1.7 Financial instruments**

#### ***Initial recognition***

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

#### ***Loans from group companies***

These include loans from the holding company, and are carried at amortised cost less any accumulated impairment.

**Trade and other receivables**

Trade and other receivables are carried at amortised cost less any accumulated impairment.

**Trade and other payables**

Trade and other payables are carried at amortised cost.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

**Bank overdraft and borrowings**

Financial borrowings are carried at amortised cost.

**Held for trading financial assets**

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Investments are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in profit or loss for the period.

**Derivatives**

Derivative financial instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

**Available for sale financial assets**

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

**Held to maturity and loans and receivables**

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the group has the positive intention and ability to hold to maturity are classified as held to maturity.

## 1.8 Taxation

### **Current tax assets and liabilities**

Current 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 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 balance sheet date.

### **Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

### **Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity; or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

## 1.9 Leases

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

### **Finance leases – lessee**

Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

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

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

### **Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

## **1.10 Inventories**

Inventories are measured at the lower of cost and net realisable value on the first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

## **1.11 Construction contracts and receivables**

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## **1.12 Impairment of assets**

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

## **1.13 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.

If the group reacquires its own equity instruments, those are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Consideration paid or received shall be recognised directly in equity.

## **1.14 Provisions and contingencies**

Provisions are recognised when:

- (a) the group has a present obligation as a result of a past event;
- (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- (c) a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

## **1.15 Revenue**

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### **I.16 Borrowing costs**

Borrowing costs, incurred in respect of property developments or capital work in progress, that substantial period to prepare the assets for their intended use, are capitalised up to date that the development of the asset is ready for its intended use. Other borrowing costs are recognised directly in the income statement when incurred.

### **I.17 Translation of foreign currencies**

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement item are translated at the average exchange rates for the accounting period; and
- (c) all resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially in the translation reserve and recognised in profit or loss on disposal of the net investment.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. FIXED ASSETS

|                     | Cost/<br>Valuation<br>R | Accumulated<br>depreciation<br>R | Carrying<br>value<br>R |
|---------------------|-------------------------|----------------------------------|------------------------|
| Investment property | 9 016 377               | –                                | 9 016 377              |
| Plant and machinery | 178 119 078             | (14 042 248)                     | 164 076 830            |
| Motor vehicles      | 54 980 082              | (7 675 995)                      | 47 304 087             |
| Office equipment    | 1 479 738               | (417 033)                        | 1 062 705              |
|                     | <b>243 595 275</b>      | <b>(22 135 276)</b>              | <b>221 459 999</b>     |

#### Reconciliation of fixed assets – 2006

|                     | Opening<br>balance<br>R | Acquisitions<br>R | Additions<br>R    | Disposals<br>R      | Depreciation<br>R   | Total<br>R         |
|---------------------|-------------------------|-------------------|-------------------|---------------------|---------------------|--------------------|
| Investment property | 7 051 677               | –                 | 2 197 859         | (233 159)           | –                   | 9 016 377          |
| Plant and machinery | 145 320 521             | 9 057 899         | 42 488 356        | (17 632 580)        | (14 198 771)        | 164 076 830        |
| Motor vehicles      | 46 062 906              | 2 417 257         | 14 986 484        | (8 538 457)         | (8 582 698)         | 47 304 087         |
| Office equipment    | 608 489                 | 89 589            | 759 720           | (5 238)             | (389 855)           | 1 062 705          |
|                     | <b>199 043 593</b>      | <b>11 564 745</b> | <b>60 432 419</b> | <b>(26 409 434)</b> | <b>(23 171 324)</b> | <b>221 459 999</b> |

#### Pledged as security

A general notarial bond of R60 000 000 is registered over machinery and vehicles in favour of Nedcor Bank Limited as security for overdraft and asset finance facilities granted to the company, its holding company and subsidiaries. Amount outstanding to Nedcor Bank Limited at year-end amounted to R80 460 824.

Certain movable assets with a book value of R129 002 317 and fixed property with a book value of R5 222 524 are pledged as security as stated in Note 12.

#### Directors' valuation

The directors' valuation of the land and buildings at year-end amounted to R14 961 950. The valuation was based on open market value.

A register containing the information required by paragraph 22(3) of Schedule 4 to the Companies Act is available for inspection at the registered office of the company.

### 3. GOODWILL

|          | Cost/<br>Valuation<br>R | Accumulated<br>depreciation<br>R | Carrying<br>value<br>R |
|----------|-------------------------|----------------------------------|------------------------|
| Goodwill | 2 018 829               | –                                | 2 018 829              |

#### Reconciliation of goodwill – 2006

|          | Opening<br>balance<br>R | Transfer from<br>non-<br>distributable<br>reserves<br>R | Acquisition of<br>subsidiaries<br>R | Total<br>R |
|----------|-------------------------|---|-------------------------------------|------------|
| Goodwill | 1 975 588               | (1 533 004)   | 1 576 245                           | 2 018 829  |

**4. INVESTMENTS IN ASSOCIATES**

|   |                   |
|---|-------------------|
| Unlisted associates:                                  |                   |
| Shares, at cost                                       | 232               |
| Group's share of retained profits                     | 15 027 409        |
|   | <hr/>             |
| Unsecured loans                                       | 15 027 641        |
|   | 3 169 004         |
| Carrying value  | <b>18 196 645</b> |
| Directors' valuation of shares of unlisted associates | <b>18 196 645</b> |

The carrying amounts of associates are shown net of impairment losses.

**5. LOAN FROM HOLDING COMPANY**

|   |                     |
|---|---------------------|
| Raubenbel (Proprietary) Limited   |                     |
| The loan bears interest at 8,5% per annum and is repayable on 12 months' notice | <b>(17 659 039)</b> |
|   | <hr/>               |
| Non-current liabilities   | (17 659 039)        |

**6. DEFERRED TAX****Deferred tax asset/(liability)**

|  |                     |
|--|---------------------|
| Accelerated capital allowances for tax purposes                | (25 003 200)        |
| Provision and accrued expenses                                 | 2 476 508           |
| Construction contracts   | (5 356 913)         |
| Provision for bad debts  | 71 230              |
| Tax losses available for set-off against future taxable income | 4 660 323           |
| Other deferred tax   | 369 750             |
|  | <hr/>               |
|  | <b>(22 782 302)</b> |

**Recognition of deferred tax asset**

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences;
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

**7. INVENTORIES**

|                   |                   |
|-------------------|-------------------|
| Crusher stone     | 1 503 022         |
| Consumable stores | 10 045 489        |
|                   | <hr/>             |
|                   | <b>11 548 511</b> |

**8. CONSTRUCTION CONTRACTS IN PROGRESS**

|   |                   |
|---|-------------------|
| Contracts in progress at balance sheet date | <b>25 244 500</b> |
|---|-------------------|

Advances received in excess of work completed are included in trade and other payables.

**9. TRADE AND OTHER RECEIVABLES**

|                                |                    |
|--------------------------------|--------------------|
| Trade and contract receivables | 195 691 299        |
| Other receivables              | 613 217            |
|                                | <b>196 304 516</b> |

**Trade and other receivables pledged as security**

Trade and other receivables were pledged as security for overdraft facilities of the group.

**10. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of:

|                                 |                   |
|---------------------------------|-------------------|
| Cash on hand                    | 640 860           |
| Bank balances                   | 59 725 967        |
| Other cash and cash equivalents | 408 871           |
| Bank overdraft                  | (3 650 487)       |
|                                 | <b>57 125 211</b> |
| Current assets                  | 60 775 698        |
| Current liabilities             | (3 650 487)       |
|                                 | <b>57 125 211</b> |

**11. SHARE CAPITAL****Authorised**

|                                     |       |
|-------------------------------------|-------|
| 4 000 ordinary shares of R1.00 each | 4 000 |
|-------------------------------------|-------|

**Issued**

|                                   |     |
|-----------------------------------|-----|
| 300 ordinary shares of R1.00 each | 300 |
|-----------------------------------|-----|

**12. BORROWINGS****Interest bearing borrowings**

Instalment sale agreements:

|   |            |
|---|------------|
| The instalment sale agreements are secured by hypothec over certain fixed assets with a book value of R129 002 317 repayable in monthly instalments of R2 503 345 with an effective interest rate ranging between 8.5% and 9.0% per annum | 76 105 160 |
|---|------------|

Unsecured loans:

|   |           |
|---|-----------|
| The loans bear interest at rates ranging from 5.75% to 9.5% with no fixed terms for repayment | 2 083 381 |
|---|-----------|

Mortgage bonds:

|  |         |
|--|---------|
| The mortgage bonds are secured by first bonds over fixed property with a book value of R5 222 524. The loans are repaid in monthly instalments of R5 483, including interest at 9.5% per annum | 705 177 |
|--|---------|

**78 893 718**

**Non-current liabilities**

|                   |            |
|-------------------|------------|
| At amortised cost | 49 208 954 |
|-------------------|------------|

**Current liabilities**

|                   |            |
|-------------------|------------|
| At amortised cost | 29 684 764 |
|-------------------|------------|

**78 893 718**



The present value of future minimum payments on instalment sale agreements is as follows:

|  | <b>R</b>          |
|--|-------------------|
| Less than one year                                 | 33 090 907        |
| More than one year and less than five years        | 53 126 563        |
|  | 86 217 470        |
| Less: Future finance costs                         | (10 112 310)      |
| <b>Present value of instalment sale agreements</b> | <b>76 105 160</b> |

### 13. TRADE AND OTHER PAYABLES

|                                 |                    |
|---------------------------------|--------------------|
| Trade and other payables        | 158 235 178        |
| Amounts owing to joint ventures | 12 102 278         |
| Excess billing over work done   | 889 044            |
|                                 | <b>171 226 500</b> |

### 14. PROVISIONS FOR LIABILITIES AND CHARGES

|                                    | <b>Payroll<br/>provisions<br/>R</b> | <b>Rehabilitation<br/>provisions<br/>R</b> | <b>Total<br/>R</b> |
|------------------------------------|-------------------------------------|--|--------------------|
| Opening balance                    | 1 704 415                           | 600 000                                    | 2 304 415          |
| Charges to income statement        | 756 189                             | –  | 756 189            |
| Provisions utilised                | (261 924)                           | –  | (261 924)          |
| Acquisitions                       | 269 491                             | –  | 269 491            |
| <b>Balance at 28 February 2006</b> | <b>2 468 171</b>                    | <b>600 000</b>                             | <b>3 068 171</b>   |

#### Payroll provisions

Payroll provisions consist of amounts accrued for leave pay.

#### Rehabilitation provisions

Rehabilitation provisions consist of amounts accrued to rehabilitate environments disturbed by quarries.

The provisions have been determined based on assessments and estimates by management. Actual results could differ from estimates and there is no certainty as to the timing of the cash flows relating to these provisions.

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### 15. REVENUE

|                               |                    |
|-------------------------------|--------------------|
| Contracting revenue           | 618 849 323        |
| Rental of plant and equipment | 14 404 663         |
|                               | <b>633 253 986</b> |

### 16. OPERATING PROFIT

Operating profit for the year is stated after accounting for the following:

#### Operating lease charges

|   |            |
|---|------------|
| Premises  |            |
| Contractual amounts                             | 2 902 800  |
| Equipment                                       |            |
| Contractual amounts                             | 714 679    |
|   | 3 617 479  |
| Profit on sale of property, plant and equipment | 114 422    |
| Profit on sale of associated company            | 142 882    |
| Loss on exchange differences                    | (26 518)   |
| Depreciation on property, plant and equipment   | 23 171 324 |
| Employee costs                                  | 97 734 090 |

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**17. INVESTMENT REVENUE**

|                                    |                  |
|------------------------------------|------------------|
| Interest revenue on cash resources | 5 275 477        |
| Management fees received           | 3 141 267        |
|                                    | <b>8 416 744</b> |

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**18. FINANCE COSTS**

|                          |                  |
|--------------------------|------------------|
| Non-current borrowings   | 2 155 054        |
| Trade and other payables | 16 373           |
| Bank                     | 302 363          |
| Late payment of tax      | 756 516          |
|                          | <b>3 230 306</b> |

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**19. TAXATION****Major components of the tax expense****Current:**

|  |                   |
|--|-------------------|
| Local income tax – current period                              | 18 180 602        |
| Local income tax – recognised in current tax for prior periods | 402 875           |
| Secondary Tax on Companies                                     | 3 305 625         |
|  | <b>21 889 102</b> |

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**Deferred:**

|   |                   |
|---|-------------------|
| Originating and reversing temporary differences | (2 217 940)       |
| Change in tax rate                              | (659 202)         |
|   | <b>19 011 960</b> |

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The tax rate of 30% in 2005 was reduced to 29% in 2006.

**20. AUDITORS' REMUNERATION**

|                              |                |
|------------------------------|----------------|
| Fees                         | 756 700        |
| Adjustment for previous year | 26 500         |
| Tax and secretarial services | 10 370         |
|                              | <b>793 570</b> |

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**21. CASH GENERATED FROM OPERATIONS**

|                                    |                   |
|------------------------------------|-------------------|
| Operating profit                   | 70 681 569        |
| <i>Adjustments for:</i>            |                   |
| Depreciation and amortisation      | 23 171 324        |
| Profit on sale of assets           | (257 304)         |
| Foreign exchange differences       | 26 518            |
| Changes in working capital:        |                   |
| Inventories                        | (2 130 490)       |
| Trade and other receivables        | (82 325 661)      |
| Construction contracts in progress | (9 540 827)       |
| Trade and other payables           | 85 017 284        |
|                                    | <b>84 642 413</b> |

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**22. TAX PAID**

|   |                     |
|---|---------------------|
| Balance owing at beginning of period                  | (7 896 290)         |
| Current tax for period recognised in income statement | (21 889 102)        |
| Balance receivable at end of period                   | (1 265 107)         |
|   | <b>(31 050 499)</b> |

**23. DIVIDENDS PAID**

|                                 |                     |
|---------------------------------|---------------------|
| Dividends declared for period   | (39 238 125)        |
| Balance unpaid at end of period | –                   |
|                                 | <b>(39 238 125)</b> |

**24. CONTINGENCIES**

The company signed an unlimited guarantee and surety in favour of Nedbank Limited as security for the overdraft and credit facilities of the company, its holding company, subsidiaries and fellow subsidiaries. Amounts outstanding at year-end to Nedbank Limited amounted to R80 460 824.

Total financial institution-backed contract guarantees provided to third parties on behalf of subsidiary companies amounted to R217 874 752. The directors do not believe any exposure to loss is likely. Total available facilities in this regard amount to R400 000 000.

**Other**

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 condition or future operations of the group.

**25. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The group has applied IFRS 1, First-time Adoption of International Financial Reporting Standards, to provide a starting point for the reporting under International Reporting and Accounting Standards. On principle these standards have been applied retrospectively and the figures contained in these financial statements differ from those published in the original financial statements published for the year ended 28 February 2006 under SA GAAP.

The date of transition was 1 March 2005 and the effect of the transition was as follows:

**Reconciliation of equity at 1 March 2005 (date of transition to the new standards)**

|                            | As reported<br>previously<br>under SA GAAP<br>R | Effects of<br>transition<br>to IFRS<br>R | As reported<br>under<br>IFRS<br>R |
|----------------------------|---|--|-----------------------------------|
| Share capital              | 300   | –  | 300                               |
| Non-distributable reserves | 1 533 004                                       | –  | 1 533 004                         |
| Retained income            | 89 390 855                                      | 56 842 625                               | 146 233 480                       |
| Minority interest          | 34 897 380                                      | 28 782 493                               | 63 679 873                        |
| <b>Total equity</b>        | <b>125 821 539</b>                              | <b>85 625 118</b>                        | <b>211 446 657</b>                |
| Share capital              | 300   | –  | 300                               |
| Non-distributable reserves | 1 261 664                                       | (1 261 664)                              | –                                 |
| Retained income            | 102 152 006                                     | 53 609 733                               | 155 761 739                       |
| Minority interest          | 49 845 026                                      | 33 926 523                               | 83 771 549                        |
| <b>Total equity</b>        | <b>153 258 996</b>                              | <b>86 274 592</b>                        | <b>239 533 588</b>                |

**Notes to reconciliation of equity:**

1. The increase in retained income and minority interest is due to the adoption of IAS 16 coupled with the exemption in IFRS 1 where property, plant and equipment were revalued at 1 March 2005 resulting in the increase in reserves and minority interest.

## Balance sheet

|  | Notes | As reported<br>under SA GAAP<br>R | Effects of<br>transition<br>to IFRS<br>R | As reported<br>under<br>IFRS<br>R |
|--|-------|-----------------------------------|--|-----------------------------------|
| <b>ASSETS</b>  |       |                                   |  |                                   |
| <b>Non-current assets</b>                              |       |                                   |  |                                   |
| Fixed assets   | i     | 122 765 597                       | 98 694 402                               | 221 459 999                       |
| Goodwill   | ii    | 6 942 763                         | (4 923 934)                              | 2 018 829                         |
| Investments in associates                              | iii   | 8 166 054                         | 10 030 591                               | 18 196 645                        |
| Loans to group companies                               | iv    | 6 175 607                         | (6 175 607)                              | –                                 |
| Other financial assets                                 | v     | 613 217                           | (613 217)                                | –                                 |
|  |       | <b>144 663 238</b>                | <b>97 012 235</b>                        | <b>241 675 473</b>                |
| <b>Current assets</b>                                  |       |                                   |  |                                   |
| Inventories  |       | 11 548 511                        | –  | 11 548 511                        |
| Current tax receivable                                 |       | 8 441 771                         | –  | 8 411 771                         |
| Construction contracts in progress                     |       | 25 244 500                        | –  | 25 244 500                        |
| Trade and other receivables                            | vi    | 197 486 006                       | (1 181 490)                              | 196 304 516                       |
| Cash and cash equivalents                              | vii   | 61 077 745                        | (302 047)                                | 60 775 698                        |
|  |       | <b>303 798 533</b>                | <b>(1 483 537)</b>                       | <b>302 314 996</b>                |
| <b>Total assets</b>                                    |       | <b>448 461 771</b>                | <b>95 528 697</b>                        | <b>543 990 469</b>                |
| <b>EQUITY AND LIABILITIES</b>                          |       |                                   |  |                                   |
| <b>Equity:</b>   |       |                                   |  |                                   |
| Share capital  |       | 300                               | –  | 300                               |
| Reserves   | viii  | 1 261 664                         | (1 261 664)                              | –                                 |
| Retained income  | ix    | 102 152 006                       | 53 609 733                               | 155 761 739                       |
| <b>Equity attributable to equity holders of parent</b> |       | <b>103 413 970</b>                | <b>52 348 069</b>                        | <b>155 762 039</b>                |
| Minority interest                                      |       | 49 845 026                        | 33 926 523                               | 83 771 549                        |
| <b>Total equity</b>                                    |       | <b>153 258 996</b>                | <b>86 274 592</b>                        | <b>239 533 588</b>                |
| <b>Liabilities:</b>                                    |       |                                   |  |                                   |
| <b>Non-current liabilities</b>                         |       |                                   |  |                                   |
| Loan from holding company                              | x     | 32 767 920                        | (15 108 881)                             | 17 659 039                        |
| Borrowings   | xi    | 49 208 954                        | –  | 49 208 954                        |
| Deferred tax   |       | 11 867 807                        | 10 914 495                               | 22 782 302                        |
|  |       | <b>93 844 681</b>                 | <b>(4 194 386)</b>                       | <b>89 650 295</b>                 |
| <b>Current liabilities</b>                             |       |                                   |  |                                   |
| Short-term portion of borrowings                       |       | 29 684 764                        | –  | 29 684 764                        |
| Current tax payable                                    |       | 7 176 664                         | –  | 7 176 664                         |
| Trade and other payables                               | xii   | 163 218 759                       | 8 007 741                                | 171 226 500                       |
| Provisions   | xiii  | –                                 | 3 068 171                                | 3 068 171                         |
| Bank overdrafts  | xiv   | 1 277 908                         | 2 372 579                                | 3 650 487                         |
|  |       | <b>201 358 095</b>                | <b>13 448 491</b>                        | <b>214 806 586</b>                |
| <b>Total liabilities</b>                               |       | <b>295 202 776</b>                | <b>9 254 105</b>                         | <b>304 456 881</b>                |
| <b>Total equity and liabilities</b>                    |       | <b>448 461 772</b>                | <b>95 528 699</b>                        | <b>543 990 469</b>                |

### Notes to the reconciliation of the balance sheet at 28 February 2006

- (i) The assets were restated to fair value under IAS 16. Depreciation was influenced by tax requirements under SA GAAP but under IFRS reflects the useful life of the assets. The cumulative adjustment increased the carrying amount of fixed assets by R98 694 402.
- (ii) Goodwill amounts to the difference between historic cost of acquisition and purchase price of subsidiaries under SA GAAP but under IFRS the goodwill amounts to the difference between fair value and purchase price. The application of IFRS 3 decreased the goodwill by R4 923 934.

- (iii) After the adoption of IFRS by associates the net asset value of associates increased. This resulted in an increase in investment in associates using the equity method. Loans to associates were reclassified from loans to group companies to investment in associates. The effects of abovementioned changes are an increase of R10 030 591.
- (iv) Loans to group companies with no repayment terms have been reclassified to current assets in accordance with IAS 32. The resulting decrease in loans to group companies of R6 175 607.
- (v) Other financial assets with no repayment terms have been reclassified to current assets in accordance with IAS 32. The resulting decrease in other financial assets of R613 217.
- (vi) Trade and other receivables are carried at fair value and provision for extended credit has been made as required by IAS 39. Trade and other receivables were carried at cost under SA GAAP. Certain loans were reclassified as current refer to notes iv and v. The effect of these changes on trade receivables was a decrease of R1 181 490.
- (vii) Cash and cash equivalents decreased with R302 047 due to reclassification of un-presented cheques from trade payables to cash and cash equivalents in accordance with IAS 39.
- (viii) The non-distributable reserve on acquisition of subsidiaries was written back under IFRS.
- (ix) The adjustments to retained earnings are the net effect on the changes under IFRS as discussed in the notes above and below.
- (x) The decrease in the loan from the holding company was due to the reclassification of other inter-company balances that were included under this heading. Loans with no specific repayment terms were reclassified as required by IAS 32 to trade and other payables. Under SA GAAP these loans were classified as non-current.
- (xi) The changes due to IAS 16 and IAS 37 increased the deferred tax liability as follows:

|                   | <b>R</b>          |
|-------------------|-------------------|
| Retained earnings | 10 914 495        |
| Reserves          | –                 |
|                   | <b>10 914 495</b> |

- (xii) Trade and other payables increased due to reclassification of loans refer note x in accordance with IAS 32. Trade and other payables decreased as a result of reclassification of un-presented cheques to cash and equivalents. The reclassification of leave liabilities to provisions in accordance with IAS 37 also decreased trade and other payables. The result of the abovementioned reclassifications are an increase of R8 007 741.
- (xiii) A rehabilitation provision of R600 000 relating to activities of quarries was recognised under IFRS according to IAS 37, but was not recognised under previous SA GAAP. The reclassification of leave liabilities to provisions from trade and payables under IFRS increased provisions by R2 468 171.
- (xiv) Bank overdrafts increased by R2 372 579 due to reclassification of un-presented cheques from trade and other payables to bank overdraft in accordance with IAS 39.

## Income statement

|                               |     | <b>As reported<br/>previously<br/>under SA GAAP<br/>R</b> | <b>Effects of<br/>transition<br/>to IFRS<br/>R</b> | <b>As reported<br/>under<br/>IFRS<br/>R</b> |
|-------------------------------|-----|---|--|---|
| Revenue                       |     | 633 706 351   | –  | 633 253 986                                 |
| Other income                  |     | 15 482 057  | –  | 15 482 057                                  |
| Operating expenses            | i   | (576 381 185)   | (1 673 289)  | (578 054 474)                               |
| <b>Operating profit</b>       |     | <b>72 807 233</b>   | <b>(2 125 654)</b>                                 | <b>70 681 569</b>                           |
| Investment revenue            | ii  | 7 964 379   | 452 365  | 8 416 744                                   |
| Losses of joint ventures      |     | (1 544 964)   | –  | (1 544 964)                                 |
| Income from associates        | iii | 8 228 315   | 861 869  | 9 090 184                                   |
| Finance costs                 |     | (3 230 306)   | –  | (3 230 306)                                 |
| <b>Profit before taxation</b> |     | <b>48 224 647</b>   | <b>(811 420)</b>                                   | <b>47 413 227</b>                           |
| Taxation                      | iv  | (21 059 183)  | 2 047 223  | (19 011 960)                                |
| <b>Profit for period</b>      |     | <b>63 165 464</b>   | <b>1 235 803</b>                                   | <b>64 401 267</b>                           |

### Notes to the reconciliation of the income statement at 28 February 2006:

- (i) Operating expenses decreased because depreciation was influenced by tax requirements under SA GAAP, but reflects the useful life of the assets under IFRS. The effect of this also influenced the profit and loss on sale of assets. These changes under IFRS resulted in a decrease of operating expenses by R1 673 289.
- (ii) Investment revenue increased due to provision for extended credit in accordance with IAS 39, which was not provided for under SA GAAP. This resulted in a increase of R452 365 in investment revenue.
- (iii) The implementation of IFRS by associates increased the income from associates by R861 869.
- (iv) Adjustments as explained in notes i to iii above lead to an increase of R2 047 223 in deferred tax expense.

## 26. EMPLOYEE BENEFITS

|  | <b>R</b>          |
|--|-------------------|
| <b>Staff costs</b>                     |                   |
| Wages and salaries                     | 92 416 040        |
| Pension cost-defined contribution fund | 3 427 515         |
| Medical aid                            | 1 180 821         |
| Other contributions                    | 823 839           |
|  | <b>98 448 115</b> |

## 27. RELATED PARTIES

### Relationships

|                 |                                      |
|-----------------|--------------------------------------|
| Holding company | Raubenbel (Proprietary) Limited      |
| Joint ventures  | Refer to Annexure 3                  |
| Associates      | Refer to Annexure 2                  |
| Directors       | G M Raubenheimer<br>J E Raubenheimer |

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**R**

### Related party balances

#### Loan accounts – owing (to)/by related parties:

|  |              |
|--|--------------|
| Super Civil Construction/Muscle – Joint Venture  | (1 090)      |
| G M Raubenheimer – Director                      | (14 452)     |
| J E Raubenheimer – Director                      | (10 944)     |
| Raubex/HIR Namibia Roads – Joint Venture         | (12 270 022) |
| Hex River – Joint Venture                        | (13 519)     |
| Muscle/Roadmac – Joint Venture                   | 2 264        |
| Kentha/Raumix – Joint Venture                    | 23 324       |
| Multistone/Magtrans – Joint Venture              | 64 573       |
| Raubex/Qetsimani – Joint Venture                 | (1 084)      |
| Raubex/BJM – Joint Venture                       | 39 276       |
| Lacrete Construction/Muscle – Joint Venture      | 48 500       |
| Raubex/Muscle – Joint Venture                    | 5 500        |
| Muscle Construction (Proprietary) Limited        | 3 704 409    |
| Canyon Rock (Proprietary) Limited                | (225 000)    |
| Roadmac Cape (Proprietary) Limited               | 1 659 192    |
| Interactive Trading (Proprietary) Limited        | 48 569       |
| Fixtrade Surfacing (Proprietary) Limited         | 580 000      |
| Raubex Construction Zambia (Proprietary) Limited | (2 598 166)  |
| Raubenbel (Proprietary) Limited                  | (17 659 039) |

#### Amounts included in trade receivables/(trade payables) regarding related parties:

|  |           |
|--|-----------|
| Muscle Construction (Proprietary) Limited        | 1 660 639 |
| Multistone/Magtrans – Joint Venture              | 64 572    |
| Multistone/Magtrans – Joint Venture              | (1 650)   |
| Hex River – Joint Venture                        | (10 712)  |
| Raubex Construction Zambia (Proprietary) Limited | –         |
| J E Raubenheimer                                 | (63 362)  |
| Muscle Construction (Proprietary) Limited        | (257 121) |
| Raubex Eiendomme (Proprietary) Limited           | (54 948)  |
| Rubex Eiendomme (Proprietary) Limited            | (25 080)  |
| Raubex/BGM – Joint Venture                       | 131 717   |
| EB Cloete – Joint Venture                        | 4 100 552 |
| BBMM/RMS – Joint Venture                         | 4 242 177 |
| Hex River – Joint Venture                        | 1 090 007 |
| Roadmac Cape (Proprietary) Limited               | (51 436)  |

**Related party transactions****Interest paid to/(received from) related parties:**

|   |          |
|---|----------|
| Hex River Joint Venture                   | 10 712   |
| Muscle Construction (Proprietary) Limited | 156 657  |
| Muscle Construction (Proprietary) Limited | (49 806) |

**Purchases from/(sales to) related parties:**

|   |              |
|---|--------------|
| Muscle Construction (Proprietary) Limited     | 11 607 120   |
| Muscle Construction (Proprietary) Limited     | (13 315 626) |
| Roadmac Cape (Proprietary) Limited            | (3 111 234)  |
| Interactive Trading 150 (Proprietary) Limited | (3 674 216)  |

**Sub-contractors' fees paid/(received):**

|                                       |           |
|---------------------------------------|-----------|
| Multistone/Magtrans – Joint Venture   | (148 120) |
| Roadmac Surfacing/BTS – Joint Venture | 497 332   |

**Plant hire received from related party:**

|                                    |             |
|------------------------------------|-------------|
| Roadmac Cape (Proprietary) Limited | (8 370 898) |
|------------------------------------|-------------|

**Rent paid to related party:**

|  |         |
|--|---------|
| Raubex Eiendomme (Proprietary) Limited | 510 970 |
|--|---------|

**Administration fees received from related party:**

|                           |          |
|---------------------------|----------|
| Hex River – Joint Venture | (77 400) |
|---------------------------|----------|

**28. DIRECTORS' EMOLUMENTS****Executive**

| 2006                      | Emoluments<br>R | Total<br>R |
|---------------------------|-----------------|------------|
| For services as directors | 4 921 881       | 4 921 881  |

**29. RISK MANAGEMENT****Liquidity risk**

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

**Interest rate risk**

Deposit and all attract interest at rate that varies with prime. The group policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on profit/(loss).

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Credit guarantee insurance is purchased when deemed appropriate.



### 30. SEGMENTAL ANALYSIS

| <b>Primary reporting format<br/>Business segments</b> | <b>Aggregate<br/>and<br/>crusher<br/>R</b> | <b>Road<br/>Surfacing<br/>and<br/>rehabilitation<br/>R</b> | <b>Road<br/>construction<br/>and<br/>earthworks<br/>R</b> | <b>Consolidated<br/>R</b> |
|---|--|--|---|---------------------------|
| At 28 February 2006                                   | 34 662 994                                 | 263 539 112  | 350 533 937   | 648 736 043               |
| Segment revenue – external                            |  |  |   |                           |
| Segment result – operating profit/(loss)              | 10 228 070                                 | 67 117 344   | (6 663 845)   | 70 681 569                |
| Share of joint venture profit/(loss)                  | (49 463)                                   | 463 177  | (1 958 678)   | (1 544 964)               |
| Investment revenue                                    | 750 882                                    | 1 677 704  | 5 988 158   | 8 416 744                 |
| Finance costs   | (831 125)                                  | –  | (2 399 181)   | (3 230 306)               |
| Taxation  | (3 933 178)                                | (11 643 174)   | (3 435 608)   | (19 011 960)              |
| Share of associates' income                           | 4 439 888                                  | 1 347 424  | 3 302 872   | 9 09 184                  |
| <b>Net profit</b>                                     | <b>10 605 074</b>                          | <b>58 962 475</b>  | <b>(5 166 282)</b>  | <b>64 401 267</b>         |
| Segment assets  | 64 334 105                                 | 259 095 440  | 220 560 924   | 543 990 469               |
| Segment liabilities                                   | 31 206 962                                 | 168 422 142  | 104 827 777   | 304 456 881               |
| Depreciation  | 3 278 980                                  | 5 945 467  | 13 946 877  | 23 171 324                |

## INTERESTS IN SUBSIDIARIES

|  |   | Issued<br>ordinary<br>share capital | Percentage<br>held | Shares,<br>at cost | Amounts<br>owing to/(by)<br>subsidiaries |
|--|---|-------------------------------------|--------------------|--------------------|--|
|  |   | 2006<br>Shares                      | 2006<br>%          | 2006<br>R          | 2006<br>R                                |
| <b>Direct</b>                                  |   |                                     |                    |                    |  |
| Raubex Civil (Proprietary) Limited             | # | 100                                 | 80                 | 80                 | 115 409                                  |
| Raubex Construction (Proprietary) Limited      | √ | 100                                 | 70                 | 70                 | 18 669 546                               |
| Roadmac (Proprietary) Limited                  | † | 100                                 | 70                 | 70                 | (11 870 920)                             |
| <b>Indirect</b>                                |   |                                     |                    |                    |  |
| Raumix (Proprietary) Limited                   | • | 100                                 | 75                 | 75                 | (1 832 590)                              |
| Lacrete Construction (Proprietary) Limited     | • | 100                                 | 56                 | 56                 | 194 243                                  |
| Forward Infra (Proprietary) Limited            | • | 100                                 | 61                 | 61                 | (660 000)                                |
| Petra Quarry (Proprietary) Limited             | • | 100                                 | 70                 | 70                 | –  |
| Haulking (Proprietary) Limited                 | √ | 100                                 | 80                 | 80                 | 693 572                                  |
| Multistone Construction (Proprietary) Limited  | † | 100                                 | 100                | 790 334            | –  |
| Super Civil Construction (Proprietary) Limited | † | 100                                 | 75                 | 75                 | –  |
| Stabilpave (Proprietary) Limited               | † | 200                                 | 76.5               | 3 873 927          | 7 467 389                                |
| Raubex North (Proprietary) Limited             | † | 100                                 | 70                 | 70                 | 106 000                                  |
| Roadmac Surfacing (Proprietary) Limited        | † | 100                                 | 80                 | 80                 | 23 534 567                               |
| Phambile Surfacing (Proprietary) Limited       | † | 100                                 | 74                 | 9 000 000          | –  |
| Centremark Roadmarking (Proprietary) Limited   | † | 100                                 | 60                 | 1 400 000          | –  |
| Roadmac Surfacing Cape (Proprietary) Limited   | † | 200                                 | 67.5               | 135                | (3 000 000)                              |

### Nature of business

√ Letting of construction equipment and civil construction work.

† Rehabilitation of roads, civil and general construction work.

• Crusher, transport work, civil and general construction work.

# Investment and holding company.

All companies are incorporated in South Africa.

The group maintains a register of all subsidiaries for inspection at the registered office of Raubex (Proprietary) Limited.

## Appendix 2

### INVESTMENTS IN ASSOCIATES

| <b>Associates</b>                                | <b>Country</b> | <b>Nature of business</b> | <b>Number of shares issued</b> | <b>Proportion of issued shares held</b> |
|--|----------------|---------------------------|--------------------------------|---|
| <b>Unlisted</b>                                  |                |                           |                                |   |
| Canyon Rock (Proprietary) Limited                | South Africa   | Crusher                   | 100                            | 45%                                     |
| Muscle Construction (Proprietary) Limited        | South Africa   | Construction              | 100                            | 48%                                     |
| Roadmac Cape (Proprietary) Limited               | South Africa   | Construction              | 100                            | 40%                                     |
| Raubex Construction Zambia (Proprietary) Limited | Zambia         | Construction              | 100                            | 49%                                     |
| Interactive Trading 150 (Proprietary) Limited    | South Africa   | Construction              | 100                            | 30%                                     |
| Fixtrade Surfacing (Proprietary) Limited         | South Africa   | Construction              | 100                            | 20%                                     |

### AGGREGATE FINANCIAL INFORMATION: UNLISTED

#### Balance sheet

**2006  
R**

Group's share of assets and liabilities:

#### Assets

|                    |            |
|--------------------|------------|
| Non-current assets | 19 887 973 |
| Current assets     | 34 121 466 |
|                    | 54 009 440 |

#### Equity and liabilities

|                         |            |
|-------------------------|------------|
| Shareholders' interest  | 13 566 076 |
| Non-current liabilities | 15 648 050 |
| Current liabilities     | 24 795 314 |
|                         | 54 009 440 |

#### Income statement

Group's share of income and expenditure:

|  |             |
|--|-------------|
| Revenue                                | 137 639 995 |
| Profit after tax attributable to Group | 9 090 184   |

## INTERESTS IN JOINT VENTURES

| Joint ventures                              | Country      | Nature of business | Proportion of issued shares held |
|---|--------------|--------------------|----------------------------------|
| EB Cloete – Joint Venture                   | South Africa | Construction       | 100%                             |
| Hex River – Joint Venture                   | South Africa | Construction       | 50%                              |
| Kentha/Raumix – Joint Venture               | South Africa | Construction       | 49%                              |
| Lacrete Construction/Muscle – Joint Venture | South Africa | Construction       | 50%                              |
| Multistone/Magtrans – Joint Venture         | South Africa | Construction       | 50%                              |
| Muscle/Roadmac – Joint Venture              | South Africa | Construction       | 50%                              |
| Raubex/BGM Joint Venture                    | Zambia       | Construction       | 49%                              |
| Raubex/HIR Namibia Roads – Joint Venture    | Namibia      | Construction       | 50%                              |
| Raubex/Muscle – Joint Venture               | South Africa | Construction       | 50%                              |
| Raubex/Qetsimani – Joint Venture            | South Africa | Construction       | 50%                              |
| Super Civil Construction/Muscle JV          | South Africa | Construction       | 50%                              |

The Group maintains a register of all joint ventures for inspection at the registered office of Raubex (Proprietary) Limited.

### AGGREGATE FINANCIAL INFORMATION:

#### Balance sheet

|  | 2006<br>R    |
|--|--------------|
| Group's proportionate share of assets and liabilities: |              |
| <b>Assets</b>  |              |
| Non-current assets                                     | 58 521       |
| Current assets   | 26 585 602   |
|  | 26 644 123   |
| <b>Equity and liabilities</b>                          |              |
| Shareholders' interest                                 | 742 637      |
| Non-current liabilities                                | 2 160 484    |
| Current liabilities                                    | 23 741 003   |
|  | 26 644 123   |
| <b>Income statement</b>                                |              |
| Group's proportionate share of income and expenditure: |              |
| Revenue  | 1 19 035 999 |
| Loss attributable to Group                             | (1 544 964)  |

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## **INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE PRELIMINARY 2006 IFRS FINANCIAL INFORMATION OF RAUBEX OPCO AND ITS SUBSIDIARIES**

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22 February 2007

The Directors  
Raubex Group Limited  
PO Box 3722  
Bloemfontein  
9300

Dear Sirs

### **INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE PRELIMINARY 2006 IFRS FINANCIAL INFORMATION**

The board of directors of Raubex has resolved to apply for a listing on the Main Board of the JSE Limited ("the proposed listing").

At your request and for the purpose of the Pre-listing statement of Raubex Group Limited, to be dated on or about 2 March 2007 ("the Pre-listing statement"), we present our report on the preliminary special purpose consolidated IFRS balance sheet of Raubex (Proprietary) Limited at 28 February 2006, and the related statements of income, cash flows and of changes in shareholders' equity for the year then ended (hereinafter referred to as "special purpose financial information") set out in Annexure 3 to the Pre-listing statement, in compliance with the Listings Requirements of the JSE Limited.

#### **Directors' responsibility for the financial statements**

The company's directors are responsible for the preparation, contents and presentation of the Pre-listing statement and the fair presentation of the Report on the Preliminary 2006 IFRS Financial Information in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The compilation, contents and presentation of the Pre-listing statement and the Report on the Preliminary 2006 IFRS Financial Information are the responsibility of the directors of Raubex. Our responsibility is to express an opinion on this special purpose financial information based on our audit.

#### **Reporting accountants' responsibility**

Our responsibility is to express an opinion on the financial information presented in the Report on the Preliminary 2006 IFRS Financial Information, included in the Pre-listing statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

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

### **Opinion**

In our opinion, the special purpose financial information at 28 February 2006 has been prepared, in all material respects, in accordance with the basis set out in Note 1 to the special purpose financial information, which describes how IFRS have been applied under IFRS 1, including the assumptions management has made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when management prepares its first complete set of IFRS financial statements at 28 February 2007.

Without qualifying our opinion, we draw attention to the fact that Note 1 explains why there is a possibility that the accompanying special purpose financial information may require adjustment before constituting the final comparative 2006 IFRS figures. Moreover, we draw attention to the fact that, under IFRS, only a complete set of financial statements comprising a balance sheet, income statement, statement of changes in equity, and cash flow statement, together with comparative financial information and explanatory notes, can provide a fair presentation of the company's financial position, results of operations, and cash flows in accordance with IFRS.

### **Malan Du Preez Inc.**

*Chartered Accountants*

*Registered Accountants and Auditors*

Pretoria"

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## INTERIM FINANCIAL RESULTS OF RAUBEX OPCO AND ITS SUBSIDIARIES

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### 1. INTRODUCTION

In compliance with the Listings Requirements of the JSE, the unaudited consolidated interim financial information of Raubex OPCO for the six months ended 31 August 2006, is presented below. This historical financial information is the responsibility of the Directors of Raubex.

### 2. BASIS OF PREPARATION

The financial information included in this annexure has been extracted from the unaudited financial statements of Raubex Opco for the periods presented. The financial statements for the periods presented have been reviewed by Malan Du Preez Inc. and nothing has come to their attention that caused them to believe that the information has not been properly prepared.

The company shall issue its first IFRS financial statements for the year ended 28 February 2007. The reconciliation of the company's financial statements for the year ended 28 February 2006 is included as Note 25 to the Preliminary IFRS Financial Information of Raubex, included as Annexure 3 to this Pre-listing statement.

### 3. COMMENTARY

The commentary below includes a discussion of the business of Raubex Opco and its subsidiaries (Raubex's sole operations) for the financial reporting periods 31 August 2005, 28 February 2006 and 31 August 2006.

2004 and 2005 were years of restructuring and consolidation for Raubex Opco, years in which the focus changed from targeting contracts which benefited its revenue, but failed to flow through to the bottom line. Raubex's focus became more targeted at contracts which assisted profitability and as a result, they were able to achieve better profitability from reduced turnover. The increase in Government spend in roads had not started to show benefit by February 2006 and by August 2006 the increase in spend has become evident in the increase in revenue year-on-year from August 2005, with an increase of R389 million, or 129%, to August 2006.

The increase in revenue has had a positive effect on operating profit in conjunction with increased margins which have been obtained from the increase in demand for Government infrastructure spend.

Historically the profitability of Raubex increases in the last half of the financial year as the profits associated with road contracts are fully realised, on completion. These contracts are on average completed post-August, as the final layer of road surface is unable to be laid during the rainy periods.

Fixed assets have increased year-on-year to August 2006 as a result of the conversion to IFRS and the revaluing of plant and equipment, by approximately R98 million.

Trade debtors and payables have increased year-on-year to August 2006 as a result of the effect which the increase in turnover has had on the working capital requirements of the group.

## CONDENSED GROUP BALANCE SHEETS

|  | Interim<br>31 August<br>2006<br>R | Interim<br>31 August<br>2005<br>R | Audited<br>28 February<br>2006<br>R |
|--|-----------------------------------|-----------------------------------|-------------------------------------|
| <b>ASSETS</b>  |                                   |                                   |                                     |
| <b>Non-current assets</b>                              |                                   |                                   |                                     |
| Fixed assets   | 239 749 247                       | 192 793 319                       | 221 459 999                         |
| Goodwill   | 3 478 813                         | 2 534 696                         | 2 018 829                           |
| Investments in associates                              | 11 778 481                        | 15 238 616                        | 18 176 645                          |
| Deferred taxation                                      | 1 401 768                         | –                                 | –                                   |
|  | <b>256 408 309</b>                | <b>210 566 631</b>                | <b>241 675 473</b>                  |
| <b>Current assets</b>                                  |                                   |                                   |                                     |
| Inventories  | 11 830 743                        | 11 003 111                        | 11 548 511                          |
| Construction contracts in progress                     | 48 624 486                        | 12 196 512                        | 25 244 500                          |
| Trade and other receivables                            | 179 164 545                       | 102 632 501                       | 196 304 516                         |
| Current tax receivable                                 | 10 291 973                        | 6 398 964                         | 8 441 771                           |
| Cash and cash equivalents                              | 90 767 659                        | 49 917 564                        | 60 775 698                          |
|  | <b>340 679 406</b>                | <b>182 148 652</b>                | <b>302 314 996</b>                  |
| <b>Total assets</b>                                    | <b>597 087 715</b>                | <b>392 715 283</b>                | <b>543 990 469</b>                  |
| <b>EQUITY AND LIABILITIES</b>                          |                                   |                                   |                                     |
| <b>Equity</b>  |                                   |                                   |                                     |
| Share capital  | 300                               | 300                               | 300                                 |
| Retained income  | 173 653 772                       | 167 073 646                       | 155 761 739                         |
| <b>Equity attributable to equity holders of parent</b> | <b>173 654 072</b>                | <b>167 073 946</b>                | <b>155 762 039</b>                  |
| Minority interest                                      | 101 676 018                       | 60 030 001                        | 83 771 549                          |
| <b>Total equity</b>                                    | <b>275 330 090</b>                | <b>227 103 947</b>                | <b>239 533 588</b>                  |
| <b>Liabilities</b>                                     |                                   |                                   |                                     |
| <b>Non-current liabilities:</b>                        |                                   |                                   |                                     |
| Loan from holding company                              | 17 821 426                        | 9 877 312                         | 17 659 039                          |
| Borrowings   | 70 269 268                        | 30 874 285                        | 49 208 954                          |
| Deferred tax   | 26 249 412                        | 11 386 358                        | 22 782 302                          |
|  | <b>114 340 106</b>                | <b>52 137 955</b>                 | <b>89 650 295</b>                   |
| <b>Current liabilities:</b>                            |                                   |                                   |                                     |
| Short-term portion of borrowings                       | 26 814 141                        | 21 702 014                        | 29 684 764                          |
| Current tax payable                                    | 11 344 518                        | 12 874 561                        | 7 176 664                           |
| Trade and other payables                               | 168 176 231                       | 56 631 897                        | 174 294 671                         |
| Bank overdrafts  | 1 082 629                         | 22 264 909                        | 3 650 487                           |
|  | <b>207 417 519</b>                | <b>113 473 381</b>                | <b>214 806 586</b>                  |
| <b>Total liabilities</b>                               | <b>321 757 625</b>                | <b>165 611 336</b>                | <b>304 456 881</b>                  |
| <b>Total equity and liabilities</b>                    | <b>597 087 715</b>                | <b>392 715 283</b>                | <b>543 990 469</b>                  |



## CONDENSED GROUP INCOME STATEMENTS

|  | Interim<br>six months<br>ended<br>31 August<br>2006<br>R | Interim<br>six months<br>ended<br>31 August<br>2005<br>R | Audited<br>12 months<br>ended<br>28 February<br>2006<br>R |
|--|--|--|---|
| Revenue                                  | 689 268 257  | 300 065 540  | 648 736 043   |
| Operating expenses                       | (624 710 935)  | (292 869 301)  | (578 054 474)   |
| <b>Operating profit</b>                  | <b>64 557 322</b>  | <b>7 196 239</b>   | <b>70 681 569</b>   |
| Investment revenue                       | 4 636 924  | 1 688 029  | 8 416 744   |
| Profit from joint ventures               | 2 678 126  | 2 838 395  | (1 544 964)   |
| Income from equity accounted investments | 5 203 961  | 2 717 943  | 9 090 184   |
| Finance costs                            | (2 724 163)  | (1 415 421)  | (3 230 306)   |
| <b>Profit before taxation</b>            | <b>74 352 170</b>  | <b>13 025 185</b>  | <b>83 413 227</b>   |
| Taxation – Normal                        | (23 041 701)   | (2 805 652)  | (15 706 335)  |
| – STC                                    | (1 706 722)  | (977 500)  | (3 305 625)   |
| <b>Profit for year</b>                   | <b>49 603 747</b>  | <b>9 242 033</b>   | <b>64 401 267</b>   |
| <b>Attributable to:</b>                  |  |  |   |
| Equity holders of parent                 | 28 393 986   | 4 086 311  | 36 025 834  |
| Minority interest                        | 21 209 761   | 5 155 722  | 28 375 433  |

## CONDENSED GROUP STATEMENTS OF CHANGES IN EQUITY

|   | Share<br>capital<br>R | Non-<br>distributable<br>reserves<br>R | Retained<br>income<br>R | Total<br>attributable to<br>equity holders<br>of the Group/<br>Company<br>R | Minority<br>interest<br>R | Total<br>equity<br>R |
|---|-----------------------|--|-------------------------|---|---------------------------|----------------------|
| <b>Balance at 1 March 2005</b>  | <b>300</b>            | <b>1 533 004</b>                       | <b>146 233 480</b>      | <b>147 766 784</b>  | <b>63 679 873</b>         | <b>211 446 657</b>   |
| Changes in equity   |                       |  |                         |   |                           |                      |
| Negative goodwill on acquisition<br>of subsidiaries transferred to goodwill | –                     | (1 533 004)                            | –                       | (1 533 004)   | –                         | (1 533 004)          |
| Profit for year   | –                     | –                                      | 36 025 834              | 36 025 834  | 28 375 433                | 64 401 267           |
| Minority interest on acquisition<br>of subsidiaries                         | –                     | –                                      | –                       | –   | 4 456 793                 | 4 456 793            |
| Dividends   | –                     | –                                      | (26 497 575)            | (26 497 575)  | (12 740 550)              | (39 238 125)         |
| Total changes   | –                     | (1 533 004)                            | 9 528 259               | 7 995 255   | 20 091 676                | 28 086 931           |
| <b>Balance at 28 February 2006</b>  | <b>300</b>            | <b>–</b>                               | <b>155 761 739</b>      | <b>155 762 039</b>  | <b>84 771 549</b>         | <b>239 533 588</b>   |
| <b>Balance at 1 March 2006</b>  | <b>300</b>            | <b>–</b>                               | <b>155 761 739</b>      | <b>155 762 039</b>  | <b>83 771 549</b>         | <b>239 533 588</b>   |
| Changes in equity   |                       |  |                         |   |                           |                      |
| Profit for period   | –                     | –                                      | 28 393 986              | 28 393 986  | 21 209 761                | 49 603 747           |
| Irrecoverable loans written off   | –                     | –                                      | (79 615)                | (79 615)  | (292 111)                 | (371 726)            |
| Dividends   | –                     | –                                      | (10 422 338)            | (10 422 338)  | (3 013 181)               | (13 435 519)         |
| Total changes   | –                     | –                                      | 17 892 033              | 17 892 033  | 101 676 018               | 275 330 090          |
| <b>Balance at 31 August 2006</b>  | <b>300</b>            | <b>–</b>                               | <b>173 653 772</b>      | <b>173 654 072</b>  | <b>101 676 018</b>        | <b>275 330 090</b>   |

## CONDENSED GROUP CASH FLOW STATEMENTS

|   | Interim<br>six months<br>ended<br>31 August<br>2006<br>R | Interim<br>six months<br>ended<br>31 August<br>2005<br>R | Audited<br>12 months<br>ended<br>28 February<br>2006<br>R |
|---|--|--|---|
| <b>Cash flows from operating activities</b> |  |  |   |
| Cash generated from operations              | 74 020 284   | 6 493 233  | 84 642 413  |
| Investment revenue                          | 4 636 924  | 1 688 029  | 8 416 744   |
| Dividends paid                              | (13 435 519)   | (13 959 594)   | (39 238 125)  |
| Finance costs                               | (2 724 163)  | (1 415 421)  | (3 230 306)   |
| Taxation paid                               | (22 470 519)   | (8 740 705)  | (31 050 499)  |
| <b>Net cash from operating activities</b>   | <b>40 027 007</b>  | <b>(15 934 458)</b>                                      | <b>27 085 447</b>   |
| <b>Cash flows from investing activities</b> |  |  |   |
| Purchase of fixed assets                    | (33 438 490)   | (4 554 230)  | (71 997 164)  |
| Sale of fixed assets                        | 1 201 100  | 9 998 718  | 26 666 738  |
| Investment in associate                     | 6 418 164  | (5 028 592)  | (1 125 331)   |
| Acquisition of subsidiaries                 | 6 418 164  | (5 028 592)  | (2 434 250)   |
| Sale of financial assets                    | –  | –  | (1 659 408)   |
| <b>Net cash from investing activities</b>   | <b>(25 819 226)</b>                                      | <b>415 896</b>   | <b>(47 230 599)</b>                                       |
| <b>Cash flows from financing activities</b> |  |  |   |
| Proceeds from borrowings                    | 18 189 691   | (11 105 963)   | 15 211 456  |
| Proceeds from holding company loan          | 162 387  | (14 893)   | 7 766 834   |
| <b>Net cash from financing activities</b>   | <b>18 352 078</b>  | <b>(11 120 856)</b>                                      | <b>22 978 290</b>   |
| <b>Total cash movement for period</b>       | <b>32 559 819</b>  | <b>(26 639 418)</b>                                      | <b>2 833 138</b>  |
| Cash at beginning of period                 | 57 125 211   | 54 292 073   | 54 292 073  |
| <b>Total cash at end of period</b>          | <b>89 685 030</b>  | <b>27 652 655</b>  | <b>57 125 211</b>   |

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## **INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE INTERIM FINANCIAL RESULTS OF RAUBEX OPCO AND ITS SUBSIDIARIES**

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"22 February 2007

The Directors  
Raubex Group Limited  
PO Box 3722  
Bloemfontein  
9300

Dear Sirs

### **REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS TO THE DIRECTORS OF RAUBEX GROUP LIMITED ON THE REPORT OF HISTORICAL FINANCIAL INFORMATION OF RAUBEX (PROPRIETARY) LIMITED**

The board of Directors of Raubex Group Limited ("Raubex") has resolved to apply for a listing on the Main Board of the JSE Limited ("the proposed listing").

At your request and for the purposes of the Pre-listing statement of Raubex, to be dated on or about 2 March 2007 ("the Pre-listing statement"), we present our report on the historical financial information of Raubex (Proprietary) Limited presented in Annexure 5 to the Pre-listing statement, in compliance with the Listings Requirements of the JSE Limited.

#### **Directors' responsibility for the financial statements**

The company's directors are responsible for the preparation, contents and presentation of the Pre-listing statement and the fair presentation of the Report of Historical Financial Information in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The compilation, contents and presentation of the Pre-listing statement and the Report of Historical Financial Information are the responsibility of the directors of Raubex.

#### **Reporting accountants' responsibility**

Our responsibility is to express an opinion on the financial information presented in the Report of Historical Financial Information, included in the Pre-listing statement.

We conducted our review for the six months ended 31 August 2006 in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance that the condensed financial information relating to the six months ended 31 August 2006 is free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and this provides less assurance than an audit.

We have not performed an audit of the financial information for the six months ended 31 August 2006, included in Annexure 5 to the Pre-listing statement and accordingly we do not express any audit opinion thereon.

## **Opinion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial information of Raubex (Proprietary) Limited for the six months ended 31 August 2006, as set out in Annexure 5 to the Pre-listing statement, has not been properly prepared, in all material respects, for the purposes of the Pre-listing statement, in accordance with International Accounting Standard 34: "Interim Financial Reporting".

Yours faithfully

### **Malan Du Preez Inc.**

*Chartered Accountants (SA)*

*Registered Accountants and Auditors*

Pretoria"

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## **INDEPENDENT REPORTING ACCOUNTANTS' REPORT REGARDING THE PRESENTATION AND DISCLOSURES OF HISTORICAL FINANCIAL INFORMATION OF RAUBEX GROUP**

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22 February 2007

The Directors  
Raubex Group Limited  
PO Box 3722  
Bloemfontein  
9300

Dear Sirs

### **LIMITED ASSURANCE REPORT REGARDING THE PRESENTATION AND DISCLOSURES OF HISTORICAL FINANCIAL INFORMATION CONTAINED IN ANNEXURES 1, 3 AND 5 TO THE PRE-LISTING STATEMENT OF RAUBEX GROUP LIMITED ("Raubex")**

We have performed our limited assurance engagement regarding the presentation and disclosures of the extracts of historical financial information contained in Annexure 1, Annexure 3 and Annexure 5 ("the Historical Financial Information") to the Pre-listing statement, to be dated 2 March 2007 ("the Pre-listing Statement"), to be issued in connection with the private placing and listing of Raubex shares on the JSE, in compliance with the presentation and disclosure requirements of paragraphs 8.3 to 8.14 of Section 8 of the JSE Listings Requirements.

#### **Directors' and reporting accountants' responsibility**

The directors are responsible for the compilation, contents and presentation of the Historical Financial Information of Raubex Opco and its subsidiaries contained in the Pre-listing statement and for the financial information from which it has been prepared.

Malan Du Preez Inc. is responsible for reporting on the Historical Financial Information of Raubex Opco and its subsidiaries.

#### **Responsibility of the assurance provider**

Our responsibility is to express our limited assurance conclusion on whether the presentation and disclosure of the Historical Financial Information of Raubex Opco and its subsidiaries in Annexure 1, Annexure 3 and Annexure 5 to the Pre-listing statement complies with the presentation and disclosure requirements of paragraphs 8.3 to 8.14 of Section 8 of the JSE Listings Requirements and to report any instances of non-compliance to you.

We were not the auditors of Raubex Opco and its subsidiaries and are not the reporting accountants on the Historical Financial Information of Raubex Opco and its subsidiaries, nor have we performed an audit or review of the Historical Financial Information of Raubex Opco and its subsidiaries disclosed and presented in Annexure 1, Annexure 3 and Annexure 5 to the Pre-listing statement.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*.

This standard requires us to plan and perform our engagement to obtain limited assurance, expressed below, regarding the subject matter of the engagement.

#### **Sources of information and work performed**

Our procedures did not involve an independent examination of the Historical Financial Information of Raubex Opco and its subsidiaries included in Annexure 1, Annexure 3 and Annexure 5 to the Pre-listing statement. Our procedures consisted only of comparing the presentation and disclosures of Historical Financial Information in Annexure 1, Annexure 3 and Annexure 5 to the Pre-listing statement to the presentation and disclosure requirements of paragraphs 8.3 to 8.14 of the JSE Listings Requirements and discussing these with the management of Raubex.

In arriving at our conclusion, we have relied upon financial information prepared by the directors and management of Raubex.

Because the above procedures do not constitute either an audit or review performed in accordance with the *International Standards on Auditing or International Standards on Review Engagements*, we do not express any assurance on the fair presentation of the Historical Financial Information of Raubex Opco and its subsidiaries included in Annexure 1, Annexure 3 and Annexure 5 to the Pre-listing statement. Had we performed additional procedures, or had we performed an audit or review of the Historical Financial Information of Raubex Opco and its subsidiaries, other matters might have come to our attention that would have been reported to you.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

## **Conclusion**

Based on our work, nothing has come to our attention that causes us to believe that the presentation and disclosure of the Historical Financial Information, prepared in accordance with South African Standards of Generally Accepted Accounting Practice included in Annexure 1, the preliminary historical financial information, prepared in accordance with International Financial Reporting Standards included in Annexure 3 and the interim results, prepared in accordance with International Financial Reporting Standards included in Annexure 5 of the Pre-listing Statement, is not, in all material respects, in compliance with Section 8, 7A and 7B of the JSE Listings Requirements and Schedule 3 of the Companies Act.

Yours faithfully

**P McCrystal**

Director: **Transaction Services**

PricewaterhouseCoopers Advisory Services (Proprietary) Limited  
Johannesburg"

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## INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED FORECAST FINANCIAL INFORMATION OF RAUBEX GROUP

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"22 February 2007

The Directors  
Raubex Group Limited  
PO Box 3722  
Bloemfontein  
9300

Dear Sirs

### **REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE PROFIT FORECAST OF RAUBEX GROUP LIMITED ("Raubex")**

We have examined the profit forecast of Raubex Group for the period ending 28 February 2007 ("the Forecast") as set in Part C of this Pre-listing statement of Raubex Group, to be dated on or about 2 March 2007 ("the Pre-listing Statement").

#### **Directors' responsibility**

The Directors of Raubex are responsible for the Forecast, including the assumptions as set out in Annexure 9 to the Pre-listing statement, on which it is based and for the financial information from which it has been prepared.

#### **Reporting accountants' responsibility**

Our responsibility is to provide a limited assurance report on the Forecast. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to the *Examination of Prospective Financial Information and the Revised Guide on Forecasts* issued by The South African Institute of Chartered Accountants, except where otherwise indicated. This standard requires us to obtain sufficient appropriate evidence as to whether or not:

- management's best-estimate assumptions on which the Forecast is based are not unreasonable and are consistent with the purpose of the information;
- the Forecast is properly prepared on the basis of the assumptions;
- the Forecast is properly presented and all material assumptions are adequately disclosed;
- the Forecast is prepared and presented on a basis consistent with the accounting policies of the company in question for the period concerned.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and, therefore, less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

#### **Conclusion**

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that:

- (i) the assumptions, barring unforeseen circumstances, do not provide a reasonable basis for the preparation of the Forecast;
- (ii) the Forecast has not been properly compiled on the basis stated;
- (iii) the Forecast has not been properly presented and all material assumptions are not adequately disclosed;
- (iv) the Forecast is not presented on a basis consistent with the accounting policies of Raubex Group.

Actual results are likely to be different from the Forecast, since anticipated events frequently do not occur as expected and the variation may be material; accordingly no assurance is expressed regarding the achievability of the Forecast.

Yours Faithfully

**P McCrystal**

*Director:* **Transaction Services**

PricewaterhouseCoopers Advisory Services (Proprietary) Limited  
Johannesburg''



## UNAUDITED PRO FORMA PROFIT FORECAST AND BALANCE SHEET OF RAUBEX GROUP

The table below sets out the unaudited *pro forma* forecast income statement of Raubex Group. The *pro forma* forecast income statement has been prepared for illustrative purposes only and because of its nature may not fairly reflect the results of Raubex after the restructure and acquisitions. The *pro forma* forecast income statement is the responsibility of the Directors of Raubex.

| <b>(R'000)</b>                      | <b>Before<sup>1</sup></b> | <b>Restructure<sup>2</sup></b> | <b>Acquisitions<sup>3</sup></b> | <b>Pro forma<sup>4</sup></b> |
|-------------------------------------|---------------------------|--------------------------------|---------------------------------|------------------------------|
| <b>Revenue</b>                      | <b>1 286 448</b>          | <b>–</b>                       | <b>410 060</b>                  | <b>1 696 507</b>             |
| Operating profit                    | 201 000                   | (8)                            | 79 350                          | 280 342                      |
| Net finance costs                   | (1 686)                   | 3                              | (5 826)                         | (7 509)                      |
| Income from associates              | 5 721                     | –                              | (5 879)                         | (158)                        |
| Profit before taxation              | 205 034                   | (4)                            | 67 645                          | 272 675                      |
| Taxation                            | (69 221)                  | 1                              | (17 511)                        | (86 731)                     |
| <b>Profit for year</b>              | <b>135 814</b>            | <b>(3)</b>                     | <b>50 133</b>                   | <b>185 944</b>               |
| <b>Attributable to:</b>             |                           |                                |                                 |                              |
| Equity holders of parent            | 79 022                    | 56 541                         | 50 133                          | 185 696                      |
| Minority interest                   | 56 792                    | (56 544)                       | –                               | 248                          |
| Shares in issue ('000)              | 100 000                   | 44 238                         | 17 879                          | 162 130                      |
| Earnings per share (cents)          | 79.0                      | –                              | –                               | 114.5                        |
| Headline earnings per share (cents) | 77.2                      | –                              | –                               | 111.5                        |

### Notes:

1. Extracted from the profit forecast of Raubex Group for the year ending 28 February 2007, presented in Part C paragraph 22 of this Pre-listing statement.
2. Represents the effects of the restructure on the assumption that the restructure was effective 1 March 2006.
3. Represents the effects of the acquisition of SPH, National Asphalt and Milling Techniks on the following assumptions:
  - (a) the acquisitions were effective 1 March 2006;
  - (b) based on the unadjusted, except as set out below, financial information of the respective entities as follows:
    - (i) SPH – Unaudited management accounts for the 12 months ended 30 November 2006;
    - (ii) National Asphalt – Audited financial statements for the year ended 31 August 2006, adjusted for the disposal of the effects of an investment during the year;
    - (iii) Milling Techniks – Unaudited management accounts for the six months ended 31 August 2006. Milling Techniks was acquired by Raubex with effect 1 September 2006, consequently its forecast results for the six months ending 28 February 2007 are included in the forecast of Raubex for the year ending 28 February 2007; and
    - (iv) on the effective date of acquisition, a purchase price allocation exercise in terms of IFRS 3: Business Combinations, will need to be conducted. To the extent that additional value is attached to assets over their current book values, there may be an impact on the income statement going forward.
4. Represents the unaudited *pro forma* forecast of Raubex for the year ending 28 February 2007.
5. The *pro forma* financial information is presented in a manner consistent with both the format and accounting policies adopted by Raubex in its report of historical financial information.
6. In quantifying the *pro forma* adjustments, the issuer has applied accounting policies on the same basis as the issuer would normally adopt in preparing annual financial statements.

## PRO FORMA CONSOLIDATED BALANCE SHEET

The table below sets out the unaudited *pro forma* balance sheet of Raubex Group. The *pro forma* balance sheet has been prepared for illustrative purposes only and because of its nature may not fairly reflect the financial position of Raubex Group, after the restructure and acquisitions. The *pro forma* balance sheet is the responsibility of the Directors of Raubex Group.

| (R'000)                                    | Before <sup>1</sup> | Raubex Opco <sup>2</sup> | Restructure <sup>3</sup> | Acquisitions <sup>4</sup> | Pro forma <sup>5</sup> |
|--|---------------------|--------------------------|--------------------------|---------------------------|------------------------|
| <b>ASSETS</b>                              |                     |                          |                          |                           |                        |
| <b>Non-current assets</b>                  |                     |                          |                          |                           |                        |
| Fixed assets                               | –                   | 239 749                  | –                        | 177 830                   | 417 579                |
| Goodwill                                   | –                   | 3 479                    | –                        | 117 947                   | 121 426                |
| Investment in associates                   | –                   | 11 778                   | –                        | (7 941)                   | 3 837                  |
| Investments                                | –                   | –                        | –                        | 5 883                     | 5 883                  |
| Loans                                      | –                   | –                        | –                        | 5 562                     | 5 562                  |
| Other                                      | –                   | –                        | –                        | 12 743                    | 12 743                 |
| Deferred taxation                          | –                   | 1 402                    | –                        | –                         | 1 402                  |
|  | –                   | <b>256 408</b>           | –                        | <b>312 024</b>            | <b>568 432</b>         |
| <b>Current assets</b>                      |                     |                          |                          |                           |                        |
| Inventories                                | –                   | 11 831                   | –                        | 11 515                    | 23 346                 |
| Current tax receivable                     | –                   | 10 292                   | –                        | –                         | 10 292                 |
| Construction contracts and receivables     | –                   | 48 624                   | –                        | –                         | 48 624                 |
| Trade and other receivables                | –                   | 179 165                  | –                        | 57 538                    | 236 703                |
| Cash and cash equivalents                  | –                   | 90 768                   | –                        | (16 751)                  | 74 017                 |
|  | –                   | 340 680                  | –                        | 52 302                    | 392 982                |
| <b>Total assets</b>                        | –                   | <b>597 088</b>           | –                        | <b>364 326</b>            | <b>961 414</b>         |
| <b>EQUITY AND LIABILITIES</b>              |                     |                          |                          |                           |                        |
| <b>Equity</b>                              |                     |                          |                          |                           |                        |
| Share capital and premium                  | –                   | –                        | 1 290 800                | 162 247                   | 1 453 047              |
| Common control reserve                     | –                   | –                        | (1 190 782)              | –                         | (1 190 782)            |
| Retained income                            | –                   | 173 654                  | –                        | –                         | 173 654                |
| Ordinary shareholders' equity              | –                   | 173 654                  | 100 018                  | 162 247                   | 435 919                |
| Minority interest                          | –                   | 101 676                  | (100 018)                | –                         | 1 658                  |
| <b>Total equity</b>                        | –                   | <b>275 330</b>           | –                        | <b>162 247</b>            | <b>437 577</b>         |
| <b>Liabilities</b>                         |                     |                          |                          |                           |                        |
| <b>Non-current liabilities</b>             |                     |                          |                          |                           |                        |
| Loan from holding company                  | –                   | 17 821                   | –                        | –                         | 17 821                 |
| Long-term liabilities                      | –                   | –                        | –                        | 99 968                    | 99 968                 |
| Borrowings                                 | –                   | 70 269                   | –                        | 17 973                    | 88 242                 |
| Deferred tax                               | –                   | 26 249                   | –                        | 20 467                    | 46 716                 |
|  | –                   | <b>114 339</b>           | –                        | <b>138 408</b>            | <b>252 747</b>         |
| <b>Current liabilities</b>                 |                     |                          |                          |                           |                        |
| Short-term portion of borrowings           | –                   | 26 814                   | –                        | 16 784                    | 43 598                 |
| Current tax payable                        | –                   | 11 345                   | –                        | 33 185                    | 44 530                 |
| Trade and other payables                   | –                   | 168 177                  | –                        | 10 720                    | 178 897                |
| Provisions                                 | –                   | –                        | –                        | 2 982                     | 2 982                  |
| Bank overdrafts                            | –                   | 1 083                    | –                        | –                         | 1 083                  |
|  | –                   | <b>207 419</b>           | –                        | <b>63 671</b>             | <b>271 090</b>         |
| <b>Total liabilities</b>                   | –                   | <b>321 758</b>           | –                        | <b>202 079</b>            | <b>523 837</b>         |
| <b>Total equity and liabilities</b>        | –                   | <b>597 088</b>           | –                        | <b>364 326</b>            | <b>961 414</b>         |
| Shares in issue ('000)                     | 10                  | –                        | 144 228                  | 17 891                    | 162 130                |
| Net asset value per share (cents)          | –                   | –                        | 269                      | –                         | –                      |
| Net tangible asset value per share (cents) | –                   | –                        | –                        | 194                       | –                      |

**Notes:**

1. Extracted from the audited financial statements of Raubex at 15 February 2007.
2. Extracted from the reviewed financial results of Raubex Opco for the period ended 31 August 2006.
3. Represents the restructure of the Raubex Group:
  - through the formation of Raubex and the acquisition of the shares in Raubex Opco, settled by the issue of shares in Raubex; and
  - acquisition of minority interests in a number of subsidiaries also settled through the issue of shares in Raubex.
4. Represents the acquisition of SPH, National Asphalt and Milling Techniks on the following assumptions:
  - the acquisitions were effective 31 August 2006;
  - based on the financial information of the respective entities as follows:
    - SPH – Unaudited management accounts for the 12 months ended 30 November 2006;
    - National Asphalt – Audited financial statements for the year ended 31 August 2006; and
    - Milling Techniks – Unaudited management accounts for the 6 months ended 31 August 2006.
5. On the effective date of acquisition, a purchase price allocation exercise in terms of IFRS 3: Business Combinations, will need to be conducted. For purposes of the *pro forma* balance sheet, the excess of the consideration over the carrying book values of the assets acquired has been assumed to be attributable to goodwill.
6. Represents the unaudited *pro forma* balance sheet of Raubex.
7. The *pro forma* financial information is presented in a manner consistent with both the format and accounting policies adopted by Raubex in its report of historical financial information.
8. In quantifying the *pro forma* adjustments, the issuer has applied accounting policies on the same basis as the issuer would normally adopt in preparing annual financial statements.

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## INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA PROFIT FORECAST AND BALANCE SHEET OF RAUBEX GROUP

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"22 February 2007

The Directors  
Raubex Group Limited  
PO Box 3722  
Bloemfontein  
9300

Dear Sirs

### INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE PRO FORMA FINANCIAL INFORMATION OF RAUBEX GROUP LIMITED ("Raubex")

The board of Directors of Raubex Group Limited ("Raubex") has resolved to apply for a listing on the Main Board of the JSE Limited ("the proposed listing").

We have performed our limited assurance engagement in respect of the *pro forma* profit estimate and balance sheet ("the *pro forma* financial information") of Raubex set out in Annexure 9 to the Pre-listing statement of Raubex, to be dated on or about 2 March 2007 ("the Pre-listing statement") to be issued in connection with the proposed Listing. The *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the proposed listing might have affected the *pro forma* financial information presented, had the corporate action been undertaken at the date of the *pro forma* financial information being reported on.

#### Directors' responsibility

The Directors are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the Pre-listing statement and for the financial information from which it has been prepared. Their responsibility includes determining that: the *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Raubex and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

#### Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the Pre-listing statement. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Guide on Pro Forma Financial Information* issued by The South African Institute of Chartered Accountants.

This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

#### Source of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Raubex, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the Directors and Management of the Company in respect of the corporate action that is the subject of this Pre-listing statement.

In arriving at our conclusion, we have relied upon financial information prepared by the Directors and Management of Raubex and other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical and projected financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with *International Standards on Auditing* or *International Standards on Review Engagements* and accordingly we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

## **Conclusion**

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of Raubex;
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed in terms of Sections 8.17 and 8.30 of the JSE Listings Requirements.

Yours faithfully

## **P McCrystal**

*Director: Transaction Services*

PricewaterhouseCoopers Advisory Services (Proprietary) Limited  
Johannesburg"

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## HISTORICAL FINANCIAL INFORMATION OF RAUBEX GROUP

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### 1. INTRODUCTION

The Board of Directors of Raubex have resolved to list the shares in Raubex on the Main Board of the JSE. In compliance with the Listings Requirements, the financial information of Raubex is presented below. This historical financial information of Raubex is the responsibility of the Directors of Raubex.

No entity has ceased to be a Subsidiary during the period covered by the report of historical financial information.

### 2. BASIS OF PREPARATION

The financial information included in this annexure has been extracted from the audited financial statements of Raubex for the periods presented. Raubex was incorporated during the current financial period and has not traded at the date of the financial information presented below:

### 3. FINANCIAL INFORMATION OF RAUBEX

#### 3.1 Balance sheet at 31 January 2007

|               | <b>R</b> |
|---------------|----------|
| <b>Assets</b> |          |
| Cash          | 100      |
| <b>Equity</b> |          |
| Share capital | 100      |

#### 3.2 Income statement

No income statement has been prepared for the period ended 31 January 2007 as Raubex conducted no trading during this period.

#### 3.3 Statement of changes in equity for the period ended 31 January 2007

|                                       | <b>R</b>   |
|---------------------------------------|------------|
| Opening balance                       | –          |
| 10 000 shares issued of one cent each | 100        |
| <b>Balance at 31 January 2007</b>     | <b>100</b> |

#### 3.4 Cash flow statement

No cash flow statement and statement of changes in equity have been prepared as the only transaction for the period ended 31 January 2007 was the formation of the Company.

## NOTES TO THE FINANCIAL INFORMATION

### Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below.

The financial statements have been prepared on the historical cost basis of accounting as modified by the revaluation of financial assets and financial liabilities, and in accordance with International Financial Reporting Standards ("IFRS").

### Improved, revised and replaced International Financial Reporting Standards

The following statements are mandatory for the Company's accounting periods beginning on or after 1 January 2006:

- IFRS 6, *Exploration for and Evaluation of Mineral Resources* (effective from 1 January 2006).
- Amendments to IAS 19, *Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures* (effective from 1 January 2006).
- Amendment to IAS 21, *The Effects of Changes in Foreign Exchange Rates – Net investment in a Foreign Operation* (effective from 1 January 2006).
- Amendments to IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 4, *Insurance Contracts – Financial Guarantee Contracts* (effective from 1 January 2006).
- Amendments to IAS 39, *Financial Instruments: Recognition and Measurement – The Fair Value Option* (effective from 1 January 2006).
- Amendments to IAS 39, *Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions* (effective from 1 January 2006).
- Amendment to IFRS 1, *First-Time Adoption of International Financial Reporting Standards* and IFRS 6, *Exploration for and Evaluation of Mineral Resources* (effective from 1 January 2006).

Management assessed the relevance of these improved, revised and replaced statements with respect to the Company's operations and concluded that the changes are not relevant to the Company.

### Interpretations of International Financial Reporting Standards effective for the first time this year

The following interpretations are mandatory for the Company's accounting period beginning on or after 1 January 2006:

- IFRIC 4, *Determining Whether an Arrangement Contains a Lease* (effective from 1 January 2006).
- IFRIC 5, *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* (effective from 1 January 2006).
- IFRIC 6, *Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment* (effective from 1 December 2005).
- IFRIC 7, *Applying the Restatement Approach Under IAS 29, Financial Reporting in Hyper-inflationary Economies* (effective from 1 January 2006).

Management assessed the relevance of these interpretations with respect to the Company's operations and concluded that they are not relevant to the Company.

### Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2007 or later periods but which the Company has not early adopted, as follows:

- IFRS 7, *Financial Instruments: Disclosures*, and a complementary amendment to IAS 1, *Presentation of Financial Statements – Capital Disclosures* (effective from 1 January 2007).
- IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* and disclosure requirements in IAS 32, *Financial Instruments: Disclosure and Presentation*. The amendment to IAS 1 introduces disclosures about the level

of the entity's capital and how it manages capital. Management is currently assessing the impact of IFRS 7 and the amendment to IAS 1 on the Company's operations.

- The Company will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.
- IFRS 8, *Operating Segments* (effective from 1 January 2009). Management is currently assessing the impact of IFRS 8 on the Company's operations.
- IFRIC 8, *Scope of IFRS 2* (effective from 1 May 2006). The interpretation clarifies that IFRS 2 applies to transactions in which the entity cannot specifically identify the goods or services received in return for a share-based payment, but where other circumstances indicate that goods or services have been received. IFRIC 8 is not relevant to the Company's operations.
- IFRIC 9, *Re-assessment of Embedded Derivatives* (effective from 1 June 2006). IFRIC 9 is not relevant to the Company's operations.
- IFRIC 10, *Interim Financial Reporting and Impairment* (effective from 1 November 2006). Management is currently assessing the impact of IFRIC 10 on the Company's operations.
- IFRIC 11, *IFRS 2 Group and Treasury Share Transactions* (effective from 1 January 2007). Management is currently assessing the impact of IFRIC 11 on the Company's operations.
- IFRIC 12, *Service Concession Arrangements* (effective from 1 January 2008). IFRIC 12 is not relevant to the Company's operations.

## Share capital

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

### 1. SHARE CAPITAL AND SHARE PREMIUM

|                                    | Number<br>of shares | Ordinary<br>shares<br>(R) |
|------------------------------------|---------------------|---------------------------|
| <b>Authorised</b>                  |                     |                           |
| At 31 January 2007 (one cent each) | 500 000 000         | 5 000 000                 |
| <b>Issued</b>                      |                     |                           |
| Opening balance                    |                     |                           |
| 10 000 shares issued at par        | 10 000              | 100                       |
| <b>Balance at 31 January 2007</b>  | <b>10 000</b>       | <b>100</b>                |

### 2. SUBSEQUENT EVENTS

Subsequent to 31 January 2007 the Company acquired Raubex (Proprietary) Limited for the issue of equity on a share exchange basis and prepared and issued in terms of the Listings Requirements an Offer in respect of the sale of 55 852 730 shares at between R13.50 and R15.00 per Raubex share in terms of a Private Placement.



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## INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF RAUBEX GROUP

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22 February 2007

The Directors  
Raubex Group Limited  
PO Box 3722  
Bloemfontein  
9300

Dear Sirs

### INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF RAUBEX GROUP LIMITED ("Raubex")

The Board of Directors of Raubex has resolved to apply for a listing on the Main Board of the JSE Limited ("the proposed listing").

At your request and for the purposes of the Pre-listing statement of Raubex to be dated on or about 2 March 2007 ("the Pre-listing statement") we present our report on the historical financial information of Raubex presented in Annexure 11 to the Pre-listing statement, in compliance with the Listings Requirements of the JSE Limited.

#### Directors' responsibility for the financial statements

The Company's Directors are responsible for the preparation, contents and presentation of the Pre-listing statement and the fair presentation of the Report of Historical Financial Information in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The compilation, contents and presentation of the Pre-listing statement and the Report of Historical Financial Information are the responsibility of the directors of Raubex. Our responsibility is to express an opinion on the financial information presented in the Report of Historical Financial Information, included in the Pre-listing statement.

#### Reporting accountants' responsibility

Our responsibility is to express an opinion on the financial information presented in the Report of Historical Financial Information, included in the Pre-listing statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information is free from material misstatement.

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

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

**Opinion**

In our opinion, the financial information, presents fairly, in all material respects, and for the purposes of the Pre-listing statement, the financial position of Raubex at 31 January 2007 and of its cash flows for the period then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements.

Yours faithfully

**PRICEWATERHOUSECOOPERS INC.**

*Director: D Foster*

*Registered Auditor*

Bloemfontein"

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## PARTICULARS AND REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT OF RAUBEX

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### EXTERNAL FUNCTIONS PERFORMED BY THE DIRECTORS OF RAUBEX AND ITS MATERIAL SUBSIDIARIES

Set out below are other functions performed by Directors of Raubex and its material subsidiaries that are significant to Raubex:

- M C Matjila is the Chief Executive Officer of Kopano Ke Matla Investment Company. He also holds the positions of Chairperson of the National Electricity Regulator and currently serves as Chairperson of the National Energy Regulator of South Africa.
- L A Maxwell is the Financial Director of JCI Limited.
- M B Swana is a Non-executive Director of Matlapeng.
- F Diedrehsen is a Non-executive Director of Matlapeng.

### OCCUPATIONS AND/OR FUNCTIONS PERFORMED BY SENIOR MANAGEMENT

Set out below are the occupations and/or functions performed by the senior management of Raubex:

| <b>Names and nationality</b>                 | <b>Business address</b>                              | <b>Occupation and/or function within Raubex</b> |
|--|--|---|
| Gert Johannes Coffee<br>South African        | Cleveley<br>Eufees Extension<br>Bloemfontein<br>9300 | Managing Director of Raumix                     |
| Rudolf Johannes Fourie<br>South African      | Cleveley<br>Eufees Extension<br>Bloemfontein<br>9300 | Managing Director of Roadmac                    |
| Louis Johannes Raubenheimer<br>South African | Cleveley<br>Eufees Extension<br>Bloemfontein<br>9300 | Managing Director of Raubex Construction        |
| James Finlay Gibson<br>South African         | Cleveley<br>Eufees Extension<br>Bloemfontein<br>9300 | Group Financial Accountant                      |

No activities are performed by the senior management of Raubex outside of Raubex that are significant to Raubex.

**OTHER DIRECTORSHIPS AND PARTNERSHIPS HELD BY THE DIRECTORS AND SENIOR MANAGEMENT OF RAUBEX DURING THE PREVIOUS FIVE YEARS:**

| <b>Name</b>  | <b>Directorships</b>   | <b>Status</b> |
|--|--|---------------|
| Marake Collin Matjila                                    | Kopano Logistics Services (Proprietary) Limited              | Current       |
|  | Kopano Utilities and Resources (Proprietary) Limited         | Current       |
|  | Kreditinteract (Proprietary) Limited                         | Current       |
|  | Imuniti Holdings (Proprietary) Limited                       | Current       |
|  | Xpertek Investments (Proprietary) Limited                    | Current       |
|  | Kopano Ke Matla Investment Company (Proprietary) Limited     | Current       |
|  | KKM Technologies (Proprietary) Limited                       | Current       |
|  | SAPlats (Proprietary) Limited                                | Current       |
|  | Codevco (Proprietary) Limited                                | Current       |
|  | Seapoint Brokerage Services (Proprietary) Limited            | Current       |
|  | KKM Property Developments (Proprietary) Limited              | Current       |
|  | Matlapeng Resources (Proprietary) Limited                    | Current       |
|  | Matlapeng Strategic Investments (Proprietary) Limited        | Current       |
|  | Matlapeng Holdings (Proprietary) Limited                     | Current       |
|  | Saatchi and Saatchi South Africa (Proprietary) Limited       | Current       |
|  | Zamori 5 (Proprietary) Limited                               | Current       |
|  | Umkhoma Minerals and Projects (Proprietary) Limited          | Current       |
|  | Sunflower Housing Company (Proprietary) Limited              | Current       |
|  | Kopano Beneficiation Services (Proprietary) Limited          | Current       |
|  | KKM Management Solutions (Proprietary) Limited               | Current       |
| Barberry Holdings Kopano Ke Matla (Proprietary) Limited  | Current  |               |
| Kopano Ke Matla Financial Services (Proprietary) Limited | Current  |               |
| Gidani (Proprietary) Limited                             | Current  |               |
| Leslie Arthur Maxwell                                    | JCI Limited  | Current       |
|  | Matodzi Resources Limited                                    | Current       |
|  | Tangent Mining (Proprietary) Limited                         | Current       |
| Mbali Bekiso Swana                                       | Gogobala Investments (Proprietary) Limited                   | Current       |
|  | Prop 5 Corporation (Proprietary) Limited                     | Current       |
|  | Experience Delivery Company (Proprietary) Limited            | Current       |
|  | Matlapeng Holdings (Proprietary) Limited                     | Current       |
|  | Matlapeng Housing (Proprietary) Limited                      | Current       |
|  | Nulane Investments 0005 (Proprietary) Limited                | Current       |
| Freddie Kenny  | Kenworth (Proprietary) Limited                               | Current       |
|  | Kentha Developers (Proprietary) Limited                      | Current       |
|  | Phetogo Project Management & Engineers (Proprietary) Limited | Current       |
| Koos Raubenheimer  | Raubex Noord (Proprietary) Limited                           | Current       |
|  | Doncon (Proprietary) Limited                                 | Current       |
|  | Raubex Eiendomme (Proprietary) Limited                       | Current       |
|  | Raubex Construction Lesotho (Proprietary) Limited            | Deregistered  |
|  | Raubex Construction Botswana (Proprietary) Limited           | Deregistered  |
|  | Maluti Construction (Proprietary) Limited                    | Current       |
|  | Maluti Holdings (Proprietary) Limited                        | Current       |
|  | Lijnplaas Boerdery (Proprietary) Limited                     | Current       |
| Thabo Raubenheimer                                       | G M Raubenheimer Investment (Proprietary) Limited            | Current       |
|  | NFG Investments (Proprietary) Limited                        | Current       |
|  | NFG Investment Welkom (Proprietary) Limited                  | Current       |
|  | Raubex Construction Lesotho (Proprietary) Limited            | Deregistered  |
| Francois Diedrechen                                      | Matlapeng Holdings (Proprietary) Limited                     | Current       |
|  | Matlapeng Resources (Proprietary) Limited                    | Current       |
|  | Matlapeng Strategic Investments (Proprietary) Limited        | Current       |
|  | JIC Mining & Construction (Proprietary) Limited              | Resigned      |
|  | Corpcam.Com (Proprietary) Limited                            | Resigned      |
|  | Hernic Ferrochrome (Proprietary) Limited                     | Current       |

## CONTRACTS RELATING TO DIRECTORS AND MANAGERIAL REMUNERATION

Each of the executive Directors and the senior management of Raubex have a standard service agreement with Raubex. The material terms of the service agreements with the executive Directors and senior management are set out below:

| Name                | Position                                 | Date of appointment to current role | Current total guaranteed cost to Company package at 1 March 2007 R | Bonus scheme        | Notice period | Restraint |
|---------------------|--|-------------------------------------|--|---------------------|---------------|-----------|
| Koos Raubenheimer   | CEO                                      | November 1974                       | 925 000  | Performance-related | 1 Month       | 1 year    |
| Francois Diedrehsen | Commercial and Financial Director        | October 2006                        | 720 000  | Performance-related | 1 Month       | 3 years   |
| Thabo Raubenheimer  | Executive Director                       | January 1986                        | 730 578  | Performance-related | 1 Month       | 3 years   |
| Gert Coffee         | Managing Director of Raumix              | February 1984                       | 746 538  | Performance-related | 1 Month       | 3 years   |
| Rudolf Fourie       | Managing Director of Roadmac             | February 1997                       | 983 021  | Performance-related | 1 Month       | 3 years   |
| Louis Raubenheimer  | Managing Director of Raubex Construction | January 2005                        | 779 324  | Performance-related | 1 Month       | 3 years   |
| James Gibson        | Group Financial Accountant               | 1 July 2006                         | 500 000  | Performance-related | 1 Month       | None      |

The existing guaranteed cost to Company remuneration package of the directors and senior management, as set out above, will be reviewed in line with those of a listed company by the Remuneration Committee and adjusted if necessary, if and when required.

The dates upon which the respective service agreements were entered into are:

|                     |                  |
|---------------------|------------------|
| Koos Raubenheimer   | 16 February 2007 |
| Francois Diedrehsen | 16 February 2007 |
| Thabo Raubenheimer  | 16 February 2007 |
| Gert Coffee         | 16 February 2007 |
| Rudolf Fourie       | 16 February 2007 |
| Louis Raubenheimer  | 16 February 2007 |
| James Gibson        | 1 July 2006      |

The aggregate remuneration for all the Directors of Raubex for the financial year ending 28 February 2007 is set out in "Management and Corporate Governance – Appointment, Qualification, Remuneration and Borrowing Powers of Directors". Set out below is a breakdown of the Directors' fees and remuneration paid to the Directors and former Directors of Raubex for the financial year ending 28 February 2007:

| Name           | Directors' fees R | Basic salary R   | Bonuses and performance-related payments R | Other material benefits R | Contributions to pension schemes R | Medical aid contributions R | Total R          |
|----------------|-------------------|------------------|--|---------------------------|------------------------------------|-----------------------------|------------------|
| F Diedrehsen   | –                 | 225 000          | 15 000                                     | 75 000                    | –                                  | –                           | <b>315 000</b>   |
| F Kenny        | –                 | –                | –  | –                         | –                                  | –                           | –                |
| M C Matjila    | –                 | –                | –  | –                         | –                                  | –                           | –                |
| L A Maxwell    | –                 | –                | –  | –                         | –                                  | –                           | –                |
| J Raubenheimer | –                 | 756 000          | 33 000                                     | 113 676                   | 23 760                             | 13 363                      | <b>939 799</b>   |
| G Raubenheimer | –                 | 660 000          | 7 000                                      | 28 277                    | 23 760                             | 11 541                      | <b>730 578</b>   |
| M B Swana      | –                 | –                | –  | –                         | –                                  | –                           | –                |
|                | <b>–</b>          | <b>1 641 000</b> | <b>55 000</b>                              | <b>216 953</b>            | <b>47 520</b>                      | <b>24 904</b>               | <b>1 985 377</b> |

### **Additional information**

None of Raubex's Directors or senior management referred to in this Pre-Listing statement:

- has been declared bankrupt or has entered into an individual voluntary compromise arrangement to surrender his estate;
- is or was a Director with an executive function of any company at the time of, or within 12 months preceding, any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any compromise or arrangement with the company's creditors generally or with any class of its creditors;
- is or has been a partner in a partnership at a time of, or within 12 months preceding, any compulsory sequestration, administration or voluntary arrangement of such partnership;
- is or has been a partner in a partnership at the time of, or within 12 months preceding, a receivership of any assets of such partnership;
- has had any of his assets subject to receivership;
- is or has been publicly criticised by any statutory or regulatory authorities, including recognised professional bodies or been disqualified by a court from acting as a Director of a company or from acting in the management or conduct of the affairs of any company; and/or
- is or has been convicted of any offence involving dishonesty.

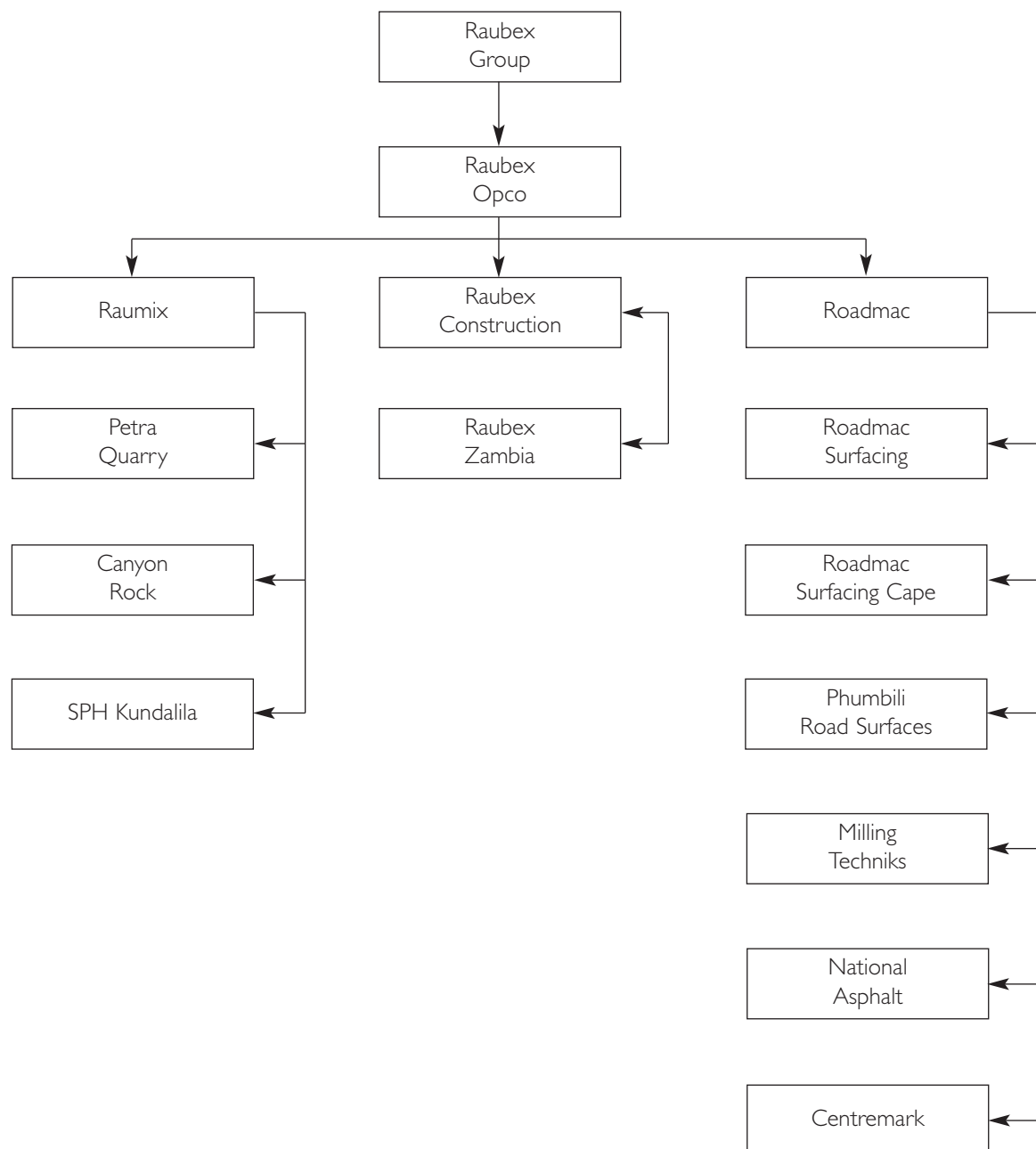
### **Fees *in lieu* of Directors' fees**

No fees *in lieu* of Directors' fees have been paid to any of the Directors by Raubex during the financial year ended 28 February 2006.

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**DETAILS OF SUBSIDIARY COMPANIES AND THEIR DIRECTORS**


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**I. RAUBEX STRUCTURE ON LISTING DATE <sup>(1)</sup>**

(1) All companies are 100% owned, other than Centremark which is 70% owned by Raubex.

## 2. OPERATING SUBSIDIARIES

| <b>Name and registration number</b>                                   | <b>Date and place of incorporation and length of time during which business has been carried out</b> | <b>Issued ordinary share capital</b>                       | <b>Main business</b>   | <b>Date of becoming subsidiary</b> |
|---|--|--|--|------------------------------------|
| 1. Raubex (Proprietary) Limited<br>1978/004596/07                     | 21 November 1978<br>South Africa<br>28 years   | R300 divided in<br>300 ordinary<br>shares of R1.00<br>each | Civil construction   | 21 November 1978                   |
| 2. Raumix (Proprietary) Limited<br>1982/008336/07                     | 7 September 1982<br>South Africa<br>24 years   | R300 divided in<br>300 ordinary<br>shares of R1.00<br>each | Mining, crushing<br>and processing of<br>stone and related<br>activities | 7 September 1982                   |
| 3. Petra Quarry (Proprietary)<br>Limited<br>2000/011023/07            | 6 June 2000<br>South Africa<br>6 years   | R100 divided in<br>100 ordinary<br>shares of R1.00<br>each | Mining, crushing<br>and processing of<br>stone and related<br>activities | 6 June 2000                        |
| 4. Canyon Rock (Proprietary)<br>Limited<br>2000/027136/07             | 25 October 2000<br>South Africa<br>6 years   | R120 divided in<br>120 ordinary<br>shares of R1.00<br>each | Mining, crushing<br>and processing of<br>stone and related<br>activities | 1 March 2007                       |
| 5. SPH Kundalila (Proprietary)<br>Limited<br>1997/015857/07           | 22 September 1997<br>South Africa<br>10 years  | R100 divided in<br>100 ordinary<br>shares of R1.00<br>each | Mining, crushing<br>and processing of<br>stone and related<br>activities | 1 March 2007                       |
| 6. Roadmac (Proprietary) Limited<br>1997/000224/07                    | 10 January 1997<br>South Africa<br>10 years  | R100 divided in<br>100 ordinary<br>shares of R1.00<br>each | Road<br>rehabilitation   | 10 January 1997                    |
| 7. Roadmac Surfacing (Proprietary)<br>Limited<br>1992/001299/07       | 12 March 1992<br>South Africa<br>15 years  | R100 divided in<br>100 ordinary<br>shares of R1.00<br>each | Road<br>rehabilitation   | 12 March 1992                      |
| 8. Roadmac Surfacing Cape<br>(Proprietary) Limited<br>2001/108597/07  | 10 August 2001<br>South Africa<br>4 years  | R100 divided in<br>100 ordinary<br>shares of R1.00<br>each | Road<br>rehabilitation   | 10 August 2001                     |
| 9. Phambili Road Surfacing<br>(Proprietary) Limited<br>1999/017235/07 | 11 August 1999<br>South Africa<br>7 years  | R200 divided in<br>200 ordinary<br>shares of R1.00<br>each | Road<br>rehabilitation   | 15 November 2005                   |
| 10. Milling Techniques (Proprietary)<br>Limited<br>1999/016677/0      | 3 August 1999<br>South Africa<br>7 years   | R100 divided in<br>100 ordinary<br>shares of R1.00<br>each | Road<br>rehabilitation   | 1 September 2006                   |
| 11. National Asphalt (Proprietary)<br>Limited<br>1988/005674/07       | 4 October 1998<br>South Africa<br>8 years  | R100 divided in<br>100 ordinary<br>shares of R1.00<br>each | Road<br>rehabilitation   | 1 March 2007                       |
| 12. Centremark (Proprietary)<br>Limited<br>2001/027113/07             | 12 November 2001<br>South Africa<br>5 years  | R120 divided in<br>120 ordinary<br>shares of R1.00<br>each | Road<br>rehabilitation   | 15 November 2005                   |



| <b>Name and registration number</b>                             | <b>Date and place of incorporation and length of time during which business has been carried out</b> | <b>Issued ordinary share capital</b>                                       | <b>Main business</b>                            | <b>Date of becoming subsidiary</b> |
|---|--|--|---|------------------------------------|
| 13. Raubex Construction (Proprietary) Limited<br>1993/070002/07 | 8 January 1993<br>South Africa<br>14 years   | R1 000 divided in<br>1 000 ordinary<br>shares of R1.00<br>each             | Civil construction<br>and related<br>activities | 8 January 1993                     |
| 14. Raubex Construction<br>Zambia (Ltd)<br>56177                | 19 August 2004<br>Zambia<br>2 years  | K5000 000 divided<br>in 5 000 000<br>ordinary shares of<br>one Kwacha each | Civil construction<br>and related<br>activities | 1 March 2007                       |

On the Listing Date, all of the above subsidiaries will be wholly-owned by Raubex, other than Centremark (Proprietary) Limited, which is 70% owned by Raubex. Other than the shareholders, by amending the articles of association, no person holds any rights enabling them to vary the voting rights of the shares in these subsidiaries.

### **3. NON-OPERATING AND DORMANT SUBSIDIARIES**

| <b>Name</b>                                    | <b>Registration number</b> |
|--|----------------------------|
| Forward Infra (Proprietary) Limited            | 1984/000025/07             |
| Lacrete Construction (Proprietary) Limited     | 1981/003254/07             |
| Super Civil Construction (Proprietary) Limited | 1997/009004/07             |
| Haulking (Proprietary) Limited                 | 1985/070491/07             |
| Stabilpave (Proprietary) Limited               | 1984/002268/07             |
| Raubex North (Proprietary) Limited             | 1976/003683/07             |

All of the above subsidiaries are wholly-owned by Raubex.

No person, other than the shareholders, holds any rights to enable such a person to vary the voting rights held in any subsidiary.

### **4. MATERIAL CHANGES TO THE BUSINESSES OF RAUBEX GROUP COMPANIES.**

In the five years prior to the date of Listing and the Last Practicable Date, there have been no material changes to the businesses of Raubex Group companies.

### **5. ALTERATIONS TO SHARE CAPITAL OF RAUBEX GROUP COMPANIES**

In the three years prior to the date of Listing and the Last Practicable Date, there have been no material changes to the share capital of Raubex Group companies, save for those mentioned in this Pre-listing statement.

## 6. DIRECTORS OF OPERATING SUBSIDIARIES

The Directors of Raubex's operating subsidiaries are set out in the table below:

| <b>Company</b>                                | <b>Directors</b>   |
|---|--|
| Raubex Opco                                   | J E Raubenheimer, G M Raubenheimer, F Diedrechen, M Swana, F Kenney                            |
| Raumix (Proprietary) Limited                  | G J Coffee, A D van Malsen, G M Raubenheimer, F Kenney, K E Msimango, C J Muller               |
| S P H Kundalila (Proprietary) Limited         | U A Adonis, J Potter-Bowyer, C J Muller, K E Misimango, C K Aldridge, A van Malsen, G J Coffee |
| Canyon Rock (Proprietary) Limited             | G J Coffee, F Kenney, U A Adonis, C K Aldridge, A D van Malsen, G E Robinson                   |
| Petra Quarry (Proprietary) Limited            | G J Coffee, F Kenney   |
| Raubex Construction (Proprietary) Limited     | L J Raubehiemer, J F Burmeister, F Diedrechen, M Swana, F Kenney, W Ceronio, J Herbst          |
| Raubex Construction Zambia Limited            | J Mwewa, A F S Kriek, J E Raubenheimer   |
| Roadmac (Proprietary) Limited                 | R J Fourie, F Kenney, F Diedrechen   |
| Roadmac Surfacing (Proprietary) Limited       | R J Fourie, J A Pelsler, J Karsten, M Swana, F Kenney  |
| Roadmac Surfacing Cape (Proprietary) Limited  | C Backlund, D N le Cordeur, N G Schrier, R J Fourie  |
| Phambili Road Surfacing (Proprietary) Limited | R J Tickle, F Kenney   |
| Milling Techniques (Proprietary) Limited      | R J Fourie, W Reus, G Whittaker, L J Raubenheimer, M Swana, F Kenney                           |
| National Asphalt (Proprietary) Limited        | G Whittaker, S Pretorius, M Swana, F Kenney  |

Further details of all the Directors and Senior Managers of Raubex are set out in Annexure 6 to this Pre-listing statement.

Other Directorships held by the Directors of the operating Subsidiaries of Raubex during the previous five years, not already set out above or in Annexure 5 to this Pre-listing statement, are set out below:

| <b>Name of Director</b> | <b>Directorships</b>                                       | <b>Status</b> |
|-------------------------|--|---------------|
| A D van Malsen          | Aquasoil (Proprietary) Limited                             | Current       |
|                         | Aquatic Services (Proprietary) Limited                     | Current       |
|                         | Aurigena Leases (Proprietary) Limited                      | Current       |
|                         | Carpetkat (Proprietary) Limited                            | Current       |
|                         | Pretoria Amalgamated Quarries (Proprietary) Limited        | Current       |
|                         | Saldanha Plant Hire (Proprietary) Limited                  | Current       |
|                         | SPH Earthmoving (Proprietary) Limited                      | Current       |
|                         | SPH Equipment Hire (Proprietary) Limited                   | Current       |
|                         | SPH Group (Proprietary) Limited                            | Current       |
|                         | SPH Group Properties (Proprietary) Limited                 | Current       |
|                         | SPH Sand (Proprietary) Limited                             | Current       |
|                         | Dahna Construction (Proprietary) Limited                   | Current       |
|                         | Ligra (Proprietary) Limited                                | Current       |
|                         | Weskus Auto (Proprietary) Limited                          | Current       |
|                         | Western Sky Properties (Proprietary) Limited               | Current       |
|                         | Jakkalsfontein Homeowners Association                      | Current       |
|                         | Jakkalsfontein Investment Properties (Proprietary) Limited | Current       |

| <b>Name of Director</b>           | <b>Directorships</b>                         | <b>Status</b> |
|-----------------------------------|--|---------------|
| U A Adonis                        | Aquasoil (Proprietary) Limited               | Current       |
|                                   | Aquatic Services (Proprietary) Limited       | Current       |
|                                   | Aurigena Leases (Proprietary) Limited        | Current       |
|                                   | Saldanha Plant Hire (Proprietary) Limited    | Current       |
|                                   | SPH Earthmoving (Proprietary) Limited        | Current       |
|                                   | SPH Equipment Hire (Proprietary) Limited     | Current       |
|                                   | SPH Group (Proprietary) Limited              | Current       |
|                                   | SPH Group Properties (Proprietary) Limited   | Current       |
|                                   | Weskus Auto (Proprietary) Limited            | Current       |
| J Petter-Bowyer                   | Aquatic Services (Proprietary) Limited       | Current       |
|                                   | SPH Group (Proprietary) Limited              | Current       |
|                                   | SPH Sand (Proprietary) Limited               | Current       |
|                                   | Tollsort (Proprietary) Limited               | Current       |
| C J Muller                        | Aquasoil (Proprietary) Limited               | Current       |
|                                   | Aquatic Services (Proprietary) Limited       | Current       |
|                                   | Aurigena Leases (Proprietary) Limited        | Current       |
|                                   | Saldanha Plant Hire (Proprietary) Limited    | Current       |
|                                   | SPH Earthmoving (Proprietary) Limited        | Current       |
|                                   | SPH Equipment Hire (Proprietary) Limited     | Current       |
|                                   | SPH Group (Proprietary) Limited              | Current       |
|                                   | SPH Group Properties (Proprietary) Limited   | Current       |
|                                   | SPH Sand (Proprietary) Limited               | Current       |
| Weskus Auto (Proprietary) Limited | Current                                      |               |
| C K Aldridge                      | Aquatic Services (Proprietary) Limited       | Current       |
|                                   | SPH Group (Proprietary) Limited              | Current       |
|                                   | SPH Sand (Proprietary) Limited               | Current       |
| W Ceronio                         | Fixtrade Surfacing (Proprietary) Limited     | Current       |
| J A Pelser                        | Blacktop Surfaces (Proprietary) Limited      | Current       |
|                                   | Blacktop Holdings (Proprietary) Limited      | Current       |
|                                   | Blacktop Plant Company (Proprietary) Limited | Current       |
|                                   | Bataing Road Rehab (Proprietary) Limited     | Current       |
|                                   | Quickstep 198 (Proprietary) Limited          | Current       |
| L J Raubenheimer                  | Early Moon Trading 516 CC                    | Current       |
| W Reus                            | Kinmill Investments (Proprietary) Limited    | Current       |
| G Whittaker                       | Kinmill Investments (Proprietary) Limited    | Current       |

No partnerships were held by any of the Directors of the Subsidiaries of Raubex during the past five years.

## **7. EXTRACTS OF ARTICLES OF ASSOCIATION**

Set out below are extracts of the articles of association of Raubex Opco and its Subsidiary companies, which will be adopted post-Listing. The articles of association of the operating subsidiaries will, to the extent required by the JSE, comply with the Listings Requirements. The articles of association of Raubex Opco and its Subsidiary companies may be altered by special resolution.

### **Qualification, appointment and remuneration of directors**

“45. Subject to the provisions of the Act:

- 45.1 unless otherwise determined by a general meeting, the number of directors shall be not less than one nor more than twelve;
- 45.2 the first directors may be appointed by the subscribers to the memorandum.

46. A general meeting or the directors shall have the power, from time to time, to appoint anyone as a director, either to fill a vacancy in the directors or as an additional director; provided that:
- 46.1 the total number of directors shall not at any time exceed the maximum number fixed by or in accordance with these articles;
  - 46.2 notwithstanding that the directors shall have the power to appoint anyone as a director, at least one of the directors shall be appointed by the company in general meeting;
  - 46.3 the appointment of any director who was appointed by the directors in terms of this 46 shall cease at the conclusion of the next annual general meeting, unless it is confirmed at that annual general meeting.

#### **Powers and duties of the directors**

56. Subject to any limitation imposed by these articles, the management of the business of the company shall be vested in the directors who, in addition to and without limitation of the powers expressly conferred upon them by the Act or these articles, may exercise or delegate to any one or more persons all such powers and do or delegate to any one or more persons the doing of all such acts (including the right to sub-delegate) as may be exercised or done by the company and are not in terms of the Act or by these articles expressly directed or required to be exercised or done by a general meeting, subject, nevertheless, to that management not being inconsistent with, any resolution passed by a general meeting. No such resolution passed by a general meeting shall invalidate any prior act of the directors or any delegatee.

#### **Borrowing powers**

57. The directors may exercise all the powers of the company to borrow money and to mortgage or encumber its undertaking, property and uncalled capital or any part thereof and to issue debentures or debenture stock (whether secured or unsecured), whether outright or as security for any debt, liability or obligation of the company or of any third party.
58. Notwithstanding the provisions of 57, the directors shall restrict the borrowings of the company so as to ensure that the aggregate amount at any one time owing by the company in respect of money so raised, borrowed or secured by it shall not exceed the amount authorised by its holding company''

## DETAILS OF PRINCIPAL IMMOVABLE PROPERTIES LEASED OR OWNED

Details of the principal immovable properties leased and owned by Raubex and its Subsidiaries are as follows:

### PRINCIPAL PROPERTIES LEASED

| <b>Lessor</b>                              | <b>Lessee</b>                                    | <b>Property type</b>            | <b>Location/Area</b>  | <b>Expiry date</b> |
|--|--|---------------------------------|---|--------------------|
| Erf 32 Menlo Park (Proprietary) Limited    | Raubex (Proprietary) Limited                     | Offices                         | First Floor, Leopard Creek Building, The Greens Office Park Centurion       | 31/12/2009         |
| Transnet Limited                           | Roadmac Surfacing (Proprietary) Limited          | Offices                         | Residual portion of sub-division 1, Farm Bloemfontein No. 654, Bloemfontein | 31/12/2008         |
| Juanfany CC                                | Roadmac Surfacing (Proprietary) Limited          | Offices                         | Units 20 and 21, 112 Ridge Road Bartletts, Boksburg                         | 31/12/2007         |
| Raubex Eiendomme <sup>(1)</sup>            | Muscle Construction (Proprietary) Limited        | Offices and Workshop, Cleveley  | Cleveley, Eufeefs Extention Bloemfontein                                    | 30/09/2007         |
| Raubex Eiendomme <sup>(1)</sup>            | Raumix (Proprietary) Limited                     | Offices and Workshop, Cleveley  | Cleveley, Eufeefs Extention Bloemfontein                                    | 30/09/2007         |
| Raubex Eiendomme <sup>(1)</sup>            | Raubex Construction (Proprietary) Limited        | Offices and Workshop, Cleveley  | Cleveley, Eufeefs Extention Bloemfontein                                    | 30/09/2007         |
| Simbatex                                   | Milling Techniks (Proprietary) Limited           | Yard and Office, Pinetown       | 11, 7th Avenue Ashley, Pinetown   | 28/02/2010         |
| Ligra (Proprietary) Limited                | SPH Kundalila (Proprietary) Limited              | Office Building                 | 18 Marconi Road, Montague Gardens   | 31/12/2008         |
| SPH Group Properties (Proprietary) Limited | SPH Kundalila (Proprietary) Limited              | Branch Offices and Workshops    | 52 Platinum Street Saldanha   | Monthly            |
| Bokenberge Trust                           | SPH Kundalila (Proprietary) Limited              | Branch Workshops                | Portion 92, Farm Kroondal 304   | Monthly            |
| The Kentha – Raumix JV                     | Petra Quarry (Proprietary) Limited               | Petra Quarry                    | Portion of Farm Hillside 2830 Bloemfontein                                  | 31/05/2016         |
| Road Development Agency – Zambia           | Raubex Construction Zambia (Proprietary) Limited | Kafue Quarry                    | Kafue, Zambia   | 01/09/2009         |
| Tony Kallidas                              | Raubex Construction Zambia (Proprietary) Limited | Kasavasa Quarry                 | Kabwe, Zambia   | 01/09/2009         |
| Road Development Agency – Zambia           | Raubex Construction Zambia (Proprietary) Limited | Senkobo Quarry                  | Livingstone, Zambia   | 01/09/2009         |
| Ronny Landliss                             | Raubex Construction Zambia (Proprietary) Limited | Chisamba Offices                | Chisamba, Zambia  | 31/07/2007         |
| Abel Chicopo Mudenda                       | Raubex Construction Zambia (Proprietary) Limited | Livingstone Offices             | Livingstone, Zambia   | Monthly            |
| Southern Quarries Limited                  | Raubex Construction Zambia (Proprietary) Limited | Livingstone Quarry              | Livingstone, Zambia   | 30/04/2007         |
| H J Ngwenya                                | Raubex Construction (Proprietary) Limited        | Offices and Workshop, Volksrust | Farm Oudehout Kloof Volksrust District                                      | 15/11/2008         |
| R R Venter                                 | Raubex Construction (Proprietary) Limited        | Contractor Accommodation        | 14 Meyer Street, Plot 137 Reddersburg                                       | 01/09/2007         |
| M G Turner                                 | Raubex Construction (Proprietary) Limited        | Contractor Accommodation        | The Cottage, Greener Pastures Umlaas Road                                   | 31/12/2006         |
| OTB Construction Holdings                  | Roadmac Surfacing Cape (Proprietary) Limited     | George Offices                  | Discovery Road, George Industrial, George                                   | 15/05/2007         |
| D van der Merwe                            | Roadmac Surfacing Cape (Proprietary) Limited     | Lab House                       | 9 Montagu Road, Blanco, George  | 17/04/2007         |

(1) Koos Raubenheimer is a Director of Raubex Eiendomme (Proprietary) Limited and has a non-beneficial, indirect interest in the lease agreement.

The aggregate rental payable by Raubex for all the principal immovable properties leased by Raubex for the financial year ended 28 February 2006 was R5 006 867 (inclusive of rentals paid by SPH Kundalila and Milling Techniks over the same period presented).

#### PRINCIPAL PROPERTIES OWNED

| Owner                                     | Description  | Title Deed No. |
|---|--|----------------|
| Raubex (Proprietary) Limited              | Erf 1795, 13 996m <sup>2</sup> , Bethlehem, Robertson Street   | T6489/1981     |
|   | Erf 1796, 7 192m <sup>2</sup> , Bethlehem, Robertson Street  | T12222/1980    |
|   | Labri No. 2012 Kroonstad 4.282ha   | T7073/1982     |
|   | Erf 52 1 115m <sup>2</sup> Kestell   | T13076/1983    |
|   | Portion 1 Erf 80 Alrode South  | T54561/01      |
|   | Stand 690 Erf 81 Alrode South  | T54559/01      |
| Forward Infra (Proprietary) Limited       | Plot No. 5 42 827m <sup>2</sup> , Qwaggafontein  | T18469/1996    |
| Raumix (Proprietary) Limited              | Plot 28 23 505m <sup>2</sup> , Estoire   | T3879/1984     |
|   | Section 7 Chamarel, 103m <sup>2</sup> , Centurion  | ST43420/2003   |
| Haulking (Proprietary) Limited            | Portion 22 of Elandsfontein 4128 5.653ha Gauteng East  | T14782/2000    |
| Raubex Construction (Proprietary) Limited | Erf 3383 14 544m <sup>2</sup> Bethlehem  | T22838/98      |
|   | Erf 3384 5853m <sup>2</sup> Bethlehem  | T25832/2005    |
|   | Erven 18993, 18994, 18998 and 18999 Bethlehem  | T7935/1976     |
| Rossway Quarry                            | Portion 22 (a Portion of Portion 7) of the farm Olievenhoutbosch No. 389, Registration Division J.R., Province of Gauteng  | T22358/2002    |
|   | Remaining extent of Portion 9 of the farm Olievenhoutbosch No. 389, Registration Division J.R., Province of Gauteng        | T22358/2002    |
|   | Portion 23 (a portion of Portion 7) of the farm Olievenhoutbosch No. 389, Registration Division J.R., Province of Gauteng  | T22358/2002    |
|   | Portion 108 (a portion of Portion 2) of the farm Olievenhoutbosch No. 389, Registration Division J.R., Province of Gauteng | T22358/2002    |
| Rosslyn Quarry                            | Portion 35 (a portion of Portion 11) of the farm Klipfontein No. 268, Registration Division J.R., Province of Gauteng      | T22358/2002    |
|   | Portion 34 (a portion of Portion 11) of the farm Klipfontein No. 268, Registration Division J.R., Province of Gauteng      | T22358/2002    |
|   | Portion 73 (a portion of Portion 10) of the farm Klipfontein No. 268, Registration Division J.R., Province of Gauteng      | T22358/2002    |
|   | Portion 72 (a portion of Portion 10) of the farm Klipfontein No. 268, Registration Division J.R., Province of Gauteng      | T22358/2002    |
|   | Portion 129 (a portion of Portion 74) of the farm Klipfontein No. 268, Registration Division J.R., Province of Gauteng     | T22358/2002    |

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## MATERIAL ACQUISITIONS IN THE PRECEDING THREE YEARS

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Save for the acquisition of Raubex Opco by Raubex described in paragraph 39 headed "Shares issue, other than for cash" on page 40, no material acquisitions (as contemplated by the Listings Requirements) have been made by Raubex Group within the three years preceding the date of this Pre-listing statement, nor are there any proposed material acquisitions of any securities in or business undertakings of any other company or business enterprise or immovable property. During the three-year period preceding the date of this Pre-listing statement Raubex have acquired two business which, as contemplated by the Listings Requirements would constitute Category 3 transactions, and are not material in terms of the Listings Requirements, however these businesses enhance the overall business of Raubex and, accordingly, the Directors would like to draw attention to these acquisitions:

| <b>Name of company</b>   | <b>Nature of business</b>   | <b>Salient financial information</b>  | <b>Effective date</b> |
|--|---|---|-----------------------|
| National Asphalt   | <ul style="list-style-type: none"> <li>Mining, crushing and screening of sand and building aggregates, manufacture and laying of premix asphalt</li> </ul>  | <ul style="list-style-type: none"> <li>Deal value: R27 529 350</li> <li>Estimated profit after taxation to 28 February 2007: R10 million</li> </ul>   | 1 March 2007          |
| SPH Kundalila, through the acquisition of Aquatic Services (which holds a 100% interest in SPH Group, which holds a 100% interest in SPH Kundalila). Both Aquatic Services and SPH Group are holding companies, which do not trade | <ul style="list-style-type: none"> <li>Specialist quarry and aggregate operation</li> <li>Mining, crushing and screening of sand and building aggregates, manufacture and laying of premix asphalt</li> </ul> | <ul style="list-style-type: none"> <li>Deal value: R162 247 100</li> <li>Estimated profit after taxation to 28 February 2007: R31 million (inclusive of 50% of Canyon Rock, other than that already owned by Raubex)</li> </ul> | 1 March 2007          |

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## DETAILS OF MATERIAL BORROWINGS AND MATERIAL LOANS

### I. MATERIAL BORROWINGS OF RAUBEX OPCO AT THE LAST PRACTICABLE DATE:

| Lender        | Nature of finance          | Origination                           | Amount outstanding R | Interest rate                                  | Security   | Repayment Terms                  | How repayment is intended to be funded |
|---------------|----------------------------|---------------------------------------|----------------------|--|--|----------------------------------|--|
| Nedbank       | Instalment sale agreements | To fund certain fixed asset purchases | 107 261 962          | Effective interest rate of prime –2% per annum | Certain fixed assets with a book value of R137 765 709 | Repayable in monthly instalments | Operating cash flow                    |
| ABSA          | Instalment sale agreements | To fund certain fixed asset purchases | 53 542 435           | Effective interest rate of prime –2% per annum | Certain fixed assets with a book value of R53 630 134  | Repayable in monthly instalments | Operating cash flow                    |
| Standard Bank | Instalment sale agreements | To fund certain fixed asset purchases | 30 322 251           | Effective interest rate of prime –2% per annum | Certain fixed assets with a book value of R43 299 783  | Repayable in monthly instalments | Operating cash flow                    |
| WesBank       | Instalment sale agreements | To fund certain fixed asset purchases | 53 435 563           | Effective interest rate of prime –2% per annum | Certain fixed assets with a book value of R66 323 830  | Repayable in monthly instalments | Operating cash flow                    |

### 2. MATERIAL INTER-COMPANY BALANCES AT THE LAST PRACTICABLE DATE:

Details of inter-company balances at the Last Practicable Date before elimination are as follows:

| Company  | Long-term loans receivable R | Long-term loans payable R | Short-term receivables R | Short-term payables R |
|--|------------------------------|---------------------------|--------------------------|-----------------------|
| Raubex (Proprietary) Limited                     | 42 910 091                   | 18 453 379                | 3 391 650                | 28 126 170            |
| Raubex Construction (Proprietary) Limited        | 12 677 459                   | 36 534 573                | 69 011 713               | 19 957 339            |
| Raubex Construction Zambia (Proprietary) Limited | 3 578 876                    | 212 628                   | –                        | 38 210 721            |
| Stabilpave (Proprietary) Limited                 | –                            | 10 476 153                | 11 109 385               | 614 863               |
| Roadmac (Proprietary) Limited                    | 21 974 004                   | 4 737 227                 | 20 265 790               | –                     |
| Roadmac Surfacing (Proprietary) Limited          | 6 676 104                    | 21 203 004                | 19 193 157               | 25 768 571            |
| Roadmac Cape (Proprietary) Limited               | 2 709 945                    | –                         | 858 621                  | 16 411 574            |
|  | <b>104 520 905</b>           | <b>104 520 905</b>        | <b>142 939 572</b>       | <b>142 939 572</b>    |



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## EXTRACTS FROM ARTICLES OF ASSOCIATION OF RAUBEX

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Set out below are extracts from the articles of association of Raubex:

### APPOINTMENT, REMUNERATION AND QUALIFICATION OF DIRECTORS

- "24.1 Subject to the provisions of the Companies Act and unless otherwise determined by a general meeting, the number of Directors shall be not less than four.
- 24.4 Neither a Director nor an alternate Director shall be obliged to hold any qualification shares.
- 24.5 The remuneration of the Directors for their services as such shall be determined from time to time by a general meeting.
- 24.7 The Directors shall:
- 24.7.1 be paid all travelling, subsistence and other expenses properly incurred by them in the execution of their duties in or about the business of the company;
- 24.7.2 if required to perform extra services or to reside abroad or otherwise be specifically occupied about the company's business, be entitled to receive such remuneration,
- as may be authorised or ratified by a disinterested quorum of directors, which shall take into account the recommendations of the Remuneration Committee.
33. Without prejudice to any contrary provisions in the articles, the office of a Director shall be vacated in any of the following events:
- 33.2 if his estate is sequestrated or he assigns his estate or enters into a general compromise with his creditors;
- 33.3 if he is found to be or becomes of unsound mind;
- 33.4 if a majority of his co-Directors sign and deposit at the office a written notice wherein he is requested to vacate his office (which shall become operative on deposit at the office) but without prejudice to any claim for damages;
- 33.5 if he be removed by a resolution of the company of which proper notice has been given in terms of the Companies Act (but without prejudice to any claim for damages);
- 33.6 if he shall, pursuant to the provisions of the Companies Act or any order made thereunder, be prohibited from acting as a Director;
- 33.7 if he resigns his office by notice in writing to the company;
- 33.8 if:
- 33.8.1 he is absent from meetings of the Directors for 6 (six) consecutive months without leave of the Directors, otherwise than on the business of the company; and
- 33.8.2 he is not represented at any such meetings during such 6 (six) consecutive months by an alternate Director; and
- 33.8.3 the Directors resolve that his office be, by reason of such absence, vacated,
- provided that the Directors shall have power to grant to any Director leave of absence for a definite or indefinite period.
- 33.9 if the Director in question:
- 33.9.1 is an executive Director, at the end of the annual general meeting of the company held in the year in which the Director in question reaches the age of sixty-five; and
- 33.9.2 is a non-executive Director, at the end of the annual general meeting of the company held in the year in which the Director in question reaches the age of seventy,
- provided that a Director shall not be obliged to so vacate his office if the majority of the Directors present at a duly constitute and quorate meeting of the board so decide.

## **BORROWING POWERS OF DIRECTORS**

“The:

- 28.1 *borrowing powers of the company; and*
  - 28.2 *powers of the company to mortgage or encumber its undertaking and property or any part thereof and to issue debentures or debenture stock (whether secured or unsecured), whether outright or as security for any debt, liability or obligation of the company or of any third party,*
- shall be unlimited and shall be exercised by the Directors.”*

## **ROTATION OF DIRECTORS**

“The Directors shall retire from office on the following bases:

- 33.1 *at each annual general meeting Directors comprising one third of the aggregate number of Directors (excluding the CEO and any Director referred to in 33.4) or, if their number is not three or a multiple thereof, then the number nearest to but not less than one-third of the aggregate number of Directors (excluding the CEO and any Director referred to in 38) shall retire from office;*
- 33.2 *the Directors to retire in terms of 33.1 shall exclude any CEO and any Director referred to in 33.4 and shall be those who have been longest in office since their last election, provided that if more than one of them were elected Directors on the same day, those to retire shall be determined by lot, unless those Directors agree otherwise between themselves;*
- 33.3 *if, after the retirement of Directors in terms of 33.1, there would remain in office any Director (excluding the CEO) who would have held office for three years since his last election, he shall also retire, in addition to the Directors retiring in terms of 33.1, at such annual general meeting;*
- 33.4 *any Director appointed as such by the Directors after the conclusion of the company's preceding annual general meeting shall, in addition to the Directors retiring in terms of 33.1 and 33.3, retire from office at the conclusion of the annual general meeting held immediately after his appointment;*
- 33.5 *a retiring Director shall be eligible for re-election and, if re-elected, shall be deemed for all purposes, other than 33.1 to 33.4 not to have vacated his office;*
- 33.6 *the annual general meeting at which a Director retires may elect another person to fill the vacated office, and if it is not so filled, the retiring Director shall, if he has offered himself for re-election, be deemed to have been re-elected unless the annual general meeting expressly resolves not to fill such vacated office or not to re-elect such retiring Director;*
- 33.7 *no person, other than a retiring Director, shall be eligible for election as a Director at any annual general meeting unless the Directors recommend otherwise, or unless during the period of thirty days following the end of the financial year of the company which immediately precedes such annual general meeting a member who will be entitled to attend and vote at such annual general meeting shall have lodged at the office written notice proposing such person as a Director, together with the consent of that person to be elected as a Director;*
- 33.8 *a retiring Director shall continue to act as Director throughout the general meeting at which he retires and his retirement shall become effective only at the end of such meeting.”*

## **DIRECTORS' INTERESTS**

- “29.1 *Subject to compliance with the provisions of the Companies Act, a Director shall not be liable (in the absence of any agreement to the contrary) to account to the company for any profit or other benefit arising out of any contract entered into by the company in which he is directly or indirectly interested.*
- 29.2 *A Director shall not:*
  - 29.2.1 *be counted in a quorum for the purpose of a meeting of Directors at which he is present to consider any matter; nor*
  - 29.2.2 *be entitled to vote in regard to any matter,**relating to any existing or proposed contract or arrangement in which he has an interest.”*

## **DIVIDENDS AND OTHER PAYMENTS**

- “34.1 *Notwithstanding the provisions of 12, but subject to the provisions of the Companies Act and the JSE Requirements, a general meeting or the Directors may declare dividends to any one or more classes of members from time to time*

registered as such at a date which shall be after the date of publication of the announcement of the declaration of the dividend, provided that no greater dividend shall be declared by a general meeting than is recommended by the Directors.

34.2 With the sanction of a general meeting, a company payment may be made either wholly or in part by the distribution of such specific assets in such manner as the Directors may recommend or determine.

34.3 Subject to the provisions of 7, the company may transmit any company payment by:

34.3.1 ordinary post to the address of the holder of any share) recorded in the register or such other address as previously notified to the company in writing by such holder; or

34.3.2 electronic bank transfer to such bank account as previously notified to the company in writing by the holder of any share,

and the company shall not be responsible for any loss in transmission.

34.4 Any company payment:

34.4.1 which is unclaimed, may be retained by the company and may be invested or used as the Directors may deem fit for the benefit of the company until claimed by the member concerned;

34.4.2 shall not bear interest against the company;

provided that any company payment which is a dividend payable on or in respect of a share which is retained and unclaimed for three years after the payment date of the dividend in question, shall be forfeited and revert to the company and may be dealt with by the Directors as they deem fit.

34.5 The company shall, for the purpose of facilitating its winding up or deregistration, or the reduction of its share capital, any share premium account or capital redemption reserve fund, be entitled by special resolution to delegate to any bank, registered as such in accordance with the laws of the Republic, the liability to make any company payment which has not been forfeited in terms of 34.4.

34.6 Subject to the provisions of these articles, dividends must be payable to members recorded in the register at a date subsequent to the date of declaration of the dividend or date of approval by a general meeting of a final dividend proposed by the Directors, whichever date is the later.

34.7 All moneys, other than dividends and distributions in terms of section 90 of the Companies Act due to members shall be held in trust indefinitely until lawfully claimed by the members concerned or until the company is finally wound up."

## **CAPITALISATION**

"36. Subject to the provisions of the Companies Act, the Directors or a general meeting, on the recommendation of the Directors, may resolve to capitalise the whole or any part of:

36.1 any amount available for distribution as a dividend and not required for the payment or provision of dividends on preference shares;

36.2 any amount standing to the credit of any of the company's reserve accounts (including its share premium account or capital redemption reserve fund),

by applying such amount in paying up in full unissued shares of the company, to be issued to the members in the same proportions as if those shares had constituted a dividend declared by the company."

## **WINDING UP**

"37. If the company is wound up whether voluntarily or compulsorily:

37.1 the assets remaining after payment of the liabilities of the company and the costs of winding up shall be distributed amongst the members in proportion to the numbers of shares respectively held by them, subject to the rights of any members to whom shares have been issued on special conditions and subject to the company's right to apply set-off against the liability, if any, of members for unpaid capital or premium;

37.2 the liquidator, with the authority of a special resolution, may divide amongst the members in specie or kind the whole or any part of the assets and whether or not those assets consist of property of one kind or different kinds."

## **INDEMNITY**

"Every Director, alternate Director, manager, secretary and other officer of the company shall be indemnified out of the company's funds against all liability incurred by him in defending any proceedings (whether civil or criminal) arising out of any actual or alleged negligence, default, breach of duty or breach of trust on his part in relation to the company in which judgment is given in his favour or in which he is acquitted or in connection with any matter in which relief is granted to him by the court in terms of the Companies Act."

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## MATERIAL CONTRACTS ENTERED INTO BY RAUBEX IN THE TWO YEARS PRECEDING THE DATE OF THE PRE-LISTING STATEMENT

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The material contracts that have been entered into by Raubex during the two years preceding the date of the Pre-listing statement, other than in the ordinary course of the business carried on by Raubex and, save as mentioned elsewhere in this Pre-listing statement, are the following:

- the general banking facility agreement concluded with between Raubex Opco and Nedbank Limited, dated 23 October 2006. The overdraft facility, currently R3 250 000, is secured by cession of the companies loan funds by various Subsidiaries and a cession of debtors. The guarantee facility of R100 000 000 are secured by various operating subsidiaries of Raubex. The asset-based facility of R138 000 000 is secured by the equipment purchased thereunder; and
- the various sale of share agreements entered into between Raubex Opco and the Vendors with shareholdings in the Subsidiary companies of the Group. In terms of these sale agreements, dated on or about February 2007, Raubex allotted and issued 144 238 456 Raubex Shares in exchange for their shares in the issued share capital of Raubex Opco and Raubex Opco subsidiaries. The acquisition was concluded for an aggregate amount of R8.95 per Raubex Share. As a result, *inter alia*, Raubex Opco became a wholly-owned subsidiary of Raubex. The names and addresses of the Vendors who held a material interest in Raubex Subsidiary companies and that are parties to these sale of shares agreements are as follows:

| <b>Name</b>  | <b>Address</b>   |
|--|--|
| Kenworth (Proprietary) Limited                         | 16 Humphrey Simes Street<br>Bloemfontein<br>9303                                 |
| Business Venture Investments 918 (Proprietary) Limited | 7 Valley Crescent<br>Centurion<br>0169   |
| Raubenbel (Proprietary) Limited                        | Clevey<br>Eufees Extension<br>Bloemfontein<br>9300                               |
| Francois Diedrehsen                                    | 1st Floor, Leopard Creek Building<br>The Greens Office Park<br>Centurion<br>0169 |
| G M Raubenheimer Investments (Proprietary) Limited     | Clevey<br>Eufees Extension<br>Bloemfontein<br>9300                               |
| Gert Johannes Coffee                                   | Clevey<br>Eufees Extension<br>Bloemfontein<br>9300                               |
| Louis Johannes Raubenheimer                            | Clevey<br>Eufees Extension<br>Bloemfontein<br>9300                               |
| Rudolf Johannes Fourie                                 | Clevey<br>Eufees Extension<br>Bloemfontein<br>9300                               |



**(Previously Lexshell 49 Investments Limited)**

(Incorporated in the Republic of South Africa)

(Registration number 2006/023666/06)

JSE share code: RBX ISIN: ZAE000093183

("Raubex")

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## PRIVATE PLACEMENT APPLICATION FORM

**In respect of the Private Placement by way of subscription of 55 852 730 Raubex Ordinary Shares ("the Subscription Offer") at an issue price of between R13.50 and R15.00 per Share**

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The Offer Shares will be transferred from the Offerors to successful applicants in Dematerialised form only. Accordingly, all successful applicants must appoint a Central Securities Depository Participant ("CSDP"), directly or through a broker, to receive and hold the Dematerialised Shares on their behalf. Should a shareholder require a physical share certificate for its Raubex Shares, it will have to materialise its Raubex Shares following the Listing and should contact its CSDP or broker to do so.

### **Dematerialised Shares – payment by electronic transfer or through CSDP or broker**

Applicants who wish to pay by way of **electronic transfer** must do so, in which case the **Private Placement application and the section on their CSDP or broker must be completed, and proof of such payment by electronic transfer must be hand delivered, posted or faxed to:**

*If delivered by hand or by courier:*

Attention: Richard Isaacs  
Investec Bank Limited  
Corporate Finance Division  
100 Grayston Drive  
Sandown  
Sandton  
2196

*If posted:*

Attention: Richard Isaacs  
Investec Bank Limited  
Corporate Finance Division  
PO Box 785700  
Sandton  
2146

*If faxed:*

Attention: Richard Isaacs  
+2711 291 6614

This Private Placement application form must be received by Investec Bank Limited by no later than 12:00 on Thursday, 15 March 2007.

Payment by electronic transfer must be made into the following bank account:

|                 |                       |
|-----------------|-----------------------|
| Bank:           | Investec Bank Limited |
| Branch:         | Sandton               |
| Branch code:    | 580105                |
| Account name:   | Raubex Offer          |
| Account number: | 30001674468           |

Payment for the shares allocated must be received by no later than 16:00 on Monday, 19 March 2007 and proof of payment faxed to +2711 291 6614, Attention: Richard Isaacs.

Raubex accepts no responsibility and will not be liable for the correctness of any allocation of Private Placement Shares pursuant to payment being made or alleged to have been made by way of electronic transfer due to proof of such payment not being received or purported proof of such payment being insufficient or defective or Raubex, for any reason, not being able to reconcile a payment or purported payment with a particular application for Private Placement Shares.

Applicants can also complete and return this Private Placement application form to their duly appointed CSDP or broker by the time and date stipulated in the agreement governing their relationship with their CSDP or broker, together with the method of payment as stipulated in such agreement.

### **Reservation of rights**

The Directors of Raubex reserve the right to accept or refuse any application(s), either in whole or in part, or to *pro rate* any or all application(s) (whether or not received timeously) in such manner as they may, in their sole and absolute discretion, determine.

The Directors of Raubex reserve the right to accept or reject, either in whole or in part, any Private Placement application should the terms contained in the Pre-listing statement of which this Private Placement application form forms part and the instructions herein not be properly complied with.

Applications must be for a minimum acquisition cost of R100 000 for a single address acting as applicant.

To the Directors:

**Raubex Group Limited**

1. I/We, the undersigned, confirm that I/we have full legal capacity to contract and, having read the Pre-listing statement, hereby irrevocably apply for and request you to accept my/our application for the undermentioned number of Shares in Raubex at between R13.50 and R15.00 per Share or any lesser number that may, in your absolute discretion, be allotted to me/us subject to the articles of association of Raubex.
2. I/We wish to receive our allocated shares in Dematerialised form and will hand this Private Placement application form to our appointed CSDP or broker. I/We accept that payment in respect of these applications will be, in terms of the custody agreement entered into between me/us and our CSDP or broker, on a delivery versus payment basis. (Delete if not applicable.)
3. I/We wish to receive our allocated shares in certificated form and commit to accept the physical share certificate. Accordingly, I/We hereby enclose a crossed cheque/banker's draft in favour of **"Raubex Offer"** for the appropriate amount due in terms of this application. (Delete if not applicable.)
4. I/We understand that the subscription for shares in terms of the Pre-listing statement is conditional on the granting of a listing of the Shares of Raubex, by Tuesday, 20 March 2007, or such later date as the Directors may determine, on the JSE Limited.

Signature \_\_\_\_\_ Dated \_\_\_\_\_ 2007 Telephone number ( ) \_\_\_\_\_

Assisted by (where applicable) \_\_\_\_\_

|  |                                       |
|--|---------------------------------------|
| <b>Surname of individual or Name of entity</b>   | Mr<br>Mrs<br>Miss<br>Other title      |
| <b>First names (in full)</b>   |                                       |
| <b>To be completed by all applicants</b><br><b>Postal address</b> (preferably PO Box address)<br>Refund cheque and/or share certificate, if applicable, will be sent to this address |                                       |
| <b>Telephone number ( )</b>  |                                       |
| Total number of ordinary shares applied for  |                                       |
| <b>Note:</b> Minimum acquisition cost of R100 000 for a single addressee acting as applicant   | (Enter figures only – not word)       |
| <b>Total amount of cheque or banker's draft</b> to cover number of ordinary shares applied for herein at between R13.50 and R15.00 per Raubex Share                                  | R<br>(Enter figures only – not words) |

**Section must be completed for Shares required in Dematerialised form. Required information must be completed by CSDP or broker with their stamp and signature affixed hereto.**

|                                       |  |
|---------------------------------------|--|
| CSDP name                             |  |
| CSDP contact person                   |  |
| CSDP contact telephone number ( )     |  |
| CSA or bank CSD account number        |  |
| Scrip account number                  |  |
| Settlement bank account number        |  |
| Stamp and signature of CSDP or broker |  |

This application will constitute a legal contract between Raubex and the applicant. The issuer of the Shares is Raubex. Application forms for certificated or uncertificated Shares will not be accepted unless the above information has been furnished.

**INSTRUCTIONS:**

1. Applications may be made on this form only for a minimum acquisition cost of R100 000 for a single addressee acting as applicant. Copies or reproduction of the application form will be accepted at the discretion of the Directors of Raubex.
2. Applications are irrevocable and may not be withdrawn once submitted.
3. Please refer to the terms and conditions of the Private Placing as set out in paragraph 43 of the Pre-listing statement. Applications should consult their stockbroker, banker or other professional adviser in case of doubt as to the correct completion of this form.
4. Applicants must submit only one application form and one cheque or banker's draft in respect of each application.
5. No receipts will be issued for application forms, application monies or any supporting documentation.
6. If any cheque or banker's draft is dishonoured, Raubex, in its sole discretion, regard the relevant application as invalid or take such other steps in regard thereto as it may deem fit.
7. All alterations on this form must be authenticated by a full signature.
8. Blocked Rand may be used by former residents and non-residents of the Common Monetary Area (comprising the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho) for payment in terms of this Offer and reference should be made to paragraph 57 of the Pre-listing statement which deals with South African Exchange Control Regulations.
9. In determining the basis of allocation the following will be taken into account
  - the date that people committed to applying for the subscription of Shares in terms of the Offer:
10. Should the Offer not be successful, all monies will be appropriately refunded within seven days of the closing of the Offer.