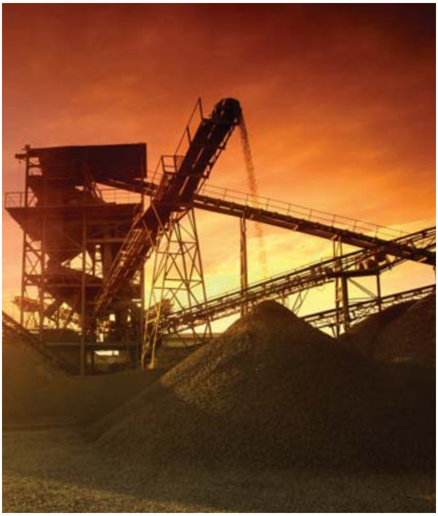
Raubex Group Limited

# Unaudited interim results

## for the six months ended 31 August 2016

Raubex Group Limited (Incorporated in the Republic of South Africa) Registration number 2006/023666/06
Share Code: RBX ISIN Code: ZAE000093183 (“Raubex” or the “Group”)

Unaudited interim results

## Highlights

Revenue
**up 22,5%** to
**R4,76 billion**
(H1 2016: R3,89 billion)

Operating profit
**up 19,9%** to
**R394,7 million**
(H1 2016: R329,3 million)

HEPS **up 22,1%** to
**130,6 cents per share**
(H1 2016: 107,0 cents per share)

Cash flow from
operations **up 44,4%**
to **R541,4 million**
(H1 2016: R375,0 million)

Capex spend of
**R234,9 million**
(H1 2016: R278,5 million)

Order book of
**R8,2 billion**
(H1 2016: R8,2 billion)

Interim dividend
of **45 cents**
**per share**
declared

**Rudolf Fourie, CEO of Raubex Group, said:**

"The Group has delivered a solid all round performance for the first half of the year supported by optimum conditions in terms of bitumen supply, weather and order book quality.

The Materials Division reported good results contributing nearly half of the Group's operating profit for the period. The Road Construction Division continued to execute well on its current contracts. However, very tough competitive conditions persist and management's focus is now on order book replacement. The Infrastructure Division has grown its order book and the renewable energy sector offers encouraging prospects for further work.

From an industry perspective, we are pleased to have reached the settlement agreement with the Government which paves the way for a healthy working relationship and affirms our commitment to the transformation of the construction sector."

# Commentary

## Financial overview

Revenue increased 22,5% to R4,76 billion and operating profit increased 19,9% to R394,7 million from the corresponding prior period. These results were supported by a consistent supply of bitumen that enabled a strong recovery by the Road Surfacing and Rehabilitation Division, which includes the Group's asphalt operations. The Road Construction and Earthworks Division continued to execute on its quality order book, while the Infrastructure Division saw increased activity in construction works related to solar energy projects and in the affordable residential housing market. Operating conditions continued to favour the Materials Division's overall performance although a depreciating foreign currency in Mozambique, and a reduction in iron-ore material handling activities in the Northern Cape, resulted in a slightly softer margin.

Profit before tax increased 23,2% to R373,6 million (H1 2016: R303,2 million) with the effective tax rate increasing slightly to 29,5% (H1 2016: 29,2%).

Earnings per share increased 22,9% to 132,7 cents (H1 2016: 108,0 cents) with headline earnings per share increasing 22,1% to 130,6 cents (H1 2016: 107,0 cents).

Group operating margin decreased slightly to 8,3% (H1 2016: 8,5%).

Net finance costs decreased to R22,2 million (H1 2016: R26,0 million) due mainly to higher cash balances during the period and slightly lower interest-bearing debt. Total non-cash finance costs amounted to R1,6 million for the period.

Cash generated from operations increased 44,4% to R541,4 million (H1 2016: R375,0 million) before finance charges and taxation.

Trade and other receivables increased by 21,1% to R1,82 billion (H1 2016: R1,51 billion). This was mainly due to the increase in revenue as a result of the consistent bitumen supply as well as the increased activities in the Infrastructure Division. Payment delays from the Roads Development Agency in Zambia continue to be experienced. No payment was received during the period and an amount of R160,2 million was outstanding at 31 August 2016 and recorded in accounts receivable.

Inventories increased 5,9% to R585,4 million (H1 2016: R552,7 million).

Construction contracts in progress decreased by 18,8% to R343,9 million (H1 2016: R423,4 million) mainly due to contract milestone achievements on the solar projects, a higher percentage of certified revenue and collection of retentions.

Trade and other payables increased 25,7% to R1,56 billion (H1 2016: R1,24 billion), mainly due to the increase in cost of sales as a result of the consistent bitumen supply as well as the increased activities of the Infrastructure Division.

Borrowings decreased 3,5% to R1,04 billion (H1 2016: R1,07 billion).

Capital expenditure on property, plant and equipment decreased 15,7% to R234,9 million (H1 2016: R278,5 million) and is mainly related to the replacement of assets to maintain current operations.

The Group's net cash outflow for the period was R60,3 million with total cash and cash equivalents at the end of the period of R896,0 million. The Group's healthy cash balance and improving net debt position allowed for a specific repurchase of 7,5 million Raubex shares on 20 July 2016 for a total consideration of R120 million. These shares were subsequently cancelled and the weighted average number of shares in issue during the period adjusted accordingly.

# Commentary *(continued)*

## Operational review

### *Materials Division*

The Materials Division, which includes the Raumix operations, comprises three main disciplines including commercial quarries, contract crushing and materials handling and processing for the mining industry.

The division reported good results for the period, contributing 48,4% towards the Group's total operating profit. Favourable operating conditions were experienced in the commercial quarry operations as well as the material handling and processing operations. Contract crushing operations in Mozambique were completed during the period and the depreciation of the Mozambique Metical resulted in a R10,3 million foreign exchange loss being realised. While conditions remained healthy where the division is exposed to the copper, diamond and gold commodities, reduced iron-ore handling operations in the Northern Cape contributed to the softer margin being reported.

Revenue for the division increased 7,2% to R1,28 billion (H1 2016: R1,20 billion) while operating profit decreased by 13,2% to R191,2 million (H1 2016: R220,3 million).

The divisional operating profit margin decreased to 14,9% (H1 2016: 18,4%).

The division incurred capital expenditure of R136,7 million during the period (H1 2016: R171,6 million).

The division has a secured order book of R1,75 billion (H1 2016: R1,72 billion).

### *Construction Divisions*

***Road surfacing and rehabilitation***

This division specialises in the manufacturing and laying of asphalt, chip and spray, surface dressing, enrichments and slurry seals and includes the operations of Tosas, a company specialising in the manufacture and distribution of value added bituminous products.

The division reported good results supported by a stable order book and healthy road maintenance spend at both National and Local Government level. The severe bitumen supply shortage that affected the prior period as a result of unplanned refinery shut downs was resolved and a consistent supply of bitumen during the current period led to a more normalised level of work and strong recovery in the results.

Revenue for the division increased 41,7% to R1,91 billion (H1 2016: R1,35 billion) and operating profit increased 189,0% to R116,3 million (H1 2016: R40,2 million).

The divisional operating profit margin increased to 6,1% (H1 2016: 3,0%).

The division incurred capital expenditure of R43,2 million during the period (H1 2016: R55,8 million).

The division has a secured order book of R3,04 billion (H1 2016: R2,83 billion).

*Road construction and earthworks*

This division includes the road and civil infrastructure construction operations focused on the key areas of new road construction and heavy road rehabilitation.

The division has continued to perform well under very tough competitive conditions. The results for the period were supported by a quality order book and the efficient execution of work, with no problem contracts being reported. Work on the Zambia Link 8000 contracts has been suspended pending the payment of overdue accounts receivable and these construction teams have been redeployed on South African earthworks contracts.

Revenue for the division increased 1,8% to R792,4 million (H1 2016: R778,5 million), while operating profit decreased 7,7% to R52,8 million (H1 2016: R57,2 million).

The divisional operating profit margin decreased to 6,7% (H1 2016: 7,3%).

The division incurred capital expenditure of R35,7 million during the period (H1 2016: R29,4 million).

The division has a secured order book of R2,0 billion (H1 2016: R2,74 billion), with R865 million relating to the Link 8000 contracts in Zambia.

*Raubex Infrastructure*

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

The division reported good results supported by increased construction works related to solar energy projects as well as in the affordable residential housing market.

Revenue for the division increased 37,9% to R773,5 million (H1 2016: R561,0 million) and operating profit increased 199,4% to R34,5 million (H1 2016: R11,5 million).

The divisional operating profit margin increased to 4,5% (H1 2016: 2,1%).

The division incurred capital expenditure of R19,3 million during the period (H1 2016: R21,7 million).

The division has a secured order book of R1,40 billion (H1 2016: R945,9 million).

## International

Outside of South Africa operations in Namibia continued to perform well with a balanced work flow from both the Materials Division and Construction Division.

As indicated above, work on the Link 8000 contracts in Zambia was suspended due to non-payment from the Zambian Roads Authority. The Group did not recognise any profit on these contracts during the period and a solution that will allow for works to resume is being sought. The Infrastructure Division was active in Zambia on a fibre optic cable project and the building of concrete structures for private clients.

In Botswana, commercial quarry operations at Belabela Quarries are ongoing and the operations of National Asphalt and Tosas support the Group's presence in the country.

Contract crushing operations in Mozambique were completed during the period in the midst of a depreciating Mozambique Metical which affected the profitability of this work.

International revenue increased 4,8% to R643,7 million (H1 2016: R614,3 million) and operating profit increased by 19,5% to R105,7 million (H1 2016: R88,4 million).

Operating profit margins increased to 16,4% (H1 2016: 14,4%).

The international order book stands at R2,15 billion (H1 2016: R2,31 billion), and is included in the Materials and Construction Division's order book.

## Prospects

The Group has a secured order book of R8,19 billion (H1 2016: R8,24 billion) with 26,2% of the order book representing contracts outside of South Africa in the rest of Africa. The Zambia Link 8000 contracts account for R865 million of the order book and given the current funding impasse it is unlikely that any further work will commence in the current financial year. Negotiations with the client regarding the future of these projects, and the settlement of outstanding accounts receivable, are ongoing.

The Group's road construction operations have a quality short-term order book and are executing well with no problem contracts. The Road Surfacing and Rehabilitation Division has been successful in securing a number of resurfacing contracts during the period to replace their order book. Weather and bitumen supply permitting, they will be working near full capacity in the summer months ahead.

SANRAL has continued to bring a healthy volume of work out for tender but conditions in the road construction sector remain competitive. The replacement of the Road Construction and Earthworks order book and the available margin are key to securing this division's prospects over the medium term.

In the Materials Division, favourable operating conditions are expected to remain for the commercial quarry operations and the Group will continue to look for acquisitions to expand its geographical footprint. The acquisition of OMV Kimberley quarry has bedded down well. The material handling and processing operations, where the major exposures are to copper, diamond and gold mining operations, are expected to remain stable given current commodity price levels. In the contract crushing market, conditions remain competitive in line with the construction industry. Work needs to be secured in the period ahead to replace the completed Mozambique crushing contract.

The Infrastructure Division order book is growing and the renewable energy sector offers encouraging prospects for further work. The division is also gaining momentum in the affordable housing market with the roll out of Woodwind Estate in Midrand and opportunities to participate in the Lufhereng Integrated Urban Development Project to the west of Soweto.

The solid first half results, diversified revenue streams and quality short-term order book position the Group well for the period ahead. The settlement agreement reached with the Government of the Republic of South Africa affirms the Group's commitment to the transformation of the construction industry and sets the stage for a healthy working relationship with Government as they roll out their plans for the much needed infrastructure development in South Africa.

## Dividend declaration

The directors have declared a gross interim cash dividend from income reserves of 45 cents per share on 7 November 2016 for the six-month period ended 31 August 2016. The salient dates for the payment of the dividend are as follows:

| | |
|---|---|
| Last day to trade *cum* dividend | Tuesday, 29 November 2016 |
| Commence trading *ex* dividend | Wednesday, 30 November 2016 |
| Record date | Friday, 2 December 2016 |
| Payment date | Monday, 5 December 2016 |

No share certificates may be dematerialised or rematerialised between Wednesday, 30 November 2016 and Friday, 2 December 2016, both dates inclusive.

In terms of Dividends Tax ("DT"), the following additional information is disclosed:

- The local DT rate is 15%.
- The number of ordinary shares in issue at the date of this declaration is 181 750 036.
- The dividend to utilise for determining the DT due is 45 cents per share.
- The DT amounts to 6,75 cents per share.
- The net local dividend amount is 38,25 cents per share for shareholders liable to pay the DT.
- Raubex Group Limited's income tax reference number is 9370/905/151.

In terms of the DT legislation, the DT amount due will be withheld and paid over to the South African Revenue Service by a nominee company, stockbroker or Central Securities Depository Participant (collectively "Regulated Intermediary") on behalf of shareholders. All shareholders should declare their status to their Regulated Intermediary, as they may qualify for a reduced DT rate or exemption.

# Group income statement

| | **Unaudited six months 31 August 2016 R'000** | Unaudited six months 31 August 2015 R'000 | Audited 12 months 29 February 2016 R'000 |
|---|---|---|---|
| Revenue | **4 763 620** | 3 887 747 | 7 925 754 |
| Cost of sales | **(4 128 161)** | (3 338 640) | (6 800 882) |
| **Gross profit** | **635 459** | 549 107 | 1 124 872 |
| Other income | **16 421** | 6 502 | 27 966 |
| Other gains/(losses) – net | **(3 078)** | 3 197 | 12 695 |
| Administrative expenses | **(254 076)** | (229 555) | (454 970) |
| **Operating profit** | **394 726** | 329 251 | 710 563 |
| Finance income | **27 486** | 17 670 | 41 872 |
| Finance costs | **(49 649)** | (43 705) | (91 116) |
| Share of profit of investments accounted for using the equity method | **1 002** | – | 324 |
| **Profit before income tax** | **373 565** | 303 216 | 661 643 |
| Income tax expense | **(110 230)** | (88 559) | (192 240) |
| **Profit for the period** | **263 335** | 214 657 | 469 403 |
| **Profit for the period attributable to:** | | | |
| Owners of the parent | **245 510** | 204 322 | 445 308 |
| Non-controlling interest | **17 825** | 10 335 | 24 095 |
| Basic earnings per share (cents) | **132,7** | 108,0 | 236,9 |
| Diluted earnings per share (cents) | **131,9** | 107,1 | 234,3 |

# Group statement of comprehensive income

| | **Unaudited six months 31 August 2016 R'000** | Unaudited six months 31 August 2015 R'000 | Audited 12 months 29 February 2016 R'000 |
|---|---|---|---|
| **Profit for the period** | **263 335** | 214 657 | 469 403 |
| **Other comprehensive income for the period, net of tax** | | | |
| Currency translation differences | **1 535** | (5 639) | (2 069) |
| Actuarial gain/(loss) on post-employment benefit obligations | **–** | – | 149 |
| **Total comprehensive income for the period** | **264 870** | 209 018 | 467 483 |
| **Comprehensive income for the period attributable to:** | | | |
| Owners of the parent | **247 045** | 198 683 | 443 388 |
| Non-controlling interest | **17 825** | 10 335 | 24 095 |
| **Total comprehensive income for the period** | **264 870** | 209 018 | 467 483 |

## Calculation of diluted earnings per share

| | **Unaudited six months 31 August 2016 R'000** | Unaudited six months 31 August 2015 R'000 | Audited 12 months 29 February 2016 R'000 |
|---|---|---|---|
| Profit attributable to owners of the parent entity | **245 510** | 204 322 | 445 308 |
| Weighted average number of ordinary shares in issue ('000) | **184 948** | 189 250 | 187 961 |
| *Adjustments for:* | | | |
| Shares deemed issued for no consideration (share options) ('000) | **1 150** | 1 607 | 2 085 |
| Weighted average number of ordinary shares for diluted earnings per share ('000) | **186 098** | 190 857 | 190 046 |
| Diluted earnings per share (cents) | **131,9** | 107,1 | 234,3 |

## Calculation of headline earnings per share

| | **Unaudited six months 31 August 2016 R'000** | Unaudited six months 31 August 2015 R'000 | Audited 12 months 29 February 2016 R'000 |
|---|---|---|---|
| Profit attributable to owners of the parent entity | **245 510** | 204 322 | 445 308 |
| *Adjustments for:* | | | |
| Profit on sale of property, plant and equipment | **(5 544)** | (2 580) | (6 527) |
| Total tax effects of adjustments | **1 552** | 723 | 1 827 |
| Basic headline earnings | **241 518** | 202 465 | 440 608 |
| Weighted average number of shares ('000) | **184 948** | 189 250 | 187 961 |
| Headline earnings per share (cents) | **130,6** | 107,0 | 234,4 |
| Diluted headline earnings per share (cents) | **129,8** | 106,1 | 231,8 |

# Group statement of financial position

| | Unaudited six months 31 August 2016 R'000 | Unaudited six months 31 August 2015 R'000 | Audited 12 months 29 February 2016 R'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | **2 385 347** | 2 271 755 | 2 335 748 |
| Intangible assets | **845 403** | 829 814 | 829 283 |
| Investment in associates and joint ventures | **49 314** | 42 907 | 50 682 |
| Deferred income tax assets | **46 017** | 49 993 | 42 478 |
| Non-current inventories | **77 434** | 86 355 | 81 954 |
| Non-current trade and other receivables | **106 091** | 122 178 | 114 438 |
| **Total non-current assets** | **3 509 606** | 3 403 002 | 3 454 583 |
| **Current assets** | | | |
| Inventories | **507 954** | 466 372 | 482 162 |
| Construction contracts in progress and retentions | **343 919** | 423 362 | 369 184 |
| Trade and other receivables | **1 717 542** | 1 384 204 | 1 423 371 |
| Current income tax receivable | **29 669** | 33 159 | 27 593 |
| Cash and cash equivalents | **895 959** | 789 484 | 969 736 |
| **Total current assets** | **3 495 043** | 3 096 581 | 3 272 046 |
| **Total assets** | **7 004 649** | 6 499 583 | 6 726 629 |
| **Equity** | | | |
| Share capital | **1 817** | 1 892 | 1 892 |
| Share premium | **2 059 688** | 2 179 613 | 2 179 613 |
| Treasury shares | **(23 664)** | – | (46 599) |
| Other reserves | **(1 173 528)** | (1 162 390) | (1 148 951) |
| Retained earnings | **2 892 720** | 2 544 038 | 2 718 123 |
| **Equity attributable to owners of the parent** | **3 757 033** | 3 563 153 | 3 704 078 |
| Non-controlling interest | **139 761** | 124 118 | 128 764 |
| **Total equity** | **3 896 794** | 3 687 271 | 3 832 842 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | **624 629** | 696 880 | 682 027 |
| Provisions for liabilities and charges | **74 383** | 60 384 | 65 741 |
| Deferred income tax liabilities | **301 138** | 308 233 | 310 041 |
| Other financial liabilities | **60 972** | 79 282 | 59 385 |
| **Total non-current liabilities** | **1 061 122** | 1 144 779 | 1 117 194 |
| **Current liabilities** | | | |
| Trade and other payables | **1 563 019** | 1 242 967 | 1 323 782 |
| Borrowings | **411 453** | 377 194 | 411 411 |
| Current income tax liabilities | **49 327** | 47 372 | 18 466 |
| Other financial liabilities | **22 934** | – | 22 934 |
| **Total current liabilities** | **2 046 733** | 1 667 533 | 1 776 593 |
| **Total liabilities** | **3 107 855** | 2 812 312 | 2 893 787 |
| **Total equity and liabilities** | **7 004 649** | 6 499 583 | 6 726 629 |

# Group statement of cash flows

| | **Unaudited six months 31 August 2016 R'000** | Unaudited six months 31 August 2015 R'000 | Audited 12 months 29 February 2016 R'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | **541 410** | 375 002 | 1 050 461 |
| Finance income | **27 486** | 17 670 | 41 872 |
| Finance costs | **(48 062)** | (41 685) | (84 522) |
| Dividend received | **–** | 2 699 | – |
| Income tax paid | **(98 867)** | (72 674) | (190 449) |
| **Net cash generated from operating activities** | **421 967** | 281 012 | 817 362 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | **(234 904)** | (278 491) | (549 535) |
| Proceeds from sale of property, plant and equipment | **45 205** | 26 586 | 48 825 |
| Acquisition of subsidiaries | **(18 233)** | (46 638) | (47 049) |
| Loan repayment from/(granted to) associates and joint ventures | **2 370** | (32 200) | (39 650) |
| **Net cash used in investing activities** | **(205 562)** | (330 743) | (587 409) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | **190 488** | 247 872 | 502 667 |
| Repayment of borrowings | **(261 496)** | (274 295) | (509 725) |
| Proceeds from shares issued | **–** | 19 | 19 |
| Dividends paid to owners of the parent | **(78 913)** | (68 130) | (135 623) |
| Dividends paid to non-controlling interests | **(6 828)** | (3 210) | (6 281) |
| Disposal of interest in a subsidiary | **–** | 200 | 200 |
| Acquisition of interest in a subsidiary | **–** | – | (5 600) |
| Share buy-back transaction | **(120 000)** | – | – |
| Issue/(acquisition) of treasury shares | **13** | – | (46 599) |
| **Net cash used in financing activities** | **(276 736)** | (97 544) | (200 942) |
| **Net (decrease)/increase in cash and cash equivalents** | **(60 331)** | (147 275) | 29 011 |
| Cash and cash equivalents at the beginning of the period | **969 736** | 937 275 | 937 275 |
| Effects of exchange rates on cash and cash equivalents | **(13 446)** | (516) | 3 450 |
| **Cash and cash equivalents at the end of the period** | **895 959** | 789 484 | 969 736 |

# Group statement of changes in equity

| | Share capital R'000 | Share premium R'000 | Treasury shares R'000 | Other reserves R'000 | Retained earnings R'000 | Total attributable to owners of the parent company R'000 | Non-controlling interest R'000 | Total equity R'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 March 2015** | 1 873 | 2 179 613 | – | (1 140 762) | 2 381 905 | 3 422 629 | 110 788 | 3 533 417 |
| Shares issued in terms of equity-settled share option scheme | 19 | – | – | (25 995) | 25 995 | 19 | – | 19 |
| Share option reserve | – | – | – | 10 006 | – | 10 006 | – | 10 006 |
| Non-controlling interest arising on business combination | – | – | – | – | – | – | 5 951 | 5 951 |
| Disposal of interest to non-controlling interest | – | – | – | – | (54) | (54) | 254 | 200 |
| Total comprehensive income for the period | – | – | – | (5 639) | 204 322 | 198 683 | 10 335 | 209 018 |
| Dividends paid | – | – | – | – | (68 130) | (68 130) | (3 210) | (71 340) |
| **Balance at 31 August 2015** | 1 892 | 2 179 613 | – | (1 162 390) | 2 544 038 | 3 563 153 | 124 118 | 3 687 271 |
| Share option reserve | – | – | – | 9 869 | – | 9 869 | – | 9 869 |
| Acquisition of non-controlling interest | – | – | – | – | 443 | 443 | (6 043) | (5 600) |
| Acquisition of treasury shares during the period | – | – | (46 599) | – | – | (46 599) | – | (46 599) |
| Total comprehensive income for the period | – | – | – | 3 570 | 241 135 | 244 705 | 13 760 | 258 465 |
| Dividends paid | – | – | – | – | (67 493) | (67 493) | (3 071) | (70 564) |
| **Balance at 29 February 2016** | 1 892 | 2 179 613 | (46 599) | (1 148 951) | 2 718 123 | 3 704 078 | 128 764 | 3 832 842 |
| Share option reserve | **–** | **–** | **–** | **4 810** | **–** | **4 810** | **–** | **4 810** |
| Share buy-back transaction | **(75)** | **(119 925)** | **–** | **–** | **–** | **(120 000)** | **–** | **(120 000)** |
| Treasury shares issued in terms of equity-settled share option scheme | **–** | **–** | **22 935** | **–** | **(22 922)** | **13** | **–** | **13** |
| Share option reserve utilised during the period | **–** | **–** | **–** | **(30 922)** | **30 922** | **–** | **–** | **–** |
| Total comprehensive income for the period | **–** | **–** | **–** | **1 535** | **245 510** | **247 045** | **17 825** | **264 870** |
| Dividends paid | **–** | **–** | **–** | **–** | **(78 913)** | **(78 913)** | **(6 828)** | **(85 741)** |
| **Balance at 31 August 2016** | **1 817** | **2 059 688** | **(23 664)** | **(1 173 528)** | **2 892 720** | **3 757 033** | **139 761** | **3 896 794** |

# Group segmental analysis

| | Materials R'000 | Road surfacing and rehabilitation R'000 | Road construction and earthworks R'000 | Infrastructure R'000 | Consolidated R'000 |
|---|---|---|---|---|---|
| **Operating segments** | | | | | |
| **31 August 2016** | | | | | |
| Revenue | **1 284 154** | **1 913 560** | **792 441** | **773 465** | **4 763 620** |
| Operating profit | **191 163** | **116 267** | **52 776** | **34 520** | **394 726** |
| Margin | **14,9%** | **6,1%** | **6,7%** | **4,5%** | **8,3%** |
| **31 August 2015** | | | | | |
| Revenue | 1 197 363 | 1 350 888 | 778 507 | 560 989 | 3 887 747 |
| Operating profit | 220 325 | 40 224 | 57 174 | 11 528 | 329 251 |
| Margin | 18,4% | 3,0% | 7,3% | 2,1% | 8,5% |
| **29 February 2016** | | | | | |
| Revenue | 2 332 083 | 3 048 219 | 1 400 823 | 1 144 629 | 7 925 754 |
| Operating profit | 399 823 | 172 682 | 102 989 | 35 069 | 710 563 |
| Margin | 17,1% | 5,7% | 7,4% | 3,1% | 9,0% |

| | Local R'000 | International R'000 | Consolidated R'000 |
|---|---|---|---|
| **Geographical information** | | | |
| **31 August 2016** | | | |
| Revenue | **4 119 930** | **643 690** | **4 763 620** |
| Operating profit | **289 028** | **105 698** | **394 726** |
| Margin | **7,0%** | **16,4%** | **8,3%** |
| **31 August 2015** | | | |
| Revenue | 3 273 497 | 614 250 | 3 887 747 |
| Operating profit | 240 825 | 88 426 | 329 251 |
| Margin | 7,4% | 14,4% | 8,5% |
| **29 February 2016** | | | |
| Revenue | 6 725 552 | 1 200 202 | 7 925 754 |
| Operating profit | 492 253 | 218 310 | 710 563 |
| Margin | 7,3% | 18,2% | 9,0% |

# Employee benefit expense

| | Unaudited six months 31 August 2016 R'000 | Unaudited six months 31 August 2015 R'000 | Audited 12 months 29 February 2016 R'000 |
|---|---|---|---|
| Employee benefit expense in the income statement consists of: | | | |
| Salaries, wages and contributions | **1 077 169** | 909 433 | 1 911 428 |
| Share options granted to employees | **4 810** | 10 006 | 19 875 |
| **Total employee benefit expense** | **1 081 979** | 919 439 | 1 931 303 |

# Capital expenditure and depreciation

| | Unaudited six months 31 August 2016 R'000 | Unaudited six months 31 August 2015 R'000 | Audited 12 months 29 February 2016 R'000 |
|---|---|---|---|
| Capital expenditure for the period | **234 904** | 278 491 | 549 535 |
| Depreciation for the period | **180 101** | 183 313 | 371 306 |
| Amortisation of intangible assets for the period | **335** | 140 | 671 |

# Notes

## Basis of preparation

These condensed consolidated interim financial statements have been prepared under the supervision of the Financial Director, JF Gibson CA(SA), in accordance with International Financial Reporting Standards ("IFRS"), IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the South African Companies Act 71 of 2008 and the JSE Listings Requirements. The principal accounting policies used in the preparation of the unaudited results for the period ended 31 August 2016 are consistent with those applied for the year ended 29 February 2016 and for the unaudited results for the six months ended 31 August 2015 in terms of IFRS.

## Share capital and premium

| | Number of shares in issue | Ordinary share capital R'000 | Share premium R'000 | Total R'000 |
|---|---|---|---|---|
| **At 1 March 2015** | 187 330 165 | 1 873 | 2 179 613 | 2 181 486 |
| Shares issued in terms of equity-settled share option scheme | 1 919 871 | 19 | – | 19 |
| **At 29 February 2016** | 189 250 036 | 1 892 | 2 179 613 | 2 181 505 |
| Share buy-back transaction | **(7 500 000)** | **(75)** | **(119 925)** | **(120 000)** |
| **At 31 August 2016** | **181 750 036** | **1 817** | **2 059 688** | **2 061 505** |

On 4 August 2016, the Company cancelled and delisted 7 500 000 ordinary shares. These shares were acquired as part of a specific repurchase from an associate of a non-executive director of the Company in terms of the authority to repurchase the shares approved by the shareholders of the company at the general meeting held on 20 July 2016.

Following the cancellation, the issued share capital of the Company comprises 181 750 036 ordinary shares of 1 cent each.

## Treasury shares

During the period 1 320 328 treasury shares were utilised to settle share options that vested in terms of the employee share option scheme for an amount of R22,9 million. The related weighted average share price at the time of exercise was R17,37. The weighted average share price of the remaining treasury shares held is R17,37.

**Analysis of movement in treasury shares**

| | Number of shares | Value R'000 |
|---|---|---|
| At 1 March 2015 | – | – |
| Acquisition of treasury shares by Raubex (Pty) Ltd | 2 682 662 | 46 599 |
| **At 29 February 2016** | 2 682 662 | 46 599 |
| Treasury shares issued in terms of equity-settled share option scheme | (1 320 328) | (22 935) |
| **Total treasury shares held by Raubex (Pty) Ltd at 31 August 2016** | **1 362 334** | **23 664** |

## Business combinations

### *OMV Kimberley (Pty) Ltd and OMV Kimberley Mining (Pty) Ltd ("OMV Kimberley")*

On 9 March 2016, the Group effectively acquired 100% of OMV Kimberley for a purchase price of R37,5 million to be settled in cash. OMV Kimberley is a commercial quarry operating in the Northern Cape province supplying aggregates to the construction industry. The revenue included in the consolidated income statement since 9 March 2016 contributed by OMV Kimberley was R18,6 million with a net profit contribution of R2,1 million over the same period.

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

| | R'000 |
|---|---|
| **Consideration** | |
| Cash | **27 500** |
| Deferred consideration* | **10 000** |
| **Total consideration** | **37 500** |
| Property, plant and equipment | **35 347** |
| Intangible asset – mining right | **10 000** |
| Inventories | **1 387** |
| Trade receivables | **2 452** |
| Current income tax receivable | **1 944** |
| Cash and cash equivalents | **9 267** |
| Other financial assets | **1 607** |
| Deferred tax asset | **2 824** |
| Borrowings | **(13 654)** |
| Deferred tax liability | **(10 226)** |
| Trade and other payables | **(3 556)** |
| Rehabilitation provision | **(6 346)** |
| **Total identified net assets** | **31 046** |
| Goodwill attributable to owners of the parent | **6 454** |
| **Total** | **37 500** |
| Purchased consideration settled in cash | **27 500** |
| *Less:* Cash and cash equivalents in the business combination acquired | **(9 267)** |
| **Cash outflow on acquisition for cash flow statement** | **18 233** |

* *The deferred consideration is an amount of R10 million payable to the previous shareholders of OMV Kimberley once transfer of the mining right into the name of the Group has been successfully completed. The deferred consideration is included in the cost of the business combination at the fair value date of the acquisition.*

## Events after the reporting period

### *Settlement agreement concluded with the South African Government*

Shareholders are referred to the announcement released on SENS on 11 October 2016 in which shareholders were advised that Raubex had entered into a settlement agreement (the "Settlement Agreement") with the Government of the Republic of South Africa (the "Government"), together with other construction companies (collectively, the "Construction Companies"), in an effort to address the Construction Companies' exposure to potential claims for damages from certain identified public entities arising primarily from the fast track settlement process launched by the South African Competition Authorities in February 2011, as well as to significantly advance the transformation of the South African construction sector.

The Settlement Agreement *inter alia* stipulates that:
Over the next 12 years, the Construction Companies will be required to make a collective annual payment into a fund ("Fund"). In the case of Raubex, the annual payment amounts to R15 million. The Fund will be constituted as a trust ("Trust"). The first of such annual payments by Raubex of R15 million will be structured so that 25% thereof is payable within five (5) business days following the effective date of the Settlement Agreement and the remainder shall be paid no later than 90 days following the effective date. Thereafter, each subsequent instalment will be payable annually on 1 July.

Any claims or potential claims for damages that certain identified public entities have made, or may be entitled to make, against the Construction Companies, in relation to projects primarily arising from the fast track settlement process, will be settled. With respect to Raubex this includes the claim received on 19 April 2016 from the South African National Roads Agency SOC Limited ("SANRAL").

The Construction Companies have also individually undertaken to either:

(i) launch development initiatives with the aim of identifying, developing and mentoring up to three emerging contractors ("Emerging Contractors"), to ensure that the Emerging Contractors will have the necessary skills and quantity of work required to generate a cumulative combined annual turnover equal to at least 25% of the annual South African civil engineering and general building construction works turnover of the relevant Construction Company within seven years. Aligned to this obligation are fixed interim period transformation targets on each Construction Company as well as penalties calculated in accordance with a formula, for a failure to meet such targets; or

(ii) dispose of not less than a 40% economic interest in its South African civil engineering and general building construction business, to an enterprise that is more than 51% black owned, managed and controlled, in which case it is released from (i) above.

It is the intention of Raubex to launch development initiatives as set out in (i) above. Raubex believes that the fixed transformation targets are achievable.

The Settlement Agreement signifies the Government and Construction Companies' commitment in promoting sustainability, transformation and development in the construction sector.

On behalf of the Board

| **JE Raubenheimer** | **RJ Fourie** | **JF Gibson** |
|---|---|---|
| *Chairman* | *Chief Executive Officer* | *Financial Director* |

7 November 2016

# Company information

## Directors

JE Raubenheimer#
RJ Fourie
JF Gibson
F Kenney#
LA Maxwell*
BH Kent*
NF Msiza*

*# Non-executive*
** Independent non-executive*

## Company secretary

Mrs HE Ernst

## Registered office

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South Africa

## Transfer secretaries

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2001
South Africa

## Auditors

PricewaterhouseCoopers Inc.

## Sponsor

Investec Bank Limited

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# Notes

# Notes

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