Audited results

for the year ended 28 February 2018

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")

Audited results

Salient features

Revenue down **5,1%** to **R8,54 billion** (2017: R9,01 billion)

Operating profit up **1,5%** to **R671,9 million** (2017: R661,7 million)

HEPS up **13,3%** to **228,6** cents per share (2017: 201,7 cents per share)

Cash generated from operations down **15,0%** to **R1,04 billion** (2017: R1,22 billion)

Capex spend of **R441,3 million** (2017: R440,5 million)

Order book of **R8,19 billion** (2017: R8,03 billion)

Final dividend of **33** cents per share declared (2017: 45 cents)

Rudolf Fourie, CEO of Raubex Group, said:

"The very challenging market conditions in the South African construction sector required Raubex to focus on new opportunities to supplement revenue streams and maintain growth.

"Our infrastructure division successfully focused on the affordable housing sector and opportunities in Africa where our newly established Raubex Renovo secured key contracts. The acquisition of Westforce in Australia will also assist in diversifying the Group's revenues and offset the impact of the poor environment locally.

"Looking ahead, more sustained government spending is required to revive the local construction industry and support the infrastructure required for future economic growth. In the interim, we will continue to ensure medium-term growth through international opportunities and the diversified operations of our materials division, which remains the largest contributor to the Group's profits."

Commentary

Financial overview

Revenue decreased by 5,1% to R8,54 billion while operating profit increased by 1,5% to R671,9 million compared to the corresponding prior year.

Profit before tax increased by 3,5% to R640,6 million (2017: R619,0 million) with an effective tax rate of 29,3%.

Group operating profit margin increased to 7,9% (2017: 7,3%).

Earnings per share increased by 14,6% to 233,5 cents with headline earnings per share increasing by 13,3% to 228,6 cents.

Cash generated from operations decreased by 15,0% to R1,04 billion (2017: R1,22 billion) before finance charges and taxation.

A non-recurring expense of R119,9 million was included in the prior year results relating to the Voluntary Rebuilding Programme ("VRP") which arose out of the settlement agreement with the South African Government as further set out in the SENS announcement dated 11 October 2016. This prior year expense needs to be taken into consideration when interpreting these operating results.

The Group has experienced a very challenging year in the South African construction sector and has been operating in an environment that is not conducive to growth. Operating profit, excluding the non-recurring VRP expense, decreased by 14,0% compared to the prior year.

Net finance costs decreased to R31,8 million (2017: R43,6 million) due to higher net cash balances during the year. Total non-cash finance costs increased to R16,3 million (2017: R11,2 million) for the year which includes R8,8 million relating to unwinding of discount on the VRP liability.

The Group maintained a strong balance sheet throughout the year with a focus on working capital management and free cash flow. Trade and other receivables decreased by 3,3% to R1,57 billion (2017: R1,63 billion) while inventories increased by 11,4% to R665,2 million (2017: R597,1 million) mainly due to an increase in bitumen stock compared to the prior year.

Construction contracts in progress decreased by 15,9% to R280,9 million (2017: R334,0 million). This decrease can be attributed to lower operating activity levels in the construction divisions, particularly in the second half of the year. Trade and other payables increased by 1,1% to R1,53 billion (2017: R1,51 billion).

Capital expenditure on property, plant and equipment was stable at R441,3 million (2017: R440,5 million). Net capital expenditure decreased by 1,8% to R345,3 million (2017: R351,5 million) due to higher proceeds on disposals compared to the prior year.

Borrowings decreased by 18,3% to R776,6 million (2017: R950,8 million) and consist mainly of instalment sale agreements over plant and equipment, payable in monthly instalments.

The Group had a net cash outflow for the year of R15,3 million and total cash and cash equivalents at the end of the year of R1,08 billion (2017: R1,10 billion).

Operational overview

Materials Division

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

The materials division is the main contributor to the Group's profit with 54,5% of total operating profit for the year attributable to this division. The diversified revenue streams from this division continue to differentiate Raubex from its peers in the construction sector.

During the period under review, the division experienced a slow-down in aggregate sales at its South African commercial quarry operations, predominantly in the Gauteng region, while operations in Botswana continued to perform well and exceeded expectations.

Materials handling and processing operations in the mining sector performed consistently throughout the year.

Contract crushing and plant hire operations remained challenging in line with conditions in the overall South African construction sector. Due to the challenging conditions in the construction industry in Namibia, including lower volume of work and clients experiencing cash flow problems due to payment delays on Namibian government contracts, the Group took the decision to discontinue the operations of Burma Plant Hire (Namibia) (Pty) Ltd. Burma Plant Hire (Namibia) (Pty) Ltd reported revenue of R26,0 million and a net loss after tax of R10,3 million which includes the closure costs of this business.

Revenue for the division increased by 5,9% to R2,58 billion (2017: R2,44 billion) while operating profit increased by 6,0% to R366,4 million (2017: R345,5 million).

The divisional operating profit margin was stable at 14,2% (2017: 14,2%).

The division incurred capital expenditure of R225,8 million during the year (2017: R230,1 million).

The division has a secured order book of R1,87 billion (2017: R1,78 billion).

Construction Division

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 road surfacing and rehabilitation division executed its order book well throughout the year but the lower volume of work from SANRAL impacted the division's performance. To compensate for the lower SANRAL spend, the division focused on rehabilitation and maintenance contracts on the toll roads operated by concessionaires, with a number of contract awards supporting the current order book. SANRAL's lower spend has resulted in increased competition for the limited volume of work available to the rehabilitation and maintenance teams to tender for and has also resulted in lower volumes of asphalt and bitumen being supplied to the external market.

Revenue for the division decreased by 9,1% to R3,25 billion (2017: R3,58 billion) and operating profit decreased by 14,1% to R222,4 million (2017: R258,9 million).

The divisional operating profit margin decreased to 6,8% (2017: 7,2%).

The division incurred capital expenditure of R154,1 million during the year (2017: R130,1 million).

The division has a secured order book of R1,84 billion (2017: R2,68 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 road construction and earthworks division executed its order book well with some major contracts substantially completed in the first half of the year, including the N1 Bloemfontein bypass and the two N8 contracts between Bloemfontein and Thaba Nchu. The division continued to experience tough competitive conditions throughout the year which have been exacerbated by the lower volume of SANRAL work out to tender. Although the order book for the division improved during the second half of the year with the award of contracts for the Bakwena Platinum Corridor Concessionaire, the execution of this work only commenced in the new financial year. The low order book in the second half of the year impacted negatively on the results due to excess plant and idle staff being retained in anticipation of an improvement in the overall conditions in the construction sector. However, the ability of the division to absorb excess capacity will be dependent on SANRAL resuming its budget spend in line with historical levels in the year ahead.

Revenue for the division decreased by 7,2% to R1,33 billion (2017: R1,44 billion) with operating profit decreasing by 38,8% to R67,1 million (2017: R109,6 million).

The divisional operating profit margin decreased to 5,0% (2017: 7,6%).

The division incurred capital expenditure of R29,5 million during the year (2017: R50,7 million).

The division has a secured order book of R1,85 billion (2017: R2,09 billion).

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 and commercial building projects.

Commentary continued

The roll out of water infrastructure in South Africa continued to be slow during the year, with extremely competitive tendering conditions experienced for the limited amount of work available. The Group made the decision to discontinue the operations of L&R Civils (Pty) Ltd, a company acquired in July 2012 in anticipation of the much needed roll out of water infrastructure projects in the country. L&R Civils (Pty) Ltd reported revenue of R36,4 million and a net loss after tax of R29,3 million, which includes the closure costs of this business.

The Group has also made a decision to discontinue the operations of Strata Civils (Pty) Ltd, which specialises in small-scale civil infrastructure projects, particularly in urban environments in the Western and Eastern Cape provinces. This market is not aligned to the Group's core business and the inability to execute this work profitably has led to the discontinuation of this business unit. Strata Civils (Pty) Ltd reported revenue of R37,2 million and a net loss after tax of R17,5 million, which includes the closure costs of this business.

The infrastructure division experienced good growth in the affordable housing sector throughout the year and has established a strong reputation and client base in the commercial building sector. The increase in work secured in the building sector has enabled the division to partially offset the delay in the roll out of projects related to the Renewable Energy Independent Power Producer Procurement ("REIPPP") Programme. The division has maintained its capacity in anticipation of the roll out of the REIPPP projects in the year ahead. REIPPP contracts have not been included in the division's order book.

In order to support growth in the infrastructure division, the Group entered the niche market of renovating commercial buildings, including shopping malls and hotels, through the establishment of Raubex Renovo. R827 million of the division's order book is attributable to Raubex Renovo.

Revenue for the division decreased by 11,6% to R1,38 billion (2017: R1,56 billion) and operating profit decreased by 76,3% to R16,0 million (2017: R67,5 million).

The divisional operating profit margin decreased to 1,2% (2017: 4,3%).

The division incurred capital expenditure of R31,8 million (2017: R29,6 million).

The division has a secured order book of R2,62 billion (2017: R1,48 billion).

International

The Group has continued to deliver good results from its African operations where a number of business units are active in Namibia, Botswana and Zambia. Stable conditions in the mining sector and current commodity prices supported the international operations in the materials division, particularly in the copper and diamond mining operations in Namibia. The construction market in Namibia has, however, experienced depressed conditions during the year which led to the discontinuation of the plant hire business of Burma Plant Hire (Namibia) (Pty) Ltd, as reported under the materials division.

The completion of the road contract between Rosh Pinah and Oranjemund in Namibia supported the results in the first half of the year. The road construction and earthworks division continues to seek high margin replacement work in Africa to supplement the South African order book.

In Zambia, payments from the Zambian Road Development Agency (“RDA”) have not been consistent during the year and due to the late payment pattern of the client and the amount of outstanding debt, work on the Link 8000 road contracts remains suspended. The total gross amount included in accounts receivable due from the RDA at 28 February 2018 amounted to R160,0 million (2017: R154,1 million). Due to the uncertainty regarding the timing of payment, the gross amount receivable has been discounted to a present value of R127,1 million during the year. The order book includes an amount of R835,8 million relating to the two Link 8000 contracts. The Group is confident that the RDA will settle the overdue amounts, allowing for work to resume, once a viable solution to the funding impasse has been determined.

In Cameroon, opportunities unlocked through Raubex Renovo are encouraging with the efficient execution and delivery of a quality product to the client being top priority in the period ahead while Raubex Renovo establishes itself in this new market. The increase in the international order book is attributable mainly to work secured by Raubex Renovo, which includes the construction of a hotel for the French-based Onomo Hotel Group and a shopping mall for Actis and its local partner, Craft Development, in Douala, Cameroon.

Effective 1 January 2018, Raubex acquired 70% of the Westforce Construction group (“Westforce”) based in Perth, Western Australia. Two months of the Westforce operations are included in these results. Westforce’s contribution is reported under the infrastructure division.

International revenue decreased by 8,5% to R1,11 billion (2017: R1,22 billion) and operating profit decreased by 13,5% to R188,5 million (2017: R218,0 million).

Operating profit margin decreased to 16,9% (2017: 17,9%).

The international order book has increased to R2,55 billion (2017: R1,90 billion) and is included in the materials and construction divisions’ order books.

Prospects

The Group’s secured order book increased to R8,19 billion (2017: R8,03 billion) with 31,1% of the order book representing contracts outside of South Africa, in the rest of Africa and in Australia. The order book for SANRAL decreased by 46,8% to R962 million (2017: R1,81 billion), due to a lack of tenders being released to the market throughout the second half of the year. Provincial and municipal government order books also decreased by 53,9% and 11,1% respectively. The decrease in the volume of work for SANRAL as well as for provincial and municipal clients has been offset by an increase in order book from private clients, mainly in the affordable housing and commercial building sector, as well as work on road infrastructure managed by concessionaires.

The diversified operations and revenue streams from the materials division will continue to support Group earnings and assist in mitigating the challenges faced by the South African construction sector. The Group will continue to look for acquisition opportunities in the commercial aggregates sector in southern Africa, with a number of opportunities currently being considered to further expand the geographical footprint and product range of the materials division. The acquisition of the Donkerhoek Quarry in Northern Gauteng and Transkei Quarries in the Eastern Cape’s towns of Mthatha and Butterworth post-year-end support this growth strategy.

Commentary continued

Materials handling and processing operations, supported by current commodity prices in the mining sector, are expected to remain stable in the year ahead.

The delayed roll out of renewable energy projects under the country's REIPPP programme impacted negatively on the Group's results for the year. Recent developments, including the Minister of Energy signing the power purchase agreements on 4 April 2018 for 27 REIPPP projects will enable R56 billion of new investment in the South African economy over the next two to three years. This development is encouraging and the Group is well positioned to benefit from the roll out of this work. The Group has secured work to the value of R678 million on two wind farm projects which are subject to financial close. These projects have not been included in the order book. Growth in the infrastructure division will further be supported by the recently established Raubex Renovo, which operates in the niche market of renovating commercial buildings, including shopping malls and hotels. This business has secured a healthy order book, including international work, for the year ahead and focus is now on the efficient execution and the delivery of quality work to clients which could unlock further opportunities in this market.

Internationally, the Group's acquisition of Westforce will further diversify its revenue streams and allow Raubex to expand its footprint in a more established and growing market in Western Australia, where conditions in the construction sector are more favourable than the South African market at present.

Conditions in the South African construction sector are expected to remain challenging and the short-term outlook uncertain, particularly in the road construction divisions which are largely dependent on SANRAL. It is imperative that South African state-owned companies, including SANRAL, as well as provincial and municipal governments, start investing in the country's deteriorating infrastructure. This will not only alleviate the current pressure in the construction sector, which has experienced a number of business failures resulting in severe job losses during the year, but will also better position the country for future economic growth.

While conditions in the South African construction sector remain subdued, the Group will focus on maintaining a strong balance sheet and look for medium-term growth from a combination of high margin opportunities in Africa, increasing activity levels in Australia through Westforce and further acquisitions in the local commercial aggregate sector to support the materials division.

Dividend declaration

The directors have declared a gross final cash dividend from income reserves of 33 cents per share on 7 May 2018 for the year ended 28 February 2018. The salient dates for the payment of the dividend are as follows:

Last day to trade *cum* dividend	Tuesday, 29 May 2018
Commence trading *ex* dividend	Wednesday, 30 May 2018
Record date	Friday, 1 June 2018
Payment date	Monday, 4 June 2018

No share certificates may be dematerialised or rematerialised between Wednesday, 30 May 2018 and Friday, 1 June 2018, both dates inclusive.

In terms of dividends tax (“DT”), the following additional information is disclosed:

- The local DT rate is 20%.
- 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 33 cents per share.
- The DT amounts to 6,6 cents per share.
- The net local dividend amount is 26,4 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 Security 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.

Management changes

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

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

Tobie Wiese retired from the Group effective 30 April 2018. The board would like to extend their thanks and appreciation to Tobie for his dedication and service over the past 22 years at Raubex Group and its subsidiary, B&E International.

Group income statement

	Audited 12 months 28 February 2018 R'000	Audited 12 months 28 February 2017 R'000
Revenue	**8 542 247**	9 005 645
Cost of sales	**(7 416 511)**	(7 762 882)
Gross profit	**1 125 736**	1 242 763
Other income	**40 133**	30 030
Other gains/(losses) – net	**14 383**	(8 319)
Administrative expenses	**(508 339)**	(482 915)
Voluntary Rebuilding Programme expense	**–**	(119 884)
Operating profit	**671 913**	661 675
Finance income	**59 495**	57 366
Finance costs	**(91 245)**	(100 937)
Share of profit of investments accounted for using the equity method	**477**	855
Profit before income tax	**640 640**	618 959
Income tax expense	**(187 956)**	(209 105)
Profit for the year	**452 684**	409 854
Profit for the year attributable to:		
Owners of the parent	**423 573**	372 062
Non-controlling interest	**29 111**	37 792
Basic earnings per share (cents)	**233,5**	203,7
Diluted earnings per share (cents)	**233,5**	202,2

Group statement of comprehensive income

	Audited 12 months 28 February 2018 R'000	Audited 12 months 28 February 2017 R'000
Profit for the year	**452 684**	409 854
Other comprehensive income for the year, net of tax		
Currency translation differences	**(14 284)**	(8 762)
Actuarial gain on post-employment benefit obligations	**374**	70
Total comprehensive income for the year	**438 774**	401 162
Comprehensive income for the year attributable to:		
Owners of the parent	**410 356**	363 370
Non-controlling interest	**28 418**	37 792
Total comprehensive income for the year	**438 774**	401 162

Calculation of diluted earnings per share

	Audited 12 months 28 February 2018 R'000	Audited 12 months 28 February 2017 R'000
Profit attributable to owners of the parent entity	**423 573**	372 062
Weighted average number of ordinary shares in issue ('000)	**181 381**	182 668
Adjustments for:		
Shares deemed issued for no consideration (share options) ('000)	**–**	1 362
Weighted average number of ordinary shares for diluted earnings per share ('000)	**181 381**	184 030
Diluted earnings per share (cents)	**233,5**	202,2

Calculation of headline earnings per share

	Audited 12 months 28 February 2018 R'000	Audited 12 months 28 February 2017 R'000
Profit attributable to owners of the parent entity	**423 573**	372 062
Adjustments for:		
Profit on sale of property, plant and equipment	**(17 392)**	(16 092)
Goodwill written off	**2 799**	7 906
Loss of control of subsidiary	**767**	–
Total tax effects of adjustments	**4 870**	4 506
Basic headline earnings	**414 617**	368 382
Weighted average number of shares ('000)	**181 381**	182 668
Headline earnings per share (cents)	**228,6**	201,7
Diluted headline earnings per share (cents)	**228,6**	200,2

Group statement of financial position

	Audited 12 months 28 February 2018 R'000	Audited 12 months 28 February 2017 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**2 410 165**	2 364 319
Intangible assets	**947 806**	851 102
Investment in associates and joint ventures	**111 789**	49 087
Deferred income tax assets	**39 614**	40 938
Non-current inventories	**64 533**	73 459
Non-current trade and other receivables	**81 915**	100 557
Total non-current assets	**3 655 822**	3 479 462
Current assets		
Inventories	**600 636**	523 600
Construction contracts in progress and retentions	**280 933**	334 016
Trade and other receivables	**1 489 575**	1 525 373
Current income tax receivable	**28 617**	27 713
Cash and cash equivalents	**1 084 088**	1 103 618
Total current assets	**3 483 849**	3 514 320
Total assets	**7 139 671**	6 993 782
EQUITY		
Share capital	**1 817**	1 817
Share premium	**2 059 688**	2 059 688
Treasury shares	**(1 218)**	(23 664)
Other reserves	**(1 219 859)**	(1 179 094)
Retained earnings	**3 200 300**	2 938 678
Equity attributable to owners of the parent	**4 040 728**	3 797 425
Non-controlling interest	**157 240**	152 300
Total equity	**4 197 968**	3 949 725
LIABILITIES		
Non-current liabilities		
Borrowings	**411 284**	562 573
Provisions for liabilities and charges	**82 780**	74 838
Deferred income tax liabilities	**342 036**	311 608
Other financial liabilities	**86 980**	150 120
Total non-current liabilities	**923 080**	1 099 139
Current liabilities		
Trade and other payables	**1 530 581**	1 514 324
Borrowings	**365 272**	388 227
Current income tax liabilities	**31 680**	25 120
Provisions for liabilities and charges	**15 823**	–
Other financial liabilities	**75 267**	17 247
Total current liabilities	**2 018 623**	1 944 918
Total liabilities	**2 941 703**	3 044 057
Total equity and liabilities	**7 139 671**	6 993 782

Group statement of cash flows

	Audited 12 months 28 February 2018 R'000	Audited 12 months 28 February 2017 R'000
Cash flows from operating activities		
Cash generated from operations	**1 039 786**	1 223 840
Interest received	**59 495**	57 366
Interest paid	**(74 908)**	(89 776)
Income tax paid	**(177 950)**	(206 977)
Net cash generated from operating activities	**846 423**	984 453
Cash flows from investing activities		
Purchases of property, plant and equipment	**(441 286)**	(440 512)
Proceeds from sale of property, plant and equipment	**95 960**	88 986
Acquisition of subsidiaries	**(81 737)**	(26 148)
Loan (granted to)/repayment from associates and joint ventures	**(37 698)**	2 450
Net cash used in investing activities	**(464 761)**	(375 224)
Cash flows from financing activities		
Proceeds from borrowings	**360 921**	377 903
Repayment of borrowings	**(542 815)**	(534 194)
Dividends paid to owners of the parent	**(163 513)**	(160 087)
Dividends paid to non-controlling interests	**(14 855)**	(14 256)
Disposal of interest in a subsidiary	**4 423**	510
Acquisition of interest in a subsidiary	**(41 185)**	–
Contingent consideration settled	**–**	(20 989)
Share buy-back transaction	**–**	(120 000)
Sale of treasury shares	**14**	13
Net cash used in financing activities	**(397 010)**	(471 100)
Net (decrease)/increase in cash and cash equivalents	**(15 348)**	138 129
Cash and cash equivalents at the beginning of the year	**1 103 618**	969 736
Effects of exchange rates on cash and cash equivalents	**(4 182)**	(4 247)
Cash and cash equivalents at the end of the year	**1 084 088**	1 103 618

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 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	–	–	–	9 541	–	9 541	–	9 541
Share buy-back	(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 year	–	–	–	(30 922)	30 922	–	–	–
Disposal of interest to non-controlling interest	–	–	–	–	510	510	–	510
Total comprehensive income for the year	–	–	–	(8 762)	372 132	363 370	37 792	401 162
Dividends paid	–	–	–	–	(160 087)	(160 087)	(14 256)	(174 343)
Balance at 28 February 2017	**1 817**	**2 059 688**	**(23 664)**	**(1 179 094)**	**2 938 678**	**3 797 425**	**152 300**	**3 949 725**
Treasury shares issued in terms of equity-settled share option scheme	**–**	**–**	**22 446**	**–**	**(22 432)**	**14**	**–**	**14**
Share option reserve utilised during the year	**–**	**–**	**–**	**(27 175)**	**27 175**	**–**	**–**	**–**
Non-controlling interest arising on business combination	**–**	**–**	**–**	**–**	**–**	**–**	**17 109**	**17 109**
Disposal of interest to non-controlling interest	**–**	**–**	**–**	**–**	**4 036**	**4 036**	**387**	**4 423**
Loss of control of subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(25)**	**(25)**
Acquisition of non-controlling interest	**–**	**–**	**–**	**–**	**(7 591)**	**(7 591)**	**(26 094)**	**(33 685)**
Profit for the year	**–**	**–**	**–**	**–**	**423 573**	**423 573**	**29 111**	**452 684**
Other comprehensive income for the year	**–**	**–**	**–**	**(13 590)**	**374**	**(13 216)**	**(693)**	**(13 909)**
Dividends paid	**–**	**–**	**–**	**–**	**(163 513)**	**(163 513)**	**(14 855)**	**(178 368)**
Balance at 28 February 2018	**1 817**	**2 059 688**	**(1 218)**	**(1 219 859)**	**3 200 300**	**4 040 728**	**157 240**	**4 197 968**

Group segmental analysis

	Materials R'000	Road surfacing and rehabilitation R'000	Road construction and earthworks R'000	Infrastructure R'000	Other* R'000	Consolidated R'000
Operating segments						
28 February 2018						
Segment revenue	**2 583 677**	**3 250 728**	**1 332 325**	**1 375 517**	**–**	**8 542 247**
Operating profit	**366 428**	**222 399**	**67 063**	**16 023**	**–**	**671 913**
Margin	**14,2%**	**6,8%**	**5,0%**	**1,2%**	**–**	**7,9%**
28 February 2017						
Segment revenue	2 439 016	3 575 199	1 435 421	1 556 009	–	9 005 645
Operating profit	345 532	258 872	109 633	67 522	(119 884)	661 675
Margin	14,2%	7,2%	7,6%	4,3%	–	7,3%

	Local R'000	International R'000	Other* R'000	Consolidated R'000
Geographical information				
28 February 2018				
Segment revenue	**7 429 769**	**1 112 478**	**–**	**8 542 247**
Operating profit	**483 463**	**188 450**	**–**	**671 913**
Margin	**6,5%**	**16,9%**	**–**	**7,9%**
28 February 2017				
Segment revenue	7 790 122	1 215 523	–	9 005 645
Operating profit	563 602	217 957	(119 884)	661 675
Margin	7,2%	17,9%	–	7,3%

* *Other consists of the Voluntary Rebuilding Programme expense.*

Employee benefit expense

	Audited 12 months 28 February 2018 R'000	Audited 12 months 28 February 2017 R'000
Employee benefit expense in the income statement consists of:		
Salaries, wages and contributions	**2 173 553**	2 113 760
Share options granted to employees	**–**	9 541
Total employee benefit expense	**2 173 553**	2 123 301

Capital expenditure and depreciation

	Audited 12 months 28 February 2018 R'000	Audited 12 months 28 February 2017 R'000
Capital expenditure for the year	**441 286**	440 512
Depreciation for the year	**357 280**	373 230
Amortisation of intangible assets for the year	**4 077**	1 433

Notes

Basis of preparation

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act (2008) applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: *Interim Financial Reporting*. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

These summary consolidated financial statements for the year ended 28 February 2018 have been prepared under the supervision of the Financial Director, Mr JF Gibson CA(SA) and audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived. A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the annual consolidated financial statements are available for inspection at the company's registered office.

The auditor's report does not necessarily report on all of the information contained in this announcement. Any reference to pro forma or future financial information included in this announcement has not been reviewed or reported on by the auditors. Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement they should obtain a copy of that report together with the accompanying financial information from the company's registered office.

Treasury shares

During the year 1 292 196 treasury shares were utilised to settle share options that vested in terms of the employee share option scheme for an amount of R22,5 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 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 28 February 2017	**1 362 334**	23 664
Treasury shares issued in terms of equity-settled share option scheme	**(1 292 196)**	(22 446)
Total treasury shares held by Raubex (Pty) Ltd at 28 February 2018	**70 138**	1 218

Business combinations

Acquisitions made during the period

Lime Sales Ltd ("Lime Sales")

On 1 March 2017, the Group effectively acquired 74% of the shares of Lime Sales for a purchase price of R37 million settled in cash. Lime Sales is a commercial quarry operating in the Western Cape that produces metallurgical dolomite, agricultural lime and aggregates.

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

	R'000
Consideration	
Cash	**33 000**
Deferred consideration*	**4 000**
Total consideration	**37 000**
Recognised amounts of identifiable assets and acquired liabilities assumed	
Property, plant and equipment	**14 015**
Intangible asset – mining right	**17 450**
Inventories	**6 564**
Trade receivables	**443**
Current income tax receivable	**338**
Cash and cash equivalents	**111**
Other financial assets	**7**
Deferred tax liability	**(9 973)**
Trade and other payables	**(118)**
Rehabilitation provision	**(1 686)**
Total identified net assets	**27 151**
Non-controlling interest	**(7 059)**
Goodwill attributable to owners of the parent	**16 908**
Total	**37 000**
Purchase consideration settled in cash	**33 000**
Less: Cash and cash equivalents in the business combination acquired	**(111)**
Cash outflow on acquisition for cash flow statement	**32 889**

* *The deferred consideration is an amount of R4 million payable to the previous shareholders of Lime Sales 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. Subsequently the deferred consideration is measured at amortised cost. However, the effect of discounting is deemed to be immaterial as the Group expects to pay this amount before the end of the 2019 financial year.*

The revenue included in the consolidated income statement since 1 March 2017 contributed by Lime Sales was R54,7 million with a net profit contribution of R5,6 million over the same period.

Notes continued

MRCN (Pty) Ltd t/a Westforce Construction and Westforce Hire (Pty) Ltd ("Westforce")

On 1 January 2018, the Group effectively acquired 70% of the shares of Westforce for a purchase price of AUD6,1 million (R66,2 million) settled in cash. A further AUD0,35 million (R3,8 million) was paid to acquire 70% of the vendor loan accounts. Westforce was established in 2006 as a civil engineering contractor and has grown and diversified into a multi-disciplined contractor providing services to the power, water, defence, transport, industrial and mining sectors across Western Australia. The purchase price is contingent on Westforce achieving its profit forecast for the period ended 30 June 2018.

The goodwill is attributable to the geographical location of the operations together with the local market knowledge and experience held by the current management team.

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

	R'000
Consideration	
Cash	**66 238**
Total consideration	**66 238**
Recognised amounts of identifiable assets and acquired liabilities assumed	
Property, plant and equipment	**37 425**
Construction contracts in progress	**3 976**
Trade and other receivables	**27 220**
Cash and cash equivalents	**17 390**
Intangible – customer relationships	**3 763**
Borrowings	**(17 956)**
Deferred tax liability	**(5 129)**
Income tax payable	**(8 609)**
Trade and other payables	**(24 582)**
Total identifiable net assets	**33 498**
Non-controlling interest	**(10 049)**
Goodwill attributable to owners of the parent	**42 789**
Total	**66 238**
Purchase consideration settled in cash	**66 238**
Less: Cash and cash equivalents in the business combination acquired	**(17 390)**
Cash outflow on acquisition for cash flow statement	**48 848**

The revenue included in the consolidated income statement since 1 January 2018 contributed by Westforce was R44,4 million with a net profit contribution of R4,4 million over the same period. Had Westforce been consolidated from 1 March 2017, the contributed revenue and net profit would have been R280,2 million and R9,2 million, respectively.

Transactions with non-controlling interests

Raubex Infra (Pty) Ltd ("Raubex Infra")

On 1 March 2017, the Group acquired the remaining 30% of the issued share capital from the non-controlling shareholders of Raubex Infra for R33,7 million, increasing the Group's shareholding from 70% to 100%.

Burma Plant Hire (Pty) Ltd ("Burma")

Effective 1 December 2017, the Group acquired the remaining 30% of the issued share capital from the non-controlling shareholder of Burma Plant Hire together with the outstanding loans owed, for R7,5 million, increasing the Group's shareholding from 70% to 100%.

Events after the reporting period

Business acquisitions

Donkerhoek Quarry (Pty) Ltd ("Donkerhoek")

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

Metadynamics (Pty) Ltd ("Metadynamics")

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

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

Effective 3 April 2018, the Group effectively acquired 49% of Transkei Quarries, through its subsidiary Raumix Aggregates (Pty) Ltd, for a purchase price of R49 million settled in cash. An additional consideration is payable contingent on certain profit outcomes over the course of the next four years, being 1 March 2018 to 28 February 2022. Transkei Quarries operates two commercial quarries in Mthatha and Butterworth supplying aggregates to the construction market. The acquisition is in line with the Group's strategy to expand its commercial quarry business geographically.

On behalf of the board

F Kenney	**RJ Fourie**	**JF Gibson**
Chairman	*Chief Executive Officer*	*Financial Director*

7 May 2018

Company information

Directors

RJ Fourie

JF Gibson

NF Msiza

F Kenney#

LA Maxwell*

BH Kent*

SR Bogatsu*

Non-executive

* *Independent non-executive*

Company secretary

GM Chemaly

Registered office

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50 Tegel Avenue

Centurion

South Africa

Transfer secretaries

Computershare Investor Services (Pty) Ltd

Rosebank Towers

15 Biermann Avenue

Rosebank

2196

Auditors

PricewaterhouseCoopers Inc.

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