RAUBEX GROUP LIMITED

Raubex Group Limited

AUDITED RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2011

"Whilst the decrease in earnings is disappointing, the performance achieved over the past year remains satisfactory given the state of the construction industry and increasingly competitive landscape.

"With the general construction market expected to remain depressed, Raubex will continue focusing on maintaining a healthy order book, in particular through its growing international exposure, whilst the Group's strong statement of financial position and cash position provide management with a solid base to navigate another challenging year ahead."

FRANCOIS DIEDRECHSEN, FINANCIAL AND COMMERCIAL DIRECTOR OF RAUBEX GROUP.

- Revenues **down 0,8%** to R4,55 billion (2010: R4,58 billion)
- Operating profit **down 25,3%** to R662,6 million (2010: R887,3 million)
- Group operating profit margin of **14,6%** (2010: 19,4%)
- HEPS **down 25,8%** to 240,2 cents per share (2010: 323,8 cents per share)
- Cash flow from operations **up 7,6%** to R853 million (2010: R793,1 million)
- Capex spend of **R292,5 million** (2010: R252,4 million)
- Order book of **R4,4 billion** (2010: R4,7 billion)
- Final dividend of **68 cents per share** declared

GROUP INCOME STATEMENT

	Audited 12 months 28 February 2011 R'000	Audited 12 months 28 February 2010 R'000
Revenue	**4 545 974**	4 582 883
Cost of sales	**(3 645 552)**	(3 508 522)
Gross profit	**900 422**	1 074 361
Other income	**27 665**	27 327
Other gains/(losses) – net	**(18 934)**	3 902
Administrative expenses	**(246 595)**	(218 327)
Operating profit	**662 558**	887 263
Finance income	**30 422**	36 837
Finance costs	**(43 875)**	(65 544)
Share of profit of associate	**–**	20
Profit before income tax	**649 105**	858 576
Income tax expense	**(202 096)**	(266 269)
Profit for the year	**447 009**	592 307
Profit for the year attributable to:		
Owners of the parent	**443 405**	594 643
Non-controlling interest	**3 604**	(2 336)
Basic earnings per share (cents)	**241,5**	325,6
Diluted earnings per share (cents)	**240,3**	323,6

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Audited 12 months 28 February 2011 R'000	Audited 12 months 28 February 2010 R'000
Profit for the year	**447 009**	592 307
Other comprehensive income for the year, net of tax		
Currency translation differences	**(1 279)**	(3 813)
Total comprehensive income for the year	**445 730**	588 494
Comprehensive income for the year attributable to:		
Owners of the parent	**442 126**	590 830
Non-controlling interest	**3 604**	(2 336)
Total comprehensive income for the year	**445 730**	588 494

CALCULATION OF DILUTED EARNINGS PER SHARE

	Audited 12 months 28 February 2011 R'000	Audited 12 months 28 February 2010 R'000
Profit attributable to owners of the parent	**443 405**	594 643
Weighted average number of ordinary shares in issue ('000)	**183 572**	182 624
Adjustments for:		
Shares deemed issued for no consideration ('000)	**–**	1 144
Contingently issuable shares ('000)	**964**	–
Weighted average number of ordinary shares for diluted earnings per share	**184 536**	183 768
Diluted earnings per share (cents)	**240,3**	323,6

CALCULATION OF HEADLINE EARNINGS PER SHARE

	Audited 12 months 28 February 2011 R'000	Audited 12 months 28 February 2010 R'000
Profit attributable to owners of the parent	**443 405**	594 643
Adjustments for:		
Profit on sale of plant and equipment	**(3 313)**	(7 635)
Impairment of goodwill	**–**	2 271
Total tax effects of adjustments	**928**	2 138
Basic headline earnings	**441 020**	591 417
Weighted average number of shares ('000)	**183 572**	182 624
Headline earnings per share (cents)	**240,2**	323,8
Diluted headline earnings per share (cents)	**239,0**	321,8

GROUP STATEMENT OF FINANCIAL POSITION

	Audited 28 February 2011 R'000	Audited 28 February 2010 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1 276 133**	1 243 360
Intangible assets	**761 445**	723 824
Investment in associate	**–**	324
Deferred income tax assets	**45 047**	35 569
Trade and other receivables	**585**	496
Total non-current assets	**2 083 210**	2 003 573
Current assets		
Inventories	**126 333**	123 983
Construction contracts in progress and retentions	**244 116**	220 098
Trade and other receivables	**948 367**	977 675
Current income tax receivable	**14 192**	6 412
Cash and cash equivalents	**594 914**	494 669
Total current assets	**1 927 922**	1 822 837
Total assets	**4 011 132**	3 826 410
EQUITY		
Share capital	**1 845**	1 826
Share premium	**2 179 613**	2 139 632
Other reserves	**(1 156 847)**	(1 139 446)
Retained earnings	**1 510 726**	1 263 340
Equity attributable to owners of the parent	**2 535 337**	2 265 352
Non-controlling interest	**9 276**	4 344
Total equity	**2 544 613**	2 269 696
LIABILITIES		
Non-current liabilities		
Borrowings	**231 905**	263 906
Provisions for liabilities and charges	**18 058**	12 624
Deferred income tax liabilities	**236 038**	206 268
Total non-current liabilities	**486 001**	482 798
Current liabilities		
Trade and other payables	**712 789**	736 315
Borrowings	**245 654**	269 672
Current income tax liabilities	**17 498**	67 929
Provisions for liabilities and charges	**4 577**	–
Total current liabilities	**980 518**	1 073 916
Total liabilities	**1 466 519**	1 556 714
Total equity and liabilities	**4 011 132**	3 826 410

CAPITAL EXPENDITURE AND DEPRECIATION

	Audited 12 months 28 February 2011 R'000	Audited 12 months 28 February 2010 R'000
Capital expenditure for the year	**292 490**	252 357
Depreciation for the year	**220 184**	224 959
Amortisation of intangible assets for the year	**2 380**	2 280

GROUP STATEMENT OF CASH FLOWS

	Audited 12 months 28 February 2011 R'000	Audited 12 months 28 February 2010 R'000
Cash flows from operating activities		
Cash generated from operations	**853 013**	793 099
Finance income	**30 422**	36 837
Finance costs	**(43 875)**	(65 544)
Dividend received	**5 476**	4 139
Income tax paid	**(241 159)**	(300 122)
Net cash generated from operating activities	**603 877**	468 409
Cash flows from investing activities		
Purchases of property, plant and equipment	**(292 490)**	(252 357)
Proceeds from sale of property, plant and equipment	**42 110**	49 693
Acquisition of subsidiaries	**141**	(49 887)
Loan (repayments)/proceeds from associates	**(750)**	6 550
Net cash used in investing activities	**(250 989)**	(246 001)
Cash flows from financing activities		
Proceeds from borrowings	**246 699**	186 060
Repayment of borrowings	**(302 722)**	(303 429)
Proceeds on disposal of investment to non-controlling interest	**–**	6 000
Dividends paid to owners of the parent	**(196 019)**	(191 755)
Dividends paid to non-controlling interests	**(601)**	(1 004)
Net cash used in financing activities	**(252 643)**	(304 128)
Net increase/(decrease) in cash and cash equivalents	**100 245**	(81 720)
Cash and cash equivalents at the beginning of the year	**494 669**	576 389
Cash and cash equivalents at the end of the year	**594 914**	494 669

GROUP SEGMENTAL ANALYSIS

	Aggregates and crusher R'000	Road surfacing and rehabilitation R'000	Road construction and earthworks R'000	Consolidated R'000
Reportable segments				
28 February 2011				
Segment revenue	**1 040 147**	**2 178 339**	**1 327 488**	**4 545 974**
Segment result (operating profit)	**178 203**	**300 187**	**184 168**	**662 558**
28 February 2010				
Segment revenue	1 020 927	1 976 883	1 585 073	4 582 883
Segment result (operating profit)	218 698	405 414	263 151	887 263

	Local R'000	International R'000	Consolidated R'000
Geographical information			
28 February 2011			
Segment revenue	**3 932 876**	**613 098**	**4 545 974**
Segment result (operating profit)	**583 669**	**78 889**	**662 558**
28 February 2010			
Segment revenue	4 075 849	507 034	4 582 883
Segment result (operating profit)	851 625	35 638	887 263

EMPLOYEE BENEFIT EXPENSE

	Audited 12 months 28 February 2011 R'000	Audited 12 months 28 February 2010 R'000
Employee benefit expense in the income statement consists of:		
– Salaries, wages and contributions	**893 407**	783 023
– Share options granted to employees	**(5 280)**	12 838
Total employee benefit expense	**888 127**	795 861

NOTES

Basis of preparation

The abridged consolidated financial information is based on the audited financial statements of the Group for the year ended 28 February 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), International Accounting Standard 34, the Listings Requirements of the JSE Limited and the South Africa Companies Act 61 of 1973 as amended, on a consistent basis with that of the prior period.

These results have been audited by PricewaterhouseCoopers Inc., Chartered Accountants (SA), Registered Auditors. Their unqualified audit opinion is available for inspection at the Company's registered office.

Share capital

On 26 November 2010 the Group issued 1 912 363 ordinary shares (1,04% of the total ordinary share capital issued) to the sellers of Space Construction (Pty) Ltd and Space Indlela Construction (Pty) Ltd as settlement of the purchase price adjustment that became payable on the expiry of the profit warranty period ending on 31 August 2010. The ordinary shares issued have the same rights as the other shares issued. The fair value of the shares issued amounted to R40 million (R20,92 per share).

	Number of shares '000
Balance at 1 March 2010	182 624
Shares issued	1 912
Balance at 28 February 2011	184 536

Earnings per share

In accordance with IAS 33 par 24, contingently issuable shares are treated as outstanding and are included in the calculation of basic earnings per share only from the date when all the necessary conditions for their issue have been satisfied. The contingently issuable shares issued for the purchase of Space Construction (Pty) Ltd and Space Indlela Construction (Pty) Ltd have been included in the calculation of basic earnings per share from 1 September 2010.

Employee Share Option Scheme

During the period participants to the Raubex Group share option scheme were offered a cash settlement alternative equivalent to the fair value of the share options vested on 20 March 2010. In terms of IFRS 2 Share-based Payment, this alternative settlement method has resulted in the fair value of the options granted being transferred from the share option reserve account to a financial liability account.

Business combinations

Space Construction (Pty) Ltd and Space Indlela Construction (Pty) Ltd

On 10 April 2008 the Group acquired 100% of the share capital of Space Construction (Pty) Ltd and Space Indlela Construction (Pty) Ltd for R50 million. The purchase price was subject to an adjustment after the expiry of a profit warranty period ending 31 August 2010 with the total purchase consideration being limited to a maximum of R90 million. The profit warranty conditions were met and an additional consideration of R40 million was settled by the issue of 1 912 363 Raubex shares at a fair value of R20,92 per share.

Muscle Construction (Pty) Ltd

On 1 March 2010 the Group acquired effective control of Muscle Construction (Pty) Ltd through a shareholder restructure that resulted in the Group having the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The company was previously equity accounted as an associate entity. The acquired business is operationally dormant and did not contribute to revenues and net profit during the period.

Tekweni Roadmarking (Pty) Ltd

On 1 March 2010 the Group acquired control of Tekweni Roadmarking (Pty) Ltd due to the Groups ability to exercise significant influence over the non-controlling interests and having the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The acquired company specialises in road marking in the Western Cape region. The acquired business contributed revenues of R11 million with no contribution to net profit being recognised during the period.

National Cold Asphalt (Pty) Ltd (previously Picalinx (Pty) Ltd)

On 1 March 2010 the Group acquired 50% of a dormant shelf company, Picalinx (Pty) Ltd, for the purposes of establishing a cold mix asphalt product in the South African market. The business contributed revenues of R4,4 million with no contribution to net profit being recognised during the period.

Zimbabwe Screening and Mining (Pty) Ltd (previously N Power Trade and Invest (Pty) Ltd)

On 24 August 2010 the Group acquired 100% of a dormant shelf company, N Power Trade and Invest (Pty) Ltd, for the purpose of establishing a branch office in Zimbabwe through which to procure screening and materials handling contracts in Zimbabwe. The business established contributed positively towards revenues and net profit during the period.

Capital commitments

The Group is a party to a consortium bidding for the N1-N2 Winelands Toll Highway project. The project includes the design, construction, finance, operation and maintenance of sections of N1 and N2 as toll highways, including associated developments and facilities under a concession contract. In the event that the consortium is successful in their bid, the Group has committed to an equity contribution of R300 million towards the project.

Contingencies

On 29 April 2011, shareholders were advised that the Group had become aware of certain irregularities in terms of the provisions of the Competition Act, No 89 of 1998. The transgressions are not covered by leniency under the Corporate Leniency Provision of the Act and the company has filed a Fast Track application to the Competition Commission by the required deadline date of 15 April 2011. The company remains committed to fully co-operate with the Commission and to ensure that its employees, management and directors do not engage in any conduct which constitutes a prohibited practice.

Events after the reporting period

There were no material events between the reporting period and the date of preparation of these Group financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium 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 2009	1 826	2 139 632	(1 148 471)	855 995	1 848 982	6 957	**1 855 939**
Transfer to share option reserve	–	–	12 838	–	12 838	–	**12 838**
Disposal of interest to non-controlling interest	–	–	–	4 457	4 457	727	**5 184**
Total comprehensive income for the year	–	–	(3 813)	594 643	590 830	(2 336)	**588 494**
Dividends paid	–	–	–	(191 755)	(191 755)	(1 004)	**(192 759)**
Balance at 28 February 2010	1 826	2 139 632	(1 139 446)	1 263 340	2 265 352	4 344	**2 269 696**
Shares issued	19	39 981	–	–	40 000	70	**40 070**
Transfer from share option reserve	–	–	(16 122)	–	(16 122)	–	**(16 122)**
Non-controlling interest on acquisition of subsidiary	–	–	–	–	–	1 858	**1 858**
Total comprehensive income for the year	–	–	(1 279)	443 405	442 126	3 605	**445 731**
Dividends paid	–	–	–	(196 019)	(196 019)	(601)	**(196 620)**
Balance at 28 February 2011	1 845	2 179 613	(1 156 847)	1 510 726	2 535 337	9 276	**2 544 613**

COMMENTARY

FINANCIAL OVERVIEW

Revenue decreased 0,8% to R4,55 billion and operating profit decreased 25,3% to R662,6 million from the corresponding prior period. Profit before tax decreased 24,4% to R649,1 million.

Earnings per share decreased 25,8% to 241,5 cents with headline earnings per share decreasing 25,8% to 240,2 cents.

Group operating profit margin decreased to 14,6% (2010: 19,4%).

The Group generated operating cash flows of R853 million before finance charges, dividends received and taxation. Cash generation was positively affected through improved working capital management.

Trade and other receivables decreased by 3% to R949 million as the positive effect of the payment of overdue accounts from the Road Development Agency in Zambia and the strong focus on collection of accounts receivable was offset by delayed payments on South African Provincial Government contracts, particularly in the Free State Province due to new funding arrangements with the province.

Capital expenditure on fixed assets to the value of R292,5 million was incurred during the year ended 28 February 2011.

Total cash and cash equivalents at the end of the period amounted to R594,9 million.

Total cash inflow for the period was R100,2 million.

Foreign exchange losses of R22,2 million were incurred during the period as a result of the strong rand.

OPERATIONAL OVERVIEW

Roadmac

Roadmac is a specialist in the manufacturing and laying of asphalt, chip and spray, surface dressing, enrichments and slurry seals.

Roadmac is the largest contributor to Group revenue. Performance for the period was impacted by strong competition in the light rehabilitation market and resulting decrease in margins.

The division has secured a healthy order book going into the 2012 year and is operating at full capacity but at lower margins.

High rainfalls caused delays in the execution of some work, particularly in the Gauteng region towards the end of the financial year. Bitumen supply issues have also frustrated efficiencies at some operations and had a negative impact on the performance of the division.

Revenue for the division increased 10,2% to R2,18 billion (2010: R1,98 billion) and operating profit decreased by 26% to R300,2 million (2010: R405,4 million).

The divisional operating profit margins decreased to 13,8% (2010: 20,5%) due to the increased competition experienced during the year.

The division incurred capital expenditure of R79,4 million during the year (2010: R79,5 million).

Raubex Construction

Raubex Construction is the road and civil infrastructure construction division focused on the key areas of new road construction (green fields) and heavy road rehabilitation.

Strong tendering competition continues to be experienced for the division's line of work. The current order book needs to be supplemented and the division has adjusted its pricing strategy accordingly to secure new work at the current lower margins. This is reflected in the order book mix, which constitutes a higher percentage of lower margin contracts. Whilst the environment is expected to remain very competitive in the short term, Raubex Construction will continue ensuring that it maintains a healthy order book, in particular through its growing international exposure.

Revenue for the division decreased 16,3% to R1,33 billion (2010: R1,59 billion) whilst operating profit decreased 30% to R184,2 million (2010: R263,2 million).

The divisional operating profit margins decreased to 13,9% (2010: 16,6%).

The division incurred capital expenditure of R71 million during the year (2010: R73,9 million).

Internationally, revenue increased 20,9% to R613,1 million (2010: R507 million) with operating profit margins increasing to 12,9% (2010: 7%) as a result of the Namibian contracts running at optimal efficiencies. Operations in Zambia have been curtailed and a cautious approach has been adopted when tendering in that country with careful consideration being given to currency and funding issues. Good progress was made on collection of overdue accounts from the Zambian Roads Development Agency during the period, with trading accounts now paid up to date.

Raumix

Raumix is the materials division of the Group with its core focus spread over three areas including contract crushing, production of aggregates for the commercial market and materials handling for the mining industry.

Whilst commercial quarry operations benefited from infrastructure projects, including the Gauteng Freeway Improvement Project, the residential building market remains depressed, particularly in the Gauteng area. Despite difficult trading conditions, good results were reported across the more rural southern quarries due to their geographic location and various regional developments in those areas.

The contract crushing operations of B&E International are supported by a strong order book and continue performing well despite pressure on margins. Market conditions were seen to improve towards the end of the year.

The material handling operations of SPH Kundalila continue being profitable with improved revenue streams being reported. Mining activities are starting to show signs of recovery with increased activity forecasted for the new year.

Revenue for the division increased 1,9% to R1,04 billion (2010: R1,02 billion) and operating profit decreased by 18,5% to R178,2 million (2010: R218,7 million).

The divisional operating profit margins decreased to 17,1% (2010: 21,4%).

The division incurred capital expenditure of R142,1 million during the period (2010: R99 million).

PROSPECTS

Despite difficult trading conditions over the past year, the Group has been able to maintain a stable revenue stream without altering its approach towards tendering for new work. Whilst the secured order book decreased by 7,3% to R4,38 billion (2010: R4,72 billion), the Group has recently been the lowest tenderer on a number of large contracts which are pending award. It is the Group's policy to include only secured revenue in the order book.

In the short term, trading conditions in the industry will be challenging and the impact of pressures on margins will continue being felt during the 2012 financial year.

The long-term outlook remains positive with the N1-N2 Winelands Project now in advanced stages with the Group being party to one of the consortia to have reached the Best and Final Offer (BAFO) phase of the process.

Although the second phase of the Gauteng Freeway Improvement Project is still anticipated to take place, the Group has adopted a cautious outlook towards the government's policy regarding future toll roads in South Africa.

Mining activities are forecast to improve and this bodes well for both B&E International and SPH Kundalila's material handling operations.

The Group continues to explore opportunities in the growing Indian roads sector together with UB Engineering Ltd. Initial findings are encouraging but the Group will maintain its very cautious approach.

Valuable experience is constantly being gained through the Group's African expansion drive. A joint venture with Sanyati produced the lowest tender on a contract in Uganda which is now pending award. The joint venture is also the preferred tenderer on a second contract in the country.

Whilst Raubex will continue evaluating ways to diversify the Group's long-term revenue streams, the current healthy statement of financial position and cash balances set Raubex on a strong footing to navigate the challenging year ahead.

DIVIDEND DECLARATION

The directors have declared a final dividend of 68 cents per share on 16 May 2011. The salient dates for the payment of the dividend are as follows:

Last day to trade cum dividend	Friday, 3 June 2011
Commence trading ex dividend	Monday, 6 June 2011
Record date	Friday, 10 June 2011
Payment date	Monday, 13 June 2011

No share certificates may be dematerialised or rematerialised between Monday, 6 June 2011, and Friday, 10 June 2011, both dates inclusive.

On behalf of the board:

M C Matjila *Chairman*

R J Fourie *Chief Executive Officer*

F Diedrechsen *Group Financial and Commercial Director*

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")

Directors: MC Matjila (Chairman)#, JE Raubenheimer#, RJ Fourie, F Diedrechsen, F Kenney#, L Maxwell* BH Kent*, NF Msiza*

*#Non-executive *Independent non-executive*

Company Secretary: Mrs HE Ernst **Registered office:** The Highgrove Office Park, Building No 1, Tegel Avenue, Centurion, South Africa
Transfer secretaries: Computershare Investor Services (Pty) Limited 70 Marshall Street, Johannesburg 2001, PO Box 6105 Marshalltown 2107 **Auditors:** PricewaterhouseCoopers Inc. **Sponsor:** Investec Bank Limited

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