RAUBEX
Raubex Group Limited

Unaudited interim results

for the six months ended 31 August 2017

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

Unaudited interim results

Highlights

Revenue down **2,0%** to **R4,67 billion**
(H1 2017: R4,76 billion)

Operating profit down **6,1%** to **R370,6 million**
(H1 2017: R394,7 million)

Cash flow from operations down **14,2%** to **R464,3 million**
(H1 2017: R541,4 million)

HEPS up **0,4%** to **131,1** cents per share (H1 2017: 130,6 cents per share)

Capex spend of **R253,2 million**
(H1 2017: R234,9 million)

Order book of **R7,52 billion**
(H1 2017: R8,2 billion)

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

Rudolf Fourie, CEO of Raubex Group, said:

"The period in review saw the Group's road construction companies execute their order book efficiently and deliver some of the best quality road work in the country. Our infrastructure division capitalised on affordable housing opportunities which assisted in offsetting the delay in award of renewable energy projects.

The materials division experienced consistent activity in the mining sector which helped to offset a slowdown in commercial aggregate sales in the Gauteng region.

The South African construction environment is currently not conducive to growth and we will continue to explore opportunities to supplement our revenue streams internationally and through acquisitions for our materials division which accounts for nearly half of the Group's profits."

Commentary

Financial overview

Revenue decreased 2,0% to R4,67 billion and operating profit decreased 6,1% to R370,6 million from the corresponding prior period.

Profit before tax decreased 5,0% to R354,7 million (H1 2017: R373,6 million) with the effective tax rate decreasing to 28,1% (H1 2017: 29,5%).

Earnings per share increased 1,0% to 134,0 cents (H1 2017: 132,7 cents) with headline earnings per share increasing 0,4% to 131,1 cents (H1 2017: 130,6 cents). The improvement in earnings per share compared to the decrease in profit before tax is as a result of a decrease in earnings attributable to non-controlling interests as well as the effect of a lower weighted average number of shares in issue.

Group operating margin decreased to 7,9% (H1 2017: 8,3%).

Net finance costs decreased to R15,9 million (H1 2017: R22,2 million) due to higher net cash balances during the period. Total non-cash finance costs increased to R6,08 million (H1 2017: R1,6 million) due to the unwinding of discount on the Voluntary Rebuilding Programme ("VRP") settlement agreement expense.

Cash generated from operations decreased 14,2% to R464,3 million (H1 2017: R541,4 million) before finance charges and taxation. Cash generation was affected by an increase in working capital due to delayed payment of certain provincial accounts in KwaZulu-Natal and an increase in bitumen inventory in preparation for planned refinery shut downs.

Trade and other receivables decreased by 2,3% to R1,78 billion (H1 2017: R1,82 billion).

Inventories increased 11,0% to R649,9 million (H1 2017: R585,4 million) which increase is mainly attributable to an increase in bitumen inventory.

Construction contracts in progress remained constant at R343,2 million (H1 2017: R343,9 million).

Trade and other payables increased 5,8% to R1,65 billion (H1 2017: R1,56 billion).

Borrowings decreased 15,9% to R871,8 billion (H1 2017: R1,04 billion).

Capital expenditure on property, plant and equipment increased 7,8% to R253,2 million (H1 2017: R234,9 million). Net capital expenditure decreased to R182,2 million (H1 2017: R189,7 million) due to proceeds on disposal of excess plant items on completion of contracts during the period.

The Group had a net cash outflow for the period of R59,1 million and total cash and cash equivalents at the end of the period of R1,05 billion.

Commentary *(continued)*

Operational review

Materials Division

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

The division continued to contribute strongly to the Group's overall operating profit and to differentiate Raubex from some of its peers in the construction sector with 46,3% of Group operating profit generated from materials supply and mining-related services.

The commercial quarry operations in the Gauteng area experienced a slowdown in aggregate sales during the period and the lower volumes had a negative impact on the division's overall margin.

Materials handling and processing operations in the mining sector remained consistent and supported the divisional results as commodity prices remained buoyant. The renewal of mining contracts supported the division's order book growth.

Contract crushing and plant hire operations remained challenging, in line with the conditions in the overall construction sector.

Revenue for the division increased 7,7% to R1,38 billion (H1 2017: R1,28 billion) while operating profit decreased by 10,3% to R171,5 million (H1 2017: R191,2 million).

The divisional operating profit margin decreased to 12,4% (H1 2017: 14,9%).

The division incurred capital expenditure of R173,9 million during the period (H1 2017: R136,7 million).

The division has a secured order book of R1,98 billion (H1 2017: R1,75 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 throughout southern Africa.

The division experienced favourable operating conditions during the period with a healthy order book and a consistent supply of bitumen enabling the efficient execution of maintenance contracts. Asphalt manufacturing operations reported lower volumes, due to the timing and start-up of execution of certain works orders and a lower volume of contracts out to tender compared to the prior period. The bitumen distribution operations of Tosas reported positive results for the first half of the year despite this period including their lower volume winter months. A good quality order book has been secured for the period ahead.

Revenue for the division decreased 7,4% to R1,77 billion (H1 2017: R1,91 billion) and operating profit decreased 0,6% to R115,6 million (H1 2017: R116,3 million).

The divisional operating profit margin increased to 6,5% (H1 2017: 6,1%).

The division incurred capital expenditure of R60,9 million during the period (H1 2017: R43,2 million).

The division's secured order book decreased to R2,23 billion (H1 2017: R3,04 billion) due to a lower volume of maintenance contracts put out to tender from SANRAL compared to the prior period during which an exceptionally high volume of tender activity was experienced for reseal contracts on certain roads taken over from provincial authorities.

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 continued to experience tough competitive conditions during the period with a slower roll out of road contracts compared to prior period activity levels. The results for the period were supported by a good quality order book and the efficient execution of works as well as the successful completion of the road contract in Namibia from Rosh Pinah to Oranjemund. The division's focus is now on short-term order book replacement for the second half of the year while longer-term work flow continues to be pursued.

Revenue for the division increased 5,3% to R834,1 million (H1 2017: R792,4 million) and operating profit increased 21,0% to R63,9 million (H1 2017: R52,8 million).

The divisional operating profit margin increased to 7,7% (H1 2017: 6,7%).

The division incurred capital expenditure of R8,6 million during the period (H1 2017: R35,7 million).

The division has a secured order book of R1,73 billion (H1 2017: R2,0 billion), with R841,5 million relating to the Link 8000 contracts in Zambia where work remains suspended due to payment delays from the client.

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, housing infrastructure and commercial building projects.

The division experienced good growth in the affordable housing sector as well as commercial building projects which helped support the results for the period and the growth in the order book.

Results were negatively affected by the delay in sign off of round 4 and 4.5 of the Renewable Energy Independent Power Producer Procurement Programme ("REIPPP") by Eskom. After completion of the earthworks contract on the Ilanga Solar 1 CSP project for Dankocom, a dispute was declared with the client which is in the process of being settled through arbitration. The claim value in dispute amounts to R50 million, none of which has been taken to book.

The roll-out of water infrastructure related work in South Africa remained critically slow during the period and no new contracts were awarded in this sector.

Revenue for the division decreased 12,3% to R678,6 million (H1 2017: R773,5 million) and operating profit decreased 43,4% to R19,5 million (H1 2017: R34,5 million).

The divisional operating profit margin decreased to 2,9% (H1 2017: 4,5%).

The division incurred capital expenditure of R9,8 million during the period (H1 2017: R19,3 million).

The division has a secured order book of R1,59 billion (H1 2017: R1,40 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.

The results for the period were supported by the completion of works on the road contract between Rosh Pinah and Oranjemund in Namibia. Regular payments amounting to R24,0 million were received from the Zambian Road Development Agency ("RDA") during the period with a further R12,7 million received after 31 August 2017 in September and October. The cycle of payments from the RDA has become more consistent, but due to the amount of outstanding debt, work on the Link 8000 road contracts remains suspended. The total amount included in accounts receivable due from the RDA at 31 August 2017 amounted to R156,2 million.

International revenue decreased 15,9% to R541,1 million (H1 2017: R643,7 million) while operating profit increased 3,8% to R109,8 million (H1 2017: R105,7 million).

Operating profit margins increased to 20,3% (H1 2017: 16,4%).

The international order book stands at R2,16 billion (H1 2017: R2,15 billion) and is included in the materials and construction divisions' order book.

Prospects

The Group's secured order book decreased 8,2% to R7,52 billion (H1 2017: R8,19 billion) with 28,8% of the order book representing contracts outside of South Africa in the rest of Africa. The order book for SANRAL decreased 26,9% to R1,46 billion (H1 2017: R1,99 billion) with provincial and municipal order books decreasing 31,9% and 29,8% respectively. The decrease in SANRAL as well as provincial and municipal work 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.

In order to support growth in the infrastructure division, the Group has entered the market for the renovation of commercial buildings through the establishment of Raubex Renovo, who has a strong management team with the appropriate skills and experience in this niche market. This business has secured an order book of R322 million during the period, which includes the renovation of the Preller Mall in Bloemfontein and the construction of an Onomo Hotel in Douala, Cameroon.

The Link 8000 contracts in Zambia are included in the order book at R841,5 million and although this work remains suspended, the client's continued engagement with the International Monetary Fund and the improvement in the copper price bode well for the country and resumption of work over the medium term.

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 of the materials division. The Group has also embarked on a strategy to look for longer-term growth in more developed international markets with opportunities currently being considered in Australia. The Group has adopted a conservative approach to entering the Australian market with a view to acquiring a smaller tier civil construction company that is well positioned for growth as opposed to a larger more established business with associated risks.

In the materials division, the margin pressure experienced in the Gauteng commercial aggregates market is expected to stabilise. Favourable conditions are expected to continue in the materials handling and processing operations in the mining sector which are supported by the prevailing commodity prices.

The timing of contract awards under the REIPPP programme remains uncertain but the Group is well positioned to benefit if Eskom signs the Power Purchase Agreements. The Group has secured work with clients on two wind farms to the value of R678 million. These two projects fall below the 77c/kWh which was recently stated by the Minister of Energy as the maximum cost threshold below which Eskom would sign off. It is anticipated that Eskom will sign off on these projects towards the end of the current financial year with work commencing in FY19. These projects have not been included in the Group's order book due to the policy uncertainty surrounding the REIPPP programme.

Conditions in the South African construction sector are expected to remain challenging in the period ahead and the Group will look for medium-term growth from a combination of high margin opportunities in Africa and further acquisitions in the local commercial aggregate sector to support the materials division.

Transformation

The Group is currently a level 2 B-BBEE contributor with 40,2% black economic interest measured under the Generic Codes of Good Practice. On 29 September 2017, SANRAL released its draft transformation policy for public comment which stipulates, *inter alia*, prequalification criteria that construction companies must be a minimum of level 2 B-BBEE and 51% black owned. Raubex has had constructive engagements with SANRAL on this draft policy to obtain clarity and discuss practical issues surrounding their transformation objectives. SANRAL is a valued client of Raubex with c.17% of total revenue attributable to SANRAL related work during the 2017 financial year. Raubex will continue to engage with SANRAL on policy matters to effectively build a more inclusive economy for the benefit of all South Africans.

Board and committee changes

Changes to the board

Further to the SENS announcement made on 2 June 2017, Ms SR Bogatsu has been appointed as independent non-executive director of the Company with effect from 1 June 2017. Ms Bogatsu was also appointed as a member of the Audit Committee as well as a member of the Remuneration and Nomination Committee effective 1 June 2017.

Further to the SENS announcement made on 22 June 2017:

- Mr JE Raubenheimer (Koos) has retired as chairman of the board and non-executive director of the Company effective 8 September 2017;
- Mr F Kenney, a non-executive director, was appointed as chairman of the board effective 8 September 2017;
- Mrs HE Ernst resigned as Company Secretary of the Company effective 8 September 2017.

Further to the SENS announcement made on 29 August 2017, Ms GM Chemaly was appointed as Company Secretary and Legal Advisor of the Group effective 16 October 2017.

Change in functions of directors

In compliance with paragraph 3.59 of the JSE Limited Listings Requirements, shareholders are advised of the following changes to the functions of directors in order to comply with King IV recommendations regarding the structure of the board committees:

Mr F Kenney has resigned as chairman of the Social and Ethics Committee and Ms SR Bogatsu has been appointed as chairperson of this Committee. Mr F Kenney will continue to serve as a member of the Social and Ethics Committee. Mr F Kenney and Mr LA Maxwell have been appointed as members of the Risk Committee. These changes in function have been confirmed by the Board on 31 October 2017, with these sub-committees of the board comprising the following individuals:

Risk Committee

- Mr BH Kent (Chairman)
- Ms NF Msiza
- Mr F Kenney
- Mr LA Maxwell
- Mr RL Shedlock

Social and Ethics Committee

- Ms SR Bogatsu (Chairperson)
- Mr F Kenney
- Mr JA Louw

Dividend declaration

The directors have declared a gross interim cash dividend from income reserves of 45 cents per share on 6 November 2017 for the six-month period ended 31 August 2017. The salient dates for the payment of the dividend are as follows:

Last day to trade *cum* dividend	Tuesday, 28 November 2017
Commence trading *ex* dividend	Wednesday, 29 November 2017
Record date	Friday, 1 December 2017
Payment date	Monday, 4 December 2017

No share certificates may be dematerialised or rematerialised between Wednesday, 29 November 2017 and Friday, 1 December 2017, 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 45 cents per share.
- The DT amounts to 9 cents per share.
- The net local dividend amount is 36 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 2017 R'000	Unaudited six months 31 August 2016 R'000	Audited 12 months 28 February 2017 R'000
Revenue	**4 668 172**	4 763 620	9 005 645
Cost of sales	**(4 055 369)**	(4 128 161)	(7 762 882)
Gross profit	**612 803**	635 459	1 242 763
Other income	**18 827**	16 421	30 030
Other gains/(losses) – net	**9 893**	(3 078)	(8 319)
Administrative expenses	**(270 961)**	(254 076)	(482 915)
Voluntary Rebuilding Programme expense	**–**	–	(119 884)
Operating profit	**370 562**	394 726	661 675
Finance income	**29 718**	27 486	57 366
Finance costs	**(45 631)**	(49 649)	(100 937)
Share of profit of investments accounted for using the equity method	**76**	1 002	855
Profit before income tax	**354 725**	373 565	618 959
Income tax expense	**(99 767)**	(110 230)	(209 105)
Profit for the period	**254 958**	263 335	409 854
Profit for the period attributable to:			
Owners of the parent	**242 612**	245 510	372 062
Non-controlling interest	**12 346**	17 825	37 792
Basic earnings per share (cents)	**134,0**	132,7	203,7
Diluted earnings per share (cents)	**134,0**	131,9	202,2

Group statement of comprehensive income

	Unaudited six months 31 August 2017 R'000	Unaudited six months 31 August 2016 R'000	Audited 12 months 28 February 2017 R'000
Profit for the period	**254 958**	263 335	409 854
Other comprehensive income for the period, net of tax			
Currency translation differences	**3 170**	1 535	(8 762)
Actuarial gain on post-employment benefit obligations	**–**	–	70
Total comprehensive income for the period	**258 128**	264 870	401 162
Comprehensive income for the period attributable to:			
Owners of the parent	**245 782**	247 045	363 370
Non-controlling interest	**12 346**	17 825	37 792
Total comprehensive income for the period	**258 128**	264 870	401 162

Calculation of diluted earnings per share

	Unaudited six months 31 August 2017 R'000	Unaudited six months 31 August 2016 R'000	Audited 12 months 28 February 2017 R'000
Profit attributable to owners of the parent entity	**242 612**	245 510	372 062
Weighted average number of ordinary shares in issue ('000)	**181 088**	184 948	182 668
Adjustments for:			
Shares deemed issued for no consideration (share options) ('000)	**–**	1 150	1 362
Weighted average number of ordinary shares for diluted earnings per share ('000)	**181 088**	186 098	184 030
Diluted earnings per share (cents)	**134,0**	131,9	202,2

Calculation of headline earnings per share

	Unaudited six months 31 August 2017 R'000	Unaudited six months 31 August 2016 R'000	Audited 12 months 28 February 2017 R'000
Profit attributable to owners of the parent entity	**242 612**	245 510	372 062
Adjustments for:			
Profit on sale of property, plant and equipment	**(11 089)**	(5 544)	(16 092)
Goodwill written off	**2 799**	–	7 906
Total tax effects of adjustments	**3 105**	1 552	4 506
Basic headline earnings	**237 427**	241 518	368 382
Weighted average number of shares ('000)	**181 088**	184 948	182 668
Headline earnings per share (cents)	**131,1**	130,6	201,7
Diluted headline earnings per share (cents)	**131,1**	129,8	200,2

Group statement of financial position

	Unaudited six months 31 August 2017 R'000	Unaudited six months 31 August 2016 R'000	Audited 12 months 28 February 2017 R'000
Assets			
Non-current assets			
Property, plant and equipment	**2 384 804**	2 385 347	2 364 319
Intangible assets	**881 255**	845 403	851 102
Investment in associates and joint ventures	**49 433**	49 314	49 087
Deferred income tax assets	**46 083**	46 017	40 938
Non-current inventories	**69 030**	77 434	73 459
Non-current trade and other receivables	**90 854**	106 091	100 557
Total non-current assets	**3 521 459**	3 509 606	3 479 462
Current assets			
Inventories	**580 876**	507 954	523 600
Construction contracts in progress and retentions	**343 216**	343 919	334 016
Trade and other receivables	**1 691 701**	1 717 542	1 525 373
Current income tax receivable	**30 563**	29 669	27 713
Cash and cash equivalents	**1 045 331**	895 959	1 103 618
Total current assets	**3 691 687**	3 495 043	3 514 320
Total assets	**7 213 146**	7 004 649	6 993 782
Equity			
Share capital	**1 817**	1 817	1 817
Share premium	**2 059 688**	2 059 688	2 059 688
Treasury shares	**(1 218)**	(23 664)	(23 664)
Other reserves	**(1 203 099)**	(1 173 528)	(1 179 094)
Retained earnings	**3 094 471**	2 892 720	2 938 678
Equity attributable to owners of the parent	**3 951 659**	3 757 033	3 797 425
Non-controlling interest	**135 938**	139 761	152 300
Total equity	**4 087 597**	3 896 794	3 949 725
Liabilities			
Non-current liabilities			
Borrowings	**492 295**	624 629	562 573
Provisions for liabilities and charges	**79 055**	74 383	74 838
Deferred income tax liabilities	**307 600**	301 138	311 608
Other financial liabilities	**141 196**	60 972	150 120
Total non-current liabilities	**1 020 146**	1 061 122	1 099 139
Current liabilities			
Trade and other payables	**1 654 037**	1 563 019	1 514 324
Borrowings	**379 502**	411 453	388 227
Current income tax liabilities	**54 617**	49 327	25 120
Other financial liabilities	**17 247**	22 934	17 247
Total current liabilities	**2 105 403**	2 046 733	1 944 918
Total liabilities	**3 125 549**	3 107 855	3 044 057
Total equity and liabilities	**7 213 146**	7 004 649	6 993 782

Group statement of cash flows

	Unaudited six months 31 August 2017 R'000	Unaudited six months 31 August 2016 R'000	Audited 12 months 28 February 2017 R'000
Cash flows from operating activities			
Cash generated from operations	**464 310**	541 410	1 223 840
Interest received	**29 718**	27 486	57 366
Interest paid	**(39 555)**	(48 062)	(89 776)
Income tax paid	**(91 908)**	(98 867)	(206 977)
Net cash generated from operating activities	**362 565**	421 967	984 453
Cash flows from investing activities			
Purchases of property, plant and equipment	**(253 187)**	(234 904)	(440 512)
Proceeds from sale of property, plant and equipment	**70 950**	45 205	88 986
Acquisition of subsidiaries	**(32 889)**	(18 233)	(26 148)
Loan (granted to)/repayment from associates and joint ventures	**(270)**	2 370	2 450
Net cash used in investing activities	**(215 396)**	(205 562)	(375 224)
Cash flows from financing activities			
Proceeds from borrowings	**223 132**	190 488	377 903
Repayment of borrowings	**(302 135)**	(261 496)	(534 194)
Dividends paid to owners of the parent	**(81 756)**	(78 913)	(160 087)
Dividends paid to non-controlling interests	**(11 888)**	(6 828)	(14 256)
Disposal of interest in a subsidiary	**–**	–	510
Acquisition of interest in a subsidiary	**(33 685)**	–	–
Contingent consideration settled	**–**	–	(20 989)
Share buy-back transaction	**–**	(120 000)	(120 000)
Sale of treasury shares	**14**	13	13
Net cash used in financing activities	**(206 318)**	(276 736)	(471 100)
Net (decrease)/increase in cash and cash equivalents	**(59 149)**	(60 331)	138 129
Cash and cash equivalents at the beginning of the period	**1 103 618**	969 736	969 736
Effects of exchange rates on cash and cash equivalents	**862**	(13 446)	(4 247)
Cash and cash equivalents at the end of the period	**1 045 331**	895 959	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	–	–	–	4 810	–	4 810	–	4 810
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 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
Share option reserve	–	–	–	4 731	–	4 731	–	4 731
Disposal of interest to non-controlling interest	–	–	–	–	510	510	–	510
Total comprehensive income for the period	–	–	–	(10 297)	126 622	116 325	19 967	136 292
Dividends paid	–	–	–	–	(81 174)	(81 174)	(7 428)	(88 602)
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 period	**–**	**–**	**–**	**(27 175)**	**27 175**	**–**	**–**	**–**
Non-controlling interest arising on business combination	**–**	**–**	**–**	**–**	**–**	**–**	**7 059**	**7 059**
Acquisition of non-controlling interest	**–**	**–**	**–**	**–**	**(9 806)**	**(9 806)**	**(23 879)**	**(33 685)**
Total comprehensive income for the period	**–**	**–**	**–**	**3 170**	**242 612**	**245 782**	**12 346**	**258 128**
Dividends paid	**–**	**–**	**–**	**–**	**(81 756)**	**(81 756)**	**(11 888)**	**(93 644)**
Balance at 31 August 2017	**1 817**	**2 059 688**	**(1 218)**	**(1 203 099)**	**3 094 471**	**3 951 659**	**135 938**	**4 087 597**

Group segmental analysis

	Materials R'000	Road surfacing and rehabilitation R'000	Road construction and earthworks R'000	Infra-structure R'000	Other* R'000	Consoli-dated R'000
Operating segments						
31 August 2017						
Segment revenue	**1 382 835**	**1 772 675**	**834 056**	**678 606**	**–**	**4 668 172**
Operating profit	**171 545**	**115 626**	**63 859**	**19 532**	**–**	**370 562**
Margin	**12,4%**	**6,5%**	**7,7%**	**2,9%**	**–**	**7,9%**
31 August 2016						
Segment 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%
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				
31 August 2017				
Segment revenue	**4 127 072**	**541 100**	**–**	**4 668 172**
Operating profit	**260 796**	**109 766**	**–**	**370 562**
Margin	**6,3%**	**20,3%**	**–**	**7,9%**
31 August 2016				
Segment revenue	4 119 930	643 690	–	4 763 620
Operating profit	289 028	105 698	–	394 726
Margin	7,0%	16,4%	–	8,3%
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

	Unaudited six months 31 August 2017 R'000	Unaudited six months 31 August 2016 R'000	Audited 12 months 28 February 2017 R'000
Employee benefit expense in the income statement consists of:			
Salaries, wages and contributions	**1 129 122**	1 077 169	2 113 760
Share options granted to employees	**–**	4 810	9 541
Total employee benefit expense	**1 129 122**	1 081 979	2 123 301

Capital expenditure and depreciation

	Unaudited six months 31 August 2017 R'000	Unaudited six months 31 August 2016 R'000	Audited 12 months 28 February 2017 R'000
Capital expenditure for the period	**253 187**	234 904	440 512
Depreciation for the period	**188 274**	180 101	373 230
Amortisation of intangible assets for the period	**1 406**	335	1 433

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 2017 are consistent with those applied for the year ended 28 February 2017 and for the unaudited results for the six months ended 31 August 2016 in terms of IFRS.

Treasury shares

During the period 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 31 August 2017	**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 Ltd ("Lime Sales") for a purchase price of R37 million to be settled in cash. Lime Sales is a commercial quarry operating in the Western Cape which produces metallurgical dolomite, agricultural lime and aggregates. The acquisition is in line with the Group's strategy to expand its commercial quarry business geographically. The revenue included in the consolidated income statement since 1 March 2017 contributed by Lime Sales was R27,8 million with a net profit contribution of R4,5 million over the same period.

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**
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**
Less: Non-controlling interest (26%)	**(7 059)**
Goodwill attributable to owners of the parent	**16 908**
Total	**37 000**
Purchased 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 2018 financial year.*

Transactions with non-controlling interests

On 1 March 2017, the Group acquired 30% of the shares in Raubex Infra (Pty) Ltd from the non-controlling shareholders for a purchase consideration of R33,7 million settled in cash. Subsequent to the transaction, the Group's interest in Raubex Infra (Pty) Ltd increased from 70% to 100%.

Events after the reporting period

There were no material events after the reporting period to report up to the date of preparation of these Group financial statements.

On behalf of the Board

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

6 November 2017

Company information

Directors

RJ Fourie

JF Gibson

NF Msiza

F Kenney#

LA Maxwell*

BH Kent*

SR Bogatsu*

Non-executive * *Independent non-executive*

Company secretary

Ms GM Chemaly

Registered office

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Centurion

South Africa

Transfer secretaries

Computershare Investor Services (Pty) Ltd

Rosebank Towers

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