AUDITED RESULTS

for the year ended
28 February 2019

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")

Salient features

Revenue down **0,3%** to **R8,52 billion** (2018: R8,54 billion)

Operating profit down **69,2%** to **R207,0 million** (2018: R671,9 million)

HEPS down **75,1%** to **57,0** cents per share (2018: 228,6 cents per share)

Cash generated from operations down **24,1%** to **R788,9 million** (2018: R1,04 billion)

Capex spend of **R420,9 million** (2018: R441,3 million)

Order book of **R8,01 billion** (2018: R8,19 billion)

Final dividend of **22** cents per share declared (2018: 33 cents)

Rudolf Fourie, CEO of Raubex Group, said:

"The 2019 financial year has without doubt been the most difficult I have experienced in my 30 years in the South African road construction industry. The lack of work, coupled with violent community unrest affecting a number of sites, has caused very unfavourable operating conditions in the South African market. These adverse conditions have unfortunately resulted in Raubex having to rightsize a number of its operations in order to adapt to the current market conditions.

"Fortunately, the group's diversification strategy which it embarked on some six years ago, to establish an infrastructure division focused on disciplines outside of the road construction sector, has now come to fruition. Good progress has been made in the affordable housing space where conditions are more favourable, including also participation in the Renewable Energy Independent Power Producer Procurement Programme, where a solid order book of work has now been secured.

"Stable results from the materials division, where activities are focused on materials handling and screening services provided to the mining industry, as well as commercial quarry operations throughout southern Africa, have supported the group's earnings for the year and will continue to differentiate the group from the overall construction sector."

Commentary

Financial overview

Revenue decreased by 0,3% to R8,52 billion while operating profit decreased by 69,2% to R207,0 million from the corresponding prior year.

Profit before tax decreased by 71,8% to R180,7 million (2018: R640,6 million), with the effective tax rate increasing to 35,3% (2018: 29,3%). The increase in the tax rate is mainly due to the effect of the non-tax deductible goodwill impairment charge attributable to the asphalt cash-generating unit.

Earnings per share decreased by 86,3% to 31,9 cents with headline earnings per share decreasing by 75,1% to 57,0 cents.

The following two items had a material impact on the results for the year:

(1) A present value charge and work in progress adjustment with respect to the long overdue accounts receivable balance due from the Road Development Agency ("RDA") in Zambia for a combined value of R116,7 million before tax (R75,9 million after tax). This charge effectively provides for the full accounts receivable balance due from the RDA as at 28 February 2019. The company will, however, aggressively pursue the outstanding accounts receivable from the RDA, although timing of the recovery of this debt is uncertain. The outstanding debt relates to the two Link 8000 road contracts in Zambia which have been suspended, pending resolution of the current funding impasse.

(2) A goodwill impairment charge of R51,5 million before tax (R51,5 million after tax), attributable to the asphalt cash-generating unit in the road surfacing and rehabilitation division, which is primarily dependent on the South African road construction sector. The asphalt cash-generating unit has experienced a significant decrease in earnings during the year due to the lower volume of asphalt supplied to the road construction sector and has undertaken rightsizing initiatives to reduce excess capacity. The lower asphalt volumes are primarily as a result of less road maintenance work undertaken by the South African public sector during the year. The goodwill impaired amounts to 40% of the total goodwill attributable to the asphalt cash-generating unit.

If the present value charge and work in progress adjustment with respect to the accounts receivable balance due from the RDA in Zambia and the goodwill impairment charge attributable to the asphalt cash-generating unit were to be excluded from the results, then earnings per share would have decreased by 56,3% to 102,0 cents and headline earnings per share would have decreased by 56,8% to 98,8 cents.

Group operating profit margin decreased to 2,4% (2018: 7,9%), while excluding the two items above, operating profit margin decreased to 4,4% (2018: 7,9%).

Cash generated from operations decreased by 24,1% to R788,9 million (2018: R1,04 billion) before finance charges and taxation.

Net finance costs decreased to R25,3 million (2018: R31,8 million) due to an increase in the average net cash balances during the year as a result of decreasing borrowings. Total non-cash finance costs were R16,1 million (2018: R16,3 million) for the year.

The group has maintained a strong balance sheet during the year, with particular focus on working capital management.

Trade and other receivables decreased by 4,4% to R1,50 billion (2018: R1,57 billion).

Inventories increased by 15,1% to R765,7 million (2018: R665,2 million), which was mainly due to an increase in property development stock previously accounted for under investments in associates. Due to a change in control, property development stock of R111,6 million has now been consolidated into the group results and is included under inventories.

Contract assets increased by 4,6% to R294,0 million (2018: R280,9 million).

Trade and other payables, including contract liabilities, increased by 10,6% to R1,69 billion (2018: R1,53 billion).

Capital expenditure on property, plant and equipment decreased to R420,9 million (2018: R441,3 million). Net capital expenditure increased by 4,5% to R360,7 million (2018: R345,3 million), due to less asset disposals compared to the prior year. The capital expenditure for the year includes R44,1 million for the purchase of new office premises and workshops in Perth, Western Australia, which will position the group to deliver on its organic growth strategy in the country.

Borrowings decreased by 14,8% to R661,7 million (2018: R776,6 million) and consist mainly of instalment sale agreements over plant and equipment, which are repayable in monthly instalments.

The group had a net cash outflow for the year of R133,8 million, with R115,4 million relating to the acquisition of subsidiaries settled in cash. Total cash and cash equivalents at the end of the year amounted to R962,6 million (2018: R1,08 billion).

Operational overview

Materials Division

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

The materials division diversifies the group from the construction industry and was the main contributor to group operating profit during the year, mitigating the losses reported in the roads and earthworks division.

Stable conditions have been experienced in the mining services sector where operations have been predominantly focused on the commodities of diamonds, gold, coal, copper, platinum and iron ore during the year. Certain diamond mining contracts reached completion towards the end of the financial year, this work was mainly replaced with work in the coal sector. A total of 233 employees were retrenched by the division due to end of life and changes in scope of certain mining contracts, with retrenchment costs of R17,1 million being incurred.

Commercial quarry operations have experienced an overall increase in volumes of ~12% off a low base from the prior year with site specific pockets of improvement. However, community unrest at certain sites and Eskom load shedding have had a negative impact on operations.

Contract crushing operations continue to experience weak demand in line with the low level of activity in the overall construction sector.

Revenue for the division increased by 6,5% to R2,75 billion (2018: R2,58 billion) while operating profit decreased by 2,2% to R358,5 million (2018: R366,4 million).

The divisional operating profit margin decreased to 13,0% (2018: 14,2%).

The division incurred capital expenditure of R260,6 million during the year (2018: R225,8 million).

The division has a secured order book of R1,93 billion (2018: R1,87 billion).

Roads and Earthworks Division

In order to streamline reporting, the road surfacing and rehabilitation division and the road construction and earthworks division have been combined into one reportable segment, the roads and earthworks division. This division specialises in road construction and earthworks as well as road surfacing and rehabilitation which includes the manufacturing and laying of asphalt, chip and spray, surface dressing, enrichments, slurry seals and the manufacture and distribution of value added bituminous products throughout southern Africa.

The division is primarily dependent on the South African road construction sector and is directly and indirectly, through asphalt and bitumen supply, exposed to government expenditure on road construction and maintenance in the country. During the period under review there was a significant reduction in the volume of road construction and maintenance work from the public sector. Road construction and maintenance teams were able to partially replace their order book with work on roads operated by concessionaires. However, the subsidiaries which supply asphalt and bitumen to Raubex contracts as well as the external market, experienced a significant decrease in earnings due to lower volumes supplied. The volume of asphalt sold decreased by ~30% from the prior year.

Due to the lower volume of work, the division embarked on rightsizing initiatives during the year to reduce excess capacity. The division has, however, retained some excess capacity in anticipation of an increase in public sector spend and will review its position and market conditions in the year ahead. The rightsizing initiatives have resulted in 443 employees being retrenched in the division with once-off retrenchment costs of R24,8 million incurred.

In addition to the lack of infrastructure spend in the road construction sector, the results for the year were also adversely affected by violent community unrest in certain areas which impacted production efficiencies.

The results for this division also include a present value charge and work in progress adjustment with respect to the accounts receivable balance due from the RDA in Zambia for an amount of R116,7 million and a goodwill impairment charge attributable to the asphalt cash-generating unit for an amount of R51,5 million. Operationally, an onerous contract was completed on the Moloto road, this contract reported an operating loss of R36,3 million for the year.

Revenue for the division decreased by 20,7% to R3,63 billion (2018: R4,58 billion) and operating profit decreased by 184,9% to an operating loss of R245,8 million (2018: R289,5 million operating profit).

The divisional operating profit margin decreased to an operating loss margin of 6,8% (2018: 6,3% operating profit margin).

The division incurred capital expenditure of R61,0 million during the year (2018: R183,6 million).

The division has a secured order book of R3,19 billion (2018: R3,69 billion). The order book excludes the two Zambia Link 8000 contracts that have been suspended.

Infrastructure Division

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.

The division has experienced favourable conditions during the year and has continued to expand its affordable housing and commercial building operations.

Excess capacity was absorbed in the second half of the year due to the commencement of work in the Renewable Energy Independent Power Producer Procurement Programme ("REIPPPP"). The division is well positioned to benefit from the roll-out of the REIPPPP in which a number of contracts are still being negotiated, four of which have been secured to the total value of R729,0 million.

Outside of South Africa, work in Cameroon has progressed well and a conservative approach to revenue recognition has been adopted. The acquisition of Westforce Construction in Western Australia which was effective 1 January 2018, has now reported its first 12 month set of results post-acquisition and has contributed to the growth reported in this division.

The division undertook limited rightsizing of its operations during the year in anticipation of future work, which resulted in 48 employees being retrenched and once-off retrenchment costs of R1,4 million incurred.

Revenue for the division increased by 55,1% to R2,13 billion (2018: R1,38 billion) and operating profit increased by 488,5% to R94,3 million (2018: R16,0 million).

The divisional operating profit margin increased to 4,4% (2018: 1,2%).

The division incurred capital expenditure of R99,3 million (2018: R31,8 million). The capital expenditure for the year includes R44,1 million for the purchase of new office premises and workshops in Perth, Western Australia.

The division has a secured order book of R2,89 billion (2018: R2,62 billion).

International

The group's international operations consist of materials supply and mining services as well as construction activities which are located in the African jurisdictions of Botswana, Cameroon, Namibia, Zambia and Zimbabwe. The group has also established a footprint in Western Australia, through the acquisition of Westforce Construction.

In Western Australia, the Westforce acquisition has been bedded down and supported international growth while diversifying the group's revenue streams. The financial results reported are in line with management expectations for the year.

In Namibia, the materials division has serviced diamond and copper mining operations where results have been stable during the year, while in Botswana, commercial quarry operations have continued to perform well. Certain diamond mining contracts reached completion towards the end of the year, which work was largely replaced with work in the coal sector in South Africa.

In Cameroon, good progress has been made with the construction of a hotel for the Onomo Hotel group which is estimated to be completed in June 2019, while progress on the Douala Grand Mall development has now reached ~50% completion.

As previously stated, the international results have been negatively affected by a present value charge and work in progress adjustment with respect to the long overdue accounts receivable balance due from the RDA in Zambia for a combined value of R116,7 million before tax. This charge effectively provides for the full accounts receivable balance due from the RDA as at 28 February 2019. The outstanding debt relates to the two Link 8000 road contracts in Zambia which have been suspended, pending resolution of the current funding impasse.

International revenue increased by 37,4% to R1,53 billion (2018: R1,11 billion) while operating profit decreased by 33,0% to R126,3 million (2018: R188,5 million). Excluding the R116,7 million charge in Zambia, operating profit increased by 29,0% to R243,1 million (2018: R188,5 million).

Operating profit margin decreased to 8,3% (2018: 16,9%), while excluding the R116,7 million charge in Zambia, operating profit margin decreased by 1,0% to 15,9% (2018: 16,9%).

The international order book has decreased to R1,13 billion (2018: R2,55 billion) and is included in the group's divisional order books. The two Link 8000 road contracts in Zambia, which have R791,6 million of work left to complete, have been excluded from the group's order book.

Prospects

The group's secured order book, which now excludes the Zambia link 8000 contracts, decreased 2,2% to R8,01 billion (2018: R8,19 billion, of which R835,8 million related to the two Link 8000 contracts in Zambia). Of the total order book, 14,1% represents contracts outside of South Africa in the rest of Africa and Western Australia.

Overall conditions in the South African construction sector are expected to remain challenging and the short-term outlook is uncertain. The sector is still severely under pressure from the slow roll-out of general infrastructure spend in the country. In order to mitigate the uncertain local conditions the group is looking to the rest of Africa for growth and some large project opportunities are being negotiated in southern African jurisdictions, including the Beitbridge border post upgrade in Zimbabwe.

In the road construction and maintenance sector, prospects remain uncertain. SANRAL has received a healthy budget allocation from treasury over the 2019/20 period as well as over the medium-term framework and are expected to bring some large capital projects to the market. These budget allocations could however be at risk if the Gauteng Freeway Improvement Project ("GFIP") toll collection shortfall is not resolved. If SANRAL work does return to more normalised levels, there should be a significant improvement in the group's road construction and maintenance operations.

The Minister of Energy established policy certainty with regards to the country's renewable energy programme on 4 April 2018 by signing the power purchase agreements for 27 REIPPPP projects. The group is well positioned to benefit from the roll-out of this work and has now secured four projects to the value of R729,0 million. A number of other projects are in the process of being negotiated which will further support the prospects of the infrastructure division over the medium term.

The prospects for the group's operations in the affordable housing sector are encouraging, with good growth anticipated over the medium term through the acceleration of the roll-out of Woodwind Estates in Centurion and participation in the Lufhereng Integrated Housing Development in Soweto. Other longer-term opportunities are also being pursued.

The construction market in Western Australia is buoyant, driven by activity in the mining sector. The group will continue to explore this market and look to grow its business organically at a measured pace leveraging off the skills within the group.

Notwithstanding the challenging conditions being faced by the South African construction industry, the group is expecting an improvement in its performance in the period ahead, where it is anticipated that earnings will continue to be supported by a stable materials division and a growing infrastructure division. The rightsizing initiatives undertaken during the year by the roads and earthworks division have better positioned the group to manage the challenges in the current market, while maintaining sufficient flexibility to participate in any potential increase in activity in the South African construction sector, driven by the newly elected government, in the period ahead.

Dividend declaration

The board has declared a gross final cash dividend from income reserves of 22 cents per share on 13 May 2019 for the year ended 28 February 2019. The salient dates for the payment of the dividend are as follows:

Last day to trade *cum* dividend	Tuesday, 28 May 2019
Commence trading *ex* dividend	Wednesday, 29 May 2019
Record date	Friday, 31 May 2019
Payment date	Monday, 3 June 2019

No share certificates may be dematerialised or rematerialised between Wednesday, 29 May 2019 and Friday, 31 May 2019, 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 22 cents per share.
- The DT amounts to 4,4 cents per share.
- The net local dividend amount is 17,6 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.

Summary group income statement

	Audited 12 months 28 February 2019 R'000	Audited 12 months 28 February 2018 R'000
Revenue	**8 519 142**	8 542 247
Cost of sales	**(7 792 319)**	(7 416 511)
Gross profit	**726 823**	1 125 736
Other income	**31 844**	40 133
Other gains/(losses) – net	**(24 580)**	14 383
Administrative expenses	**(527 042)**	(508 339)
Operating profit	**207 045**	671 913
Finance income	**48 612**	59 495
Finance costs	**(73 858)**	(91 245)
Share of (loss)/profit of investments accounted for using the equity method	**(1 115)**	477
Profit before income tax	**180 684**	640 640
Income tax expense	**(63 842)**	(187 956)
Profit for the year	**116 842**	452 684
Profit for the year attributable to:		
Owners of the parent	**57 957**	423 573
Non-controlling interest	**58 885**	29 111
Basic earnings per share (cents)	**31,9**	233,5
Diluted earnings per share (cents)	**31,8**	233,5

Summary group statement of comprehensive income

	Audited 12 months 28 February 2019 R'000	Audited 12 months 28 February 2018 R'000
Profit for the year	**116 842**	452 684
Other comprehensive income for the year, net of tax		
Currency translation differences	**14 670**	(14 284)
Actuarial gain on post-employment benefit obligations	**461**	374
Total comprehensive income for the year	**131 973**	438 774
Comprehensive income for the year attributable to:		
Owners of the parent	**73 045**	410 356
Non-controlling interest	**58 928**	28 418
Total comprehensive income for the year	**131 973**	438 774

Calculation of diluted earnings per share

	Audited 12 months 28 February 2019 R'000	Audited 12 months 28 February 2018 R'000
Profit attributable to owners of the parent entity	**57 957**	423 573
Weighted average number of ordinary shares in issue ('000)	**181 680**	181 381
Adjustments for:		
Shares deemed issued for no consideration (performance shares) ('000)	**508**	–
Weighted average number of ordinary shares for diluted earnings per share ('000)	**182 188**	181 381
Diluted earnings per share (cents)	**31,8**	233,5

Calculation of headline earnings per share

	Audited 12 months 28 February 2019 R'000	Audited 12 months 28 February 2018 R'000
Profit attributable to owners of the parent entity	**57 957**	423 573
Adjustments for:		
Profit on sale of property, plant and equipment	**(9 930)**	(17 471)
Goodwill written off	**51 477**	2 799
Loss of control of subsidiary	**–**	767
Add back: Non-controlling interest's portion of profit on sale of property, plant and equipment	**1 758**	79
Total tax effects of adjustments	**2 288**	4 870
Basic headline earnings	**103 550**	414 617
Weighted average number of shares ('000)	**181 680**	181 381
Headline earnings per share (cents)	**57,0**	228,6
Diluted headline earnings per share (cents)	**56,8**	228,6

Summary group statement of financial position

	Audited 12 months 28 February 2019 R'000	Audited 12 months 28 February 2018 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**2 535 579**	2 410 165
Intangible assets	**1 037 605**	947 806
Investment in associates and joint ventures	**42 566**	111 789
Deferred income tax assets	**94 684**	39 614
Inventories	**67 474**	64 533
Trade and other receivables	**53 978**	81 915
Total non-current assets	**3 831 886**	3 655 822
Current assets		
Inventories	**698 178**	600 636
Contract assets	**293 993**	280 933
Trade and other receivables	**1 448 393**	1 489 575
Current income tax receivable	**30 541**	28 617
Cash and cash equivalents	**962 611**	1 084 088
Total current assets	**3 433 716**	3 483 849
Total assets	**7 265 602**	7 139 671
EQUITY		
Share capital	**1 817**	1 817
Share premium	**2 059 688**	2 059 688
Treasury shares	**(1 218)**	(1 218)
Other reserves	**(1 177 135)**	(1 219 859)
Retained earnings	**3 181 700**	3 200 300
Equity attributable to owners of the parent	**4 064 852**	4 040 728
Non-controlling interest	**262 272**	157 240
Total equity	**4 327 124**	4 197 968
LIABILITIES		
Non-current liabilities		
Borrowings	**362 989**	411 284
Provisions for liabilities and charges	**105 625**	82 780
Deferred income tax liabilities	**292 389**	342 036
Other financial liabilities	**119 868**	86 980
Total non-current liabilities	**880 871**	923 080
Current liabilities		
Trade and other payables	**1 366 715**	1 302 641
Contract liabilities	**326 852**	227 940
Borrowings	**298 758**	365 272
Current income tax liabilities	**38 923**	31 680
Provisions for liabilities and charges	**11 359**	15 823
Other financial liabilities	**15 000**	75 267
Total current liabilities	**2 057 607**	2 018 623
Total liabilities	**2 938 478**	2 941 703
Total equity and liabilities	**7 265 602**	7 139 671

Summary group statement of cash flows

	Audited 12 months 28 February 2019 R'000	Audited 12 months 28 February 2018 R'000
Cash flows from operating activities		
Cash generated from operations	**788 924**	1 039 786
Interest received	**48 612**	59 495
Interest paid	**(57 782)**	(74 908)
Income tax paid	**(163 926)**	(177 950)
Net cash generated from operating activities	**615 828**	846 423
Cash flows from investing activities		
Purchases of property, plant and equipment	**(420 865)**	(441 286)
Proceeds from sale of property, plant and equipment	**60 142**	95 960
Acquisition of subsidiaries	**(115 434)**	(81 737)
Loan granted to associates and joint ventures	**(36 919)**	(37 698)
Net cash used in investing activities	**(513 076)**	(464 761)
Cash flows from financing activities		
Proceeds from borrowings	**341 286**	360 921
Repayment of borrowings	**(481 625)**	(542 815)
Dividends paid to owners of the parent	**(81 756)**	(163 513)
Dividends paid to non-controlling interests	**(12 758)**	(14 855)
Disposal of interest in a subsidiary	**–**	4 423
Acquisition of non-controlling interest	**(1 700)**	(41 185)
Sale of treasury shares	**–**	14
Net cash used in financing activities	**(236 553)**	(397 010)
Net decrease in cash and cash equivalents	**(133 801)**	(15 348)
Cash and cash equivalents at the beginning of the year	**1 084 088**	1 103 618
Effects of exchange rates on cash and cash equivalents	**12 324**	(4 182)
Cash and cash equivalents at the end of the year	**962 611**	1 084 088

Summary 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 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
Acquisition of non-controlling interest	–	–	–	–	(7 591)	(7 591)	(26 094)	(33 685)
Disposal of interest to non-controlling interest	–	–	–	–	4 036	4 036	387	4 423
Loss of control of subsidiary	–	–	–	–	–	–	(25)	(25)
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
Change in accounting policy	–	–	–	–	(22 617)	(22 617)	–	(22 617)
Restated balance at 1 March 2018	1 817	2 059 688	(1 218)	(1 219 859)	3 177 683	4 018 111	157 240	4 175 351
Unutilised share option reserve reversed	**–**	**–**	**–**	**(27 267)**	**27 267**	**–**	**–**	**–**
Share option reserve	**–**	**–**	**–**	**6 905**	**–**	**6 905**	**–**	**6 905**
Unutilised put option reserve reversed	**–**	**–**	**–**	**48 459**	**–**	**48 459**	**–**	**48 459**
Non-controlling interest arising on business combination	**–**	**–**	**–**	**–**	**(4)**	**(4)**	**60 654**	**60 650**
Acquisition of non-controlling interest	**–**	**–**	**–**	**–**	**92**	**92**	**(1 792)**	**(1 700)**
Profit for the year	**–**	**–**	**–**	**–**	**57 957**	**57 957**	**58 885**	**116 842**
Other comprehensive income for the year	**–**	**–**	**–**	**14 627**	**461**	**15 088**	**43**	**15 131**
Dividends paid	**–**	**–**	**–**	**–**	**(81 756)**	**(81 756)**	**(12 758)**	**(94 514)**
Balance at 28 February 2019	**1 817**	**2 059 688**	**(1 218)**	**(1 177 135)**	**3 181 700**	**4 064 852**	**262 272**	**4 327 124**

Summary group segmental analysis

	Materials R'000	Roads and Earthworks R'000	Infrastructure R'000	Consolidated R'000
Operating segments				
28 February 2019				
Segment revenue	**2 750 801**	**3 634 494**	**2 133 847**	**8 519 142**
Operating profit/(loss)	**358 543**	**(245 796)**	**94 298**	**207 045**
Margin	**13,0%**	**(6,8%)**	**4,4%**	**2,4%**
28 February 2018				
Segment revenue	2 583 677	4 583 053	1 375 517	8 542 247
Operating profit	366 428	289 462	16 023	671 913
Margin	14,2%	6,3%	1,2%	7,9%

	Local R'000	International R'000	Consolidated R'000
Geographical information			
28 February 2019			
Segment revenue	**6 990 062**	**1 529 080**	**8 519 142**
Operating profit	**80 736**	**126 309**	**207 045**
Margin	**1,2%**	**8,3%**	**2,4%**
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%

Reclassification of comparative figures

In the prior year, the group reported four operating segments for information purposes, these being (i) materials, (ii) road surfacing and rehabilitation, (iii) road construction and earthworks, and (iv) infrastructure. During the year, the group consolidated the disclosure to that which is reported to the group's chief operating decision maker, the executive committee and combined the road surfacing and rehabilitation division and road construction and earthworks division into one reportable segment, namely roads and earthworks. Since the two historical segments have very similar business drivers, this change allows for a more streamlined disclosure and does not take anything away from the understanding of the group's business activities. The segment disclosure has therefore been amended to include three reportable segments, i.e. (i) materials, (ii) roads and earthworks and (iii) infrastructure, which has resulted in the restatement of the prior year figures.

Summary group operating segments as previously disclosed

	Materials R'000	Road Surfacing and Rehabilitation R'000	Road Construction and Earthworks R'000	Infrastructure 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%

Employee benefit expense

	Audited 12 months 28 February 2019 R'000	Audited 12 months 28 February 2018 R'000
Employee benefit expense in the income statement consists of:		
Salaries, wages and contributions	**2 112 943**	2 173 553
Performance shares granted to employees	**6 905**	–
Total employee benefit expense	**2 119 848**	2 173 553

Capital expenditure and depreciation

	Audited 12 months 28 February 2019 R'000	Audited 12 months 28 February 2018 R'000
Capital expenditure for the year	**420 865**	441 286
Depreciation for the year	**376 887**	357 280
Amortisation of intangible assets for the year	**11 188**	4 077

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 also, as a minimum, to contain the information required by IAS 34: *Interim Financial Reporting*.

A number of International Financial Reporting Standards, Interpretations and Amendments as issued by the International Accounting Standards Board ("IASB") became applicable to the group, effective 1 March 2018, which have required changes to our accounting policies. The following standards had an impact on the group:

- IFRS 9: *Financial Instruments* ("IFRS 9"); and
- IFRS 15: *Revenue from Contracts with Customers* ("IFRS 15").

Refer to the "Changes in accounting policies" note below for further details of the impact the adoption of these standards have had on the group. The other new standards, interpretations and amendments that became applicable to the group during the current reporting period did not have a significant impact on the group.

Except for those mentioned above, the principal accounting policies used in the preparation of the audited results for the year ended 28 February 2019 are consistent with those applied for the year ended 28 February 2018 in terms of IFRS.

These summary consolidated financial statements for the year ended 28 February 2019 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 auditor's engagement they should obtain a copy of that report together with the accompanying financial information from the company's registered office.

Business combinations

The following acquisitions were made during the year:

Metadynamics (Pty) Ltd ("Metadynamics")

On 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 adds value to various products through calcining and milling processes in Gauteng that produces value added gypsum and various other products. The acquisition is in line with the group's strategy to expand geographically and also provides an opportunity to diversify its product mix.

The revenue included in the consolidated income statement since 1 March 2018 contributed by Metadynamics was R41,2 million with a net profit contribution of R4,7 million over the same period.

Donkerhoek Quarry (Pty) Ltd ("Donkerhoek")

On 18 April 2018, the group effectively acquired 70% of Donkerhoek, through its subsidiary Raumix Aggregates (Pty) Ltd, for a purchase price of R31,1 million settled in cash. Donkerhoek 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.

The revenue included in the consolidated income statement since 18 April 2018 contributed by Donkerhoek was R40,1 million with a net loss contribution of R3,1 million over the same period.

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

On 3 April 2018, the group effectively acquired 49% of Transkei Quarries, through its subsidiary Raumix Aggregates (Pty) Ltd, for a net purchase price of R49,0 million settled in cash. An additional consideration is payable contingent on certain profit outcomes over the course of the next four years, being 3 April 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.

The revenue included in the consolidated income statement since 3 April 2018 contributed by Transkei Quarries was R101,0 million with a net profit contribution of R5,1 million over the same period.

Operations of Forte Demolition Services (Pty) Ltd ("Forte Demolition")

On 31 January 2019, the group acquired 100% of Forte Demolition's operations, through its subsidiary SPH Kundalila (Pty) Ltd, for a purchase price of R18,0 million settled in cash. Forte Demolition provides innovative turnkey demolition, remediation and asbestos abatement solutions to the mining industry.

The revenue and net profit contribution included in the consolidated income statement since 31 January 2019 contributed by Forte Demolition is immaterial to the group.

Turnkey Real Estate Company (Pty) Ltd ("TREC")

On 1 October 2018, an agreement was entered into by the group to acquire the remaining issued share capital of TREC through its subsidiary Raubex Building (Pty) Ltd. TREC was established in 2015 to execute property development projects in the Northern Cape in a joint venture relationship with the land owner. The group's effective shareholding was increased from 50% to 77% resulting in a change in ownership. Effective 1 October 2018, TREC has been accounted for as a subsidiary as the group obtained control in terms of IFRS 10.

There were no disposals of property development stock held by TREC during the period and as such the revenue and net profit contribution included in the consolidated income statement since 1 October 2018 were immaterial to the group.

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

	Meta R'000	Donker R'000	Transkei R'000	Forte R'000	TREC R'000	**Total R'000**
Consideration						
Cash	18 200	31 142	49 000	16 200	1	**114 543**
Contingent consideration	24 851	–	12 183	1 800	–	**38 834**
Total consideration	43 051	31 142	61 183	18 000	1	**153 377**
Recognised amounts of identifiable assets and acquired liabilities assumed						
Property, plant and equipment	46 572	30 400	36 265	16 700	–	**129 937**
Intangible asset – mining rights	–	15 500	75 300	–	–	**90 800**
Inventories	3 290	6 891	9 891	1 300	103 672	**125 044**
Trade and other receivables	8 272	4	–	–	2 804	**11 080**
Deferred tax asset	171	2 325	2 818	–	318	**5 632**
Cash and cash equivalents	(929)	–	–	–	38	**(891)**
Borrowings	–	–	(24 581)	–	(105 422)	**(130 003)**
Deferred tax liability	(6 348)	(4 340)	(21 084)	–	–	**(31 772)**
Income tax payable	(82)	(13)	–	–	–	**(95)**
Rehabilitation provision	–	(8 305)	(10 063)	–	–	**(18 368)**
Trade and other payables	(24 609)	(344)	(381)	–	(2 200)	**(27 534)**
Total identifiable net assets	26 337	42 118	68 165	18 000	(790)	**153 830**
Non-controlling interest	(13 432)	(12 635)	(34 764)	–	182	**(60 649)**
Fair value of previously held investment	–	–	–	–	395	**395**
Goodwill attributable to owners of the parent	30 146	1 659	27 782	–	214	**59 801**
Total	43 051	31 142	61 183	18 000	1	**153 377**
Purchase consideration settled in cash	18 200	31 142	49 000	16 200	1	**114 543**
Less: Cash and cash equivalents in the business combination acquired	929	–	–	–	(38)	**891**
Cash outflow on acquisition for cash flow statement	19 129	31 142	49 000	16 200	(37)	**115 434**

Changes in accounting policies

The group has adopted the following new International Financial Reporting Standards as issued by the IASB, which were effective for the group from 1 March 2018:

- IFRS 9: *Financial Instruments* ("IFRS 9"); and
- IFRS 15: *Revenue from Contracts with Customers* ("IFRS 15").

Adoption of IFRS 9

IFRS 9 replaces the provisions of IAS 39 and was adopted by the group without restating comparative information in accordance with the transitional provisions included in the standard (IFRS 9, paragraph 7.2.15 and 7.2.26). The adoption of IFRS 9 had the following impact on the group:

- Change in classification of the measurement categories for financial instruments.
- Change from the IAS 39 incurred loss model to the expected credit loss ("ECL") model to calculate impairments of financial instruments.

Details of the impact are provided below:

Classification, initial recognition and subsequent measurement

IFRS 9 introduces new measurement categories for financial assets. The measurement categories of IFRS 9 and IAS 39 are illustrated in the table below:

IAS 39*	IFRS 9*
Loans and receivables	Financial assets at amortised cost

* *Only those categories of financial assets applicable to the group have been disclosed above.*

Effective 1 March 2018, the group classifies its financial assets in each of the IFRS 9 measurement categories according to the group's business model for managing the financial asset together with the cash flow characteristics of the financial asset. The reclassification into the new measurement categories of IFRS 9 did not have a significant impact on the group.

Financial liabilities are measured at amortised cost except for those designated as at fair value through profit and loss, which are measured at fair value.

Impairment

Prior to the adoption of IFRS 9 the group's methodology for calculating the allowance for credit losses was based on an incurred loss model in terms of IAS 39, where at the end of each reporting period the group assessed whether any objective evidence of impairment existed. Had any evidence existed at the time of consideration, an allowance for credit losses was calculated on the financial asset at amortised cost as the difference between the financial asset's carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate (its recoverable amount).

Under IFRS 9, the group revised its methodology for calculating the allowance for credit losses on its financial assets to an expected credit loss model.

The group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables, including receivables under finance leases; and
- Contract assets relating to construction contracts in progress and retentions.

The group applies the IFRS 9's simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped together based on their similar credit risk characteristics and the days past due. The contract assets relate to retentions and unbilled work in progress on construction contracts which have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the revenue payment profiles over a 12-month period ended 1 March 2018 together with the corresponding historical credit losses experienced within these periods per customer classification. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDPs, inflation rates, prime lending rates, US dollar exchange rates and the credit ratings of the countries in which it operates to be the most relevant factors, and has accordingly adjusted the historical loss rates based on expected changes in these factors.

Impact on the group's financial results due to the adoption of IFRS 9

Statement of financial position*

	Balance at 28 February 2018 R'000	IFRS 9 Effect R'000	Balance at 1 March 2018 R'000
Assets			
Non-current assets			
Trade and other receivables	81 915	(2 409)	79 506
Deferred income tax assets	39 614	8 795	48 409
Current assets			
Trade and other receivables	1 489 575	(16 873)	1 472 702
Contract assets	280 933	(12 130)	268 803
Equity			
Retained earnings	3 200 300	(22 617)	3 177 683

** Only those line items affected by IFRS 9 have been included above.*

The group's opening retained earnings as at 1 March 2018 are as follows:

	R'000
Closing balance at 28 February 2018	3 200 300
Increase in cost of sales	(31 412)
Increase in deferred tax due to impairment provisions	8 795
Opening retained earnings at 1 March 2018	3 177 683

Adoption of IFRS 15

In accordance with the transition paragraphs of IFRS 15, the group decided to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to opening retained earnings under the modified retrospective restatement method, where applicable.

The adoption of IFRS 15 from 1 March 2018 has resulted in changes to the accounting policies with regards to the process followed in order to recognise revenue from the various sources applicable to the group. However, these changes have not resulted in the need to restate any prior period figures.

The group's revenue is primarily generated from the following sources:

- Contracting revenue
- Commercial quarry revenue
- Bitumen and emulsion products and services
- Asphalt supply revenue
- Plant hire revenue
- Property sales and development fees

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18: *Revenue*, IAS 11: *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer based on the satisfaction of performance obligations.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control over a product or services to a customer.

The nature of the changes in the accounting policies were as follows:

Revenue type	Description	Previous accounting treatment under IAS 11 and IAS 18	New accounting treatment under IFRS 15
Contracting revenue	Revenue generated through construction contracts, where the group's performance creates or enhances customer controlled assets.	Revenue from construction contracts was recognised on the stage of completion method.	The group recognises revenue over time by measuring the progress towards the satisfaction of performance obligations stipulated in the construction contracts. Progress measured using the costs incurred to date over the total estimated construction cost of the contract.
Commercial quarry revenue	Revenue is generated through the sales of aggregates to the construction market.	Revenue from the sale of goods was recognised when significant risks and rewards of ownership were passed to the customer.	The group recognises revenue at a point in time, being when the customer takes possession of the goods.
Bitumen and emulsion products and services	Revenue generated through the sales of bitumen products and the provision of bitumen-related services.	Revenue was recognised when significant risks and rewards of ownership of the goods have passed to the buyer.	The group recognises revenue at a point in time, being when the customer takes possession of the products; or The group recognises revenue over time by measuring the progress towards the satisfaction of performance obligations for bitumen services provided.
Asphalt supply revenue	Revenue is generated through the supply of asphalt to the road construction market.	Revenue from the sale of asphalt was recognised when significant risks and rewards of ownership were passed to the customer.	The group recognises revenue at a point in time, being when the customer takes possession of the asphalt.

Revenue type	Description	Previous accounting treatment under IAS 11 and IAS 18	New accounting treatment under IFRS 15
Plant hire revenue	Revenue generated from plant hired out to customers.	Revenue from plant hire is recognised on a percentage completion basis over time based on operating hours.	The group recognises revenue over time by measuring the progress towards the satisfaction of performance obligations. Progress measured using operating hours for which the customer received and consumed the benefits provided.
Property sales and development fees	*Property sales:* Revenue generated from the sale of property. *Development fees:* Revenue receivable for project management services, development fees and subsidies receivable for the development of housing.	*Property sales:* Revenue was recognised when risks and rewards of ownership were transferred. *Development fees:* These fees were recognised on the stage of completion method.	*Property sales:* Revenue recognised at a point in time once ownership has transferred. *Development fees:* Revenue recognised over time based on the satisfaction of performance obligations stipulated in the contracts with customers.

Events after the reporting period

Transactions with non-controlling shareholders

Shisalanga Construction (Pty) Ltd ("Shisalanga")

Effective 1 March 2019, the group restructured its asphalt operations in KwaZulu-Natal and effectively acquired a further 16% of Shisalanga from the non-controlling shareholders through a subscription and buyback agreement. The subscription was settled through the transfer of assets held by National Asphalt (Pty) Ltd to Shisalanga and the buyback was settled in cash. The total combined value of the transaction was R49,9 million. These transactions increased the group's effective interest in Shisalanga from 60% to 76%.

Notes continued

No other material events after the reporting period occurred up to the date of preparation of these group financial statements.

On behalf of the board

F Kenney
Chairman

RJ Fourie
Chief Executive Officer

JF Gibson
Financial Director

13 May 2019

Company information

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RJ Fourie

JF Gibson

NF Msiza

F Kenney#

LA Maxwell*

BH Kent*

SR Bogatsu*

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* *Independent Non-Executive*

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GM Chemaly

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