PROTECH KHUTHELE

HOLDINGS LIMITED

Protech Khuthele Holdings Limited
Registration number 2000/024352/06 JSE code: PKH ISIN: ZAE000101986
("Protech" or "the Company" or "the Group")

■ Revenue down **8%** ■ Net tangible asset value up **11%** ■ Earnings per share down **51%**

Reviewed consolidated interim results for the period ended 31 August 2011

■ Condensed consolidated statement of financial position

at 31 August 2011

R'000	Reviewed Group 31/08/2011	Reviewed Group 31/08/2010	Audited Group 28/02/2011
ASSETS			
Non-current assets	**481 579**	475 759	469 998
Property, plant and equipment	**443 649**	437 294	429 430
Goodwill	**33 549**	33 549	33 549
Other intangible assets	**4 381**	4 916	4 648
Deferred tax	**–**	–	2 371
Current assets	**359 621**	370 192	383 879
Inventory	**11 489**	8 206	11 434
Amounts due from contract customers	**64 789**	91 856	80 265
Trade and other receivables	**157 552**	153 743	171 903
Retention receivables	**45 769**	66 327	44 164
Other financial assets	**7 959**	6 057	3 501
Bank balances and cash	**72 063**	44 003	72 612
Total assets	**841 200**	845 951	853 877
EQUITY AND LIABILITIES			
Share capital and reserves			
Shareholders' equity	**344 934**	316 263	334 898
Share capital and share premium	**228 598**	228 598	228 598
Other reserves	**(124 035)**	(123 932)	(124 029)
Retained earnings	**240 371**	211 597	230 329
Equity attributable to equity holders of the holding company	**344 934**	316 263	334 898
Non-controlling interests	**–**	–	–
Total liabilities	**496 266**	529 688	518 979
Non-current liabilities	**235 256**	241 329	238 280
Borrowings – interest bearing	**176 660**	180 774	171 102
Deferred tax	**58 596**	60 555	67 178
Current liabilities	**261 010**	288 359	280 699
Borrowings – interest bearing	**119 125**	121 503	122 535
Trade and other payables	**118 867**	118 895	120 778
Subcontractor liabilities	**23 018**	40 727	28 844
Current tax liabilities	**–**	7 234	8 542
Total equity and liabilities	**841 200**	845 951	853 877
SUPPLEMENTARY STATEMENT OF FINANCIAL POSITION INFORMATION			
Total number of shares in issue (thousands)	**362 500**	362 500	362 500
Net asset value per share (cents)	**95,2**	87,2	92,4
NTAV/Share (cents)	**84,7**	76,6	81,8
Capital expenditure (R'000)			
– Spent	**100 636**	121 771	211 667
– Commitments – Authorised but unspent	**121 170**	45 324	226 360
Performance guarantees issued (R'000)	**135 174**	106 925	133 356

■ Operational segmental reporting

for the six months ended 31 August 2011

SERVICES WITHIN EACH BUSINESS SEGMENT

For management purposes, the Group is organised into three major operating business units – contracting, geotechnical laboratory and readymix. These business units are the basis on which the Group reports its primary segment information. The principal services and products of each of these business units are as follows:

Contracting – bulk earthworks, roads and civil engineering contractors, plant hire, impact compaction and logistical services.
Geotechnical laboratory – geotechnical laboratory and surveying services.
Readymix – supplier of readymixed concrete and pumping services.

SEGMENT REVENUE AND SEGMENT RESULT

	Segment revenue		Segment result	
	6 months ended	6 months ended	6 months ended	6 months ended
R'000	31/08/2011	31/08/2010	31/08/2011	31/08/2010
Contracting	**417 151**	478 743	**10 212**	40 199
Geotechnical laboratory	**11 055**	9 454	**4 127**	1 648
Readymix	**73 190**	65 353	**2 145**	(368)
	501 396	553 550	**16 484**	41 479
Corporate*	**4 350**	4 580	**307**	(2 134)
Eliminations	**(10 976)**	(19 800)	**–**	–
	494 770	538 330		
Profit before interest and taxation			**16 791**	39 345
Net interest paid			**(9 660)**	(14 206)
Profit before taxation			**7 131**	25 139
Taxation			**2 911**	(4 642)
Profit for the period			**10 042**	20 497

Segment revenue reported above represents revenue generated from external customers. Intersegment sales amounted to R11,0 million (2011: R19,8 million). Segment result reported above represents operating profit per segment prior to taking interest into account.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

REVIEWED SEGMENT ASSETS AND LIABILITIES

	Segment assets		Segment liabilities	
	6 months ended	12 months ended	6 months ended	12 months ended
R'000	31/08/2011	28/02/2011	31/08/2011	28/02/2011
Contracting	**753 712**	815 776	**485 429**	517 052
Geotechnical laboratory	**4 708**	9 216	**2 147**	2 188
Readymix	**78 507**	72 293	**24 632**	85 856
	836 927	897 285	**512 208**	605 096
Corporate*	**75 599**	391 872	**46 448**	157 470
Eliminations	**(71 326)**	(435 280)	**(62 390)**	(243 587)
	841 200	853 877	**496 266**	518 979

REVIEWED OTHER SEGMENT INFORMATION

	Depreciation and amortisation		Capital expenditure	
	6 months ended	6 months ended	6 months ended	6 months ended
R'000	31/08/2011	31/08/2010	31/08/2011	31/08/2010
Contracting	**31 056**	23 213	**100 012**	124 842
Geotechnical laboratory	**668**	563	**132**	175
Readymix	**1 693**	1 999	**329**	110
Corporate	**609**	–	**163**	–
	34 026	25 775	**100 636**	125 127

** Corporate includes the transactions of the holding company.*

Information about major customers
Included in revenues arising from contracting income of R417,2 million (2011: R478,7 million) are revenues of approximately R166,6 million (2011: R253,6 million) which arose from contracting income from two of the Group's largest customers.

Operating segments
The operating segments reported above form the basis on which internal reporting are structured for the chief decision makers. Therefore there are no differences in terms of the numbers reported to shareholders and management.

■ Condensed consolidated statement of comprehensive income

for the six months ended 31 August 2011

R'000	Reviewed Group 6 months ended 31/08/2011	Reviewed Group 6 months ended 31/08/2010	Audited Group year ended 28/02/2011
Revenue	**494 770**	538 330	1 069 665
Earnings before interest, taxation, depreciation and amortisation	**50 817**	65 120	141 596
Depreciation and amortisation	**(34 026)**	(25 775)	(64 475)
Earnings before interest and taxation	**16 791**	39 345	77 121
Net interest expense	**(9 660)**	(14 206)	(23 226)
Earnings before taxation	**7 131**	25 139	53 895
Taxation	**2 911**	(4 642)	(14 666)
Earnings for the period	**10 042**	20 497	39 229
Other comprehensive income for the period, net of tax	**(6)**	11	(86)
Movement in foreign currency translation reserve	**(6)**	11	(86)
Total comprehensive income for the period	**10 036**	20 508	39 143
Earnings per share (cents)			
– Basic	**2,8**	5,7	10,8
SUPPLEMENTARY INCOME STATEMENT INFORMATION			
Weighted average number of shares in issue:			
– Weighted average number of shares in issue (thousands)	**362 500**	362 500	362 500
Reconciliation of headline earnings:			
Profit attributable to shareholders of the holding company	**10 042**	20 497	39 229
Adjusted for loss on disposal of assets	**3 656**	752	3 713
Headline earnings	**13 698**	21 249	42 942
Headline earnings per share (cents)			
– Basic	**3,8**	5,9	11,8

■ Consolidated statement of changes in equity

for the six months ended 31 August 2011

R'000	Share capital	Share premium	Common control reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to the shareholders of the company	Non-controlling interest	Total equity
Balance at 28 February 2010 – Audited	2	228 596	(123 998)	55	205 600	310 255	–	310 255
Dividends paid					(14 500)	(14 500)		(14 500)
Total comprehensive income for the period				(86)	39 229	39 143		39 143
Balance at 28 February 2011 – Audited	2	228 596	(123 998)	(31)	230 329	334 898	–	334 898
Total comprehensive income for the period				(6)	10 042	10 036		10 036
Balance at 31 August 2011 – Reviewed	2	228 596	(123 998)	(37)	240 371	344 934	–	344 934

■ Notes to the condensed consolidated financial report

for the six months ended 31 August 2011

CORPORATE INFORMATION

Protech is incorporated and domiciled in South Africa. Protech is listed on the JSE Limited. The main business of Protech and its operating subsidiaries is bulk earthworks, plant hire, civil engineering services and sale and distribution of readymix concrete.

The directors of Protech authorised the issue of the condensed consolidated financial report for the six months ended 31 August 2011 on 11 November 2011.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim report complies with International Accounting Standard 34 – Interim Financial Reporting, the disclosure requirements of the JSE Limited's Listings Requirements and the requirements of the South African Companies Act, 2008, as amended. The condensed financial information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the AC 500 standards as issued by the Accounting Practices Board. The accounting policies comply with IFRS and are consistent with those applied in the prior financial year except for those standards that became effective during the reporting period. The adoption of these standards has had no effect on the results. This report was compiled under the supervision of the chief financial officer, CJA Wolmarans CA(SA).

PROPERTY, PLANT AND EQUIPMENT

Capital expenditure on property, plant and equipment was R100,6 million (2011: R121,8 million) for the six months ended 31 August 2011.

SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the period and up to the date of this report, not otherwise dealt with in this report.

INDEPENDENT REVIEW REPORT

The auditors, Deloitte & Touche have issued their unmodified review report on the condensed consolidated financial report for the six months ended 31 August 2011. A copy of their unmodified review report is available for inspection at the company's registered office.

Directors: MSG Mareletse*† (Chairman), ASW Page (Chief Executive Officer), CJA Wolmarans (Financial Director), V Raseroka*, MJ Vuso*†

** non-executive † independent*

Secretary: A van der Merwe

Registered office: Corner R512 and Elandsdrift Road, Bultfontein, Lanseria (PO Box 1326, Lanseria, 1748) (Website: www.pkh.co.za)

Transfer secretary: Link Market Services South Africa (Proprietary) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein. (PO Box 4844, Johannesburg, 2000)

Sponsor: Deloitte & Touche Sponsor Services (Proprietary) Limited

■ Consolidated statement of cash flows

for the six months ended 31 August 2011

R'000	Reviewed Group 6 months ended 31/08/2011	Reviewed Group 6 months ended 31/08/2010	Audited Group 12 months ended 28/02/2011
Cash flows from operating activities	**54 307**	9 451	78 825
Cash generated by operations	**76 325**	38 516	121 377
Net interest paid	**(9 660)**	(14 206)	(23 226)
Dividends paid	**–**	(14 500)	(14 500)
Income taxes paid	**(12 358)**	(359)	(4 826)
Cash flows from investing activities	**(57 004)**	(90 290)	(122 415)
Purchase of property, plant and equipment	**(100 636)**	(121 771)	(211 667)
Replacement	**(75 293)**	(48 127)	(114 502)
Additions	**(25 343)**	(73 644)	(97 165)
Purchase of intangible assets	**–**	(3 356)	(3 357)
Proceeds on disposal of property, plant and equipment	**47 530**	31 519	86 735
(Increase)/decrease in loans granted	**(3 898)**	3 318	5 874
Cash flows from financing activities	**2 148**	37 696	29 056
Payments in terms of loan finance	**(5 765)**	(3 567)	(7 476)
Increase in borrowings related to instalment sale agreements	**111 160**	131 914	222 778
Payments in terms of instalment sale agreements	**(103 247)**	(90 651)	(186 246)
Net (decrease) in cash and cash equivalents	**(549)**	(43 143)	(14 534)
Cash and cash equivalents at the beginning of the period	**72 612**	87 146	87 146
Cash and cash equivalents at the end of the period	**72 063**	44 003	72 612
Cash and cash equivalents comprise of:			
Bank balances and cash	**72 063**	44 003	72 612

■ Commentary

INTRODUCTION

The first six months of the 2012 financial year saw a continuation of the difficult trading conditions and economic pressure experienced worldwide. The effects of the global economic fall-out impacted significantly on the South African construction sector as investor confidence dwindled and the availability of development funding remained tenuous.

The effects of the economic downturn manifested in the half year results of the Group which saw a reduction of revenue and margin contraction against the backdrop of heightened competition and a slow roll out of new contracts. The results of the largest business unit in the Group, namely Contracting, were particularly affected. Pleasingly though, the results of the two other business units, Geotechnical and Readymix, improved significantly with both businesses achieving revenue growth and improved operating margins.

Statement of comprehensive income
Group revenue decreased by 8% to R494,8 million (2011: R538,3 million) due to the low activity levels experienced in the private commercial and public infrastructure sectors and delays in mining capital expenditure contracts. Lengthy establishment periods of projects in the rest of Africa caused interruptions in the revenue stream. Heightened competition in a soft market saw the Group operating margin decrease to 3,4% (compared to the first half of F2011: 7,3%).

Group operating profit before interest was 57% lower at R16,8 million (2011: R39,3 million) due to the factors outlined above. Earnings per share was 51% lower at 2,8 cents per share (2011: 5,7 cents per share) and headline earnings per share decreased 36% to 3,8 cents per share (2011: 5,9 cents per share).

Statement of financial position
The net asset value per share at 31 August 2011 amounted to 95,2 cents compared to 92,4 cents at 28 February 2011. Shareholders equity improved to R344,9 million from R334,9 million over the same period.

Interest bearing debt relating to asset backed finance increased marginally by 0,7% to R295,8 million from R293,6 million at 28 February 2011. The debt:equity ratio remained steady at 64,9% compared to 66,0% at 28 February 2011 despite net capital expenditure of R53,1 million (2011: R90,3 million) on plant replacement and expansion. The cash position of the group remained unchanged in the six months under review. The cash balance at 31 August 2011 was R72,1 million compared to R72,6 million at 28 February 2011.

Statement of cash flows
Cash generated after working capital improved by 98% to R76,3 million (2011: R38,5 million) as a result of focused cash management. When comparing cash generated by operations before working capital changes to EBITDA, the ratio of cash generated to EBITDA is 1,5 times (2011: 1,0). The group therefore remains confident of its cash generating ability.

OPERATIONAL REVIEW

Contracting – 83% of group revenue
The Contracting business unit remains the largest part of the business, contributing 83% (2011: 86%) to group revenue and 62% (2011: 97%) to operating profit. Revenue for Contracting decreased by 13% to R417 million (2011: R479 million) mainly due to the prevailing weak market conditions and the lag in revenue generation caused by the lengthy establishment periods on projects in the rest of Africa.

Operating profit of the contracting business decreased to R10,2 million from the comparative period's R40,2 million against the backdrop of a keenly competed and soft local construction market.

Geotechnical – 2% of group revenue
The revenue of the smallest business unit in the Group increased by 17% to R11,1 million (2011: R9,5 million) and operating profits increased by 150% to R4,1 million (2011: R1,6 million) for the period.

Readymix – 15% of group revenue
Revenue increased by 12% to R73,2 million (2011: R65,4 million) on the back of an 8% increase in sales volumes in a beleaguered market that has seen further declines over the last six months. The increase in sales volumes was achieved through management focus to extract maximum value from the service differentiation advantage.

The Readymix business achieved an operating profit of R2,1 million compared to a loss of R0,4 million in the comparative period. The return to profits is attributable to the increased sales volumes coupled with a pricing policy of not sacrificing margin to secure volume and continued focus on cost management.

BOARD CHANGES

Mr ASW Page was appointed to the board on 1 September 2011 as an executive director and to the position of chief executive officer. Mr MSG Mareletse was appointed as the independent chairman of Protech on 25 October 2011.

OUTLOOK

The Group continues to focus on the mining sector which will form the base load of work until such time as the activity levels in the private commercial and public infrastructure sectors start to pick up. The Contracting business unit will continue to target selected contracts in the rest of Africa to complement existing African operations and the Readymix business will seek opportunities to increase its current market share and reduce costs.

The current project pipeline is healthy and currently stands at a realistic value of R1,4 billion which includes current projects in progress still to be completed with a value of R706 million. The bulk of the project pipeline relates to mining related projects and this is not expected to change in the short term.

The figures as quoted under the heading "Outlook" in the commentary have not been reviewed nor audited by the Company's auditors.

On behalf of the directors

MSG Mareletse	ASW Page	CJA Wolmarans
Chairman	*Chief Executive Officer*	*Financial Director*

Lanseria

11 November 2011