



# 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")

## Reviewed consolidated interim results for the period ended 31 August 2009

Revenue **24%** ↑

Cash generated by operations (after changes in working capital) **113%** ↑

Net tangible asset value **53%** ↑

Earnings attributable to shareholders **8%** ↓

**24%** ↑  
**113%** ↑  
**53%** ↑  
**8%** ↓



### Condensed consolidated statement of financial position

at 31 August 2009

R000	Reviewed Group	Audited Group	Reviewed Group
	31/08/2009	28/02/2009	31/08/2008
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>394 976</b>	<b>393 143</b>	<b>333 699</b>
Property, plant and equipment	356 009	364 172	300 107
Goodwill	33 549	33 549	31 365
Other intangible assets	2 010	1 817	1 768
Deferred tax	3 929	3 605	459
<b>Current assets</b>	<b>351 360</b>	<b>298 839</b>	<b>225 508</b>
Inventory	19 962	16 946	22 642
Amounts due from contract customers	56 003	9 290	23 573
Trade and other receivables	110 810	132 366	107 300
Retention receivables	39 674	30 820	35 725
Other financial assets	9 036	7 927	5 197
Bank balances and cash	118 975	101 588	30 981
<b>Total assets</b>	<b>746 336</b>	<b>691 982</b>	<b>559 207</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
<b>Shareholders' equity</b>	<b>283 235</b>	<b>234 614</b>	<b>194 695</b>
Share capital and share premium	228 598	228 598	228 598
Common control reserve	(122 053)	(122 053)	(122 053)
Retained earnings	176 690	128 069	88 150
<b>Total liabilities</b>	<b>463 101</b>	<b>457 368</b>	<b>364 512</b>
<b>Non-current liabilities</b>	<b>239 683</b>	<b>235 566</b>	<b>213 880</b>
Borrowings – interest bearing	176 541	186 517	168 402
Deferred tax	63 142	49 049	45 478
<b>Current liabilities</b>	<b>223 418</b>	<b>221 802</b>	<b>150 632</b>
Trade and other payables	97 992	94 175	66 860
Subcontractor liabilities	5 472	9 704	5 558
Borrowings – interest bearing	103 948	87 839	58 219
Current tax liabilities	16 006	30 134	19 875
<b>Total equity and liabilities</b>	<b>746 336</b>	<b>691 982</b>	<b>559 207</b>
<b>SUPPLEMENTARY STATEMENT OF FINANCIAL POSITION INFORMATION</b>			
<b>Total number of shares in issue (thousands)</b>	<b>362 500</b>	<b>362 500</b>	<b>362 500</b>
<b>Net asset value per share (cents)</b>	<b>78.1</b>	<b>64.7</b>	<b>53.7</b>
<b>Capital expenditure</b>	<b>64 441</b>	<b>162 102</b>	<b>72 192</b>
– Commitments – Authorised but unspent	<b>34 862</b>	<b>128 302</b>	<b>45 859</b>
<b>Performance guarantees issued</b>	<b>48 386</b>	<b>49 210</b>	<b>29 383</b>

### Consolidated statement of cash flows

for the six months ended 31 August 2009

R000	Reviewed Group	Audited Group	Reviewed Group
	6 months ended	12 months ended	6 months ended
	31/08/2009	28/02/2009	31/08/2008
<b>Cash flows from operating activities</b>	<b>28 672</b>	<b>114 667</b>	<b>12 826</b>
Cash receipts from customers	387 935	635 929	279 772
Cash paid to suppliers and employees	(332 543)	(492 999)	(253 819)
Cash generated by operations	55 392	142 930	25 963
Net interest paid	(6 912)	(27 869)	(12 979)
(Income taxes paid)	(19 898)	(334)	(148)
<b>Cash flows from investing activities</b>	<b>(20 518)</b>	<b>(145 655)</b>	<b>(65 805)</b>
Purchase of property, plant and equipment	(64 441)	(162 102)	(72 192)
Replacement	(51 349)	(85 068)	(15 176)
Additions	(13 092)	(107 034)	(57 018)
Proceeds on disposal of property, plant and equipment	44 456	32 768	16 374
Assets acquired through acquisition	–	(7 000)	(7 000)
Increase in loans granted	(533)	(9 321)	(2 967)
<b>Cash flows from financing activities</b>	<b>6 133</b>	<b>39 338</b>	<b>(9 278)</b>
Settlement of vendor liability	–	(71 356)	(71 356)
Increase in loan finance	–	82 200	82 200
Payments in terms of loan finance	(6 797)	(8 146)	(3 949)
Increase in borrowings related to instalment sale agreements	63 924	163 381	66 719
Payments in terms of instalment sale agreements	(60 994)	(106 741)	(62 892)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>14 287</b>	<b>8 350</b>	<b>(62 257)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>101 588</b>	<b>93 238</b>	<b>93 238</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>115 875</b>	<b>101 588</b>	<b>30 981</b>

### Consolidated statement of changes in equity

for the six months ended 31 August 2009

R000		Share capital	Share premium	Common control reserve	Retained earnings	Total
	Balance at 29 February 2008	2	228 596	(122 053)	35 158	141 703
	Profit for the year	–	–	–	92 911	92 911
	Balance at 28 February 2009	2	228 596	(122 053)	128 069	234 614
	Profit for the period	–	–	–	48 621	48 621
	Balance at 31 August 2009	2	228 596	(122 053)	176 690	283 235

### Notes to the condensed consolidated financial report

for the six months ended 31 August 2009

#### CORPORATE INFORMATION

Protech is a limited liability company 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 ready-mix concrete.

The directors of Protech authorised the issue of the condensed consolidated financial report for the six months ended 31 August 2009 on 30 October 2009.

#### BASIS OF PREPARATION

The condensed consolidated financial report for the six months ended 31 August 2009 has been prepared in compliance with the South African Companies Act No 61 of 1973, as amended, the Listings Requirements of the JSE Limited and International Accounting Standard 34, Interim Financial Reporting.

The interim report has been prepared using accounting policies that comply with International Financial Reporting Standards. The accounting policies are consistent with those applied in the financial statements for the year ended 28 February 2009, except for the changes which are described in the next paragraph, new accounting standards and interpretations adopted.

#### NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

During the period under review the Group has adopted the following accounting standards and interpretations:

- IAS 1 (Revised) Presentation of financial statements (effective for accounting periods beginning on or after 1 January 2009);
- IAS 1 Presentation of financial statements: Puttable financial instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009);
- IAS 23 (Revised) Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009);

### Condensed consolidated statement of comprehensive income

for the six months ended 31 August 2009

R000	Reviewed Group	Audited Group	Reviewed Group
	6 months ended	12 months ended	6 months ended
	31/08/2009	28/02/2009	31/08/2008
<b>Revenue</b>	<b>425 805</b>	<b>706 683</b>	<b>344 235</b>
<b>Profit before depreciation, amortisation, interest and taxation</b>	<b>94 947</b>	<b>188 172</b>	<b>101 987</b>
Depreciation and amortisation	(21 018)	(32 185)	(15 342)
<b>Profit before interest and taxation</b>	<b>73 929</b>	<b>155 987</b>	<b>86 645</b>
Net interest expense	(6 912)	(27 869)	(12 979)
<b>Profit before taxation</b>	<b>67 017</b>	<b>128 118</b>	<b>73 666</b>
Taxation	(18 386)	(35 207)	(20 573)
<b>Total comprehensive income for the period/year attributable to the owners of the company</b>	<b>48 621</b>	<b>92 911</b>	<b>52 993</b>
<b>Earnings per share (cents)</b>	<b>13.4</b>	<b>25.6</b>	<b>14.6</b>
– Basic			
<b>SUPPLEMENTARY STATEMENT OF COMPREHENSIVE INCOME INFORMATION</b>			
<b>Weighted average number of shares in issue:</b>			
– Weighted average number of shares in issue (thousands)	<b>362 500</b>	<b>362 500</b>	<b>362 500</b>
<b>Reconciliation of headline earnings:</b>			
Profit attributable to shareholders of the holding company	<b>48 621</b>	<b>92 911</b>	<b>52 993</b>
Adjusted for (profit/loss) on disposal of assets	(1 448)	1 457	562
<b>Headline earnings</b>	<b>47 173</b>	<b>94 368</b>	<b>53 575</b>
<b>Headline earnings per share (cents)</b>	<b>13.0</b>	<b>26.0</b>	<b>14.8</b>
– Basic			

### Operational segmental reporting

for the six months ended 31 August 2009

#### SERVICES WITHIN EACH BUSINESS SEGMENT

For management purposes, the Group is organised into four major operating divisions – earthworks, plant hire, geotechnical laboratory and ready-mix. These divisions are the basis on which the Group reports its primary segment information. The principal services and products of each of these divisions are as follows:

- Earthworks** – bulk earthworks and roads and civil engineering contractors.
- Plant hire** – plant hire and logistical services.
- Geotechnical laboratory** – geotechnical laboratory and surveying services.
- Ready-mix** – supplier of ready-mix concrete and pumping services.

#### SEGMENT REVENUE AND SEGMENT RESULTS

R000	Segment revenue		Segment result	
	6 months ended	6 months ended	6 months ended	6 months ended
	31/08/2009	31/08/2008	31/08/2009	31/08/2008
Earthworks	344 875	281 202	16 133	40 646
Plant hire	130 534	88 578	76 592	54 905
Geotechnical laboratory	7 690	5 680	1 234	1 387
Ready-mix	58 659	62 476	286	3 017
<b>Corporate*</b>	<b>541 758</b>	<b>437 936</b>	<b>94 345</b>	<b>99 965</b>
Eliminations	(3 258)	(6 480)	602	2 032
	<b>(119 211)</b>	<b>(100 181)</b>	<b>–</b>	<b>–</b>
	<b>425 805</b>	<b>344 235</b>		

R000	Segment revenue		Segment result	
	6 months ended	6 months ended	6 months ended	6 months ended
	31/08/2009	31/08/2008	31/08/2009	31/08/2008
Profit before depreciation, amortisation, interest and taxation	94 947	188 172	101 987	101 987
Depreciation and amortisation	(21 018)	(32 185)	(15 342)	(15 342)
<b>Profit before interest and taxation</b>	<b>73 929</b>	<b>155 987</b>	<b>86 645</b>	<b>86 645</b>
Net interest paid	(6 912)	(27 869)	(12 979)	(12 979)
<b>Profit before taxation</b>	<b>67 017</b>	<b>128 118</b>	<b>73 666</b>	<b>73 666</b>
Taxation	(18 386)	(35 207)	(20 573)	(20 573)
<b>Profit for the period</b>	<b>48 621</b>	<b>92 911</b>	<b>52 993</b>	<b>52 993</b>

#### SEGMENT ASSETS AND LIABILITIES

R000	Segment assets		Segment liabilities	
	6 months ended	6 months ended	6 months ended	6 months ended
	31/08/2009	31/08/2008	31/08/2009	31/08/2008
Earthworks	186 696	174 888	128 029	87 729
Plant hire	391 939	290 781	309 348	229 029
Geotechnical laboratory	7 692	3 455	3 306	2 329
Ready-mix	83 108	85 122	23 886	19 294
<b>Corporate*</b>	<b>669 425</b>	<b>555 226</b>	<b>463 159</b>	<b>337 381</b>
Eliminations	(130 396)	(39 709)	52 827	62 859
	<b>(53 495)</b>	<b>(35 728)</b>	<b>(53 495)</b>	<b>(35 728)</b>
	<b>746 336</b>	<b>559 207</b>	<b>463 101</b>	<b>364 512</b>

#### OTHER SEGMENT INFORMATION

R000	Depreciation and amortisation		Capital expenditure	
	6 months ended	6 months ended	6 months ended	6 months ended
	31/08/2009	31/08/2008	31/08/2009	31/08/2008
Earthworks	699	978	594	1 142
Plant hire	17 578	11 758	61 388	69 603
Geotechnical laboratory	437	209	2 169	859
Ready-mix	2 304	2 397	290	588
	<b>21 018</b>	<b>15 342</b>	<b>64 441</b>	<b>72 192</b>

\* Corporate includes the transactions of the holding company.

Segment revenue reported above represents revenue generated from external customers. Intersegment sales amounted to R119.2 million (2009: R100.2 million).

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit, represents the profit before interest earned by each segment.

### Commentary

#### INTRODUCTION

Protech Khuthele (Protech) is a bulk earthworks and civil engineering Group that offers fast-track contracting. The Group is involved in projects in the mining, public and private sectors.

During the six months to 31 August 2009, spend in certain areas of public infrastructure development and in the coal mining sector continued, with the ongoing tapering off of private and commercial sector activity.

The Group's ability to deliver additional value to clients in an economic context that demands high levels of efficiency and minimal downtime served it well. Protech's healthy margin structure also offered some manoeuvrability against the market slump. The Group therefore managed to increase volumes while still maintaining margins at significantly higher levels than the industry. Its main business of Contracting – representing 68% of revenue – ended the period by maintaining its margin above its internal target of 20% at 21.6%.

#### FINANCIAL REVIEW

##### Statement of comprehensive income

Group revenue increased by 24% to R426 million (2008: R344 million). Revenue was predominantly generated through the Group's ability to quickly shift between sectors. At the period end, the Group's exposure to the strained private sector was down to only 8%, with mining representing 48% and public infrastructure 44%.

As was expected in the prevailing market conditions, operating profit at R73.9 million was 15% lower (2008: R86.6 million) than the comparative prior period. The Group managed to limit severe margin impact by focusing on quality projects and efficiencies. The operating margin therefore declined to a still above-average 17.5% from the 22.2% at the previous year end.

Net interest cost was R6.9 million (2008: R13.0 million) due to the reduction in interest rates and once off interest charged on a specific contract. Interest bearing debt increased to R205.6 million (2008: R226.6 million). The effective tax rate of 27.4% (2008: 28.1%) was in line with statutory corporate tax rates and is not expected to vary significantly in the future.

Earnings per share decreased by 8% from 14.6 cps to 13.4 cps. Headline earnings decreased by 13.0 cps (2008: 14.8 cps) over the comparative prior year period.

##### Statement of financial position

The debt:equity ratio decreased from 74% at 28 February 2009 to 58% at the period end. Although it remains high, management is pleased with the decrease and believes it is in line with the Group's business model and policy of funding only new equipment and replacing equipment on average 30 months after purchase. Furthermore, interest bearing debt relates almost exclusively to asset finance, providing sufficient equity in plant and equipment to cover debt. The Group also generates strong cash flow to comfortably service its debt.

During the last six months, the equipment and plant fleet was not increased, with the Group only continuing to replace equipment in line with its strategy of maintaining a quality fleet. Capital expenditure amounted to R64 million for the period and related mainly to the replacement of equipment.

Receivables increased by 27% to R167 million (2008: R131 million). Of this:

- 37% (R62 million) consisted of blue-chip and listed clients
- 34% (R56 million) consisted of work certified, but not yet invoiced

Of the invoiced debtors at 31 August 2009, 65% (R72 million) was collected by the end of October 2009.

Retention debtors increased by 11% to R40 million (2008: R36 million). This is in line with the industry where retention is typically due 12 months after completion of the contract. None of the Group's retention debtors are older than 12 months, indicating that retention debtors are collected as and when they fall due.

There were no significant bad debts or bad debt write-offs during the period under review. Management remains actively involved in the credit control and credit