

REVIEWED CONSOLIDATED INTERIM RESULTS FOR THE PERIOD ENDED 31 AUGUST 2008



Revenue ↑78% **Operating profit ↑42%** **HEPS ↑31%** **Cash generated from operations ↑55%**

CONDENSED CONSOLIDATED INCOME STATEMENT
for the 6 months ended 31 August 2008

	Reviewed Group 6 months ended 31 August 2008 R'000	Audited Group 12 months ended 29 February 2008 R'000	Reviewed Group 6 months ended 31 August 2007 R'000
Revenue	344 235	372 126	193 469
Earnings before depreciation and interest	101 987	112 470	68 194
Depreciation	(15 342)	(15 278)	(7 345)
Earnings before interest and taxation	86 645	97 192	60 849
Net interest expense	(12 979)	(8 093)	(2 763)
Earnings before taxation	73 666	89 099	58 086
Taxation	(20 673)	(26 989)	(17 194)
Earnings attributable to the shareholders of the holding company	52 993	62 110	40 892
Earnings per share (cents)	14,6	17,4	11,7
- Basic			
SUPPLEMENTARY INCOME STATEMENT INFORMATION			
Weighted average number of shares in issue:			
- Weighted average number of shares in issue	362 500 000	357 069 672	350 887 978
Reconciliation of headline earnings:			
Earnings attributable to shareholders of the holding company	52 993	62 109	40 892
Adjusted for loss/profit on disposal of assets	582	(2 085)	(1 272)
Headline earnings	53 575	60 024	39 620
Headline earnings per share (cents)	14,8	16,8	11,3
- Basic			

CONDENSED CONSOLIDATED BALANCE SHEET
at 31 August 2008

	Reviewed Group 6 months 31 August 2008 R'000	Audited Group 12 months 29 February 2008 R'000	Reviewed Group 6 months 31 August 2007 R'000
ASSETS			
Non-current assets	333 699	279 413	133 875
Property, plant and equipment	300 107	256 964	133 875
Intangible assets	1 788	-	-
Goodwill	31 365	16 045	-
Deferred tax	459	6 404	-
Current assets	225 500	213 339	133 070
Inventory	22 642	13 781	6 302
Trade and other receivables	130 963	79 158	96 127
Retention receivables	35 725	23 067	13 551
Loans granted	5 197	4 095	2 412
Bank balances and cash	30 981	93 238	14 678
Total assets	559 207	492 752	266 945
EQUITY AND LIABILITIES			
Total equity	194 696	141 703	120 485
Share capital and share premium	228 598	228 598	228 598
Common control reserve	(122 052)	(122 052)	(122 052)
Retained earnings	88 150	36 157	13 939
Total liabilities	364 511	351 049	146 460
Non-current liabilities	213 879	120 629	39 132
Borrowings – interest bearing	168 401	95 451	27 191
Deferred tax	45 478	25 178	11 941
Current liabilities	150 632	230 420	107 328
Trade and other payables	66 990	67 490	31 081
Subcontractor liabilities	5 558	8 898	4 051
Borrowings – interest bearing	58 219	69 002	46 116
Vendor liability	-	71 356	-
Bank overdraft	-	-	74
Current tax liabilities	19 875	13 584	26 007
Total equity and liabilities	559 207	492 752	266 945
SUPPLEMENTARY BALANCE SHEET INFORMATION			
Total number of shares in issue	362 500 000	362 500 000	362 500 000
Net asset value per share (cents)	53,7	39,1	33,2
Capital expenditure	72 192	179 161	70 122
- Spent			
- Commitments – Authorised but unspent	45 859	43 675	17 041
Performance guarantees issued	29 383	19 894	-

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the 6 months ended 31 August 2008

	Reviewed Group 6 months ended 31 August 2008 R'000	Audited Group 12 months ended 29 February 2008 R'000	Reviewed Group 6 months ended 31 August 2007 R'000
Cash flows from operating activities	12 826	81 084	(101)
Cash receipts from customers	279 772	332 977	124 613
Cash paid to suppliers and employees	(253 819)	(234 182)	(121 315)
Cash generated by operations	25 953	98 795	3 298
Net interest paid	(12 979)	(8 093)	(2 762)
Income taxes paid	(149)	(9 518)	(637)
Cash flows from investing activities	(65 805)	(119 752)	(28 674)
Purchase of property, plant and equipment	(72 192)	(179 161)	(70 122)
Proceeds on disposal of property, plant and equipment	16 374	47 337	29 020
Assets acquired through acquisition	(7 000)	8 895	-
(Increase)/decrease in loans granted	(2 987)	2 777	12 428
Cash flows from financing activities	(9 278)	129 462	40 935
Share issue	-	12 500	12 500
Decrease in loans from shareholders	-	7 930	-
Settlement of vendor liability	(71 356)	-	-
Increase in loan finance	62 200	-	-
Payments in terms of loan finance	(3 949)	-	-
Increase in borrowings related to finance leases	66 719	191 394	77 578
Payments in terms of finance leases	(62 892)	(82 362)	(49 143)
Net (decrease)/increase in cash and cash equivalents	(62 257)	90 794	12 160
Cash and cash equivalents at the beginning of the period	93 238	2 444	2 444
Cash and cash equivalents at the end of the period	30 981	93 238	14 604
<i>Cash and cash equivalents comprise:</i>			
Cash and cash equivalents	30 981	93 238	14 678
Bank overdraft	-	-	(74)
	30 981	93 238	14 604

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 6 months ended 31 August 2008

	Share capital R'000	Share premium R'000	Common control reserve R'000	Retained earnings R'000	Total R'000
Balance at 28 February 2007*	-	-	-	-	-
Share issues	-	-	-	-	-
23 May 2007 – 20 000 000 ¹	-	-	-	-	-
41 869 362**	-	-	-	-	-
Common control share issues	-	-	-	-	-
28 May 2007 – 288 130 638**	1	216 097	-	-	216 098
Common control reserve	-	-	(149 005)	-	(149 005)
Reviewed pro forma group	1	216 097	(149 005)	-	67 093
Share issues	-	-	-	-	-
6 August 2007 – 12 500 000 ¹	-	12 500	-	-	12 500
Profit for the year	-	-	-	62 110	62 110
Transfer profit at acquisition date to reserve	-	-	26 953	(26 953)	-
Balance at 29 February 2008	2	228 597	(122 052)	35 157	141 703
Profit for the period	-	-	-	52 993	52 993
Balance at 31 August 2008	2	228 597	(122 052)	88 150	194 696

¹ Issued to acquire common control subsidiaries
² Issued for cash
³ Share split of 200 000 to 1
⁴ Less than R1 000

OPERATIONAL SEGMENTAL REPORTING
for the 6 months ended 31 August 2008

Services within each business segment
For management purposes, the Group is organised into four major operating divisions – earthworks, plant hire, geotechnical laboratory and readymix. 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.
Readymix – supplier of readymixed concrete and pumping services.

The Group acquired the Readymix business with effect from 29 February 2008 and the assets and liabilities of the business are included in segment assets and liabilities reported below.

Segment revenue and segment result

	Segment revenue		Segment result	
	6 months ended 31 August 2008 R'000	6 months ended 31 August 2007 R'000	6 months ended 31 August 2008 R'000	6 months ended 31 August 2007 R'000
Earthworks	261 202	188 377	38 606	31 988
Plant hire	88 578	53 973	34 595	25 435
Geotechnical laboratory	5 680	2 709	1 178	663
Readymix	62 476	-	(1 103)	-
Corporate*	437 936	245 059	73 276	58 086
Eliminations	(6 480)	-	390	-
	(100 181)	(51 590)	-	-
	344 235	193 469	73 666	58 086
Profit before tax			(20 673)	(17 194)
Taxation			52 993	40 892
Profit for the period			52 993	40 892

Segment assets and liabilities

	Segment assets		Segment liabilities	
	6 months ended 31 August 2008 R'000	6 months ended 31 August 2007 R'000	6 months ended 31 August 2008 R'000	6 months ended 31 August 2007 R'000
Earthworks	174 868	142 945	87 729	83 094
Plant hire	290 781	159 882	229 029	101 181
Geotechnical laboratory	9 455	3 225	2 329	1 292
Readymix	86 122	-	18 294	-
Corporate*	555 226	306 052	337 381	185 587
Eliminations	(39 709)	-	(62 858)	-
	(35 728)	(39 107)	(35 728)	(39 107)
	559 207	266 945	364 511	146 460
Other segment information				
	Depreciation		Additions to non-current assets	
	6 months ended 31 August 2008 R'000	6 months ended 31 August 2007 R'000	6 months ended 31 August 2008 R'000	6 months ended 31 August 2007 R'000
Earthworks	978	284	1 142	1 112
Plant hire	11 758	6 955	69 603	68 408
Geotechnical laboratory	209	106	859	602
Readymix	2 397	-	588	-
	15 342	7 345	72 192	70 122

* Corporate includes the transactions of the holding company.
Segment revenue reported above represents revenue generated from external customers. Intersegment sales amounted to R100,2 million (2008: R51,6 million).
The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment after taking into account interest received and interest paid.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT
for the period ended 31 August 2008

Corporate information
Protech is a limited liability company incorporated and domiciled in South Africa. Protech is listed on the JSE Limited.
The directors of Protech authorised the issue of the condensed consolidated financial report for the six months ended 31 August 2008 on 31 October 2008.

Basis of preparation
The condensed consolidated financial report for the six months ended 31 August 2008 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 accounting policies and methods of computation applied in the preparation of the condensed consolidated interim financial report are consistent with those applied for the period ended 29 February 2008, which comply with International Financial Reporting Standards (IFRS).
There are no standards that are currently in issue but not effective which would result in a change in accounting policy.

Acquisition
On 1 June 2008 Protech acquired the assets and related technical drawings of Impact Compaction (Pty) Limited for R7 million. Included in the purchase price was an amount of R1,9 million which was allocated to intangible assets. In terms of the purchase agreement, a further amount of R3 million is payable upon registration of patents pertaining to the assets acquired.

Goodwill and fair value determined on a provisional basis
The initial accounting for the acquisition of Protech Readymix (Pty) Limited was determined on a provisional basis on 29 February 2008. In accordance with the requirements of IFRS 3, the purchase price allocation must be completed within 12 months of the acquisition date. For the interim period, the fair values of some assets and liabilities have been finalised and the necessary adjustments have been made against the fair values of these items and goodwill.
Further adjustments to the fair values of assets and liabilities recorded on acquisition date are anticipated up to 28 February 2009 and will result in further adjustments being made to the fair values of these items and goodwill.

Post-balance sheet date events
The directors are not aware of any matter or circumstance arising after the end of the period and up to the date of this report, not otherwise dealt with in this report.

Independent review opinion
The auditors, Deloitte & Touche, have issued their unmodified review opinion on the condensed consolidated financial report for the six months ended 31 August 2008. A copy of their unmodified review opinion is available for inspection at the company's registered office.

COMMENTARY INTRODUCTION
Protech Khuthele Holdings is a focused civil engineering group with specific emphasis on fast-track contracting within the civil engineering and construction industries.
The group's activities include bulk earthworks and excavations, civil works, road building and re-alignments, and infrastructural development for the public, private and mining and heavy industrial sectors. The group has the ability to quickly adapt its sectoral focus between different sectors in line with changing market dynamics.

FINANCIAL REVIEW
Infrastructure spend by both the public and mining sectors continued unabated in the six months under review following the tapering off of residential building activity. Protech's pro-active shift to take advantage of these market trends supported strong results in the six months ended 31 August 2008.

Income statement
Group revenue increased by 78% to R344,2 million (2007: R193,5 million). Organic revenue growth comprised 45%, with acquisitive growth contributing 33%. During the last six months, 71% of total revenue came from mining infrastructure and public sector infrastructure development compared to 37% six months ago. These sectors will remain the group's focus until there is a sustainable recovery in the building sector.
Operating profit at R86,6 million was 42% higher (2007: R60,8 million) than the comparative prior year due to increased project activity. Operating margins have been maintained at 25% in line with the group's traditional and sustainable levels, as achieved for the full year to February 2008. The margin of 31% achieved during the six months to 31 August 2007 was abnormally high and does not provide an effective comparison due to two main reasons:

- Abnormally good weather in H1 2008
- The pre-listing operating structure that is not directly comparable with the group's current structure. The group was formed in June 2007 and listed in August 2007

H1 2009 and F2008 therefore provide a truer comparison.
Net interest cost rose to R13,0 million (2007: R2,8 million) due to an increase in interest bearing debt to R226,6 million (2007: R73,3 million). The full effect of the interest cost on finance raised during the past 18 months is now reflected in the interest expense line.

The effective tax rate of 28% (2007: 29%) is in line with statutory corporate tax rates and is not expected to vary significantly in the future.
Earnings per share increased by 25% from 11,7 cents per share to 14,6 cents per share. Headline earnings increased by 31% to 14,8 cents per share (2007: 11,3 cents per share) over the comparative prior year period.

Balance sheet
Net debt to equity (excluding common control reserve from equity) increased to 105% from 98% at 29 February 2008 as a result of funding the final portion of the purchase price of the Readymix businesses (R7,3 million), as well as plant expansion of R69,6 million. Management believes that although this gearing is high it is in line with the group's business model and policy of running only new equipment and replacing the 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 to comfortably service the debt.
During the last six months, the group expanded its operating capacity through continued investment in plant and equipment. Plant and equipment therefore increased by R69,6 million. The group's average plant utilisation rate remains leading-edge at 102%.

Project accounts receivable increased by 36% to R131,0 million (2007: R96,1 million). Of this:

- 55% (R74 million) consisted of blue-chip and listed clients
- 18% (R24 million) consisted of work certified, but not yet invoiced

Of the invoiced debtors at 31 August 2008, 77% (R57 million) was collected by end October 2008.
Retention debtors increased by 163% to R35,7 million (2007: R13,6 million). This is in line with the industry average of retention due after 12 months on completion of contracts. None of the group's retention debtors are older than 12 months, indicating that retention debtors are collected when they come due. There have been no significant bad debts or bad debt write-offs during the period under review. This continues the trend established over the past two financial years due to strict credit control and customer vetting procedures.

Cash flow
Cash generated by operations before working capital changes increased by a very satisfactory 55% to R103,0 million (2007: R66,4 million) compared to R109,5 million for the full year to February 2008. In the six months under review, the cash utilised to fund increased working capital comprised largely the R66 million increase in the aforementioned accounts receivable.

OPERATIONAL REVIEW
Structure
The group is structured along four major operating divisions:
• Civils and Earthworks – bulk earthworks and roads and civil engineering contractors
• Plant hire and Logistics – plant hire and logistical services
• Geotechnical Laboratory – geotechnical laboratory and surveying services
• Readymix – supplier of readymixed concrete and pumping services

Sector overview
Mining sector (36% of group revenue (2008 full year: 21%))
Activity in this sector increased significantly, especially in coal mining. Apart from infrastructure construction such as roads, haul roads and storm water dams, Protech is also increasingly undertaking extensive top soil strip operations for mining operations.

Public sector (21% of group revenue (2008 full year: 16%))
Protech is actively involved in large-scale infrastructure developments and improvements being carried out by the various government and local government agencies. These include:
• Road construction ranging from gravel road upgrades in townships to provincial roads and national freeway and intersection upgrades
• The Gautrain project
• Airport upgrades
• Waste water treatment facilities

Private and commercial sector (23% of group revenue (2008 full year: 61%))
Although the group scaled back its activities in the retail sector, it maintained a presence in the commercial and industrial development sector. This work comprises many bulk earthworks projects such as basement excavations and platform construction. Activity in this sector has slowed somewhat, but has by no means