

RAC - Racec Group Limited - Condensed consolidated unaudited interim results for the six months ended 31 March 2010

RACEC GROUP LIMITED

Incorporated in the Republic of South Africa

(Registration number: 1998/006153/06)

Share code: RAC ISIN: ZAE000105409

("RACEC" or "the Company" or "the Group")

CONDENSED CONSOLIDATED UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 31 March 2010 R`000	Unaudited 6 months ended 31 March 2009 R`000	Audited 12 months ended 30 September 2009 R`000
Revenue	167 092	188 447	344 647
Cost of sales	(138 937)	(144 566)	(284 385)
Gross profit	28 155	43 881	60 262
Other income	613	244	258
Other expenses	(27 652)	(30 486)	(68 937)
Net profit/(loss) before investment revenue, finance costs and taxation	1 116	13 639	(8 417)
Investment revenue	1 558	758	1 262
Finance costs	(4 112)	(3 825)	(8 267)
(Loss)/Profit before taxation	(1 438)	10 572	(15 422)
Taxation	(595)	(3 053)	2 227
(Loss)/Profit for the period	(2 033)	7 519	(13 195)
Attributable to:			
Equity holders of the parent	(2 033)	6 785	(13 159)
Minority interest	-	734	(36)
	(2 033)	7 519	(13 195)
Other comprehensive (loss)/income:			
- Impairment of property, plant and equipment	(240)	-	(404)
- Deferred tax on impairment of property, plant and equipment	67	-	113
- Deferred tax on realised revaluation through disposal of property	58	-	-
- Reserve from issue of share option	-	-	6 231
Total comprehensive (loss)/income for the year	(2 148)	7 519	(7 255)
Attributable to:			
Equity holders of the parent	(2 148)	6 785	(7 219)
Minority interest	-	734	(36)
	(2 148)	7 519	(7 255)
(LOSS)/EARNINGS PER SHARE (CENTS)			
Basic	(1.9)	6.5	(12.6)
Diluted basic	(1.9)	6.5	(12.6)
Headline	(2.0)	6.6	(12.3)
Diluted headline	(2.0)	6.6	(12.3)
Weighted average number of ordinary shares in issue (`000)*	105 429	104 018	104 129
Fully diluted weighted average number of ordinary shares in issue	105 429	104 354	104 129

(`000)*

*Excludes treasury shares

SEGMENTAL REPORT

Business segment	Administrative investment and	Electrical services	Rail construction	Total
plant hire	R`000	R`000		R`000
Unaudited - 6 months ended 31 March 2010				
Revenue		38 104 341	62 713	167 092
Profit/(Loss) before tax		730 (7 571)	5 403	(1 438)
Unaudited - 6 months ended 31 March 2009				
Revenue		- 120 173	68 274	188 447
(Loss)/Profit before tax	(20 665)	21 080	10 157	10 572
Audited -12 months ended 30 September 2009				
Revenue	189	238 715	105 743	344 647
Loss before tax	(5 506)	(3 486)	(6 430)	(15 422)
Geographical segment				
		Western Cape	Gauteng	Total
		R`000	R`000	R`000
Unaudited - 6 months ended 31 March 2010				
Revenue		119 191	47 901	167 092
(Loss)/Profit before tax		(6 354)	4 916	(1 438)
Unaudited - 6 months ended 31 March 2009				
Revenue		133 602	54 845	188 447
Profit before tax		4 595	5 977	10 572
Audited - 12 months ended 30 September 2009				
Revenue		263 417	81 230	344 647
Loss before tax		(6 079)	(9 343)	(15 422)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31 March 2010 R`000	Unaudited as at 31 March 2009 R`000	Audited as at 30 September 2009 R`000
ASSETS			
Non-current assets	68 395	65 948	73 485
- Property, plant and equipment	54 271	57 898	59 914
- Investment property	351	351	351
- Intangible assets	10 030	6 903	10 452
- Loans to related parties	80	73	171
- Deferred tax assets	3 663	723	2 597
Current assets	131 765	105 555	110 027
- Inventories	25 694	33 391	23 931
- Trade and other receivables	94 589	68 773	63 575
- Tax receivable	1 894	-	1 796
- Cash and cash equivalents	9 588	3 391	20 725
Total assets	200 160	171 503	183 512
EQUITY AND LIABILITIES			
Capital and reserves	46 134	64 320	48 374
- Equity attributable to equity holders of the parent	46 134	61 427	48 305
- Minority shareholders` interest	-	2 893	69

Non-current liabilities	52 993	22 459	54 636
- Loans from related parties	35 364	-	35 498
- Other financial liabilities	11 647	14 852	13 530
- Share based payments	3 201	3 206	3 210
- Deferred tax liabilities	2 781	4 401	2 398
Current liabilities	101 033	84 724	80 502
- Loans from shareholders	-	1 649	-
- Loans from related parties	-	1 586	577
- Other financial liabilities	6 919	7 342	9 124
- Current tax payable	1 582	7 469	3 030
- Trade and other payables	60 346	43 820	38 549
- Bank overdraft	32 186	22 858	29 222
 Total equity and liabilities	 200 160	 171 503	 183 512
 Net asset value per share (cents)	 43.5	 59.1	 45.8
Net tangible asset value per share (cents)	34.1	52.4	35.9
Total number of ordinary shares in issue (`000)*	105 969	104 018	105 363

*Excludes treasury shares

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months ended 31 March 2010 R`000	Unaudited 6 months ended 31 March 2009 R`000	Audited 12 months ended 30 September 2009 R`000
Cash flows from operating activities	(9 482)	15 512	9 088
- Cash (utilised by)/generated from operations	(7 986)	22 412	24 095
- Interest income	992	758	1 155
- Finance costs	(1 674)	(3 825)	(7 610)
- Taxation paid	(814)	(3 833)	(8 552)
Cash flows from investing activities	1 591	(5 597)	(19 937)
- Purchase of property, plant and equipment	(1 201)	(5 802)	(12 507)
- Purchase of business operations	-	-	(7 722)
- Proceeds from disposal of property, plant and equipment	2 832	205	652
- Purchase of intangible assets	(40)	-	(360)
Cash flows from financing activities	(6 210)	(1 833)	29 901
- Advance of property bond	-	-	2 925
- Repayment of other financial liabilities	(5 805)	(4 248)	(7 049)
- Advance of other financial liabilities	1 597	3 787	4 020
- Advance of loans (to)/by related parties	(2 002)	952	34 847
- Advance of loans from shareholders	-	1 689	39
- Net proceeds from share issue	-	-	(748)
- Dividends paid	-	(4 013)	(4 133)
 Total cash movement for the period	 (14 101)	 8 082	 19 052
Cash at the beginning of the period	(8 497)	(27 549)	(27 549)
Total cash at the end of the period	(22 598)	(19 467)	(8 497)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Treasury shares	Other reserves	Retained earnings	Minority interest	Total equity and share premium
	R`000	R`000	R`000	R`000	R`000	R`000
Balance at 1 October 2008	30 298	-	1 406	26 562	4 391	62 657
- Realised revaluation through depreciation	-	-	(333)	333	-	-
- Deferred tax on realised revaluation through depreciation	-	-	93	(93)	-	-
- Minority interest acquired	-	-	-	-	(1 843)	(1 843)
Net income / (expenses) recognised directly in equity	-	-	(240)	240	(1 843)	(1 843)
Comprehensive income	-	-	-	6 785	734	7 519
Dividends paid	-	-	-	(3 624)	(389)	(4 013)
Balance at 31 March 2009	30 298	-	1 166	29 963	2 893	64 320
Shares issued	46 748	-	-	-	-	46 748
Share issue expenses	(748)	-	-	-	-	(748)
Shares issued to subsidiary*	-	(45 000)	-	-	-	(45 000)
- Realised revaluation through depreciation	-	-	(316)	316	-	-
- Deferred tax on realised revaluation through depreciation	-	-	88	(88)	-	-
- Minority interest on business acquisition	-	-	-	-	(2 054)	(2 054)
Net income / (expenses) recognised directly in equity	-	-	(228)	228	(2 054)	(2 054)
Comprehensive income/(loss)	-	-	5 940	(19 944)	(770)	(14 774)
Dividends paid	-	-	-	(118)	-	(118)
Balance at 30 September 2009	76 298	(45 000)	6 878	10 129	69	48 374
Shares issued	4 286	-	-	-	-	4 286
Shares issued to the Trust**	-	(3 878)	-	-	-	(3 878)
- Realised revaluation through depreciation	-	-	(300)	300	-	-
- Deferred tax on realised	-	-	84	(84)	-	-

revaluation through depreciation						
- Realised	-		(246)	246	-	-
revaluation through disposal of assets						
- Deferred tax on realised	-		12	(12)	-	-
revaluation through disposal of asset						
- Minority interest acquired	-	-	(431)	-	(69)	(500)
Net income / (expenses) recognised directly in equity						
Comprehensive loss	-	-	(115)	(2 033)	-	(2 148)
Balance at 31 March 2010	80 584	(48 878)	5 882	8 546	-	46 134

* Shares were issued to Solethu Civils Holdings (Proprietary) Limited ("Solethu Civils") which is consolidated as part of the Group in terms of SIC 12 Consolidation - Special Purpose Entities, even though Solethu Civils is not a subsidiary of RACEC and RACEC does not have any control over Solethu Civils, and therefore the shares are disclosed as treasury shares.

** Shares were issued to The RACEC Employee Trust ("the Trust") which is consolidated as part of the Group and therefore the shares are disclosed as treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS

1. Statement of compliance

The accounting policies applied in the preparation of these unaudited condensed results, which are based on reasonable judgments and estimates, are in accordance with International Financial Reporting Standards and are consistent with those applied in the annual financial statements for the year ended 30 September 2009. These unaudited condensed results as set out in this report have been prepared in terms of IAS 1 - Presentation of Financial Statements (as amended), IAS 34 - Interim Financial Reporting, the Companies Act, 1973 (Act 61 of 1973), as amended, and the Listings Requirements of JSE Limited.

The interim results have not been audited or reviewed by the Group's auditors.

2. Basis of measurement

These unaudited condensed financial statements have been prepared on the historical cost basis, modified for certain items measured at fair value.

3. Operating profit

Operating profit includes:

	Unaudited 6 months ended 31 March 2010 R`000	Unaudited 6 months ended 31 March 2009 R`000	Audited 12 months ended 30 September 2009 R`000
- Operating lease charges	(1 795)	(1 699)	(3 211)
- Loss on sale of property, plant and equipment	-	(141)	(494)
- Profit on sale of property,	66	-	24

plant and equipment			
- Impairment of property, plant and equipment	-	-	(46)
- Depreciation on property, plant and equipment	(3 839)	(3 554)	(6 997)
- Amortisation on intangible assets	(462)	(462)	(924)
- Directors' emoluments	(2 677)	(2 218)	(4 726)
- Employee costs	(41 396)	(42 019)	(90 670)
- Audit fees	(385)	(647)	(769)
- Secretarial fees	(22)	-	(53)
- Share-based payments	(113)	(108)	(216)
- Share-based payment option expense	-	-	(6 231)
- Profit on exchange differences	4	-	6
- Operating lease income	30	-	107
4. Share capital			

Number of shares

Balance as at 1 October 2008	104 018 088
Balance as at 31 March 2009	104 018 088
Increase in issued share capital*	35 959 939
Balance as at 30 September 2009	139 978 027
Increase in issued share capital**	6 388 440
Balance as at 31 March 2010	146 366 467

* 34 615 384 of these shares were issued to Solethu Civils which is consolidated as part of the Group in terms of SIC 12 Consolidation - Special Purpose Entities, even though Solethu Civils is not a subsidiary of

RACEC and RACEC does not have any control over Solethu Civils, and is therefore classified as treasury shares.

** 5 781 756 of these shares were issued to the Trust which is consolidated as part of the Group and is therefore classified as treasury shares, and the balance of 606 684 shares was issued to Mr Vuyani Victor Mrwau, a former director and shareholder of RACEC Power.

5. Other reserves

	Share buy-back R`000	Revaluation reserve R`000	Share-based payment reserve R`000	Total R`000
Balance at 1 October 2008	(3 878)	5 284	-	1 406
- Realised revaluation through depreciation	-	(333)	-	(333)
- Deferred tax on realised revaluation through depreciation	-	93	-	93
Balance at 31 March 2009	(3 878)	5 044	-	1 166
- Realised revaluation through depreciation	-	(316)	-	(316)
- Deferred tax on realised revaluation through depreciation	-	88	-	88
- Other comprehensive (loss)/profit	-	(291)	6 231	5 940
Balance at 30 September 2009	(3 878)	4 525	6 231	6 878
- Realised revaluation through depreciation	-	(300)	-	(300)
- Deferred tax on realised revaluation through depreciation	-	84	-	84
- Impairment of property, plant and equipment	-	(240)	-	(240)
- Deferred tax on impairment of property, plant and equipment	-	67	-	67

- Realised revaluation through disposal of assets	-	(246)	-	(246)
- Deferred tax on realised revaluation through disposal of asset	-	12	-	12
- Deferred tax on realised revaluation through disposal of property	-	58	-	58
- Minority interest buy-out	(431)	-	-	(431)
Balance at 31 March 2010	(4 309)	3 960	6 231	5 882

The share buy-back reserve arises on the consolidation of the Trust due to its investments in RACEC Electrification (Proprietary) Limited ("RACEC Electrification") and RACEC Rail (Proprietary) Limited ("RACEC Rail"). The revaluation reserve arises on the revaluation of property, plant and equipment. Where revalued assets are sold, the portion of the revaluation reserve that relates to that asset is effectively realised, and transferred directly to retained profits.

The share-based payment reserve arises on the recognition of the share-based option expense relating to the issue of 34 615 384 RACEC ordinary shares to Solethu Civils.

6. Reconciliation of (loss)/earnings to headline (loss)/earnings

	Unaudited 6 months ended 31 March 2010 R`000	Unaudited 6 months ended 31 March 2009 R`000	Audited 12 months ended 30 September 2009 R`000
(Loss)/Profit for the period	(2 033)	6 785	(13 159)
Adjustments for:			
- Loss on disposal of property, plant and equipment	-	140	494
- Profit on disposal of property, plant and equipment	(66)	-	(23)
- Impairment losses on property, plant and equipment	-	-	46
- Tax effects	19	(39)	(145)
- Minority interest effect	-	(3)	-
Headline (loss)/earnings	(2 080)	6 883	(12 787)

7. Acquisitions

RACEC acquired the remaining 30% minority interests in RACEC Rail, RACEC Electrification and RACEC Power, respectively, by issuing 6 388 440 new ordinary shares in RACEC on 11 March 2010, for a total consideration of R4 286 004, effective 1 October 2009 ("the minority buyout"). RACEC acquired the remaining 30% minority interests in RACEC Rail and RACEC Electrification from the Trust in exchange for 5 781 756 new ordinary shares in RACEC, which shares are classified as treasury shares. The remaining 30% minority interest in RACEC Power was acquired from Mr Vuyani Victor Mrawu, a former director and shareholder of RACEC Power, in exchange for 606 684 new ordinary shares in RACEC.

The ordinary shares in RACEC issued as consideration for the minority buyout were issued at a price of 67.09 cents per share, being the 30-day volume weighted average share price of RACEC shares on 1 October 2009. The rationale for the acquisition of these minority interests was to remove the remaining minority interests in the Group, to increase RACEC's overall Broad-Based Black Economic Empowerment and to increase the earnings attributable to the equity holders of RACEC. The minority buyout did not classify as a category 1 or category 2 transaction in terms of the Listings Requirements of JSE Limited, as the 5 781 756 ordinary shares issued as treasury shares to the Trust are excluded from the categorisation calculations.

8. Subsequent events

As detailed in the SENS announcements dated 26 May 2010, 3 June 2010 and 11 June 2010, and the circular posted to shareholders on 21 June 2010, RACEC is undertaking a fully underwritten renounceable rights offer in order to raise R10 million. The proceeds of the rights offer will be used to fund RACEC's working capital requirements in order to facilitate the completion of two large electrical projects in the Western Cape to the value of approximately R140 million that have been awarded to RACEC, as well as a further railway rehabilitation project in North West Africa that is expected to be formally awarded to RACEC in due course. These projects are detailed further in the operational performance and prospects section contained in this announcement.

9. Contingent liabilities

	Unaudited 6 months ended 31 March 2010 R`000	Unaudited 6 months ended 31 March 2009 R`000	Audited 12 months ended 30 September 2009 R`000
STC on remaining reserves	4 438	3 039	1 546
Performance guarantees	38 376	25 814	25 177

The performance guarantees are provided by Lombards Insurance Company Limited and C&G Underwriting Managers (Proprietary) Limited for work by subsidiary companies.

10. Dividends

	Unaudited 6 months ended 31 March 2010	Unaudited 6 months ended 31 March 2009	Audited 12 months ended 30 September 2009
Dividends declared to equity holders of the parent (R`000)	-	-	3 120
Dividends per share (cents)	-	-	3.0

11. Commitments to Solethu Civils

As detailed in the circular to shareholders dated 29 June 2009, a specific issue of 34 615 384 ordinary shares was made by RACEC to Solethu Civils for a consideration of R45 000 000 ("the specific issue"). The specific issue agreement entered into between RACEC and Solethu gave rise to a number of obligations to RACEC including the following:

The right

RACEC granted Solethu Civils the right within specific terms and conditions to sell 26 923 077 of the specific issue shares back to RACEC for a total consideration of R35 000 000 ("the right").

On exercise of the right, Solethu Civils will be deemed to have subscribed for RACEC ordinary shares for a consideration based on a formula as agreed upon and on the actual versus budgeted profit before tax for a rolling 12-month period before the right was exercised. The number of ordinary shares to be issued will be determined by dividing the consideration as determined using the agreed upon formula by the 30-day volume weighted average price of RACEC ordinary shares as at the date of exercise of the right.

Funding assistance

In order to assist Solethu Civils in funding the specific issue, RACEC has undertaken to advance an annual loan to Solethu Civils commencing on 31 December of every year until 31 December 2013, equal to the aggregate interest that would notionally have accrued on R13 462 000, calculated at the prime interest rate.

Such amounts advanced by RACEC to Solethu Civils will carry interest at the prime interest rate until repayment of the amounts advanced and interest thereon on 28 February 2014.

Profit guarantee

RACEC provided Solethu Civils with a profit guarantee which allows Solethu Civils to compel RACEC to purchase a class "B" ordinary share in Solethu

Civils with limited voting rights, no dividend rights and no right to share premium on the winding up of Solethu Civils.

The subscription price for the "B" share will be 34 615 385 multiplied by (R1.30 less the normalised earnings per share multiplied by 5), added the notional interest at prime lending rate that would have accrued from 28 August 2009 up to the date of exercise of the option by Solethu Civils. The normalised earnings is defined as the headline earnings of RACEC at 30 September 2010, adjusted for the consolidation of Solethu Civils, any IFRS/fair value adjustments pertaining to the share issue option expense given to Solethu Civils and any IFRS/fair value adjustments which will be considered extra-ordinary.

COMMENTARY

PROFILE AND STRUCTURE

RACEC has been in existence since 1956 and has built an extremely well trained and experienced group of employees.

Despite the current economic turmoil, the Group remains well positioned to take advantage of the infrastructure spend both locally and on the African continent.

The backlog to reverse the deteriorating South African and other African countries' infrastructure which resulted from the lack of investment for over a decade persists.

The Group's primary business is the provision of engineering infrastructure solutions.

The Group comprises a holding company and a number of subsidiaries, from which the business activities are conducted. The Group has two main focuses, namely the provision of electrical reticulation ("RACEC Electrification") and railconstruction which includes both track installation and maintenance ("RACEC Rail").

As a result of RACEC's experience across both the Rail and Electrification segments, the Group is one of the only specialists in South Africa with the capability to offer complete turnkey rail track solutions, from concept design recommendations, through to construction and handover without outsourcing.

Electrification services are provided by:

- RACEC Electrification and RACEC Power (Proprietary) Limited are both involved in electrical reticulation and which originated from RACEC's objective to complement its rail track business with the electrification of railway tracks.
- Greenbro manufactures and supplies industrial generators and electrical enclosures.
- Northern Electric is an electrical contractor focused primarily on the industrial and commercial markets.

Greenbro and Northern Electric were acquired during the 2008 financial year and are now an integral part of the Group's operations.

Rail services are provided by:

RACEC Rail which concentrates mainly on the construction and maintenance of railway tracks throughout South and southern Africa.

There have been no major changes in the nature of the Rail business.

FINANCIAL PERFORMANCE

The Group reported an 11% decrease in revenue for the six months ended 31 March 2010 to R167.1 million (2009: R188.4 million) with continued pressure on revenue and margins as a result of the toughest trading and economic conditions seen in decades.

The difference in financial results can be attributed to a combination of:

- the delays in the expected commencement of two significant contracts to the value of approximately R140 million in RACEC Electrification in 2009.

Work on these contracts, however, began during March/April 2010 and management expects that they will contribute significantly to the results of the Group in the next six months of trading; and

- significant losses sustained by RACEC's manufacturing subsidiary, Greenbro,

due in part to the economic downturn and the "reversal" of Eskom's inability to supply consistent power. During the last six months however, RACEC has undertaken a number of initiatives, which management is confident will ensure a return to profitable operations for Greenbro. These initiatives include:

- the restructuring of Greenbro's senior management team, including the employment of a temporary Managing Director while the incumbent Managing Director is on sick leave; and

- the completion of a significant cost cutting and retrenchment programme of both management and staff.

There is strong evidence that the infrastructure market is recovering, with a number of projects, which were postponed during the economic crisis now being revisited. In particular, RACEC Electrification has recently secured several new contracts for delivery in the next two years, which are set to contribute positively to the financial performance in the current year. Generally, margins have come under pressure, however, the Group has also experienced a slowdown in its generator manufacturing operations, which typically contributed margins in the region of 25% to 30%.

Attributable loss for the period was R2.0 million (2009: profit of R6.8 million). A headline loss per share of 2.0 cents (2009: earnings of 6.6 cents) was reported. Diluted headline loss per share, which is based on 105.4 million weighted average shares (2009: 104.0 million) was 2.0 cents (2009: earnings of 6.6 cents).

Cash flow utilised by operating activities in the six months to 31 March 2010 amounted to R9.5 million (2009: generated R15.5 million).

The net asset value per share decreased from 45.8 cents per share to 43.5 cents per share in the six months to 31 March 2010.

Given the nature of the industry and the traditional close down periods during December and January of each year, the Group's operations show a seasonal bias towards the second half of the financial year.

Net tangible asset value per share decreased by 5% to 34.1 cents (30 September 2009: 35.9 cents).

OPERATIONAL PERFORMANCE AND PROSPECTS

RACEC Rail

In the first six months ended 31 March 2010, RACEC Rail reported revenue amounting to R62.7 million (2009: R68.3 million), reflecting a decrease of 8%.

The division continues to be impacted by lengthy adjudication processes among parastatal companies, with contracts taking up to 18 months to be awarded.

In addition to the turnkey solutions, the Group is aligning itself with companies specialising in locomotive shunting operations. Coupled with its rail infrastructure maintenance subdivision, this will enable RACEC Rail to expand its services to offer "Build, Operate and Transfer" project solutions.

RACEC Rail is currently undertaking a large rail

rehabilitation/reconstruction contract in North West Africa.

These cross border projects will counteract the long lead times on projects in the local parastatal sector and should dampen the impact of the global economic downturn in the local market.

RACEC Electrification

For the first six months ended 31 March 2010 RACEC Electrification delivered revenue amounting to R104.3 million (2009: R120.2 million), which represents a decrease of 13%.

The projects identified in 2008 and 2009, which did not materialise, have now been awarded and have commenced from March 2010. These are:

- Cape Town Container Terminal Expansion Project - this is a 22-month contract valued at R70 million as part of Transnet's upgrade of five substations and the construction of two new substations. The project scope includes reconfiguring the container stack areas and installing new electrical supplies to approximately 2 700 refrigerated containers. The electrical works will include the installation of some 25 and 70 kilometres of MV and LV cabling respectively, 38 miniature substations and 460 Reefer Power kiosks among others; and

- Street lighting on the N1 motorway between Koeberg Interchange and Old Oak

Interchange - this project covers the supply and installation of street lighting in a 13-month contract valued at more than R70 million. The distance to be lit spans approximately 12.75 kilometres of multi lane divided highway and 10.5 kilometers of on- and off-ramps located at the interchanges. The new lighting will be controlled by an intelligent wireless mesh-network (BEKA's OWLET nightshift Telemanagement System). This will eliminate the need for a wired control circuit and will allow remote management and control of the installation from a centralised management server. The contract includes the supply and installation of approximately 70 kilometres of MV and LV cabling, 600 poles and 900 luminaires among others.

These projects, along with Government's ongoing commitment to infrastructure investment, positions RACEC Electrification to achieve growth in the next year.

PROSPECTS

The delays in the commencement of the two contracts and the losses sustained by Greenbro contributed to a lower level of profitability in the six months ended 31 March 2010, compared to the six months ended 31 March 2009. However, the performance of the Group in the six months ended 31 March 2010 has shown a significant improvement on the headline loss per share of 18.9 cents for the six months ended 30 September 2009.

With confirmed projects, representing 85% of this year's anticipated total revenue, in comparison to 41% in the previous comparative period, management is confident that results will continue to improve and that RACEC will return to profitability by 30 September 2010.

BEE

A multi-faceted approach to BEE has been adopted which aims to increase the number of previously disadvantaged individuals that manage, own and control RACEC.

RACEC is fully committed to the principals of direct control through ownership of the organisation's equity, human resource development, employment equity and indirect empowerment through preferential procurement policies.

The agreement with Solethu Investments has resulted in an increase in the BEE shareholding within the Group which has been a key objective of the board.

Solethu Investments is strategically positioned in the rail logistics industry with solid experience in road, rail, sea and related industries. Through this new partnership RACEC will deliver on its strategic imperative

of becoming a leading provider of rail and electrification solutions while enhancing its transformation imperatives by the introductions of a substantial black shareholder to the Group.

The BEE shareholding of most of the operating companies in the Group exceeds 30%.

The Trust was established in 2004 and owns shares in RACEC. There are approximately 800 beneficiaries of the Trust, most of whom are from the previously disadvantaged community.

DIRECTORATE

There have been no changes to the board of directors during the period under review. As announced on SENS on 14 May 2010, Charles Harrod retired as CEO on 31 May 2010, but remains on the board as a non-executive director. Gary Harrod, the previous chief operating officer of RACEC, assumed the role of CEO from 1 June 2010.

SOCIAL RESPONSIBILITY

Employment equity and skills development

RACEC has a dedicated manager responsible for handling all issues related to employment equity and training. As a group, RACEC is committed to creating opportunities for its staff through training and promotion from within, wherever possible.

Health and safety

The Group has a dedicated Group Health and Safety manager who reports directly to the CEO and carries his authority. Health and safety committees are established at all our branches and all work areas are continuously assessed.

There is a training programme in place and all safety representatives are trained and regularly monitored.

HIV/AIDS

As a further commitment to our staff we have arranged HIV/AIDS information sessions and testing of all our staff on a voluntary basis. The results of these tests are strictly confidential and counselling is arranged for those requiring further assistance. Information about the HIV/AIDS pandemic is provided on an ongoing basis.

DIVIDENDS

No interim dividends have been declared for the period.

By order of the board

M Uys

G Harrod

Non-Executive Chairman

Chief Executive Officer

23 June 2010

Directors:

M Uys* (Chairman), G Harrod (Chief Executive Officer), C Harrod*, C Gooden*, W Ollewagen, S Wilkins (Financial Director), B Petersen*, Q Zulu*, S Smithyman**

* Non-executive

** Non-executive and alternate director to Q Zulu

Company secretary:

C van Rensburg

Registered office:

8 Hawkins Avenue, Epping 1, 7460 (PO Box 61, Eppindust, 7475)

Transfer secretaries:

Computershare Investor Services (Proprietary) Limited (PO Box 61763, Marshalltown, 2107)

Designated Adviser:

Merchantec Capital (PO Box 41480, Craighall, 2024)

Auditors:

BDO Incorporated (Docex 158, Cape Town)

These results may be viewed on the internet on <http://www.racec.co.za>

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