RACEC GROUP LIMITED

CONDENSED CONSOLIDATED UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 MARCH 2011

EXCELLENCE IN ENGINEERING INFRASTRUCTURE

MISSION

To meet stakeholders' expectations, we will strive to build long-term customer-focused ethical relationships with our clients, by providing sustainable quality and cost-effective products and services. We will safely train and empower our dedicated and committed staff to equip them with superior knowledge and skill to achieve excellence in engineering.

VISION – WHAT WE WANT TO BE

To be the leading provider of engineering infrastructure solutions in our focus areas of RAIL and ELECTRICAL within South Africa, as well as being the preferred provider to key role players throughout Africa. The brand will be synonymous with: "Excellence in Engineering Infrastructure".

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 31 Mar 2011 R'000	Unaudited 6 months ended 31 Mar 2010 R'000	Audited year ended 30 Sep 2010 R'000
Revenue	**150 220**	167 092	394 170
Cost of sales	**(109 291)**	(138 937)	(310 156)
Gross profit	**40 929**	28 155	84 014
Other income	**20**	613	1 311
Other expenses	**(33 441)**	(27 652)	(56 878)
Net profit before investment revenue, finance costs and taxation	**7 508**	1 116	28 447
Investment revenue	**863**	1 558	2 388
Finance costs	**(3 496)**	(4 112)	(9 340)
Profit/(Loss) before taxation	**4 875**	(1 438)	21 495
Taxation	**(2 221)**	(595)	(8 549)
Profit/(Loss) for the period	**2 654**	(2 033)	12 946
Attributable to:			
Equity holders of the parent	**3 103**	(2 033)	13 075
Non-controlling interest	**(449)**	–	(129)
	2 654	(2 033)	12 946
Other comprehensive income/(loss):			
– Deferred tax on revaluation through disposal	**–**	–	251
– Revaluation of property, plant and equipment	**–**	–	336
– Deferred tax on revaluation of property, plant and equipment	**–**	–	(94)
– Impairment of property, plant and equipment	**–**	(240)	–
– Deferred tax on impairment of property, plant and equipment	**–**	67	–
– Deferred tax on realised revaluation through disposal of property	**–**	58	–
– Share option expense	**75**	–	–
– Foreign currency translation differences	**(164)**	–	6
Total comprehensive income/(loss) for the period	**2 565**	(2 148)	13 445
Attributable to:			
Equity holders of the parent	**3 014**	(2 148)	13 574
Non-controlling interest	**(449)**	–	(129)
	2 565	(2 148)	13 445

EARNINGS/(LOSS) PER SHARE (CENTS)

	31 Mar 2011	31 Mar 2010	30 Sep 2010
Basic	**2.9**	(1.9)	12.4
Diluted basic	**1.8**	(1.9)	8.7
Headline	**2.9**	(2.0)	13.3
Diluted headline	**1.8**	(2.0)	9.4
Weighted average number of ordinary shares in issue ('000)*	**106 104**	105 429	105 730
Fully diluted weighted average number of ordinary shares in issue ('000)**	**174 966**	105 429	149 642

* Excludes treasury shares
** Treasury shares considered to have dilutive potential

SEGMENTAL REPORT

Analysis per reportable segment	Administrative investment and plant hire R'000	Electrical services R'000	Rail construction R'000	Total R'000
Unaudited – 6 months ended 31 March 2011				
Revenue – external	**–**	**69 617**	**90 723**	**160 340**
Revenue – intersegment	**10 305**	**241**	**245**	**10 791**
Profit/(Loss) before tax	**1 706**	**(14 506)**	**17 675**	**4 875**
Total assets	**39 654**	**78 399**	**87 712**	**205 765**
Unaudited – 6 months ended 31 March 2010				
Revenue – external	38	104 341	62 713	167 092
Revenue – intersegment	10 404	101	5	10 510
Profit/(Loss) before tax	730	(7 571)	5 403	(1 438)
Total assets	39 029	111 664	49 467	200 160
Audited – year ended 30 September 2010				
Revenue – external	271	236 722	157 177	394 170
Revenue – intersegment	23 773	230	45	24 048
Profit/(Loss) before tax	(218)	(1 257)	22 970	21 495
Total assets	54 051	91 224	77 713	222 988

Geographical analysis	South Africa R'000	Outside South Africa R'000	Total R'000
Unaudited – 6 months ended 31 March 2011			
Revenue	**110 357**	**49 983**	**160 340**
Profit/(Loss) before tax	**(20 465)**	**25 340**	**4 875**
Total assets	**173 809**	**31 956**	**205 765**
Unaudited – 6 months ended 31 March 2010			
Revenue	167 092	–	167 092
Loss before tax	(1 438)	–	(1 438)
Total assets	200 160	–	200 160
Audited – year ended 30 September 2010			
Revenue	338 559	55 611	394 170
(Loss)/Profit before tax	(3 348)	24 843	21 495
Total assets	191 736	31 252	222 988

An operating segment is a component of the Group that engages in business activities which may earn revenues and incur expenses and whose operating results are regularly reviewed by the Group's chief operating decision maker (this being the RACEC Group Limited board of directors), in order to allocate resources and assess performance and for which discrete financial information is available.

Operating segments, which display similar economic characteristics and have similar products, services, customers, methods of distribution and regulatory environments, are aggregated for reporting purposes.

Segments were identified and grouped together using a combination of the products and services offered by the segments and the geographical areas in which they operate. The basis on which the operating segment information is presented has been adjusted in line with the requirements of IFRS 8: Operating Segments. The Group previously presented operating segment information using similar economic characteristics as a basis for dividing the business operations.

With the adoption of IFRS 8, the Group has identified its reportable operating segments as those regularly reviewed by the chief operating decision maker, in order to allocate resources and assess performance. Comparative amounts have been restated to reflect the new classifications; this change had no impact on the Group's earnings per share.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited		Audited
	as at 31 Mar 2011 R'000	as at 31 Mar 2010 R'000	as at 30 Sep 2010 R'000
ASSETS			
Non-current assets	**83 546**	68 395	75 374
– Property, plant and equipment	**61 713**	54 271	55 631
– Investment property	**351**	351	351
– Intangible assets	**10 548**	10 030	10 314
– Loans and receivables	**4 404**	–	–
– Loans to related parties	**11**	80	4 694
– Deferred tax assets	**6 519**	3 663	4 384
Current assets	**122 219**	131 765	147 614
– Inventories	**49 501**	25 694	31 020
– Trade and other receivables	**58 364**	94 589	97 237
– Derivative financial instruments	**–**	–	28
– Tax receivable	**119**	1 894	97
– Cash and cash equivalents	**14 235**	9 588	19 232
Total assets	**205 765**	200 160	222 988
EQUITY AND LIABILITIES			
Capital and reserves	**59 423**	46 134	61 232
– Equity attributable to equity holders of the parent	**60 001**	46 134	61 361
– Non-controlling interest	**(578)**	–	(129)
Non-current liabilities	**56 926**	52 993	66 176
– Loans from related parties	**40 620**	35 364	50 161
– Other financial liabilities	**8 284**	11 647	7 244
– Share-based payments	**2 890**	3 201	2 911
– Deferred tax liabilities	**5 132**	2 781	5 860
Current liabilities	**89 416**	101 033	95 580
– Other financial liabilities	**8 800**	6 919	12 828
– Current tax payable	**10 624**	1 582	6 894
– Trade and other payables	**48 513**	60 346	54 494
– Bank overdraft	**21 479**	32 186	21 364
Total equity and liabilities	**205 765**	200 160	222 988
Net asset value per share (cents)	**56.6**	43.5	57.8
Net tangible asset value per share (cents)	**46.6**	34.1	48.1
Total number of ordinary shares in issue ('000)*	**106 104**	105 969	106 104

* Excludes treasury shares

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months ended 31 Mar 2011 R'000	Unaudited 6 months ended 31 Mar 2010 R'000	Audited year ended 30 Sep 2010 R'000
Cash flows from operating activities	**18 327**	(9 482)	10 083
– Cash generated from operations	**22 276**	(7 986)	11 136
– Interest income	**863**	992	2 388
– Finance costs	**(3 496)**	(1 674)	(4 165)
– Taxation paid	**(1 316)**	(814)	724
Cash flows from investing activities	**(11 137)**	1 591	(5 258)
– Purchase of property, plant and equipment	**(13 490)**	(1 201)	(13 186)
– Proceeds from disposal of property, plant and equipment	**3 048**	2 832	8 771
– Purchase of intangible assets	**(695)**	(40)	(843)
Cash flows from financing activities	**(12 077)**	(6 210)	1 527
– Repayment of other financial liabilities	**(6 649)**	(5 805)	(14 003)
– Advance of other financial liabilities	**3 528**	1 597	11 144
– (Repayment)/Advance of loans by related parties	**(4 582)**	(2 002)	4 879
– Net proceeds from share issue	**–**	–	(493)
– Dividends paid	**(4 374)**	–	–
Total cash movement for the period	**(4 887)**	(14 101)	6 352
Cash at the beginning of the period	**(2 132)**	(8 497)	(8 497)
Exchange rate movements on cash and cash equivalents	**(225)**	–	13
Total cash at the end of the period	**(7 244)**	(22 598)	(2 132)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital and share premium R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interest R'000	Total equity R'000
Balance at 30 September 2009	76 298	(45 000)	6 878	10 129	69	48 374
Total comprehensive loss	–	–	(565)	(1 583)	–	(2 148)
– Loss for the period	–	–	–	(2 033)	–	(2 033)
– Realised revaluation through depreciation	–	–	(300)	300	–	–
– Deferred tax on revaluation through depreciation	–	–	84	(84)	–	–
– Realised revaluation through disposal	–	–	(246)	246	–	–
– Deferred tax on revaluation through disposal	–	–	12	(12)	–	–
– Impairment of property, plant and equipment	–	–	(240)	–	–	(240)
– Deferred tax on impairment of property, plant and equipment	–	–	67	–	–	67
– Deferred tax on realised revaluation through disposal of property	–	–	58	–	–	57
Share capital issued by the company	4 286	–	–	–	–	4 286
Shares issued to subsidiaries*	–	(3 878)	–	–	–	(3 878)
Non-controlling interest acquired	–	–	(431)	–	(69)	(500)
Balance at 31 March 2010	80 584	(48 878)	5 882	8 546	–	46 134
Total comprehensive income/(loss)	–	–	(267)	15 989	(129)	15 593
– Profit for the period	–	–	–	15 108	(129)	14 979
– Realised revaluation through depreciation	–	–	(199)	199	–	–
– Deferred tax on revaluation through depreciation	–	–	56	(56)	–	–
– Realised revaluation through disposal	–	–	(756)	756	–	–
– Deferred tax on revaluation through disposal	–	–	269	(18)	–	251
– Revaluation of property, plant and equipment	–	–	576	–	–	576
– Deferred tax on revaluation of property, plant and equipment	–	–	(219)	–	–	(219)
– Foreign currency translation differences	–	–	6	–	–	6
Share capital issued by the Company	11 440	–	–	–	–	11 440
Share issue expenses	(548)	–	–	–	–	(548)
Shares issued to subsidiaries*	–	(11 387)	–	–	–	(11 387)
Share premium reduction	(21 107)	21 107	–	–	–	–
Balance at 30 September 2010	70 369	(39 158)	5 615	24 535	(129)	61 232
Total comprehensive income/(loss)	**–**	**–**	**(375)**	**3 389**	**(449)**	**2 565**
– Profit for the period	**–**	**–**	**–**	**3 103**	**(449)**	**2 654**
– Realised revaluation through depreciation	**–**	**–**	**(333)**	**333**	**–**	**–**
– Deferred tax on revaluation through depreciation	**–**	**–**	**93**	**(93)**	**–**	**–**
– Realised revaluation through disposal	**–**	**–**	**(64)**	**64**	**–**	**–**
– Deferred tax on revaluation through disposal	**–**	**–**	**18**	**(18)**	**–**	**–**
– Share option expense	**–**	**–**	**75**	**–**	**–**	**75**
– Foreign currency translation differences	**–**	**–**	**(164)**	**–**	**–**	**(164)**
Dividends paid	**–**	**–**	**–**	**(4 374)**	**–**	**(4 374)**
Balance at 31 March 2011	**70 369**	**(39 158)**	**5 240**	**23 550**	**(578)**	**59 423**

* The shares were issued to the RACEC Employee Share Trust ("the Trust"), RACEC Employee Share Purchase Scheme ("the Scheme") and Solethu Civils Holdings (Proprietary) Limited ("Solethu Civils"), being special purpose entities, which are consolidated as part of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. Statement of compliance

The accounting policies applied in the preparation of these unaudited condensed consolidated results, which are based on reasonable judgements and estimates, are in accordance with International Financial Reporting Standards, AC 500 as issued by the Accounting Practices Board, its interpretations adopted by the International Accounting Standards Board and are consistent with those applied in the annual financial statements for the year ended 30 September 2010. These condensed consolidated financial statements as set out in this report have been prepared in terms of IAS 34 – Interim Financial Reporting, the Companies Act, 1973 (Act 61 of 1973), as amended, and the Listings Requirements of JSE Limited ("Listings Requirements").

These results have not been reviewed or audited 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. Reconciliation of earnings /(loss) to headline earnings/(loss)

	Unaudited 6 months ended		Audited year ended
	31 Mar 2011 R'000	31 Mar 2010 R'000	30 Sep 2010 R'000
Profit/(Loss) for the period	**3 103**	(2 033)	13 075
Adjustments for:			
– Loss on disposal of property, plant and equipment	**27**	–	631
– Profit on disposal of property, plant and equipment	**(2)**	(66)	(80)
– Impairment losses on property, plant and equipment	**–**	–	736
– Impairment loss on intangible assets	**–**	19	57
– Tax effects	**(7)**	–	(369)
Headline earnings/(loss)	**3 121**	(2 080)	14 050

4. Events after the reporting period

The directors are not aware of any material matters or circumstances arising since the end of the interim period up to the date of this report.

COMMENTARY

FINANCIAL PERFORMANCE

While the Group reported a 10% reduction in revenue for the six months to 31 March 2011 compared to the corresponding period of the prior year, there was a 45% increase in the gross profit from R28.2 million to R40.9 million, with overall margins improving to 27% (2010: 17%). This has been driven by several cross border contracts which commenced in the latter part of the 2010 financial year.

Comprehensive income attributable to equity holders of the parent for the six months was recorded at R3.0 million (2010: loss of R2.1 million). Headline earnings per share amounted to 2.9 cents (2010: loss of 2.0 cents). Diluted headline earnings per share improved to 1.8 cents (2009: loss of 2.0 cents).

Cash flow generated by operating activities for the six months to 31 March 2011 amounted to R18.3 million (2010: utilised R9.5 million), due largely to the cash generated from profitable operations and advance contract receipts.

The net asset value per share increased from 43.5 cents per share to 56.6 cents per share and the net tangible asset value per share increased from 34.1 cents to 46.6 cents compared to the corresponding prior period.

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.

OPERATIONAL PERFORMANCE AND PROSPECTS

Although Eskom, Transnet and SANRAL remain committed to their infrastructure spend, the local construction industry is still experiencing a lag as it remains influenced by the recession. The local rail sector is showing positive signs of recovery with RACEC Rail's confirmed and potential order book looking extremely promising. Unfortunately, RACEC's Electrical and Manufacturing operations are continuing to operate in a hugely competitive environment as current supply continues to outstrip demand.

As the local uncertainty has pushed companies to pursue opportunities further afield, RACEC Rail has successfully expanded its operations into Africa. With the successful delivery of current contracts in Sierra Leone and Mozambique, the rail operations are well positioned to take advantage of further opportunities in Ghana, Kenya, Tanzania, Liberia and Malawi whilst further consolidating its position in Sierra Leone and Mozambique.

RACEC Electrification continues to be impacted by a tough domestic market where the average size of projects is reducing and margins are being placed under significant pressure.

Despite the depressed market conditions, RACEC Electrification is working on a number of potential projects in the renewable energy sector, including wind farms, solar farms and large infrastructure projects; however, we do not foresee that these will have a significant impact on our turnover until the next financial year.

Following the success of RACEC Rail's cross border operations, RACEC Electrification is also actively pursuing opportunities in the African market, as well as seeking potential acquisitions and joint ventures to improve its local market share.

In summary, RACEC remains positive and optimistic about its future prospects despite the short-term uncertainty in the local market. The medium to longer-term opportunities in the public sector within South Africa are promising, and we are confident that with the political will, local demand for infrastructure will once again become a priority.

DIVIDENDS

RACEC's dividend policy is to pay one third of profit after tax, which would have translated into a dividend declaration amounting to R4 million for 2010, with the proviso that this was affordable.

However, the board took a decision that due to the uncertainties and volatility in the global environment, RACEC should adopt a more vigilant approach to cash management and accordingly the declaration was delayed until the next meeting of the Board held on 3 March 2011. At that meeting, the decision was taken to declare a dividend of 2.5 cents a share, which was paid on 4 April 2011.

No dividends have been declared for the six months to 31 March 2011.

DIRECTORATE

During the period under review, Mr Winston Ollewagen retired as an executive director of RACEC at the annual general meeting held on 3 March 2011.

By order of the board

M Uys
Non-executive Chairman

G Harrod
Chief Executive Officer

27 June 2011

These results may be viewed on the internet on
www.racec.co.za

Directors: M Uys* (Chairman), G Harrod (Chief Executive Officer), C Harrod*, C Gooden*,
S Wilkins (Chief Financial Officer), 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: Grant Thornton Cape Inc. (Docex 158, Cape Town)

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")

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