

RACEC Group Limited
 Incorporated in the Republic of South Africa
 (Registration Number 1998/006153/06)
 Share Code: RAC ISIN Code: ZAE000105409
 ("RACEC" or "the Company")

Unaudited Interim Results for the six months ended 31 March 2008

Revenue up 63%
 Profit for the period up 210%
 Interim dividend declared at 2.0 cents per share
 Earnings per share up 71%
 Net asset value per share up 94%

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Unaudited six months ended 31 March 2008 R'000	Audited six months ended 31 March 2007 R'000
Revenue	146 325	89 535
Cost of sales	(118 857)	(74 302)
Gross profit	27 468	15 233
Other income	-	363
Other expenses	(17 033)	(12 235)
Net profit before finance costs and taxation	10 435	3 361
Interest received	1 091	3 032
Finance costs	(1 832)	(2 428)
Profit before taxation	9 694	3 965
Taxation	(3 190)	(1 320)
Profit for the period	6 504	2 645
Attributable to:		
Equity holders of the parent	6 504	2 619
Minority interest	-	26
Earnings per share(cents):		
Earnings per share	6.5	3.8
Headline earnings per share	6.6	3.9

CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited at 31 March 2008 R'000	Audited at 30 September 2007 R'000
Assets		
Non-current assets		
Property, plant and equipment	31 761	26 352
Investment property	350	350
Intangible asset	1 559	1 736
	33 670	28 438
Current assets		
Inventories	20 983	14 803
Loans to related parties	-	9 376
Trade and other receivables	86 215	70 092
Cash and cash equivalents	622	19 472
	107 820	113 743
Total assets	141 490	142 181
EQUITY AND LIABILITIES		
Capital and reserves	45 274	16 369
Non-current liabilities		
Loans from related parties	673	676
Other financial liabilities	10 639	8 420
Share based payments	1 881	1 582
Deferred tax	1 168	656
	14 361	11 334
Current liabilities		
Loans from shareholders	-	9 152
Trade and other payables	54 271	63 747
Other financial liabilities	6 331	14 739
Taxation	2 341	5 782
Bank overdrafts	18 912	21 058
	81 855	114 477
Total liabilities	96 216	125 812
Total equity and liabilities	141 490	142 181
Net asset value per share (cents)	45.3	23.4
Net tangible asset value per share (cents)	43.7	20.9
Number of shares in issue	100 000 000	70 000 000

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital and share premium	Share buy back	Revaluation reserve	Retained income	Total attributable to equity holders	Minority interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 1 October 2006	1	(3 879)	5 473	4 918	6 513	64	6577
<i>Changes in equity</i>							
Realised revaluation through depreciation	-	-	-566	566	-	-	-
Revaluation of property, plant and equipment	-	-	-	-	-	-	-
Reversal of property, plant and equipment previously revalued	-	-	-	-	-	-	-
Net income recognised directly in equity	-	-	-566	566	-	-	-
Net profit for the period	-	-	-	2 618	2 618	26	2644
Dividends	-	-	-	-904	-904	-	-904
Balance at 31 March 2007	1	(3 879)	4 907	7 198	8 227	90	8317
<i>Changes in equity</i>							
Share buy back	-0.3	-	-	-	-0.3	-	-0.3
Realised revaluation through depreciation	-	-	-2 771	2 771	-	-	-
Revaluation of property, plant and equipment	-	-	803	-	803	-	803
Net (expenses) / income recognised directly in equity	-	-	-1 968	2 771	803	-	803
Net profit for the period	-	-	-	9 616	9 616	-	9616
Disposal of subsidiary	-	-	-	-	-	-90	-90
Dividends	-	-	-	(2 277)	(2 277)	-	-2277

CONDENSED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital and share premium	Share buy back	Revaluation reserve	Retained income	Total attributable to equity holders	Minority interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 1 October 2007	0.7	(3 879)	2 939	17 308	16 369	-	16369
<i>Changes in equity</i>							
Shares issued	27 400	-	-	-	27 400	-	27400
Share issue expenses	(2 254)	-	-	-	(2 254)	-	(2 254)
Rate adjustment in respect of taxation	-	-	29	-	29	-	29
Realised revaluation through depreciation	-	-	-342	475	133	-	133
Revaluation of property, plant and equipment	-	-	-	-	-	-	-
Reversal of property, plant and equipment previously revalued	-	-	-	-	-	-	-
Net income / (expenses) recognised directly in equity	-	-	-	475	133	-	133
Net profit for the period	-	-	-	6 504	6 504	-	6504
Dividends	-	-	-	(2 907)	-2 907	-	(2 907)
Balance at 31 March 2008	25 147	(3 879)	2 626	21 380	45 274	-	45274

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Unaudited six months ended 31 March 2008 R'000	Audited six months ended 31 March 2007 R'000
Cash flows from operating activities		
Cash (used) / generated from operations	(19 333)	27 582
Interest received	1 092	3 032
Finance costs	(1 832)	(2 428)
Taxation paid	(5 958)	(1 088)
Net cash from operating activities	(26 031)	27 098
Cash flows from investing activities		
Purchase of property, plant and equipment	(7 024)	(4 605)
Proceeds from disposal of property, plant and equipment	81	203
Net cash used in investing activities	(6 943)	(4 402)
Cash flows from financing activities		
Advance of related party loans	9 372	2 191
(Repayment) / Advance of other financial liabilities	(6 188)	4 194
Repayment of shareholders' loans	(9 153)	(1 256)
Net proceeds from share issue	25 146	-
Dividends	(2 907)	(904)
Net cash raised in financing activities	16 270	4 225
Total cash movement for the period	(16 704)	26 921
Cash at the beginning of the period	(1 586)	(4 541)
Cash and cash equivalents at end of the period	(18 290)	22 380

NOTES TO THE UNAUDITED INTERIM RESULTS

1. Basis of preparation

The consolidated interim results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), International Accounting Standards (IAS34: Interim Financial Reporting), the South African Companies Act (Act 61 of 1973), as amended, and the Listings Requirements of JSE Limited ("JSE"). The principal accounting policies used in the preparation of the financial results for the six months ended 31 March 2008 are consistent with those applied in the previous audited annual financial statements for the year ended 30 September 2007.

2. Operating profit

Operating profit includes:

	Unaudited six months ended 31 March 2008 R'000	Audited six months ended 31 March 2007 R'000
Operating lease charges	546	656
Loss on sale of property, plant and equipment	126	73
Loss on exchange differences	-	19
Depreciation and amortisation	1 585	1 255
Directors' emoluments	2 283	1 861
Employee costs	20 887	12 462

3. Share capital

RACEC listed on AltX on 18 October 2007. The Company passed the following resolutions to facilitate the listing:

- increase the authorised ordinary share capital of 1 000 shares with a par value of R1.00 to 5 000 shares with a par value of R1.00;
- split the authorised ordinary share capital into 500 000 000 shares of 0.001 cents; and
- bought back 30% of the issued ordinary share capital, which amounted to 30 000 000 shares.

4. Reconciliation between profit and headline earnings

	Unaudited as at 31 March 2008 R'000	Audited as at 31 March 2007 R'000
Profit for the period	6 504	2 645
Adjustments for:		
– Loss on disposal of property, plant and equipment	126	73
– Tax effects	(35)	(22)
Headline earnings	6 595	2 696
Earnings per share (cents)		
– Headline	6.6	3.9
– Basic	6.5	3.8
Weighted average number of shares in issue	100 000 000	70 000 000
Diluted earnings per share		
– Headline	6.6	2.7
– Basic	6.5	2.6
Diluted weighted average number of shares in issue (after taking in to account the issue of 30 000 000 shares as part of the private placement)	100 000 000	100 000 000

5. Cash and cash equivalents

Cash and cash equivalents comprise cash balances with banks and bank overdrafts.

6. Related party transactions

During the period, the Company and its subsidiaries in the ordinary course of business, entered into various related party sales, purchases and investment transactions. These transactions were subject to terms that were no less favourable than those arranged with third parties.

7. Post-balance sheet events

In line with RACEC's dividend policy and the fact that RACEC is trading in line with expectations, it has been decided that a declaration of an interim dividend of 2.0 cents per share (2007: 0.9 cents) is warranted. The salient features relating to the dividend declaration are set out later in this report.

8. Contingent liabilities

	Unaudited as at 31 March 2008 R'000	Audited as at 31 March 2007 R'000
Secondary Tax on Companies ("STC")	1 944	800
Performance guarantees	30 476	19 558

The performance guarantees are provided by Lombards Insurance Company and C&G underwriting Managers for work by subsidiary companies.

9. Segmental information

	Unaudited as at 31 March 2008 R'000	Audited as at 31 March 2007 R'000
Business segment:		
Revenue		
Administrative and plant hire	-	6
Electrical reticulation	81 541	38 322
Rail construction	64 784	64 048
Profit before tax:		
Administrative and plant hire	(8 775)	(3 064)
Electrical reticulation	8 542	2 339
Rail construction	9 927	4 281
Geographic segment:		
Revenue		
Western Cape	99 860	44 931
KwaZulu-Natal	9 328	5 766
Gauteng	37 137	51 679
Profit before tax:		
Western Cape	4 445	2 337
KwaZulu-Natal	801	429
Gauteng	4 448	791

COMMENTARY

PROFILE AND STRUCTURE

RACEC has been in existence since 1956 and during this time has built-up an extremely well trained and experienced group of employees. This places RACEC in a strong position to take advantage of the current climate of expansion in both the rail and electrification infrastructure projects. Although there is a lot of hype around the 2010 FIFA World Cup, the directors expect the spending on infrastructure to continue beyond 2010 as there is a tremendous need to reverse the deterioration of the country's infrastructure resulting from the lack of investment in this area for over a decade.

FINANCIAL PERFORMANCE

RACEC increased its revenue for the six months ended 31 March 2008 by 63% to R146.3 million (2007: R89.5 million). Earnings per share have increased by 71% to 6.5 cents (headline earnings per share 6.6 cents) for the same period.

This increase can be attributed mainly to organic growth resulting from the increased spending on infrastructure projects, as well as the consolidation of the acquisition of Sizabantu Infrastructure Maintenance and the JM Badenhorst Group, which includes JM Badenhorst Electrical Contractors (Proprietary) Limited (JMB Electrical Contractors") and Badentec (Proprietary) Limited ("Badentec").

RACEC is by its nature a working capital intensive business. This, coupled with the significant growth experienced in the six months to March 2008 has been the key driver for the additional cash invested in working capital of R22.1 million, the bulk of which has been utilised to fund inventory and trade debtors. In addition RACEC invested an additional R7.0 million in the operating asset base.

Given the nature of the industry and the close down periods over the December and January months, there is a seasonal bias towards the second half of the year.

EXPANSION

Negotiations for the acquisition of Greenbro CC, a business that manufactures a range of generators as well as other electrical equipment, have been completed.

The acquisition of an electrical contracting company specialising in electrical installation and maintenance contracts in the industrial, commercial and domestic markets was also recently concluded.

RACEC Power (Proprietary) Limited, previously dormant, has started operations in the Eastern Cape with offices in King Williams Town. Mr Victor Mrawu has been appointed as managing director and is pursuing opportunities in both the electrical and rail markets.

All three of these operations have had no effect on RACEC's performance during this reporting period. Their contribution to RACEC will be felt during the second half of the 2008 financial year.

OPERATIONAL PERFORMANCE AND PROSPECTS

RACEC Rail (Proprietary) Limited ("RACEC Rail")

RACEC Rail continues to target long-term annuity type rail maintenance contracts which provide a constant monthly income as well as an increase in the number of main line upgrade projects for Spoornet and is also currently busy with the construction of the rail network on the phase 5 expansion of the Richards Bay Coal Terminal.

Recent awards include an R18 million extension to the main line sleeper replacement contract from Spoornet, a R20 million sleeper replacement contract from RME - Transnet, an R8 million contract for the upgrading of track infrastructure in the Eastern Cape and a R21 million civil and track work contract at Blackhill Mine for Exxaro Resources Limited. There have also been a number of other project awards throughout the country.

RACEC Electrification (Proprietary) Limited ("RACEC Electrification")

For the six months ended 31 March 2008 revenue of RACEC Electrification amounted to R81.5 million (2007: R38.3 million, which represents growth of 113% (2007: (13%)) on the previous corresponding period. A significant driver of this growth has been the additional revenue contributed to the operations by JMB Electrical Contractors, which has now been fully integrated with RACEC Electrification and has contributed in the region of 30% of revenue for the six months ended 31 March 2008. Virtually all of the JMB Electrical Contractors' employees have remained in our employ, which has tempered the impacts of the skills shortage plaguing the construction industry at present.

Recent awards include a R37 million Business Park in the Helderberg region, a R15 million Airports Company South Africa (“ACSA”) lighting subcontract, a R5 million residential development in Laaiplek, as well as approximately R40 million worth of smaller contracts in the Western and Southern Cape.

RACEC Electrification is currently also negotiating a R50 million Western Cape golf estate, a R12 million West Coast residential estate, a residential development in the Western Cape worth more than R20 million, as well as numerous other reticulation and rail electrification projects throughout South Africa and Mozambique.

Both RACEC Rail and RACEC Electrification have strengthened their project and commercial management structures to take advantage of the many turnkey projects that are presenting themselves as a result of the current infrastructure spend throughout South Africa.

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 an organisation’s equity, human resource development and employment equity, and indirect empowerment through preferential procurement policies.

- Shareholding: The BEE ownership within the RACEC Employee Share Trust, as well as the BEE ownership in RACEC results in RACEC Rail and RACEC Electrification having in excess of 30% BEE ownership.
- Skills Development: RACEC has made a significant investment in skills development of employees from previously disadvantaged backgrounds.
- SMME's: The Group has assisted a number of previously disadvantaged individuals with potential in starting their own businesses.
- Joint Ventures/Partnerships: RACEC has established and built long-term relationships with emerging contractors from previously disadvantaged backgrounds. This facilitates emerging contractors to be able to bid for larger contracts and ensures skills transfer. Many major contracts have been successfully completed to the benefit of RACEC, its BEE Partners and Clients.
- RACEC is currently pursuing a BEE equity partner at Group level. However, the final decision will be made after due consideration to the value such a partner can add to the business.

DISTRIBUTION TO SHAREHOLDERS

Subject to working capital requirements and acquisition activities, it is the policy of the Group to declare a dividend up to a maximum of one-third of annual profits after tax to shareholders. A dividend of 2 cents per share has been declared and will be paid in the form of a half-year interim dividend.

The salient dates for the dividend are as follows:

Last day to trade shares

cum dividend Friday, 27 June 2008

Shares trade

ex dividend Monday, 30 June 2008

Record date Friday, 4 July 2008

Payment date Monday, 7 July 2008

No share certificates may be dematerialised or rematerialised between Monday, 30 June 2008 and Friday, 4 July 2008, both dates inclusive.

M Uys

Non-Executive Chairman

C Harrod

Chief Executive Officer

5 June 2008

Directors:

M Uys* (Chairman), C Harrod (Chief Executive Officer), G Harrod, C Gooden*, W Ollewagen, S Wilkins (acting Financial Director)

* Non-executive

Company secretary:

S Wilkins (acting)

Registered office:

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

Transfer secretaries:

Computershare Investor Services (Proprietary) Limited (PO Box 61051, Marshalltown, 2107)

Designated Advisor:

Merchant Sponsors (Proprietary) Limited (PO Box 41480, Craighall, 2024)

Auditors:

BDO Spencer Steward (Cape) Inc. (Docex 158, Cape Town)

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