

# AUDITED RESULTS

## for the year ended 28 February 2010

42% Revenue increased to R1 997 million • 66% EBITDA increased to R173 million • 15% Normalised HEPS of 23,5 cents • R116 million Cash generated by operations

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 28 February 2010 R'000 Audited	Year ended 28 February 2009 R'000 Audited
<b>Continuing operations</b>			
Revenue	42,4	1 997 166	1 402 571
Cost of sales		(1 732 253)	(1 143 908)
<b>Gross profit</b>		<b>264 913</b>	<b>258 663</b>
Other income		3 459	928
Administration and operating expenses		(95 634)	(155 463)
<b>Operating profit/EBITDA before change in estimate</b>	65,9	<b>172 738</b>	<b>104 128</b>
Depreciation		(20 143)	(14 857)
<b>Operating profit before change in estimate</b>	70,9	<b>152 595</b>	<b>89 271</b>
Changes in accounting estimates		(50 245)	–
<b>Operating profit before interest and taxation</b>	14,7	<b>102 350</b>	<b>89 271</b>
Interest received		15 575	12 068
Interest paid		(14 792)	(18 753)
<b>Profit before tax</b>	24,9	<b>103 133</b>	<b>82 586</b>
Income tax expense		(34 317)	(31 855)
<b>Profit for the period from continuing operations</b>	35,6	<b>68 816</b>	<b>50 731</b>
<b>Discontinued operations</b>			
Loss from discontinued operations (net of income tax)		(15 832)	(3 146)
<b>Total comprehensive income for the period</b>	11,3	<b>52 984</b>	<b>47 585</b>
<b>Earnings per share from continuing operations</b>			
Basic earnings per share (cents)	22,7	17,44	14,21
Headline earnings per share (cents)	(27,2)	17,62	24,21
Fully diluted headline earnings per share (cents)	(24,5)	15,42	20,43
Normalised headline earnings per share (cents)	10,6	26,78	24,21
<b>Normalised fully diluted headline earnings per share (cents)</b>	14,8	<b>23,45</b>	<b>20,43</b>
<b>Earnings per share from total operations</b>			
Basic earnings per share (cents)	0,7	13,43	13,33
Headline earnings per share (cents)	(37,7)	14,53	23,33
Fully diluted headline earnings per share (cents)	(35,4)	12,72	19,68
Normalised headline earnings per share (cents)	(1,6)	23,70	23,33
<b>Normalised fully diluted headline earnings per share (cents)</b>	5,4	<b>20,75</b>	<b>19,69</b>

Reconciliation between earnings and headline earnings from continuing operations			
<b>Attributable earnings</b>		<b>68 816</b>	<b>50 731</b>
Goodwill impairment		–	35 706
Plus: fair value adjustment		1 020	–
Less: profit on sale of assets		(318)	–
<b>Headline earnings</b>		<b>69 518</b>	<b>86 437</b>

Reconciliation between earnings and normalised headline earnings from continuing operations			
<b>Attributable earnings</b>		<b>68 816</b>	<b>50 731</b>
Changes in accounting estimates		50 245	–
Tax adjustment on changes in accounting estimates		(14 069)	–
<b>Normalised earnings</b>		<b>104 992</b>	<b>50 731</b>
Goodwill impairment		–	35 706
Plus: fair value adjustment		1 020	–
Less: profit on sale of assets		(318)	–
<b>Normalised headline earnings</b>		<b>105 694</b>	<b>86 437</b>

Reconciliation between earnings and headline earnings from total operations			
<b>Attributable earnings</b>		<b>52 984</b>	<b>47 585</b>
Goodwill impairment		–	35 706
Plus: fair value adjustment		1 020	–
Plus: net loss on remeasurement to fair value		2 713	–
Plus: net loss on sale of assets		628	–
<b>Headline earnings</b>		<b>57 345</b>	<b>83 291</b>

Reconciliation between earnings and normalised headline earnings from total operations			
<b>Attributable earnings</b>		<b>52 984</b>	<b>47 585</b>
Changes in accounting estimates		50 245	–
Tax adjustment on changes in accounting estimates		(14 069)	–
<b>Normalised earnings</b>		<b>89 160</b>	<b>47 585</b>
Goodwill impairment		–	35 706
Plus: fair value adjustment		1 020	–
Plus: net loss on remeasurement to fair value		2 713	–
Plus: net loss on sale of assets		628	–
<b>Normalised headline earnings</b>		<b>93 521</b>	<b>83 291</b>

### COMMENTARY

#### GROUP OPERATING AND FINANCIAL REVIEW

Despite tough trading conditions in the domestic construction market, as well as a number of operational challenges faced by Sanyati's non-core businesses, Sanyati has produced a satisfactory set of results. The most positive aspect of the results was the performance of the Group's three core civil construction businesses which generated outstanding results in a challenging environment.

Group revenue grew by a more than satisfactory 42% to nearly R2,0 billion in the year (2009: R1,4 billion) and lifted operating profit before interest, taxation, depreciation and amortisation (EBITDA) as well as changes in estimates, by an impressive 66% to R173 million (2009: R104 million). This resulted in an EBITDA margin of 8,6% compared with 7,4% in 2009, a sterling performance in the face of increased competition in the civils construction industry. Sanyati posted a net interest received position of R0,8 million compared to a net interest paid position of R6,7 million in 2009.

The increase of 15% in the year-on-year fully diluted normalised headline earnings per share from continuing operations from 20,4 cents in 2009 to 23,5 cents for 2010 is pleasing. Earnings per share from continuing operations increased by 17,4 cents per share (2009: 14,2 cents per share). Normalised earnings exclude the impact of the historic change in accounting estimates, which was recognised in the interim results for the six months ended 31 August 2009, of R50,2 million as well as the loss on discontinued operations resulting from the sale of the roads surfacing business announced in February this year.

The total capital expenditure for the year amounted to R45 million (2009: R73 million), in light of an emphasis on cost control. A further R24 million in capital expenditure has been budgeted for the year ahead primarily for replacement of existing assets.

The balance sheet reflects net gearing, including vendor liabilities, of R75 million (2009: R120 million). The net gearing ratio of 9,8% compares favourably to the 17,0% at 28 February 2009. Cash management continues to be an area of focus for Sanyati to ensure a healthy balance sheet for the Group to grow the business into its areas of strategic focus in the years ahead.

#### DIVISIONAL RESULTS

##### Civils divisions

##### Sanyati North

The new Sanyati North division, which includes the Civils Inland and old Civils North divisions, performed exceptionally well during the year. Revenue increased by an impressive 81% to R495 million resulting in an operating margin and operating profit of 11,0% and R55 million, respectively.

The division is currently involved in the Gauteng Freeway Improvement Project (GFIP), a 23 km stretch of the N1 freeway from 14th Avenue in the south to the Buccleuch interchange in the north including major upgrades of Malibongwe Drive, William Nicol and Rivonia Road interchanges. Sanyati North is a partner in a joint venture with WBHO, Rainbow Construction, Patula, Glash and Munausi on this project. Another major project this division is involved in is the upgrade of the R40 through the centre of Nelspruit. Sanyati North was also involved in several high-profile contracts around the Soccer City FNB Stadium in preparation for the FIFA Soccer World Cup.

##### Sanyati Coastal

This division continued to build on the consistent growth record which it has achieved in KwaZulu-Natal over the last number of years. Turnover increased by 17% to R594 million (2009: R506 million) and the business generated an operating margin of 8,2% (2009: 9,7%) and an operating profit of R49 million for the year. This is an impressive result which was achieved in an increasingly competitive market.

The highlight of the year was undoubtedly our ongoing role as a member of the Iembe consortium in the execution of the demanding civil works component of the King Shaka Airport. The work was completed on time resulting in an extraordinary 36-month end-to-end construction period and the opening of the airport on time on 1 May 2010. Other high profile and successful projects included the ongoing AC pipe replacement program across the greater Durban area, the two major road contracts between Mount Edgecombe and the new King Shaka International Airport, and the access road to the Greenview Hospital on the South Coast.

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 28 February 2010 R'000 Audited	As at 28 February 2009 R'000 Audited
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>705 793</b>	<b>683 153</b>
Property, plant and equipment	181 327	205 187
Investments	–	412
Goodwill	504 458	464 407
Deferred tax	20 008	13 147
<b>Current assets</b>	<b>773 284</b>	<b>566 009</b>
Inventories	85 649	70 389
Trade and other receivables	553 807	345 955
Gross amount due from customers	62 278	89 443
Taxation	3 159	–
Cash and cash equivalents	68 391	60 222
Non-current assets classified as held for sale	21 080	–
<b>Total assets</b>	<b>1 500 157</b>	<b>1 249 162</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of Sanyati</b>		
<b>Total equity</b>	<b>766 808</b>	<b>709 530</b>
Share capital and premium	552 812	547 869
Share-based payment reserve	6 829	7 478
Retained earnings	207 167	154 183
<b>Non-current liabilities</b>	<b>107 952</b>	<b>64 902</b>
Vendor liabilities	–	8 586
Long-term borrowings	62 261	32 978
Deferred taxation	45 691	23 338
<b>Current liabilities</b>	<b>614 082</b>	<b>474 730</b>
Trade and other payables	401 868	213 732
Gross amount due to customers	110 467	89 276
Current portion of interest-bearing borrowings	38 843	95 825
Current portion of vendor liabilities	38 318	17 530
Short-term provisions	1 755	1 460
Current tax payable	18 898	31 121
Bank overdraft	3 933	25 786
Liabilities directly associated with non-current assets classified as held for sale	11 315	–
<b>Total liabilities</b>	<b>733 349</b>	<b>539 632</b>
<b>Total equity and liabilities</b>	<b>1 500 157</b>	<b>1 249 162</b>

### SUPPLEMENTARY INFORMATION

	Year ended 28 February 2010 Audited	Year ended 28 February 2009 Audited
Capital expenditure (R'000)	45 073	72 648
Weighted average number of shares ('000)	394 645	357 063
Number of shares in issue ('000)	440 037	399 975
Fully diluted number of shares ('000)	450 802	423 098
Net tangible asset value (NTAV) per share (cents)	59,6	61,3
Operating (EBITDA) margin (%)	8,6	7,4

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Treasury shares R'000	Shares to be issued R'000	Share-based payment reserve R'000	Fair value reserve R'000	Retained earnings R'000	Total equity R'000
<b>Balance as at 28 February 2008 (audited)</b>	<b>3</b>	<b>235 116</b>	<b>(21 000)</b>	<b>315 760</b>	<b>2 353</b>	<b>3 111</b>	<b>103 487</b>	<b>638 830</b>
Total comprehensive income for the period	–	–	–	–	–	–	47 585	47 585
Treasury share consolidation	–	3 000	(3 000)	–	–	–	–	–
Transfer of fair value reserve	–	–	–	–	–	(3 111)	3 111	–
Share issues and adjustments	1	256 858	–	(238 869)	5 125	–	–	23 115
<b>Balance as at 28 February 2009 (audited)</b>	<b>4</b>	<b>494 974</b>	<b>(24 000)</b>	<b>76 891</b>	<b>7 478</b>	<b>–</b>	<b>154 183</b>	<b>709 530</b>
Total comprehensive income for the period	–	–	–	–	–	–	52 984	52 984
Share issues and adjustments	–	59 190	(12 220)	(42 027)	(649)	–	–	4 294
<b>Balance as at 28 February 2010 (audited)</b>	<b>4</b>	<b>554 164</b>	<b>(36 220)</b>	<b>34 864</b>	<b>6 829</b>	<b>–</b>	<b>207 167</b>	<b>766 808</b>

\*Amounts less than R1 000.

#### Sanyati Central

The Sanyati Central division performed exceptionally well and contributed significantly to the Group's overall performance. Revenue increased by a phenomenal 119% to R680 million (2009: R311 million) and operating profit was 70% higher at R72 million from R42 million a year earlier. The division's operating profit margin was 10,6% compared to an unprecedented 13,5% in the prior year. The decline in operating margin is a consequence of a change in the mix of the work undertaken and is also more reflective of current market conditions.

Road and earthworks form the backbone of the engineering activities of Sanyati Central and as such the division has successfully completed various road and earthwork projects varying from GSM access roads in difficult geographical conditions, load dig and haul in open cast mining, large platforms for the mining industry and conventional roads that form part of the national roads network. The business continues to leverage off its experience and reputation in the rail market and is well advanced in the execution of the re-electricification and capacity upgrade of the Sishen-Saldanha line. Sanyati Central has a broad range of public sector clients including SANRAL, Transnet, provincial and local government. Private sector clients include Vodacom, MTN and mining companies in the Northern Cape.

#### Specialist contractors

##### Sanyati Conform

Sanyati Conform reported revenue of R43 million (2009: R81 million) and operating profit of R4 million (2009: R24 million). This disappointing result was primarily due to the general downturn in Conform's traditional mining and industrial markets compounded by ongoing delays in the rollout of Eskom projects. Sanyati Conform continues to capitalise on partnering opportunities with the Civils divisions within Sanyati. A notable achievement was the excellent result at the UMK mine where Sanyati Conform was responsible for the construction of the load-out silos.

##### Sanyati Piling & Geotechnical

Sanyati Piling & Geotechnical also experienced tough trading conditions with a reduced turnover of R85 million (2009: R130 million) and an operating profit of R6 million. The business continues to expand its mix of opportunities away from its historical dependence on the KwaZulu-Natal market and was particularly successful with the award and successful execution of a lateral support project at the Zuikerbosch pump station for Rand Water Board.

##### Sanyati Buildings & Property Development

The poor performance of this division which generated a loss of R19 million for the year was primarily a result of confronting historic operational problems within the Buildings business. Interventions during the year included the replacement of the management team, deployment of competent contract and site agent staff to resolve project problems and a downsizing of the business. Property Development activity during the twelve months was directed solely at accelerating the conversion of work-in-progress to cash with a moratorium on any future development projects. The increase in revenue to R177 million (2009: R104 million) was aided by the proceeds from the sales of Property Development assets during the last six months.

#### CORPORATE ACTIONS

On 12 February 2010, Sanyati announced the disposal of its non-core asphalt manufacturing and supply plant to Aqua Transport (Pty) Limited (Aqua Trans), a wholly owned broad-based black economic empowerment company, for a cash consideration of R18 million. The disposal was effective 28 February 2010. The sale of this business was in line with a decision made in 2009 to exit non-core businesses and Sanyati delayed this disposal to ensure that it coincided with the completion of the Group's supply and paving contract at the King Shaka International Airport.

#### BOARD CHANGES

There have been a number of changes to the Board of directors over the past year. These changes have resulted in greater compliance with the principles of King III and the Construction Charter.

#### Appointments

Malcolm Lobban was appointed Chief Executive Officer effective 1 May 2009 and John Deeb as the Chief Financial Officer effective 1 August 2009. On 25 January 2010, Sanyati announced the appointment of two independent non-executive directors in Zohra Ebrahim, as the Independent Non-executive Chairperson and Lesibana Fosu, who also chairs the Audit Committee.

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 28 February 2010 R'000 Audited	Year ended 28 February 2009 R'000 Audited
Cash generated by operations before working capital changes	109 065	134 202
Changes in working capital	7 391	9 825
<b>Cash generated by operations</b>	<b>116 456</b>	<b>144 027</b>
Interest received	15 575	12 068
Interest paid	(14 792)	(19 425)
Taxation paid	(28 704)	(31 380)
<b>Net cash flows from operating activities</b>	<b>88 535</b>	<b>105 290</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(45 073)	(72 648)
Purchase of investment property	(2 666)	–
Proceeds from sale of property, plant and equipment	4 115	2 359
Proceeds from sale of business	16 749	–
Decrease/(increase) in investments	412	(1 830)
<b>Net cash flow from investing activities</b>	<b>(26 463)</b>	<b>(72 119)</b>
<b>Cash flows from financing activities</b>		
Increase in interest-bearing borrowings	(15 133)	35 719
Decrease in vendor liability	(16 917)	(36 686)
<b>Net cash flows from financing activities</b>	<b>(32 050)</b>	<b>(967)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>30 022</b>	<b>32 204</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>34 436</b>	<b>2 232</b>
<b>Cash and cash equivalents at end of period</b>	<b>64 458</b>	<b>34 436</b>

### SEGMENTAL REPORT

	Revenue Year ended 28 February 2010 R'000 Audited	Revenue Year ended 28 February 2009 R'000 Audited	EBITDA Year ended 28 February 2010 R'000 Audited	EBITDA Year ended 28 February 2009 R'000 Audited
<b>Civils</b>	<b>1 769 541</b>	<b>1 090 166</b>	<b>175 532</b>	<b>85 014</b>
Central	680 448	310 633	72 102	41 968
Coastal	593 890	506 278	48 720	49 081
North (including Civils Inland and old Civils North)	495 203	273 255	54 710	(6 035)
<b>Specialist</b>	<b>304 753</b>	<b>314 753</b>	<b>(8 719)</b>	<b>16 906</b>
Piling & Geotechnical	85 303	129 942	6 320	(11 546)
Buildings & Property Development	176 666	104 107	(19 044)	4 175
Conform	42 784	80 704	4 005	24 277
Corporate Services	38 792	41 205	5 925	2 208
Elimination of intergroup	(115 920)	(43 553)	–	–
<b>Total</b>	<b>1 997 166</b>	<b>1 402 571</b>	<b>172 738</b>	<b>104 128</b>

#### Resignations