

Reviewed interim results

for the six months ended 31 August 2008



 **83%**
Profit attributable to shareholders

 **51%**
HEPS of 13, 18 cents

 **385%**
Net tangible asset value

 **104%**
Revenue

Consolidated balance sheet

	As at 31 August 2008 R'000 Reviewed	As at 29 February 2008 R'000 Audited	As at 31 August 2007 R'000 Reviewed
ASSETS			
Non-current assets	684 390	650 733	311 171
Property, plant and equipment	172 706	150 770	86 566
Investments	2 667	2 242	–
Goodwill	509 017	497 721	224 605
Current assets	534 761	447 278	326 204
Inventories	8 756	17 001	3 997
Work in progress	69 357	27 262	17 851
Trade and other receivables	393 356	372 528	231 246
Cash resources	2 091	17 685	52 496
Gross amount due from customers	61 201	12 802	20 614
Total assets	1 219 151	1 098 011	637 375
EQUITY AND LIABILITIES			
Capital and reserves	713 806	638 830	257 702
Share capital and premium	560 628	529 879	187 658
Share-based payment reserve	4 732	2 353	–
Fair value reserve	3 111	3 111	3 111
Accumulated profits	145 335	103 487	66 933
Non-current liabilities	138 282	112 374	172 375
Deferred taxation	22 292	22 292	8 990
Vendor liabilities	21 445	21 957	134 475
Interest-bearing borrowings	94 545	68 125	28 910
Current liabilities	367 063	346 807	207 298
Trade and other payables	251 847	175 484	126 890
Bank overdraft	14 315	15 453	307
Current portion of vendor liabilities	–	58 887	2 000
Gross amount due to customers	42 916	41 505	23 816
Current portion of interest-bearing borrowings	14 212	24 959	5 957
Provisions	18 774	12 472	32 414
Taxation	24 999	18 047	15 914
Total equity and liabilities	1 219 151	1 098 011	637 375
Number of ordinary shares in issue	378 121	305 844	295 884
Weighted average number of shares	332 629	278 515	261 469
Net asset value (cents)	214,60	229,37	98,6
Net tangible asset value (cents)	61,57	50,66	12,7

Consolidated income statement

	Six months ended 31 August 2008 R'000 Reviewed	Year ended 29 February 2008 R'000 Audited	Six months ended 31 August 2007 R'000 Reviewed
Revenue	808 905	1 002 458	396 169
Gross profit	110 018	213 189	67 164
Other income	1 856	3 789	4 480
Administration and operating expenses	(46 187)	(124 500)	(35 553)
EBITDA	65 687	92 478	36 091
Depreciation	(7 571)	(9 575)	(4 813)
Profit before interest and taxation	58 116	82 903	31 278
Interest received	7 559	7 821	3 268
Interest paid	(7 553)	(5 231)	(2 348)
Profit before taxation	58 122	85 493	32 198
Taxation	(16 274)	(26 078)	(9 337)
Net profit for the period	41 848	59 415	22 861
Profit attributable to shareholders	41 848	59 415	22 861
Weighted average shares	332 629	278 515	261 469
Earnings per share (cents)	12,58	21,33	8,74
Headline earnings per share (cents)	13,18	22,31	8,74
Dividend per share (cents)	–	–	–
Diluted earnings per share (cents)	11,17	14,84	7,09
Diluted headline earnings per share (cents)	11,70	12,52	7,25
Fully diluted earnings per share (cents)	9,96	15,52	6,35
Fully diluted headline earning per share (cents)	10,43	17,27	6,35

Consolidated statement of changes in equity

	Fair value reserve R'000	Share premium R'000	Treasury shares R'000	Accu- mulated profits R'000	Shares to be issued R'000	Share-based payment reserve R'000	Share capital R'000	Total R'000
Balance at								
28 February 2006	3 186	–	–	19 826	–	–	1	23 013
Profit for the year	–	–	–	24 171	–	–	–	24 171
Share issue	–	52 743	–	–	–	–	1	52 744
Realisation of non- distributable reserves	(75)	–	–	75	–	–	–	–
Balance at								
28 February 2007	3 111	52 743	–	44 072	–	–	2	99 928
Profit for the year	–	–	–	59 415	–	–	–	59 415
Share issue	–	161 373	–	–	–	–	1	161 374
Treasury shares consolidation	–	21 000	(21 000)	–	–	–	–	–
Share adjustments	–	–	–	–	315 760	2 353	–	318 113
Balance at								
29 February 2008	3 111	235 116	(21 000)	103 487	315 760	2 353	3	638 830
Share issues and adjustments	–	207 983	–	–	(177 235)	2 379	–	33 127
Profit for the period	–	–	–	41 848	–	–	1	41 849
Balance at								
31 August 2008	3 111	443 099	(21 000)	145 335	138 525	4 732	4	713 806

Consolidated cash flow statement

	Six months ended 31 August 2008 R'000 Reviewed	Year ended 29 February 2008 R'000 Audited	Six months ended 31 August 2007 R'000 Reviewed
Cash generated/(utilised) by operating activities			
Cash generated/(utilised) from operations	50 769	(41 324)	10 888
Interest received	7 559	7 821	3 268
Interest paid	(7 553)	(5 231)	(2 348)
Taxation paid	(9 322)	(5 699)	(2 584)
Net cash flows from operating activities	41 453	(44 433)	9 224
Cash flows from investing activities			
Purchase of property, plant and equipment	(30 994)	(122 571)	(55 594)
Proceeds from sale of property, plant and equipment	1 772	5 605	6 861
Purchase of investment property	–	(885)	–
Acquisitions of businesses at net amount	–	(89 961)	(59 961)
Less deferred tax purchased	–	2 640	–
Decrease/(increase) in investments	(425)	(1 922)	320
Net cash flow from investing activities	(29 647)	(207 094)	(108 374)
Cash flows from financing activities			
Issue of shares net of expenses	–	103 083	103 083
Expenses paid, capitalised to share premium	(36)	–	–
Increase in interest-bearing borrowings	15 673	80 812	19 140
Increase/(decrease) in vendor liability	(41 899)	51 644	10 896
Net cash flows from financing activities	(26 262)	235 539	133 119
Net increase/(decrease) in cash and cash equivalents	(14 456)	(15 988)	33 969
Cash and cash equivalents at beginning of the period	2 232	18 220	18 220
Cash and cash equivalents at end of the period	(12 224)	2 232	52 189

Reconciliation of headline earnings per share

	Six months ended 31 August 2008 R'000 Reviewed	Year ended 29 February 2008 R'000 Audited	Six months ended 31 August 2007 R'000 Reviewed
Basic earnings as per above	41 848	59 415	22 861
Impairment of goodwill	2 000	2 723	–
Headline earnings	43 848	62 138	22 861

Segmental report

for the six-month period ended 31 August 2008

	Building R'000	Civils Inland R'000	Civils Coastal R'000	Engineering Roads R'000	Engineering Central R'000	Holding company R'000	Inter- company elimination R'000	Group total R'000
Sales to external customers	149 563	139 673	294 155	88 185	137 329	-	-	808 905
Inter-segment sales	18 406	-	32 543	899	-	-	(51 848)	-
Segment revenue	167 969	139 673	326 698	89 084	137 329	-	(51 848)	808 905
Gross profit	29 327	17 913	25 802	16 998	19 978	-	-	110 018
Other income	8 595	23	2 137	(835)	535	15 720	(24 318)	1 856
Operating expenses	(14 989)	(8 709)	(14 771)	(7 510)	(2 704)	(13 969)	16 465	(46 187)
EBITDA	22 932	9 227	13 168	8 652	17 809	1 751	(7 853)	65 687
Depreciation	(1 092)	(624)	(1 220)	(2 760)	(1 065)	(810)	-	(7 571)
Profit before interest and tax	21 841	8 603	11 948	5 892	16 745	941	(7 853)	58 116
Net finance cost	(480)	3 972	(381)	441	(1 710)	(1 836)	-	6
Profit before tax	21 361	12 575	11 567	6 333	15 034	(895)	(7 853)	58 122
Taxation	(5 981)	(3 521)	(3 239)	(1 773)	(4 210)	251	2 199	(16 274)
Profit for the year	15 380	9 054	8 328	4 560	10 825	(644)	(5 654)	41 848
Capital expenditure	8 546	676	3 093	8 874	6 136	3 669	-	30 994
Segment assets	261 307	168 740	239 900	97 918	135 994	616 127	(300 835)	1 219 151
Segment liabilities	(211 026)	(89 859)	(196 128)	(53 129)	(39 144)	(35 700)	119 641	(505 345)

for the six-month period ended 31 August 2007

	Building R'000	Civils Inland R'000	Civils Coastal R'000	Roads R'000	Holding company and other R'000	Inter- company elimination R'000	Group total R'000
Sales to external customers	73 783	80 574	183 776	59 036	-	-	396 169
Inter-segment sales	4 584	-	31 249	7 776	-	(43 609)	-
Segment revenue	77 367	80 574	215 025	66 812	-	(43 609)	396 169
Gross profit	22 980	15 709	14 833	12 235	(1 391)	2 798	67 164
Other income	1 047	-	2 029	868	2 434	(1 898)	4 480
Operating expenses	(14 913)	(6 864)	(5 886)	-5 028	(1 388)	(1 474)	(35 553)
EBITDA	9 114	8 845	10 976	8 075	(345)	(574)	36 091
Depreciation	(1 151)	(437)	(1 111)	(2 037)	(77)	-	(4 813)
Profit before interest and tax	7 963	8 408	9 865	6 038	(422)	(574)	31 278
Net finance costs	(161)	129	(241)	(793)	1 986	-	920
Profit before tax	7 802	8 537	9 624	5 245	1 564	(574)	32 198
Taxation	(2 260)	(2 587)	(2 915)	(1 593)	(148)	166	(9 337)
Profit for the period	5 542	5 950	6 709	3 652	1 416	(408)	22 861
Capital expenditure	7 479	9 751	21 941	16 296	127	-	55 594
Segment assets	131 848	86 806	147 195	78 354	433 413	(240 241)	637 375
Segment liabilities	(126 194)	(66 806)	(132 016)	(74 701)	(149 635)	169 679	(379 673)

Commentary

INTRODUCTION

The results of the group for the six-months ended 31 August 2008 ("the period") reflect significant growth in all key performance indicators compared with the six month period ended 31 August 2007 ("the comparative period").

During the period the group's order book was bolstered by a number of profitable contract wins. During the previous financial year ended February 2008, Sanyati concluded the strategic acquisitions of Gauteng-based Ruthcon Civil Contractors ("Ruthcon"), GEM Earthworks ("GEM") – which also operates in Mpumalanga and the Eastern Cape – and Meyker Re-Teng Construction ("Meyker"), which operates predominantly in the Free State and Northern Cape (collectively "the acquisitions"). The acquisitions successfully extended Sanyati's geographic footprint outside of KwaZulu-Natal and the benefits began to be realised by the group during the period.

Following the acquisitions the group consolidated its operations and streamlined Sanyati's group structure into five key operating divisions, namely, Building, Roads, Civis Inland, Civis Coastal and Engineering Central.

OPERATIONAL REVIEW

During the period Sanyati continued to participate in strong growth in the construction sector. Through a successful strategy of geographic expansion the group is now active in all nine provinces in South Africa as well as in Zambia.

This is reflected in the group revenue split by region with 48% being generated in KwaZulu-Natal, 23% in the Free State, 7% in Gauteng, 7% in the Eastern Cape and the remaining 15% collectively across the other regions. All divisions performed exceptionally well and the group maintained a healthy operating margin of 13,6% for the period despite the substantial increase in revenue.

The current order book at 1 September 2009 stands in excess of R2,1 billion, (approximately half of which will be carried over into the 2010 financial year).

Civis Coastal

The largest division in the group, Civis Coastal, posted revenue of R326,0 million and net profit of R8,3 million. Although the majority of revenue is generated in KwaZulu-Natal, the division has continued its expansion into Mpumalanga and the Eastern Cape with the recent awards of a road contract to the value of R120 million in Nelspruit and the Greenville road contract valued at R115 million.

Work on the King Shaka International Airport is progressing well with approximately R90 million revenue to be accounted for in the current financial year to February 2009. The division has an order book in hand of almost R670 million and prospects for the remainder of the year are good. Civis Coastal is well on track to continue its strong growth and meet its full year budget.

Civis Inland

This division recorded revenue of R139,0 million and net profit of R9 million.

Through Civis Inland, Sanyati Construction is a 15% joint venture partner in the Gauteng Freeway Improvement Contractors' Consortium ("the consortium"). The consortium was awarded a R1,9 billion contract by SANRAL for the upgrade of 18 km of Gauteng freeways between 14th Avenue and the Buccleuch Interchange. Work is progressing well with approximately R45 million revenue to accrue to Civis Inland in the current financial year to February 2009.

Another major contract was awarded during the period for the construction of a new taxi-way for the Airports Company of South Africa to the value of R90 million. Sanyati Construction Concrete Sliding, a specialist operation in the division, again performed exceptionally well during the period recording operating margins in excess of 20%. Civis Inland's order book currently stands at R408 million. The division will continue to focus on major roads and concrete contracts in Gauteng and the North West Province.

Engineering Central

The division, based in Bloemfontein, specialises mainly in major road construction and concrete works. For the period, Engineering Central reported revenue of R137,0 million and net profit of R10,8 million.

Through the division Sanyati Construction is a 40% joint venture partner in the R250 million contract for the construction of Vodacom Park Soccer Stadium in Bloemfontein. The group was also recently awarded a R200 million contract by SANRAL for the upgrade of the road between Brandfort and Vetrivier. The division's niche telecommunications operation specialising in the installation of fibre optic cables, contributed strongly to the 14,5% operating margin achieved. Engineering Central has an order book to year-end of R600 million. Promising prospects for infrastructure development will see the division continue to focus on growth in the Free State and Northern Cape.

Building

The division includes Sanyati Building, Sanyati Piling & Geotechnical and Sanprop, which together posted revenue of R1 67,0 million and net profit of R15,38 million. Building benefited from the buoyant commercial and industrial building market during the period with major contracts awarded for Richmond Shopping Centre to the value of R45 million, Fischer Road Industrial Park worth R40 million and the R60 million Royal Chundu Game Lodge in Zambia. All these contracts are progressing well with completion expected in the current financial year.

Building has a healthy order book of R185 million and is expected to meet the targets set for the financial year ending February 2009.

Sanyati Piling is still predominantly KwaZulu-Natal based, but over the period continued to show growth in Gauteng and established a presence in the Western Cape.

Sanprop is currently busy with five commercial and industrial projects in KwaZulu-Natal with an aggregate project value of R170 million. Most of these projects will be completed during the second half of the current financial year. With the slowdown in the residential construction market, Sanprop will continue to focus on similar commercial and industrial projects in the KwaZulu-Natal region.

Roads

The division specialises in supplying and laying asphalt and chip and spray surfacing. Roads reported revenue of R89 million and net profit of R4,5 million. The major contract awarded during the period was for the asphalt surfacing of the King Shaka International Airport to the value of R152 million.

Roads has identified Gauteng as a possible growth node and is focusing on opportunities in this region. The division has an order book of R260 million and good growth opportunities are in the pipeline.

FINANCIAL REVIEW

During the period group revenue increased 104% from the comparative period to R809 million. The major driver of the exceptional growth was the inclusion of the acquisitions for the full period. Profit attributable to shareholders grew by 83% to R41,8 million. This translates into earnings per share (EPS) of 12,58 cents and headline earnings per share (HEPS) of 13,18 cents, a 50,8% increase on the comparative period. The interim performance puts the group on track to deliver projected revenue of R1,8 billion for the year to February 2009.

EBITDA margins decreased slightly to 8,1% as a direct result of taking into account all known and projected costs that may arise on future uncertainties. The Directors have deemed it prudent to allow for these uncertainties until the full impact of the current global financial crisis on the group has been determined. Sanyati however remains confident of trading above its projected EBITDA margin of 10% going forward.

The strong balance sheet reflects Sanyati's continued growth. Current assets have increased by 20% to R534 million and current liabilities by 5,2% to R367 million since February 2008. Trade and other receivables includes an amount of R87,0 million outstanding debtors retentions which are not immediately recoverable. In line with the intention to increase capacity and Sanyati's plant replacement policy, R31 million was spent on capital expenditure during the period. The significant increase in work in progress (WIP) is a direct result of Sanprop, the property division, having several projects in the pipeline. The first transfers in respect of these property projects are scheduled to take place during January 2009.

Sanyati Construction generated R51 million cash flow from operations during the period. This is a complete reversal of the R41 million utilised for the previous year ended February 2008. Further, the company settled R42 million in vendor liabilities out of internal cash flow and only increased long-term liabilities by R16 million. Debtors days decreased to 58,0 days from 66,9 days at the previous year-end.

Goodwill has been valued on a discounted cash flow basis based on the projected earnings of the acquisitions over the next three years. The directors will be conducting an external valuation on this significant number on the balance sheet for the year ending 28 February 2009.

Fully diluted earnings has been calculated taking into account all known shares still to be issued in terms of payments due to vendors as a result of the acquisitions.

BEE

Sanyati remains a "Level 4" contributor in terms of the Department of Trade and Industry's BBBEE Codes of Good Practice. When last audited the group's direct BEE shareholding was 42,39%. Sanyati remains committed to increasing BEE equity at group level to 51% by the end of 2009 as previously stated.

Commentary (continued)

OUTLOOK

Notwithstanding the recent global banking and financial markets crises, the industries in which Sanyati operates locally and in Africa retain positive prospects. Sanyati will carry forward into the 2010 financial year an order book of approximately R1,1 billion. While there has been a slowdown in "social" township infrastructure spending by local and district municipalities, SANRAL and Eskom spend at present remain on track with significant contract awards being received from these clients. This situation will, however, be closely monitored in future.

The recent collapse of the Rand should have no adverse effect on group operations as the only significant contract outside of South Africa, in Zambia, is a Rand-denominated contract. However, the capital expansion and replacement policy is currently under review to determine the impact of this currency movement.

Sanyati's share price has been negatively impacted by the decline in global share markets in line with all industry peers. This is unlikely to have any long-term effect on the group.

Sanyati is well poised to achieve significant growth going forward.

DIVIDEND

In line with group policy, no interim dividend has been declared for the period.

BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting and JSE Listings Requirements. The accounting policies applied in preparing these condensed consolidated interim financial statements are consistent with those applied in the annual financial statements at the previous year-end and comply with the statements of International Financial Reporting Standards ("IFRS") and the South African Companies Act.

REVIEW OPINION

The interim financial results have been reviewed by Sanyati's auditors, PKF Durban. Their unqualified review report is available for inspection at the company's registered office.

APPRECIATION

We thank all our employees whose hard work and dedication have been integral to the achievement of these results. We also extend our thanks to our stakeholders, business partners and advisors for their ongoing support of the group.

Rick Jackson

CEO

Marc Krouse

GFD

Directors: RD Jackson (*CEO*), MI Krouse (*GFD*), R Crowie*, HM Dlamini*, MR Gagagan*, N Khambule*, AJ Rutherford MJ Sangweni (**Non-executive*)

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Sanyati Holdings Limited

("Sanyati" or "the company")
(Registration number: 1988/002538/06)
Share code: SAN ISIN: ZAE000081055