



- ↑ **42% Revenue**
- ↑ **16% Normalised HEPS of 12,07 cents**
- ↑ **26% Net tangible asset value**
- ↓ **65% Profit attributable to shareholders**

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 August 2009 R'000 Unaudited	As at 31 August 2008 R'000 Reviewed	As at 28 February 2009 R'000 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>694 201</b>	<b>684 390</b>	<b>683 153</b>
Property, plant and equipment	215 397	172 706	205 187
Goodwill	464 407	509 017	464 407
Investments	1 250	2 667	412
Deferred tax	13 147	–	13 147
<b>Current assets</b>	<b>816 598</b>	<b>534 761</b>	<b>566 009</b>
Inventories	12 428	8 756	11 150
Development property	90 457	69 357	59 239
Trade and other receivables	507 118	393 356	345 955
Cash and cash equivalents	92 763	2 091	60 222
Gross amount due from customers	113 832	61 201	89 443
<b>Total assets</b>	<b>1 510 799</b>	<b>1 219 151</b>	<b>1 249 162</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of Sanyati</b>			
<b>Total equity</b>	<b>723 345</b>	<b>713 806</b>	<b>709 530</b>
Share capital and premium	547 869	560 628	547 869
Retained earnings	168 882	145 335	154 183
Share-based payment reserve	6 594	4 732	7 478
Fair value reserve	–	3 111	–
<b>Non-current liabilities</b>	<b>89 735</b>	<b>138 282</b>	<b>64 902</b>
Long-term borrowings	66 397	94 545	32 978
Deferred taxation	23 338	22 292	23 338
Vendor liabilities	–	21 445	8 586
<b>Current liabilities</b>	<b>697 719</b>	<b>367 063</b>	<b>474 730</b>
Trade and other payables	399 243	251 847	213 732
Bank overdraft	56 883	14 315	25 786
Current portion of vendor liabilities	9 052	–	17 530
Gross amount due to customers	121 481	42 916	89 276
Current portion of interest-bearing borrowings	81 791	14 212	95 825
Short-term provisions	3 354	18 774	1 460
Current tax payable	25 915	24 999	31 121
<b>Total liabilities</b>	<b>787 454</b>	<b>505 345</b>	<b>539 632</b>
<b>Total equity and liabilities</b>	<b>1 510 799</b>	<b>1 219 151</b>	<b>1 249 162</b>
<b>SUPPLEMENTARY INFORMATION</b>			
Capital expenditure (R'000)	21 518	30 994	72 648
Weighted average number of shares ('000)	393 687	332 629	357 063
Fully diluted number of shares ('000)	423 098	420 218	423 098
Net tangible asset value (NTAV) per share (cents)	61,2	48,4	68,7
Operating (EBITDA) margin (%)	7,6	8,1	6,8

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 August 2009 R'000 Unaudited	Six months ended 31 August 2008 R'000 Reviewed	Year ended 28 February 2009 R'000 Audited
<b>Revenue</b>	1 149 332	808 905	1 543 041
Cost of sales	(1 016 931)	(698 887)	(1 295 385)
<b>Gross profit</b>	132 401	110 018	247 656
Other income	5 348	1 856	928
Administration and operating expenses	(50 913)	(46 187)	(144 250)
<b>Operating profit/EBITDA before change in estimate</b>	86 836	65 687	104 334
Depreciation	(9 080)	(7 571)	(15 826)
<b>Operating profit before change in estimate</b>	77 756	58 116	88 508
Changes in accounting estimates	(50 245)	–	–
<b>Operating profit before interest and taxation</b>	27 511	58 116	88 508
Interest received	14 446	7 559	12 068
Interest paid	(21 543)	(7 553)	(19 425)
<b>Profit before tax</b>	20 414	58 122	81 151
Income tax expense	(5 715)	(16 274)	(33 566)
<b>Profit for the period from continuing operations</b>	14 699	41 848	47 585
<b>Total comprehensive income for the period</b>	14 699	41 848	47 585
Basic earnings per share (cents)	3,73	12,58	13,33
Headline earnings per share (cents)	3,78	13,18	23,33
Fully diluted headline earnings per share (cents)	3,52	10,43	19,68
Normalised headline earnings per share (cents)	12,97	13,18	23,33
<b>Normalised fully diluted headline earnings per share (cents)</b>	12,07	10,43	19,68
<b>Reconciliation between earnings and headline earnings</b>			
<b>Attributable earnings</b>	14 699	41 848	47 585
Goodwill impairment	–	2 000	35 706
Loss on disposal of property, plant and equipment	267	–	–
Tax adjustment	(75)	–	–
<b>Headline earnings</b>	14 891	43 848	83 291
<b>Reconciliation between earnings and normalised headline earnings</b>			
<b>Attributable earnings</b>	14 699	41 848	47 585
Changes in accounting estimates	50 245	–	–
Tax adjustment on changes in accounting estimates	(14 068)	–	–
<b>Normalised earnings</b>	50 876	41 848	47 585
Goodwill impairment	–	2 000	35 706
Loss on disposal of property, plant and equipment	267	–	–
Tax adjustment	(75)	–	–
<b>Normalised headline earnings</b>	51 068	43 848	83 291

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 August 2009 R'000 Unaudited	Six months ended 31 August 2008 R'000 Reviewed	Year ended 28 February 2009 R'000 Audited
Cash generated by operations before working capital changes	63 466	76 072	134 202
Changes in working capital	(25 932)	(25 303)	9 825
<b>Cash generated by operations</b>	<b>37 534</b>	<b>50 769</b>	<b>144 027</b>
Interest received	14 446	7 559	12 068
Interest paid	(21 543)	(7 553)	(19 425)
Taxation paid	(10 922)	(9 322)	(31 380)
<b>Net cash flows from operating activities</b>	<b>19 515</b>	<b>41 453</b>	<b>105 290</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(21 518)	(30 994)	(72 648)
Proceeds from sale of property, plant and equipment	1 077	1 772	2 359
Decrease/(increase) in investments	47	(425)	(1 830)
<b>Net cash flow from investing activities</b>	<b>(20 394)</b>	<b>(29 647)</b>	<b>(72 119)</b>
<b>Cash flows from financing activities</b>			
Expenses paid, capitalised to share premium	–	(36)	–
Increase in interest-bearing borrowings	19 387	15 673	35 719
Decrease in vendor liability	(17 064)	(41 899)	(36 686)
<b>Net cash flows from financing activities</b>	<b>2 323</b>	<b>(26 262)</b>	<b>(967)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1 444</b>	<b>(14 456)</b>	<b>32 204</b>
Cash and cash equivalents at beginning of period	34 436	2 232	2 232
Cash and cash equivalents at end of period	35 880	(12 224)	34 436

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Treasury shares R'000
<b>Balance as at February 2008 (audited)</b>	3	235 116	(21 000)
Total comprehensive income for the period	–	–	–
Treasury share consolidation	–	3 000	(3 000)
Transfer of fair value reserve	–	–	–
Share issues and adjustments	1	256 858	–
<b>Balance as at 28 February 2009 (audited)</b>	<b>4</b>	<b>494 974</b>	<b>(24 000)</b>
Total comprehensive income for the period	–	–	–
Share issues and adjustments	*	45 424	–
<b>Balance as at 31 August 2009 (unaudited)</b>	<b>4</b>	<b>540 398</b>	<b>(24 000)</b>

\*Amounts less than R1 000.

## SEGMENTAL REPORT

	Revenue Six months ended 31 August 2009 R'000 Unaudited	Revenue Six months ended 31 August 2008 R'000 Reviewed	EBITDA Six months ended 31 August 2009 R'000 Unaudited	EBITDA Six months ended 31 August 2008 R'000 Reviewed
<b>Civils</b>	<b>903 323</b>	555 594	<b>90 653</b>	33 269
– Inland	195 042	91 567	18 718	2 294
– Coastal	318 690	265 330	25 740	11 618
– Central	279 845	137 329	37 492	17 808
– North	109 746	61 368	8 703	1 549
<b>Specialist</b>	<b>265 976</b>	305 159	<b>(4 729)</b>	30 666
– Buildings	59 546	97 642	(18 385)	3 152
– Road surfacing	124 183	89 084	4 375	8 653
– Piling	55 938	68 634	5 912	11 791
– Conform	26 177	48 106	2 767	6 933
– Property development	132	1 693	602	137
Corporate Services	–	–	912	1 752
Elimination of intergroup	(19 967)	(51 848)	–	–
<b>Total</b>	<b>1 149 332</b>	808 905	<b>86 836</b>	65 687

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
315 760	2 353	3 111	103 487	638 830
–	–	–	47 585	47 585
–	–	–	–	–
–	–	(3 111)	3 111	–
(238 869)	5 125	–	–	23 115
76 891	7 478	–	154 183	709 530
–	–	–	14 699	14 699
(45 424)	(884)	–	–	(884)
<b>31 467</b>	<b>6 594</b>	<b>–</b>	<b>168 882</b>	<b>723 345</b>

### INTRODUCTION

The six months ended 31 August 2009 was a period of consolidation and restructure for the group. This period also heralded a change of guard at Sanyati with the appointment of a new Chief Executive Officer, Malcolm Lobban, and Chief Financial Officer, John Deeb. The realignment and refocus of certain of the business units have also culminated in certain divisional management changes and a more streamlined reporting structure. The reassessment of these business units culminated in a material revision of some of the accounting estimates that were previously made at 28 February 2009. The impact of these changes to the accounting estimates is dealt with below.

### FINANCIAL REVIEW

During the period under review, revenue increased by 42,1% to R1 149,3 million (2008: R808,9 million), resulting in an operating profit (EBITDA) of R86,8 million (2008: R65,7 million), 32,1% up on the previous period. Operating margin decreased marginally to 7,6% (2008: 8,1%) for the group, mainly as a result of the poor performance in the Buildings business.

The core Civils divisions' businesses, comprising Civils Inland (Gauteng), Civils Coastal (KwaZulu-Natal), Civils Central (Free State and Northern Cape) and Civils North (Mpumalanga), delivered impressive results despite increased competition in the industry, with revenue increasing by 62,6% to R903,3 million (2008: R555,6 million) and operating profit by 172,5% to R90,7 million (2008: R33,3 million). The operating profit margin increased suitably to 10,0% from 6,0% in 2008.

The remaining revenue for the group came from the Specialist Contractors businesses and amount to R266,0 million (2008: R305,2 million).

In the trading statement issued on 20 October 2009, it was highlighted that the results for the period have been negatively impacted by approximately R50 million, which relates to changes in accounting estimates made in respect of debtors, existing contracts and development properties as at 28 February 2009. These changes in accounting estimates have been made in accordance with IAS 8 and are based on changes in circumstances upon which estimates were based, together with the examination of new information regarding these original estimates. The change of R50,2 million is made up as follows:

- Impairment of properties – based on information now available, and due to a change in circumstances, certain development properties held by the group were held at values that were in excess of their net realisable value. Accordingly, these properties were impaired by an amount of R5,7 million.
- Debtors – again based on information now available, and due to a change in circumstances, a more robust review of the debtors has revealed that the provision for bad debts within the Buildings and Piling businesses as at 28 February 2009 needed to be revised. The value of the increase in provisions amounts to R19,9 million.
- Contracts – based on information now available, a review of the contracts has revealed that on certain contracts estimates made at 28 February 2009 in respect of future contract revenues and costs to completion needed to be revised. This was primarily within the Buildings, Piling, Civils North and Civils Coastal businesses and amounts to R24,6 million.

Management of the balance sheet is of critical importance in the current economic climate. In this regard, capital expenditure has been kept to a minimum as certain plant and equipment is readily available for hire at competitive rates. The total capital expenditure for the period amounted to R21,5 million, which compares favourably to the R31,0 million spent in the prior period. Working capital remains a key focus area and even though revenue has increased by 42,1%, the increase in trade and other receivables has only been 28,9%. The group still produced a positive cash flow from operating activities of R19,5 million for the period in spite of the losses in the Buildings business. Borrowings have increased by R19,4 million since 28 February 2009, primarily to fund the increase in the value of development property. These borrowings will reduce going forward as a major development has recently been completed and we are in the process of transferring ownership of the sold units.

### OPERATIONAL REVIEW

As previously stated, the core civil engineering businesses have performed exceptionally well during the six months ended 31 August 2009 ("the period under review"). The consolidated results were unfortunately impacted primarily by the poor performance from the KwaZulu-Natal Buildings business.

The current order book as at 31 August 2009 stands at R1,8 billion of which R0,6 billion will be carried over into the 2011 financial year.

#### Civils Inland

This division, operating in Gauteng, has shown a 113,0% increase in revenue to R195,0 million (2008: R91,6 million) and an operating profit of R18,7 million (2008: R2,3 million), translating into a satisfactory operating profit margin of 9,6% (2008: 2,5%).

As has been previously reported, Civils Inland is a 15% joint venture partner in the Gauteng Freeway Improvement Contractors Consortium ("GFIC"). GFIC was awarded a R1,9 billion contract by SANRAL for the upgrade of the 18 km freeway between the 14th Avenue and Buccleuch interchange. Work on this project is progressing well. In addition, Civils Inland has completed the new taxiway at OR Tambo International Airport, various projects within and around the Soccer City Stadium as well as other 2010 related infrastructure projects.

## Civils Coastal

This division reported a 20,1% increase in revenue from R265,3 million (2008) to R318,7 million for the period. Operating profit rose by an impressive 121,6% from R11,6 million (2008) to R25,7 million, primarily as a result of key contracts including the eThekivini AC replacement water pipeline contract, the R102 road construction project (an alternative road from the new King Shaka International Airport to the N2) and the M41 road improvement contract from Mt Edgecombe to Phoenix. This division's operating margin is at 8,1% compared to the previous period's 4,4%.

In the prior year, contract work performed in Mpumalanga was included under this division. This is now being reported separately as Civils North.

## Civils Central

This division's revenue was up 103,8% to R279,8 million (2008: R137,3 million) and operating profit up 110,5% to R37,5 million from work done primarily in the Free State and Northern Cape. An operating profit margin of 13,4% (2008: 13,0%) was reported for the period.

The results have been positively impacted by work done on the N8 Bloemfontein interchange, UMK mine infrastructure and the Intermodal taxi rank in the Bloemfontein CBD. We have recently commenced with the 50 KVA upgrade of the 800 km Sishen-Saldanha railway line, an exciting project with highly innovative engineering solutions provided to Spoornet.

## Civils North

This division has shown a 78,8% increase in revenue to R109,7 million (2008: R61,4 million), a 461,9% increase in operating profit to R8,7 million (2008: R1,5 million) and an operating margin of 7,9% (2008: 2,5%) from work done primarily in Mpumalanga.

Significant contracts have included the upgrading of the R40 from Nelspruit to White River and the upgrading of access roads at the Steelpoort mine of Xstrata.

## Specialist Contractors

This division has shown a decline of 12,8% in revenue to R266,0 million (2008: R305,2 million) and an operating loss of R4,7 million for the period.

The Specialist Contractors division includes the Buildings, Road Surfacing, Piling, Conform and Property Development businesses.

The **Piling** business is a key niche player with significant potential to expand. A key contract for this business has been the lateral support work done at the Zuikerbosch pump station for Rand Water Board.

**Conform**, a concrete sliding business, is well positioned to benefit significantly from an upturn in the mining industry and from future anticipated Eskom projects. Performance was down during this period as a result of various large-scale capital projects either being delayed or postponed and the mining industry being negatively impacted by the low commodity prices.

The **Road Surfacing** business has been focused on a major contract for the surfacing of the runways and other areas at the King Shaka International Airport. The major challenge posed by this project for all concerned is meeting the demanding completion deadlines.

The **Property Development** business is focused primarily on developments in KwaZulu-Natal. As with most developers, they have been impacted by the current slump in the property market. The Property Development business is not seen as a core part of the group going forward.

The **Buildings** business in KwaZulu-Natal has been severely impacted by the slump in the private sector market that accounted for the majority of the work. A thorough review of this business has resulted in the replacement of the entire management team, implementation of sound reporting systems and review procedures and a renewed focus on specific projects going forward.

## BEE

Sanyati remains a "Level 4" contributor in terms of the Department of Trade and Industry's BBBEE Code of Good Practice. When last audited, the group's direct BEE shareholding was 42,4%.

## 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 the JSE Limited ("JSE") Listings Requirements. Other than IAS 1 and IFRS 8, 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. Consequently the comparative information has been restated for the new disclosures as required in IAS 1 and IFRS 8.

### DIRECTORATE CHANGES

On 1 May 2009, Malcolm Lobban was appointed as Chief Executive Officer and Rick Jackson assumed the role of Chairman. On 1 August 2009, Marc Krouse resigned as Group Financial Director and was replaced by John Deeb as an Executive Director and Chief Financial Officer.

### PROSPECTS

While the current market conditions have negatively impacted the construction market as a whole, the markets within which Sanyati is active still represent significant opportunities. The current economic conditions have also led us to focus on our core business. In addition, we are also concentrating on cash management and on ensuring that our structures are as cost-effective as possible.

In addition to the confirmed order book shown above, the group tendered on projects to the value of R741 million that are pending award.

We believe that Sanyati is well positioned to take advantage of the opportunities going forward and remains committed to pushing the boundaries in the delivery of life changing engineering solutions.

**Malcolm Lobban**  
*Chief Executive Officer*

**John Deeb**  
*Chief Financial Officer*

## CORPORATE INFORMATION

### Sanyati Holdings Limited

("Sanyati" or "the company" or "the group")

(Registration number 1988/002538/06)

Share code: SAN ISIN: ZAE000081055

**Directors:** RD Jackson\* (Chairman), MH Lobban (CEO), JJ Deeb (CFO), R Crowie\*, HM Dlamini\*, MR Gahagan\*, N Khambule\*, MJ Sangweni (\*Non-executive)

**Registered office:** Hibiscus, Sanyati Park, 3 Abrey Road, Kloof, KwaZulu-Natal, 3610  
PO Box 1055, Kloof, KwaZulu-Natal, 3640

**Sponsor:** Exchange Sponsors (2008) (Pty) Limited

**Transfer secretaries:** Computershare Investor Services (Pty) Limited  
70 Marshall Street, Johannesburg, 2001  
PO Box 61763, Marshalltown, 2107

**Company secretary:** Highway Corporate Services (Pty) Limited,  
Suites 13-17 Marwick Centre, Lucas Drive, Hillcrest, 3610  
PO Box 1319, Hillcrest, 3650