

- Revenue decreased by 17% to R855 million
- EBITDA decreased by 46% to R44 million
- Fully diluted HEPS from continuing operations increased by 48% to 4,8 cents
- Net tangible asset value per share increased by 10% to 64,8 cents



UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2010

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited Six months ended 31 August 2010	Unaudited Six months ended 31 August 2009	Audited Year ended 28 February 2010
	% change	R'000	R'000
CONTINUING OPERATIONS			
Revenue	(16,6)	855 335	1 025 149
Contracting costs		(758 424)	(890 541)
Gross profit		96 911	134 608
Other income		4 063	4 972
Administrative and operating expenses		(56 634)	(57 119)
Profit before depreciation (EBITDA)	(46,2)	44 340	82 461
Depreciation		(9 113)	(8 381)
Operating profit before changes in estimates	(52,4)	35 227	74 080
Changes in accounting estimates		-	(50 245)
Operating profit before interest and taxation	47,8	35 227	23 835
Interest income		2 046	16 521
Interest expense		(6 967)	(21 543)
Profit before tax		30 306	18 813
Taxation		(8 486)	(5 267)
Profit for the period from continuing operations	61,1	21 820	13 546
DISCONTINUED OPERATIONS			
Profit/(loss) from discontinued operations (net of income tax)		461	1 153
Profit for the period		22 281	14 699
Other comprehensive income			
Total comprehensive income for the period	51,6	22 281	14 699
Earnings per share from continuing operations (cents)			
Basic earnings per share	59	5,46	3,44
Diluted earnings per share	53	4,95	3,24
Fully diluted earnings per share	51	4,84	3,20
Headline earnings per share	55	5,42	3,49
Diluted headline earnings per share	49	4,91	3,29
Fully diluted headline earnings per share	48	4,81	3,25
Earnings per share from total operations (cents)			
Basic earnings per share	49	5,57	3,73
Diluted earnings per share	44	5,05	3,52
Fully diluted earnings per share	42	4,94	3,47
Headline earnings per share	46	5,53	3,78
Diluted headline earnings per share	41	5,02	3,56
Fully diluted headline earnings per share	40	4,91	3,52
Reconciliation between earnings and headline earnings			
Profit for the period		22 281	14 699
(Profit)/loss on disposal of property, plant and equipment		(211)	267
Fair value adjustment		-	-
Remeasurement loss		-	-
Tax adjustment		59	(75)
Headline earnings		22 129	14 891
Reconciliation between earnings from continuing operations and headline earnings from continuing operations			
Profit for the period		21 820	13 546
(Profit)/loss on disposal of property, plant and equipment		(211)	267
Fair value adjustment		-	-
Remeasurement loss		-	-
Tax adjustment		59	(75)
Headline earnings from continuing operations		21 668	13 738

COMMENTARY

Introduction
 The Group's results were severely impacted by the difficult trading conditions encountered in the domestic construction market. Challenges during the period have included margin pressure, the unprecedented delays in the awarding and mobilisation of key contracts and the inevitability of rightsizing action to address excess capacity. Notwithstanding these realities, the Group achieved positive outcomes with the securing of significant new order book and a pipeline of imminent awards and strong prospects. Good progress was also made with the stated aim of geographic diversification and the establishment of niche contracting opportunities.

FINANCIAL OVERVIEW

The results of the Group's continuing operations reported a decrease in revenue of 16,6% to R855,3 million for the period ended 31 August 2010 (31 August 2009: R1 025,2 million) and a decline of 46,2% in earnings before interest, taxation, depreciation and amortisation (EBITDA) to R44,3 million from R82,5 million for the corresponding interim period. Major contributors to the decline in EBITDA included revenue and margin contraction, holding costs associated with delays in awards and mobilisation of contracts, retrenchment costs and a particularly difficult environment for the Group's piling and concrete sliding businesses. As a result, Group EBITDA margin of 5,2% was materially below the 8,0% that was achieved in the comparative period to 31 August 2009.

The Group's operating profit before interest and taxation (R35,2 million versus R23,8 million), was 47,8% higher than the result achieved to 31 August 2009. This anomaly must be seen in the light of the R50,2 million change in accounting estimate that was charged to income during the six months ended 31 August 2009. Net interest cost for the six months was R4,9 million (2009: R5,0 million) and profit before taxation of R30,3 million (2009: R18,8 million) represents a 61,1% increase on the prior period.

Basic earnings per share (EPS) and fully diluted headline earnings per share (HEPS) for continuing operations increased by 58,7% and 48,0%, respectively. Basic EPS moved from 3,4 cents in August 2009 to 5,5 cents for August 2010 and fully diluted HEPS moved from 3,3 cents in August 2009 to 4,8 cents for August 2010, a satisfactory performance.

The statements of financial position reflects a 3,1% increase in total equity from R766,8 million as at 28 February 2010 to R790,2 million. Net interest-bearing borrowings as at 31 August 2010 amounted to R97,2 million, which translates into a more than acceptable net gearing ratio of 12,3%.

Total capital expenditure for the six months amounted to R5,5 million compared to R21,5 million spent over the 2009 interim period.

Cash generated by operations, before working capital changes, was a credible R45,9 million. The net investment in working capital of R33,5 million during the period was not unexpected and was a consequence of a new mix of business together with the life cycle of certain key projects. We are also experiencing some delays with payment from certain public sector clients. Also impacting the Group's cash flows was the payment of an amount of R20 million to the Meyker vendors ("agterskot" payment following delivery of post-acquisition profit thresholds) and an aggregate of R21 million paid in accordance with existing instalment sale agreements.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at 31 August 2010	Unaudited As at 31 August 2009	Audited As at 28 February 2010
	R'000	R'000	R'000
ASSETS			
Non-current assets			
Property, plant and equipment	712 819	694 201	705 793
Goodwill	184 919	215 397	179 192
Investments	504 458	464 407	504 458
Deferred tax	2 135	1 250	2 135
Current assets	665 560	816 598	773 284
Inventories	74 491	102 885	85 649
Trade and other receivables	443 368	507 118	556 966
Gross amount due from customers	96 217	113 832	62 278
Cash and cash equivalents	51 484	92 763	68 391
Non-current assets classified as held for sale	11 634	-	21 080
Total assets	1 390 013	1 510 799	1 500 157
EQUITY AND LIABILITIES			
Total equity			
Share capital and premium	790 216	723 345	766 808
Share-based payment reserve	552 812	547 869	552 812
Accumulated profits	7 956	6 594	6 829
Non-current liabilities	100 670	89 735	107 952
Interest-bearing borrowings	48 535	66 397	62 261
Deferred taxation	52 135	23 338	45 691
Current liabilities	492 952	697 719	614 082
Trade and other payables	333 030	428 512	422 521
Gross amount due to customers	59 808	121 481	110 467
Bank overdraft	45 950	56 883	3 933
Current portion of vendor liabilities	18 028	9 052	38 318
Current portion of interest-bearing borrowings	36 136	81 791	38 843
Liabilities directly associated with non-current assets classified as held for sale	6 175	-	11 315
Total liabilities	599 797	787 454	733 349
Total equity and liabilities	1 390 013	1 510 799	1 500 157

SUPPLEMENTARY INFORMATION

	Unaudited As at 31 August 2010	Unaudited As at 31 August 2009	Audited As at 28 February 2010
Capital expenditure (R'000)	5 505	21 518	45 073
Number of shares in issue ('000)	409 803	414 037	440 037
Weighted average number of shares ('000)	399 875	393 687	394 645
Diluted number of shares ('000)	440 875	417 748	446 410
Fully diluted number of shares ('000)	450 803	423 098	450 802
Net tangible asset value (NTAV) per share (cents)	64,8	62,0	58,8
Operating (EBITDA) margin (%)	5,2	8,0	8,6

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital and premium R'000	Share-based payment reserve R'000	Accumulated profits R'000	Total equity R'000
Balance as at 28 February 2009*	547 869	7 478	154 183	709 530
Total comprehensive income for the period	-	-	14 699	14 699
Share issues and adjustments	-	(884)	-	(884)
Balance as at 31 August 2009**	547 869	6 594	168 882	723 345
Total comprehensive income for the period	-	-	38 285	38 285
Share issues and adjustments	4 943	235	-	5 178
Balance as at 28 February 2010*	552 812	6 829	207 167	766 808
Total comprehensive income for the period	-	-	22 281	22 281
Share issues and adjustments	-	1 127	-	1 127
Balance as at 31 August 2010**	552 812	7 956	229 448	790 216

*Audited **Unaudited

OPERATIONAL REVIEW

Sanyati Central

Sanyati Central delivered welcome growth of 33,1% in revenue to R372,5 million (31 August 2009: R279,8 million). EBITDA of R23,3 million (margin of 6,3%) is reflective of a low margin being realised on a major roads project due to be completed in December this year, delays on the mobilisation of a key contract as well as the challenging market conditions. We expect the margin from this business to improve in the months ahead.

Sanyati Coastal

Sanyati Coastal incorporates the KwaZulu-Natal (KZN) building construction activity which was previously reported as part of Specialist Contractors. Revenue decreased by 25,3% to R282,4 million from R378,2 million reported for the interim period ended August 2009. This business generated EBITDA of R16,0 million and a resultant EBITDA margin of 5,7%.

Sanyati North

The Sanyati North business reported disappointing results for the past six months primarily as a result of the delay with the mobilisation of a key contract coupled with the ongoing challenges of a highly competitive tender market. Revenue and EBITDA decreased by 47,2% to R161,0 million and 63,7% to R9,9 million, respectively. EBITDA margin also came off from 9,0% in the previous period to 6,2% for this reporting period.

Specialist Contractors

Specialist Contractors reported revenue of R45,6 million (31 August 2009: R82,2 million) and an EBITDA loss of R4,9 million (31 August 2009: EBITDA profit of R9,3 million). Both the Piling and Conform businesses continued to be impacted by tough trading conditions and corrective rightsizing action has been taken. We remain positive regarding the long term prospects for these businesses. The ongoing drive for the Property business continues to be the conversion of property assets to cash.

Subsequent events to 31 August 2010

Sanyati acquired a strategic interest in Africa Pipe Industries (Pty) Limited in September 2010. This business is a world-class manufacturer of spiral steel pipe primarily for the water industry in South Africa. The management team of Africa Pipe Industries has significant experience in the design, building, commissioning and operation of steel pipe mills in Africa.

Changes to the board of directors

On 25 May 2010, Mr HM Dlamini resigned as a non-executive director of the board.

Prospects

The well publicised industry experience of unprecedented delays in both the award and mobilisation of contracts continues to represent a challenge for Sanyati. We nevertheless remain confident that the underlying fundamentals will ensure medium and long-term positive growth for the business and that our stated objective of geographical diversification and the establishment of new opportunities in niche markets will provide an important hedge against the timing uncertainty of government work in South Africa. Solid progress has been made in Lesotho with an initial contract award and we are confident that our efforts in Zambia and Uganda will result in similar success in the near future. The Group's telecommunications infrastructure business is gaining momentum (both in South Africa and the rest of Africa) and we have secured new opportunities in mining infrastructure as well as design, construct and finance solutions for select clients.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited Six months ended 31 August 2010	Unaudited Six months ended 31 August 2009	Audited Year ended 28 February 2010
	R'000	R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by operations before working capital changes	45 896	63 466	109 065
Changes in working capital	(33 476)	(25 932)	7 391
Cash generated by operations	12 420	37 534	116 456
Net interest (paid)/received	(4 921)	(7 097)	783
Taxation paid	(19 377)	(10 922)	(28 704)
Net cash flow from operating activities	(11 878)	19 515	88 535
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment property	-	-	(2 666)
Purchase of property, plant and equipment	(5 505)	(21 518)	(45 073)
Proceeds from sale of property, plant and equipment	468	1 077	4 115
Proceeds on disposal of non-current assets held for sale	(146)	-	-
Net cash flow from sale of business	-	-	16 749
Decrease in investments	-	47	412
Net cash flow from investing activities	(5 183)	(20 394)	(26 463)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease)/increase in interest-bearing borrowings	(16 709)	19 387	(15 133)
Decrease in vendor liabilities	(20 290)	(17 064)	(16 917)
Decrease in liabilities associated with non-current assets held for sale	(4 864)	-	-
Net cash flow from financing activities	(41 863)	2 323	(32 050)
Net (decrease)/increase in cash and cash equivalents	(58 924)	1 444	30 022
Cash and cash equivalents at beginning of period	64 458	34 436	34 436
Cash and cash equivalents at end of period	5 534	35 880	64 458

SEGMENTAL REPORT

	Unaudited Revenue Six months ended 31 August 2010	Unaudited Revenue Six months ended 31 August 2009	Unaudited EBITDA Six months ended 31 August 2010	Unaudited EBITDA Six months ended 31 August 2009
	R'000	R'000	R'000	R'000
Coastal	282 408	378 236	15 995	7 355
External revenue	282 408	373 069	-	-
Intersegment revenue	-	5 167	-	-
Central	372 505	279 845	23 335	37 492
External revenue	372 505	279 595	-	-
Intersegment revenue	-	250	-	-
North	160 997	304 788	9 946	27 421
External revenue	156 454	290 238	-	-
Intersegment revenue	4 543	14 550	-	-
Specialist Contractors	45 598	82 247	(4 936)	9 281
External revenue	43 968	82 247	-	-
Intersegment revenue	1 630	-	-	-
Shared services	-	-	-	912
Intersegmental revenue	(6 173)	(19 967)	-	-
Total external revenue	855 335	1 025 149	44 340	82 461

Pent up demand for service delivery in the vital areas of water and sanitation, together with the importance of maintaining the country's existing water infrastructure were the key factors in the Group's decision to invest in Africa Pipe Industries and the Group is excited about the prospects of this investment.

Sanyati has a continued emphasis on strategic partnerships and alliances. The improved Level 3 Contributor BBBEE status achieved by Sanyati in June 2010 is testimony to Sanyati's drive to be a "Partner of Choice".

The Group will continue to focus on cash management and the conversion of its pipeline of opportunities into a confirmed order book in the period ahead. The order book as at 31 August 2010 was R950 million, with imminent awards of R87 million and close prospects of R1,8 billion. The quantum and nature of these prospective awards are expected to provide the platform for our growth ambitions in the future.

Dividend

No interim dividend has been declared for the six months ended 31 August 2010, in line with our current Group dividend policy.

Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting, the AC500 Interpretations as issued by the Accounting Practices Board and the JSE Limited Listings Requirements. The accounting policies applied in preparing these condensed consolidated interim financial statements are consistent with those applied in the annual financial statements of the previous year end and comply with the statements of International Financial Reporting Standards (IFRS) and the South African Companies Act.

The condensed consolidated interim financial statements have not been audited or reviewed by the Group's auditors.

On behalf of the board

Malcolm Lobban
 Chief Executive Officer

John Deeb
 Chief Financial Officer

Bryanston

25 October 2010

Sanyati Holdings Limited ("Sanyati" or "the company" or "the Group")
 Registration number: 1988/002538/06 JSE code: SAN ISIN: ZAE000081055

Directors

ZB Ebrahim** (Chairperson), MH Lobban (Chief Executive Officer), JJ Deeb (Chief Financial Officer), RM Crowie*, MR Gahagan**, LJ Fosu**

* Non-executive ** Independent non-executive

Registered office

2nd Floor, Pin Oak House, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston, 2191

Sponsor