

SANYATI HOLDINGS LIMITED
 Incorporated in the Republic of South Africa
 Registration number: 1988/002538/06
 Share code: SAN
 ISIN code: ZAE000081055
 (“Sanyati” or “the Company” or “the Group”))



CONDENSED CONSOLIDATED AUDITED RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2011

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2011 Audited (R'000)	2010 Audited (R'000)
Continuing operations		
Revenue	1 533 062	1 997 166
Contracting costs	(1 355 497)	(1 732 253)
Gross profit	177 565	264 913
Other income	4 923	3 459
Administrative and operating expenses	(108 492)	(95 634)
Profit before depreciation, change in estimates and impairment	73 996	172 738
Depreciation	(20 241)	(20 143)
Profit before change in estimates and impairment	53 755	152 595
Changes in accounting estimates	-	(50 245)
Profit before goodwill impairment	53 755	102 350
Goodwill impairment	(154 755)	-
(Loss)/profit before interest and tax	(101 000)	102 350
Investment income	16 223	15 575
Interest expense	(21 982)	(14 792)
(Loss)/profit before taxation	(106 759)	103 133
Taxation expense	(13 659)	(34 317)
(Loss)/profit from continuing operations	(120 418)	68 816
Discontinued operations		
Loss from discontinued operations (net of income tax)	-	(15 832)
(Loss)/ profit for the year	(120 418)	52 984
Other comprehensive income	-	-
Total comprehensive (loss)/income for the year	(120 418)	52 984
Earnings per share from continuing operations:		
Basic (loss)/ earnings per share (cents)	(29.75)	17.44
Diluted (loss)/ earnings per share (cents)	(29.75)	16.97
Fully diluted (loss)/ earnings per share (cents)	(26.71)	15.27
Headline earnings per share (cents)	8.46	17.62
Diluted headline earnings per share (cents)	8.46	17.15
Fully diluted headline earnings per share (cents)	7.60	15.42
Earnings per share from total operations:		
Basic (loss)/ earnings per share (cents)	(29.75)	13.43
Diluted (loss)/ earnings per share (cents)	(29.75)	13.07
Fully diluted (loss)/ earnings per share (cents)	(26.71)	11.75
Headline earnings per share (cents)	8.46	14.53
Diluted headline earnings per share (cents)	8.46	14.14
Fully diluted headline earnings per share (cents)	7.60	12.72



	2011	2010
	Audited	Audited
	(R'000)	(R'000)
Reconciliation between earnings and headline earnings from continuing operations:		
Basic earnings from continuing operations	(120 418)	68 816
Impairment of goodwill	154 755	-
Fair value adjustment of investment property	(269)	1 020
Net loss/(profit) on sale of assets	190	(318)
Headline earnings from continuing operations	34 258	69 518
Reconciliation between earnings and headline earnings from total operations:		
Basic earnings from total operations	(120 418)	52 984
Impairment of goodwill	154 755	-
Fair value of investment property	(269)	1 020
Net loss on sale of assets	190	628
Fair value adjustment of non-current assets held for sale	-	2 713
Headline earnings from total operations	34 258	57 345

SUPPLEMENTARY INFORMATION

		2011	2010
		Audited	Audited
Capital expenditure	(R'000)	(16 705)	(45 073)
Weighted average number of shares	('000)	404 798	394 645
Number of shares in issue	('000)	450 802	440 037
Diluted weighted average number of shares in issue	('000)	404 798	405 410
Fully diluted number of shares	('000)	450 802	450 802
Net asset value (NAV) per share	(cents)	143.8	174.3
Net tangible asset value (NTAV) per share	(cents)	66.2	59.6
Operating (EBITDA) margin	(%)	4.8	8.6

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

	2011	2010
	Audited	Audited
	(R'000)	(R'000)
Cash flows from operating activities		
Cash generated from operations before working capital changes	74 824	109 065
Changes in working capital	(86 234)	7 391
Cash (utilised in)/ generated by operations	(11 410)	116 456
Net interest (paid)/received	(5 759)	783
Taxation paid	(24 397)	(28 704)
Net cash (utilised in)/generated from operating activities	(41 566)	88 535
Net cash utilised in investing activities	(23 031)	(26 463)
Net cash utilised in financing activities	(50 203)	(32 050)
Total cash movement for the year	(114 800)	30 022
Cash and cash equivalents at the beginning of the year	64 458	34 436
Cash and cash equivalents at the end of the year	(50 342)	64 458



CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	2011 Audited (R'000)	2010 Audited (R'000)
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	180 968	179 192
Investment property	2 508	2 135
Goodwill	349 703	504 458
Investment in associate	12 982	-
Deferred tax asset	19 787	20 008
Total non-current assets	565 948	705 793
CURRENT ASSETS		
Inventory	63 959	85 649
Trade and other receivables	318 178	553 807
Gross amount due from customers	129 804	62 278
Tax assets	4 320	3 159
Cash and bank balances	3 510	68 391
Total current assets	519 771	773 284
Non-current assets classified as held-for-sale	9 963	21 080
TOTAL ASSETS	1 095 682	1 500 157
EQUITY AND LIABILITIES		
Total equity	648 047	766 808
NON-CURRENT LIABILITIES		
Interest bearing borrowings	49 453	62 261
Deferred tax liabilities	54 584	45 691
Total non-current liabilities	104 037	107 952
CURRENT LIABILITIES		
Trade and other payables	200 955	401 868
Gross amount due to customers	37 108	112 222
Current portion of interest bearing borrowings	29 933	38 843
Vendor liabilities	16 731	38 318
Taxation	207	18 898
Bank overdrafts	53 852	3 933
Total current liabilities	338 786	614 082
Liabilities directly associated with non-current assets classified as held-for-sale	4 812	11 315
Total liabilities	447 635	733 349
TOTAL EQUITY AND LIABILITIES	1 095 682	1 500 157



CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital and premium (R'000)	Shares to be issued (R'000)	Treasury shares (R'000)	Retained earnings (R'000)	Share based payment reserve (R'000)	Total equity (R'000)
Balance at 1 March 2009	494 978	76 891	(24 000)	154 183	7 478	709 530
Total comprehensive income for the year	-	-	-	52 984	-	52 984
Share adjustments	-	(42 027)	-	-	(649)	(42 676)
Share issue	46 970	-	-	-	-	46 970
Treasury share consolidation	12 220	-	(12 220)	-	-	-
Balance at 1 March 2010	554 168	34 864	(36 220)	207 167	6 829	766 808
Total comprehensive loss for the year	-	-	-	(120 418)	-	(120 418)
Share option movement	-	-	-	-	1 657	1 657
Share issue	34 864	(34 864)	-	-	-	-
Balance at 28 February 2011	589 032	-	(36 220)	86 749	8 486	648 047



SEGMENTAL ANALYSIS

	Revenue 2011 Audited R'000	Revenue 2010 Audited R'000	Profit/ (loss) before goodwill impairment and tax 2011 Audited R'000	Profit/ (loss) before goodwill impairment and tax 2010 Audited R'000
Central	801 244	680 448	40 315	66 814
– External revenue	742 888	680 448		
– Intersegment revenue	58 356	-		
Coastal	477 834	737 678	22 483	7 689
– External revenue	450 595	712 186		
– Intersegment revenue	27 239	25 492		
North	272 552	495 203	10 328	48 202
– External revenue	268 660	477 241		
– Intersegment revenue	3 892	17 962		
Piling	43 219	85 303	(14 062)	(10 187)
– External revenue	40 879	71 671		
– Intersegment revenue	2 340	13 632		
Conform	21 441	42 784	(6 706)	2 643
– External revenue	18 046	22 742		
– Intersegment revenue	3 395	20 042		
Properties	12 287	32 878	(4 362)	(12 066)
– External revenue	11 994	32 878		
– Intersegment revenue	293	-		
Shared services	-	38 792	-	38
– External revenue	-	-		
– Intersegment revenue	-	38 792		
Intersegment	(95 515)	(115 920)	-	-
Goodwill impairment			(154 755)	
Total per statement of comprehensive income	1 533 062	1 997 166	(106 759)	103 133

Overview of the Year

The challenging trading conditions already evident in the domestic construction market last year continued to be experienced throughout this financial year. The characteristics of an oversupply of construction capacity and the slow turnaround in the adjudication and award of tenders continue to be dominant factors in our industry.

The Group's disappointing financial results were a direct consequence of this difficult trading environment with headline earnings per share of 8.46 cents a share (a reduction of 52% on the prior year). Turnover of R1.53b was 23% down on the prior year. Our EBITDA margin of 4.8% (8.6% in the prior year) is similarly a reflection of tight trading conditions and reduced volumes of activity.

The trading result of our core civil construction business was a reduction in EBITDA of 40% on the prior year. The Sanyati North division was the poorest performer as a result of its inability to secure sufficient contract opportunities following completion of two major projects early in the financial year and mobilization delays on the Medupi contract. The Coastal business was severely impacted by the delay with the award of the Western Aqueduct project by Ethekwini Municipality and the holding costs of key

resources associated therewith. Sanyati Central produced a very credible result in difficult trading conditions.

The Specialist Contracting businesses were severely impacted by lack of activity in their chosen markets resulting in an aggregate EBITDA loss of R14m for the 12 month period.

The reduction in activity levels called for decisive right sizing action and an aggregate reduction of 260 permanent staff during the year. The total cost of these retrenchments was R4.9m. Every effort has nevertheless been made to retain core skills as a platform for future expansion.

During the year, the group acquired a 27% shareholding in Africa Pipe Industries (Pty) Ltd a manufacturer of spiral welded steel pipe for R13.0 million. The acquisition is in line with Sanyati's strategy for expansion into the water sector.

The Group's net cash position deteriorated by the amount of R114.8m during the year. This was primarily due to the investment in working capital of R86.2m and the settlement of R22m of vendor liabilities.

The net increase in working capital of R86.2m was mainly due to a change in the type of work undertaken this year as compared to the prior year as well as the delay with payments on our Free State Roads project near Oliviershoek. We are confident that this is a temporary situation brought about by a conscious decision to source new opportunities in a changing environment. A certain number of these new opportunities offer attractive margins but encompass negative cash flow profiles in the initial stages of execution. We are confident that this situation will be reversed in accordance with the underlying contracted payment terms and as the project life cycles mature in the months ahead.

The Board's decision to impair the carrying value of goodwill by the amount of R155 million at 28 February 2011 was arrived at after consideration of both the economic environment and the short, medium and long term prospects for Sanyati. The goodwill impaired relates to the Sanyati Piling division (R30 million) and the Sanyati North division (R125 million). This material impairment has resulted in the Group incurring a fully diluted loss per share of 26.71 cents for the period under review.

Looking ahead

The Group's response to these realities has been to continue to drive our efforts to reduce our dependence on traditional markets within South Africa. The objective of identifying attractive opportunities in select countries outside of South Africa is beginning to bear fruit. The other major objective of leveraging our position in niche markets offering strong growth prospects within South Africa has also received much attention during the year.

Positive progress in Uganda and Zambia, a growing business in the laying of fiber optic cable in South Africa and beyond our borders, the Group's recent investment in the spiral welded steel pipe industry for the water distribution market, new mining clients requiring broad infrastructural services and our onsite performance and consequent extension of awards in the rail market all bode well for the future of the Group. The Group's order book at 28 February was R866 million with imminent awards of R1 114 million and close prospects of a further R1 740 million. The imminent awards and close prospects categories include cross border projects with an aggregate value in excess of R1.6 billion. The value of the specialist contractor businesses order books for the new financial year are already equivalent to the entire turnover realised in the previous 12 months.

BBBEE

Our focused and continued transformation efforts across the organization were rewarded with our achievement of level 3 contributor status during the year. In a recent independent review of all companies listed on the JSE Limited, Sanyati was rated as the 28th most empowered company on the Exchange. A pleasing statistic was the all important area of employment equity where we were adjudged the position of 8th across all listed entities.

Board of Directors

Nhanhla Khambule and Hans Michael Dlamini both resigned as non executive directors during the year, on 27 March 2010 and 25 May 2010, respectively.

John Deeb, the Group Financial Director, resigned at end of April 2011 to take up a new position outside of South Africa. We thank John for his contribution to the Group and wish him well for the future. We welcome Aleta Jovner to the Board. She will assume her duties as the new Group Financial Director on 1 June 2011.

DIVIDENDS TO SHAREHOLDERS

The Board has decided that based on current market conditions, no dividend will be declared for this financial year.

SUBSEQUENT EVENTS

Subsequent to the financial year end there have been no events other than the change to the Board of directors, as disclosed above that may impact on the operations of the Group.

BASIS OF PREPARATION

The audited results for the year ended 28 February 2011 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the AC500 standards as issued by the Accounting Practices Board, the South African Companies Act, as amended and the JSE Listings Requirements and contain the information required by IAS 34: Interim Financial Reporting and incorporates responsible disclosure in line with the accounting philosophy of the Group. The financial information presented above is based on appropriate accounting policies that are in terms of IFRS and are consistent with those applied in the prior period and are supported by responsible and prudent judgments and estimates.

AUDIT OPINION

The Group's auditors, PKF (Jhb) Inc., have audited the financial information and their unqualified audit opinion is available for inspection at Sanyati's offices.

On behalf of the Board

Zohra Ebrahim
Non-Executive Chairperson

Malcolm Lobban
Chief Executive Officer

Bryanston 16 May 2011

CORPORATE INFORMATION

Sanyati Holdings Limited ("Sanyati" or "the company" or "the Group")

(Registration number 1988/002538/06) Share code: SAN ISIN: ZAE000081055

Directors: ZB Ebrahim (independent non-executive Chairperson), MH Lobban (Chief Executive Officer), RM Crowie (non-executive director), MR Gahagan (independent non-executive director) and LJ Fosu (independent non-executive director)

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

Transfer secretaries: Computershare Investor Services (Pty) Limited, PO Box 61051, Marshalltown, 2008

Sponsor: BDO Corporate Finance (Pty) Limited

www.sanyati.co.za