



# REVIEWED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2009

STEFANUTTI STOCKS HOLDINGS LIMITED  
("Stefanutti Stocks" or "the company" or "the group")  
(Registration number 1996/003767/06)  
Share code: SSK ISIN: ZAE000123766

- Revenue 56%
- Operating profit 46%
- Headline earnings 48%
- Diluted HEPS 22%
- Cash on hand R1,3 billion
- Interim dividend of 25 cents per share

## STATEMENT OF COMPREHENSIVE INCOME

	% increase	Reviewed six months ended 31 August 2009 R'000	Reviewed six months ended 31 August 2008 R'000	Audited 12 months ended 28 February 2009 R'000
<b>Revenue</b>	56	4 000 106	2 570 080	6 316 570
Contract revenue	55	3 936 682	2 536 374	6 212 899
Contract costs		(3 396 778)	(2 145 486)	(5 266 004)
Contract gross profit		539 904	390 888	946 895
Other income		21 580	1 998	20 784
Operating costs		(240 698)	(172 932)	(435 841)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	46	320 786	219 954	531 838
Depreciation		(56 485)	(40 905)	(100 896)
Amortisation of intangible assets		(7 175)	(2 770)	(38 751)
Operating profit	46	257 126	176 279	392 191
Investment income		44 695	34 309	74 879
Finance costs		(16 574)	(11 905)	(30 535)
Share of profits/(losses) from associate company		138	729	(703)
<b>Profit before taxation</b>		285 385	199 412	435 832
Taxation		(87 306)	(56 750)	(116 414)
<b>Profit for the period</b>		198 079	142 662	319 418
<b>Other comprehensive income</b>		(44 446)	1 702	42 743
Exchange differences on translating foreign operations		(44 446)	1 702	42 743
Gains on property revaluation		-	-	1 981
Income tax relating to components of other comprehensive income		-	-	(555)
<b>Total comprehensive income for the period</b>		153 633	144 364	363 587
<b>Profit attributable to:</b>				
Equity holders of the company	50	196 304	131 043	297 525
Minority shareholders		1 775	11 619	21 893
		198 079	142 662	319 418
<b>Total comprehensive income attributable to:</b>				
Equity holders of the company		151 858	132 745	341 694
Minority shareholders		1 775	11 619	21 893
		153 633	144 364	363 587
Earnings per share (cents)		111,94	89,77	184,27
Diluted earnings per share (cents)		104,37	84,46	173,56
<b>Commentary to the statement of comprehensive income</b>				
<b>Headline earnings reconciliation</b>				
Profit after taxation attributable to equity holders of the company		196 304	131 043	297 525
Adjusted for:				
Gain on bargain purchase		(1 154)	-	-
(Profit)/loss on disposal of plant and equipment		(273)	1 292	2 423
Tax effect of adjustments		76	(362)	(678)
Total minority interest of adjustments		4	29	(3)
<b>Headline earnings</b>	48	194 957	132 002	299 267
<b>Normalised headline earnings reconciliation</b>				
Headline earnings		194 957	132 002	299 267
Adjusted for:				
Amortisation of intangibles		7 175	2 770	38 751
Tax effect of adjustments		(1 933)	(775)	(10 849)
Total minority interest of adjustments		(81)	(257)	-
<b>Normalised headline earnings</b>	50	200 118	133 740	327 169
Number of weighted average shares in issue		175 369 440	145 980 140	161 464 960
Number of diluted weighted average shares in issue		188 080 746	155 159 576	171 428 947
Earnings per share (cents)	25	111,94	89,77	184,27
Diluted earnings per share (cents)	24	104,37	84,46	173,56
Headline earnings per share (cents)	23	111,17	90,42	185,35
Diluted headline earnings per share (cents)	22	103,66	85,08	174,57
Normalised headline earnings per share (cents)	25	114,11	91,62	202,63
Diluted normalised headline earnings per share (cents)	23	106,40	86,20	190,85

## STATEMENT OF FINANCIAL POSITION

	Reviewed at 31 August 2009 R'000	Reviewed at 31 August 2008 R'000	Audited at 28 February 2009 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	2 034 170	1 926 956	2 000 566
Property, plant and equipment	800 013	703 926	763 246
Goodwill and intangible assets	1 157 426	1 183 115	1 161 544
Investment in associates	17 451	15 097	15 795
Long-term loan receivable	-	964	-
Deferred taxation	59 280	23 854	59 981
<b>Current assets</b>	3 127 775	2 444 951	3 023 474
Bank balances	1 330 068	873 418	1 381 314
Other current assets	1 791 708	1 570 431	1 639 654
Taxation	5 999	1 102	2 506
<b>Total assets</b>	5 161 945	4 371 907	5 024 040
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves	1 584 756	1 441 185	1 613 258
Ordinary shareholders' interest	1 565 818	1 405 012	1 574 049
Minority shareholders' interest	18 938	36 173	39 209
<b>Non-current liabilities</b>	205 376	223 836	227 107
Interest-bearing liabilities	126 976	187 940	160 953
Deferred taxation	78 400	35 896	66 154
<b>Current liabilities</b>	3 371 813	2 706 886	3 183 675
Bank overdraft	1 270	6 018	47 437
Other current liabilities	1 949 104	1 824 179	1 870 555
Provisions	1 308 706	770 647	1 172 207
Taxation	112 733	106 042	93 476
<b>Total equity and liabilities</b>	5 161 945	4 371 907	5 024 040
<b>Commentary to the financial position</b>			
Total number of net shares in issue	174 558 683	177 912 105	175 859 983
Total number of shares in issue	188 080 746	188 080 746	188 080 746
Net asset value per ordinary share (cents)	897,01	789,72	895,06
Net tangible asset value per ordinary share (cents)	233,96	124,72	234,56
Diluted net asset value per ordinary share (cents)	832,52	747,03	836,90
Diluted net tangible asset value per ordinary share (cents)	217,14	117,98	219,32

## STATEMENT OF CASH FLOWS

	Reviewed six months ended 31 August 2009 R'000	Reviewed six months ended 31 August 2008 R'000	Audited 12 months ended 28 February 2009 R'000
Cash generated from operations	386 146	425 932	1 142 717
Interest received	44 695	34 309	74 879
Finance costs	(16 574)	(11 905)	(30 535)
Dividends (paid)/received	(116 445)	(1 487)	23
Taxation paid	(46 605)	(45 604)	(152 980)
Secondary tax on companies paid	(11 987)	(64)	(1 064)
<b>Cash flows from operating activities</b>	239 230	401 181	1 033 040
Expenditure to maintain operating capacity	(55 278)	(233 575)	(343 187)
Expenditure for expansion	(110 784)	(87 577)	(121 564)
<b>Cash flows from investing activities</b>	(166 062)	(321 152)	(464 751)
<b>Cash flows from financing activities</b>	(33 032)	124 388	65 995
<b>Net increase in cash for period</b>	40 136	204 417	634 284
Effect of exchange rate changes on cash and cash equivalents	(45 215)	-	36 610
Cash at beginning of period	1 333 877	662 983	662 983
<b>Net cash at end of period</b>	1 328 798	867 400	1 333 877

## SEGMENT INFORMATION

R'000	Roads & Reconciling segments				Total
	Structures	Building	Earthworks	Reconciling segments	
<b>31 August 2009</b>					
Revenue	1 262 598	1 887 529	576 481	273 498	4 000 106
Intersegment contract revenues	23 379	-	24 011	33 682	81 072
Reportable segment profit	77 502	66 778	52 071	1 728	198 079
<b>31 August 2008</b>					
Revenue	1 028 775	824 184	341 435	375 686	2 570 080
Intersegment contract revenues	23 679	3 196	51 741	-	78 616
Reportable segment profit	61 727	20 018	40 088	20 829	142 662
<b>28 February 2009</b>					
Revenue	2 108 313	2 783 972	764 258	660 027	6 316 570
Intersegment contract revenues	75 023	3 303	84 297	14 130	176 753
Reportable segment profit	118 800	103 217	85 329	12 072	319 418

## STATEMENT OF CHANGES IN EQUITY

R'000	Issued capital and premium	Share-based payments	Foreign currency translation reserve	Revaluation surplus	Retained earnings	Ordinary shareholders' interest	Minority shareholders' interest	Capital and reserves
<b>Balance at 1 March 2008 audited</b>	424 365	10 905	(113)	3 571	151 954	590 682	25 091	615 773
Premium on issue of ordinary shares	675 323	-	-	-	-	675 323	-	675 323
Employee share options	-	10 217	-	-	-	10 217	-	10 217
Total comprehensive income	-	-	1 702	-	131 043	132 745	11 619	144 364
Dividends paid by subsidiary to outside shareholders	-	-	-	-	(1 487)	(1 487)	-	(1 487)
Minority interest acquired	-	-	-	-	(2 468)	(2 468)	(3 529)	(5 997)
Adjustment resulting from PPA finalisation	-	-	-	-	-	-	2 992	2 992
<b>Balance at 31 August 2008 reviewed</b>	1 099 688	21 122	1 589	3 571	279 042	1 405 012	36 173	1 441 185
Effect of consolidating the trusts and treasury shares	(19 839)	-	-	-	-	(19 839)	-	(19 839)
Employee share options	-	10 901	-	-	-	10 901	-	10 901
Total comprehensive income	-	-	41 041	1 426	166 482	208 949	10 274	219 223
Realisation of share-based payment reserve	-	(446)	-	-	446	-	-	-
Redemption of shares	-	-	-	-	(12 163)	(12 163)	-	(12 163)
Settlement of Share Trust investments	-	-	-	-	13 815	13 815	-	13 815
Minority interest acquired	-	-	-	-	(8 774)	(8 774)	(7 238)	(16 012)
Effect of consolidating the Stocks and Housing Share Incentive Trust	(23 852)	-	-	-	-	(23 852)	-	(23 852)
<b>Balance at 28 February 2009 audited</b>	1 055 997	31 577	42 630	4 997	438 848	1 574 049	39 209	1 613 258
Effect of consolidating the trusts and treasury shares	(14 077)	-	-	-	-	(14 077)	-	(14 077)
Employee share options	-	9 457	-	-	-	9 457	-	9 457
Total comprehensive income	-	-	(44 446)	-	196 304	151 858	1 775	153 633
Minority interest acquired	-	-	-	-	(39 017)	(39 017)	(21 865)	(60 882)
Dividends paid	-	-	-	-	(116 452)	(116 452)	(181)	(116 633)
<b>Balance at 31 August 2009 reviewed</b>	1 041 920	41 034	(1 816)	4 997	479 683	1 565 818	18 938	1 584 756

Directors: B Stefanutti (Executive Chairman); W Meyburgh (Chief Executive Officer); D Quinn† (Financial Director); S Pell; N Canca\*; K Eborall†; H Mashaba\* M Mkwazani†; B Sithole†; J Fizelle\*† (alternate to B Sithole)  
\*Non-executive director †Irish

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Auditors: Mazars Moores Rowland, 5 St Davids Place, Parktown, 2193 (PO Box 6697, Johannesburg, 2000)

Sponsor: Bridge Capital Advisors (Pty) Limited, 2nd Floor, 27 Fricker Road, Illovo Boulevard, Illovo, 2196 (PO Box 651010, Benmore, 2010)

Transfer secretaries: Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107)

Company secretary: W Somerville, 20 Lurgan Road, Parkview, 2193

## COMMENTARY

**Introduction**  
The directors are pleased to present the reviewed condensed consolidated interim results for the six months ended 31 August 2009 ("the period") which reflect the group's sustained strong growth. The integration of recent acquisitions is progressing well and synergies are beginning to reflect in economies of scale, thereby entrenching the group as a major competitor in the first-tier construction sector. Further, Stefanutti Stocks' comprehensive rebranding strategy initiated in 2008 continues to be rolled-out to ensure a single, cohesive brand for the group.

**Basis of preparation**  
The reviewed condensed consolidated interim results for the period ("the reviewed results") have been accounted for in accordance with IAS 34: *Interim Financial Reporting* and in compliance with the South African Companies Act, 1973 as amended. The reviewed results are prepared on the historical cost basis, with the exception of certain financial instruments and properties which are measured at fair value. The accounting policies and methods of measurement and recognition applied in preparation of the reviewed results are consistent with those applied in the group's audited annual financial statements for the year ended 28 February 2009, except for the application of IFRS 8: *Operating Segments* and IAS 1: *Presentation of Financial Statements - Revised*.

IFRS 8 replaces IAS 14: *Segment Reporting* and requires an entity to adopt a "management approach" to reporting the financial performance of its segments. In accordance with the requirements of IFRS 8 the segmental reporting is now prepared based on the business units as reported internally by management. The group has complied with the revised naming conventions as required by IAS 1 and reports one Statement of Comprehensive Income. In terms of IAS 1 certain items reported in the Statement of Changes in Equity are now disclosed in the Statement of Comprehensive Income.

The preparation of the reviewed results required the use of estimates and assumptions that affect the values of assets and liabilities at the reporting date, as well as the determination of revenue and expenses during the reporting periods. Although these estimates are based on management's best knowledge of current events and actions that the group may undertake in the future, actual results may differ from those estimates.

## Auditor's review

The reviewed condensed consolidated interim results for the period have been reviewed by the group's auditors, Mazars Moores Rowland. Their unqualified review opinion is available for inspection at the company's registered office.

## Group profile

Stefanutti Stocks operates throughout South Africa, Southern Africa and the Middle East with expertise spanning concrete structures, rehabilitation and marine construction, piling and geotechnical services, roads and earthworks, mine residue disposal facilities (mainly tailings dams), open-pit contract mining, building works and mechanical, electrical and powerline transmission and distribution construction. In addition the group has established skills to participate in projects on a Public-Private-Partnership ("PPP") basis.

## Review of operations

### Structures

The Structures Business Unit encompasses the group's civil structures, geotechnical and marine capabilities.

Structures delivered a strong performance for the period, putting the Business Unit on track to achieve full year targets despite a substantial reduction in the number of available tenders and consequent pressure on margins. This is expected to prove a challenge in the year ahead.

The incrementally launched R21 bridge project near Pretoria was successfully completed. After initial delays, the Kusile Power Station project is progressing well. To offset generally declining demand in the local construction market Structures is assessing cross-border opportunities and has already further expanded its geotechnical operations in Mozambique, Botswana and Angola. During the period the Business Unit was awarded a contract for the next phase of the Ben Schoeman dock in joint venture, and has seen a promising upswing in tenders in the marine sector.

### Building

The Building Business Unit operates throughout South Africa and Southern Africa servicing the full scope of building construction from commercial and industrial through to residential and leisure.

Market conditions remained tough during the period with approved building plans in all regions showing decline. In general the issue of fewer tenders resulted in intensified competition and reduced margins. Notwithstanding these factors, the Business Unit performed well during the period and is on target to achieve budget for the full year to February 2010. The strategy to expand geographically added impetus to growth and helped maintain order book levels. The Housing operation is successfully weathering a difficult climate with the slow award of projects and the credit crunch preventing the roll-out of new housing developments. The operation has almost secured its targeted February 2011 order book and is well-positioned to service major clients who are indicating new projects in the year ahead.

### Roads & Earthworks

Roads & Earthworks operates in the