



REVIEWED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2010

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

- Revenue \downarrow 9%
- HEPS \downarrow 14%
- Cash on hand R1,1 billion
- Interim dividend of 20 cents per share
- Order book of R6,8 billion

STATEMENT OF COMPREHENSIVE INCOME

	Reviewed six months ended 31 August 2010	Reviewed six months ended 31 August 2009	Audited 12 months ended 28 February 2010
	R'000	R'000	R'000
Revenue	(9) 3 631 933	4 000 106	7 471 412
Contract revenue	(9) 3 581 030	3 936 682	7 365 023
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	(8) 295 626	320 786	657 337
Depreciation	(69 571)	(56 485)	(138 587)
Amortisation of intangible assets	(4 219)	(7 175)	(18 005)
Operating profit before investment income	(14) 221 836	257 126	500 745
Investment income	34 111	44 695	85 518
Share of profits from associate companies	267	138	973
Operating profit before finance costs	256 214	301 959	587 236
Finance costs	(12 447)	(16 574)	(25 288)
Profit before taxation	243 767	285 385	561 948
Taxation	(77 876)	(87 306)	(172 703)
Profit for the period	165 891	198 079	389 245
Other comprehensive income	(22 958)	(44 446)	(42 345)
Exchange differences on translating foreign operations	(22 958)	(44 446)	(42 345)
Total comprehensive income for the period	142 933	153 633	346 900
Profit attributable to:			
Equity holders of the company	(15) 165 891	196 304	384 774
Non-controlling interest	(16) 165 891	198 079	389 245
Total comprehensive income attributable to:			
Equity holders of the company	142 933	151 858	342 429
Non-controlling interest	-	1 775	4 471
	142 933	153 633	346 900
Earnings per share (cents)	96,26	111,94	220,14
Diluted earnings per share (cents)	88,20	104,37	204,58
Commentary to the statement of comprehensive income			
Headline earnings reconciliation			
Profit after taxation attributable to equity holders of the company	165 891	196 304	384 774
Adjusted for:			
Gain on bargain purchase option	-	(1 154)	(1 154)
Loss on disposal of subsidiary	-	-	1 700
(Profit)/loss on disposal of plant and equipment	(746)	(273)	9 243
Goodwill impairment	-	-	1 992
Tax effect of adjustments	209	76	(2 588)
Total non-controlling interest of adjustments	-	4	(1 852)
Headline earnings	(15) 165 354	194 957	392 115
Normalised headline earnings reconciliation			
Headline earnings	165 354	194 957	392 115
Adjusted for:			
Amortisation of intangibles	4 219	7 175	16 013
Tax effect of adjustments	(1 179)	(1 933)	(4 482)
Total non-controlling interest of adjustments	-	(81)	(577)
Normalised headline earnings	(16) 168 394	200 118	403 069
Number of weighted average shares in issue	172 335 918	175 369 440	174 787 507
Number of diluted weighted average shares in issue	188 080 746	188 080 746	188 080 746
Earnings per share (cents)	(14) 96,26	111,94	220,14
Diluted earnings per share (cents)	(15) 88,20	104,37	204,58
Headline earnings per share (cents)	(14) 95,95	111,17	224,34
Diluted headline earnings per share (cents)	(15) 87,92	103,66	208,48
Normalised headline earnings per share (cents)	(14) 97,71	114,11	230,61
Diluted normalised headline earnings per share (cents)	(16) 89,53	106,40	214,31

STATEMENT OF FINANCIAL POSITION

	Reviewed at 31 August 2010	Reviewed at 31 August 2009	Audited at 28 February 2010
	R'000	R'000	R'000
ASSETS			
Non-current assets	2 069 122	2 034 170	2 018 076
Property, plant and equipment	855 266	800 013	791 865
Investment property	45 474	-	34 337
Goodwill and intangible assets	1 135 119	1 157 426	1 126 547
Investment in associates	18 598	17 451	18 123
Other investments	2 367	-	1 901
Deferred taxation	12 298	59 280	45 303
Current assets	2 908 341	3 127 775	3 009 707
Bank balances	1 150 918	1 330 068	1 351 998
Other current assets	1 741 710	1 791 708	1 635 943
Taxation	15 713	5 999	21 766
Total assets	4 977 463	5 161 945	5 027 783
EQUITY AND LIABILITIES			
Capital and reserves	1 731 291	1 584 756	1 683 632
Ordinary shareholders' interest	1 731 291	1 565 818	1 681 457
Non-controlling interest	-	-	2 175
Non-current liabilities	168 124	205 376	176 729
Interest-bearing liabilities	118 558	126 976	108 477
Non-interest bearing liabilities	4 762	-	-
Deferred taxation	44 804	78 400	68 252
Current liabilities	3 078 048	3 371 813	3 167 422
Bank overdraft	25 533	1 270	4 394
Other current liabilities	1 696 526	1 949 104	1 658 686
Provisions	1 319 519	1 308 706	1 449 735
Taxation	36 470	112 733	54 607
Total equity and liabilities	4 977 463	5 161 945	5 027 783
Total number of net shares in issue	171 500 010	174 558 683	172 476 565
Net asset value per share (cents)	1 009,50	897,01	974,89

STATEMENT OF CASH FLOWS

	Reviewed six months ended 31 August 2010	Reviewed six months ended 31 August 2009	Audited 12 months ended 28 February 2010
	R'000	R'000	R'000
Cash generated from operations	115 159	386 146	792 052
Interest received	32 051	44 695	83 838
Finance costs	(12 447)	(16 574)	(25 288)
Dividends paid	(77 660)	(116 445)	(159 409)
Dividends received	2 060	-	1 680
Taxation paid	(69 461)	(46 605)	(192 930)
Secondary tax on companies paid	(8 463)	(11 987)	(18 936)
Cash flows from operating activities	(18 761)	239 230	481 007
Expenditure to maintain operating capacity	(65 519)	(55 278)	(16 226)
Expenditure for expansion	(107 615)	(110 784)	(310 447)
Cash flows from investing activities	(173 134)	(166 062)	(326 673)
Cash flows from financing activities	(4 864)	(33 032)	(92 611)
Net (decrease)/increase in cash for period	(196 759)	40 136	61 723
Effect of exchange rate changes on cash and cash equivalents	(25 460)	(45 215)	(47 996)
Cash at beginning of period	1 347 604	1 333 877	1 333 877
Net cash at end of period	1 125 385	1 328 798	1 347 604

SEGMENT INFORMATION

R'000	Structures	Building	Roads & Earthworks	Other segments	Total
31 August 2010					
Contract revenue	966 840	1 729 279	518 295	366 616	3 581 030
Intersegment contract revenues	56 387	-	52 547	39 381	148 315
Reportable segment profit	62 024	56 660	41 796	5 411	165 891
31 August 2009					
Contract revenue	1 231 795	1 856 339	572 307	276 241	3 936 682
Intersegment contract revenues	23 379	-	24 011	33 682	81 072
Reportable segment profit	77 502	66 778	52 071	1 728	198 079
28 February 2010					
Contract revenue	2 098 888	3 688 062	1 104 302	473 771	7 365 023
Intersegment contract revenues	63 720	-	46 508	81 337	191 565
Reportable segment profit	135 390	136 359	104 713	12 783	389 245

united in bridging your expectations

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	Non-controlling interest	Capital and reserves
Balance at 1 March 2009 audited	1 055 997	31 577	42 630	4 997	438 848	1 574 049	39 209	1 613 258
Treasury shares acquired	(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
Non-controlling interests acquired	-	-	-	-	(39 017)	(39 017)	(21 865)	(60 882)
Dividends paid	-	-	-	-	(116 452)	(116 452)	(181)	(116 633)
Balance at 31 August 2009 reviewed	1 041 920	41 034	(1 816)	4 997	479 683	1 565 818	18 938	1 584 756
Treasury shares acquired	(21 302)	-	-	-	-	(21 302)	-	(21 302)
Employee share options	-	6 783	-	-	-	6 783	-	6 783
Realisation of share-based payment reserve	-	(87)	-	-	-	-	-	(87)
Total comprehensive income	-	-	2 101	-	188 470	190 571	2 696	193 267
Non-controlling interests acquired	-	-	-	-	(17 447)	(17 447)	(19 459)	(36 906)
Dividends paid	-	-	-	-	(42 966)	(42 966)	-	(42 966)
Balance at 28 February 2010 audited	1 020 618	47 730	285	4 997	607 827	1 681 457	2 175	1 683 632
Treasury shares acquired	(9 335)	-	-	-	-	(9 335)	-	(9 335)
Employee share options	-	4 698	-	-	-	4 698	-	4 698
Total comprehensive income	-	-	(22 958)	-	165 891	142 933	-	142 933
Non-controlling interests acquired	-	-	-	-	(10 804)	(10 804)	(2 175)	(12 979)
Dividends paid	-	-	-	-	(77 658)	(77 658)	-	(77 658)
Balance at 31 August 2010 reviewed	1 011 283	52 428	(22 673)	4 997	685 256	1 731 291	-	1 731 291

Directors:

B Stefanutti (Chairman)*; W Meyburgh (Chief Executive Officer); D Quinn* (Chief Financial Officer); S Ackerman; S Pell, N Canca*#; K Eborall*#; H Mashaba* M Mkwanzazi*#; B Sithole*; J Fizelle* (alternate to B Sithole)

*Non-executive director * Irish # Independent

Registered office:

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Corporate adviser and 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

Basics of preparation

The reviewed condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and in terms of IAS 34 - Interim Financial Reporting, the AC 500 standards as issued by the Accounting Practice Board and in compliance with the Listings Requirements of the JSE Limited and the South African Companies Act (1973). These accounting policies used in the preparation of these interim results are consistent with those used in the annual financial statements for the year ended 28 February 2010.

Auditor's review

The condensed consolidated interim financial statements for the period have been reviewed by the company's auditors, Mazars. Their unqualified review opinion is available for inspection at the company's registered office. Their review was conducted in accordance with ISRE 2410 "Review of interim financial information performed by the independent auditor of the entity".

COMMENTARY

Overview of results

The directors present the reviewed results for the six months ended 31 August 2010 ("the period"). The group continues to adopt a principle of effective and informative reporting, in line with reporting standards and industry norms.

Reduced top and bottom line growth reflect competitive trading conditions, delayed contract awards and contract cancellations. Notwithstanding these factors the group has delivered a commendable performance in the current economic environment, in line with the trading statement dated 11 October 2010.

Earnings per share and diluted headline earnings per share reduced by 14% and 15%, respectively, from the comparative period. Revenue and EBITDA contracted marginally by 9% and 8%, respectively. The group achieved an operating margin of 6,2% (August 2009: 6,5%) equating to operating profit of R221,8 million (August 2009: R257,1 million).

The group's financial position has remained sound with R1,1 billion cash on hand and nil net gearing.

An interim dividend of 20,0 cents (August 2009: 25,0 cents) has been declared, which is consistent with the group's current dividend policy.

Stefanutti Stocks' order book stands at R6,8 billion (February 2010: R6,2 billion).

Review of operations

Structures

This encompasses the group's civil engineering, geotechnical and marine capabilities. Contract revenue declined from R1,2 billion in the comparative period to R0,9 billion, with an anticipated improvement in the next period. The business unit improved its operating margin to 7,8% from 7,6%.

Looking to the longer term, the resources sector is showing signs of growth as evidenced in increasing feasibility studies for mining houses. As a result a number of long-lead projects are expected to come to tender. Structures intends to continue its geographical expansion into Africa.

Large-scale projects underway include Kusile Power Station (Stefanutti Stocks - Geotechnical and Civils combined portion - R659 million), with the potential for future work. The Ben Schoeman Dock project (Stefanutti Stocks portion R253 million) is on track and completion is expected in 2012. Work on the R577 million Grootegeluk Coal Mine contract is in the initial phase.

Building

Building services the full scope of building construction. The business unit reported a 7% drop in contract revenue to R1,7 billion, but improved operating margins to 3,9% from 3,7% at August 2009, despite competitive trading conditions in South Africa. These conditions were offset to an extent by securing more profitable work in the rest of Africa. However increasing competition in traditional tender markets, exacerbated by returning capacity in the wake of the global economic downturn, will contribute to margin squeeze.

During the period the Inland operations successfully completed, amongst other projects, the R400 million L'Langha Shopping Mall in Nelspruit and the R300 million A-grade office block for FNB in Johannesburg. Construction is currently underway on the Shoprite distribution centre in Centurion and pharmaceutical facilities for Adcock Ingram in Midrand. In the Coastal operations a 220-room Southern Sun Hotel was successfully concluded during the period while work on the R220 million Unilever packaging plant and a R200 million Shoprite Distribution Centre is progressing well.

Building continues to leverage its existing footprint across Africa to achieve growth. Recent contract awards in Malawi, Mozambique and Botswana are successfully offsetting declining revenue in South Africa.

International

Market conditions in the Middle East remain difficult with limited activity resulting in fewer new contracts and fierce competition.

Roads & Earthworks

Roads & Earthworks also saw contract revenue slow down to R518 million from R572 million with a reduction in margin to 12,3% from 13,8%. The R220 million Optimum Water reclamation project is nearing completion while work on the Lusip Tertiary Distribution and the Kusile Power Station contract is progressing well.

The ageing roads infrastructure countrywide will continue to demand rehabilitation and expansion. SANRAL expenditure is, however, expected to dip temporarily in 2011/12 before recovering. Roads & Earthworks will look to counter increased competition in South Africa with expansion into Africa.

Mining Services

The business unit includes:

- mine residue disposal facilities and open pit contract mining across South Africa ("Mining"); and
- mechanical, electrical, instrumentation and powerline distribution operations ("MEIP").

Mining Services increased contract revenue to R366 million from R276 million. Due to increasing competition in a contracting market, operating profit reduced from R34 million to R24 million. Challenges in securing new contracts, due mainly to client delays as well as inability to conclude firm contract mining offtake agreements resulted in a negative impact on performance.