



# REVIEWED CONDENSED CONSOLIDATED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2011

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

- Revenue R3,8 billion
- Operating profit R179 million
- HEPS 71,4 cents
- Cash on hand R1 billion

## STATEMENT OF COMPREHENSIVE INCOME

	Reviewed six months ended 31 August 2011 R'000	Reviewed six months ended 31 August 2010 R'000	Audited at 28 February 2011 R'000
Revenue	6 3 859 003	3 631 933	6 998 207
Contract revenue	7 3 821 827	3 581 030	6 896 418
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	(9) 269 044	295 626	598 185
Depreciation	(86 575)	(69 571)	(147 654)
Amortisation of intangible assets	(3 818)	(4 219)	(8 202)
Operating profit before investment income (operating profit)	(19) 178 651	221 836	442 329
Investment income	19 631	34 111	61 591
Share of profits from associate companies	510	267	2 712
Operating profit before finance costs	198 792	256 214	506 632
Finance costs	(17 232)	(12 447)	(25 270)
Profit before taxation	181 560	243 767	481 362
Taxation	(56 592)	(77 876)	(148 351)
Profit for the period	124 968	165 891	333 011
Other comprehensive income	2 173	(22 958)	(37 372)
Exchange differences on translating foreign operations	2 173	(22 958)	(37 372)
Total comprehensive income for the period	127 141	142 933	295 639
Profit attributable to:			
Equity holders of the company	(25) 124 968	165 891	333 011
Total comprehensive income attributable to:			
Equity holders of the company	127 141	142 933	295 639
Earnings per share (cents)	72,67	96,26	193,55
Diluted earnings per share (cents)	66,44	88,20	177,06
Commentary to the statement of comprehensive income			
Headline earnings reconciliation			
Profit after taxation attributable to equity holders of the company	124 968	165 891	333 011
Adjusted for:			
(Profit)/loss on disposal of plant and equipment	(2 997)	(746)	(2 646)
Tax effect of adjustments	839	209	741
Headline earnings	(26) 122 810	165 354	331 106
Normalised headline earnings reconciliation			
Headline earnings	122 810	165 354	331 106
Adjusted for:			
Amortisation of intangibles	3 818	4 219	8 202
Tax effect of adjustments	(1 066)	(1 179)	(2 291)
Normalised headline earnings	(25) 125 562	168 394	337 017
Number of weighted average shares in issue	171 969 136	172 335 918	172 051 492
Number of diluted weighted average shares in issue	188 080 746	188 080 746	188 080 746
Earnings per share (cents)	(25) 72,67	96,26	193,55
Diluted earnings per share (cents)	(25) 66,44	88,20	177,06
Headline earnings per share (cents)	(26) 71,41	95,95	192,45
Diluted headline earnings per share (cents)	(26) 65,30	87,92	176,04
Normalised headline earnings per share (cents)	(25) 73,01	97,71	195,88
Diluted normalised headline earnings per share (cents)	(25) 66,76	89,53	179,19

## STATEMENT OF FINANCIAL POSITION

	Reviewed at 31 August 2011 R'000	Reviewed at 31 August 2010 R'000	Audited at 28 February 2011 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	2 244 134	2 069 122	2 111 249
Property, plant and equipment	1 022 573	855 266	901 671
Investment property	54 001	45 474	55 422
Goodwill and intangible assets	1 128 226	1 135 119	1 132 044
Investment in associates	15 916	18 598	14 539
Other financial assets	15 933	2 367	-
Deferred taxation	7 485	12 298	7 573
<b>Current assets</b>	3 360 118	2 908 341	2 960 137
Bank balances	1 020 626	1 150 918	1 082 471
Other current assets	2 334 864	1 741 710	1 857 651
Taxation	4 628	15 713	20 015
<b>Total assets</b>	5 604 252	4 977 463	5 071 386
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>	1 944 853	1 731 291	1 853 571
Ordinary shareholders' interest	1 944 853	1 731 291	1 853 571
<b>Non-current liabilities</b>	279 147	168 124	196 644
Interest-bearing liabilities	209 979	118 558	133 710
Non-interest bearing liabilities	7 032	4 762	9 173
Deferred taxation	62 136	44 804	53 761
<b>Current liabilities</b>	3 380 252	3 078 048	3 021 171
Bank overdraft	7 783	25 533	4 312
Other current liabilities*	2 089 521	1 696 526	1 812 132
Provisions	1 242 238	1 319 519	1 154 475
Taxation	40 710	36 470	50 252
<b>Total equity and liabilities</b>	5 604 252	4 977 463	5 071 386
* included interest-bearing liabilities	192 627	135 456	115 604

## STATEMENT OF CASH FLOWS

	Reviewed six months ended 31 August 2011 R'000	Reviewed six months ended 31 August 2010 R'000	Audited at 28 February 2011 R'000
Cash generated from operations	84 798	115 159	265 416
Interest received	19 493	32 051	61 393
Finance costs	(17 232)	(12 447)	(25 270)
Dividends paid	(43 061)	(77 660)	(111 856)
Dividends received	138	2 060	3 024
Taxation paid	(37 505)	(69 461)	(115 577)
Secondary tax on companies paid	(4 703)	(8 463)	(12 225)
<b>Cash flows from operating activities</b>	1 928	(18 761)	64 905
Expenditure to maintain operating capacity	(43 175)	(65 519)	(36 928)
Expenditure for expansion	(183 197)	(107 615)	(264 012)
<b>Cash flows from investing activities</b>	(226 372)	(173 134)	(300 940)
<b>Cash flows from financing activities</b>	159 719	(4 864)	1 542
<b>Net decrease in cash for period</b>	(64 725)	(196 759)	(234 493)
Effect of exchange rate changes on cash and cash equivalents	(591)	(25 460)	(34 952)
Cash at beginning of period	1 078 159	1 347 604	1 347 604
<b>Cash and cash equivalents at the end of the period</b>	1 012 843	1 125 385	1 078 159

## SEGMENT INFORMATION

R'000	Structures	Building	Roads & Earthworks	Mining Services	Other segments	Total
<b>31 August 2011</b>						
Contract revenue	1 207 129	1 652 846	484 843	477 009	-	3 821 827
Intersegment contract revenues	30 779	235	1 369	-	-	32 383
Reportable segment profit/(loss)	70 398	46 906	24 798	(10 923)	(6 211)	124 968
Reportable segment assets	1 532 570	1 783 337	595 109	498 151	1 195 085	5 604 252
<b>31 August 2010</b>						
Contract revenue	966 840	1 729 279	518 295	366 616	-	3 581 030
Intersegment contract revenues	56 387	-	52 547	9 201	30 180	148 315
Reportable segment profit/(loss)	62 024	56 660	41 796	13 512	(8 101)	165 891
Reportable segment assets	1 188 652	1 870 177	488 962	425 031	1 004 641	4 977 463
<b>28 February 2011</b>						
Contract revenue	2 072 757	3 276 132	845 556	701 973	-	6 896 418
Intersegment contract revenues	127 024	-	156 179	72 133	32 112	387 448
Reportable segment profit/(loss)	146 341	94 472	70 967	22 811	(1 580)	333 011
Reportable segment assets	1 253 165	1 871 899	479 802	408 682	1 057 838	5 071 386

## COMMENTARY

**Overview of results**  
The directors are pleased to present the reviewed condensed consolidated interim results ("reviewed results") for the six months ended 31 August 2011 ("the period").

Given the prevailing market conditions, the group has delivered a credible performance in line with the trading statement issued on 23 August 2011. Although contract revenue increased slightly to R3,8 billion (August 2010: R3,6 billion), operating profit reduced by 19%, reflecting the escalation in competitive trading conditions, plus the effect of some loss making projects and restructuring costs within one of the business units.

With the intensified competition currently being experienced within South Africa, the group has taken advantage of opportunities outside the borders of South Africa and increased its contract revenue to 26% from 22% over the comparable period. Earnings per share and diluted headline earnings per share reduced by 25% and 26%, respectively. The group's operating profit margin reduced to 4,7% (August 2010: 6,2%) producing an operating profit of R179 million (August 2010: R222 million).

During the period, the group incurred additional capital expenditure of R217,3 million which was funded mainly under instalment sale agreements. Consequently, property, plant and equipment increased to R1,0 billion from R0,9 billion, and total interest-bearing debt increased by 62% to R410,4 million from R253,6 million.

Difficult trading conditions characterised by increases in accounts receivable and work in progress balances during the period resulted in generally lower cash balances, with the associated reduction in investment income. Notwithstanding this, the group's financial position at the end of August 2011 remains sound, with cash on hand of R1,0 billion which exceeds total interest-bearing debt, resulting in a nil net gearing position.

An interim dividend of 12,0 cents per share (August 2010: 20,0 cents) has been declared. As at 31 August 2011, Stefanutti Stocks' order book stood at a satisfactory R8,2 billion (February 2011: R6,4 billion).

**Basis of preparation**  
The reviewed results have been prepared in accordance with and containing the information required by 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. The interim review has not been performed in terms of the requirements of the Companies Act No 71 of 2008, as amended.

The reviewed results are prepared on the historical cost basis, with the exception of certain financial instruments which are measured at fair value. The accounting policies and method 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 previous year ended 28 February 2011.

The reviewed results have been prepared under the supervision of the Chief Financial Officer, D Quinn, CA(SA), BScEcon.

**Auditor's review**  
The reviewed results 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".

**Group profile**  
Stefanutti Stocks operates throughout South Africa, Southern Africa, West Africa and the Middle East with multi-disciplinary expertise including concrete structures, marine construction, piling and geotechnical services, all building works, concessions (Public Private Partnerships), roads and earthworks, mine residue disposal facilities (mainly tailings dams), open-pit contract mining, structural steel, mechanical, electrical, instrumentation and piping, as well as power line transmission and distribution construction. These disciplines are formally structured into the following business units: Structures; Building (incorporating International and Concessions); Roads & Earthworks; and Mining Services (incorporating Mechanical, Electrical, Power and Mining). The group is currently a level 3 B-BBEE contributor.

**Review of operations**  
**Structures**  
The Structures business unit encompasses the group's civil engineering, geotechnical and marine capabilities and remains the largest contributor to the group's operating profit. The business unit performed well despite difficult trading conditions with contract revenue increasing to R1,2 billion from R1,0 billion over the comparative period. The operating margin reduced to 7,1% from 7,8%.

Despite reduced tender opportunities, the business unit has secured a number of reasonably sized projects and is on track to achieve full year targets, albeit at lower operating margins.

The civil works at the Kusile Power Station are progressing well following a period of industrial action that resulted in disruptions to the contract. A project in Sierra Leone was successfully completed and work for Kumba at the Sishen Iron Ore Mine is expected to gain momentum early in the new year.

The market is expected to remain extremely competitive in the short to medium term with very few major projects coming to the market. As a result we expect ongoing pressure on margins for the rest of this year and the next financial year.

Structures' order book at the end of August 2011 remains strong at R2,5 billion (February 2011: R2,4 billion). A number of medium size tenders in the resource sector as well as projects in the water treatment and water pipeline industry are expected to support the order book going forward. Looking ahead, our focus will be on further geographical expansion into the rest of Africa where mine surface infrastructure opportunities exist.

**Building**  
The Building business unit operates throughout Southern Africa servicing the full scope of building construction from commercial and industrial through to residential and leisure.

Despite fierce competitive trading conditions, especially in South Africa, the business unit produced a commendable performance for the period, supported by more profitable work in neighbouring countries.

Building reported a 4% drop in contract revenue to R1,7 billion. Despite relentless local margin pressure, the unit's operating margin increased slightly to 4,0% from 3,9% over the comparative period, largely as a result of closing out old projects. However, throughout all geographical areas, projects continue to be secured at very competitive margins which will have an adverse impact on the business unit's margins going forward.

During the period under review some of the projects that were awarded locally include the Cecilia Makiwane Hospital in the Eastern Cape, Menlyn Corner and Corobay Corner in Gauteng.

In South Africa, Building is targeting a number of industrial building projects, as well as mass housing projects for large institutions. It is also pursuing opportunities for hospital projects for various provincial governments. The business unit will continue to seek opportunities in African countries where the group has an existing footprint, to achieve growth and better returns to offset declining revenues and margins in South Africa.

Although market conditions in the Middle East remain difficult, the group retains its presence as it views this region as important for future growth.

At the end of August 2011, Building had an order book of R4 billion (February 2011: R2,7 billion).

**Roads & Earthworks**  
The Roads & Earthworks business unit operates in the construction of roads, bulk earthworks, landfill sites, terraces for new developments and municipal services.

As expected, market conditions continue to be challenging with the scaling back of SANRAL projects culminating in a resource oversupply in the local road market.

Growth targets in the business unit have not been met and turnover is down to R485 million from R518 million when compared to the same period last year. Operating margins are also significantly down to 9,6% from 12,3%.

Encouragingly, the order book at the end of August 2011 was R980 million (February 2011: R700 million). Optic fibre infrastructure roll-outs and mining surface infrastructure projects still offer solid opportunities. The business unit will continue to pursue cross-border growth.

**Mining Services**  
This business unit includes mine residue disposal facilities and open pit contract mining and structural steel, mechanical, electrical, instrumentation and power line transmission and distribution operations.

These businesses experienced an unsatisfactory six months. A competitive market was further exacerbated by restructuring costs and the completion of certain problem contracts resulting in the business unit achieving disappointing results, significantly lower than August 2010.

In Mining, the poor performance was mainly as a result of two contracts which have negatively impacted on the division's margins. These contracts are now complete and have been fully accounted for. The Electrical and Instrumentation division did not perform to expectation and additional costs were incurred to restructure this division.

Mining Services increased contract revenue to R477 million from R367 million, over the comparative period. However, as a result of the problem areas identified above, operating profit reduced to a loss of R13 million from a profit of R24 million.

Various actions have been instituted to deal with the loss making projects and to monitor the restructuring process within the business unit. The group's emphasis is to ensure a solid operational platform exists going forward.

The Power division increased its capacity and is well positioned in the power transmission and distribution market. The Mechanical division's order book stretches well into the next financial year and positive results are expected in the new financial year for the Electrical and Instrumentation division as a result of the new divisional structure.

The order book for the business unit at the end of August 2011 was R700 million (February 2011: R600 million). Negotiations are well advanced in the Mining division on a number of projects. The successful awards thereof will have a positive impact on this business unit's future results.

**Health and safety**  
Our "Zero Harm" philosophy continues to show dividends with our Disabling Injury Frequency Rate ("DIFR") down to 0,22 in August 2011 (August 2010: 0,29). Much effort has gone into further improving our Health and Safety Management Systems and raising safety standards throughout the group. We will continue our drive to ensure that we operate in a safe working environment.

**Cycad Pipelines (Pty) Limited – acquisition update**  
Further to the terms announcement dated 20 June 2011 and the latest financial statements, shareholders are advised that the transaction remains subject to the fulfilment of certain conditions precedent including approval by the Competition Commission and the required pre-acquisition restructuring of the Cycad group of companies. Further announcements will be made once the transaction becomes unconditional and the financial effects of the transaction have been determined.

**Outlook**  
Looking forward, the current market weakness is expected to extend for longer than was previously anticipated. Therefore our short to medium-term outlook (12 to 18 months) for the construction sector remains cautious and conservative. With the lack of deal flow on larger projects, challenging times lie ahead for the construction sector. The lack of tenders coming to the market, especially from the public sector, is also contributing towards the depressed market conditions.

The group's strong financial position, solid order book, diversified service offering and broad geographical footprint should enable us to withstand and counter some of the challenges of the current economic climate.

The group sees particular opportunities within the mining sector where capital expenditure is planned on surface infrastructure and open pit mining. The renewable energy sector will also offer opportunities over the medium term. This will create opportunities for all the operations in the Stefanutti Stocks group.

Geographic expansion remains a focus with an emphasis on increasing the group's footprint in Africa, particularly in those regions where we already have a strong presence. Further field opportunities are also being closely followed where the group has strong ties with existing clients. Over the medium to long term, the Middle East should also present an avenue for further growth.

**Competition Commission**  
The investigation by the Competition Commission into anti-competitive behaviour by construction companies within the construction sector is currently ongoing and the group's application to engage with the Competition Commission, and all relevant regulatory authorities, regarding a settlement is in the process of being assessed by the Competition Commission.

The outcome may result in the imposition of an administrative penalty to Stefanutti Stocks, but current indications are that the outcome of this process will only be known in 2012 and therefore no provision has been made in this regard during this period.

**Subsequent events**  
No material events have occurred between the reporting date and the date of this announcement.

**Dividend declaration**  
Notice is hereby given that an interim dividend of 12,0 cents per share (August 2010: 20,0 cents) has been declared.

Last day to trade cum dividend Friday, 2 December 2011  
Shares trade ex dividend Monday, 5 December 2011  
Record date Friday, 9 December 2011  
Payment date Monday, 12 December 2011  
Share certificates may not be dematerialised or rematerialised between Monday, 5 December 2011 and Friday, 9 December 2011, both dates inclusive. Secondary Taxation on Companies is expected to amount to R2,3 million.

**Appreciation**  
We appreciate that the group's ongoing success is largely attributable to our management and staff and we thank them for their unwavering commitment during these challenging times. We also extend our appreciation to business associates, all our customers, suppliers, service providers and shareholders for their continued support.

On behalf of the board

Gino Stefanutti  
Chairman  
15 November 2011

Willie Meyburgh  
Chief Executive Officer

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## STATEMENT OF CHANGES IN EQUITY

R'000	Share capital and premium	Share-based payments reserve	Foreign currency translation reserve	Revaluation surplus reserve	Retained earnings	Ordinary shareholders' interest	Non-controlling interests	Total
<b>Balance at 1 March 2010 audited</b>	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						