



# REVIEWED CONDENSED CONSOLIDATED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2008

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

- Revenue 131%
- Operating profit 126%
- Headline earnings 116%
- EPS to 89,77 cents
- Cash generated from operations R425,9 million
- Integration of acquisitions progressing well

## CONDENSED GROUP INCOME STATEMENT

	Reviewed 6 months ended 31 August 2008 R'000	Reviewed 6 months ended 31 August 2007 R'000	Audited 12 months ended 29 February 2008 R'000
<b>Revenue</b>	<b>2 570 080</b>	1 113 300	2 587 859
Contract revenue	2 536 374	1 100 308	2 544 923
Contract costs	(2 145 486)	(950 075)	(2 139 915)
Gross profit	390 888	150 233	405 008
Other income	1 998	130	4 440
Operating costs	(172 932)	(59 171)	(192 132)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	219 954	91 192	217 316
Depreciation	(40 905)	(13 350)	(30 925)
Amortisation of intangible assets	(2 770)	–	(2 087)
Operating profit	176 279	77 842	184 304
Investment income	34 309	12 862	41 130
Finance costs	(11 905)	(9 713)	(18 476)
Share of profits from associate company	729	1 132	1 409
<b>Profit before taxation</b>	<b>199 412</b>	82 123	208 367
Taxation	(56 750)	(24 840)	(63 949)
<b>Profit for the period</b>	<b>142 662</b>	57 283	144 418
<b>Attributable to:</b>			
Equity holders of the company	131 043	55 311	134 919
Minority shareholders	11 619	1 972	9 499
	142 662	57 283	144 418
<b>Headline earnings reconciliation</b>			
Profit after taxation attributable to equity holders of the company	131 043	55 311	134 919
Adjusted for:			
Loss/(profit) on disposal of plant and equipment	1 292	(863)	818
Tax effect of adjustments	(362)	242	(237)
Total minority interest of adjustments	29	(6)	(90)
<b>Headline earnings</b>	<b>132 002</b>	54 684	135 410
<b>Normalised headline earnings reconciliation</b>			
Headline earnings	132 002	54 684	135 410
Adjusted for:			
Amortisation of intangibles	2 770	–	2 087
Tax effect of adjustments	(775)	–	(584)
Total minority interest of adjustments	(257)	–	–
<b>Normalised headline earnings</b>	<b>133 740</b>	54 684	136 913
Number of weighted average shares in issue	145 980 140	130 634 200	130 634 200
Number of diluted weighted average shares in issue	155 159 576	135 970 022	135 970 022
Earnings per share (cents)	89,77	42,24	103,28
Diluted earnings per share (cents)	84,46	40,68	99,23
Headline earnings per share (cents)	90,42	41,86	103,65
Diluted headline earnings per share (cents)	85,08	40,22	99,59
Normalised headline earnings per share (cents)	91,62	41,86	104,81
Diluted normalised headline earnings per share (cents)	86,20	40,22	100,69

## CONDENSED GROUP CASH FLOW STATEMENT

	Reviewed 6 months ended 31 August 2008 R'000	Reviewed 6 months ended 31 August 2007 R'000	Audited 12 months ended 29 February 2008 R'000
<b>Cash generated from operations</b>	<b>425 932</b>	193 982	464 267
Interest received	34 309	12 862	41 130
Finance costs	(11 905)	(9 713)	(18 476)
Dividends paid	(1 487)	(30 255)	(30 255)
Taxation paid	(45 604)	(8 220)	(49 218)
Secondary tax on companies paid	(64)	–	–
<b>Cash flows from operating activities</b>	<b>401 181</b>	158 656	407 448
Expenditure to maintain operating capacity	(233 575)	(86 894)	(154 632)
Expenditure for expansion	(87 577)	(11 827)	(97 098)
<b>Cash flows from investing activities</b>	<b>(321 152)</b>	(98 721)	(251 730)
<b>Cash flows from financing activities</b>	<b>124 388</b>	237 673	301 705
<b>Net increase in cash for period</b>	<b>204 417</b>	297 608	457 423
Cash at beginning of period	662 983	205 560	205 560
<b>Net cash at end of period</b>	<b>867 400</b>	503 168	662 983

## CONDENSED GROUP BALANCE SHEET

	Reviewed at 31 August 2008 R'000	Reviewed at 31 August 2007 R'000	Audited at 29 February 2008 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>1 926 956</b>	339 581	545 728
Property, plant and equipment	703 926	260 895	358 129
Intangible assets	1 183 115	73 639	155 950
Investment in associates	15 097	–	–
Long-term loan receivable	964	–	–
Deferred taxation	23 854	5 047	31 649
<b>Current assets</b>	<b>2 444 951</b>	996 662	1 286 701
Bank balances	873 418	503 168	662 983
Other current assets	1 570 431	493 494	619 227
Taxation	1 102	–	4 491
<b>Total assets</b>	<b>4 371 907</b>	1 336 243	1 832 429
<b>EQUITY AND LIABILITIES</b>			
Ordinary shareholders' interest	1 405 012	504 925	590 682
Minority shareholders' interest	36 173	4 182	25 091
<b>Capital and reserves</b>	<b>1 441 185</b>	509 107	615 773
<b>Non-current liabilities</b>	<b>223 836</b>	87 732	136 719
Other financial liabilities	187 940	63 542	69 893
Vendors for acquisition	–	–	37 545
Deferred taxation	35 896	24 190	29 281
<b>Current liabilities</b>	<b>2 706 886</b>	739 404	1 079 937
Bank overdraft	6 018	–	–
Other current liabilities	1 824 179	499 134	603 568
Provisions	770 647	185 223	390 561
Taxation	106 042	55 047	85 808
<b>Total equity and liabilities</b>	<b>4 371 907</b>	1 336 243	1 832 429
Number of net shares in issue	177 912 105	139 380 867	139 380 867
Number of total shares in issue	188 080 746	148 355 867	148 355 867
Net asset value per share (cents)	789,72	362,26	423,79
Net tangible asset value per share (cents)	124,72	309,43	311,90
Diluted net asset value per share (cents)	747,03	340,35	398,15
Diluted net tangible asset value per share (cents)	117,98	290,71	293,03

## SEGMENTAL REPORTING

Primary segments	Gauteng	Kwa-Zulu Natal	Western Cape	Outside South Africa	Total
31 August 2008 (R'000)					
Contract revenue	1 645 511	372 182	260 516	258 165	2 536 374
Profit for the period	85 960	17 971	16 886	21 845	142 662

## COMMENTARY

### Introduction

The directors are pleased to present the reviewed condensed consolidated interim results for the six months ended 31 August 2008 ("the period") which confirm the continued strong growth as reflected in results at the previous year-end.

Following the successful conclusion of the acquisition of construction group Stocks Limited ("Stocks") during the period ("the Stocks merger"), the group has been repositioned as a major competitor in the first-tier construction sector. Stefanutti Stocks now has a geographical footprint across South Africa, Southern Africa and the Gulf region. Stocks has been included in the reviewed condensed consolidated interim results for one month (see 'Acquisitions' below) from 31 July 2008, the effective date of the merger.

The integration of all of the group's acquisitions to date is progressing well and synergies are beginning to reflect in economies of scale. In addition the comprehensive re-branding exercise to rename the group following the Stocks merger has been successfully undertaken (see 'Name change' below).

### Basis of preparation

The reviewed condensed consolidated interim financial statements for the period have been prepared in accordance with IAS 34: *Interim Financial Reporting* and in compliance with the South African Companies Act, 1973. The reviewed condensed consolidated interim financial statements are prepared on the historical cost basis, with the exception of certain financial instruments which are measured at fair value. The results for the period are not necessarily indicative of the results for the entire year, and these reviewed financial statements should be read in conjunction with the audited financial statements for the year ended 29 February 2008. The accounting policies and method of measurement and recognition applied in preparation of the reviewed condensed consolidated interim financial statements are consistent with those applied in the group's most recent audited annual financial statements for the year ended 29 February 2008.

The preparation of the reviewed condensed consolidated interim financial statements requires 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 financial statements for the period have been reviewed by the company's auditors, Mazars Moores Rowland. Their unmodified review opinion is available for inspection at the company's registered office.

### Group profile

Stefanutti Stocks operates throughout South Africa, Southern Africa and the Gulf region with expertise spanning concrete structures and rehabilitation, roads and earthworks, piling and geotechnical services, mine residue disposal facilities (tailings dams), opencast contract mining, building works and mechanical, electrical and marine construction.

The spectrum of projects ranges across industrial and petrochemical plants, power stations, mine infrastructure, dams, roads, bridges, water and effluent treatment plants, township infrastructure and industrial and commercial buildings as well as affordable housing for government and select private sector corporations. In addition the group has established skills to participate in projects on a Public-Private-Partnership (PPP) basis.

### Review of operations

**Concrete Structures** operates throughout South Africa and Southern Africa providing reinforced concrete works for mine infrastructure, industrial and petrochemical plants, power stations, storage silos, bridges, marine works and effluent and water treatment plants. The division incorporates the previous acquisition of Civil & Coastal Construction (Pty) Limited, a specialist marine and civil rehabilitation contractor.

Concrete Structures continues to perform well and in line with expectations. Presently the majority of the work is derived from the mining industry, government infrastructure, petrochemical and industrial markets both in South Africa and cross-border.

Locally, government spend on infrastructure is expected to continue driving growth. In Africa the group is targeting oil-rich Angola through established international clients. It will also look to capitalise on increased investment in power generation on the continent.

Stefanutti Stocks' piling and geotechnical operations have delivered substantial year-on-year growth to date and the group is focusing on expansion opportunities locally in the Cape region and in Mozambique.

**Roads & Earthworks** Roads & Earthworks is engaged in the construction of roads, bulk earthworks, landfill sites and urban development projects throughout South Africa as well as in Mozambique and Swaziland.

With strong margins Roads & Earthworks reflected pleasing results for the period, particularly in the South African operations. The group benefited to a large extent from significantly increased demand for road rehabilitation services. Funds earmarked by government and municipalities for the upgrade of local road systems should provide further growth opportunity. Infrastructure projects are expected to continue beyond 2010.

### Mining Services

The division specialises in mine residue disposal facilities, particularly tailings dams, and opencast contract mining across South Africa. Mechanical and electrical activities include surface and underground material handling systems and the construction of processing plant and equipment. Mining Services includes the previous acquisitions of Environmental, Civil and Mining Projects (Pty) Limited ("ECMP") and Skelton & Plummer Investment Holding Company (Pty) Limited. The results of both companies were included for the full six months and contributed to top and bottom line growth in line with expectations.

The division is currently undertaking a number of large mine infrastructure projects for major mining companies and performed well during the period. Notwithstanding a potential short-term decline in certain areas of this market, the division intends to participate in the anticipated expansion by mining companies over the next three years.

### Building

The division services contracts across commercial, industrial, institutional housing and leisure fields and operates throughout South Africa, Southern Africa and the Gulf region. The division does not participate to any significant extent in the private residential sector.

The Building division has performed in line with expectations. While margins remain slightly below the full year target at this stage, they nonetheless reflect an improvement from the previous year-end at February 2008.

The increase in public sector spend for hospitals, education, offices and prisons has offset to a large extent the slowdown in private sector development following successive interest rate hikes and power shortages. Should the need arise, resources within this division can be re-deployed into infrastructure-related projects.

The group is also pursuing increasing opportunities in the PPP arena as a further avenue for growth.

### Guif

Following the Stocks merger the group now has an established presence in a Dubai Free Trade Zone. Stefanutti Stocks will leverage this base for expansion across the Middle East region where significant opportunities have been identified.

### Capital expenditure

Stefanutti Stocks' capital expenditure for the full year to February 2009 is expected to be R373 million. During the period the group acquired property, plant and equipment to the value of R239,3 million (2007: R76,2 million) and disposed of assets with a book value of R7,0 million (2007: R8,6 million). The bulk of capital expenditure commitments has forward cover and is not affected by the recent Rand volatility.

### Skills shortage

To stimulate skills development locally an accredited Training Centre has been established. This enables the group to respond efficiently to capacity requirements of lower level technical staff, which comprise the largest component of Stefanutti Stocks' work force. In addition the group has an established bursary scheme in which previously disadvantaged candidates are participating.

Stefanutti Stocks has also implemented a recruitment initiative covering candidates from the African continent and internationally to address the high demand for middle-to-senior management project staff.

### Acquisitions

Prior to listing, with effect from 3 April 2007, the company acquired 100% of the shareholding in ECMP. The acquisition has been fully integrated into the group's Mining Services operations.

With effect from 31 July 2008 the company acquired 100% of the issued share capital of Stocks. In terms of IFRS 3: *Business Combinations* the initial accounting for the acquisition of Stocks has only been determined provisionally as the Purchase Price Allocation has not been completed.

Further adjustments to the fair values of assets and liabilities recorded on acquisition date are anticipated up to 28 February 2009 and will result in further adjustments being made to the fair values of these items and goodwill.

	ECMP	Stocks
Acquisition date	3 April 2007	31 July 2008
Voting equity %	100	100
Number of shares issued at R17,00 per share	–	39 724 879
<b>At acquisition values</b>	<b>R'000</b>	<b>R'000</b>
Non-current assets	55 624	362 106
Current assets	44 272	902 456
Non-current liabilities	(19 042)	(47 070)
Current liabilities	(69 430)	(973 640)
<b>Net asset value acquired</b>	<b>11 424</b>	<b>243 852</b>
Cost of acquisition	69 325	1 087 272
Intangible arising on acquisition	6 261	–
Goodwill arising on acquisition	51 640	843 420
Cash paid	29 489	411 949
Revenue for the period (six months)	222 768	1 238 157
Profit after taxation for the period (six months)	18 175	42 878
Profit after taxation since acquisition	50 371	13 078

After 31 March 2009, a final payment for ECMP will be made based on an average profit after taxation over the previous three years, estimated and accrued for at R39,8 million.

In line with current strategy, the group acquired the remaining minority interest in Stefanutti Stocks Building Gauteng (Pty) Limited (formerly Stefanutti & Bressan Building Inland (Pty) Limited). A further 8% in Stefanutti Stocks Building KZN (Pty) Limited (formerly Stefanutti & Bressan Building (Pty) Limited) was acquired taking the group's stake in this company to 89%. Further acquisitions of minority interests in subsidiaries are being considered.

### Name change

With effect from 19 September 2008, the company formally changed its name to Stefanutti Stocks Holdings Limited.

### Financial results

Group revenue for the period rose 131% to R2,6 billion (2007: R1,1 billion). Operating profit was up 126% to R176,3 million (2007: R77,8 million) while net profit after tax ("NPAT") increased by 149% to R142,7 million (2007: R57,3 million).

Earnings per share ("EPS") has increased by 112% to 89,77 cents (2007: 42,34 cents). Growth in EPS was affected to an extent by the additional 39 724 879 ordinary shares issued for the Stocks acquisition. Headline earnings of R132,0 million for the period translated into headline earnings per share of 90,42 cents (2007: 41,86 cents).

A share-based incentive scheme expense of R10,2 million (2007: R2,1 million) as required by IFRS 2: *Share-based Payments* and a customer related intangible amortisation cost of R2,0 million (2007: Nil) as required by IFRS 3: *Business Combinations*, are included in the earnings for the period.

Cash on hand increased to R867,4 million.

### Related party transactions

The group has no material related party transactions other than those with group companies which are conducted on an arm's-length commercial basis.

### Directorate

Following the conclusion of the Stocks merger, Stephen Pell (former CEO of Stocks) was appointed as an executive director and Herman Mashaba (former non-executive Chairman of Stocks) was appointed as a non-executive director to the board of Stefanutti Stocks.

### Prospects

Stefanutti Stocks is well-aligned within the infrastructure, mining, petrochemical and power generation markets and will continue to benefit from expected government and parastatal spend on infrastructural projects.

It is anticipated that public and private infrastructure work will continue offering opportunities for growth to beyond 2010, with a number of projects in power generation, road infrastructure, Department of Water Affairs and Department of Public Works still to be awarded from government's committed spend. The inclusion of Stocks for the full six months to February 2009 is expected to further boost results for the year. Both Southern Africa and the Gulf region continue to present attractive expansion prospects.

However, the group will continue to monitor the impact on client expenditure programmes in light of the current uncertainty in global financial markets.

Stefanutti Stocks' order book stood at R6,6 billion at the end of the interim period.

### Dividend policy

In line with group policy set out in the pre-listing prospectus, an annual dividend will be declared on finalisation of results for the current financial year ending 28 February 2009.

### Appreciation

We thank all our employees for their hard work and dedication and welcome the new employees that have joined the group following the acquisitions. We also thank our business partners and advisors for their ongoing support and our fellow directors for their wise counsel.

On behalf of the board

**Gino Stefanutti**

Executive Chairman

11 November 2008

**Willie Meyburgh**

Chief Executive Officer

**Directors:** B Stefanutti (Executive Chairman); W Meyburgh (Chief Executive Officer); D Quinn (Financial Director); S Pell; N Canca; K Eborall; H Mashaba; M Mkwanazi; B Sithole; J Fizele (alternate to B Sithole) \*Non-executive director (11th)

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**Auditors:** Mazars Moores Rowland, 5 St Davids Place, Parktown, 2193 (PO Box 6897, Johannesburg, 2000)

**Corporate advisor and sponsor:** Bridge Capital Advisors (Pty) Limited 2nd Floor, 27 Fricker Road, Illovo Boulevard, Illovo, 2196 (PO Box 651010, Benmore, 2100)

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