



## **S A FRENCH LIMITED**

Incorporated in the Republic of South Africa

(Registration number 1982/009174/06)

Share code: SFH ISIN: ZAE000108890

("SA French" or "the company" or "the group")



# ***UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 AND CAUTIONARY ANNOUNCEMENT***

**SA FRENCH**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED  
31 DECEMBER 2009 AND CAUTIONARY ANNOUNCEMENT**

**Condensed Consolidated Statement of Comprehensive Income**

	Unaudited six months ended <b>31 December 2009 R'000</b>	Unaudited six months ended 31 December 2008 R'000	Audited 12 months ended 30 June 2009 R'000
<b>Revenue</b>	<b>34 196</b>	95 464	139 255
Cost of sales	<b>(18 247)</b>	(81 361)	(111 140)
<b>Gross profit</b>	<b>15 949</b>	14 103	28 115
Other income	<b>3 730</b>	672	10 793
Operating expenses	<b>(17 222)</b>	(11 370)	(30 444)
Foreign exchange differences	<b>3 478</b>	(884)	(7 731)
Provision for bad debts	<b>(2 512)</b>	-	-
<b>Results from operating activities</b>	<b>3 423</b>	2 521	(733)
Finance cost	<b>(2 633)</b>	(6 331)	(15 181)
Restructuring costs	<b>(1 306)</b>	-	-
Fair value adjustment on financial assets	-	(1 600)	-
Investment income	-	256	1 708
<b>Loss before taxation</b>	<b>(516)</b>	(5 154)	(12 740)
Taxation	<b>116</b>	210	1 780
<b>Loss after taxation</b>	<b>(400)</b>	(4 944)	(10 957)
Other comprehensive income/(loss) for the period	-	-	-
<b>Total comprehensive loss for the period</b>	<b>(400)</b>	(4 944)	(10 957)
Comprehensive income attributable to:			
Ordinary shareholders of the group	<b>(400)</b>	(4 944)	(10 957)
Non-controlling interest	-	-	-
	<b>(400)</b>	(4 944)	(10 957)
<b>Reconciliation of attributable losses to headline losses</b>			
Losses attributable to ordinary shareholders	<b>(400)</b>	(4 944)	(10 957)
(Loss)/Profit on disposal of property, plant and equipment	-	-	(918)
Tax effect of the disposal of property, plant and equipment	-	-	257
Fair value adjustment on financial assets	-	1 600	-
<b>Headline losses attributable to ordinary shareholders</b>	<b>(400)</b>	(3 344)	(11 618)
<b>Weighted average number of shares in issue</b>	<b>166 375 689</b>	165 114 641	165 952 872
<b>Loss per share (cents)</b>	<b>(0.24)</b>	(2.99)	(6.60)
<b>Headline loss per share (cents)</b>	<b>(0.24)</b>	(2.03)	(7.00)



**SA FRENCH**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED  
31 DECEMBER 2009 AND CAUTIONARY ANNOUNCEMENT**

**Condensed Consolidated Statement of Financial Position**

	Unaudited as at 31 December 2009 R'000	Unaudited as at 31 December 2008 R'000	Audited as at 30 June 2009 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>92 461</b>	75 801	88 659
Property, plant and equipment	5 356	4 694	6 005
Rental fleet	84 974	68 411	79 154
Other financial assets	1 238	2 696	2 724
Deferred tax	892	–	776
<b>Current assets</b>	<b>107 826</b>	111 645	124 496
Inventories	91 747	81 959	103 656
Current tax	–	–	529
Trade and other receivables	11 957	27 052	20 267
Cash and cash equivalents	4 122	2 634	44
<b>TOTAL ASSETS</b>	<b>200 287</b>	187 446	213 155
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>52 344</b>	58 757	52 744
Share capital	49 330	49 330	49 330
Revaluation reserve	162	162	162
Retained income	2 852	9 265	3 252
Minority interest	*	*	*
<b>Non-current liabilities</b>	<b>30 980</b>	43 626	33 364
Installment sales agreements	30 980	42 664	33 364
Deferred tax	–	962	–
<b>Current liabilities</b>	<b>116 963</b>	85 063	127 047
Shareholders' loans	11 209	12 411	11 118
Current tax payable	–	4 385	165
Installment sales agreements	14 721	15 066	19 369
Operating lease liability	1 010	–	600
Trade and other payables	24 598	12 476	24 780
Foreign creditors	54 026	24 521	57 530
Provisions	2 683	544	3 332
Shareholders for dividends	–	1 273	786
Bank overdraft	8 716	14 387	9 367
<b>TOTAL EQUITIES AND LIABILITIES</b>	<b>200 287</b>	187 446	213 155
<b>Number of shares in issue</b>	<b>166 375 689</b>	166 375 689	166 375 689
<b>Net asset value per share in cents</b>	<b>31.46</b>	35.32	31.70
<b>Net tangible asset value per share in cents</b>	<b>31.46</b>	35.32	31.70

\*Less than R1 000



**SA FRENCH**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED  
31 DECEMBER 2009 AND CAUTIONARY ANNOUNCEMENT**

**Condensed Consolidated Statement of Cash Flows**

	<b>Unaudited six months ended 31 December 2009 R'000</b>	Unaudited six months ended 31 December 2008 R'000	Audited 12 months ended 30 June 2009 R'000
Loss before taxation	<b>(516)</b>	(4 270)	(12 740)
Depreciation	<b>3 771</b>	3 407	6 005
Investment income	-	(256)	(1 708)
Finance cost	<b>3 454</b>	6 331	7 998
Other non-operational adjustments	<b>702</b>	(1 335)	2 145
Changes in working capital	<b>(1 653)</b>	(14 884)	14 161
Taxation paid	<b>(694)</b>	(490)	(490)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>5 064</b>	(11 497)	15 371
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Disposal/(Acquisition) of property, plant and equipment	<b>6 695</b>	(36 430)	(51 893)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(7 032)</b>	27 159	17 300
<b>Total cash generated for the period</b>	<b>4 727</b>	(20 768)	(19 222)
Cash at the beginning of the period	<b>(9 323)</b>	9 899	9 899
<b>Total cash at the end of the period</b>	<b>(4 594)</b>	(10 869)	(9 323)

**Condensed Consolidated Statement of Changes in Equity**

	Share capital R'000	Share premium R'000	Revaluation reserve R'000	Retained income R'000	Non- controlling interest R'000	<b>Total equity R'000</b>
<b>Balance as at 1 July 2008</b>	<b>1 650</b>	<b>47 305</b>	<b>162</b>	<b>15 859</b>	*	<b>64 976</b>
Loss for the period	-	-	-	(4 944)	-	(4 994)
Dividends declared	-	-	-	(1 650)	-	(1 650)
Dividends capitalised	14	361	-	-	-	375
<b>Balance as at 31 December 2008</b>	<b>1 664</b>	<b>47 666</b>	<b>162</b>	<b>9 265</b>	*	<b>58 757</b>
Loss for the period	-	-	-	(6 013)	-	(6 013)
<b>Balance as at 30 June 2009</b>	<b>1 664</b>	<b>47 666</b>	<b>162</b>	<b>3 252</b>	*	<b>52 744</b>
Loss for the period	-	-	-	(400)	-	(400)
<b>Balance as at 31 December 2009</b>	<b>1 664</b>	<b>47 666</b>	<b>162</b>	<b>2 852</b>	*	<b>52 344</b>

\*Less than R1 000



## SA FRENCH

### UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 AND CAUTIONARY ANNOUNCEMENT

## Segmental Reporting

	Rental R'000	Sales R'000	Total R'000
<b>Six months ended 31 December 2009</b>			
<b>Revenue</b>	14 373	19 823	<b>34 196</b>
Cost of sales	(3 476)	(14 771)	<b>(18 247)</b>
<b>Gross profit</b>	10 897	5 052	<b>15 949</b>
Other income	–	3 730	<b>3 730</b>
Operating costs	(7 239)	(9 983)	<b>(17 222)</b>
Impairment of trade receivables	(1 056)	(1 456)	<b>(2 512)</b>
<b>Results from operating activities</b>	2 603	(2 658)	<b>(55)</b>
Property, plant, equipment and rental fleet	84 974	5 356	<b>90 330</b>
<b>Year ended 30 June 2009</b>			
<b>Revenue</b>	21 247	118 008	<b>139 255</b>
Cost of sales	(9 356)	(101 784)	<b>(111 140)</b>
<b>Gross profit</b>	11 891	16 224	<b>28 115</b>
Other income	–	10 793	<b>10 793</b>
Operating costs	(4 645)	(25 799)	<b>(30 444)</b>
<b>Results from operating activities</b>	7 246	1 218	<b>8 464</b>
Property, plant, equipment and rental fleet	79 154	6 005	<b>85 159</b>

## Commentary

### Introduction

The board of directors of SA French (the “board”) hereby presents the interim financial results of the group for the six months ended 31 December 2009 (the “interim period”). These interim financial results reflect a net asset value per share of 31.46 cents at the end of the interim period. This interim period has seen the construction industry remain under pressure globally and in response, the board has focused on the core principle on which SA French was founded; providing exemplary service and adding value to its clients.

### Group profile

SA French, which was founded by the current Chief Executive Officer, Quentin van Breda, is the sole distributor in sub-equatorial Africa of Potain tower cranes, the largest tower crane manufacturer in the world. In addition to its 27 year track record as an agent for Potain, SA French also holds distribution agreements with Merlo (manufacturers of telescopic handlers and self-loading concrete mixers) and Saltec (producers of passenger and other material hoists) for the sub-equatorial Africa region, which allows the company to offer complementary lifting solutions to its clients. Rather than simply being a supplier providing lifting solutions, SA French continues to focus on offering high levels of service to its clients.

### Review of operations

The broader construction equipment industry is largely dependent on a blend of business confidence and the size of the order-book of major players within the mining, construction and industrial sectors. In addition to the decreasing number of orders from several of these firms during the interim period, SA French has, as with many of its partners and clients within the industry, felt the full impact of the tightening of credit facilities by financial institutions. The lack of business confidence, followed by the retraction of credit provision facilities, resulted in the period under consideration being difficult to navigate and saw a fundamental shift in many of the supply chain methods generally employed within the industry.



## SA FRENCH

### UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 AND CAUTIONARY ANNOUNCEMENT

## Commentary

---

This change in market dynamic, in particular the increase in demand for tower crane rentals as a result of many clients seeking to keep costs variable until clarity on the direction of the market is gained, and until an easing of criteria for the granting of credit by financial institutions, has forced the board to review the company's business model. An increase in rentals, as opposed to sales, has had a severe effect on SA French's performance, however short-term profitability has been replaced by longer-term prospective rental revenues.

The shift in SA French's focus towards a more capital intensive rental business, together with the financial crisis and industry pressure has placed immense strain on the group's financial performance and balance sheet. Working capital is limited and the board is addressing this by constantly negotiating credit arrangements with financiers and suppliers and reducing overhead costs where possible.

#### Skills development

SA French is committed to the ongoing training and development of its staff and this interim period saw the company focusing on practical skills training for its tower crane and hoist riggers, as well as holding several safety seminars for those working at extreme heights. In 2006, the Engineering Council of South Africa ("ECSA") conferred the status of Lifting Machinery Entity ("LME") on the company and SA French has in turn, under the auspices of ECSA, assisted its technicians to become registered as Lifting Machinery Inspectors ("LMI"). SA French is the only LME operating within the industry and as such takes the lead in tower crane and hoist safety. In addition, SA French's Chief Executive Officer is an active member of the steering committee tasked with establishing a South African standard for the lifting industry. Five new LMI were certified at SA French during the interim period, making the group one of the most proficient lifting experts in the country.

Due to industry demand for competent and reliable machine operators, a decision was taken in 2008 to establish a Transport Education and Training Authority ("TETA") accredited training facility which will enable SA French to provide machine operator training and certification requirements for its clients and third parties. This accreditation was awarded to SA French by TETA during this interim period, thereby adding another dimension to the group's list of competencies and services offerings. This strategy is intended to create an additional income stream for the group, while ensuring that the level and competence of the operators passing through the training division is creditable in terms current and future legislation focused on the safe operation of lifting machinery.

#### Financial results

##### Decrease in revenue

SA French, along with a number of entities in the construction industry, have experienced recent difficulties. The global recession has resulted in sales at SA French dropping significantly and clients moving to the rental of cranes and of other capital equipment as opposed to the purchase thereof. This resulted in the rental income segment increasing from 15% to just over 40% of the company's total revenue. On a positive note, revenue is expected to rise as 2010 has seen an increase in demand for sales and rentals.

##### Operating costs

SA French is in a continuous process of reducing its operating costs and ensuring that operating efficiencies are increased. The company, in consolidating its Gauteng operations and thereby reducing its rental and other related costs, is expected to show real benefits from the beginning of 2010. This consolidation has resulted in once-off staff retrenchment costs and transport costs required to move all capital equipment to one facility.

The company also experienced an increase of R2.5 million in bad debts as a result of the global recession.

##### Increase in borrowings

The company's non-current liabilities decreased from R43.6 million at 31 December 2008 to R31.0 million as at 31 December 2009, largely due to the repayment of the rental equipment which was initially financed



## SA FRENCH

### UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 AND CAUTIONARY ANNOUNCEMENT

## Commentary

through installment sales agreements. The repayment of these installment sales agreements has also directly resulted in a decrease in the current finance cost on these agreements.

The increase in current liabilities from R85.1 million as at 31 December 2008 to R117.0 million as at 31 December 2009, is mainly due to the importation of crane stock to fulfil orders that had been received and that were pending. However, due to the global economic downturn, some orders were cancelled on a back to back basis with the cancellation of projects awarded to key clients and as a result some of this stock has not yet been sold and therefore the supplier, Manitowoc Crane Group ("Manitowoc") has not been settled as would normally be the case. Nonetheless, SA French is in the process of negotiating with Manitowoc who will actively assist SA French in the marketing and selling of these cranes in South Africa and Sub-Saharan Africa in order to settle the outstanding liability.

In addition to the above, SA French is in the process of settling its overdraft facility with First National Bank by reducing the current facility by R500 000 per month. This repayment is expected to continue uninterrupted until the facility has been completely settled, or in the alternative the overdraft is converted into a medium term loan.

### Prospects

There are early indications that the regional stability within the Southern African Development Community ("SADC") will provide opportunities in both rentals and sales, particularly in Mozambique and Botswana. SA French will continue to leverage its long-term relationships with large construction and mining entities in order to take advantage of upcoming infrastructural and development projects in the SADC region. Within South Africa, the company's national footprint and seamless services capabilities make it the supplier of choice, and evidence of this can be seen on the skylines of all major cities in South Africa.

An exciting development of late is the opportunity for SA French to work with JSE-listed construction and engineering firms on key supply chain relationships. This is expected to benefit all parties by providing a greater degree of certainty with reference to key aspects of each party's procurement policy and criteria.

One can divide the future prospects of SA French into three distinct sectors, all of which have started to generate positive enquiries and provide a source of positive sentiment within their respective industries. Firstly, building projects that had been curtailed or stalled due to lack of funding are beginning to be revisited and the opportunity for both rentals and sales in this area are positive.

Secondly, power generation remains a focal point for large construction companies and with the awarding of a number of tenders that had been delayed from as far back as March 2008, the pipeline for the supply of rack and pinion hoisting systems as well as tower cranes is excellent. SA French has worked closely with many of the winning bidders and is in a position to directly benefit from these tender awards.

Thirdly, there is a very clear demand for reliable products and services in South Africa and neighboring territories. The company is currently investigating the most cost effective way to supply these regions without losing focus on its core market.

Despite an improvement in trading results and future prospects, SA French remains under cash-flow pressure. Positively, the Manitowoc remains supportive of SA French and negotiations to implement a "consignment stock" type arrangement, are in advanced stages. If successful, the result of this arrangement will be a decrease of R54 million to both inventories and trade payables; providing significant short-term relief to SA French's liquidity.

The overdraft and VAT repayments total an additional liability of R1 million per month. SA French is experiencing pressure on its internal funding reserves. The board is in the process of assessing the most efficient and cost effective means of raising capital in the short-term. The board estimates that R10 million is needed over the next 12 months. Both debt and equity funding are being considered.

However, SA French has a considerable net asset value, most of which is reflected in its rental fleet, which has a net book value of R39.3 million (being a carrying value of R85.0 million less related lease funding of R45.7 million).

### Cautionary announcement

Shareholders are advised that the circumstances as detailed in the prospects section above may have a material effect on the price of the company's securities. Accordingly, shareholders are advised to exercise caution when dealing in the company's securities until a further announcement is made.



## SA FRENCH

### UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 AND CAUTIONARY ANNOUNCEMENT

## Commentary

---

#### Subsequent events

The board is not aware of any material matter or circumstances arising since the end of the interim period and up to the date of this report.

#### Dividend policy

No interim dividend has been declared for the period.

#### Basis of preparation

The accounting policies applied in the preparation of these interim condensed financial results, which are based on reasonable judgments and estimates, are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with those applied in the annual financial statements for the year ended 30 June 2009. These condensed financial statements as set out in this report have been prepared in terms of IAS – 1 Presentation of Financial Statements, IAS 34 – Interim Financial Reporting, the Companies Act, 1973 (Act 61 of 1973), as amended, and the Listings Requirements of the JSE.

The interim results have not been audited or reviewed by the group's auditors.

#### Directorate

Mr Riaan Erasmus was appointed as financial director of SA French with effect from 4 January 2010.

#### Appreciation

We thank our employees for their continued loyalty, hard work and commitment to the vision of the group. Furthermore, we thank our non-executive directors and designated advisers for their wise counsel and our stakeholders for their consistent faith in the group. The authors of this report are also the majority shareholders in SA French and are confident in the company's inherent value, as well as its future prospects.

On behalf of the board

#### Quentin van Breda

*Chief Operating Officer*

31 March 2010

#### Warwick van Breda

*Commercial Director*

#### Directors

QCA van Breda (*Chief Executive Officer*), W van Breda (*Commercial Director*), R Erasmus (*Financial Director*), MW Mashaba, JM Poluta\*, J Fizelle\*. \**non-executive*

#### Company secretary

Warwick van Breda (LLB)

#### Registered office

56-58 Rigger Road  
Spartan  
Kempton Park  
1620  
(PO Box 2144, Kempton Park, 1620)

#### Designated Adviser

Merchantec Capital  
2nd Floor, North Block  
Hyde Park Office Tower  
Corner Sixth Road and Jan Smuts Avenue  
Hyde Park, Johannesburg, 2196  
(PO Box 41480, Craighall, 2024)

#### Transfer secretaries

Computershare Investor Services (Proprietary) Limited  
Ground Floor  
70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)

#### Johannesburg

131 Fitter Road, Spartan  
Tel: (011) 975 4921  
Email: info@safrench.co.za

#### Cape Town

11 Link Close, Montague Gardens  
Tel: (021) 551-6481  
Email: martin@safrench.co.za

#### Durban

19 Suzuka Road, Westmead  
Tel: 082 653 1043  
Email: brian@safrench.co.za