



SA 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 2010

SA FRENCH LIMITED
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CONDENSED CONSOLIDATED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited six months ended 31 Dec 2010 R'000	Unaudited six months ended 31 Dec 2009 R'000	Audited 12 months ended 30 June 2010 R'000
Revenue	51 180	34 196	65 630
Cost of sales	(38 677)	(18 247)	(50 060)
Gross profit	12 503	15 949	15 570
Other income	10 646	7 208	13 601
Operating expenses	(19 002)	(19 734)	(27 655)
Results from operating activities	4 147	3 423	1 516
Finance cost	(2 255)	(2 633)	(7 354)
Restructuring costs	(15 477)	(1 306)	-
Investment income	277	-	1 712
Loss before taxation	(13 308)	(516)	(4 126)
Taxation	-	116	(776)
Loss after taxation	(13 308)	(400)	(4 902)
Other comprehensive income/(loss) for the period	-	-	-
Total comprehensive loss for the period	(13 308)	(400)	(4 902)
Comprehensive income attributable to:			
Ordinary shareholders of the group	(13 308)	(400)	(4 902)
Non-controlling interest	-	-	-
	(13 308)	(400)	(4 902)
Reconciliation of attributable losses to headline losses			
Losses attributable to ordinary shareholders	(13 308)	(400)	(4 902)
(Loss)/Profit on disposal of property, plant and equipment	(197)	-	-
Tax effect of the disposal of property, plant and equipment	-	-	-
Fair value adjustment on financial assets	-	-	-
Headline losses attributable to ordinary shareholders	(13 505)	(400)	(4 902)
Weighted average number of shares in issue	166 375 689	166 375 689	166 375 689
Loss per share (cents)	(8.00)	(0.24)	(2.95)
Headline loss per share (cents)	(8.12)	(0.24)	(2.95)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31 Dec 2010 R'000	Unaudited as at 31 Dec 2009 R'000	Audited as at 30 June 2010 R'000
ASSETS			
Non-current assets	75 404	92 460	87 751
Property, plant and equipment	2 501	5 356	3 762
Rental fleet	71 541	84 974	82 627
Deferred tax	-	892	-
Other financial assets	1 362	1 238	1 362
Current assets	61 668	107 826	99 072
Inventories	55 295	91 747	86 129
Current tax	529	-	529
Trade and other receivables	4 623	11 957	12 380
Cash and cash equivalents	1 221	4 122	34
TOTAL ASSETS	137 072	200 286	186 823
EQUITY AND LIABILITIES			
Equity	34 533	52 343	47 841
Share capital	49 330	49 330	49 330
Revaluation reserve	162	162	162
Retained income	(14 959)	2 851	(1 651)
Minority interest	*	*	*
Non-current liabilities	11 620	42 189	17 724
Installment sales agreements	-	30 980	-
Loans from shareholders	11 620	11 209	11 624
Other financial liabilities	-	-	6 100
Current liabilities	90 919	105 754	121 258
Current tax payable	165	-	165
Installment sales agreements	32 881	14 721	41 359
Operating lease liability	1 510	1 010	1 285
Trade and other payables	25 099	27 281	13 214
Foreign creditors	21 193	54 026	58 546
Other financial liabilities	5 621	-	496
Shareholders for dividends	786	-	786
Bank overdraft	3 664	8 716	5 407
TOTAL EQUITIES AND LIABILITIES	137 072	200 286	186 823
Number of shares in issue	166 375 689	166 375 689	166 375 689
Net asset value per share in cents	20.76	31.46	28.76
Net tangible asset value per share in cents	20.76	31.46	28.76

*Less than R1,000

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Revalu- ation reserve R'000	Retained income R'000	Total R'000	Non- controlling interest R'000	Total equity R'000
Balance as at 1 July 2009	1 664	47 666	162	3 251	52 743	*	52 743
Loss for the period	-	-	-	(400)	(400)	-	(400)
Balance as at 31 December 2009	1 664	47 666	162	2 851	52 343	*	52 343
Loss for the period	-	-	-	(4 502)	(4 502)	-	(4 502)
Balance as at 30 June 2010	1 664	47 666	162	(1 651)	47 841	*	47 841
Loss for the period	-	-	-	(13 308)	(13 308)	-	(13 308)
Balance as at 31 December 2010	1 664	47 666	162	(14 959)	34 533	*	34 533

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 31 Dec 2010 R'000	Unaudited six months ended 31 Dec 2009 R'000	Audited 12 months ended 30 June 2010 R'000
CASH FLOW FROM OPERATING ACTIVITIES	1 276	5 064	26 507
CASH FLOW FROM INVESTING ACTIVITIES	5 132	6 697	(10 077)
CASH FLOW FROM FINANCING ACTIVITIES	(3 478)	(7 032)	(12 480)
Total cash generated for the period	2 930	4 729	3 950
Cash at the beginning of the period	(5 373)	(9 323)	(9 323)
Total cash at the end of the period	(2 443)	(4 594)	(5 373)

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Highlights

- **49.67% Increase in Revenue**
- **21.15% Increase in Operating Profits**
- **Balance Sheet restructuring on track**

Introduction

The board of directors of SA French ("SA French" or "the Company") hereby presents the interim financial results of the group for the six months ended 31 December 2010 (the "interim period"). These interim financial results reflect a net asset value per share of 20.76 cents per share at the end of the interim period. During this interim period 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 exclusive distributor in sub-equatorial Africa of the Potain brand of tower cranes; a subsidiary of the NYSE listed Manitowoc Crane Group which is the largest crane manufacturer in the world. In addition to its 28 year track record as a distributor and renter of the Potain brand, SA French holds distribution agreements with Merlo SPA, manufacturers of telescopic handlers and self-loading concrete mixers, and Saltec, producers of rack and pinion passenger and material hoists for the sub-equatorial Africa region. This diversification allows the company to offer complementary lifting solutions to its clients. It is the SA French focus to offer high levels of service to its clients and as such a rental offering of over 50 units is available to its client base. The rental business model has been developed over a 36 month period to encompass a wide range of tower crane, telehandler and hoist products

Review of operations

Internationally the Manitowoc Crane Group has started to see order levels rising and due to strategic realignment as a result of the global downturn is able to meet its distributors demand with the lead time for a new unit decreasing from 10-14 months to 2-3 months. With the secondhand market very active due to sales by distressed firms there are a number of forward looking companies globally taking advantage of this opportunity to secure deals for the replacement of older units in anticipation of securing work as the financial situation improves.

In South Africa the most influential factor for equipment suppliers in the period under review was that the global economic recession had caused hesitation on the part of financing institutions that traditionally provide asset backed finance, to provide these facilities to enable potential clients to purchase capital equipment. Many companies wanted to keep costs variable due to the uncertainty of the award of projects in the short and medium term. SA French Limited took the decision to utilise oversupplied stock units to increase its rental fleet in order to take advantage of the opportunities that had as a result been provided to supply those clients with rental units. The users demand high levels of service performance and product support. The availability of spare parts and quality of the maintenance and service that is provided are the key factors in choosing a supplier. In keeping with international trends many local companies are also taking advantage of opportunities to replace their older units in anticipation of infrastructure and government projects progressing as the financial situation improves.

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As a result of the factors considered in the South African context the Company has focused on a diversification strategy and has increased its activities in rentals and invested in training, as well as contracts that provide for an option for the rental client to purchase the asset at the end of a longer lease. The impact of the refocused strategy has been to forgo the short term profitability of higher margin sales in order to build a more robust revenue model with a greater portion of annuity income streams with better long term prospects.

Despite its strong market position, SA French has come under operational pressures as a result of the shift in focus toward a rental business which, being capital intensive has placed some strain on the Group's cash flow and balance sheet. Working capital has been limited and the board has addressed this by renegotiating credit arrangements with its asset based financiers in order to bring the duration of agreements into line with the expected usable life of the asset. Similarly entering into an agreement with Manitowoc to repurchase redundant stock has reduced the risk of having a large foreign creditor in trade and payables. Reducing overhead costs have further reduced the cash flow requirements of the business. As a result of the successful conclusion of the proposed rights issue the Group will be in a strong position to take advantage of opportunities to grow the business and enable any further restructuring that may be required to be carried out.

Skills development

SA French has focused on practical skills training for its tower crane and hoist riggers, operators and technicians. The Engineering Council of South Africa ("ECSA") has conferred the status of Lifting Machinery Entity ("LME") on the company and SA French continues to, under the auspices of ECSA, assist its technicians to registered as candidate Lifting Machinery Inspectors ("LMI"). SA French takes the lead in tower crane and hoist safety. The Chief Executive Officer is an active member of the steering committee tasked with establishing a South African standard for the crane industry. In the period under review six candidate LMI and two registered apprentices for trades were registered. As a training provider the Company is recognised throughout the industry as the premier trainer of tower crane operators as well as technicians.

There is an industry wide demand for competent, certified lifting machine operators. The training facility established under the auspices of the Transport Education and Training Authority ("TETA") enables the Company to provide operator training and certification for its own rental fleet, clients as well as independent parties. This accreditation was audited and once again conferred on SA French by TETA during this reporting period. From early indications and successes it is envisaged that the investment in training leads to the creation of an additional income stream for the Company, while ensuring that the level and competence of the trainees passing through the facility proves a differentiating factor in terms of the clients choice of service provider. The company has developed, and seeks to maintain, a good reputation for the high quality of training that it offers.

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Financial results

Increase in revenue

SA French has followed a strategy of increasing the proportion of rental income relative to sales income. This strategy will naturally lead to a reduction in short term revenues but means that the Company is building a base of consistent recurring revenue. In addition to this base, SA French continues to sell equipment, and the outlook in this regard is encouraging, with construction projects that had been curtailed or stalled beginning to be revisited. New deals have been concluded or are in the process of negotiation at both the Medupi and Kusile power plants. In terms of an order book pipeline over R 150 000 000.00 has been identified over the next 24 months.

Operating costs

SA French has reduced its operating costs and continues to do so while ensuring that operating efficiencies are increased. This has been done with the support and hard work of its dedicated and skilled staff. The Company has completed its consolidation its Gauteng, Kwa-Zulu Natal and the Western Cape operations, reducing premises rental and related costs. This consolidation has resulted in once-off staff retrenchment and handling costs that are required to move operations to three key distribution facilities. The company will continue to scrutinise its operational efficiencies and reduce costs where applicable.

Manitowoc Settlement

In the current reporting period, SA French concluded a settlement agreement with its major supplier in which it agreed to return a significant number of unutilized and unsold inventory which it held due to the cancellation of orders at the height of the economic downturn. It is expected that the full settlement agreement will be implemented before the financial year end. It must be highlighted that during the period under review approximately R30m of inventory was returned for a full settlement of each item against the creditor liability. The deal removes significant financial risk from the Company through the reduction of both its inventory holdings and its current liabilities. As a consequence, and as a result of the material strengthening of the Rand against the Euro, the offset agreement has resulted in non-cash settlement costs in excess R15m. This is essentially the reversal of the foreign exchange gains that were made in the previous 2 financial years. The financial effect of this agreement does not in any way impair the Company's operational profitability or ability to continue as a going concern, merely redressing an entry in the financial statements created by the fluctuation in exchange rates over an 18 – 24 month period.

Movement in borrowings

The company has begun a process of restructuring its debts and has successfully concluded deals with its asset backed finance providers to restructure its current debt facilities over periods ranging from 36 to 48 months. This has already resulted in a significant benefit to the Company's monthly cash flows, removing pressure from management and allowing more time to be focused on securing new business and the growth in the rental book. In addition to the restructuring of its banking facilities, the controlling shareholders of SA French have agreed to write off loan accounts totaling approximately R9.5m.

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On the 16th March 2011 SA French announced the terms of a fully underwritten Rights Issue which, upon completion, will allow the Company to finalise its balance sheet restructuring through the settlement of certain short-term liabilities, including the bridging finance provided by AfrAsia Corporate Finance (Pty) Ltd. The management team will then be able to focus their attention fully on growth prospects, which are primarily organic, although certain attractive consolidation opportunities have been identified and will be rigorously assessed in the coming months.

Prospects

Within the Southern African Development Community (“SADC”) there are a number of opportunities in both rentals and sales. SA French has tendered on numerous jobs in this region and is confident of success as well as the opportunity to regionally diversify its fleet. The company continues 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 services capabilities and competitive pricing on rentals make it the tower crane supplier of choice to both listed and unlisted construction firms.

Construction projects that had been curtailed or stalled due to lack of funding are beginning to be revisited and there is opportunity for both rental and sales in this area. This source of revenue is dependent on the private sector and takes issues such as business and consumer confidence, interest rates and the availability of funding into account.

Power generation remains a focal point for all companies in the construction sector and it is with anticipation that the company looks to the award of a number of tenders that had been delayed from as far back as March 2008. SA French has worked closely with many of the winning tenderers and is in a position to directly benefit from these tender awards.

The promised government allocation that has been earmarked for infrastructural development between 2010 and 2014 of R 800 billion is a significant incentive to stay positive. SA French has continued to train and retain skilled staff in order to be in a position to take maximum benefit from this infrastructure spending both directly as well as through its clients. There are also new opportunities that are being investigated and discussions with key role players in the alternative energy sector are in advance stages.

The completion and final implementation of the Settlement agreement with Manitowoc Crane Group will remove additional debt from the balance sheet as the business moves to reduce its debt, grow its rental book and given the improved delivery timelines allow the holding of lower levels of inventory.

Subsequent events

The Company is in the process of a rights issue and you are advised to read the announcement made on the 16th March 2011 which outlined the terms of the rights issue. The rights issue will provide the Company with permanent capital to enable it to finalise the restructuring of its balance sheet. The completion of the restructuring will further reduce cash outflows and position the Company for growth over the next 3 years.

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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 2010. 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 Company's auditors.

Directorate

Mr Peter van Zyl was appointed as financial director of SA French with effect from 22 March 2011.

Appreciation

We thank our employees for their continued loyalty, hard work and commitment to the vision of the Company. Furthermore, we thank our corporate advisors for the faith shown in the management team. Shareholders are encouraged to evaluate the Company's current position critically and are encouraged to seek clarification should there be questions pertaining to the corporate actions that are envisaged over the coming months. 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

Warwick van Breda
Commercial Director

31 March 2011

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ADMINISTRATION

Directors

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

Company secretary

Warwick van Breda (LLB)

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Designated Adviser

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