The JSE Journal

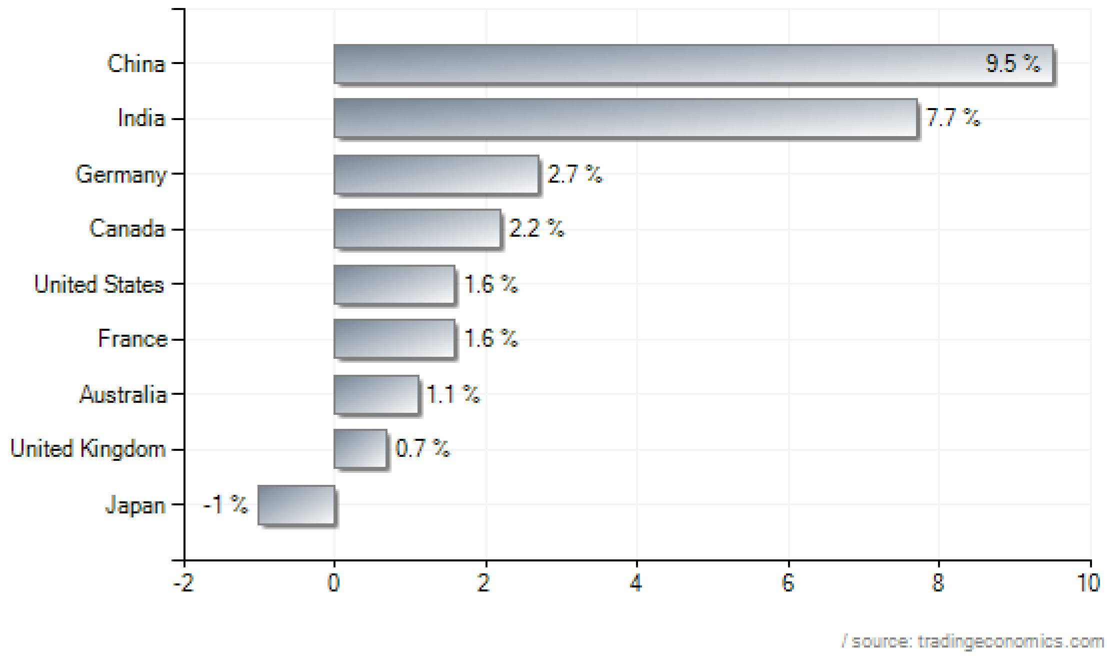
Welcome to the October edition of the JSE Journal. Every month we release this free publication containing the previous months economic trends, news, company results and prospects, as well as an independent review of a few selected companies on the JSE with buy, sell or hold recommendations.

The contents for this month's newsletter are as follows:

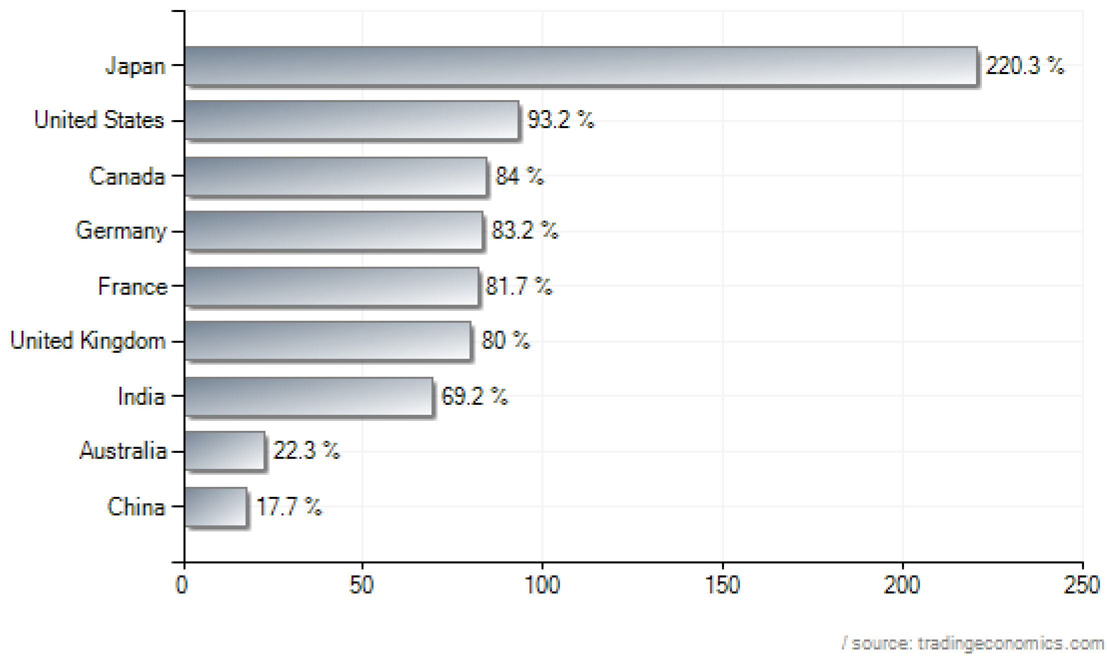
- Economic data and trends for the US and Euro region economies
- Company final or interim results for companies in October
- The JSE Journal Company review
    - Sanyati Holdings

ECONOMIC DATA AND TRENDS

GDP MAJOR ECONOMIES

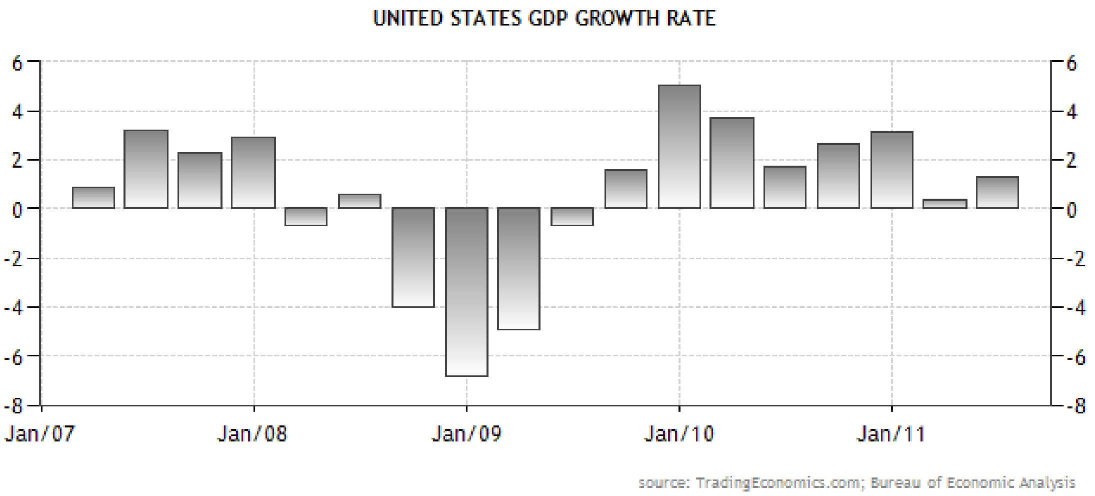


PERCENTAGE DEBT TO GDP



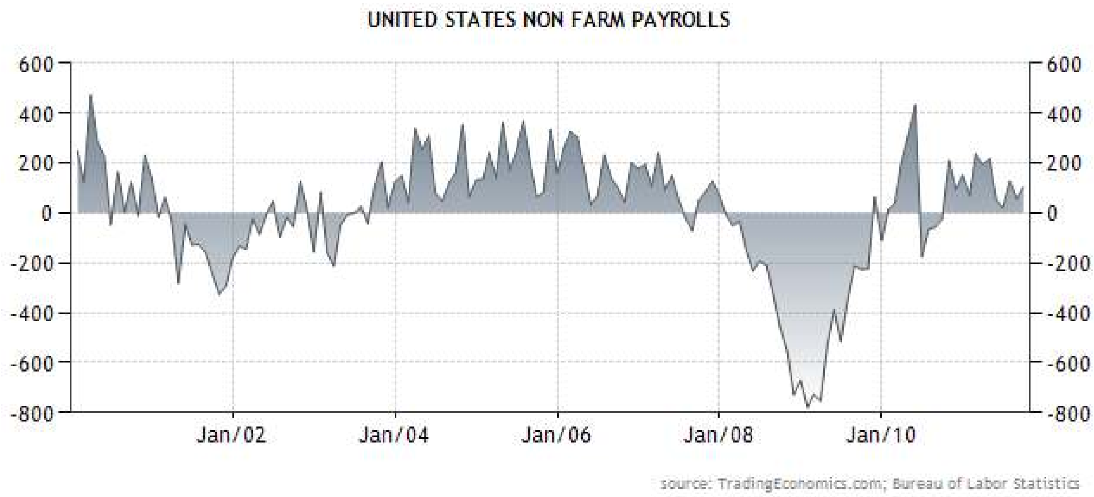
UNITED STATES TRENDS

In the United States, business confidence also known as The Purchasing Managers Index (PMI) improved to 51.6% in September of 2011 from 50.6% in August of 2011, according to the Institute of Supply Management (ISM). The PMI is a composite index of five indicators (production level, new orders, supplier deliveries, inventories, employment level), which are extracted through surveys to more than 400 purchasing managers from around the country, chosen for their geographic and industry diversification benefits. In the United States, the business confidence survey measures the level of optimism that people who run companies have about the performance of the economy and how they feel about their organizations' prospects. Business confidence surveys can provide useful signs about the current condition of the economy, because companies often have information about consumer demand sooner than government statisticians do.



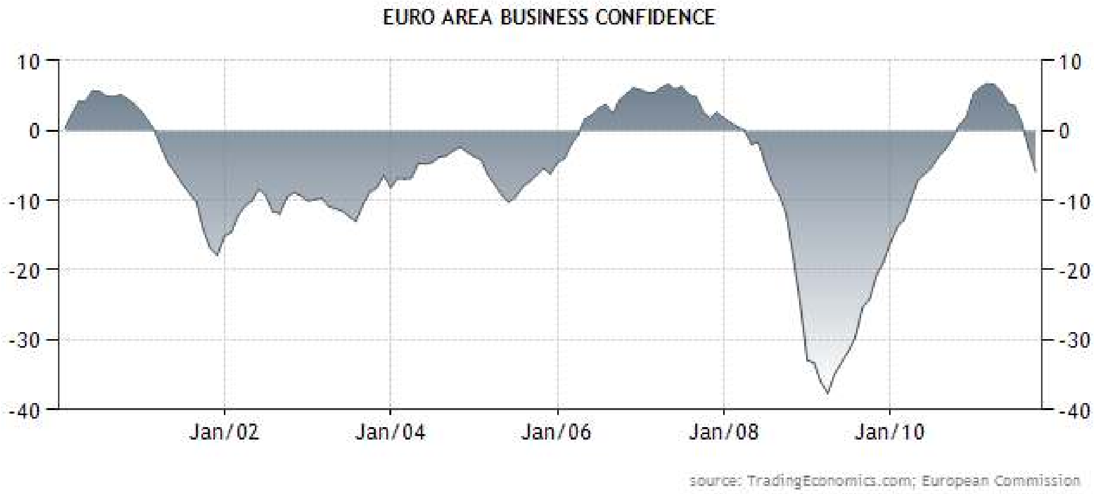
The Gross Domestic Product (GDP) in the United States expanded 1.3 percent in the second quarter of 2011 over the previous quarter. Historically, from 1947 until 2011 the United States' average quarterly GDP Growth was 3.28 percent reaching an historical high of 17.20 percent in March of 1950 and a record low of -10.40 percent in March of 1958.

In the United States, consumer confidence improved to 45.4 in September of 2011 from 45.2 in August of 2011. In the United States, The Conference Board Consumer Confidence Index® (CCI) is a barometer of the health of the U.S. economy from the perspective of the consumer. The index is based on approximately 3,000 completed questionnaires reflecting consumers' perceptions of current business and employment conditions, as well as their expectations for six months hence regarding business conditions, employment, and income. The Conference Board® and Consumer Confidence Index® are registered trademarks of The Conference Board. The Consumer Confidence Index and its related series are among the earliest sets of economic indicators available each month and are closely watched as leading indicators for the U.S. economy.

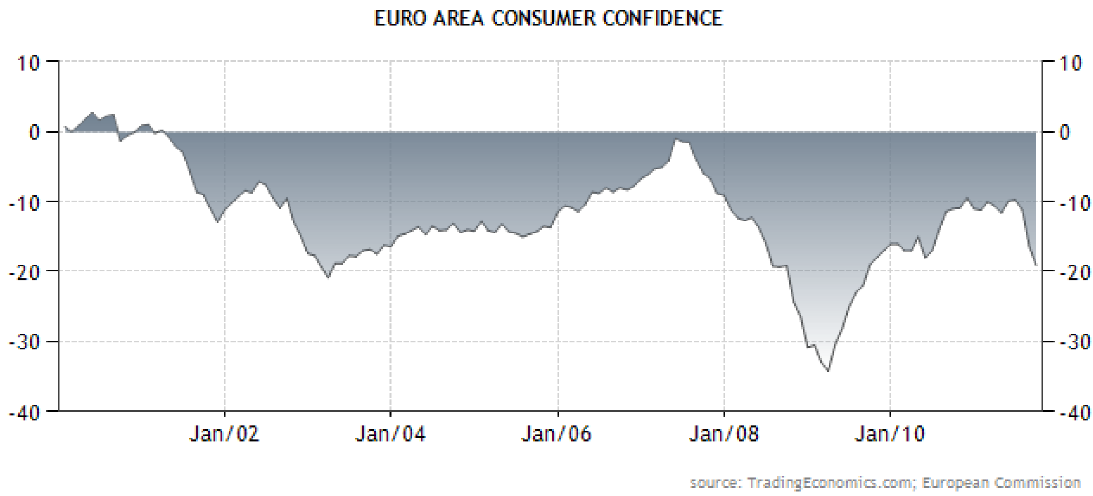


The United States economy added 103,000 jobs in September of 2011, according to the U.S. Bureau of Labor Statistics. Nonfarm payrolls is an employment report released monthly, usually on the first Friday of every month, and heavily affects the US dollar, the bond market and the stock market. Current Employment Statistics (CES) program from the U.S. Department of Labor Bureau of Labor Statistics, surveys about 160,000 businesses and government agencies, representing approximately 400,000 individual work sites, in order to provide detailed industry data on employment, hours, and earnings of workers on nonfarm payrolls. From 1939 until 2010 Non-Farm Payrolls averaged 116.87 thousand jobs reaching an historical high of 1114.00 thousand jobs in September of 1983 and a record low of -1966.00 thousand jobs in September of 1945.

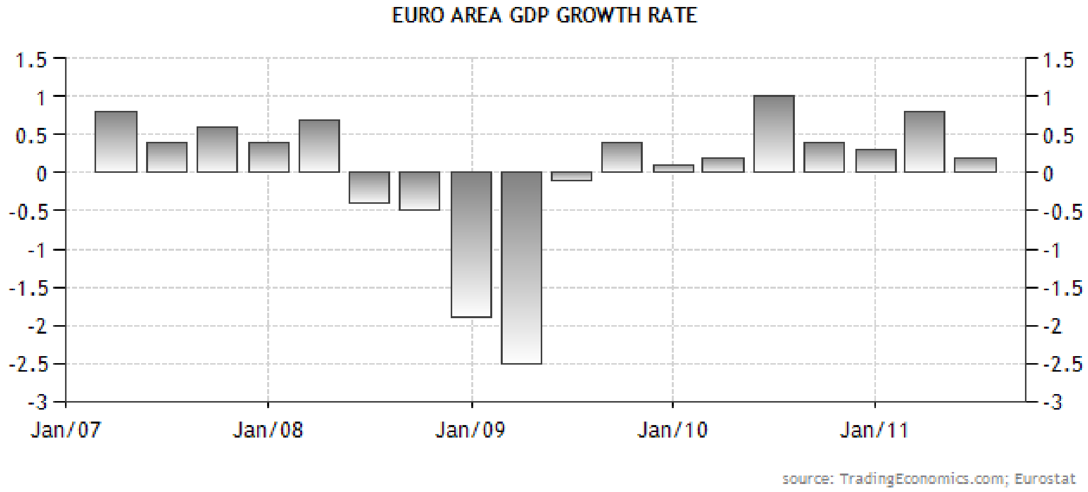
EURO AREA



In the Euro Area, business confidence fell to -5.9 in September of 2011 from -2.7 in August of 2011. In the Euro Area, the industry component of the Economic Sentiment Indicator survey measures the level of optimism that people who run companies have about the performance of the economy and how they feel about their organizations' prospects.



In the Euro Area, consumer confidence declined to -19.1 in September of 2011 from -16.5 in August of 2011. In the Euro Area, the consumer component of the Economic Sentiment Indicator measures the level of optimism that consumers have about the performance of the economy. Generally consumer confidence is high when the unemployment rate is low and GDP growth is high.



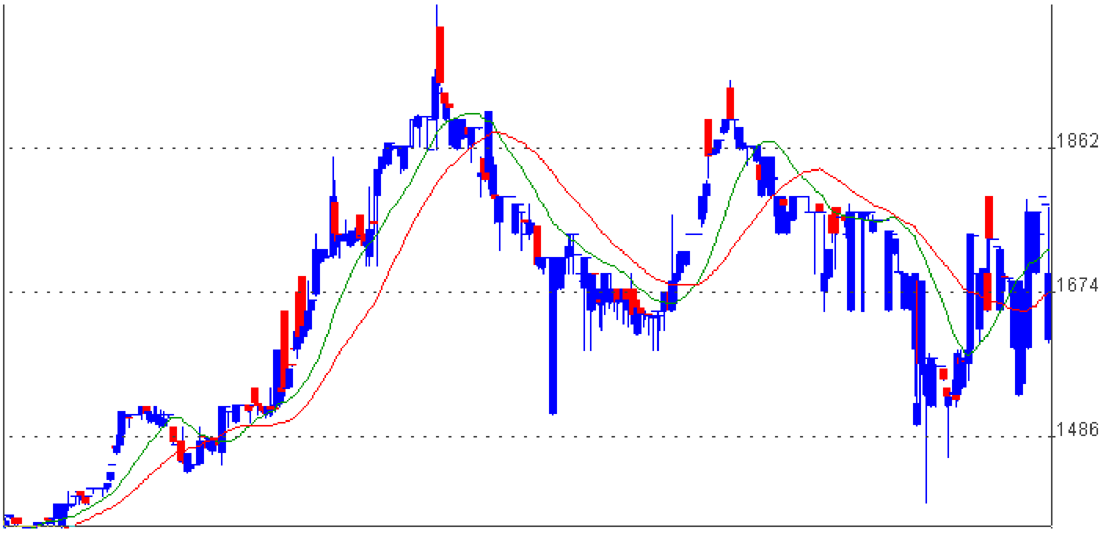
The Gross Domestic Product (GDP) in the Euro Area expanded 0.20 percent in the second quarter of 2011 over the previous quarter. Historically, from 1995 until 2011 the Euro Area's average quarterly GDP Growth was 0.42 percent reaching an historical high of 1.30 percent in June of 1997 and a record low of -2.50 percent in March of 2009. The Euro Area (Eurozone) refers to a monetary union among the European Union member states that have adopted the euro as their sole official currency. It currently consists of Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta the Netherlands, Portugal, Slovakia, Slovenia and Spain. The Euro Area overall economy is the second largest, after the U.S.

The unemployment rate in the Euro Area was last reported at 10 percent in August of 2011. From 1995 until 2010 the Euro Area's Unemployment Rate averaged 9.06 percent reaching an historical high of 10.70 percent in January of 1997 and a record low of 7.20 percent in February of 2008. The labour force is defined as the number of people employed plus the number unemployed but seeking work. The nonlabour force includes those who are not looking for work, those who are institutionalised and those serving in the military.

OCTOBER COMPANY RESULTS

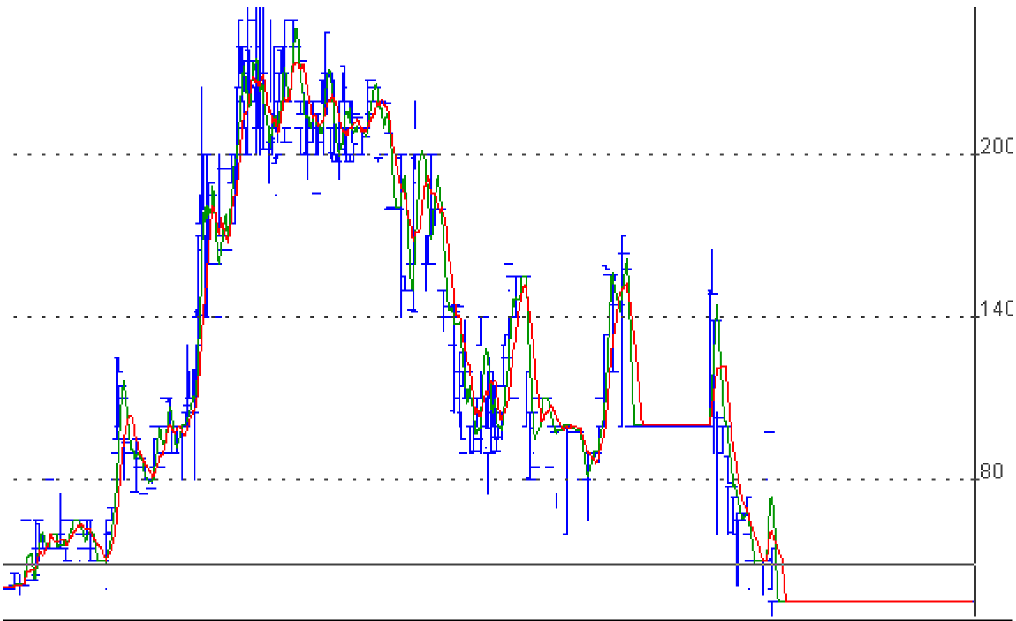
OCTODEC INVESTMENTS LTD (SHARE PRICE R17.00) – Final results

PE 14.00 YLD 7.14 DY 7.61



Revenue improved to R388.5 million (R333.7 million). Operating profit was up 7.7% to R181.6 million (R168.3 million). A net attributable loss of R2.9 million (profit of R95.4 million) was made. In addition, headline earnings per linked unit fell to 121.4c (128.2cplu). Vacancies in the Octodec portfolio at 31 August 2011 amounted to 16.8% of total lettable area. The company declared a dividend of 0.32c (0.33c) per ordinary share together with interest of 63.98c per debenture (65.27c), has been declared for the period 1 March 2011 to 31 August 2011. The company commented that management is optimistic the company will deliver an increase in distributions in the next financial year.

THABEX LIMITED (Trading Suspended 23 May 2011)



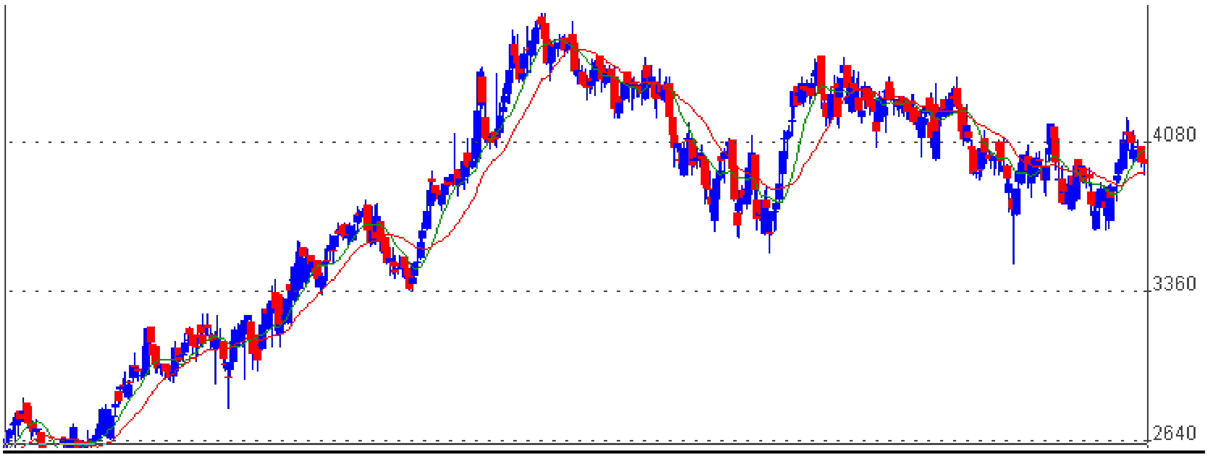
Revenue for the year decreased to R409 000 (2010: R421 000). Gross profit fell to R76 000 (2010: R128 000), but the operating loss narrowed to R3.6 million (2010: loss of R3.7 million), while loss attributable to equity holders of the parent widened to R3 million (2010: loss of R1.4 million). Furthermore, headline loss per share improved to 1.26cps (2010: loss of 2.21cps). No dividend was declared.

Management stated that although production results from the oxidised dump at Monastery Mine confirms that the number of gem quality rough diamonds in the Monastery Kimberlite are at least 20% as previously reported, further metallurgical testing at Monastery is necessary to ensure the turning to account of this project. SRR is continuing to conduct a pre-feasibility study of the Salt River Base Mineral Project. SRR has not been able to secure funding to complete a Bankable Feasibility Study of its poly-metallic (Cu-Pb-Zn-Ag-Au) project in the Kenhardt district of the Northern Cape Province and is considering several funding options to proceed.

CLICKS GROUP LTD (SHARE PRICE R39.75) – Final results

PE 15.92 YLD 6.28 DY 3.14

INET BRIDGE – HOLD RECOMMENDATION



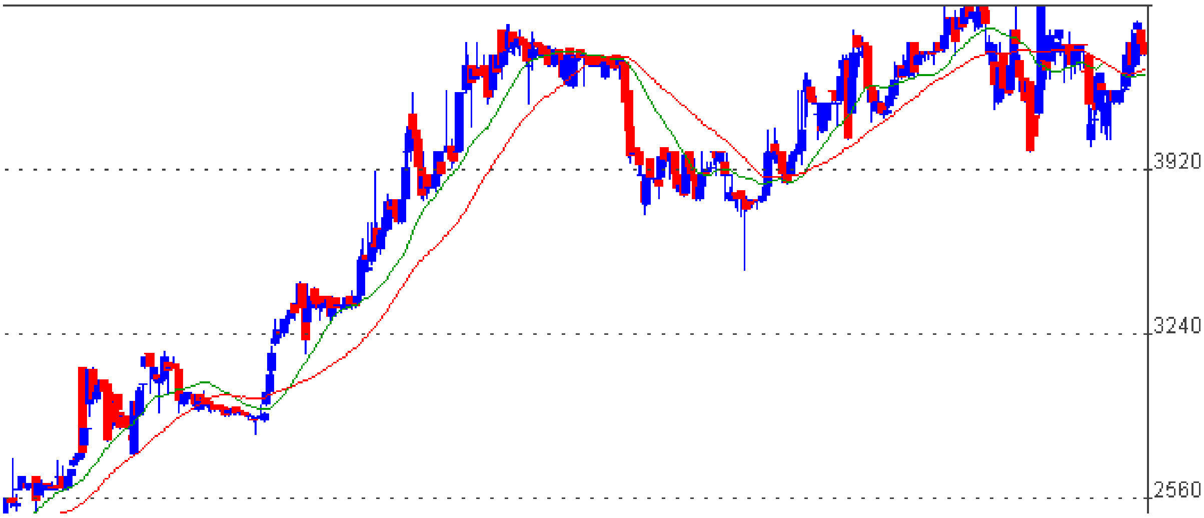
Revenue for the year ended 31 August 2011 increased by 6.4% to R14.8 billion (2010: R13.9 billion). Gross profit rose by 11% to R3.2 billion (2010: R2.9 billion), operating profit climbed by 13.9% to R937.6 million (2010: R823.3 million), while profit attributable to equity holders of the parent improved to R650.9 million (2010: R565.4 million). Furthermore, headline earnings per share grew by 17.8% to 250.1cps (2010: 212.3cps).A final distribution of 88cps has been declared, bringing the total distribution for the year to 125cps, an increase of 17.7%.

Management stated prospects are as follows:
Consumer spending is expected to remain muted in the current uncertain economic climate. Inflation is anticipated to remain low and no SEP increase is expected for 2012. The group will face increasing cost pressures in employment, property, transport and utilities. The focus for the year ahead will therefore be on driving volume and containing costs. The group remains well positioned in the medium term through the market leadership and growth potential of its brands. Capital expenditure of R257 million has been committed for 2012 and trading space is planned to increase by 4% to 5%. As a result of the group's continued strong cash generation, the board has resolved to reduce the distribution cover from 2.0 to 1.8 times from the 2012 financial year, which will further enhance returns to shareholders.

FAMOUS BRANDS (SHARE PRICE R44.00) – Interim results

PE 17.96 YLD 5.57 DY 3.75

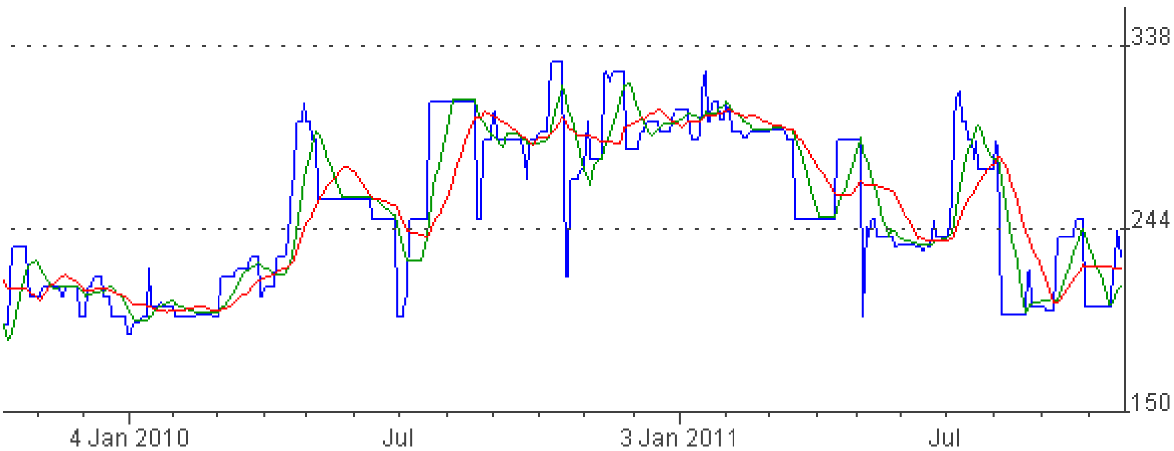
INET BRIDGE RECOMMENDATION - HOLD



Group revenue increased by 12% to R1 billion (R908.3 million), while operating profit improved 8% to R183.8 million (R170.1 million) reflecting the deliberate pricing strategy to stimulate consumer sales and protect franchisee margins. Net attributable profit rose to R119.9 million (R109.1 million). Headline earnings per share and basic earnings per share both increased by 9% to 125 cents (2010: 115 cents). An ordinary interim dividend of 80cps has been declared. Managements stated that the group's outlook for the forthcoming six months is cautious in the context of prevailing macro-economic factors. The impact of global uncertainty and the weakening local currency will undoubtedly weigh on consumer sentiment. Disposable income will remain restrained in the absence of economic recovery, and intense competition in the industry will persist. Notwithstanding its circumspect outlook, the group is confident that opportunities for growth exist. Management is enthusiastic about potential in the lower-end entry level market in which its participation to date has been restricted; expansion prospects in Africa; and opportunities to further expand its manufacturing capability as part of the group's backward integration business model.

IQUAD GROUP LTD (SHARE PRICE R2.30) – Interim results

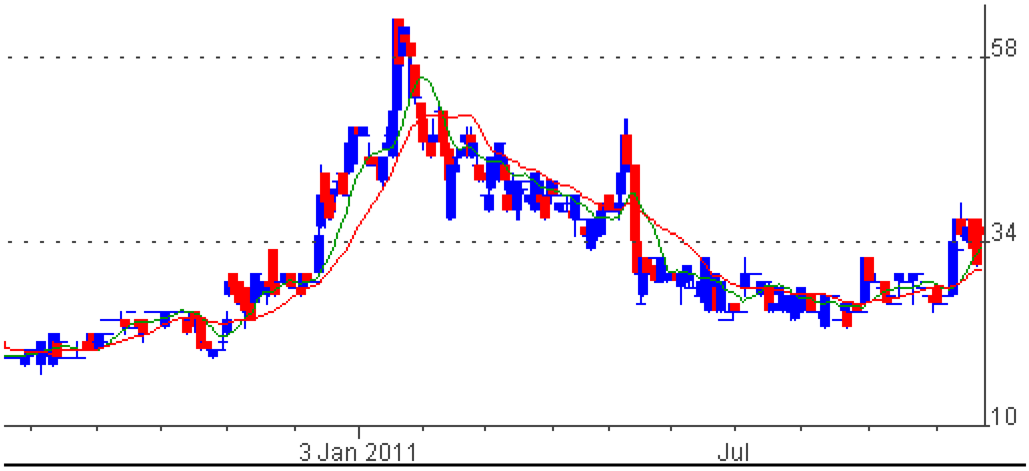
PE 6.44 YLD 15.52 DY N/A



Revenue for the interim period increased to R40.8 million (2010: R38.7 million). Gross profit more than doubled to R40.8 million (2010: R18.8 million), operating profit rose to R1.1 million (2010: loss of R22.5 million), while loss for the period attributable to equity holders of the parent narrowed to R877 000 (2010: loss off R24.8 million). Furthermore, headline earnings per share weakened to 12.7cps (2010: 14.3cps). No dividend was declared.

Managements comments were:
Overall headline earnings for the six months ended 31 August 2011 declined by 11% from R3.93 million to R3.49 million. Whilst these results were below expectation, significant progress has been made in cementing the business strategy over the last six months and the group is well positioned to focus on growth in the core revenue producing areas of the business.

ANSYS LTD (SHARE PRICE 35c) – Interim results

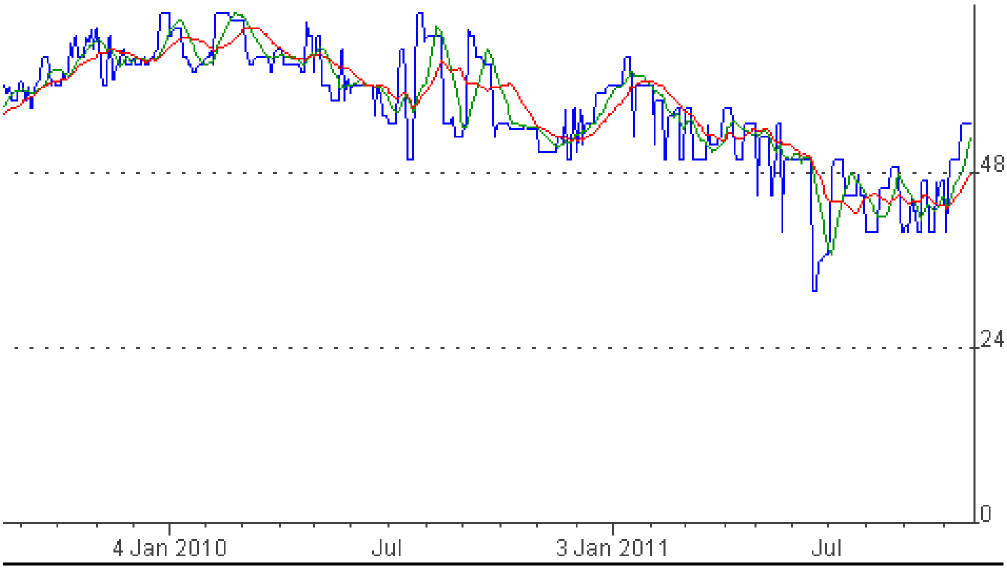


Revenue fell to R50.7 million (R56.5 million) but gross profit rose by 12% to R23.1 million (R20.6 million). Earnings before interest, tax, depreciation and amortisation ("EBITDA") climbed to R8.4 million (R6.9 million), while profit for the period grew drastically to R6.1 million (R308 000). Headline earnings per share from continuing operations increased to 3.96cps (3.64cps). No dividend has been declared for the interim period under review.

Managements stated prospects for the group:
The Group order book is currently in excess of R70 million. A large portion of these contracts are being executed at the moment, which is expected to ensure that Ansys will deliver profitable results for the year ending 28 February 2012. Contracts secured include more orders received from General Electric South Africa Technologies (GESAT) for rail yard safety and also further CRMS units.

GOODERSON LEISURE CORPORATION LTD (SHARE PRICE 55c) – Interim results

PE 24.23 YLD 4.13 DY N/A



Revenue increased to R49.5 million (R44.9 million) and earnings before interest, tax, depreciation and amortisation ("EBITDA") improved to R6.3 million (R5.4 million). Profit for the year grew to R901 000 (R554 000), while headline earnings per share strengthened to 0.73cps (0.46cps). No dividend has been declared for the period under review.

Management commented on the groups prospects as follows:

The group's financial position has continued to improve despite the extensive upgrade and refurbishment programme which should be completed by 2012. Whilst the group continues to manage costs and overheads as tightly as in the past, the group still remains focused on providing guests with a superior product, warm hospitality and good service levels. Management remains cautiously optimistic of a stronger performance in the second half of the year. With its portfolio of refurbished and upgraded properties, the group will be well positioned to accelerate growth once the economy begins to show positive signs.

PICK N PAY HOLDINGS (SHARE PRICE R39.45) – Interim results

PE 30.59 YLD 3.27 DY 3.24

INET BRIDGE RECOMMENDATION - HOLD

Turnover increased by 7.4% to R27.1 billion (R25.2 billion). Gross profit rose to R4.8 billion (R4.5 billion), but trading profit declined to R492.2 million (R720.3 million). Net attributable profit decreased to R191.6 million (R354.3 million). In addition, headline earnings from continuing operations fell by 39.3% to 54.73cps (90.17cps). An interim ordinary dividend of 22.5cps has been declared.

Management comments on the outlook ahead:

Pick n Pay has seen encouraging turnover growth, above the market for the first time in a few years, however the investments we have made in transforming Pick n Pay into a world class retailer have had a material impact on earnings. The most significant of these are the launch and set up of the loyalty programme Smart Shopper, the investment in building a specialised category buying function, and supply chain improvements. These initiatives will enable the group to better serve customers in the future.

The core of the company's strategy is focused on realising the full potential of the South African businesses. To do so Pick n Pay is closely focused on improving the customer offer and streamlining operations.

Steady growth into Africa continues. Pick n Pay now has two stores in Zambia, both trading extremely well, and the first store in Mozambique opened in June 2011, with the first store opening in Mauritius just after the six month period. In the next six months the group will open two more stores in Zambia, one in Mozambique and two in Mauritius. The group is still waiting for approval from the Zimbabwean Indigenisation Board in order to purchase an additional 24% of TM Supermarkets in Zimbabwe, to take Pick n Pay's stake to 49%.

Pick n Pay is making good progress in transforming the business. Although challenges lie ahead, management believes in its people and in this exceptional group.

FORBES & MANHATTAN COAL CORPORATION (SHARE PRICE R14.50) – Interim results

PE -17.10 YLD -5.85 DY N/A

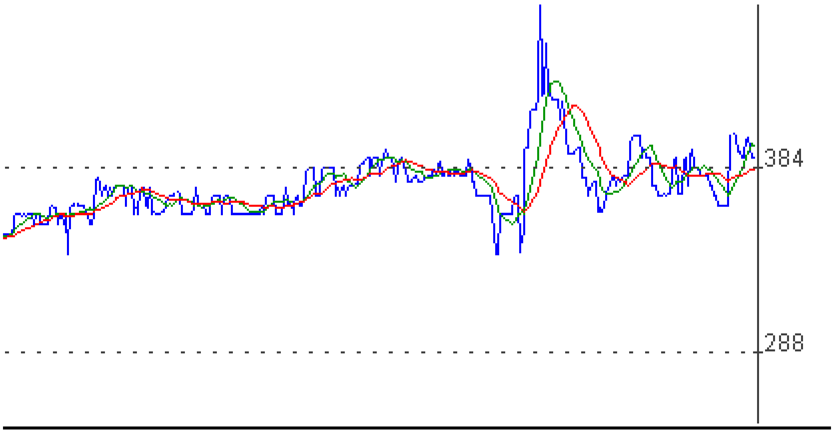
Forbes announced their first set of interim results since listing on the JSE. Thus there are no comparable figures. Revenue for the interim period ended 31 August 2011 was CAD35.2 million, while gross profit came in at CAD5.6million, and net loss per share was CAD7cps.

Operational highlights
Production at Forbes two mines, Aviemore and Magdalena, continues to increase on plan and on budget. Commissioning of the second phase of expansion at Magdalena is on track for the third quarter of 2012 with the new Continuous Miner underground and in the process of being commissioned. Operational highlights include:

ROM production - ROM production at Aviemore in the second quarter of 2012 was 64 200 tonnes, an increase of 27% compared to the 50 700 tonnes produced in the first quarter of 2012. Fiscal year- to - date ROM production at Aviemore was 114 900 tonnes. Production at Magdalena remained consistent in the second quarter of 2012. ROM production in Q2 2012 was 258 600 tonnes compared to 260 300 tonnes in Q1 2012. Fiscal year- to- date ROM production at Magdalena was 518 900 tonnes. Total ROM production in the second quarter of 2012 was 322 800 tonnes, a 4% improvement compared to the 311 000 tonnes of total ROM production in the first quarter of 2012. Fiscal year- to- date total ROM production was 633 800 tonnes.

VALUE GROUP LIMITED (SHARE PRICE R3.90) – Interim results

PE 6.28 YLD 15.92 DY 4.87



Revenue for the interim period increased by 14% to R847.3 million (2010: R740.8 million). Gross profit rose by 8% to R351.1 million (2010: R324.1 million), while operating profit climbed by 16% to R67.8 million (2010: R58.2 million), and total comprehensive income for the period soaring to R40.3 million (2010: R24.7 million). Furthermore, headline earnings per share grew by 71% to 25cps (2010: 14.6cps). The board has resolved to declare an interim dividend of 7cps. This dividend is covered 3.6 times by interim headline earnings.

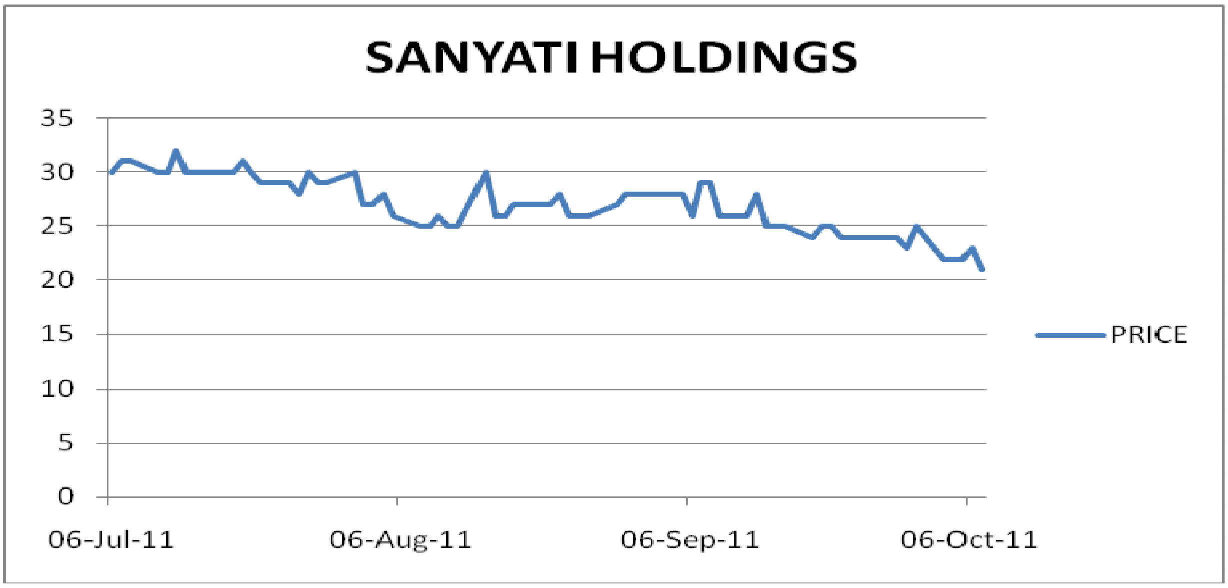
Managements comments on prospects:

Global financial market volatility and uncertainty can induce another recessionary environment both abroad and within the local economy. Volumes have reduced amongst certain customers operating in different industry verticals within the supply chain. Accordingly, management is focused on growing a diversified revenue base across all logistical service offerings, whilst, simultaneously, reducing costs. Traditionally, the second half of the financial year is characterised by increased consumer demand and hence increased logistics' volumes. This however, must be viewed in light of a possible economic downturn which could depress volumes particularly over the Christmas season. Accordingly, management is cautious in advising that headline earnings for the 2012 financial year will at least be maintained.

THE JSE JOURNAL COMPANY REVIEW

SANYATI HOLDINGS (SPECULATIVE BUY)

Current Price : 23c



Description of business

Sanyati provides a broad range of civil engineering services including road construction, rehabilitation and maintenance, bulk earthworks, concrete structures and civil works, railway construction and electrification, fiber optic cable laying, mining infrastructure, piling and geotechnical services, telecom infrastructure and pipelines and associated works. Building construction services include clinics, schools, classrooms, taxi ranks and affordable housing.

Review of current operating conditions in the construction industry

Challenging trading conditions have been experienced in the South African construction industry and are reflected in the string of negative financial reports and trading updates provided by other JSE-listed construction companies.

The slow turnaround in the procurement of much needed services for the expansion and refurbishment of social infrastructure continues to weigh heavily on the South African civil construction market.

The combination of decreased project activity and the resultant decreasing trading margins is now becoming more reflective of work secured in a far more competitive market. The introduction of an infrastructure commission by president Jacob Zuma highlights the concern over delays in project rollouts. Hopefully the commission will ensure that work picks up in this sector, however, there are no guarantees that this will actually be effective in dealing with the backlog and slow of delivery of projects.

Overall, most analysts predict tough trading conditions for at least the next 18 months.

Company Structure

The company consists of the following divisions:

Financial Performance

The historical performance of the company follows:

For the year ended 28 February		2011	2010	2009	2008
Income statement					
Continuing operations					
Revenue	R'm	**1,533**	1,997	1,403	1,002
Gross Profit	R'm	**178**	265	259	213
Operating profit/EBITDA before change in estimate	R'm	**74**	173	104	83
Operating (loss)/profit before interest and taxation	R'm	**(101)**	102	89	83
(Loss)/profit before taxation	R'm	**(107)**	103	83	85
(Loss)/profit for the year from continuing operations	R'm	**(120)**	69	51	59
Gross profit margin	%	**11.6**	13.3	18.4	21.3
EBITDA margin	%	**4.8**	8.6	7.4	8.3
Earnings per share (EPS)					
Basic EPS	cents	**(29.75)**	17.44	14.21	21.33
Headline earnings per share (HEPS)					
Basic HEPS	cents	**8.46**	17.62	24.21	22.31
Fully diluted HEPS	cents	**7.60**	15.42	20.43	14.53

Company Review

Rick Jackson founded Afriscan Construction (Pty) Ltd in 1988. As the company expanded, Afriscan Holdings (Pty) Ltd was formed as a holding company. In 2000, Afriscan Construction was bought out with Afriscan Holdings continuing to provide services to it and the holding company's name was changed to Sanyati Holdings. In 2006, Sanyati Holdings bought out Afriscan Construction and the group listed on the AltX.

Company results forecast

The current order book stands at 886 million. There are imminent orders of 1114 million pending with close prospects of a further 1740 million. Sanyati has the highest outstanding orders awaiting when compared with other companies in the sector. Conservatively, I believe it would be safe to assume only 20% of the imminent orders should be included in the near term 2012 revenue figure. If the company manages to secure a higher order book and delivers timeously, this will be positive, but there are no guarantees. Also with current economic conditions deteriorating it would be prudent to note that investors are losing their appetite for risk. Secondary small cap counters such as Sanyati are perceived as higher risk, and also have much lower liquidity levels. In bad times, this counter could be sold down substantially, and any negative performance will be punished by the market in these conditions. This has been the case for this counter so far.

However, with that said, this is precisely the reason I believe the counter is showing and will continue to show value, as investors have sold the stock down to levels which I believe to be mispricing due to extreme risk aversion and uncertainty. It is precisely in these conditions that businesses such as Sanyati can be bought for a substantial discount to its true intrinsic worth. The danger is in the short term operating performance and profitability, which currently leads this counter to have an element of speculative risk for the investor.

With an order book of 886 million, a margin of 4.8%, and assuming 20% of the imminent orders being awarded would imply a revenue estimate as follows:

	2011	**2012**	
REVENUE	1533062	1108000	
CONTRACT COSTS	-1355497		
	177565		
OTHER INCOME	4923		
	182488		
ADMIN COSTS	-108492		
	73996	53184	
MARGIN 4.8%			
INVESTMENT INCOME	16223	16223	
FINANCE COSTS	-21982	-21982	
	68237	47425	
TAX EXPENSE	-13659	-13279	**28%**
	54578	34146	
DEPRECIATION	-20241	-20241	
PROFIT AFTER TAX	34337	13905	
NO OF SHARES	450802	450802	
DILUTED EPS	7.6c per share	3.1c per share	

At 3.1c per share, this would imply an earnings yield of just under 14% on the current stock price. I would therefore recommend investors attempt to start accumulating the stock at 20cents per share if it should drop so low before its interim results are released end of Oct / beginning November. Should the interim results and order book look healthy, it would justify stronger accumulation, but only if the stock can still be picked up at a decent price. This would clearly be a lower risk strategy, but the price may rally against a backdrop of any improved operating performance.

Accumulating the stock at 20c would allow for a 15% earnings yield, with the counter trading at a substantial discount to its tangible net assets. Currently, its tangible net assets are 66c per share and could increase to 70c with its next results. At 20c the stock price would be trading at a discount of just under 30% of the value of its tangible assets which indicates value (in terms of its assets at least).

Due to the inherent difficult nature of forecasting earnings, as well as the inherent risk in the business model and industry that Sanyati operates in, I would suggest that this counter only appeal to investors with an appetite for speculation, until more clarity arises towards the confirmed order book and way forward for the company and construction industry in general.

Risks to capital : The risk with small issues is always debt, and expansion for growth plans. Rights issues and stock issues to raise capital to acquire other businesses, or settle unmanageable debt is always a concern. Sanyati has a debt:equity ratio of 0.28 (including goodwill) and seems to be moving towards reducing debt. The shareholders did not authorise the issue of shares at the last meeting which is positive. As for expansion, the company seems to be focusing on broadening its geographical revenue base, but no acquisitions seem to be in the pipeline for now at least. I would therefore deem this risk to be negligible at the moment.

Currently, the stock price is trading at 23c per share. The previous earnings (diluted) was 7.6c per share. The stock is therefore trading at an earnings yield of 33%. Should earnings come in at 3.1c per share and the stock re-rates accordingly with the same kind of yield discount, that would imply that the share price could drop to 11c per share...substantial downside risk. The prospective order book however would be more indicative of what would happen with the stock price, as a healthier order book and signs of recovery in the sector will influence that stock price more than other factors.

It is just important to note, that downside risk exists in this counter, even if accumulated using common sense. Extremes in sentiment can drive the price down further in the short term. I do believe that long term investors looking to buy into this business at these prices would benefit over a 5 year investment horizon. However, there are no guarantees in the short term. More conservative investors should await the interim results for further indication. Aggressive investors could speculatively start accumulating the stock before these results are released.

Capital structure and liquidity : the group has been reducing debt levels, and debt levels remain manageable. The debt:equity ratio : 0.35 (ex goodwill) is within acceptable range and although interest cover is not huge at the moment, the group will be positioned for any upturn in the market if debt continues to be reduced under these conditions. Interest payments currently seem to be almost covered by investment income on the statement of comprehensive income. The current ratio at 1.5 is acceptable, but a build up of debtors has resulted in a decrease in cash flow (as well as paying off debt). The management advised in the financials that this should be a temporary situation due to cash flow profiles of the groups current projects and should reverse, which is typical of companies of this nature. Total long term debt also seems to be adequately covered by total assets.