

**MDM ENGINEERING GROUP LTD  
CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009**

		Unaudited six months ended 30 September 2009	Unaudited six months ended 30 September 2008	Year ended 31 March 2009
	Notes	US\$	US\$	US\$
<b>Revenue</b>		22 439 252	17 334 919	35 916 889
Cost of sales		(15 201 266)	(8 486 748)	(19 252 389)
<b>Gross profit</b>		7 237 986	8 848 171	16 664 500
Operating expenses		(2 756 196)	(2 000 389)	(6 206 283)
Other income		613 898	(386 998)	265 572
<b>Profit from operations</b>		5 095 688	6 460 784	10 723 789
Financial income	9	363 752	378 517	894 834
Financial expense	10	(408 145)	(25 805)	(38 062)
<b>Profit before taxation</b>	11	5 051 295	6 813 496	11 580 561
Taxation	12	(1 319 256)	(1 986 290)	(3 741 039)
<b>Net profit for the period/year</b>		3 732 039	4 827 206	7 839 522
Basic earnings per share – US cents	13	9.96	13.16	21.15
Diluted earnings per share – US cents	13	9.08	12.04	19.32

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009**

Profit for the period/year	3 732 039	4 827 206	7 839 522
Other comprehensive income			
Exchange differences (gains)/losses	(612 675)	674 233	923 713
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR</b>	(612 675)	674 233	923 713

**MDM ENGINEERING GROUP LTD  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009**

	Share capital	Share premium	Foreign currency translation reserve	Accumulated profit	Treasury shares	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<b>Balance at 1 April 2008</b>	340 090	1 335 130	(335 174)	3 187 158	-	4 527 204
Profit for the period	-	-	-	4 827 206	-	4 827 206
Foreign currency translation differences	-	-	(314 568)	-	-	(314 568)
Dividends paid	-	(1 498 364)	-	-	-	(1 498 364)
Issue of share capital	34 501	9 734 865	-	-	-	9 769 366
Issue costs	-	(2 647 406)	-	-	-	(2 647 406)
<b>Balance at 30 September 2008</b>	<b>374 591</b>	<b>6 924 225</b>	<b>(649 742)</b>	<b>8 014 364</b>	<b>-</b>	<b>14 663 438</b>
Profit for the period	-	-	-	3 012 316	-	3 012 316
Foreign currency translation differences	-	-	(767 545)	-	-	(767 545)
Issue costs	-	(3 160)	-	-	-	(3 160)
Share option charge	-	-	-	667 074	-	667 074
Treasury shares	-	-	-	-	(177 276)	(177 276)
Dividends paid	-	(1 404 855)	-	-	-	(1 404 855)
<b>Balance at 31 March 2009</b>	<b>374 591</b>	<b>5 516 210</b>	<b>(1 417 287)</b>	<b>11 693 754</b>	<b>(177 276)</b>	<b>15 989 992</b>
<b>Balance at 1 April 2009</b>	<b>374 591</b>	<b>5 516 210</b>	<b>(1 417 287)</b>	<b>11 693 754</b>	<b>(177 276)</b>	<b>15 989 992</b>
Profit for the period	-	-	-	3 732 039	-	3 732 039
Foreign currency translation differences	-	-	3 188 018	-	-	3 188 018
Share option charge	-	-	-	494 292	-	494 292
Dividends paid	-	(2 794 435)	-	-	-	(2 794 435)
<b>Balance at 30 September 2009</b>	<b>374 591</b>	<b>2 721 775</b>	<b>1 770 731</b>	<b>15 920 085</b>	<b>(177 276)</b>	<b>20 609 906</b>

**MDM ENGINEERING GROUP LTD  
CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009**

	Notes	Unaudited six months ended 30 September 2009 US\$	Unaudited six months ended 30 September 2008 US\$	Year ended 31 March 2009 US\$
<b>Cash flows from operating activities</b>		(924 738)	3 229 012	5 786 240
Cash generated by operations	14	(924 738)	3 229 012	5 786 240
<b>Cash flows from investing activities</b>		(131 916)	675 746	1 132 080
(Acquisition)/Disposal of property, plant and equipment		(87 523)	323 034	275 308
Net interest (paid)/received		(44 393)	352 712	856 772
<b>Cash flows from financing activities</b>		(2 792 950)	5 022 445	3 419 243
Net proceeds received on shares issued		-	8 577 769	9 769 366
Costs directly related to issue of shares		-	(1 455 809)	(2 650 566)
Purchase of treasury shares		-	-	(177 276)
Dividends paid		(2 794 435)	(1 498 364)	(2 903 219)
Long term loans raised/(repaid)		1 485	(601 151)	(619 062)
Net (decrease)/increase in cash and cash equivalents		(3 849 604)	8 927 203	10 337 563
Foreign exchange differences		3 253 521	(314 568)	(1 517 188)
Cash and cash equivalents at the start of the period/year		13 967 314	5 146 939	5 146 939
<b>Cash and cash equivalents at end of the period/year</b>		13 371 231	13 759 574	13 967 314

## **NOTES TO THE INTERIM RESULTS**

### **1. General information**

MDM Engineering Group Ltd (“the Company”) is a company incorporated in the British Virgin Islands. The Company and its subsidiaries (“the Group”) are involved in minerals process engineering and project management. The principal operations are currently based in South Africa. Services include preliminary and final (bankable and definitive) feasibility studies, through to plant design, construction and commissioning.

The individual financial statements of the Group companies are presented in the currencies of the primary economic environment in which they operate. For the purpose of the consolidated financial statements, the results and financial position of the Group are presented in US dollars.

### **2. Accounting policies**

#### ***Basis of preparation***

These condensed consolidated interim results have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not constitute the Group's financial statements and have not been reviewed or audited by the Company's auditors.

These interim results should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2009 which were prepared under International Financial Reporting Standards, as adopted by the European Union, and have been reported on by the Company's auditors. The auditors' report was unqualified.

The interim results were approved by a duly appointed and authorised committee of the Board of Directors on 30<sup>th</sup> November 2009.

The Group has adopted IAS 1 (Revised) – Presentation of Financial Statements and IFRS 8 – Operating Segments, for the first time in these Interim results.

#### ***Critical accounting estimates and judgements***

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### ***Accounting for long term contracts***

The Group makes estimates and assumptions concerning the future, particularly as regards long term contract profit taking, provision, arbitrations and claims. The resulting accounting estimates can, by definition, only approximate the actual results. Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **Share-based payments**

The Group issues equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value and the vesting period uses management assumptions in their calculation.

While management believes the assumptions used are appropriate, a change in the assumptions used would impact the results of the Group.

### **Consolidation policy**

The consolidated financial statements combine the financial statements of the individual entities comprising the Group.

The effects of all transactions between entities in the Group have been eliminated in full and the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefit from their activities. Subsidiaries are fully consolidated from the date on which control is transferred until the date that the control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

A joint venture is an entity over which the Group has joint control. Joint control is the contractually agreed sharing of control over an entity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The joint venture is proportionally consolidated from the date on which control is transferred, until date that the control is ceased. The group's share of the assets, liabilities, income and expenses of the joint venture are included on a line by line basis with similar items in the financial statements.

### **Revenue recognition**

Revenue for services rendered is recognised as services are rendered. Revenue is not recognised when it cannot be measured reliably or where there are significant uncertainties regarding the recovery of the consideration due, associated costs or continuing management involvement with the services rendered.

Revenue on contracts is recognised as revenue by reference to the stage of completion of contracts at balance sheet date. The stage of completion is based on the actual work performed on the contract at the balance sheet date.

### **Leases**

A distinction is made between finance leases which transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased asset and operating leases under which the lessor retains substantially all the risks and rewards. Where an asset is acquired by means of a finance lease, the fair value of the leased property or the present value of minimum lease payments, if lower, is established as an asset at the beginning of the lease term.

A corresponding liability is also established and each lease payment is apportioned between the finance charge and the reduction of the outstanding liability. Operating lease rental expense is recognised as an expense on a straight line basis over the lease term, or on a systematic basis more representative of the time pattern of the user's benefit.

### ***Taxation***

The charge for current tax is based on the results for the year as adjusted for items which are non-deductible or disallowed. It is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from Goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction, which affects neither tax nor accounting profit.

Deferred tax is calculated at the rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recorded within equity, or where they arise from the initial accounting for a business combination.

In a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

The carrying amount of the deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

### ***Impairment of assets***

The group assesses at each balance sheet date whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value.

Impairment losses are immediately recognised as an expense in the income statement. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried as a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### ***Translation of foreign currency transactions***

Transactions in foreign currencies on initial recognition in the functional currency are recorded by applying to the

foreign currency amount the spot exchange rate at the date of the transaction.

At each balance sheet date:

- (a) foreign currency monetary items are reported using the closing rate
- (b) non-monetary items which are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially translated during the period are recognised in the income statement in the period in which they arise.

#### ***Translation of the financial statements of foreign operations***

The following procedures are used in translating the results and financial position of the entity from its functional currency to the presentation currency:

- (a) assets and liabilities at the closing rate at the balance sheet date;
- (b) income and expense items at exchange rates at the dates of the transactions and
- (c) all resulting exchange differences recognised as a separate component of equity.

Exchange differences arising on a monetary item that forms part of the net investment in a foreign operation are recognised initially in a separate component of equity and recognised in profit or loss on disposal of the net investment.

#### ***Trade and other receivables***

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairments. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### ***Property, plant and equipment***

These assets are stated at cost and are depreciated on the straight-line basis at annual rates considered appropriate to reduce book values to estimated residual values over the remaining useful lives as follows:

Buildings	-	5%
Computer equipment	-	33.33%
Furniture and fittings	-	16.67%
Leasehold improvements	-	50%
Motor vehicles	-	20%
Office equipment	-	20%
Plant and equipment	-	20%

Residual values and useful economic lives are reassessed on an annual basis.

***Intangible assets***

Intangible assets are stated at cost less accumulated amortisation and any possible impairment losses. The intangible asset is amortised over 10 years on the straight line method and charged to the income statement.

***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments that are convertible to a known amount of cash.

***Trade and other payables***

Trade accounts, notes payable, other payables and accrued liabilities represented the principal amounts outstanding at balance sheet date plus, where applicable, any accrued interest.

***Short-term employee benefits***

Short term employee benefits are employee benefits (other than termination benefits and equity compensation benefits) which fall due wholly within 12 months after the end of the period in which employee services are rendered. They comprise wages, salaries, social security obligations, short-term compensation absences, profit sharing and bonuses payable within 12 months and non-mandatory benefits such as medical care, housing, car, and service goods.

The undiscounted amount of short-term employee benefits expected to be paid is recognised as an expense.

***Share-based payment arrangements***

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

The Black and Scholes model is used in the determination of the fair value at the date of measurement for equity-settled share-based transactions.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted.

***Segmental analysis***

The Group has only one business segment and this is the supply of engineering services. Geographically more than 95% of the work has been performed in South Africa therefore no segmental analysis is provided.

***Provisions***

Provisions are recognised in the balance sheet when there is a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

	Unaudited six months ended 30 September 2009	Unaudited six months ended 30 September 2008	Year ended 31 March 2009
	US\$	US\$	US\$
<b>3 Cash and cash equivalents</b>			
Bank balances	578 615	331 717	3 921 851
Short term deposits	12 784 353	13 422 587	10 038 252
Cash on hand	8 263	5 270	7 211
	<u>13 371 231</u>	<u>13 759 574</u>	<u>13 967 314</u>
Restricted cash	<u>4 243 736</u>	<u>3 868 568</u>	<u>4 594 175</u>
Included in the cash and cash equivalents are restricted amounts which are placed as performance guarantees with financial institutions against the Group's current execution projects.			
Cash and cash equivalents are held in the following currencies:			
AUS Dollars (AUS \$: US\$ = 1.1338)	305 705	13 999	45 576
Euro's (Euro: US\$ = 0.6835)	1 125 621	5 882 652	3 808 375
British pounds (GBP: US\$ = 0.6248)	48 696	162 834	-
South African Rand (ZAR: US\$ = 7.4083)	11 354 944	5 562 082	8 891 233
US Dollars	536 265	2 138 007	1 222 130
	<u>13 371 231</u>	<u>13 759 574</u>	<u>13 967 314</u>

#### 4 Share capital

##### **Authorised**

200 000 000 ordinary shares of US 0.01 cents each	2 000 000	2 000 000	2 000 000
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##### **Issued**

37 459 107 ordinary shares of US 0.01 issued and fully paid	374 591	374 591	374 591
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Reconciliation of the number of shares outstanding:

Opening balance	37 459 107	34 009 107	34 009 107
Shares issued	-	3 450 000	3 450 000
Closing balance	<u>37 459 107</u>	<u>37 459 107</u>	<u>37 459 107</u>

#### 5 Share premium

Opening balance	5 516 210	1 335 130	1 335 130
Proceeds on shares issued	-	8 543 268	9 734 865
Expenses on shares issued	-	(1 455 809)	(2 650 566)
Dividends paid	(2 794 435)	(1 498 364)	(2 903 219)
Closing balance	<u>2 721 775</u>	<u>6 924 225</u>	<u>5 516 210</u>

The share premium represents the amount above the par value less any costs associated with the shares issued and any dividends paid.

Under the BVI Business Companies Act 2004 ("the Act") and the memorandum and articles of association of the Company, the share premium can, subject to the solvency requirements of the Act, be used for distribution purposes. The Group has chosen to apply the share premium to dividend payments made in the year.

	Unaudited six months ended 30 September 2009	Unaudited six months ended 30 September 2008	Year ended 31 March 2009
	US\$	US\$	US\$
<b>6 Treasury shares</b>			
Opening balance	177 276	-	-
Additions	-	-	177 276
Closing balance	<u>177 276</u>	<u>-</u>	<u>177 276</u>

At the annual general meeting held on 4<sup>th</sup> November 2008 the Group was authorised to purchase its own shares. In March 2009 the Group bought back a total of 200 000 shares at a price of 62 pence per share. These shares are currently held as treasury shares.

**7 Foreign currency translation reserve**

Opening balance	(1 417 287)	(335 174)	(335 174)
Translation profit /(loss) for the period/year	<u>3 188 018</u>	<u>(314 568)</u>	<u>(1 082 113)</u>
Closing balance	<u>1 770 731</u>	<u>(649 742)</u>	<u>(1 417 287)</u>

The translation reserve comprises all foreign exchange differences arising on the translation of the financial statements of foreign operations that do not have a US\$ functional currency.

**8 Interest bearing liabilities**

**Instalment sales:**

	24 300	20 007	31 280
Amount owing	57 253	36 853	55 768
Less: amount payable within 1 year included in current liabilities	<u>(32 953)</u>	<u>(16 846)</u>	<u>(24 488)</u>
	<u>24 300</u>	<u>20 007</u>	<u>31 280</u>

The instalment sales bear interest at South African prime bank overdraft rate, plus a margin. These rates currently range from 10.5% to 12.275% depending on the structure of the agreement.

The loans are secured by motor vehicles with a book value of US\$89 225. The loans are repayable in monthly instalments of US\$3 241, inclusive of interest.

Due in less than 1 year	32 953	16 846	24 488
Due later than one year but not later than 5 years	<u>24 300</u>	<u>20 007</u>	<u>31 280</u>
<b>Total interest bearing liabilities</b>	<u>57 253</u>	<u>36 853</u>	<u>55 768</u>

	Unaudited six months ended 30 September 2009	Unaudited six months ended 30 September 2008	Year ended 31 March 2009
	US\$	US\$	US\$
<b>9 Net financing income</b>			
Interest income	363 752	378 517	894 834
<b>10 Net financing expense</b>			
Interest expense	408 145	25 805	38 062
<b>11 Profit before taxation</b>			
Profit before taxation is stated after charging:			
Amortisation	3 078	3 213	5 638
Consulting fees	24 710	18 620	38 376
Depreciation	101 893	54 107	125 862
Operating lease expenses	153 294	125 180	221 594
Total employee costs	1 541 634	1 355 442	3 024 067
Share based payments	494 292	-	667 074
Exchange rate differences	7 193	676 247	923 713
And after crediting:			
Exchange rate differences	(619 868)	(2 014)	-
<b>12 Taxation</b>			
South African normal:			
- current	1 660 104	2 120 228	4 463 806
- deferred	(340 848)	(133 938)	(722 767)
	1 319 256	1 986 290	3 741 039
<b>13 Basic and diluted earnings per share</b>			
Basic earnings per share is based on the Group's net profit for the year/period attributable to equity shareholders divided by the weighted average number of ordinary shares in issue during the year/period.			
Net profit attributable to equity holders	3 732 039	4 827 206	7 839 522
Basic earnings	3 732 039	4 827 206	7 839 522
Basic weighted number of ordinary shares	37 459 107	36 671 607	37 062 121
Diluted weighted number of ordinary shares	41 086 955	40 087 607	40 578 985
Basic earnings per share (US cents)	9.96	13.16	21.15
Diluted earnings per share (US cents)	9.08	12.04	19.32
Reconciliation of basic weighted average number of ordinary shares to diluted weighted average number of ordinary shares:			
Basic weighted average number of ordinary shares	37 459 107	36 671 607	37 062 121
Dilutive effect of weighted average share options	3 627 848	3 416 000	3 516 864
Diluted weighted average number of ordinary shares	41 086 955	40 087 607	40 578 985

	Unaudited six months ended 30 September 2009 US\$	Unaudited six months ended 30 September 2008 US\$	Year ended 31 March 2009 US\$
<b>14 Note to the cash flow statement</b>			
Cash generated by operations:			
Profit before taxation	5 051 295	6 813 496	11 580 561
Depreciation and amortisation	104 971	57 320	131 500
Provisions	934 341	-	829 966
Share based payments	494 292	-	667 074
Net interest paid/(received)	44 393	(352 712)	(856 772)
Taxation paid	-	(1 556 558)	(4 402 240)
	<u>6 629 292</u>	<u>4 961 546</u>	<u>7 950 089</u>
Working capital changes	(7 554 030)	(1 732 534)	(2 163 849)
Trade and other receivables	(7 146 663)	(3 651 682)	(4 618 396)
Trade and other payables	(407 367)	1 919 148	2 454 547
<b>Cash generated by operations</b>	<u>(924 738)</u>	<u>3 229 012</u>	<u>5 786 240</u>

**15 Exchange rates**

The exchange rates used in converting the financial information of subsidiaries from the functional currency of ZAR to the presentation currency are as follows:

Period/year end rate	7.4083	8.1345	9.6266
Period/year average rate	8.1217	7.7804	8.8684