esor limited

ANNUAL REPORT
2008

annual financial statements – 29 february 2008

Contents

corporate information

Company registration number 1994/000732/06

Directors

Executive Directors
M L Barber
A M Field*
B Krone (Chief Executive Officer)
M L Trevisani** (Financial Director)
R McLintock
W van Houten
**British **Italian*

Non-executive Directors
D M Thompson
E Dube
J M Hlongwane
F A Sonn (Alternate: J C van Reenen)

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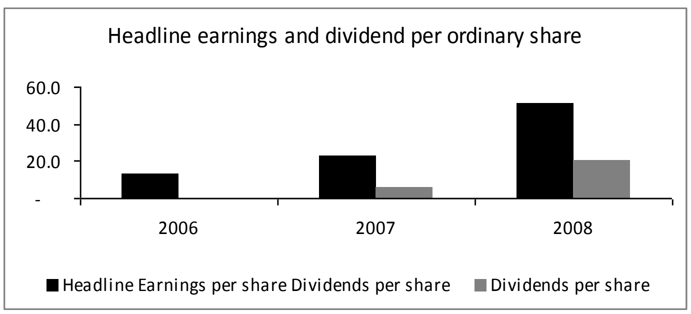
company profile

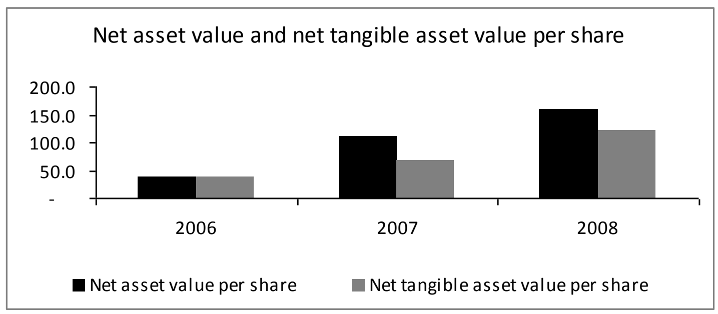
Esor Limited is the largest specialist geotechnical and civil engineering contractor in South Africa and the only one-stop geotechnical shop.

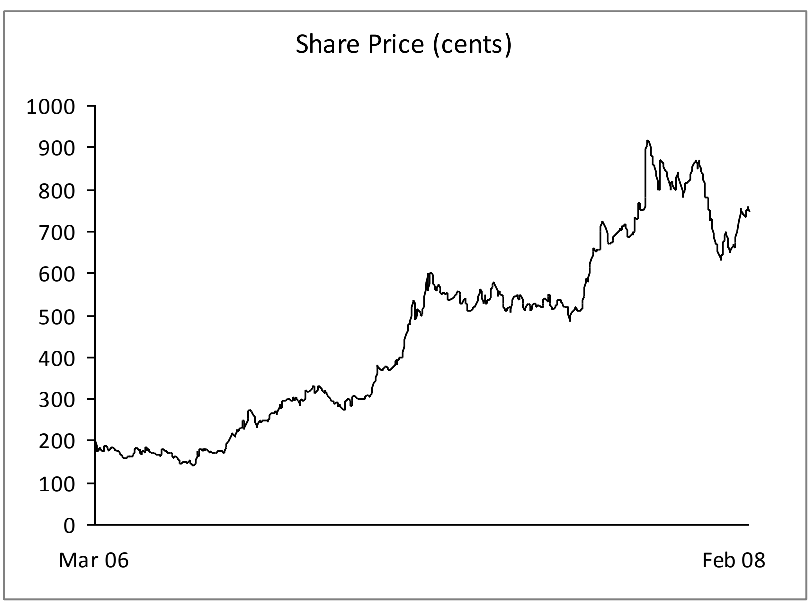
Backed by over 30 years of experience Esor provides the mining, civil engineering and construction industries with pipe-jacking, piling, soil improvements and lateral support services that construct the sub-surface foundation for all major non-residential buildings, mines and infrastructure and marine construction projects. The group also offers field investigation, design and testing capabilities.

financial highlights

	2008	2007	% Change
Revenue (R millions)	**1 017**	**291**	**249 %**
EBITDA (R millions)	**183**	**53**	**243 %**
Headline earnings (R millions)	**115**	**34**	**240 %**
Headline earnings per share (cents)	**51.3**	**22.5**	**128 %**
Dividends declared per ordinary share (cents)	**20**	**6**	**233 %**
Market capitalisation at 29 february (R millions)	**1 847**	**1 217**	**52 %**
Closing share price at 29 february (cents)	**745**	**500**	**49 %**







ceo report

Introduction

In my 32 years in the construction industry, I have not seen as tremendous a surge in growth as in 2007. I can make the unqualified statement that 2007 was the best year the South African construction industry has seen to date, and certainly the best for Esor. I am equally bullish about the upcoming year which should be almost as good if not even better, with Esor firmly aligned to infrastructure spend including Government's approximately R590 billion public investment programme to roll-out over the next five years.

Esor doubled organic growth across all disciplines and in all regions of operation. In addition the results reflect the inclusion for the full twelve months of Franki Africa (Pty) Limited ("Franki"), acquired in November 2006, which performed equally well to boost top and bottom line growth. In addition we are benefiting from the synergies between the two groups in areas such as plant, marketing, resources and human resources.

Financial Results

For the year to February 2008 the group posted R1 billion revenue, up three-fold on R291 million for 2007, generating EBITDA of R183 million that grew 243% on the previous year's R53 million. Headline earnings rose 240% to R115 million, translating to 51,3 cents per share (HEPS). Net asset value per share increased by 46% from 109,8 cents to 160,3 cents and net tangible asset value per share rose by 83% from 66,5 cents to 121,4 cents, based on the number of shares in issue at year-end.

Operations

Gautrain has been a major driver of Esor's growth – of the R420 million worth of projects secured, R170 million worth of work was completed during the year. Esor also completed piling projects for Airports Company South Africa (ACSA) at the new King Shaka and Cape Town International Airports and contracts for piling, pedestrian culvert jacking and lateral support at OR Tambo International Airport. All existing projects on the stadia for the 2010 World Cup have also been completed – specifically at Athlone Stadium in Cape Town, Moses Mabhida Stadium in Durban and Port Elizabeth Stadium.

Further afield we entrenched our presence in Africa, a growth market, building on Franki's existing foothold in oil-rich Angola. We completed a number of projects for piling, lateral support and marine works in the region this year. Franki's established bases in Sub-Saharan Africa are proving a successful platform for expansion across the continent.

We continue to implement stringent cost control, which paid off during the year in operating margins that remained consistent year-on-year despite the negative impact in the final quarter of unusually high rainfall around December's 'builders holidays'.

Capex and Plant Replacement

During the year we significantly ramped up investment in capital equipment investing R147,5 million, compared to R41,3 million in the previous year. This aggressive investment in plant helped keep margins on a par with 2007.

BEE

We remain strongly committed to BEE and are constantly striving to increase black ownership of the group. Esor has recently been rated as a "Level 6" contributor in terms of the Department of Trade and Industry's BBBEE Codes of Good Practice. 74% of our workforce is black, and emphasis is placed on training suitable candidates to accelerate promotion to management level. In addition, three non-executive directors on the company's board are black. Through the Esor Broad Based Share Ownership Scheme, implemented in 2006, all permanent staff below executive management level hold an aggregate 7,56 % stake in the company.

People

We are well positioned to cope with the skills shortage facing the industry. We strive to be the employer of choice in the industry and we believe we are succeeding. We have excellent staff retention which is reflected in the net gain of employees for the year. We have a young semi-skilled and skilled staff pool, which deepened when Franki joined the group, and is being continually upskilled to advance to management level positions through in-house training facilities and external suppliers. Identifying suitable candidates for succession planning took place some time back, with the group already benefiting from the newly skilled senior employees coming up through the ranks to middle management. We employ a philosophy of empowerment, assigning responsibility and engendering a sense of ownership of the business, which we believe is a major contributing factor to the strength and depth of our skills pool.

Prospects

The board is extremely upbeat about the outlook for 2008. 60% of Esor's order book for the year to February 2009 is already in hand and we have identified and targeted projects that will contribute the balance.

Gautrain is going to lead to explosive development around the urban nodes where the stations are located, dramatically changing the landscape and opening significant opportunity for growth beyond 2010 when construction of the initial system will be complete. We will see new developments including high-rise office towers, hotel developments, residential apartment blocks and various retail and commercial building projects.

Africa offers attractive growth prospects and we intend to continue developing Franki's bases in sub-Saharan Africa, where rampant development is providing an exciting avenue of growth.

While a current weakening economy may lead to consolidation in the industry, we are optimistic that this will be positive in the long term. Should factors such as rising interest rates and inflation as well as electricity restrictions bring about a 'cool-down period' in the local construction sector, companies will slow their intake of new work and ensure that they are trading within the bounds of their capacity. This will also alleviate the threat of international competition. In addition government and private sector work will be awarded at a slower pace, which bodes well for sustainable growth in the sector rather than a spurt. The fact that Esor, through Franki, have a well established footprint in several buoyant African economies, such as Angola, will also act as an economic edge against a local slow down.

ceo report *(continued)*

Further as the group is cash positive and major capex spend has already been incurred, the impact on Esor of rising interest rates will be mitigated to a large extent. In addition the impact on Esor of exchange rate fluctuations is mitigated by forward cover on contracts.

While we are cognisant of the impact of economic factors such as rising fuel costs and the costs of raw materials such as steel - now at an all-time high - as a major participant in Government's infrastructure spend, Eskom's commitment to energy development and private sector investment, Esor is well–positioned to withstand the current economic downturn.

With Franki having bedded down in the group successfully, we will consider further acquisitions that could present similar benefits for the group in complementary fields, or which could assist Esor in diversifying.

Appreciation

I would like to thank my fellow directors, management teams and employees for their hard work and dedication in helping us achieve continued outstanding results. I would also like to thank our advisors, service providers and stakeholders for their invaluable support.

Bernard Krone
Chief Executive Officer
Director

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19 May 2008

A commitment to sound corporate governance principles is entrenched in Esor's strategic and operational policy and procedures. The directors of Esor ensure the ongoing improvement of operational and corporate practices in order to continually enhance compliance with the Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance for South Africa 2002 ("King II Report").

The Board

At year-end the groups board consisted of ten directors and one alternate director, and was chaired by non-executive David Thompson. The ten directors comprise six executive directors and four non-executive directors.

The board meets quarterly with ad-hoc special meetings convened as necessary. Details of directors' attendance at board and committee meetings are set out in the Directors' Report.

In line with the King II Report Esor is in the process of compiling a formal Board Charter which will set out the board's composition, processes, duties and responsibilities. Implementation will be finalised during the current year.

The responsibilities of the Chairman and CEO and the remaining executive and non-executive directors are strictly separated to ensure that no director can exercise unfettered powers of decision-making. The Chairman provides leadership to the board and oversees its efficient operation while the CEO is responsible for proposing, updating, implementing and maintaining the strategic direction of Esor as well as ensuring that the day-to-day affairs of the group are appropriately supervised and controlled. Executive directors assist the CEO and are responsible for implementing strategy and operational decisions in respect of the group's day-to-day operations. The non-executive directors are high merit individuals who contribute a wide range of skills, knowledge and experience to the board's decision-making process and are not involved in the daily operations of the company.

Directors' responsibilities include retaining full and effective control of the company, monitoring key risk areas and performance indicators of the group's business, setting the group's strategic direction and approving financial and non-financial objectives. To assist the board in discharging its collective responsibility of corporate governance, an Audit Committee has been established to which certain board responsibilities have been delegated.

The board further undertakes to ensure ethical behaviour, compliance with the law and practice of good corporate governance. The responsibility of assessing management's performance, appointing the CEO and monitoring the systems of internal control are also assumed by the board, the latter with the assistance of the Audit Committee.

Executive directors have specified service contracts for a limited duration, subject to renewal. In accordance with the articles of association, one third of directors of the company retire by rotation at every annual general meeting of the company and their re-appointment is subject to shareholders' approval. In addition, all new directors are subject to confirmation by shareholders at the first annual general meeting after their initial appointment.

All directors have unrestricted access to the advice and services of the company secretary and to company records, information, documents and property. Non-executive directors also have unfettered access to management at any time. All directors are entitled, at the company's expense, to seek independent professional advice on any matters pertaining to the group necessary to discharge their responsibilities.

Board Processes

Share Dealings

Directors are required to disclose their shareholdings, additional directorships and potential conflicts of interest as well as any share dealings to the company secretary for forwarding and approval by the CEO. The non-executive directors are required to authorise the Chairman's share dealings prior to implementation. The company secretary, together with the designated advisor, ensures that share dealings are published on SENS.

In addition, all directors and management with access to financial information and any other price sensitive information are prohibited from dealing in Esor shares during 'closed and price sensitive periods', as defined by the JSE Limited.

Self-evaluation

It is the intent of the board to conduct a self-evaluation exercise reviewing its mix of skills, the contribution of individual directors, the effectiveness of its sub-committees, performance, effectiveness and corporate governance compliance on an annual basis as will be set out in the final Board Charter. It is anticipated that the first self-evaluation exercise will be conducted in the current financial year.

Succession Planning

The company has succession planning in place with successors identified for all management positions from senior management to site managers, and career paths mapped out. Where experience is insufficient for the assumption of a management role, steps are taken to formally and informally train the nominated successor.

New Appointments

The board as a whole is responsible for new appointments, including the appointment of the CEO, and the process is conducted in a formal and transparent manner. The board is also responsible for setting the terms of the CEO's employment.

The company secretary meets with new appointees to present an overview of the group's financials and operations and information on directors' fiduciary duties and responsibilities. Site visits are arranged for new appointees. In addition all new appointees are required to attend the four-day Alt^X Directors Induction Programme run through the Wits Business School and endorsed by the Institute of Directors. The programme covers pertinent aspects of company law, stock exchange regulations, the roles, responsibilities and liabilities of directors, basic techniques of financial analysis and the importance of investor and media relations**.** All of Esor's executive directors have completed the Alt^X Directors Induction Programme

Company Secretary

The company secretary keeps records of attendance registers, minutes, directors' interests in contracts and all notices. He is also responsible for all statutory returns and lodgements and induction programmes. He also acts as advisor to the board and notifies the directors of any relevant regulatory changes and new developments in corporate governance. Whenever deemed necessary he also reviews the rules and procedures applicable to the conduct of the affairs of the board. Where appropriate, the company secretary will involve the designated advisor and other experts in this regard to ensure that the directors have adequate information to efficiently discharge their responsibilities.

Regulatory and Legislative Compliance

The directors are responsible for ensuring the group complies with all applicable regulations and legislation. New legislation is discussed at board meetings and methods of implementation are instituted. The board is assisted in this by the company secretary.

Board Committees

In line with King II Report recommendations the chairpersons of all board committees attend general meetings of the company to answer questions from shareholders pertaining to matters handled by their respective committees.

Formal charters in respect of the Audit Committee and Remuneration Committee are in place.

Audit Committee

A formal Audit Committee meets at least three times a year. The committee is chaired by non-executive director JC van Reenen and further comprises non-executive Chairman DM Thompson and non-executive director E Dube. Other non-executive directors, the CEO, Financial Director and representatives of external auditors attend meetings at the invitation of the committee.

The Audit Committee assists the board in fulfilling its review and control responsibilities. It has no executive powers within the company and only advises and makes recommendations to the board on the matters below, as set out in the Audit Committee Charter:

- promoting the overall effectiveness of corporate governance in accordance with the King II Report;
- reviewing the:
  - integrity of the company's financial reporting process;
  - interim and annual financial statements;
  - internal audit process;
  - systems of internal control; and
  - external audit process;
- nominating the external auditor and ensuring its independence;
- identifying and managing business and financial risks and sustainable development issues; and
- monitoring the company's compliance with disclosure requirements, relevant laws and regulations and its own code of conduct.

The Audit Committee also sets the principles for recommending to the board the use of the external auditors for non-audit purposes which includes tax services, corporate restructuring and merger and acquisition advice

The external auditors have unrestricted access to the Audit Committee and its chairman at all times.

Details of directors' attendance at Audit Committee meetings are set out in the Directors' Report.

Remuneration Committee

A formal charter governing the Remuneration Committee's composition, responsibilities and strategy is in the draft process. The committee comprises non-executive Chairman DM Thompson, who chairs the committee, and non-executive director JM Hlongwane. It is tasked with making recommendations to the board on directors' remuneration packages and group remuneration policies.

Specifically the responsibilities of the Remuneration Committee include:

- annual review of remuneration policies for staff, senior executives and directors;
- review of different methods of remunerating senior executives and directors;
- review of current industry practices;
- review of retirement and termination payments; and
- approval of the allocation of share options in terms of the Esor Broad Based Share Ownership Scheme.

Details of directors' attendance at Remuneration Committee meetings are set out in the Directors' Report.

Remuneration Philosophy

All executive directors are remunerated in terms of salary package in line with a "musketeer philosophy" that has existed at Esor for many years. Increases are benchmarked against market related surveys, primarily that of Deloitte's. Executives are also incentivised for performance against a modified EVA model. Overall, Esor aspires to be the preferred employer on the basis of remuneration packages.

BEE Committee

During the year Esor established a management committee tasked with formulating BEE policies and strategies. These include policies regarding preferential procurement, training schemes, mentorship and enterprise development.

Accounting and Auditing

External Audit

The external auditors are responsible for reporting on whether the annual financial statements are fairly presented in compliance with International Financial Reporting Standards. The preparation of the annual financial statements remains the responsibility of the directors.

The board, assisted by the Audit Committee, evaluates the independence and effectiveness of the external auditors and considers whether any non-audit services rendered by such auditors substantively impair their independence. If this is found to be the case, appropriate corrective action will be taken in regard to those services.

Internal Audit

The internal audit function, which was established during the year, assists the board in assessing the group's risk management and governance processes, and is governed by an Internal Audit Charter which is updated annually. The internal audit function reports to the board via the Audit Committee regarding activities and outcomes.

Internal Control and Risk Management

Internal Control

The board is responsible for the group's systems of internal control and risk management and is assisted in this regard by the Audit Committee. These systems of internal control are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the annual financial statements, to safeguard and maintain accountability of the group's assets and to identify and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable statutory laws and regulations.

There are inherent limitations to the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. The system is therefore designed to manage rather than eliminate risk of failure and opportunity risk. Nothing has come to the attention of the board to indicate that there has been a material breakdown in the internal systems of control during the year.

Risk Management

Risk management is central to Esor's operational strategy. The Audit Committee ensures that management adheres to a formal responsibility framework in this area.

Esor considers its people to be key contributors to risk mitigation and ensures that competent and adequate resources are employed as part of the group's strategy to reduce risk exposure. New employees are fully informed on induction of the responsibility framework in order to ensure continuity of risk control.

Set out below are the key business and operational risks facing the group:

Risk	Risk mitigation
Systems and procedures	• Documenting/creating uniform systems, procedures and policy manuals
Over-trading	• Continuous monitoring of resources, scheduling and capacity constraints
Market risk	• Spread of product and activity - no single dependency on one product or economy
Operational risk	• Documented operational company e.g. ISO9001, quality assurance certification, etc.
Reputational risk	• Quality standards/supervision/comprehensive insurance

Stakeholder Communication

The group is committed to timely, consistent and transparent communication with all stakeholders and encourages an open culture. Communication with employees takes place at regular site meetings where matters affecting the employees are discussed with management and feedback from management is subsequently communicated to employees.

Company announcements are released on SENS and posted on the company's website. Financial results announcements are also posted to shareholders who are encouraged to attend the annual general meeting to encourage valuable interaction with directors. The Chairman and CEO are available to answer queries from stakeholders, including industry analysts, at all times and wherever possible engage with the financial media to ensure accurate reporting.

Industry Associations

The group both through its operational entities and its individual management employees are active members of:
South African Federation Civil Engineering Contractors (SAFCEC)
Regional Master Builders Associations (MBA's)
South African Institution of Civil Engineers (SAICE)

Code of Ethics ("the Code")

Esor has a formal Code of Ethics in place committing all employees to the highest standards of business conduct. Compliance with the Code is a serious objective, and non-compliance is dealt with timeously and if necessary, by disciplinary action.

The directors acknowledge the importance of prioritising social and environmental practices alongside financial reporting.

BEE

Esor is a black-empowered group and has been rated as a 'Level 6' contributor in terms of the Department of Trade & Industry's BBBEE Codes of Good Practice. 74% of its workforce is black, and emphasis is placed on training suitable candidates to accelerate promotion to management level. In addition, three non-executive directors on the company's board are black.

The Construction Charter is currently awaiting approval from the Minister of Public Works. Executive director RP McLintock, holds the position of Vice President of the South African Federation of Civil Engineering Contractors which has been instrumental in formulating the charter.

Preferential Procurement

Management has allocated significant discretionary procurement spend to preferred suppliers with acceptable BEE ratings.

Employment Equity

Esor is committed to being an equal opportunity employer and to this end aims to overcome and eliminate any perceived and/or existing discriminatory obstacles and practices impeding equal employment opportunities. Esor is therefore committed to equal employment, training and reimbursement opportunities for all race groups and genders, and places particular emphasis on the advancement of black employees.

When recruiting new employees, Esor strives to give precedence to appropriately qualified black candidates. With regard to promotion, Esor has a policy of prioritising existing employees. Where no suitable internal candidates can be identified, the position is sourced externally and preference is given, subject to the operational requirements of the position, to those races in accordance with the Employment Equity Forum.

Employment equity targets are communicated to staff through the following channels:

- Employment Equity Fora – national and divisional;
- Regular feedback communicated through Employment Equity Committees;
- Union meetings;
- Toolbox meetings; and
- Employee newsletters.

Esor's employment equity statistics are set out below:

Category/Level	Black employees	Target
	2007/8	2008/9
Top management	0%	0%
Senior management	13%	13%
Professionally qualified	14%	23%
Skilled	57%	57%
Semi-skilled	90%	90%
Unskilled	96%	96%
Disabled	0%	0%

Skills Development and Training

The group is committed to ongoing training and development to enhance the skills base and facilitate advancement of employees, particularly black employees. 89% of Franki employees who benefited from training during the year were black, with 98% of Esor employees undergoing training being black.

Formal operational training provided to staff included:

- Foreman course (internal and external through training provider CEITS)
- Site clerks (internal)
- Pilemakers (internal)
- Contract law (external)
- Junior mechanic - first phase (external)
- Specialised operator training (external)
- Driver Code 14 (external)
- Apprenticeships (external through MERSETA)

In addition employees benefited from internal technical skills development through classroom, personal mentoring and "on-the-job" training as well as through learnerships and apprenticeships.

Esor recognises the importance of supporting succession planning with training and offers the following to facilitate this:

- Personal mentor/coaching programme for middle managers;
- Formal external training such as MBA;
- Learnerships through MERSETA to develop apprentices; and
- Upliftment programmes for Junior Foreman.

In addition Esor offers sponsorship for civil engineering students and a study scheme is in place for existing employees. The group also has a School Bursary Scheme for children of existing employees. 39% of the beneficiaries of these schemes during the year were black.

Safety, Health and Environment

Esor places a strong emphasis on health and safety in the work environment and ensures full compliance with the South African Occupational Health and Safety Act. The group has appointed a Company Health and Safety Co-ordinator, who oversees health and safety risks. This position is supported by Divisional/Site Safety Officers and Site Safety representatives. A detailed risk assessment is undertaken for each product type and specific tasks. These are then rated according to a matrix and mitigated accordingly. Site staff are trained and each site has a health and safety plan including a method statement and risk assessment.

The following measures are in place to prevent casualties and injuries:

- Central Safety Committee;
- Divisional Safety Committee;
- Toolbox talks;
- Safety alerts;
- Health and Safety investigations; and
- Corrective disciplinary action in the event of proven negligence.

Extensive health and safety training took place during 2007/8 across the entire range of safety requirements.

HIV/AIDS

As a responsible corporate citizen Esor is concerned about the HIV/AIDS pandemic threatening South Africa and is committed to minimising the implications of the disease through proactive HIV/AIDS workplace programmes. Esor has a formal HIV/AIDS policy in place and intends to communicate this to staff in the current year.

The key objectives of the policy are to:

- create a safe and healthy work environment for all employees;
- provide appropriate education and awareness to employees regarding HIV/AIDS;
- foster a responsible behavioural attitude amongst all employees regarding dealing with HIV/AIDS and preventing infection; and
- provide confidential counselling and in any other reasonable ways assist employees who have contracted HIV/AIDS.

The methods to be employed by the company to achieve these objectives include education and awareness programmes to address questions in respect of HIV/AIDS ranging across prevention and infection to treatment, voluntary and confidential pre-employment and during employment testing and support for infected employees.

Esor's HIV/AIDS awareness programmes will be co-ordinated by external supplier HIV/AIDS Managed Care Systems (Pty) Limited (CareWorks) which provide the following:

- Ongoing HIV/AIDS awareness programmes;
- Voluntary testing;
- Counselling; and
- In-house peer counsellors.

Environment

Esor is committed to prioritising environmental concerns on all projects. The group recognises concern for the environment as fundamental to operations and aims to create and maintain a safe and healthy environment in which levels of risk to employees, equipment and environment community are minimised.

Corporate Social Investment ("CSI")

Esor receives numerous requests for assistance from a wide range of organizations and assesses each one on it's merits taking particular cognizance of factors such as whether or not the organization benefits the immediate communities in the areas of the company's operational entities, and the demographics of the organization's benefactors. Support is given to worthy organizations.

An example of this is Esor's annual participation in the "Clean Klipriver Campaign" which allows the company to further its commitment to a clean, healthy environment, donating both equipment and resources. In addition during the year Esor donated equipment for the use of the Soweto Canoe and Recreation Club. The main objective of the club is to give Soweto's residents the opportunity to access and participate in recreational activities such as water sports.

directorate - executive directors

Bernard Krone

(54)

(Chief Executive Officer)

BSc Eng (Civil) Pr. Eng

Bernie Krone was born in Halstead, England and moved to South Africa completing his schooling at St Martins School. He obtained a BSc Civil Engineering at the University of Witwatersrand and thereafter attained Professional Engineer Status. Bernie gained experience in the employ of major geotechnical engineering companies before joining Esor. He is currently CEO and has 26 years of experience covering all aspects of geotechnical engineering.

Mauro Trevisani

(52)

(Financial Director)

BCom, Dip.Acc, CA(SA)

Mauro Trevisani was born in Turin, Italy and moved to South Africa completing his schooling at Durban High School. He qualified as a Chartered Accountant after obtaining his BCom degree and diploma in Accountancy at the University of Natal. Prior to joining Esor in 1986 he completed his Articles with Hills Howard & Co. and subsequently held the position of Audit Manager at McLean & De Beer. He has been financial Director of the Esor group of companies for the past 22 years.

Arthur Field

(56)

NDT (ES) (TN)

Arthur Field was born in Bristol England and moved to South Africa at an early age. He completed his high schooling at Glenwood High School. He obtained a National Diploma for Engineering Surveying and worked for premier civil engineering company Christiani Nielsen before joining Esor. He has gained extensive experience in all aspects of geotechnical engineering in his 27 years service.

Michael Barber

(60)

NDT (CE) (TN)

Mike Barber was born in Durban and after completing his schooling at Northlands obtained a Civil Engineering Technician qualification while working for Roberts Construction in the Orange Free State. He joined international company Cementation to ultimately become the Specialist Civil Engineering Manager before joining Esor. Mike is the current Branch Manager in KZN and has 24 years of service with experience in all disciplines.

Roy McLintock

(54)

BSc Eng (Civil) Natal, PrEng, MSAICE

Roy McLintock qualified with a BSc Civil Engineering from the University of Natal in 1977. He has worked in both the consulting and contracting realms of the industry for the last 31 years. The majority of his contracting experience was gained in the 15 years that he worked with Murray & Roberts prior to joining Franki Africa in 1999. He attained the position of Managing Director of the B&S Group, the Murray and Roberts' KZN civil engineering entity. Roy is currently the CEO of Franki Africa (Pty) Ltd a position he has held for the last 6 years.

Wayne van Houten

(43)

BCom, BAcc, CA(SA)

After obtaining both BCom and BAcc degrees at the University of Witwatersrand, Wayne qualified as a Chartered Accountant in 1990 after serving articles with KPMG. He left the auditing profession shortly thereafter and was involved in the joint venture on the N4 toll road construction prior to joining Franki Africa (Pty) Ltd in early 2005. Wayne is currently the Financial Director of Franki Africa (Pty) Ltd.

directorate – non-executive directors

David Thompson

(71)

(Chairman)

CA(SA)

David qualified as a chartered accountant at the University of the Witwatersrand and is a member of the Association of Accountants and Auditors in the United Kingdom. He has also studied for an Advanced Management Programme at Harvard in the United States of America. David has vast experience in serving on a multitude of boards. During his career at LTA alone he worked his way from company accountant, to director of LTA and Divisional Managing Director / Chairman of the Industrialised Building Division, the Mechanical Electrical Process Engineering Division and the Building Division.

Jonathan Hlongwane

(44)

In 1997, the Minister of Post & Telecommunications, Jay Naidoo, appointed Mlungisi as the Head of Universal Services Agency (USA), a statutory body designed to spearhead the delivery of telecommunication technology and resources to South African communities, particularly those disadvantaged by apartheid. In 2000, Mlungisi joined Wireless Business Solutions, as their Executive Chairperson. In May 2005, Mlungisi was requested by the African National Congress to serve as the Executive Mayor of Sedibeng District Municipality. He therefore relinquished his full-time position in WBS to serve his local community. He is currently studying towards a Bachelor of Business Administration with Newport University. He also serves as a director of Sakhisizwe Holdings (Pty) Ltd, Vukile Properties, Director Signs, Combo Signs, Vula Communications, and Emerald Safari Resorts. Mlungisi is further the current President of the South African National Civics Organisation (SANCO) and has been for the past 5 years.

Johan van Reenen

(53)

B Sc (Hons), MBA

Currently executive director of Imalivest (Pty) Ltd, Johan has a wealth of expertise and experience in investment banking and asset management, both locally and internationally, gained while he was executive director of Genbel Securities Limited from 1996 to 2001, and managing director of Gensec Asset Management from 1998 to 2000. He currently serves as non-executive director to Metropolitan Holdings Limited since 2001 and as chairman of Metropolitan Asset Managers since 2004. He joined the board of Esor Limited in January 2007 as a non-executive director, alternate to F A Sonn.

Ethan Dube

(49)

MSc (Statistics)

Ethan worked at Standard Chartered Merchant Bank for several years in the Corporate Finance division and then spent six years in asset management, split between Southern Asset Managers and Infinity Asset Management. In 1998, Ethan approached African Harvest Limited to form an investment banking division and in 2002 concluded the management buy-out of the operating subsidiaries and strategic assets of the listed African Harvest group. Ethan is currently CEO of Vunani Group (previously African Harvest Capital) and a non-executive director of Hyprop Investments Limited.

Franklin Sonn

(68)

BA (Hons) STD FIAC

Democratic South Africa's first ambassador to the United States (1995 – 1998), Franklin Sonn is the recipient of thirteen honorary doctorates and has held many distinguished positions. He was rector of the Peninsula Technikon from 1978 to 1994. Franklin currently serves on the boards of many companies, including Absa Bank Limited, Absa Group Limited, Metropolitan Holdings Limited, Pioneer Food Group Limited, RGA Reinsurance CO. of SA Limited and SAPPI Limited. Franklin is Chairman of African Star Ventures (Pty) Ltd, the Airports Company of SA Limited, Cape Star Investments (Pty) Ltd, Ekapa Mining (Pty) Ltd, Imalivest (Pty) Ltd, Khwezi V3 Engineers (Pty) Ltd, and serves on the board of Macsteel Services Centres 2005 (Pty) Ltd. He also serves as a trustee on The Legal Resources Trust World Wide Fund for Nature SA and has been the Chancellor of the University of the Free State since 2002.

report of the independent auditors

We have audited the annual financial statements and the group annual financial statements of Esor Limited, which comprise the directors report, the balance sheet and the consolidated balance sheet at 29 February 2008, the income statement and consolidated income statement, the statement of recognised income and expenses and the consolidated statement of recognised income and expenses and cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 14 to 57.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 1973. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the company and of the group at 29 February 2008, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 1973.

RSM BETTY & DICKSON (DURBAN)
Registered Auditors

per B A Michel
Partner

Westville

19 May 2008

report of the directors

The directors have pleasure in presenting their annual report which forms part of the annual financial statements of the company and the group for the year ended 29 February 2008.

NATURE OF BUSINESS

The nature of the groups business is set out in the company profile shown on page 3.

FINANCIAL RESULTS

Group revenue has increased to R1 billion from R291 million in the previous year. Earnings before interest, depreciation and taxation increased by 243% to R183 million from R53 million. Headline earnings rose 240% to R115 million equating to 51,3 cents per share. Net asset value per share has increased by 46% from 109,8 cents per share to 160,3 cents per share and net tangible asset value per share has increased by 83% from 66,5 cents per share to 121,4 cents per share based on the weighted average number of shares.

Further detail is set out in the annual financial statements and accompanying notes on pages 18 to 57.

PROPERTY, PLANT AND EQUIPMENT

During the year under review, the group acquired property, plant and equipment amounting to R147,5 million (2007 : R41,3 million).

DIVIDEND DECLARATION

As part of Esor's dividend policy and as a means to reward shareholders for their ongoing faith in the group, the board of directors declared a final dividend of 20,0 cents per share for the year ended 29 February 2008 amounting to R49,6 million in total. It remains the policy of the group to review their dividend policy annually in light of the group's cash flow, gearing and capital requirements.

The salient dates for the dividend are as follows:

Last day to trade shares *cum* dividend	Friday, 6 June 2008
Shares trade *ex* dividend	Monday, 9 June 2008
Record date	Friday, 13 June 2008
Payment date	Tuesday, 17 June 2008

No share certificates may be dematerialised or re-materialised between Monday, 9 June 2008 and Friday, 13 June 2008, both dates inclusive.

SHARE CAPITAL

Details of the authorised and issued shares are set out in note 10 to the annual financial statements, and the analysis of shareholders on page 58. There were no changes to the authorised share capital during the year.

The issued share capital increased by 4 533 330 ordinary shares as a result of the allotment and issue of new shares during the year for the acquisition of the subsidiary.

All authorised but unissued shares have been placed under the control of the directors until the upcoming annual general meeting, at which the directors propose that the authority granted to them to control the unissued shares and to issue new shares for cash be renewed. The directors propose that the general authority granted to them to repurchase ordinary shares as opportunities present themselves, be renewed at the forthcoming annual general meeting. (See 'Notice of Annual General Meeting')

SHARE OPTION SCHEME

Esor has a share option scheme as an incentive for key employees of the group. Shortly after listing in March 2006, 6 000 000 options were granted (equivalent to 2,47 % of the issued share capital). These options are exercisable in 20% tranches over a 5 year period from the date of granting the option. 1 115 092 options were exercised during the year.

Details of the options granted but not exercised are:

Date option granted	Expiry date	Number of ordinary shares	Subscription price
14 March 2006	13 March 2012	2 388 395	R1,00
30 November 2006	29 November 2012	2 496 513	R1,60

INTEREST IN SUBSIDIARIES

Details of the company's subsidiaries are shown in notes 32 and 35 to the annual financial statements.

HOLDING COMPANY

Esor Limited had no holding company at 29 February 2008.

SPECIAL RESOLUTIONS

At the annual general meeting on 29 June 2007, a special resolution was passed by the shareholders to afford the directors of the company or any subsidiary of the company a general authority to affect a buy-back of the company's shares on the JSE Limited. This authority will expire at the next annual general meeting.

DIRECTORS

The directors of the company at the date of this annual report are set out below. The number of meetings attended by each of the directors during the period 1 March 2007 to 29 February 2008 is indicated, with the number in brackets reflecting the total number of meetings held during this period:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
ML Barber	4 (4)		
E Dube*	4 (4)	4 (4)	
AM Field>	3 (4)		
JM Hlongwane*	3 (4)		1 (2)
B Krone *(CEO)*	4 (4)	4 (4) ^^	2 (2)^^
RP McLintock	4 (4)	4 (4) ^^	2 (2)^^
FA Sonn* (JC van Reenen# Alternate)	4 (4)	4 (4)	2 (2)^^
DM Thompson* *(Chairman)*~	4 (4)	4 (4)	2 (2)
ML Trevisani^ *(Financial Director)*	4 (4)	4 (4) ^^	2 (2)^^
W van Houten	4 (4)	4 (4) ^^	2 (2)^^

*Non-executive #Audit Committee Chairman ~Remuneration Committee Chairman >British ^Italian ^^ Invitee to committee meetings

RP McLintock and W van Houten, in accordance with the company's articles of association, retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

COMPANY SECRETARY

I D Stephen is the company secretary. His business and postal addresses are set out on page 2.

POST BALANCE SHEET EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year that would have a material effect on the annual financial statements.

AUDITORS

RSM Betty & Dickson (Durban) will continue in office in accordance with section 270 (2) of the Companies Act.

DIRECTORS INTERESTS

At 29 February 2008, the present directors of the company held the following direct and indirect beneficial and non beneficial interests in the company. There have been no changes in the directors' interests up to the date of this report.

	2008				*2007*			
Director	**Beneficial**		**Non-beneficial**		**Beneficial**		**Non-beneficial**	
	Direct	**Indirect**	**Direct**	**Indirect**	**Direct**	**Indirect**	**Direct**	**Indirect**
Executive								
M L Barber	11 600 304	909 091	-	-	14 828 033	909 091	-	-
A M Field	11 600 304	909 091	-	-	14 828 033	909 091	-	-
B Krone	11 600 303	909 091	-	-	14 828 033	909 091	-	-
R P McLintock	3 334 464	-	-	-	3 381 131	-	-	-
M L Trevisani	11 600 304	909 091	-	-	14 828 033	909 091	-	-
W van Houten	1 219 158	-	-	-	765 825	-	-	-
	50 954 837	3 636 364	-	-	63 459 088	3 636 364	-	-
Non-executive								
E Dube	-	10 020 000	-	-	-	10 000 000	-	-
J M Hlongwane	-	15 625 000	-	-	-	15 625 000	-	-
F A Sonn	-	7 875 000	-		-	4 375 000	-	-
D M Thompson	-	-	-	70 000	-	-	-	70 000
J C van Reenen	49 200	4 163 000	-	-	49 200	5 000 000	-	-
	51 004 037	41 319 364	-	70 000	63 508 288	38 636 364	-	70 000

The staff of the designated advisers of Esor held 2 262 500 shares directly and indirectly in the ordinary share capital of the company at year-end.

STATEMENT OF RESPONSIBILITY

The directors of the group and company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa.

The directors are also responsible for the system of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. The systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements have been prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the company and the group will not remain a going concern for the foreseeable future.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 14 to 57 were approved by the board of directors on 14 May 2008 and are signed on their behalf by:-

B Krone
Chief Executive Officer
Director

M L Trevisani
Financial Director

Germiston

19 May 2008

company secretary's report

I, I D Stephen, company secretary of Esor Limited, certify that, to the best of my knowledge and belief, all returns required of a public company have, in respect of the year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.

I D Stephen
Company secretary

Germiston

19 May 2008

audit committee report

The Corporate Laws Amendment Act, No. 24 of 2006 ("CLAA") came into effect on 14 December 2007. In compliance with the CLAA, an audit and risk committee was formally appointed by the board of directors. This committee comprises Messrs J Van Reenen (chairman), D M Thompson and E Dube who are non-executive directors and who act independently.

The definition set out in section 269 of the CLAA was used to test the independence of each member of the Audit and Risk Committee. During the financial year ended 29 February 2008, in addition to the duties set out in the Audit and Risk Committee's terms of reference, a summary of which is provided in the corporate governance chapter of this annual report, the Audit and Risk Committee carried out its functions as follows:

- Nominated the appointment of RSM Betty & Dickson (Durban) as the registered independent auditor after satisfying itself, through enquiry, that RSM Betty & Dickson (Durban) is independent as defined in terms of the CLAA;
- determined the fees to be paid to RSM Betty & Dickson (Durban) and the auditors of subsidiary companies and its terms of engagement;
- ensured that the appointment of RSM Betty & Dickson (Durban) complied with the CLAA and any other legislation relating to the appointment of auditors; and
- approved a non-audit services policy which determines the nature and extent of any non-audit services which RSM Betty & Dickson (Durban) is permitted to perform.

The Audit and Risk Committee has satisfied itself, through enquiry, that RSM Betty & Dickson (Durban) and Mr B A Michel, the designated auditor, are independent of the company.

During the year the Audit Committee created an internal audit department. A strategic approach is being followed in rolling out this function across the group. While all areas of the group will be covered by internal audit, the initial approach has been to address critical processes.

The Audit and Risk Committee recommended the annual financial statements for the year ended 29 February 2008, for approval, to the board. The board has subsequently approved the annual financial statements which will be open for discussion at the forthcoming annual general meeting.

Johan van Reenen
Chairman
Audit Committee

Germiston

19 May 2008

balance sheet at 29 february 2008

company				group	
2007	2008		Note	2008	2007
R'000	R'000			R'000	R'000
		ASSETS			
214 018	261 271	**Non-current assets**		359 947	238 579
20 867	67 668	Property, plant and equipment	4	262 741	139 861
-	-	Intangible assets	5	94 529	94 529
-	452	Deferred taxation	13	2 677	4 189
193 151	193 151	Investments in subsidiaries	6	-	-
123 534	139 987	**Current assets**		398 524	226 817
23	134	Inventories	7	7 224	6 877
48 384	11 546	Unsecured loans	8	-	-
-	-	Taxation		3 527	5 743
57 213	83 495	Trade and other receivables	9	271 914	161 549
17 914	44 812	Cash at bank and on hand		115 859	52 648
337 552	401 258	**Total assets**		758 471	465 396
		EQUITY AND LIABILITIES			
264 641	306 776	**Share capital and reserves**	10	389 664	240 020
211 351	219 970	Share capital and premium		213 587	175 352
-	921	Equity compensation reserve		2 361	658
-	-	Foreign currency translation reserve		6 683	41
-	-	Post retirement benefit reserve		4	(681)
53 290	85 885	Accumulated profits		167 029	64 650
36 634	43 281	**Non-current liabilities**		107 323	71 724
33 783	38 626	Secured borrowings	11	85 169	43 915
-	-	Post retirement benefits	12	8 106	10 507
2 851	4 655	Deferred taxation	13	14 048	17 302
36 277	51 201	**Current liabilities**		261 484	153 652
3 728	12 894	Current portion of secured borrowings	11	21 304	7 939
-	913	Unsecured loans	8	-	-
3 044	7 873	Taxation		26 781	3 047
7 253	-	Provisions	14	15 559	21 400
22 252	29 521	Trade and other payables	16	197 840	121 266
337 552	401 258	**Total equity and liabilities**		758 471	465 396

income statement for the year ended 29 February 2008

company				group	
2007	2008		Note	2008	2007
R'000	R'000			R'000	R'000
169 806	351 544	**Revenue**	17	1 017 480	291 392
(128 688)	(272 859)	Cost of sales		(745 546)	(209 465)
41 118	78 685	Gross profit		271 934	81 927
902	1 048	Other operating income	18	1 651	1 133
(10 089)	(16 145)	Operating expenses		(90 087)	(29 600)
31 931	63 588	**Profit before interest, depreciation and taxation**		183 498	53 460
(2 324)	(4 943)	Depreciation		(30 391)	(8 654)
29 607	58 645	Profit before interest and taxation	19	153 107	44 806
715	5 051	Dividends received		-	-
(1 517)	(5 951)	Interest paid		(28 171)	(15 245)
3 977	8 526	Interest received		32 883	17 420
32 782	66 271	Profit before taxation		157 819	46 981
(9 329)	(18 817)	Taxation	20	(41 817)	(12 899)
23 453	47 454	**Profit for the year**		116 002	34 082
		Earnings per share	21		
14.6 cents	19.5 cents	Basic earnings per share		51.7 cents	22.6 cents
14.3 cents	19.5 cents	Diluted earnings per share		50.7 cents	22.2 cents
14.5 cents	19.4 cents	Headline earnings per share		51.3 cents	22.5 cents
6.0 cents	20.0 cents	Dividends per share		20.0 cents	6.0 cents

statement of recognised income and expenses for the year ended 29 February 2008

company			group	
2007	2008		2008	2007
R'000	R'000		R'000	R'000
		Defined benefit plan actuarial gain / (loss)	685	(681)
173 899	9 054	Shares issued	8 670	137 900
(10 613)	(435)	Share issue expenses	(435)	(10 613)
41 693	664	Share based payments	1 703	42 351
-	-	Derecognition of special purpose entity	30 667	-
-	(14 602)	Dividends paid	(14 290)	-
-	-	Foreign currency translation differences for foreign operations	6 642	41
204 979	(5 319)	**Income and expenses recognised directly to equity**	33 642	168 998
23 453	47 454	Profit for the year	116 002	34 082
228 432	42 135	**Total recognised income and expenses for the year**	149 644	203 080
		Amounts attributable to:		
228 432	42 135	Equity holders of the parent	149 644	203 080
-	-	Minority interests	-	-
228 432	42 135	**Total recognised income and expense for the year**	149 644	203 080

cash flow statement for the year ended 29 February 2008

company				group	
2007 R'000	2008 R'000		Note	2008 R'000	2007 R'000
16 025	17 989	**Cash flows from operating activities**		119 066	32 877
140 547	325 990	Cash receipts from customers		909 365	258 833
(118 781)	(288 389)	Cash paid to suppliers and employees		(759 138)	(216 904)
21 766	37 601	Cash generated from operations	22	150 227	41 929
715	5 051	Dividends received		-	-
-	(14 602)	Dividends paid		(14 290)	-
3 977	8 526	Interest received		10 805	3 007
(1 517)	(5 951)	Interest paid		(8 669)	(1 720)
(8 916)	(12 636)	Taxation paid	23	(19 007)	(10 339)
(158 809)	(51 470)	**Cash flows from investing activities**		(146 399)	(146 638)
(14 427)	(52 066)	Acquisition of property, plant and equipment		(147 470)	(41 263)
209	596	Proceeds on disposal of property, plant and equipment.		1 071	409
-	-	Brand name acquired		-	(94 529)
(144 591)	-	Acquisition of subsidiary	24	-	(11 255)
148 108	60 379	**Cash flows from financing activities**		90 544	153 773
(47 943)	37 751	Increase/(decrease) in unsecured loans		-	(4 419)
32 765	14 009	Increase in secured borrowings		54 619	30 905
163 286	8 619	Share issue net of issue expenses		38 235	127 287
-	-	Post retirement benefit		(2 310)	-
5 324	26 898	Net increase in cash and cash equivalents		63 211	40 012
12 590	17 914	Net cash and cash equivalents at beginning of year		52 648	12 636
17 914	44 812	**Cash and cash equivalents at end of year**	25	115 859	52 648

1. General Information

Esor Limited is a company incorporated in the Republic of South Africa. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the company and its subsidiaries are disclosed in the directors' report.

2. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the Companies Act of South Africa and the JSE Listings Requirements. The annual financial statements have been prepared on the historical cost basis, except for certain financial instruments at fair value, and incorporate the principal accounting policies set out below. These accounting policies are consistent with the previous year.

2.1 Sources of estimation uncertainty

The key assumptions made concerning the future and other key sources of estimation uncertainty at the balance sheet date that could have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year are:

Allowance for damaged and obsolete inventories
Any inventories that are physically identified as damaged or obsolete are written off when discovered.

Options granted
Management used the Black Scholes model to determine the value of the options at issue date. Additional details regarding the estimates are included in note 28 - Share based payments.

Impairment testing
Management used the value in use method to determine the recoverable amount of goodwill and intangible assets with indefinite useful lives. Additional disclosure of these estimates are included in note 5 – Intangible assets.

Provisions
Provisions raised were determined by management on estimates based on the information available. Additional disclosures of these estimates of provisions are included in note 14 – Provisions.

Post retirement benefits
Post retirement benefits are provided to certain retired employees. Independent actuaries are tasked with calculating the value of the group's obligations. Further information on the significant assumptions used are shown in note 12.

Property, plant and equipment
Management has made certain estimations with regard to the determination of estimated useful lives and residual values of items of property, plant and equipment, as discussed further in note 2.3.

2.2 Significant judgements

Judgements made by management in applying the accounting policies that could have a significant effect on amounts recognised in the financial statements include:

Leases
Management has applied its judgement to classify all lease agreements that the company is party to as operating leases, as they do not transfer substantially all the risks and rewards of ownership to the company. Furthermore, as the operating lease in respect of premises is only for a relatively short period of time, management has made a judgement that it would not be meaningful to classify the lease into separate components for the land and for the buildings for the current lease, and the agreement will be classified in its entirety as an operating lease.

Contingent liabilities
Management applies its judgement to advice it receives from its attorney, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

Consolidation of special purpose entities
Management has applied its judgement in assessing whether the commercial and economic relationship with related entities is tantamount to control. If control exists, the relationship of control has been recognised in terms of IAS 27 and SIC 12.

2.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or, replace part of. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Day to day expenses incurred on property, plant and equipment is expensed directly in profit or loss for the period. Major maintenance that meets the recognition criteria is capitalised.

2.3 Property, plant and equipment *(continued)*

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Depreciation commences when an asset is available for use. Depreciation is charged so as to write off the depreciable amount of items, other than land, to their residual values, over their estimated useful lives, using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the company.

Where an item comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment and depreciated over their estimated useful lives.

Methods of depreciation, useful lives and residual values are annually reviewed. The following methods and useful lives were applied during the year:

Item	Method	Average useful life
Land	Not depreciated	Indefinite
Buildings	Straight line	50 years
Plant and equipment	Straight line	10 years
Motor vehicles	Straight line	5 years
Furniture and fittings	Straight line	8 years
Computers	Straight line	3 years

The depreciation charge for each period is recognised in profit or loss. Derecognition occurs when an item of property, plant and equipment is disposed of, or when it is no longer expected to generate any further economic benefits.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item.

When a decision is made by the directors that an item of property, plant and equipment will be disposed of, and the requirements of IFRS 5, Non-Current assets Held for Sale and Discontinued Operations, are met, then those specific assets will be presented separately on the face of the balance sheet. The assets will be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets shall cease.

2.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the company; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost unless acquired as part of a business combination, in which case the cost of the intangible assets is its fair value at the date of acquisition. Research costs are recognised as an expense when they are incurred. Development costs are capitalised when they meet the following criteria:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.
- Internally generated brands and items similar in substance are not recognised as intangible assets.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided on indefinite useful life intangibles. They are tested annually for impairment and impaired if necessary.

Finite useful life intangible assets are amortised on a straight line basis over their useful life. They are only tested for impairment when an indication of impairment exists.
The following useful lives were applied during the year:

Item	Useful life
Brand name	Indefinite

2.5 Investments in subsidiaries

Group annual financial statements
On acquisition the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company, and its subsidiaries. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

2.5 Investments in subsidiaries *(continued)*

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Company annual financial statements
In the company's annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.
The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

2.6 Investment in joint ventures

Group annual financial statements
An investment in a joint venture is accounted for using the proportionate consolidation method, except when the asset is classified as held-for-sale. Under the proportionate consolidation method the group's share of each of the assets, liabilities, income and expenses of the investment is combined line by line with similar items in the group annual financial statements. The use of proportionate consolidation is discontinued from the date on which it ceases to have joint control over a jointly controlled entity.

Company annual financial statements
Investments in joint ventures are accounted for using the cost model.

Where the group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

In respect of its interests in jointly controlled operations, the company recognises in its annual financial statements:

- the assets that it controls and the liabilities that it incurs; and
- the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

2.7 Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed annually at the same time every year.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

2.8 Financial instruments

Initial recognition
The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified as at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

An asset that is subsequently measured at cost or amortised cost is recognised initially at its fair value on the trade date. Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognised for assets carried at cost or amortised cost, other than impairment losses.

Fair value determination
The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Subsequent measurement
After initial recognition financial assets are measured as follows:

- Loans and receivables and held-to-maturity investments are measured at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.
- Financial assets classified as available-for-sale or at fair value through profit or loss, including derivatives, are measured at fair values. Fair value, for this purpose, is market value if listed, or a value arrived at by using appropriate valuation models, if unlisted.
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

After initial recognition financial liabilities are measured as follows:

- Financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value.
- Other financial liabilities are measured at amortised cost using the effective interest method.

Gains and losses
A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- Where financial assets and financial liabilities are carried at amortised cost, a gain or loss is recognised in profit or loss through the amortisation process and when the financial asset or financial liability is derecognised or impaired.
- A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.
- A gain or loss on an available-for-sale financial asset is recognised directly in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

The particular recognition methods adopted are disclosed in the individual policies stated below:

Loans to / from group companies
These include loans to and from subsidiaries and joint ventures. Loans to group companies are classified as financial assets. Loans from group companies are classified as financial liabilities.

Trade and other receivables
Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement. Trade and other receivables are classified as loans and receivables.

Cash and cash equivalents
Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash. Cash and cash equivalents are measured at fair value.

Share capital and equity
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the company reacquires its own equity instruments, those treasury shares are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Borrowings
Borrowings are classified as financial liabilities and measured at amortised cost and comprise original debt less principal payments and amortisation.

2.8 Financial instruments *(continued)*

Trade and other payables
Trade and other payables are classified as financial liabilities.

Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. The allowance account in respect of trade receivables is used to record impairment losses unless the group and company is satisfied that no recovery of the amount owing is impossible at that point the amount is considered irrecoverable and is written off against the financial asset directly.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

2.9 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group as lessor
Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The group as lessee
Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged to profit or loss in accordance with the group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.10 Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is assigned using the first-in, first-out method. The same cost formula is used for all inventories having a similar nature and use to the company.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.11 Construction contracts and receivables

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by work certified. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2.12 Taxation

Current tax assets and liabilities
Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities, using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities
Deferred taxation is provided using a balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognised for all taxable temporary differences, unless specifically exempt.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit / (loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries to the extent that it is probable that the temporary difference will reverse in the foreseeable future, and taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused credits to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused credits can be utilised.

Deferred tax assets and liabilities are measured at the tax 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.

Tax expenses
Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

2.13 Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. Provisions are not recognised for future operating losses. If the company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the company settles the obligation. The reimbursement will be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Contingent assets and contingent liabilities are not recognised.

2.14 Other income

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

2.15 Translation of foreign currencies

Foreign currency transactions
A foreign currency transaction is recorded, on initial recognition in Rand, by applying the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

2.15 Translation of foreign currencies *(continued)*

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Investments in subsidiaries
The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income, expenditure and cash flow items are translated at the weighted average exchange rates for the period; and
- all resulting exchange differences are recognised as a separate component of equity.

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency using the average rate of exchange during the year.

2.16 Share-based payments

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

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received are measured directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

Options issued or granted to employees for services rendered or to be rendered are measured at the fair value of the equity instruments at grant date and recognised in profit or loss over the vesting period. For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

For share-based payment transactions in which the terms of the arrangement provide either the company or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

2.17 Employee benefits

Short-term employee benefits
The cost of short-term employee benefits are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employee render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans
The group provides retirement benefits for employees. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Post retirement medical aid benefits
One of the group's subsidiaries provides 50% of post retirement medical aid costs to certain retired employees. The projected unit credit method is used to determine the present value of the defined benefit obligations and the related current service costs and, where applicable post service costs.

2.18 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

2.19 Segments

Geographical segments provide products and services that are subject to risks and returns that are different. Segment assets include property, plant and equipment, inventories, receivables and cash and cash equivalents. Segment liabilities include all operating liabilities, short-term borrowings and non-current liabilities. Capital expenditure includes additions to property, plant and equipment.

3 Adoption of new pronouncements

In the current year, the group has adopted:

- IFRS 7 Financial Instruments: Disclosures (effective for annual reporting periods beginning on or after 1 January 2007); and
- Consequential amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the group's financial instruments and management of capital.

Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are:
- IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies;
- IFRIC 8 Scope of IFRS 2;
- IFRIC 9 Reassessment of Embedded Derivatives;
- IFRIC 10 Interim Financial Reporting and Impairment; and
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions.

The adoption of these interpretations has not led to any changes in the group's accounting policies.

The group has not yet applied the following new standards, interpretations and amendments that have been issued but are not yet effective:

Standard	**Effective date***
IFRS 8 Operating Segments	1 January 2009
IAS 23 (Revised) Borrowing Costs	1 January 2009
IFRIC 12 Service Concession Arrangements	1 January 2008
IFRIC 13 Customer Loyalty Programmes	1 July 2008
IFRIC 14/IAS 19 The limit on Defined Benefit Assets Minimum Funding Requirements	1 January 2008

* Effective for years commencing on or after the indicated date.

Management is currently in the process of assessing the impact of the new and revised standards.

4 Property, plant and equipment

	group					
	2008			2007		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land and buildings	22 702	296	22 406	21 291	20	21 271
Plant and equipment	294 692	71 771	222 921	124 627	17 638	106 989
Motor vehicles	28 048	11 263	16 785	18 127	7 027	11 100
Furniture and fittings	1 240	822	418	448	197	251
Computers	1 360	1 149	211	991	741	250
	348 042	85 301	262 741	165 484	25 623	139 861

4 Property, plant and equipment *(continued)*

The carrying amount of property, plant and equipment can be reconciled as follows:-

	Carrying value at beginning of year	Additions	Disposals	Depreciation	Translation adjustments	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000	R'000
Land and buildings	21 271	862		(90)	363	22 406
Plant and equipment	106 989	136 847	(49)	(26 455)	5 589	222 921
Motor vehicles	11 100	9 383	(302)	(3 602)	206	16 785
Furniture and fittings	251	255	-	(87)	(1)	418
Computers	250	123	(6)	(157)	1	211
	139 861	147 470	(357)	(30 391)	6 158	262 741

Certain property, plant and equipment with a carrying value of R 110 m (2007 : R3,4m) is encumbered to secure the borrowings set out in note 11. Further to this, general notarial bonds to the value of R110 m have been registered over the movable assets of the company as shown in note 15.

A register containing the details of land and buildings is available for inspection during business hours at the registered office of the company by members or their duly authorised agents.

Included in the carrying amounts above are items of plant and equipment which have been impaired. The accumulated impairment at year-end was R8,9m (2007 : R8,9m).

	company					
	2008			2007		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Plant and equipment	60 019	6 086	53 933	15 495	3 627	11 868
Motor vehicles	21 050	7 675	13 375	15 311	6 673	8 638
Furniture and fittings	373	221	152	315	193	122
Computers	1 016	808	208	974	735	239
	82 458	14 790	67 668	32 095	11 228	20 867

The carrying amount of property, plant and equipment can be reconciled as follows:-

	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000
Plant and equipment	11 868	44 723	(49)	(2 609)	53 933
Motor vehicles	8 638	7 181	(267)	(2 177)	13 375
Furniture and fittings	122	62	-	(32)	152
Computers	239	100	(6)	(125)	208
	20 867	52 066	(322)	(4 943)	67 668

Certain property, plant and equipment with a carrying value of R 51 m (2007: R3,4 m) is encumbered to secure the borrowings set out in note 11. Further to this, a general notarial bond to the value of R40 m has been registered over the movable assets of the company as shown in note 15.

There were no assets with impaired values in both the current and prior year.

5 Intangible assets

	group					
	2008			2007		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
"Franki" brand name	94 529	-	94 529	94 529	-	94 529

The carrying amount of intangibles can be reconciled as follows:-

	Carrying value at beginning of year	Additions	Impairment	Carrying value at end of year
"Franki" brand name	94 529	-	-	94 529

Management have assessed the useful life of the above brand name to have no determinable useful life. They have elected to classify this asset as an indefinite useful life intangible asset until such time as an accurate useful life can be determined.

Management perform an impairment test at the end of each financial year. The impairment testing of the intangible assets is performed by measuring the value in use of the cash generating unit. Key assumptions used in this calculation include forecasting results based on historical performance of the cash generating unit while taking into account reasonable future growth prospects which are currently being experienced by the construction industry. Costs were maintained at amounts which resulted in operating margins improving from current levels.

company			group	
2007	2008		2008	2007
R'000	R'000		R'000	R'000
		6 Investments in subsidiaries		
193 151	193 151	Shares at cost	-	-
		Details of the investments in subsidiaries are shown in note 32 and 35.		
		7 Inventories		
-	-	Raw materials	7 090	6 854
23	134	Consumables	134	23
23	134		7 224	6 877

company 2007 R'000	company 2008 R'000		group 2008 R'000	group 2007 R'000
		8 Unsecured loans		
821	825	* Hammib Properties (Pty) Ltd	-	-
829	821	Opening balances	-	-
35	20	Advances	-	-
(163)	(135)	Repayments	-	-
120	119	Interest at 14,5 % (2007 : 14,5%)	-	-
1 064	1 052	* Esor Properties (Pty) Ltd	-	-
1 071	1 064	Opening balances	-	-
45	17	Advances	-	-
(212)	(188)	Repayments	-	-
160	159	Interest at 14,97 % (2007 : 14,97%)	-	-
3 257	3 285	* Esor Geotechnical Engineering (Pty) Ltd	-	-
1 549	3 257	Opening balances	-	-
2 028	66	Advances	-	-
(545)	(510)	Repayments	-	-
225	472	Interest at 14,5 % (2007 : 14,5%)	-	-
30 666	-	* Esor Broad Based Share Ownership Scheme Trust	-	-
-	30 666	Opening balances	-	-
30 000	-	Advances	-	-
-	(33 257)	Repayments	-	-
666	2 591	Interest at 9,0%	-	-
6 000	6 384	** Esor Share Incentive Trust		-
-	6 000	Opening balances	-	
6 000	1 800	Advances	-	-
-	(1 416)	Repayments	-	-
6 576	(913)	* Franki Africa (Pty) Ltd	-	-
-	6 576	Opening balances	-	-
6 500	-	Advances	-	-
-	(7 702)	Repayments	-	-
76	213	Interest at 12,5 %	-	-
48 384	10 633		-	-
		Disclosed as follows:-		
48 384	11 546	Current assets	-	-
-	(913)	Current liabilities	-	-
48 384	10 633		-	-

* These loans attract interest at the rate indicated and have no fixed terms of repayment.

** This loan is interest free and no fixed terms of repayment have been set.

company 2007 R'000	company 2008 R'000		group 2008 R'000	group 2007 R'000
		9 Trade and other receivables		
56 139	81 719	Trade receivables	254 391	155 847
1 074	1 776	Sundry debtors and prepayments	17 523	5 702
57 213	83 495		271 914	161 549
		Trade receivables include amounts due from customers. This amount is calculated as follows:		
49 371	73 261	Costs incurred plus recognised profits, less recognised losses on contracts in progress at year-end	229 443	136 331
-	-	Amount of advances received	(61 561)	(23 924)
6 768	8 458	Retentions receivable	24 948	19 516
56 139	81 719		192 830	131 923
56 139	81 719	Amounts due from contract customers	254 391	155 847
-	-	Amounts due to contract customers	(61 561)	(23 924)
56 139	81 719		192 830	131 923

Trade and other receivables have been pledged to secure the bank overdraft facilities.

company 2007 R'000	company 2008 R'000		group 2008 R'000	group 2007 R'000
		10 Share capital and reserves		
		Authorised		
500	500	500 000 000 ordinary shares of R0,001 each	500	500
		Issued		
243	248	247 903 840 ordinary shares of R0,001 each	248	243
		(2007 : 243 370 510 ordinary shares of R0,001 each)		
-	-	Less : 4 884 908 treasury shares held by the Esor Share Incentive Trust (2007 : 6 000 000 treasury shares)	(5)	(6)
-	-	Less : 18 750 000 held by the Esor Broad Based Share Ownership Scheme	-	(18)
243	248		243	219
211 108	219 722	**Share premium**	213 344	175 133
6 272	211 108	Balance at beginning of year	175 133	6 272
215 449	9 049	Premium on shares issued	8 665	179 474
-	-	Derecognition of treasury shares	29 981	-
(10 613)	(435)	Share issue expenses written off	(435)	(10 613)
211 351	219 970		213 587	175 352

Unissued Shares

In terms of a resolution passed at the annual general meeting of the company, the directors are authorised to allot or issue unissued shares for cash provided the number of shares issued does not exceed 50% of the issued share capital. This authorisation is subject to the provisions of Section 222(1)(c) of the Companies Act of South Africa and the Rules and Requirements of the JSE Limited and is valid until the next annual general meeting.

Share movements

The following changes were made to issued share capital during the year:

On 31 January 2008, 4 533 330 ordinary shares were issued for R1,60 per share as settlement of the additional purchase price for the acquisition of Franki Africa (Pty) Ltd.

The Esor Broad Based Share Ownership Scheme was derecognised as a Special Purpose Entity as a result of the company no longer being able to exercise control over this trust. Consequently, 18 750 000 shares held by this trust are no longer classified as treasury shares.

Note 10 Share capital and reserves *(continued)*

Reconciliation of movement in reserves

group

	Equity compensation reserve	Foreign currency translation reserve	Post retirement benefit reserve	Accumulated profits	Total
	R'000	R'000	R'000	R'000	R'000
Balance at 1 March 2006	-	-	-	30 568	30 568
Foreign currency translation adjustment	-	41	-	-	41
Post retirement benefit adjustment	-	-	(681)	-	(681)
Share options granted	658	-	-	-	658
Profit for the year	-	-	-	34 082	34 082
Balance at 28 February 2007	658	41	(681)	64 650	64 668
Derecognition of special purpose entity	-	-	-	667	667
Foreign currency translation adjustment	-	6 642	-	-	6 642
Post retirement benefit adjustment	-	-	685	-	685
Share options granted	1 703	-	-	-	1 703
Profit for the year	-	-	-	116 002	116 002
Dividends paid	-	-	-	(14 290)	(14 290)
Balance at 29 February 2008	2 361	6 683	4	167 029	176 077

company

	Equity compensation reserve	Accumulated profits	Total
	R'000	R'000	R'000
Balance at 1 March 2006	-	29 837	29 837
Profit for the year	-	23 453	23 453
Balance at 28 February 2007	-	53 290	53 290
Profit for the year	-	47 454	47 454
Dividends paid	-	(14 602)	(14 602)
Share options granted	921	(257)	664
Balance at 29 February 2008	921	85 885	86 806

company 2007 R'000	company 2008 R'000						group 2008 R'000	group 2007 R'000
		11 Secured borrowings						
		Final date of repayment	Rate of interest %	Monthly instalment R'000 Company	Group			
		Mortgage bonds						
-	-	More than 5 years	-	-	repaid		-	3 373
29 553	-	FNB loan	-	-	repaid		-	29 553
		Instalment sale agreements						
7 958	51 520	Less than 5 years	Prime less 2%	1 004	2 246		106 473	18 928
37 511	51 520	Total secured borrowings					106 473	51 854
(3 728)	(12 894)	Current portion included under current liabilities					(21 304)	(7 939)
33 783	38 626	Long term portion					85 169	43 915

These amounts are secured over certain property, plant and equipment referred to in note 4. At year-end, the prime interest rate was 14,5%

12 Post retirement benefits

Prior to 1 July 2005, all Franki Africa (Pty) Ltd medical aid members who reached 65 years together with employees who were 55 years or older who accepted early retirement as an alternative to retrenchment, received a subsidy of 50% towards post retirement medical aid.

company 2007 R'000	company 2008 R'000		group 2008 R'000	group 2007 R'000
-	-	Opening balance	10 507	10 652
-	-	Current contributions paid	(2 310)	(908)
-	-	Charged to equity	(685)	681
-	-	Interest obligation	594	82
-	-	Balance at 29 February 2008	8 106	10 507
		The principal actuarial assumptions applied in the determination of the fair values include:		
		Investment rate	8.77%	8,55%
		Discount rate	6.95%	6,70%
		Date of last actuarial valuation – 29 February 2008		
		Date of next actuarial valuation - 28 February 2009		
2 658	3 719	Contributions to retirement benefit funds	13 283	6 432

Retirement benefits are provided for full time employees on permanent staff, under normal retirement ages by means of a Pension and Provident Fund. The company's contributions are charged to income in the year that they become due. The funds are governed by the Pension Fund Act 24 of 1956 and are defined contribution funds.

company 2007 R'000	company 2008 R'000		group 2008 R'000	group 2007 R'000
		13 Deferred taxation		
1 960	2 851	Balance at beginning of year	13 113	1 960
		Movements during the year:		
-	-	Acquisitions through business combinations	-	6 084
891	1 352	Temporary differences	(1 742)	5 069
2 851	4 203	Balance at end of year	11 371	13 113
		The balance comprises:		
(381)	(452)	Leave pay accruals	(3 312)	(381)
1 270	2 202	Property, plant and equipment timing differences	16 691	11 468
1 962	2 453	Retentions	7 309	5 660
-	-	Provisions / contract accruals	(18 538)	(9 711)
-	-	Accrued income	15 281	8 040
-	-	Deferred income	(16 345)	-
-	-	Assessed loss	-	(3 781)
-	-	Section 24C allowance	10 761	2 455
-	-	Other	(476)	(637)
2 851	4 203		11 371	13 113
		Disclosed as follows:		
-	(452)	Non-current assets	(2 677)	(4 189)
2 851	4 655	Non-current liabilities	14 048	17 302
2 851	4 203		11 371	13 113
		14 Provisions		
		Staff Bonuses		
-	-	Opening balance	14 147	-
-	-	Acquired through business combinations	-	5 803
-	-	Utilised	(14 147)	(5 803)
-	-	Created	15 559	14 147
-	-	Closing balance	15 559	14 147
		Manco Incentive		
-	7 253	Opening balance	7 253	-
-	(7 253)	Utilised	(7 253)	-
7 253	-	Created	-	7 253
7 253	-	Closing balance	-	7 253
	-			
7 253	-	Total provisions	15 559	21 400

company 2007 R'000	company 2008 R'000		group 2008 R'000	group 2007 R'000
		15 Borrowing facilities		
87 845	345 065	Total borrowing facilities available, including contract guarantee facilities from the Standard Bank of South Africa Limited.	345 065	250 795
37 511	51 520	Amounts utilised	106 473	51 854

To secure the above facilities, the company has pledged the following assets.

- General Notarial bond of R40 m over the movable assets of Esor Limited together with cession of short term insurance over the movable assets.
- Cession of book debts and retention monies by Esor Limited.
- Negative pledge by Esor Limited and Franki Africa (Pty) Ltd.

Companies within the group have pledged the following additional assets to secure these facilities.

- General Notarial bond of R70 m over movable assets together with cession of short term insurance over the movable assets.
- Cession of book debt in the name of Franki Africa (Pty) Ltd.
- Corporate guarantee by Franki Africa (Pty) Ltd restricted to R 49,33m (USD 6,5m) in respect of Mauritius facilities

company 2007 R'000	company 2008 R'000		group 2008 R'000	group 2007 R'000
160 000	300 000	Additional unsecured guarantee facilities have been provided by Lombard Insurance Group.	300 000	160 000
8 000	30 000	Amounts utilised	160 000	78 000
		16 Trade and other payables		
16 176	23 178	Trade payables	92 976	33 743
4 284	5 673	Accruals	32 533	44 162
-	-	Amounts due to customers	65 561	23 924
1 792	670	Other	6 770	19 437
22 252	29 521		197 840	121 266

company 2007 R'000	company 2008 R'000		group 2008 R'000	group 2007 R'000
		17 Revenue		
169 806	351 544	Contract revenue	1 017 480	291 392
		Revenue comprises the value of work done in respect of contracting, net of Value Added Tax.		
		18 Other operating income		
64	66	Collection commission	-	-
132	320	Profit on disposal of property, plant and equipment	760	184
706	662	Sundry income	891	949
902	1 048		1 651	1 133
		19 Profit before interest and taxation		
		Profit before interest and taxation is stated after taking into account the following items which require separate disclosure:-		
		Income		
132	320	Profit on disposal of property, plant and equipment.	760	189
-	-	Net exchange gain on amounts due from subsidiaries and foreign branches	22 078	14 413
		Expenditure		
396	689	Auditors' remuneration	2 284	835
396	666	Audit fees	2 261	835
-	23	Fee for other services	23	-
2 324	4 943	Depreciation	30 391	8 654
-	46	Loss on disposal of property, plant and equipment	46	-
-	-	Net exchange loss on amounts due from subsidiaries and foreign branches	18 908	13 525
41 759	57 938	Staff costs	222 502	77 774
15 226	16 340	Operating lease charges (refer note 33)	18 472	14 655
14 176	15 290	Equipment hire	16 815	14 176
1 050	1 050	Property rentals	1 657	479
285	623	Number of employees at year-end	1 506	1 075

company 2007 R'000	company 2008 R'000		group 2008 R'000	group 2007 R'000
		20 Taxation		
		South African normal taxation		
8 438	16 356	Current	31 691	8 718
-	4	Prior year underprovision/(overprovision)	(127)	-
891	1 352	Deferred	(5 612)	5 069
	1 105	**Secondary tax on companies**	1 105	-
		Foreign		
-	-	Current	10 679	(888)
-	-	Deferred	4 081	-
9 329	18 817		41 817	12 899
		Reconciliation of tax rates:		
29,00 %	29,00 %	Normal rate of taxation	29,00 %	29,00 %
(0,50)%	(0,61)%	Adjusted for:-	(2,50)%	(1,50)%
0,10 %	0,06 %	Incentive allowances	(2,15)%	(0,50)%
(0,60)%	(2,21)%	Exempt income	(0,79)%	(0,30)%
-	(0,01)%	Capital gains	-	-
-	1,67 %	Secondary tax on companies	0,70 %	-
-	-	Prior year overprovision	(1,59)%	(1,00)%
-	-	Taxation at different rates	(0,07)%	0,30 %
-	(0,12)%	Other	1,40 %	-
28,50 %	28,39 %	Effective rate of taxation	26,50 %	27,50 %

Secondary tax on companies

A potential liability for STC exists. Should the group declare a dividend, the dividend declared would attract taxation at a rate of 10%.

21 Earnings per share

The calculation of the basic earnings per share attributable to the ordinary equity holders of the parent is based on the following information:

company 2007 R'000	company 2008 R'000		group 2008 R'000	group 2007 R'000
		Earnings		
23 453	47 454	Basic earnings	116 002	34 082
(132)	(320)	Profit on disposal of property, plant and equipment	(760)	(184)
-	46	Loss on disposal of property, plant and equipment	46	-
23 321	47 180	Headline earnings	115 288	33 898
		Number of shares		
160 866 388	243 729 708	Weighted average number of shares	224 559 735	150 771 183
163 561 496	243 729 708	Diluted weighted average number of shares	228 676 576	153 466 291

company			group	
2007	2008		2008	2007
R'000	R'000		R'000	R'000
		22 Reconciliation of profit before taxation to cash generated from operations		
32 782	66 271	Profit before taxation	157 819	46 981
		Adjust for:-		
(3 977)	(8 526)	Interest received	(32 883)	(3 007)
(132)	(320)	Profit on disposal of property, plant and equipment	(760)	(184)
-	46	Loss on disposal of property, plant and equipment	46	-
(715)	(5 051)	Dividends received	-	-
-	-	Foreign currency translation reserve release	3 693	405
-	-	Fair value adjustment	1 359	-
2 324	4 943	Depreciation of property, plant and equipment	30 391	8 654
-	664	Share-based payments	1 703	-
-	-	Derecognition of special purpose entity	667	-
1 517	5 951	Interest paid	28 171	1 720
31 799	63 978	Operating profit before working capital changes	190 206	54 569
(10 033)	(26 377)	Working capital changes	(38 615)	(12 640)
(30 029)	(26 282)	Increase in trade and other receivables	(109 006)	(33 456)
13	(111)	(Increase)/decrease in inventories	(347)	(1 308)
19 983	7 269	Increase in trade and other payables	76 574	22 124
-	(7 253)	Decrease in provisions	(5 841)	-
21 766	37 601	Cash generated from operations	150 227	41 929
		23 Taxation paid		
(3 522)	(3 044)	Amounts owing at beginning of year	2 696	(3 570)
(8 438)	(17 465)	Current tax charged to income statement	(44 957)	(8 718)
-	-	Acquisition of subsidiary	-	4 645
3 044	7 873	Amounts (receivable) /owing at end of year	23 254	(2 696)
(8 916)	(12 636)		(19 007)	(10 339)

company 2007 R'000	company 2008 R'000		group 2008 R'000	group 2007 R'000
		24 Acquisition of subsidiaries		
-	-	Net assets acquired	-	-
-	-	Property, plant and equipment	-	87 420
-	-	Investment property	-	-
-	-	Inventories	-	5 533
-	-	Trade and other receivables	-	100 047
-	-	Cash	-	38 066
-	-	Taxation overpaid	-	4 645
-	-	Deferred taxation	-	(6 084)
-	-	Accounts payable	-	(97 940)
-	-	Secured borrowing	-	(12 753)
-	-	Post retirement benefit	-	(10 652)
-	-	Current portion of secured borrowings	-	(4 212)
-	-	Provisions	-	(5 803)
-	-	Shareholders' loans	-	(6 500)
-	-	Brand name acquired	-	94 529
-	-	Investment in subsidiaries	-	186 296
-	-	Add back shareholder's loan	-	6 500
-	-		-	192 796
-	-	Less : cash acquired	-	(38 066)
-	-	Less : brand name shown separately	-	(94 529)
-	-	Less : amount owing on profit warranties	-	(7 253)
-	-	Less : issue of shares as payment	-	(41 693)
-	-	Shares	-	(26)
-	-	Premium	-	(41 667)
-	-	Net cash paid on acquisition	-	11 255

100 % of Franki Africa (Pty) Ltd was acquired during the year. As part of the acquisition price, equity instruments were issued as detailed in note 10.

company 2007 R'000	company 2008 R'000		group 2008 R'000	group 2007 R'000
		25 Cash and cash equivalents		
		Cash and cash equivalents included in the cash flow include the following balance sheet amounts:		
17 914	44 812	Cash at bank and on hand	115 859	52 648
		26 Contingent liabilities		
-	-	The company acts as surety and co-principal debtor for amounts due by Esor Geotechnical Engineering (Pty) Ltd to First National Bank, a division of FirstRand Bank Limited, the amounts due at year-end were:	-	-

company			group	
2007	2008		2008	2007
R'000	R'000		R'000	R'000
		27 Joint ventures		
		The group and company have joint venture interests in the following operations.		
90 %	90 %	Esor Zek Joint Venture	90 %	90 %
50 %	50 %	Esor Realeka Joint Venture	50 %	50 %
50 %	50 %	Esor Franki Joint Venture	-	-
50 %	50 %	Esor Dura Joint Venture	50 %	50 %
-	-	M & R Franki Joint Venture	50 %	50 %
		The proportionate interests in the joint ventures have been incorporated into the results, cash flows, assets and liabilities as follows:		
		Balance sheet		
290	1 892	Current assets	2 443	290
290	2 196	Current liabilities	1 051	290
		Income statement		
1 640	3 505	Revenue	41 937	1 640
(834)	(3 526)	Cost of sales	34 566	(834)
806	(21)	Gross profit/(loss)	7 331	806
-	21	Other operating income	1	-
(2)	(72)	Other operating expenses	-	(2)
804	(72)	Profit before taxation	7 372	804
		Cash flow statement		
804	(72)	Cash flows from operations	7 372	804
-	-	Cash flows from investing activities	-	-
-	-	Cash flows from financing activities	-	-
804	(72)	Net cash flow	7 372	804

28 Share-based payments

The group operates a share option scheme for key employees. The options vest in 20% tranches over a total period of 5 years from the option date. Options are forfeited if the employee leaves the group before the options vest.

	group			
	2008		2007	
	Number of share options	Weighted average exercise price (cents)	Number of share options	Weighted average exercise price (cents)
Opening balance at beginning of year	6 000 000	-	-	-
Granted during the year	-	-	6 000 000	136
Exercised during the year	1 115 092	5.78	-	-
Outstanding at the end of the year	4 884 908		6 000 000	

The fair values of options granted during the year were calculated using a Black Scholes option pricing model. The key inputs into the model were as follows:

	2008	2007
Weighted average exercise price (cents)	-	136
Expected volatility	-	35%
Option lifetime	-	5 years
Risk free rate	-	7,41%

The expected useful life has been adjusted, based on managements' best estimate for the effects of employee turnover and exercise behaviour. The group recognised an expense of R1,7m (2007: R0,66m) relating to these equity settled share-based payment transactions during the year.

29 Directors' emoluments

Remuneration paid to directors of the company, whilst in office, during the year ended 29 February 2008 is as follows:

	Basic Salary R'000	Bonus R'000	Directors Fees R'000	2008 Total R'000	2007 Total R'000
Non-executive directors					
E Dube	-	-	100	100	-
J M Hlongwane	-	-	90	90	-
F A Sonn (including JC van Reenen (alternate))	-	-	120	120	-
DM Thompson	-	-	160	160	17
Executive directors					
M L Barber	1 320	1 500	-	2 820	1 520
A M Field	1 320	1 500	-	2 820	1 520
B Krone	1 320	1 700	-	3 020	1 520
M L Trevisani	1 320	1 500	-	2 820	1 520
From the company	5 280	6 200	470	11 950	6 097
Executive directors					
R P McLintock	1 258	1 778	-	3 036	686
W van Houten	1 260	1 706	-	2 966	539
From subsidiaries	2 518	3 484	-	6 002	1 225
Total emoluments	**7 798**	**9 684**	**470**	**17 952**	**7 322**

30 Risk Management

Financial assets and liabilities

Overview

The group and company have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The risk exposure is addressed below and has not changed from the previous reporting period.

This note presents information about the group's and company's exposure to each of the above risks, the group's and company's objectives, policies and processes for measuring and managing risk, and the group's and company's management of capital. Further quantitative disclosures are included throughout these consolidated and separate financial statements.

The board of directors has overall responsibility for the establishment and oversight of the group's and company's risk management framework. The risk management policies are established to identify and analyse the risks faced by the group and company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The group and company aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

The audit committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade and other receivables.

Trade and other receivables

The exposure to credit risk is influenced mainly by the counterparties' individual risk characteristics as an end user customer. The companies tender committee, established in terms of its risk policies and procedures, is mandated to review new customers and counterparties prior to submission of any bid or tender offers and proposals. This committee directs appropriate risk payment conditions and terms in its review of tender proposal and bids. Contract debtors, by geographical location, are grouped, as a concentration of credit risk, and monitored monthly by the executive management committee. When trading in other African countries, the group addresses the credit risk by mainly trading with existing customers. In addition large upfront payments and guarantees are requested in order to minimise exposure.

More than 80% of the group's (company: 80%) customers have been transacting with the group and company over the last two years, and losses have occurred infrequently. In monitoring customer credit risk, customers are mainly grouped according to their geographical location whilst other credit characteristics, including whether they are individual or legal entities, whether they are wholesale or end user customers and financiers, industry, aging profile, maturity and existence of previous financial difficulties are also considered. Customers classed as "high risk" are placed on a restrictive customer list and future contracts are made on an advance payment or payment guaranteed basis with the approval of the tender committee. Contracts entered into contain provisions for payment defaults and retention of title clauses, so that in the event of non-payment the group and company may have secured claims. The group and company may require collateral in respect of trade and other receivables and accrued income.

Guarantees

The company's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 29 February 2008, R49,33m (USD 6,5 m) corporate guarantee was outstanding (28 February 2007: nil).

Liquidity risk

Liquidity risk is the risk that the group and company will not be able to meet their financial obligations as they fall due. The policy to manage liquidity is to ensure, as far as possible, that the group and company will always have sufficient liquidity to meet their liabilities when they are due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The group and company use activity based costing to estimate the tendered cost of its products and services. Cash flow models, especially on larger tender proposals, are reviewed by the tender committee. The objective is to ensure that project cash flows remain positive throughout their estimated duration. Daily and monthly forecast cash flows are monitored to ensure that surplus cash is appropriately invested in optimal treasury call deposits and access finance facilities. In addition the group maintains the following sub-allocated lines of credit on its facility.

Financial market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the group's and company's income or value of its holdings of financial instruments. The objective is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk

The group and company are exposed to currency risk on intra-group transactions, capital asset acquisitions and foreign cash resources that are denominated in a currency other than the respective functional currencies of the group and company entity, primarily the south african rand.

The company hedges all foreign capital asset additions or imports against foreign currency exposures over the estimated delivery lead times. The company uses forward exchange contracts to hedge its currency risk, mostly with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

The principal amounts of the group's and company's foreign cash balances are managed to ensure that its net exposure is kept to acceptable exposure levels through multiple hard currencies, both on and off shore. Foreign treasury call deposits denominated in currencies other than the underlying operational functional currency provides an economic hedge and no derivatives are entered into.

Gross intra-group receivables are denominated in the functional currency of the entity funding the transaction. These investment levels are monitored to ensure that the net foreign exchange risk exposure is best economically hedged. Cash flows are monitored to minimise unnecessary foreign exchange risk associated with intra-group transaction. No derivatives are entered into to hedge these positions.

The group's and company's investments in foreign operations are not hedged as those currency positions are considered to be long term in nature.

Interest risk

The group and company are exposed to variable linked interest rate risk on its purchases of capital asset financed through instalment sale agreements. The group and company treasury operates an access finance facility against its exposure on its instalment sale borrowings, thereby economically off-setting its risk to interest rate changes.

Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the business. The board of directors monitors the return on capital, which the group defines as total capital and reserves, and the level of dividends to ordinary shareholders. The board's target is for employees, through a share participation scheme of Esor Limited, to hold more than five percent of the Esor Group's ordinary shares. Their holding is currently seven and half percent as at 29 February 2008. This shareholding is in line with the group's Broad Based Black Economic Empowerment strategy.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound and conservative capital position. The group's target is to achieve a return on capital of between 25% and 35%; in 2008 the return was 29,7% (2007: 14,2%).

There were no changes in the group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

Recognised in profit or loss

company 2007 R'000	company 2008 R'000		group 2008 R'000	group 2007 R'000
		Interest received		
3 007	4 960	Interest income on bank deposits	7 239	3 007
-	-	Net exchange gain on amounts owing to / from subsidiaries and foreign branches	22 078	14 413
970	3 566	Other	3 566	-
3 977	8 526		32 883	17 420
		Interest paid		
635	2 195	Interest expense on financial liabilities measured at amortised cost (other than bank overdrafts)	4 875	838
882	3 756	Interest expense on bank overdrafts	3 756	882
-	-	Net exchange loss on amounts owing to / from subsidiaries and foreign branches	18 908	13 525
-	-	Other	632	-
1 517	5 951		28 171	15 245
2 434	2 550	**The above financial income and expense includes the following in respect of assets / (liabilities) not at fair value through profit or loss:**	4 952	3 101
3 977	8 526	Total interest income on financial assets	10 805	3 007
1 517	5 951	Total interest expense on financial liabilities	9 263	1 720
		The carrying amount of the financial guarantee as described above and the carrying amount of financial assets represents the group's and company's maximum credit exposure in respect of these instruments. The maximum credit exposure to credit risk at the reporting date was:		
49 371	73 261	Contract debtors	229 443	136 331
6 768	8 458	Retention debtors	24 948	19 516
630	1 422	Prepayments	7 230	1 405
444	354	Sundry debtors	10 293	4 297
17 914	44 812	Cash and cash equivalents	115 859	52 648
75 127	128 307		387 773	214 197

The maximum exposure, by geographical concentration to credit risk for trade and other receivables at reporting date was:

company			group	
2007 R'000	2008 R'000		2008 R'000	2007 R'000
56 139	81 719	South Africa	223 854	118 387
-	-	Angola	27 094	29 154
-	-	Zambia	60	50
-	-	Common Monetary Area countries (Swaziland, Namibia)	263	2 423
-	-	Mozambique	7 694	4 529
-	-	Mauritius	9 085	6 171
-	-	Botswana	3 720	15
-	-	Tanzania	144	820
56 139	81 719		271 914	161 549
		Impairment losses		
		The aging of trade receivables at the reporting date was:		
53 218	69 649	Not past due	242 452	146 928
2 921	12 070	Past due and not impaired	29 462	13 612
-	-	Past due and impaired	-	-
56 139	81 719		271 914	160 540
		The movement in the allowance for impairment in respect of contract debtors during the year was as follows:		
-	-	Balance beginning of the year	-	-
-	-	Impairment loss (reversed) / raised	-	-
-	-	Balance at 29 February	-	-

Based on historic default rates, the group believes that no further impairment allowance, as detailed above, is necessary in respect of trade receivables past due. The ageing of contract debtors is affected directly by the measurement quantities claimed on interim certificates which are subject to re-measure and interim adjustments by the client or the clients representative.

The group and company may request certain clients to provide independent reputable bank guarantees, or advance payments, as collateral against credit risk, in respect of contracts concluded. The objective of such collateral is to counter effect default risk in the event of non payment by the group's and company's contract debtors.

The processes described above are followed by the group and company is to ensure the credit quality before credit is granted to the customers on projects.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

company			group	
2007 R'000	2008 R'000		2008 R'000	2007 R'000
		Non-derivative financial liabilities		
		Secured borrowings		
37 511	51 520	Carrying amount	106 473	51 854
47 608	56 218	Contractual cash flows	130 429	84 403
37 306	12 048	1 year or less	26 953	48 871
10 302	44 170	2 – 5 years	103 476	35 532
-	-	More than 5 years	-	-
		Trade and other payables		
22 252	29 521	Carrying amount	76 340	79 698
22 252	29 521	Contractual cash flows	76 340	79 698
22 252	29 521	1 year or less	76 340	79 698
-	-	2 – 5 years	-	-
-	-	More than 5 years	-	-
		Other (outside scope of IAS39)		
-	-	Carrying amount	121 500	41 568
-	-	Contractual cash flows	121 500	41 568
-	-	1 year or less	121 500	41 568
-	-	2 – 5 years	-	-
-	-	More than 5 years	-	-
		Totals		
59 763	81 041	Carrying amount	304 313	173 120
69 860	85 739	Contractual cash flows	328 269	205 669
59 558	41 569	1 year or less	224 793	170 137
10 302	44 170	2 – 5 years	103 476	35 532
-	-	More than 5 years	-	-
		Derivative financial liabilities		
-	-	Carrying amount	-	-
-	-	Contractual cash flows	-	-
-	-	1 year or less	-	-
-	-	2 – 5 years	-	-
-	-	More than 5 years	-	-

There are no defaults/breaches in respect of long term and shareholder loans payable.

Currency risk

Exposure to currency risk

The group's and company's exposure to foreign exchange risk was as follows at the reporting date:

company			group	
2007 R'000	2008 R'000		2008 R'000	2007 R'000
		Amounts owing to subsidiaries and branches		
-	-	USD	-	-
-	-	GBP	-	-
-	-	TZN	-	-
-	-	MRU	-	-
(893)	(958)	OTHER	-	-
		Cash and cash equivalents		
-	-	USD	692	18 937
-	-	GBP	276	4 310
-	-	TZN	-	-
-	-	MRU	-	-
-	-	OTHER	3 825	-
		Gross balance sheet exposure		
-	-	USD	692	18 937
-	-	GBP	276	4 310
-	-	TZN	-	-
-	-	MRU	-	-
(893)	(958)	OTHER	3 825	-
(893)	(958)		4 793	23 247

Amounts owing to subsidiaries and branches are not financial instruments disclosed in the consolidated accounts as at the current reporting date. However, these amounts do impact profit and loss within the group and company's financial statements resulting from changes in foreign exchange rates. Exposure to currency risk occurs when entities in the group owe amounts to other group entities in currencies dominated other than their financial currency.

Currency code:	Description
USD	United States dollars
GBP	Great British pounds
TZN	Tanzanian shillings
MRU	Mauritian rupee
ZAR	South African rand
Other	Mozambique metica / Botswana pula / Nigerian niara / Zambian kwacha / Angolan kwanza

The following significant exchange rates applied during the year:

company					group			
2007		2008			2008		2007	
Average Rate	Spot Rate	Average Rate	Spot Rate	Denomination	Average Rate	Spot Rate	Average Rate	Spot Rate
1.0000	1.0000	1.0000	1.0000	1 ZAR =	1.0000	1.0000	1.0000	1.0000
180.0448	174.3275	173.1200	154.6000	Tanzanian shillings	173.1200	154.6000	180.0448	174.3275
7.1397	7.2437	7.0463	7.5893	United States dollar	7.0463	7.5893	7.1397	7.2437
13.8989	14.2187	14.1053	15.0746	Great British pounds	14.1053	15.0746	13.8989	14.2187
4.5750	4.4831	4.3000	3.6000	Mauritian rupee	4.3000	3.6000	4.5750	4.4831
3.5800	3.5500	3.5800	3.2000	Mozambique metica	3.5800	3.2000	3.5800	3.5500
0.8578	0.8579	0.8700	0.8400	Botswana pula	0.8700	0.8400	0.8578	0.8579

Sensitivity analysis

A 10% strengthening of the ZAR against foreign currencies at the reporting date would have decreased profit or loss (after tax) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007: The translation of the foreign operations is affected by movements in the exchange rate which directly impacts on the group's and company's statement of recognised income and expenses. This risk is not defined within the scope of ifrs7 as a currency risk.

company			group	
2007	2008		2008	2007
R'000	R'000		R'000	R'000
81	87	**Equity and profit**	2 421	4 069

A 10% weakening of the ZAR against the above currencies at reporting date would have had an equal but opposite effect on profit or loss (after tax) by the amounts shown above. This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

Profile

At the reporting date the interest rate profile of the group's and company's interest-bearing financial instruments was:

company			group	
2007 R'000	2008 R'000	**Carrying Amount**	2008 R'000	2007 R'000
		Variable rate instruments		
66 298	56 358	Financial assets	115 859	52 648
(37 511)	(51 520)	Financial liabilities	(106 473)	(51 854)
28 787	(4 838)		9 386	794

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2007. A decrease in interest rates, would have an equal but opposite effect on profit or loss.

company			group	
2007 R'000	2008 R'000	**Profit or Loss**	2008 R'000	2007 R'000
204	(34)	Variable rate instruments	(67)	6

The group and company do not have any fair value sensitivity in respect of fixed rate instruments as at reporting date.

Accounting classification and fair values

The table below sets out the group's and company's classification of each class of financial asset and liabilities, and their fair values:

The fair value of all instruments is estimated at its carrying value as these instruments are short term in nature and thus carrying amount approximates fair value.

group – 28 february 2007						
Class of Financial Instrument	***Held-for-Trading***	***Loans & Receivables***	***Liabilities at Amortised Cost***	***Other financial assets and liabilities (outside the scope of IAS 39)***	***Total Carrying Amount***	***Fair Value***
Financial assets						
Trade and other receivables	-	133 826	-	27 723	161 549	161 549
Cash and cash equivalents	-	52 648	-		52 648	52 648
	-	186 474	-	27 723	214 197	214 197
Financial liabilities						
Secured borrowings	-	-	(43 915)		(43 915)	(43 915)
Trade and other payables	-	-	(79 698)	(41 568)	(121 266)	(121 266)
Current portion of secured borrowings	-	-	(7 939)		(7 939)	(7 939)
	-	-	(131 552)	(41 568)	(173 120)	(173 120)

group – 29 february 2008						
Class of Financial Instrument	***Held-for-Trading***	***Loans & Receivables***	***Liabilities at Amortised Cost***	***Other financial assets and liabilities (outside the scope of IAS 39)***	***Total Carrying Amount***	***Fair Value***
Financial assets						
Trade and other receivables	-	217 715	-	54 199	271 914	271 914
Cash and cash equivalents	-	115 859	-	-	115 859	115 859
	-	333 574	-	54 199	387 773	387 773
Financial liabilities						
Secured borrowings	-	-	(85 169)	-	(85 169)	(85 169)
Trade and other payables	-	-	(79 657)	(118 183)	(197 840)	(197 840)
Current portion of secured borrowings	-	-	(21 304)	-	(21 304)	(21 304)
	-	-	(186 130)	(118 183)	(304 313)	(304 313)

company – 28 february 2007						
Class of Financial Instrument	***Held-for-Trading***	***Loans & Receiv-ables***	***Liabilities at Amortised Cost***	***Other Financial assets and liabilities (outside the scope of IAS 39)***	***Total Carrying Amount***	***Fair Value***
Financial assets						
Unsecured loans	-	48 384	-	-	48 384	48 384
Trade and other receivables	-	57 213	-	-	57 213	57 213
Cash and cash equivalents	-	17 914	-	-	17 914	17 914
	-	123 511	-	-	123 511	123 511
Financial liabilities						
Secured borrowings	-	-	(33 783)	-	(33 783)	(33 783)
Trade and other payables	-	-	(22 252)	-	(22 252)	(22 252)
Current portion of secured borrowings	-	-	(3 728)	-	(3 728)	(3 728)
	-	-	(59 763)	-	(59 763)	(59 763)

company – 29 february 2008						
Class of Financial Instrument	***Held-for-Trading***	***Loans & Receiv-ables***	***Liabilities at Amortised Cost***	***Other Financial assets and liabilities (outside the scope of IAS 39)***	***Total Carrying Amount***	***Fair Value***
Financial assets						
Unsecured loans	-	11 546	-	-	11 546	11 546
Trade and other receivables	-	83 495	-	-	83 495	83 495
Cash and cash equivalents	-	44 812	-	-	44 812	44 812
	-	139 853	-	-	139 853	139 853
Financial liabilities						
Secured borrowings	-	-	(38 626)	-	(38 626)	(38 626)
Trade and other payables	-	-	(29 521)	-	(29 521)	(29 521)
Unsecured loans	-	-	(913)	-	(913)	(913)
Current portion of secured borrowings	-	-	(12 894)	-	(12 894)	(12 894)
	-	-	(81 954)	-	(81 954)	(81 954)

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair value of financial instruments reflected in the table above:

Derivatives

The fair value of forward exchange contracts is based on the fair value estimated by discounting the difference between the contractual forward price and the current forward price for the residual period of the contract to maturity using a risk free interest rate (based on government bonds).

Non-derivative financial liabilities: Secured borrowings, shareholder loans and finance leases

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Finance lease agreements are at variable linked prime rates of interest and thus the carrying value on such instruments would approximate the fair value.

Trade and other receivables

The fair value of trade and other receivables is estimated at its carrying value as these instruments are short term in nature and thus carrying amount approximates fair value.

Trade and other payables

The fair value of trade and other payables, is estimated at its carrying value as these instruments are short term in nature and thus carrying amount approximates fair value.

Intra-group receivables and payables

The fair value of intra-group receivables and payables is estimated at its carrying value as these instruments are short term in nature and thus approximates its fair value

The bank facilities are part secured against the book debts shown in note 9, which has been pledged by group as collateral.

The terms and conditions of the group and company's bank facility contain provision for the bank to terminate, reduce and/or demand immediate repayment of aggregate limits of the facility/ies by notice to the company. In addition the bank facility has secured the facility/ies against cession of the contract debtor balances, including retention debtors, in the event of breach of the facilty/ies terms and conditions by the group and company.

31 Related parties

During the year the following transactions took place with subsidiaries and related entities. Loan balances with these subsidiaries and related parties are shown in note 8.

company				group	
2007 R'000	2008 R'000	Party	Nature of transaction	2008 R'000	2007 R'000
822	881	EFA Holdings (Pty) Ltd	Accounts receivable	-	-
564	564	Esor Geotechnical Engineering (Pty) Ltd	Rent	-	-
225	472		Interest	-	-
39	41		Collection commission	-	-
6	6		Administration fee	-	-
715	-	Esor Plant Hire (Pty) Ltd	Dividend	-	-
160	159	Esor Properties (Pty) Ltd	Interest	-	-
270	270		Rent	-	-
6	6		Administration fee	-	-
14	14		Collection commission	-	-
506	213	Franki Africa (Pty) Ltd	Interest	-	-
6 576	527		Loan balance	-	-
-	4 644		Sales	-	-
-	9 079		Purchases	-	-
-	5 051		Dividends received	-	-
216	-	Hammib Properties (Pty) Ltd	Rent	-	-
120	-		Interest	-	-
11	-		Collection commission	-	-

32 Investments in subsidiaries

	share capital		holding		cost	
	2008 R	2007 R	2008 %	2007 %	2008 R'000	2007 R'000
EFA Holdings (Pty) Ltd						
2 ordinary shares of 1 Pula each at cost	2	2	100	100	*	*
Esor Properties (Pty) Ltd						
100 ordinary shares of R1 each at cost	100	100	100	100	684	684
Esor Geotechnical Engineering (Pty) Ltd						
102 ordinary shares of R1 each at cost	102	102	100	100	5241	5 241
Hammib Properties (Pty) Ltd						
100 ordinary shares of R1 each at cost	100	100	100	100	930	930
Franki Africa (Pty) Ltd						
100 ordinary shares of R1 each at cost	100	100	100	100	186 296	186 296
					193 151	193 151

* Less than R1 000

Refer to note 35 for further information on subsidiary companies.

33 Commitments

Leases

The group leases certain of its land and buildings, vehicles and office equipment for periods of up to a maximum of 10 years. At year-end, the minimum lease payments due on operating leases was as follows:

company				group		
1 Year R'000	2 – 5 Years R'000	More than 5 Years R'000		1 Year R'000	2 – 5 Years R'000	More than 5 Years R'000
-	-	-	Land and buildings	2 441	577	-
-	-	-	Vehicles	2 794	5 007	-
-	-	-	Office equipment	356	844	36
-	-	-		5 591	6 428	36

Capital commitments

At year-end, the purchase of plant and equipment to the value of R130,5 million and motor vehicles to the value of R1,7million had been authorised and contracted for. The company had authorised and contracted for plant and equipment to the value of R25,6 million and motor vehicles of R1,7 million. Further capital expenditure in the company to the value of R25,4 million had been authorised but was not yet contracted for. These assets will be utilised to expand the operating capacity of the group. The purchase of these assets will be funded through the group's existing borrowing facilities.

34 Segmental analysis

Geographical segments:

The group is managed in South Africa, but operates in two principal geographical areas of the world, namely Southern Africa and the other regions. In South Africa, its home country, the group's main focus is on the construction of piles and other related geotechnical & civil engineering procedures. The group also operates in Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland, Mauritius and Seychelles. The geographical locations are the basis on which the group reports its primary segment information.

	Southern Africa		Other regions		Consolidated	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Revenue						
External sales	848 273	256 591	169 207	34 801	1 017 480	291 392
Inter-segment sales	-	-	-	-	-	-
Total revenue	848 273	256 591	169 207	34 801	1 017 480	291 392
Result						
Segment result	114 484	51 139	38 623	(5 445)	153 107	45 694
Interest expense	(19 596)	(1 714)	(8 575)	(6)	(28 171)	(1 720)
Interest income	14 608	2 904	18 275	103	32 883	3 007
Income taxes	(27 058)	(15 390)	(14 759)	2 491	(41 817)	(12 899)
Profit	82 438	36 939	33 564	(2 857)	116 002	34 082
Other information						
Segment assets	628 708	370 667	129 763	94 729	758 471	465 396
Unallocated corporate assets	-	-	-	-	-	-
Consolidated total assets	628 708	370 667	129 763	94 729	758 471	465 396
Segment liabilities	341 762	187 549	27 045	37 827	368 807	225 376
Unallocated corporate liabilities	-	-	-	-	-	-
Consolidated total liabilities	341 762	187 549	27 045	37 827	368 807	225 376
Capital expenditure	127 331	39 543	20 139	1 719	147 470	41 262
Depreciation	14 559	7 411	15 832	1 243	30 391	8 654
Non-cash expenses other than depreciation	-	-	-	-	-	-

Geographical segments

Segment assets and liabilities: segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two more segments is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities and consist principally of accounts, wages, and taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred income taxes.

Inter-segment transfers: segment revenue, segment expenses and segment results include transfers between geographical segments. Such transfers are accounted for competitive market prices charged to unaffiliated customers for similar goods. Those transfers are eliminated in consolidation.

Business segments

The group operates in the single business segment of geotechnical & civil engineering, therefore no secondary segment report is presented.

35 Interest in Subsidiaries

The subsidiaries of Esor Limited are involved in the following principal activities.

	Country of incorporation	Nature of business	Percentage held	
			2008	2007
Directly held				
Esor Geotechnical Engineering (Pty) Ltd	South Africa	Property investment	100%	100%
Esor Properties (Pty) Ltd	South Africa	Property investment	100%	100%
EFA Holdings (Pty) Ltd	Botswana	Dormant	100%	100%
Hammib Properties (Pty) Ltd	South Africa	Property investment	100%	100%
Franki Africa (Pty) Ltd	South Africa	Geotechnical	100%	100%
Indirectly held				
Frankipile International Projects Ltd	Mauritius	Geotechnical	100%	100%
Frankipile Mozambique Limitada	Mozambique	Geotechnical	100%	50%
Frankipile Mauritius International Ltd	Mauritius	Geotechnical	100%	100%
Frankipile Botswana (Pty) Ltd	Botswana	Geotechnical	100%	100%
GeoFranki (West Africa) Ltd	Nigeria	Geotechnical	60%	60%
Frankipile Mauritius (Seyschelles) Ltd	Seychelles	Geotechnical	100%	100%
ZimFranki Projects (PVT) Ltd	Zimbabwe	Dormant	100%	100%
Nike Enterprises (PVT) Ltd	Zimbabwe	Property	100%	100%
Verbenam (Pty) Ltd	South Africa	Dormant	100%	100%
Chataprop Holdings 110 (Pty) Ltd	South Africa	Geotechnical	100%	100%
Frankipile Swaziland (Pty) Ltd	Swaziland	Geotechnical	100%	100%
Frankipile Lesotho (Pty) Ltd	Lesotho	Geotechnical	100%	100%
Frankipile Namibia (Pty) Ltd	Namibia	Geotechnical	100%	100%
New Franki Africa Holdings (Pty) Ltd	South Africa	Dormant	100%	100%
Skillful 89 (Pty) Ltd	South Africa	Dormant	100%	100%
Skillful Maintenance (Pty) Ltd	South Africa	Dormant	100%	100%

Further information of these subsidiaries can be found in note 32.

	2008 R'000	2007 R'000
The profit/(loss) after taxation attributable to the subsidiaries		
Esor Broad Based Employee Share Scheme	-	(666)
Esor Share Incentive Scheme	330	-
Esor Geotechnical Engineering (Cape) (Pty) Ltd	-	13
Esor Geotechnical Engineering (Pty) Ltd	27	66
Esor Plant Hire (Pty) Ltd	-	(25)
Esor Properties (Pty) Ltd	15	12
EFA Holdings (Pty) Ltd	(51)	(39)
Franki Africa (Pty) Ltd	73 586	12 628
Hammib Properties (Pty) Ltd	3	3
	73 910	11 992
Aggregate profits	73 961	12 722
Aggregate losses	(51)	(730)
Loans to subsidiaries		
Esor Broad Based Employee Share Scheme	-	30 666
Esor Share Incentive Trust	6 384	6 000
Esor Geotechnical Engineering (Pty) Ltd	3 285	3 257
Esor Properties (Pty) Ltd	1052	1 064
Franki Africa (Pty) Ltd	(913)	6 576
Hammib Properties (Pty) Ltd	825	821
	10 633	48 384

analysis of shareholders

Register date: 29 February 2008
Issued Share Capital: 247 903 840 ordinary shares

Shareholder spread	No. of Shareholders	%	No. of Shares	%
1 – 1000 shares	526	20.90	338 834	0.14
1001 – 10000 shares	1 346	53.50	5 989 518	2.42
10001 – 100 000 shares	510	20.27	17 170 694	6.93
100 001 – 1 000 000 shares	88	3.50	31 184 194	12.58
1 000 001 shares and over	46	1.83	193 220 600	77.93
	2 516	100.00	247 903 840	100.00

Distribution of shareholders	No. of Shareholders	%	No. of Shares	%
Banks	9	0.36	5 972 432	2.41
Close corporations	51	2.03	3 241 254	1.31
Empowerment	4	0.16	42 957 250	17.36
Endowment funds	18	0.71	90 135	0.04
Individuals	2 064	82.03	88 846 986	35.72
Insurance companies	6	0.24	10 492 272	4.24
Investment companies	8	0.32	3 649 420	1.47
Mutual funds	66	2.62	61 658 045	24.92
Nominees and trusts	162	6.44	3 915 371	1.58
Other corporations	42	1.67	362 628	0.15
Private companies	74	2.94	10 954 519	4.43
Public companies	6	0.24	154 600	0.06
Retirement funds	5	0.20	10 460 857	4.23
Share trust	1	0.04	5 148 071	2.08
	2 516	100.00	247 903 840	100.00

Public / Non – Public shareholders	No. of Shareholders	%	No. of Shares	%
Non-Public shareholders	18	0.72	133 104 978	53.69
Directors and associates of the company	12	0.48	54 701 268	22.06
Share trust	1	0.04	5 148 071	2.08
Empowerment	4	0.16	48 395 000	19.52
Strategic holdings	1	0.04	24 860 639	10.03
Public shareholders	2 498	99.28	114 798 862	46.31
	2 516	100.00	247 903 840	100.00

Beneficial shareholders holding of 3 % or more	No. of Shares	%
STANLIB	24 860 639	10.03
Esor Broad Based Share Ownership Scheme	18 750 000	7.56
Zerovest Investments 18 (Pty) Ltd	15 625 000	6.30
A M Field	11 600 304	4.68
M L Trevisani	11 600 304	4.68
M L Barber	11 600 304	4.68
B Krone	11 600 304	4.68
Vunani Capital (Pty) Ltd	10 020 000	4.04
Public Investment Corporation	9 048 719	3.65

shareholders' diary

Financial year end	29/02/2008
Preliminary announcement	21/05/2008
Last day to trade *cum* dividend	06/06/2008
Shares trade *ex* dividend	09/06/2008
Record date	13/06/2008
Payment date	17/06/2008
Annual general meeting	27/06/2008
Interim results announcement	November 2008

notice of annual general meeting

This document is important and requires your immediate attention. If you are in any doubt as to the reaction you should take, please contact your stockbroker, accountant, attorney, banker or other independent professional adviser immediately.

NOTICE is hereby given that the annual general meeting of shareholders of Esor will be held at the offices of the company at 30 Activia Road, Activia Park, Germiston, Johannesburg on Friday 27 June 2008 at 10h00 for the following purposes:

1. To consider the annual financial statements of the company for the year ended 29 February 2008.

2. To transact such other business as may be transacted at the annual general meeting of the company including the re-appointment of the auditors and the re-election of retiring directors: and

3. To consider and, if deemed fit, to pass, with or without modification, the following special and ordinary resolutions set out below, in the manner required by the South African Companies Act, 1973 as amended:

Special resolution

Special resolution number 1:

Share repurchases

"Resolved, as a special resolution, that the directors be authorised pursuant inter alia to the company's articles of association, until this authority lapses at the next annual general meeting of the company, unless it is then renewed at the next annual general meeting of the company and provided that this authority shall not extend beyond 15 months from date of passing this special resolution, for the company or any subsidiary of the company to acquire shares of the company, subject to the Listings Requirements of JSE Limited ("JSE"), provided that:

1. any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;

2. the company may only appoint one agent to effect any repurchases on its behalf;

3. the company must be authorised thereto by its articles of association;

4. the number of shares which may be acquired pursuant to this authority in any financial year (which commenced 1 March 2008) may not in the aggregate exceed 20% (twenty percent) of the company's issued share capital as at the date of passing of this special resolution;

5. repurchases of shares may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the securities for the five business days immediately preceding the date on which the transaction was effected;

6. repurchases may not be undertaken by the company or one of its wholly owned subsidiaries during a prohibited period (as defined in paragraph 3.67 of the Listings Requirements of the JSE)

7. The company may only undertake a repurchase of securities if, after such repurchase, it still complies with paragraphs 3,37 to 3,41 of the JSE Listings Requirements concerning shareholder spread;

8. repurchases may only take place if, after such repurchase, the shareholder spread of the company still complies with the Listings Requirements of the JSE;

9. after the company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the number of shares in issue (at the time that authority from shareholders for the repurchase is granted), the company shall publish an announcement to such effect, or any other announcements that may be required in such regard in terms of the Listings Requirements of the JSE which may be applicable from time to time; and

10. the company's Designated Advisor shall confirm the adequacy of the company's working capital for the purposes of undertaking the repurchase of shares in writing to the JSE prior to entering the market to proceed with the repurchase.

In accordance with the Listings Requirements of the JSE, the directors record that:

Although there is no immediate intention to effect a repurchase of securities of the company, the directors would utilise the general authority to repurchase securities as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.

The directors, after considering the maximum number of securities which may be purchased and the price at which the repurchases may take place pursuant to the buy-back general authority, are of the opinion that for a period of 12 months after the date of notice of this annual general meeting:

- the company and the group will be able to pay their debts in the ordinary course of business;

- the consolidated assets of the company and of the group fairly valued in accordance with international financial reporting standards, will exceed the consolidated liabilities of the company and of the group after the buy-back;

- the share capital and reserves of the company and of the group will be adequate for the purposes of the business of the company and its subsidiaries; and

- the working capital available to the company and its subsidiaries will be adequate for the purpose of the business of the company and its subsidiaries; and

- the working capital available to the company and its subsidiaries will be adequate for the purposes of the business of the company and its subsidiaries.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of paragraph 11.26 of the Listings Requirements of the JSE for purposes of this general authority:

- Directors – pages 11 and 12
- Major beneficial shareholders – page 58
- Directors' interests in ordinary shares – page 15
- Share capital of the company – page 34

Litigation statement

The directors, whose names appear on pages 11 and 12 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings including proceedings that are pending or threatened that may have or have had in the recent past (being at least the previous 12 (twelve months) a material effect on the group's financial position.

Directors' responsibility statement

Directors whose names appear on pages 11 and 12 of the annual report collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required in terms of the Listings Requirements of the JSE.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report for the year ended 29 February 2008 and up to the date of this notice.

Reasons for and effects of Special Resolution number 1

The reason for Special Resolution number 1 is to afford directors of the company or a subsidiary of the company a general authority to effect a buy-back of the company's shares on the JSE. The effect of the resolution will be that the directors will have the authority, subject to the Rules and Requirements of the JSE, to effect acquisitions of the company's shares on the JSE.

Ordinary resolutions

Ordinary resolution number 1:

Issue of shares for cash

"Resolved that the directors be authorised pursuant inter alia to the company's articles of association, until this authority lapses at the next annual general meeting of the company, unless it is then renewed at the next annual general meeting of the company provided that it shall not extend beyond 15 months, to allot and issue any ordinary shares for cash subject to the Rules and Requirements of the JSE Limited ("JSE") on the following bases:

1. the allotment and issue of the shares must be made to persons qualifying as public shareholders as defined in the Listings Requirements of the JSE;
2. the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
3. the number of shares issued for cash shall not in the aggregate in any one financial year exceed 50% (fifty percent) of the company's issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issued (announced, irrevocable and fully underwritten) or acquisition (concluded up to the date of application including announcement of the final terms) may be included as though they were shares in issue at the date of application;
4. the maximum discount at which ordinary shares may be issued is 10%(ten percent) of the weighted average traded price on the JSE of those shares over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the company;
5. after the company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue (including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 days prior to the date that the price of the issue is determined or agreed to by the directors and the effect of the issue on net asset value and earnings per share), or any other announcements that may be acquired in such regard in terms of the Listings Requirements of the JSE which may be applicable from time to time.

In terms of the Listings Requirements of the JSE a 75% (seventy-five percent) majority of the votes cast by shareholders present or represented by proxy at the general meeting must be cast in favour of Ordinary Resolution number 1 for it to be approved.

Ordinary resolution number 2:

Unissued ordinary shares

"Resolved that the authorised and unissued ordinary share capital of the company be and is hereby placed under the control of the directors of the company which directors are, subject to the Rules and Regulations of the JSE Limited ("JSE") and the provisions of section 221 and 222 of the Companies Act, 1973 as amended, authorised to allot and issue any of such shares at such time or times, to such person or persons, company or companies and upon such terms and conditions as they may determine, such authority to remain in force until the next annual general meeting of the company."

notice of annual general meeting *(continued)*

Ordinary resolution number 3:

Re-election of directors

"Resolved that Roy McLintock and Wayne van Houten be re-elected as directors of the company"

Ordinary resolution number 4:

Directors' remuneration

"Resolved that the remuneration of the directors, as set out on page 44 of the annual report of which this notice forms part, be and is hereby confirmed and ratified."

Ordinary resolution number 5:

Signature of documentation

"Resolved that any director or the company secretary of the company be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of Special Resolution number 1 and Ordinary Resolutions numbers 1, 2, 3, 4 and 6 which are passed by the members in accordance with and subject to the terms thereof".

Ordinary resolution number 6:

Re-appointment of auditors

"Resolved that RSM Betty & Dickson (Durban) be re-appointed as auditors of the company."

voting and proxies

A shareholder of the company entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, vote and speak in his/her stead.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

A form of proxy is attached for the convenience of any shareholder holding Esor shares who cannot attend the annual general meeting. Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at or posted to the office of the transfer secretaries of the company, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (P O Box 61051, Marshalltown, 2107) to be received no later than 48 hours prior to the meeting. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the general meeting should the member subsequently decide to do so.

Shareholders who have already dematerialised their shares though their Central Securities Depository Participant ("CSDP") or broker rather than through own-name registration and who wish to attend the annual general meeting must instruct their CSDP or broker to issue them with the necessary authority to attend.

Dematerialised shareholders, who have elected own-name registration in the sub-register through a CSDP and who are unable to attend but wish to vote at the annual general meeting should complete and lodge the attached form of proxy with the transfer secretaries of the company.

Dematerialised shareholders, who have elected own-name registration in the sub-register through a CSDP and who are unable to attend but wish to vote at the annual general meeting, should timeously provide their CSDP or broker with their voting, instructions in terms of the custody agreement entered into between the shareholder and his CSDP or broker.

By order of the board

I D Stephen
Company Secretary
19 May 2008

Registered Address

130 Aberdare Drive
Phoenix Industrial Park
Durban, 4068
(PO Box 40096, Red Hill, 4071)

Transfer Secretaries

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

form of proxy (for use by certificated shareholders and own name dematerialized shareholders)

esor limited

(Incorporated in the Republic of South Africa) (Registration number 1994/000732/06)
JSE Code: ESR ISIN: ZAE000078408
("Esor" or "the company")

Form of proxy for the annual general meeting of the company to be held at 10:00 on Friday, 27 June 2008 at the company's offices at 30 Activia Road, Activia Park, Germiston ("the annual general meeting").

For use by certificated shareholders, nominee companies of Central Securities Depository Participants ("CSDP"), brokers' nominee companies and shareholders who have dematerialised their shares and who have elected own-name registration, who wish to vote on the ordinary and special resolutions per the Notice of the Annual General meeting to which this form is attached.

Shareholders who have dematerialised their shares through a CSDP or broker must not complete this form of proxy and must provide their CSDP or broker with their voting instructions, except for shareholders who elected own-name registration in the sub-register through a CSDP, which shareholders must complete this form of proxy and lodge it with Computershare Investor Services (Proprietary) Limited. Holders of dematerialised shares other than with own name registration, wishing to attend the annual general meeting must inform their CSDP or broker of such intention and request their CSDP or broker to issue them with the necessary authorization to attend.

I/We (Name in block letters)		
Of (Address)		
Being the holder/s of		Ordinary shares in the company, do hereby appoint.
1.	**or failing him/her**	
2.	**or failing him/her**	
3. The chairperson of the annual general meeting		

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting of the company, or any adjournment thereof, which will be held for the purpose of considering and, if deemed fit, of passing, with or without modification, the ordinary and special resolutions as detailed in the Notice of Annual General Meeting, and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions (refer notes on the reverse):

	Number of votes on a poll (one vote per ordinary share)		
	In favour	Against	Abstain
To pass special resolution:			
1. To effect share buy-backs			
To pass ordinary resolution:			
1. To issue for cash the authorised but unissued shares			
2. To place the unissued shares under the control of the directors			
3. To re-elect the following directors			
Roy McLintock			
Wayne van Houten			
4. To ratify directors' remuneration			
5. To authorize the signature of documentation			
6. To re-appoint RSM Betty & Dickson (Durban) as auditors of the company.			

Signature	**Signed at**	**on** **2008**
Assisted by (if applicable)		

Notes

1. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the company) to attend, speak and vote in place of that shareholder at the annual general meeting.

2. Shareholder(s) that are certificated or own-name dematerialised shareholders may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairperson of the meeting", but any such deletion must be initialled by the shareholder(s). The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy the chairperson shall be deemed to be appointed as the proxy.

3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorize the proxy, in the case of any proxy other than the chairperson, to vote or abstain from voting as deemed fit and in the case of the chairperson to vote in favour of the resolution.

4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholders, but the total of the votes cast or abstained from may not exceed the total of the votes exercisable in respect of the shares held by the shareholder.

5. Forms of proxy must be lodged at or posted to Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received no later than 48 hours prior to the meeting.

6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Where there are joint holder of shares, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.

7. The chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairperson is satisfied as to the manner in which the shareholder concerned wishes to vote.

8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or Computershare Investor Services (Proprietary) Limited or waived by the chairperson of the annual general meeting.

9. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

10. A minor must be assisted by his/her parent guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by Computershare Investor Services (Proprietary) Limited.

11. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.