annual financial statements – 28 february 2007

ceo report

Introduction

It is with a great deal of pride that the directors of Esor Limited present the financial results for the year ended 28th February 2007.

As the first presented since the company listed, the results represent a significant milestone in the company's history. Even more significant has been the acquisition of Franki Africa Pty (Ltd) (Franki) making the group the largest geotechnical contractor in Southern Africa. The circular to shareholders dated 31 October 2006 detailed this acquisition and it is worthy of note that actual financial results have exceeded the forecasts in all material respects.

As a result Esor is now the largest company on the Alternative Exchange (Alt^{x}) of the JSE Limited by market capitalisation.

Acquisitions

Although the company only listed on the Alt^{x} on 14th March 2006, it was strategically beneficial for all stakeholders to have acquired Franki during the course of this financial year. The deal was finalised on 31st October 2006 and four months of Franki's trading figures are consolidated into our financial results. The two companies continue to operate autonomously and are both well branded in the geotechnical contracting market. There are no plans to change this strategy in the short term. Franki is a well established company having recently celebrated its 60th year of existence. It has an experienced and dedicated management team with loyal and committed staff. Esor is proud to have them on board and we are sure that by merging knowledge, know-how and synergies between the two companies, all stakeholders will benefit.

Review of Operations

Esor's performance has again improved substantially. Our interim results previously reflected our philosophy of selectivity towards targeted contracts with marginally decreased turnover but increased profit. Our annual financial results continue to reflect this philosophy but with greatly increased turnover delivering commensurately higher profits. Trading conditions in the construction industry continue to thrive, creating an increased demand for the group's services. Management remain committed to exercising strict cost controls with an added focus on operational efficiency within the group. These principles together with an aggressive plant renewal policy have lead to higher operating margins being attained yet again.

Black Economic Empowerment

A BEE transaction was concluded as part of the Franki acquisition deal. Esor has fulfilled two primary objectives in this transaction by including all our employees and a group of independent empowerment partners in equity participation. The company currently has a 26,86 % BEE component. More than 70% of the group's 1 075 strong workforce is made up of Historically Disadvantaged South Africans who now, through the Esor Broad Based Share Ownership Scheme, hold a 7,7 % stake in the company.

Financial Results

Group revenue increased by 132% to R291.4 million for the year and EBITDA grew by 163% to R54.3 million. Headline earnings again improved dramatically by 167.2% to R33,9 million.

During the year the group invested in organic growth through the purchase of capital equipment to the value of R41,2 million and the acquisition of Franki. The projected earnings for the year as disclosed in the circular dated 23 November 2006 were exceeded by 53,7 % resulting in headline earnings per share of 22,5 cents.

Prospects

True to its strategic plan to cater for increased demand, Esor has increased its capacity significantly both internally and through the acquisition of Franki. This increased capacity is standing Esor in good stead to handle the increased demand for its services. Esor and Franki have both secured work in all facets of Government's infrastructure spend including Gautrain, 2010 stadia and ACSA upgrades and expansions. The increased capacity has also allowed Esor to continue servicing the needs of its more traditional clients in the municipal and commercial sectors where demand has also increased. The Esor Group has good prospects going forward with a healthy order book and budgeted work for the new financial year in excess of R570 million. The Directors are again confident, if the market conditions remain favourable, that real growth in headline earnings per share will be achieved for the coming financial year.

Capex and Plant Replacement Policy

Management are aggressively committed to expanding its present equipment resources with "state of the art" modern rigs that will see the company enter a new era of hydraulic efficiency. This program will compliment the existing fleet and significantly enhance group capacity in line with market demand.

Appreciation

Our staff, as always, played a huge role in the success of the company and we thank them unconditionally. The majority of our employees have 15 years or more service under their belts and their loyalty and extremely high work ethic help to set us apart in our sector. In making this statement I include the management and staff of Franki. We welcome them on board and have no doubt that the initial cooperative goodwill shown by both companies will continue to the benefit of all stakeholders. We also thank our business partners, advisors, suppliers, clients and most importantly our shareholders for their ongoing support and faith in the group.

Bernard Krone
Chief Executive Officer

corporate governance

General

The principles embodied in the King Report on Corporate Governance are subscribed to by Esor Limited.

Board of Directors

The board consists of six executive and four non executive directors. Meetings are chaired by David Thompson a non executive director. The board meets quarterly where matters of strategy, performance, risk and corporate governance issues in general are monitored and evaluated. Should circumstances dictate, additional board meetings may be convened. The six executive directors also meet independently of the board in keeping with the day to day operations of the company.

Remuneration and Nomination Committee

The remuneration committee consists of two non executive directors and meets at least once a year to determine the remuneration packages and conditions of employment of the executive directors and monitor the remuneration policy of the group.

Should a need for new nominations arise, this function will be performed by the same committee.

Audit Committee

The audit committee comprises the three non executive directors, chaired by Johan van Reenen through his financial expertise. The committee meets three times a year although further ad hoc meetings may be convened should this be deemed necessary.

The external auditors are invited to attend every meeting. Current systems and cost control within the company are considered to be both adequate and reliable but will be reviewed on a regular basis and amended where appropriate.

The committee will ensure that if any significant business, financial or other risks are identified, they will be suitably managed under the ambit of corporate governance, reporting and compliance.

responsibility report

Employment Equity and Empowerment

Esor is an equal opportunity employer and no favour is granted as to race, gender or creed. For many years Esor has been committed to affirmative action and has followed a policy of promoting previously disadvantaged individuals from within its own ranks. Esor saw the acquisition of Franki Africa (Pty) Ltd as an ideal opportunity to strengthen its BEE credentials. Part of the transaction, therefore, saw a BEE consortium issued with 26,86 % of the issued share capital of Esor. The workforce through the Esor Broad Based Share Ownership Scheme hold a 7,7 % stake in the company.

HIV / AIDS

The entire workforce have been counselled and have attended awareness programmes which have made them eligible for ARV grants where applicable. Management have also participated in programmes and issued information manuals to staff. It is recognized that programmes have to be sustainable and ongoing.

Health, Safety, Quality and the Environment

Esor acknowledges its social responsibility to each employee and society as a whole. The company is involved in large-scale remediation work as part of its social responsibility principles.

Esor is committed to maintaining high standards in respect of Health, Safety and Quality. The company strives to ensure that environmental concerns are prioritized on all projects.

executive directors

Bernard Krone

(53)

(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 Wits and thereafter attained Professional Engineer Status. Bernie gained experience in the employ of major geotechnical engineering companies before joining Esor. He is currently Esor's Gauteng Manager and has 25 years of service covering all aspects of geotechnical engineering.

Mauro Lino Trevisani

(51)

(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 21 years.

Arthur Maurice Field

(55)

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 26 years service.

Michael Laurence Barber

(59)

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 23 years of service with experience in all disciplines.

Roy McLintock

(53)

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 30 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 five years.

Wayne van Houten

(42)

BCom, BAcc, CA (SA)

After obtaining both BCom and BAcc degrees at the University of Witwatersrand, Wayne van Houten, having served his articles with KPMG, qualified as a Chartered Accountant in 1990. He left the auditing profession shortly thereafter and has been involved in the construction industry ever since, working with Grinaker-LTA, IMS and the Platinum JV on the N4 Toll road construction prior to joining Franki Africa in early 2005. Wayne is currently the Financial Director of Franki Africa (Pty) Ltd.

non executive directors

David Murray Thompson

(70)

(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 and today serves on the Advisory Panel Gauteng to the MEC for housing. 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 Mlungisi Hlongwane

(43)

In 1997, the Minister of Post & Telecommunications, Mr Jay Naidoo, appointed Mlungisi as the Head of Universal Services Agency (USA), a statutory body designed to assist and 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 in Sakhisizwe Holdings (Pty) Ltd, Vukile Properties, Director Signs, Combo Signs, Vula Communications, and Emerald Safari Resorts. Mlungisi is the current President of SANCO (South African National Civics Organisation) and has been for the past 5 years.

Johan van Reenen

(52)

B Sc (Hons), MBA

Currently executive director of Imalivest (Pty) Ltd, Johan van Reenen 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

(48)

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. In 2002, he led and 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).

Franklin Abraham Sonn

(67)

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. Although he terminated all his directorships when he became ambassador to the USA in 1995, Franklin is once again serving on the boards of many companies, including Airports Company of S.A. Ltd (Chairman); Absa Bank Ltd; Absa Group Ltd; SAPPI Ltd; Macsteel Service Centres 2005 (Pty) Ltd; Safmarine (Pty) Ltd; Steinhoff International Holdings Ltd; RGA Reinsurance Co. of S.A. Ltd; Kwezi V3 Engineers (Pty) Ltd (Chairman); Ekapa Mining (Pty) Ltd (Chairman) and Pioneer Food Group; Metropolitan Holdings Ltd and others. He serves as a trustee on The Legal Resources Trust and World Wide Fund for Nature S.A. He has been the Chancellor of the University of the Free State since 2002. Franklin currently holds the position of Chairman of African Star Ventures (Pty) Ltd, Cape Star Investments (Pty) Ltd and Imalivest (Pty) Ltd.

report of the independent auditors

We have audited the annual financial statements and group annual financial statements of Esor Limited, which comprise the directors report, the balance sheet and the consolidated balance sheet at 28 February 2007, the income statement and consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity 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 7 to 40.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these 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, annual financial statements present fairly, in all material respects, the financial position of the company and of the group at 28 February 2007, 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)

RSM BETTY & DICKSON (DURBAN)
Registered Auditors

Westville

18 May 2007

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 28 February 2007.

NATURE OF BUSINESS

The group's primary business is that of culvert and pipe jacking, piling, lateral support, ground improvement, thrust and auger boring and civil engineering.

FINANCIAL RESULTS

Group revenue has more than doubled to R291,4 million from R125,4 million in the previous year, 14,5% ahead of the R254,5 million in the revised listing forecasts. Earnings before interest, depreciation and taxation increased by 163% to R54,3 million from R20,6 million and exceeded the revised listing forecast of R41,9 million by 29,6%. Headline earnings rose 167,2% to R33,9 million equating to 22,5 cents per share, 53,7% ahead of the revised listing forecast of 14,64 cents per share. Net asset value per share has increased by 197,2% from 36,94 cents per share to 109,79 cents per share and net tangible asset value per share has increased by 80,2% from 36,94 cents per share to 66,55 cents per share.

PROPERTY, PLANT AND EQUIPMENT

During the year under review, the group acquired property, plant and equipment amounting to R41.3 million (2006 : R13.9 million) and a further amount of R87.4 million as a result of the acquisition of Franki Africa (Pty) Ltd.

DIVIDEND DECLARATION

As part of Esor's negotiations with their BEE partners and to reward shareholders for their faith in the group, the directors declared a final dividend of R14.6 million amounting to 6.0c per share for the year ended 28 February 2007, three times higher than the 1,97 cents per share in the revised listing forecasts. 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, 8 June 2007
Shares trade *ex* dividend	Monday, 11 June 2007
Record date	Friday, 15 June 2007
Payment date	Monday, 18 June 2007

No share certificates may be dematerialised or re-materialised between Monday, 11 June 2007 and Friday, 15 June 2007, both dates inclusive.

SHARE CAPITAL

Details of the authorised and issued shares are shown in note 10 and the analysis of shareholders on page 41. There were no changes to the authorised share capital during the year.

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. The directors further propose that the authority granted to them to control the unissued shares and to issue new shares for cash be renewed.

The issued share capital increased by 143 370 510 ordinary shares as a result of the allotment and issue of new shares during the year. Of the shares issued, 123 370 510 shares were issued in terms of authority given at a general meeting on 23 November 2006.

SHARE OPTION SCHEME

Esor has a share option scheme as an incentive for key employees of the group. By 28 February 2007, 6 000 000 options have been 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. No options were exercised during the year as the first tranch only became available on 14 March 2007.

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	3 000 000	R1,00
30 November 2006	29 November 2012	3 000 000	R1,60

INTEREST IN SUBSIDIARIES

Shareholders are referred to the circular published on 31 October 2006 indicating the Group's intention to purchase the entire issued share capital of Franki Africa (Pty) Ltd. This intention was subject to the approval by shareholders in a general meeting, which was given at the meeting of shareholders on 23 November 2006.

Further details of the company's subsidiaries are shown in note 36.

HOLDING COMPANY

Esor Limited had no holding company at 28 February 2007.

SPECIAL RESOLUTIONS

At the annual general meeting on 23 August 2006, 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. This authority will expire at the next annual general meeting.

DIRECTORS AND SECRETARY

The following held office as directors during the year under review:-

Executive directors

M L Barber
A M Field*
B Krone
R P McLintock (appointed 23/11/2006)
M L Trevisani **
W van Houten (appointed 23/11/2006)

Non executive directors

E Dube [A] (appointed 24/01/2007)
J M Hlongwane [R] (appointed 29/01/2007)
I G Jefferiss * (resigned 26/11/2006)
F A Sonn [A] (appointed 26/01/2007)
D M Thompson [AR] (Chairman)
J van Reenen [A] (Alternate to F A Sonn) (appointed 26/01/2007)

* *British*
** *Italian*
[A] Member of the Audit Committee
[R] Member of the Remuneration & Nomination Committee

M L Trevisani resigned as secretary of the company on 28/02/2007. I D Stephen was appointed as company secretary on this date. His business address is 688 Pretoria Main Road, Wynberg, Sandton, 2090 and postal address is P O Box 39075, Bramley, 2018.

SUBSEQUENT EVENTS

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

AUDITORS

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

DIRECTORS INTEREST

At 28 February 2007, 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.

	2007				2006			
Director	**Beneficial**		**Non beneficial**		**Beneficial**		**Non beneficial**	
	Direct	**Indirect**	**Direct**	**Indirect**	**Direct**	**Indirect**	**Direct**	**Indirect**
Executive								
M L Barber	14 828 033	909 091	-	-	24 090 909	909 091	-	-
A M Field	14 828 033	909 091	-	-	24 090 909	909 091	-	-
B Krone	14 828 033	909 091	-	-	24 090 909	909 091	-	-
R P McLintock	3 381 131	-	-	-	-	-	-	-
M L Trevisani	14 828 033	909 091	-	-	24 090 909	909 091	-	-
W van Houten	765 825	-	-	-	-	-	-	-
	63 459 088	3 636 364	-	-	96 363 636	3 636 364	-	-
Non executive								
E Dube	-	10 000 000	-	-	-	-	-	-
J M Hlongwane	-	15 625 000	-	-	-	-	-	-
F A Sonn	-	4 375 000	-	-	-	-	-	-
D M Thompson	-	-	-	70 000	-	-	-	-
J C van Reenen	49 200	5 000 000	-	-	-	-	-	-
	63 508 288	38 636 364	-	70 000	96 363 636	3 636 364	-	-

The designated advisors of Esor held 4 787 503 shares directly in the ordinary share capital of the company at year end.

STATEMENT OF RESPONSIBILITY

The directors of the group 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 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 7 to 40 were approved by the board of directors on 18 May 2007 and are signed on their behalf by:-

B Krone
Chief executive officer

M L Trevisani
Financial director

Germiston

18 May 2007

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

18 May 2007

balance sheet

company				group	
2006	2007		Note	2007	2006
R'000	R'000			R'000	R'000
		ASSETS			
15 708	214 018	**Non-current assets**		238 579	20 463
8 841	20 867	Property, plant and equipment	4	139 861	20 463
-	-	Intangible assets	5	94 529	-
-	-	Deferred taxation	13	4 189	-
6 867	193 151	Investments in subsidiaries	6	-	-
43 376	123 534	**Current assets**		226 817	40 723
36	23	Inventories	7	6 877	36
3 566	48 384	Unsecured loans	8	-	5
-	-	Taxation overpaid		5 743	-
27 184	57 213	Trade and other receivables	9	161 549	28 046
12 590	17 914	Cash at bank and on hand		52 648	12 636
59 084	337 552	**Total assets**		465 396	61 186
		EQUITY AND LIABILITIES			
36 209	264 641	**Share capital and reserves**		240 020	36 940
6 372	211 351	Share capital and premium	10	175 352	6 372
-	-	Equity compensation reserve		658	-
-	-	Foreign currency translation reserve		41	-
-	-	Post retirement benefit reserve		(681)	-
29 837	53 290	Accumulated profits		64 650	30 568
4 797	36 634	**Non-current liabilities**		71 724	4 797
2 837	33 783	Secured borrowings	11	43 915	2 837
-	-	Post retirement benefits	12	10 507	-
1 960	2 851	Deferred taxation	13	17 302	1 960
18 078	36 277	**Current liabilities**		153 652	19 449
1 909	3 728	Current portion of secured borrowings	11	7 939	1 909
3 125	-	Unsecured loans	8	-	4 424
3 522	3 044	Taxation owing		3 047	3 570
-	7 253	Provisions	14	21 400	-
9 522	22 252	Trade and other payables	16	121 266	9 546
59 084	337 552	**Total equity and liabilities**		465 396	61 186

income statement

company				group	
2006 R'000	2007 R'000		Note	2007 R'000	2006 R'000
125 393	169 806	Revenue	17	291 392	125 393
(98 772)	(128 688)	Cost of sales		(209 465)	(98 772)
26 621	41 118	Gross profit		81 927	26 621
235	1 617	Other operating income	18	1 133	1 057
(7 084)	(10 089)	Operating expenses		(28 712)	(7 060)
19 772	32 646	Profit before interest, depreciation & taxation		54 348	20 618
(2 649)	(2 324)	Depreciation		(8 654)	(2 650)
17 123	30 322	Profit before interest and taxation	19	45 694	17 968
(467)	(1 517)	Interest paid		(1 720)	(489)
1 025	3 977	Interest received		3 007	982
17 681	32 782	Profit before taxation		46 981	18 461
(5 099)	(9 329)	Taxation	20	(12 899)	(5 122)
12 582	23 453	Profit for the year		34 082	13 339
		Earnings per share	21		
12.6 cents	14.6 cents	Basic earnings per share		22.6 cents	13.3 cents
12.6 cents	14.3 cents	Diluted earnings per share		22.2 cents	13.3 cents
12.7 cents	14.5 cents	Headline earnings per share		22.5 cents	12.7 cents
0.0 cents	6.0 cents	Dividends per share		6.0 cents	0.0 cents

statement changes in equity

group

	Share capital	Share premium	Equity compensation reserve	Foreign currency translation reserve	Post retirement benefit reserve	Accumulated profits	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 1 March 2005	*	-	-	-	-	17 229	17 229
Share issue	*	6 855	-	-	-	-	6 855
Share issue expenses	-	(483)	-	-	-	-	(483)
Capitalisation issue	100	(100)	-	-	-	-	-
Profit for the year	-	-	-	-	-	13 339	13 339
Balance at 1 March 2006	100	6 272	-	-	-	30 568	36 940
Share issue	93	137 807	-	-	-	-	137 900
Share issue expenses	-	(10 613)	-	-	-	-	(10 613)
Share based payments	26	41 667	-	-	-	-	41 693
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	219	175 133	658	41	(681)	64 650	240 020
Analysis of holding company and subsidiaries interest							
Holding company	219	175 133	658	-	-	53 290	229 300
Subsidiaries	-	-	-	41	(681)	11 360	10 720
	219	175 133	658	41	(681)	64 650	240 020

company

	Share capital	Share premium	Accumulated profits	Total
	R'000	R'000	R'000	R'000
Balance at 1 March 2005	*	-	17 255	17 255
Share issue	*	6 855	-	6 855
Share issue expenses	-	(483)	-	(483)
Capitalisation issue	100	(100)	-	-
Profit for the year	-	-	12 582	12 582
Balance at 1 March 2006	100	6 272	29 837	36 209
Share issue	117	173 782	-	173 899
Share issue expenses	-	(10 613)	-	(10 613)
Share based payments	26	41 667	-	41 693
Profit for the year	-	-	23 453	23 453
Balance at 28 February 2007	243	211 108	53 290	264 641

* Amount less than R1 000.

cash flow statement

company				group	
2006 R'000	2007 R'000		Note	2007 R'000	2006 R'000
5 514	16 025	**Cash flows from operating activities**		32 877	4 781
121 519	140 547	Cash receipts from customers		258 833	120 827
(114 158)	(118 781)	Cash paid to suppliers and employees		(216 904)	(114 131)
7 361	21 766	Cash generated from operations	22	41 929	6 696
-	715	Dividends received		-	-
1 025	3 977	Interest received		3 007	982
(467)	(1 517)	Interest paid		(1 720)	(489)
(2 405)	(8 916)	Taxation paid	23	(10 339)	(2 408)
(1 657)	(158 809)	**Cash flows from investing activities**		(146 638)	(808)
(2 229)	(14 427)	Acquisition of property, plant and equipment		(41 263)	(2 229)
572	209	Proceeds on disposal of property, plant and equipment.		409	571
-	-	Brand name acquired		(94 529)	-
-	(144 591)	Acquisition of subsidiary	24	(11 255)	-
-	-	Proceeds on disposal of investment property		-	850
1 843	148 108	**Cash flows from financing activities**		153 773	1 880
2 155	(47 943)	Increase/(decrease) in unsecured loans		(4 419)	2 192
(312)	32 765	(Decrease)/increase in secured borrowings		30 905	(312)
-	163 286	Share issue nett of issue expenses		127 287	-
5 700	5 324	Net increase in cash and cash equivalents		40 012	5 853
6 890	12 590	Net cash and cash equivalents at beginning of year		12 636	6 783
12 590	17 914	**Cash & cash equivalents at end of year**	25	52 648	12 636

notes to the annual financial statements

1. General Information

Esor Limited is a company incorporated in the Republic of South Africa. The addresses of it's 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 director's 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 stock
Any stock that is physically identified as damaged or obsolete is 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 IAS27 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**
Buildings	Straight line	50 years
Plant and equipment	Straight line	10 years
Motor vehicles	Straight line	5 years
Fixtures and fittings	Straight line	8 years
Major components	Straight line	4 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, 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

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, through the statement of changes 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 loans and receivables. Loans from group companies are classified as financial liabilities.

Shareholders loans
Loans from shareholders are classified as financial liabilities. Loans to shareholders are classified as loans and receivables.

Trade and other receivables
Trade and other receivables are classified as loans and receivables and are carried at amortised cost less any impairment. Impairment is determined on a specific basis, whereby each asset is individually evaluated for impairment indicators. Write-downs of these assets are expensed in profit or loss.

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.

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

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 liability is recognised for all taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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).

2.12 Taxation *(Continued)*

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.

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.

2.15 Translation of foreign currencies *(Continued)*

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 at the dates of the cash flows.

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 subsidiary 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

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 7 Financial Instruments: Disclosure	1 January 2007
IFRS 8 Operating Segments	1 January 2009
IFRIC 8 Scope of IFRS 2	1 May 2006
IFRIC 9 Reassessment of Embedded Derivatives	1 June 2006
IFRIC10 Interim Financial Reporting and Impairment	1 November 2006
IFRIC 11 IFRS 2: Group and Treasury Share Transactions	1 March 2007
IFRIC 12 Service Concession Arrangements	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					
	2007			2006		
	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	21 291	20	21 271	11 622	-	11 622
Plant and equipment	124 627	17 638	106 989	6 062	3 192	2 870
Motor vehicles	18 127	7 027	11 100	11 440	5 671	5 769
Furniture and fittings	448	197	251	208	186	22
Computers	991	741	250	804	624	180
	165 484	25 623	139 861	30 136	9 673	20 463

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

	Carrying value at beginning of year	Additions	Acquisition through business combinations	Disposals	Depreciation	Translation adjustments	Carrying value at end of year
Land and buildings	11 622	773	9 111	-	(27)	(208)	21 271
Plant and equipment	2 870	35 649	75 391	(183)	(6 590)	(148)	106 989
Motor vehicles	5 769	4 557	2 762	(42)	(1 901)	(45)	11 100
Furniture and fittings	22	113	134	-	(18)	-	251
Computers	180	171	22	-	(118)	(5)	250
	20 463	41 263	87 420	(225)	(8 654)	(406)	139 861

Certain property, plant and equipment with a carrying value of R3,4 m (2006 : R2.2 m) 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.

There are no assets with impaired values.

4 Property, plant and equipment *(Continued)*

company						
	2007			2006		
	Cost R'000	Accumulated depreciation R'000	Carrying Value R'000	Cost R'000	Accumulated depreciation R'000	Carrying Value R'000
Plant and equipment	15 495	3 627	11 868	6 062	3 192	2 870
Motor vehicles	15 311	6 673	8 638	11 440	5 671	5 769
Furniture and fittings	315	193	122	208	186	22
Computers	974	735	239	804	624	180
	32 095	11 228	20 867	18 514	9 673	8 841

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
Plant and equipment	2 870	9 706	(35)	(673)	11 868
Motor vehicles	5 769	4 437	(42)	(1 526)	8 638
Furniture and fittings	22	113	-	(13)	122
Computers	180	171	-	(112)	239
	8 841	14 427	(77)	(2 324)	20 867

Certain property, plant and equipment with a carrying value of R3.4 m (2006 : R2.4 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 are no assets with impaired values.

5 Intangible assets

group						
	2007			2006		
	Cost R'000	Accumulated Impairment R'000	Carrying Value R'000	Cost R'000	Accumulated Impairment R'000	Carrying Value R'000
"Franki" brand name	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 2006 R'000	company 2007 R'000		group 2007 R'000	group 2006 R'000
		6 Investments in subsidiaries		
6 867	193 151	Shares at cost	-	-
		Details of the investments in subsidiaries are shown in note 32.		
		7 Inventories		
-	-	Raw materials	6 854	-
36	23	Consumables	23	36
36	23		6 877	36
		8 Unsecured loans		
(530)	-	* Bimmah Investments CC	-	(530)
1 601	(530)	Opening balances	(530)	1 601
152	-	Advances	-	152
(2 390)	530	Repayments	530	(2 390)
107	-	Interest at 14,5 % (2006 : 14,5%)	-	107
829	821	* Hammib Properties (Pty) Ltd	-	-
829	829	Opening balances	-	829
126	35	Advances	-	126
(246)	(163)	Repayments	-	(1 075)
120	120	Interest at 14,5 % (2006 : 14,5%)	-	120
97	-	* Esor Plant Hire (Pty) Ltd	-	-
88	97	Opening balances	-	-
-	(97)	Advances	-	-
-	-	Repayments	-	-
9	-	Interest at 10 % (2006 : 10%)	-	-
1 071	1 064	* Esor Properties (Pty) Ltd	-	-
1 086	1 071	Opening balances	-	1 086
130	45	Advances	-	130
(308)	(212)	Repayments	-	(1 379)
163	160	Interest at 14,97 % (2006 : 14,97%)	-	163
1 549	3 257	* Esor Geotechnical Engineering (Pty) Ltd	-	-
1 725	1 549	Opening balances	-	1 725
120	2 028	Advances	-	120
(546)	(545)	Repayments	-	(2 095)
250	225	Interest at 14,5 % (2006 : 14,5%)	-	250
13	-	** Esor Geotechnical Engineering (Cape) (Pty) Ltd	-	-
-	30 666	* Esor Broad Based Share Ownership Scheme	-	-
-	-	Opening balances	-	-
-	30 000	Advances	-	-
-	-	Repayments	-	-
-	666	Interest at 9.0%	-	-
3 029	35 808	Balance carried forward	-	(530)

company 2006 R'000	company 2007 R'000		group 2007 R'000	group 2006 R'000
		8 Unsecured loans *(continued)*		
3 029	35 808	Balance brought forward	-	(530)
-	6 000	** Esor Share Incentive Trust	-	-
-	6 000	Advances	-	-
-	-	Repayments	-	-
-	6 576	* Franki Africa (Pty) Ltd	-	-
-	6 500	Advances	-	-
-	-	Repayments	-	-
-	76	Interest at 12,5 %	-	-
5	-	Hammib (Pty) Ltd	-	5
2	-	Esor Projects (Pty) Ltd	-	-
(2 595)	-	Shareholders' loans	-	(3 894)
441	48 384		-	(4 419)
		Disclosed as follows:-		
3 566	48 384	Current assets	-	5
(3 125)	-	Current liabilities	-	(4 424)
441	48 384		-	(4 419)

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

** These loans are interest free and no fixed terms of repayment have been set.

company 2006 R'000	company 2007 R'000		group 2007 R'000	group 2006 R'000
		9 Trade and other receivables		
24 391	56 139	Trade receivables	155 847	24 391
2 793	1 074	Sundry debtors and prepayments	5 702	3 655
27 184	57 213		161 549	28 046

Trade receivables include amounts due from customers. This amount is calculated as follows:

company 2006 R'000	company 2007 R'000		group 2007 R'000	group 2006 R'000
20 113	49 371	Costs incurred plus recognised profits, less recognised losses on contracts in progress at year end	136 331	20 113
-	-	Amount of advances received	(23 924)	-
4 278	6 768	Retentions receivable	19 516	4 278
24 391	56 139		131 923	24 391
24 391	56 139	Amounts due from contract customers	155 847	24 391
-	-	Amounts due to contract customers	(23 924)	-
24 391	56 139		131 923	24 391

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

company			group	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		10 Share capital and premium		
		Authorised		
500	500	500 000 000 ordinary shares of R0,001 each	500	500
		Issued		
100	243	243 370 510 ordinary shares of R0,001 each	243	100
		(2006 : 100 000 000 ordinary shares of R0,001 each)		
-	-	Less : 6 000 000 treasury shares held by the Esor Share Incentive Trust	(6)	-
-	-	Less : 18 750 000 treasury shares held by the Esor Broad Based Share Ownership Scheme	(18)	-
100	243		219	100
6 272	211 108	**Share premium**	175 133	6 272
-	6 272	Balance at beginning of year	6 272	-
6 855	215 449	Premium on shares issued	179 474	6 855
(100)	-	Net premium on capitalisation issue	-	(100)
(483)	(10 613)	Share issue expenses written off	(10 613)	(483)
6 372	211 351		175 352	6 372

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.

Share movements

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

On 14 March 2006, 23 000 000 ordinary shares were issued for R1,00 per share as part of the private placement in anticipation of the company's listing on the Alt^X.

On 30 November 2006, 115 837 177 ordinary shares were issued for R1,60 per share as part of the capital raising and payment for the acquisition of Franki Africa (Pty) Ltd.

On 31 January 2007, 4 533 333 ordinary shares were issued for R1,60 per share as settlement of the additional purchase price for the acquisition of Franki Africa (Pty) Ltd.

company 2006 R'000	company 2007 R'000				group 2007 R'000	group 2006 R'000
		11 Secured borrowings				
		Final date of repayment	Rate of interest %	Monthly instalment R'000		
		Mortgage bonds				
-	-	Less than 5 years	-	-	-	-
-	-	More than 5 years	13,0	48	3 373	-
-	29 553	FNB loan	11,5	681	29 553	-
		Instalment sale agreements				
4 746	7 958	Less than 5 years	10,5	303	7 958	4 746
-	-	More than 5 years	10,5	303	10 970	-
4 746	37 511				51 854	4 746
(1 909)	(3 728)	Current portion included under current liabilities			(7 939)	(1 909)
2 837	33 783	Long term portion			43 915	2 837

These amounts are secured over certain property, plant and equipment referred to in note 4.

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 2006 R'000	company 2007 R'000		group 2007 R'000	group 2006 R'000
-	-	Net liability acquired in business combination	10 652	-
-	-	Current contributions paid	(908)	-
-	-	Charged to equity	681	-
-	-	Interest obligation	82	-
-	-	Balance at 28 February 2007	10 507	-

The principal actuarial assumptions applied in the determination of the fair values include:

Investment rate	8,55 %
Discount rate	6,70 %

Date of last actuarial valuation - 31 December 2006

Date of next actuarial valuation - 28 February 2008

company 2006 R'000	company 2007 R'000		group 2007 R'000	group 2006 R'000
1 512	2 658	Contributions to retirement benefit funds	6 432	1 512

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 2006 R'000	company 2007 R'000		group 2007 R'000	group 2006 R'000
		13 Deferred taxation		
2 256	1 960	Balance at beginning of year	1 960	2 256
		Movements during the year:		
-	-	Acquisitions through business combinations	6 084	-
(296)	891	Temporary differences	5 069	(296)
1 960	2 851	Balance at end of year	13 113	1 960
		The balance comprises:		
(195)	(381)	Leave pay accruals	(381)	(195)
915	1 270	Property, plant and equipment timing differences	11 468	915
1 240	1 962	Retentions	5 660	1 240
-	-	Provisions	(9 711)	-
-	-	Accrued income	8 040	-
-	-	Assessed loss	(3 781)	-
-	-	Section 24C allowance	2 455	-
-	-	Other	(637)	-
1 960	2 851		13 113	1 960
		Disclosed as follows:		
-	-	Non current assets	4 189	-
1 960	2 851	Non current liabilities	17 302	1 960
1 960	2 851		13 113	1 960
		14 Provisions		
		Staff Bonuses		
-	-	Opening balance	-	-
-	-	Acquired through business combinations	5 803	-
-	-	Utilised	(5 803)	-
-	-	Created	14 147	-
-	-	Closing balance	14 147	-
		Manco Incentive		
-	-	Opening balance	-	-
-	-	Utilised	-	-
-	7 253	Created	7 253	-
-	7 253	Closing balance	7 253	-
-	7 253	Total provisions	21 400	-

company			group	
2006	2007		2007	2006
R'000	R'000		R'000	R'000

15 Borrowing facilities

company 2006 R'000	company 2007 R'000		group 2007 R'000	group 2006 R'000
25 145	87 845	Total borrowing facilities available, including contract guarantee facilities	250 795	25 145

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

- General notarial covering bond for R40 m over the moveable assets of Esor Limited together with cession of short term insurance over the said assets.
- Cession of book debts and retention monies by Esor Limited.
- Cession of R10 m of cash deposits held by the bank.

Group companies have pledged the following additional assets to secure these facilities.

  - General notarial bond of R70 m plus an additional sum of R10 m over movable assets.
  - Cession of short term insurance policy.
  - Cession of book debt and contract claims.

- Unlimited letter of suretyship support by:-
    - Covering bonds totalling R1,9 m over Erf 281 and Erf 282 of Phoenix Industrial Park.
    - Covering bonds totalling R1,3 m over Erf 30 Activia Park, Gauteng.
- Letter of surety for R0,8 m supported by:-
    - Covering bonds totalling R0,8 m over Erf 29 Activia Park, Gauteng.

16 Trade and other payables

company 2006 R'000	company 2007 R'000		group 2007 R'000	group 2006 R'000
7 630	16 176	Trade payables	33 743	7 653
1 892	4 284	Accruals	44 162	1 893
-	-	Amounts due to customers	23 924	-
-	1 792	Other	19 437	-
9 522	22 252		121 266	9 546

company 2006 R'000	company 2007 R'000		group 2007 R'000	group 2006 R'000
		17 Revenue		
125 393	169 806	Contract revenue	291 392	125 393
		Revenue comprises the value of work done in respect of contracting, net of Value Added Tax.		
		18 Other operating income		
63	64	Collection commission	-	58
94	132	Profit on disposal of property, plant & equipment	184	94
-	-	Profit on disposal of investment property	-	794
-	-	Rental income	-	18
-	715	Dividends received from subsidiary	-	-
78	706	Sundry income	949	93
235	1 617		1 133	1 057
		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		
-	715	Dividend received from subsidiary	-	-
94	132	Profit on disposal of property, plant & equipment	184	94
-	-	Profit on disposal of investment property	-	794
-	-	Profit on foreign exchange	14 413	-
-	-	Rental from investment property	-	18
		Expenditure		
40	396	Auditors' remuneration	835	42
-	396	Audit fees	835	-
37	-	Underprovision prior year	-	37
3	-	Fee for other services	-	5
2 649	2 324	Depreciation	8 654	2 650
235	-	Loss on disposal of property, plant & equipment	-	235
-	-	Loss on foreign exchange	13 525	-
24 473	41 759	Staff costs	77 774	24 473
9 428	15 226	Operating lease charges (refer note 33)	14 655	8 465
8 465	14 176	Equipment hire	14 176	8 465
963	1 050	Property rentals	479	-
217	285	Number of employees at year end	1 075	217

company			group	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		20 Taxation		
		South African normal taxation		
5 395	8 438	Current	8 718	5 418
(296)	891	Deferred	5 069	(296)
		Foreign		
-	-	Current	(888)	-
5 099	9 329		12 899	5 122
		Reconciliation of tax rates:		
29,0 %	29,0 %	Normal rate of taxation	29,0 %	29,0 %
(0,2) %	(0,5) %	Adjusted for:-	(1,5) %	(1,2) %
-	0,1 %	Disallowable expenditure	(0,5) %	0,1 %
(0,2) %	(0,6) %	Exempt income	(0,3) %	(1,3) %
-	-	Capital gains	-	0,1 %
-	-	Assessed loss utilised	-	(0,1) %
-	-	Prior year overprovision	(1,0) %	-
-	-	Taxation at different rates	0,3 %	-
28,8 %	28,5 %	Effective rate of taxation	27,5 %	27,8 %
		Secondary tax on companies		
26 522	47 369	A potential liability for STC exists. Should the group declare a dividend, the dividend declared would attract taxation at a rate of 12,5 %. The maximum dividend which can be declared is:-	57 467	27 172
3 315	5 921	The dividend would attract STC of:-	7 183	3 396
		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:		
		Earnings		
12 582	23 453	Basic earnings	34 082	13 339
(94)	(132)	Profit on disposal of property, plant and equipment	(184)	(94)
235	-	Loss on disposal of property, plant and equipment	-	235
-	-	Profit on disposal of investment property	-	(794)
12 723	23 321	Headline earnings	33 898	12 685
		Number of shares		
99 993	160 866 388	Weighted average number of shares	150 771 183	99 993
99 993	163 561 496	Diluted weighted average number of shares	153 466 291	99 993

company			group	
2006 R'000	2007 R'000		2007 R'000	2006 R'000
		22 Reconciliation of profit before taxation to cash generated from operations		
17 681	32 782	Profit before taxation	46 981	18 461
		Adjust for:-		
(1 025)	(3 977)	Interest received	(3 007)	(982)
(94)	(132)	Profit on disposal of property, plant & equipment	(184)	(94)
-	-	Profit on disposal of investment property	-	(794)
235	-	Loss on disposal of property, plant & equipment	-	235
-	(715)	Dividends received	-	-
-	-	Foreign currency translation reserve release	405	-
2 649	2 324	Depreciation of property, plant and equipment	8 654	2 650
(483)	-	Share issue and listing costs	-	(483)
467	1 517	Interest paid	1 720	489
19 430	31 799	Operating profit before working capital changes	54 569	19 482
(12 069)	(10 033)	Working capital changes	(12 640)	(12 786)
(4 014)	(30 029)	Increase in trade and other receivables	(33 456)	(4 735)
7	13	(Increase)/decrease in inventories	(1 308)	7
(8 062)	19 983	Increase/(decrease) in trade and other payables	22 124	(8 058)
7 361	21 766	Cash generated from operations	41 929	6 696
		23 Taxation paid		
(532)	(3 522)	Amounts owing at beginning of year	(3 570)	(532)
(5 395)	(8 438)	Current tax charged to income statement	(8 718)	(5 418)
-	-	Acquisition of subsidiary	4 645	(28)
3 522	3 044	Amounts (receivable) /owing at end of year	(2 696)	3 570
(2 405)	(8 916)		(10 339)	(2 408)

company 2006 R'000	company 2007 R'000		group 2007 R'000	group 2006 R'000
		24 Acquisition of subsidiaries		
-	-	Net assets acquired		
-	-	Property, plant and equipment	87 420	-
-	-	Investment property	-	11 622
-	-	Inventories	5 533	-
-	-	Trade and other receivables	100 047	-
-	-	Cash	38 066	39
-	-	Taxation overpaid/(owing)	4 645	(28)
-	-	Deferred taxation	(6 084)	-
-	-	Accounts payable	(97 940)	(18)
-	-	Secured borrowing	(12 753)	-
-	-	Post retirement benefit	(10 652)	-
-	-	Current portion of secured borrowings	(4 212)	-
-	-	Provisions	(5 803)	-
-	-	Shareholders' loans	(6 500)	(1 305)
-	-	Unsecured loans	-	(3 416)
-	-	Brand name acquired	94 529	-
-	-	Investment in subsidiaries	186 296	6 894
-	-	Add back shareholder's loan	6 500	-
-	-		192 796	6 894
-	-	Less : cash acquired	(38 066)	(39)
-	-	Less : brand name shown separately	(94 529)	-
-	-	Less : amount owing on profit warranties	(7 253)	-
-	-	Less : issue of shares as payment	(41 693)	(6 855)
-	-	Shares	(26)	-
-	-	Premium	(41 667)	(6 855)
-	-	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.

25 Cash and cash equivalents

Cash and cash equivalents included in the cash flow include the following balance sheet amounts:

company 2006 R'000	company 2007 R'000		group 2007 R'000	group 2006 R'000
12 590	17 914	Cash at bank and on hand	52 648	12 636

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 2006 R'000	company 2007 R'000	
-	-	

company 2006 R'000	company 2007 R'000		group 2007 R'000	group 2006 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 %	50 %	Esor Dura 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		
3 223	290	Current assets	290	3 223
3 223	290	Current liabilities	290	3 223
		Income statement		
21 766	1 640	Revenue	1 640	21 766
(19 705)	(834)	Cost of sales	(834)	(19 705)
2 061	806	Gross profit	806	2 061
2	-	Other operating income	-	2
(7)	(2)	Other operating expenses	(2)	(7)
2 056	804	Profit before taxation	804	2 056
		Cash flow statement		
2 056	804	Cash flows from operations	804	2 056
-	-	Cash flows from investing activities	-	-
-	-	Cash flows from financing activities	-	-
2 056	804	Net cash flow	804	2 056

28 Share based payments

The group introduced a share option scheme for key employees during the current year. 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			
	2007		2006	
	Number of share options	Weighted average exercise price (cents)	Number of share options	Weighted average exercise price (cents)
Granted during the year	6 000 000	136	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	6 000 000	136	-	-
Exercisable at the end of the year	-	-	-	-

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

	2007	2006
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 R0,66 m (2006: Nil) 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 28 February 2007 is as follows:

	Basic Salary	Bonus	Directors Fees	2007 Total	2006 Total
	R'000	R'000	R'000	R'000	R'000
Non executive directors					
E Dube (Appointed 24/01/2007)	-	-	-	-	-
J M Hlongwane (Appointed 29/01/2007)	-	-	-	-	-
I G Jefferris (Resigned 26/11/2006)	-	-	-	-	-
F A Sonn (Appointed 26/01/2007)	-	-	-	-	-
DM Thompson	-	-	17	17	-
J van Reenen (Appointed 26/01/2007)	-	-	-	-	-
Executive directors					
M L Barber	1 420	100	-	1 520	1 240
A M Field	1 420	100	-	1 520	1 240
B Krone	1 420	100	-	1 520	1 240
M L Trevisani	1 420	100	-	1 520	1 240
From the company	5 680	400	17	6 097	4 960
Executive directors					
R P McLintock (Appointed 23/11/2006)	686	-	-	686	-
W van Houten (Appointed 23/11/2006)	539	-	-	539	-
From subsidiaries	1 225	-	-	1 225	-
Total emoluments	**6 905**	**400**	**17**	**7 322**	**4 960**

30 Risk management

The group's financial instruments consist mainly of cash and cash equivalents, trade and other receivables, trade and other payables and inter-group loans and receivables. In respect of all financial instruments mentioned above, carrying value approximates fair value.

The Group's activities expose it to various types of risk in the normal course of its business. These include:

30.1 Interest rate risk

Management consistently monitors bank balances in order to maximize interest income on favourable bank balances. This is also managed through central treasury function in the Group's International Holding Company and access finance facilities with its bankers.

30.2 Credit risk

The group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of impairment, estimated by the group's management based on prior experience and the current economic environment.

The group has no significant concentration of credit risk, with exposure over a large number of counter parties and customers.

30.3 Liquidity risk

The company manages liquidity risk by monitoring the bank balances daily ensuring that adequate unutilised borrowing facilities are maintained and by preparing cash flow forecasts. The company's borrowing capacity is not limited by it's articles of association.

30.4 Currency risk

The Group is exposed to foreign currency risk on its transactions that are denominated in currencies other than its functional currency.

These risks are mitigated through its co-ordinated central treasury functions and financial risk management policies within its Group. The group hedges this risk by holding multiple hard currencies, on and off-shore, thereby reducing any significant exposure to any one currency risk. All foreign currency inter-group loans are repaid from the cash flows generated from the activities of the foreign operation.

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	
2006 R'000	2007 R'000	Party	Nature of transaction	2007 R'000	2006 R'000
107	-	Bimmah Investments CC	Interest	-	107
505	822	EFA Holdings (Pty) Ltd	Accounts receivable	-	-
564	564	Esor Geotechnical Engineering (Pty) Ltd	Rent	-	517
250	225		Interest	-	229
38	39		Collection commission	-	35
6	6		Administration fee	-	6
9	-	Esor Plant Hire (Pty) Ltd	Interest	-	-
-	715		Dividend	-	-
163	160	Esor Properties (Pty) Ltd	Interest	-	149
270	270		Rent	-	248
6	6		Administration fee	-	6
14	14		Collection commission	-	13
-	506	Franki Africa (Pty) Ltd	Accounts payable	-	-
216	216	Hammib Properties (Pty) Ltd	Rent	-	198
120	120		Interest	-	110
11	11		Collection commission	-	10

32 Investments in subsidiaries

	Holding		Cost	
	2007 %	2006 %	2007 R'000	2006 R'000
EFA Holdings (Pty) Ltd				
2 ordinary shares of 1 Pula each at cost	100	100	*	*
Esor Geotechnical Engineering (Cape) (Pty) Ltd				
100 ordinary shares of R1 each at cost	-	100	-	12
Esor Plant Hire (Pty) Ltd				
100 ordinary shares of R1 each at cost	-	100	-	*
Esor Projects (Pty) Ltd				
100 ordinary shares of R1 each at cost	-	100	-	*
Esor Properties (Pty) Ltd				
100 ordinary shares of R1 each at cost	100	100	684	684
Esor Geotechnical Engineering (Pty) Ltd				
102 ordinary shares of R1 each at cost	100	100	5 241	5 241
Hammib Properties (Pty) Ltd				
100 ordinary shares of R1 each at cost	100	100	930	930
Franki Africa (Pty) Ltd				
100 ordinary shares of R1 each at cost	100	-	186 296	-
			193 151	6 867

* Less than R1 000

Refer to note 36 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 R46.5 million and trucks and motor vehicles to the value of R4.8 million had been authorised but 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.

company 2006 R'000	company 2007 R'000		group 2007 R'000	group 2006 R'000
		34 Interest bearing borrowings		
		Long term		
2 837	33 783	Secured borrowings – see note 11	43 915	2 837
2 439	3 728	**Short term**	7 939	2 439
530	-	Unsecured loans - see note 8	-	530
1 909	3 728	Current portion of secured borrowings – see note 11	7 939	1 909
5 276	37 511		51 854	5 276

35 Segmental analysis

Geographical segments:

The group is managed in South Africa, but operates in 2 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.

Information about geographical segments

	Southern Africa		Other regions		Consolidated	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Revenue						
External sales	256 591	125 393	34 801	-	291 392	125 393
Inter-segment sales	-	-	-	-	-	-
Total revenue	256 591	125 393	34 801	-	291 392	125 393
Result						
Segment result	51 139	17 968	(5 445)	-	45 694	17 968
Interest expense	(1 714)	(489)	(6)	-	(1 720)	(489)
Interest income	2 904	982	103	-	3 007	982
Income taxes	(15 390)	(5 122)	2 491	-	(12 899)	(5 122)
Profit	36 939	13 339	(2 857)	-	34 082	13 339
Other information						
Segment assets	370 667	61 186	94 729	-	465 396	61 186
Unallocated corporate assets	-	-	-	-	-	-
Consolidated total assets	370 667	61 186	94 729	-	465 396	61 186
Segment liabilities	187 549	24 285	37 827	-	225 376	24 285
Unallocated corporate liabilities	-	-	-	-	-	-
Consolidated total liabilities	187 549	24 285	37 827	-	225 376	24 285
Capital expenditure	39 543	13 851	1 719	-	41 262	13 851
Depreciation	7 411	2 649	1 243	-	8 654	2 649
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.

36 Interest in Subsidiaries

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

	Country of Incorporation	Nature of business	Percentage Held	
			2007	2006
Directly held				
Esor Geotechnical Engineering (Cape) (Pty) Ltd	South Africa	Deregistered	-	100%
Esor Geotechnical Engineering (Pty) Ltd	South Africa	Property investment	100%	100%
Esor Plant Hire (Pty) Ltd	South Africa	Deregistered	-	100%
Esor Projects (Pty) Ltd	South Africa	Deregistered	-	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%	-
Indirectly held				
Frankipile International Projects Ltd	Mauritius	Geotechnical	100%	-
Frankipile Mozambique Limitada	Mozambique	Geotechnical	50%	-
Frankipile Mauritius International Ltd	Mauritius	Geotechnical	100%	-
Frankipile Botswana (Pty) Ltd	Botswana	Geotechnical	100%	-
GeoFranki (West Africa) Ltd	Nigeria	Geotechnical	60%	-
FMI (Seychelles) Ltd	Seychelles	Geotechnical	100%	-
ZimFranki Projects (PVT) Ltd	Zimbabwe	Dormant	100%	-
Frankipile Tanzania (Pty) Ltd	Tanzania	Geotechnical	100%	-
Nike Enterprises (PVT) Ltd	Zimbabwe	Property	100%	-
Verbenam (Pty) Ltd	South Africa	Dormant	100%	-
Chataprop Holdings 110 (Pty) Ltd	South Africa	Geotechnical	100%	-
Frankipile Swaziland (Pty) Ltd	Swaziland	Geotechnical	100%	-
Frankipile Lesotho (Pty) Ltd	Lesotho	Geotechnical	100%	-
Frankipile Namibia (Pty) Ltd	Namibia	Geotechnical	100%	-
New Franki Africa Holdings (Pty) Ltd	South Africa	Dormant	100%	-
Skillful 89 (Pty) Ltd	South Africa	Dormant	100%	-
Skillful Maintenance (Pty) Ltd	South Africa	Dormant	100%	-

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

36 Interest in Subsidiaries (continued)

	2007 R'000	2006 R'000
The profit/(loss) after taxation attributable to the subsidiaries		
Esor Broad Based Employee Share Scheme	(666)	-
Esor Geotechnical Engineering (Cape) (Pty) Ltd	13	-
Esor Geotechnical Engineering (Pty) Ltd	66	5
Esor Plant Hire (Pty) Ltd	(25)	757
Esor Projects (Pty) Ltd	-	-
Esor Properties (Pty) Ltd	12	1
EFA Holdings (Pty) Ltd	(39)	-
Franki Africa (Pty) Ltd	12 628	-
Hammib Properties (Pty) Ltd	3	-
	11 992	763
Loans to subsidiaries		
Esor Broad Based Employee Share Scheme	30 666	-
Esor Geotechnical Engineering (Cape) (Pty) Ltd	-	13
Esor Geotechnical Engineering (Pty) Ltd	3 257	1 549
Esor Plant Hire (Pty) Ltd	-	97
Esor Projects (Pty) Ltd	-	2
Esor Properties (Pty) Ltd	1 064	1 071
Franki Africa (Pty) Ltd	6 576	-
Hammib Properties (Pty) Ltd	821	829
	42 384	3 561

analysis of shareholders

Register date: 28 February 2007
Issued Share Capital: 243 370 510 ordinary shares

Shareholders spread	No. of Shareholders	%	No. of Shares	%
1 – 1000 shares	294	14.80	200 367	0.08
1001 – 10000 shares	1 054	53.04	4 905 986	2.02
10001 – 100 000 shares	508	25.57	17 811 849	7.32
100 001 – 1 000 000 shares	96	4.83	31 366 134	12.89
1 000 001 shares and over	35	1.76	189 086 174	77.69
	1 987	100.00	243 370 510	100.00

Distribution of shareholders	No. of Shareholders	%	No. of Shares	%
Banks	13	0.65	3 125 416	1.29
Close corporations	53	2.67	4 909 721	2.03
Endowment funds	4	0.20	223 400	0.09
Individuals	1 648	82.95	106 483 384	43.75
Insurance companies	1	0.05	82 000	0.03
Investment companies	5	0.25	15 827 740	6.50
Mutual funds	31	1.56	33 982 322	13.96
Nominees and trusts	125	6.29	9 276 547	3.81
Other corporations	40	2.01	1 244 016	0.51
Pension funds	1	0.05	49 200	0.02
Private companies	63	3.17	43 388 688	17.83
Public companies	1	0.05	28 076	0.01
Share trust	2	0.10	24 750 000	10.17
	1 987	100.00	243 370 510	100.00

Public / Non – Public shareholders	No. of Shareholders	%	No. of Shares	%
Non-Public Shareholders	14	0.70	134 834 088	55.40
Directors and Associates of the Company	6	0.30	63 459 088	26.07
Empowerment partners	7	0.35	65 375 000	26.86
Share Trusts	1	0.05	6 000 000	2.47
Public Shareholders	1 973	99.30	108 536 422	44.60
	1 987	100.00	243 370 510	100.00

Beneficial shareholders holding of 3 % or more	No. of Shares	%
Esor Broad Based Share Ownership Scheme	18 750 000	7.70
Zerovest Investments 18 (Pty) Ltd	15 625 000	6.42
B. Krone	14 828 034	6.09
M. L. Trevisani	14 828 033	6.09
M. L. Barber	14 828 033	6.09
A. M. Field	14 828 033	6.09

shareholders' diary

Financial year end	28/02/2007
Preliminary announcement	23/05/2007
Dividend declaration	23/05/2007
Last day to trade *cum* dividend	08/06/2007
Shares trade *ex* dividend	11/06/2007
Record date	15/06/2007
Payment date	18/06/2007
Annual general meeting	29/06/2007
Interim results announcement	07/11/2007

notice of annual general meeting

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 29 June 2007 at 11h00 for the following purposes:

1. To consider the annual financial statements of the company for the year ended 28 February 2007.
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 counter party;
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 2007) 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. repurchases may only take place if, after such repurchase, the shareholder spread of the company still complies with the Listings Requirements of the JSE;
8. 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
9. 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 generally accepted accounting practice, 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 4 and 5.
- Major beneficial shareholders – page 41
- Directors' interests in ordinary shares – page 41
- Share capital of the company – page 25

Litigation statement

The directors, whose names appear on page 4 and 5 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 page 4 and 5 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 28 February 2007 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 issued 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 B Krone and A M Field 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 35 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 Resolutions 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.

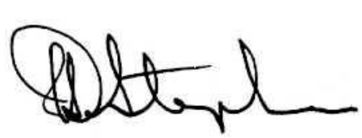
A form of proxy is attached for the convenience of any shareholder holding Esor shares who cannot attend the annual general meeting. Forms of proxy may also be obtained on request from the company’s registered office. The completed forms of proxy must be deposited at or posted to the office of the transfer secretaries of the company, Computershare Investor Services 2004 (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 dematerialized 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
23 May 2007

Registered Address

130 Aberdare Drive
Phoenix Industrial Park
Durban, 4051
(PO Box 40096, Red Hill, 4071)

Transfer Secretaries

Computershare Investor Services 2004 (Proprietary) Limited
70 Marshall Street
Johannesburg
(PO Box 61051, Marshalltown, 2107)

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

(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 11:00 on Friday, 29 June 2007 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 dematerialized 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 dematerialized 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 2004 (Proprietary) Limited. Holders of dematerialized 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 Meeing, 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):

	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 directors			
B Krone			
AM Field			
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**	**2007**
Assisted by (if applicable)			

Notes

1. Each shareholder is entitled to appoint one or more proxies (none of whom need to 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 dematerialized 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 2004 (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 2004 (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 2004 (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.