2011 ANNUAL REPORT

esorfranki LIMITED

QUALITY IS OUR FOUNDATION

DEFINITIONS

"BEE"
Black economic empowerment
"the board"
The board of directors of Esorfranki Limited
"Brookmay"
Brookmay Properties (Pty) Limited
"CIDB"
Construction Industry Development Board
"CEO"
Chief Executive Officer
"CFO"
Chief Financial Officer
"CIO"
Chief Information Officer
"the Companies Act"
The Companies Act (Act no. 71 of 2008)
"the company" or "Esorfranki"
Esorfranki Limited
"EIA"
Environmental Impact Assessment
"EMP"
Environmental Management Plan
"Esor Africa"
Esor Africa, now part of the Geotechnical division of Esorfranki Construction with effect 1 March 2011
"Esorfranki Civils"
Formerly Patula Construction (Pty) Limited, now a division of Esorfranki Construction with effect 1 March 2011
"Esorfranki Construction"
Esorfranki Construction (Pty) Limited, the operating company of the group effective 1 March 2011
"Esorfranki Pipelines"
Formerly Shearwater Plant Hire (Pty) Limited, now a division of Esorfranki Construction with effect 1 March 2011
"Esorfranki Civils Group"
Esorfranki Civils (Pty) Limited, Esorfranki Plant (Pty) Limited and Balakane Construction (Pty) Limited with effect 1 March 2011
"Franki"
Franki Africa, now part of the Geotechnical division of Esorfranki Construction with effect 1 March 2011
"FY"
Financial Year
"GCD"
Geo Compaction Dynamics, a division of Franki Africa
"GRI"
Global Reporting Initiative
"Esorfranki Geotechnical"
Esor Africa and Franki Africa
"the group"
Esorfranki, its subsidiaries and divisions
"H1"
Period from 1 March – 31 August
"H2"
Period from 1 September – 28 February
"IFRS"
International Financial Reporting Standards
"JSE"
JSE Limited
"King III Report"
King Report on Corporate Governance for South Africa 2009
"KPMG"
KPMG Inc.
"LTIFR"
Lost Time Injury Frequency Rate
"PAT"
Profit after tax
"the previous year"
The year ended 28 February 2010
"SAFCEC"
South African Federation of Civil Engineering Contractors
"SAICE"
South African Institution of Civil Engineering
"SENS"
Stock Exchange News Service
"SSA"
Sub-Saharan Africa
"STC"
Secondary tax on companies
"the year" or "the year under review"
The year ended 28 February 2011

CONTENTS

GROUP AT A GLANCE

The integrated report covers the operations of Esorfranki for the financial reporting year ending 28 February 2011. Reporting on corporate responsibility issues is included in this report insofar as policy and governance is concerned.

CHAIRMAN'S & CEO'S REPORT

Despite the challenging macroeconomic environment, Esorfranki has maintained a relatively healthy order book of R1,456 billion as at 28 February 2011. The group also achieved a significant milestone during the year, improving its BEE rating to Level 4.

SUSTAINABILITY

CODE OF CONDUCT & ETHICS 2011

At Esorfranki we believe that integrity and good conduct are the foundations of our business, and we are committed to conducting business ethically and legally throughout our multi-national organisation.

Esorfranki's employees are expected to uphold the highest ethical and business standards, no matter where in the world business takes them, even if maintaining high ethical standards results in a loss of business.

Annual financial statements:

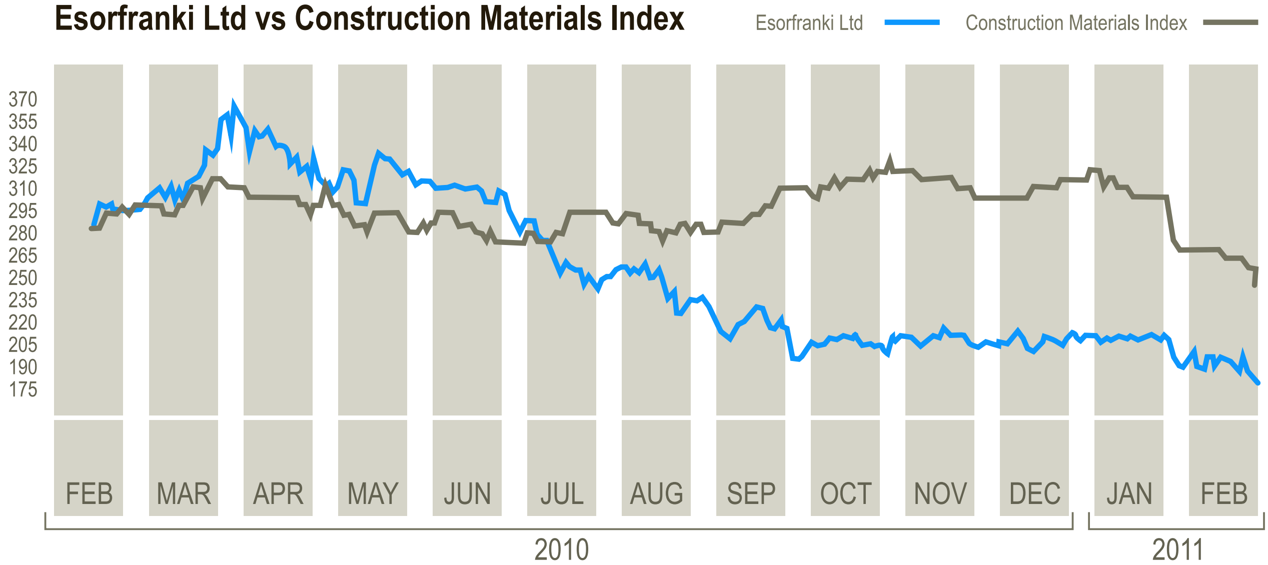
Esorfranki Limited
(Registration no.: 1994/000732/06)
ISIN: ZAE000133369
JSE Main Board sector: Construction and Building Materials
Share code: ESR
Listing date: 14 March 2006
Shares in issue as at 28 February 2011: 302 162 174
Divisions: Esorfranki Civils
Esorfranki Pipelines
Esorfranki Geotechnical

DEFINITIONS / CONTENTS 002

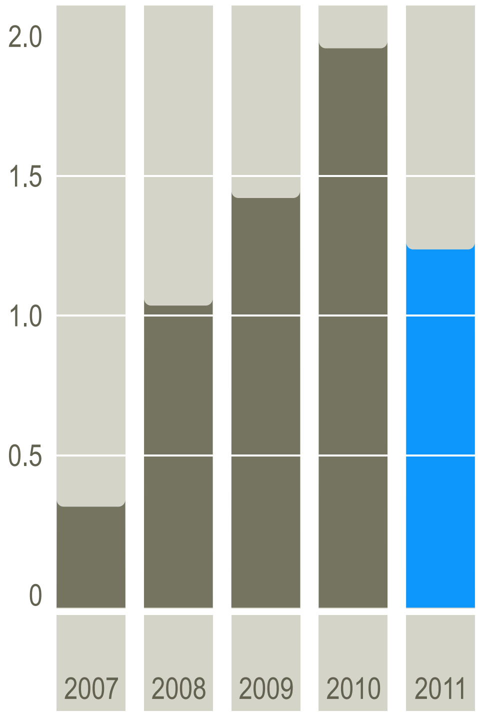
KEY FINANCIAL FEATURES

HEADLINE LOSS ▼	118,6% to R37,9 million
REVENUE ▼	26,5% to R1,366 billion
EBITDA ▼	87,4% to R49,1 million
ORDER BOOK OF ▼	R1,456 billion (2010: R1,573 billion)
MARKET CAPITALISATION AT YEAR-END ▼	R543 million (2010: R864 million)
CLOSING SHARE PRICE AT YEAR-END ▼	180 cents per share (2010: 286 cents per share)

Esorfranki Ltd vs Construction Materials Index

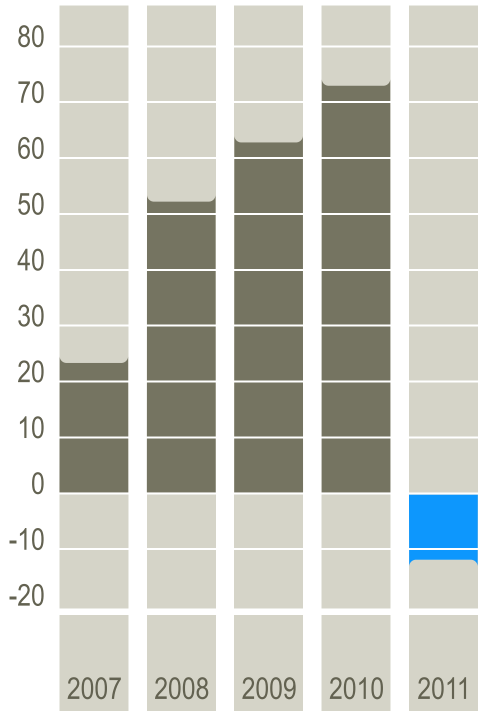


REVENUE



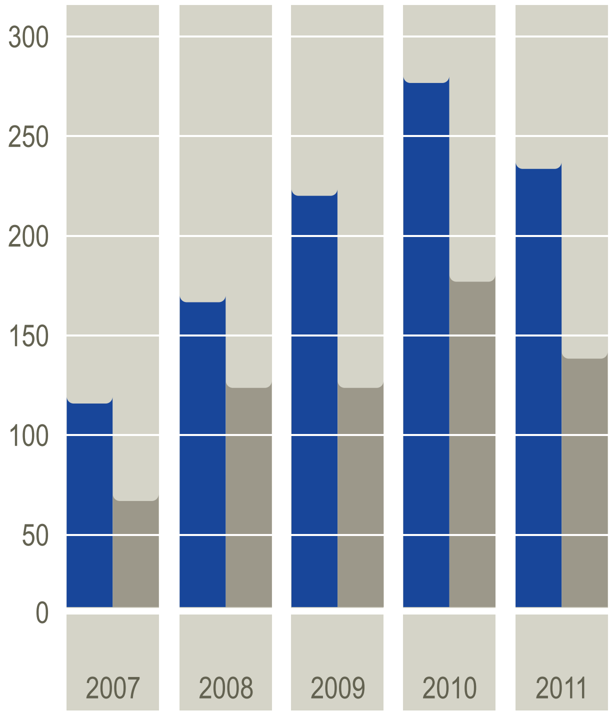
Rbillion

HEADLINE EARNINGS/LOSS



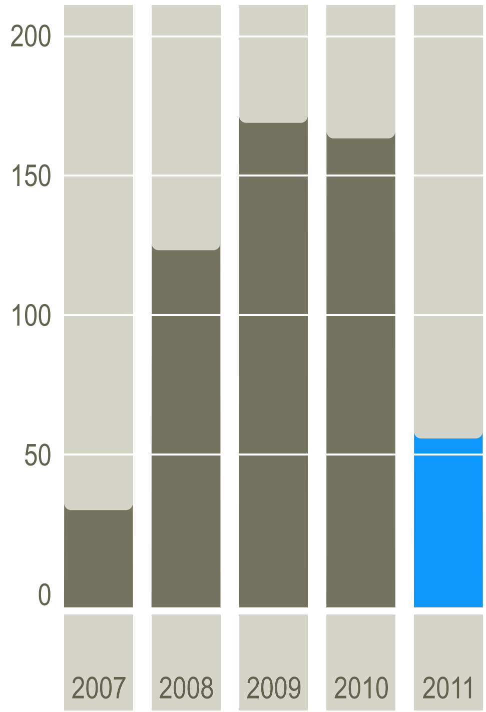
Per share (cents)

NET ASSET VALUE (NAV) AND
NET TANGIBLE ASSET VALUE (NTAV)



Per share (cents) NAV NTAV

CASH GENERATED FROM OPERATING
ACTIVITIES



Rmillion

Consolidated statements of financial position	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
Assets					
Non-current assets	**966 187**	**999 551**	**987 520**	**386 415**	**238 579**
Property, plant and equipment	565 775	596 429	588 545	262 741	139 861
Intangible assets	90 117	93 737	113 022	94 529	94 529
Goodwill	305 715	305 715	280 173	26 468	-
Deferred tax assets	4 580	3 670	5 780	2 677	4 189
Current assets	**498 164**	**648 273**	**875 972**	**398 524**	**226 817**
Inventories	16 983	14 827	11 379	7 224	6 877
Other investments	420	6 762	14 269	-	-
Taxation	3 855	9 952	4 699	3 527	5 743
Trade and other receivables	413 768	499 869	572 800	271 914	161 549
Cash and cash equivalents	63 138	116 863	272 825	115 859	52 648
Total assets	**1 464 351**	**1 647 824**	**1 863 492**	**784 939**	**465 396**
Equity and liabilities					
Share capital and reserves	**703 156**	**808 028**	**619 577**	**389 664**	**240 020**
Share capital and premium	389 449	396 956	339 078	213 587	175 352
Equity compensation reserve	14 444	8 253	3 917	2 361	658
Foreign currency translation reserve	(33 188)	(14 296)	14 651	6 683	41
Accumulative profits	332 451	417 115	261 931	167 033	63 969
Non-current liabilities	**195 562**	**405 711**	**470 080**	**133 791**	**71 724**
Secured borrowings	84 516	275 031	370 603	85 169	43 915
Post-retirement benefits	1 657	1 665	1 587	8 106	10 507
Deferred tax liabilities	109 389	129 015	97 890	40 516	17 302
Current liabilities	**565 633**	**434 085**	**773 835**	**261 484**	**153 652**
Current position of secured borrowings	241 527	121 677	147 664	21 304	7 939
Taxation	9 953	6 644	84 358	26 781	3 047
Provisions	3 213	21 087	31 118	15 559	21 400
Trade and other payables	310 940	284 677	510 695	197 840	121 266
Total equity and liabilities	**1 464 351**	**1 647 824**	**1 863 492**	**784 939**	**465 396**
Number of ordinary shares in issue ('000)	302 162	302 162	289 496	247 904	243 371
Weighted average number of ordinary shares ('000)	293 763	284 743	251 780	224 560	150 771
Diluted weighted average number of shares ('000)	294 555	288 038	254 380	228 677	153 466
Net asset value per share (cents)	238,9	275,6	223,2	160,3	109,8
Net tangible asset per share (cents)	142,1	177,5	121,2	121,4	66,5

Consolidated statements of income	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
Revenue	1 366 433	1 857 817	1 414 722	1 017 480	291 392
Cost of sales	(1 204 988)	(1 361 041)	(981 829)	(745 546)	(209 465)
Gross profit	161 445	496 776	432 893	271 934	81 927
Other operating income	3 654	3 937	1 631	1 651	1 133
Operating expenses	(116 033)	(111 661)	(108 601)	(90 087)	(29 600)
Profit before interest, depreciation and taxation	49 066	389 052	325 923	183 498	53 460
Depreciation, impairments and amortisations	(65 489)	(83 478)	(92 473)	(30 391)	(8 654)
(Loss)/profit before interest and taxation	(16 423)	305 574	233 450	153 107	44 806
Finance costs	(54 371)	(93 106)	(78 279)	(28 171)	(15 245)
Finance income	23 703	63 281	55 600	32 883	17 420
(Loss)/profit before taxation	(47 091)	275 749	210 771	157 819	46 981
Taxation	6 330	(78 108)	(67 389)	(41 817)	(12 899)
(Loss)/profit for the year	**(40 761)**	**197 641**	**143 382**	**116 002**	**34 082**
Headline(loss)/earnings reconciliation:					
(Loss)/profit for the year	(40 761)	197 641	143 382	116 002	34 082
Loss/(profit) on disposal of property and equipment	4 609	5 396	(39)	(714)	(184)
Gain on disposal of subsidiary	(3 654)	-	-	-	-
Impairment of assets	2 032	-	11 944	-	-
Headline(loss)/earnings	**(37 774)**	**203 037**	**155 287**	**115 288**	**33 898**
Earnings per share					
Basic(loss)/earnings per share (cents)	(13,9)	69.4	56.9	51,7	22,6
Diluted/(loss) earnings per share (cents)	(13,8)	68,6	54,1	50,7	22,2
Headline(loss)/earnings per share (cents)	(12,9)	71,3	61,7	51,3	22,5
Dividend per share (cents)	-	15,0	15,0	20,0	6,0

GROUP AT A GLANCE

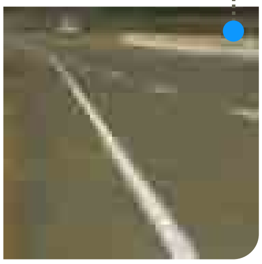
Group profile

Striving to set the benchmark in the South African construction industry Esorfranki provides specialist geotechnical services, roads, earthworks and pipeline construction. Since the group's 2006 debut on the JSE Esorfranki has diversified into the civil engineering construction sector, successfully expanding its services from sub-surface foundation work to include above surface civil engineering and construction services. Following a post year-end restructuring, Esorfranki has been streamlined into three core divisions housed under a single legal entity – Esorfranki Construction – a wholly-owned subsidiary.

ESORFRANKI CONSTRUCTION

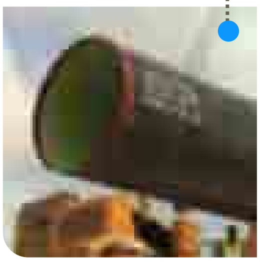
ESORFRANKI CIVILS

Please refer to page 009.



ESORFRANKI PIPELINES

Please refer to page 013.



ESORFRANKI GEOTECHNICAL

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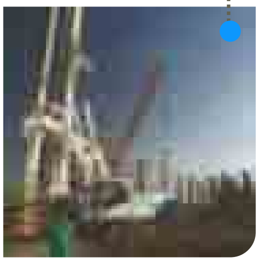

With its head office in Johannesburg, Esorfranki operates throughout South Africa, SSA and the Indian Ocean Islands with a total staff complement of 3 184 (2010: 3 225).

The group has achieved the highest possible ratings in construction from the CIDB (9CE & 9GB), empowering Esorfranki to tender for construction projects of unlimited size and value. Esorfranki has SC7 and SJ7 ratings and is also in the process of applying to increase both of these Geotechnical categories to level 9.

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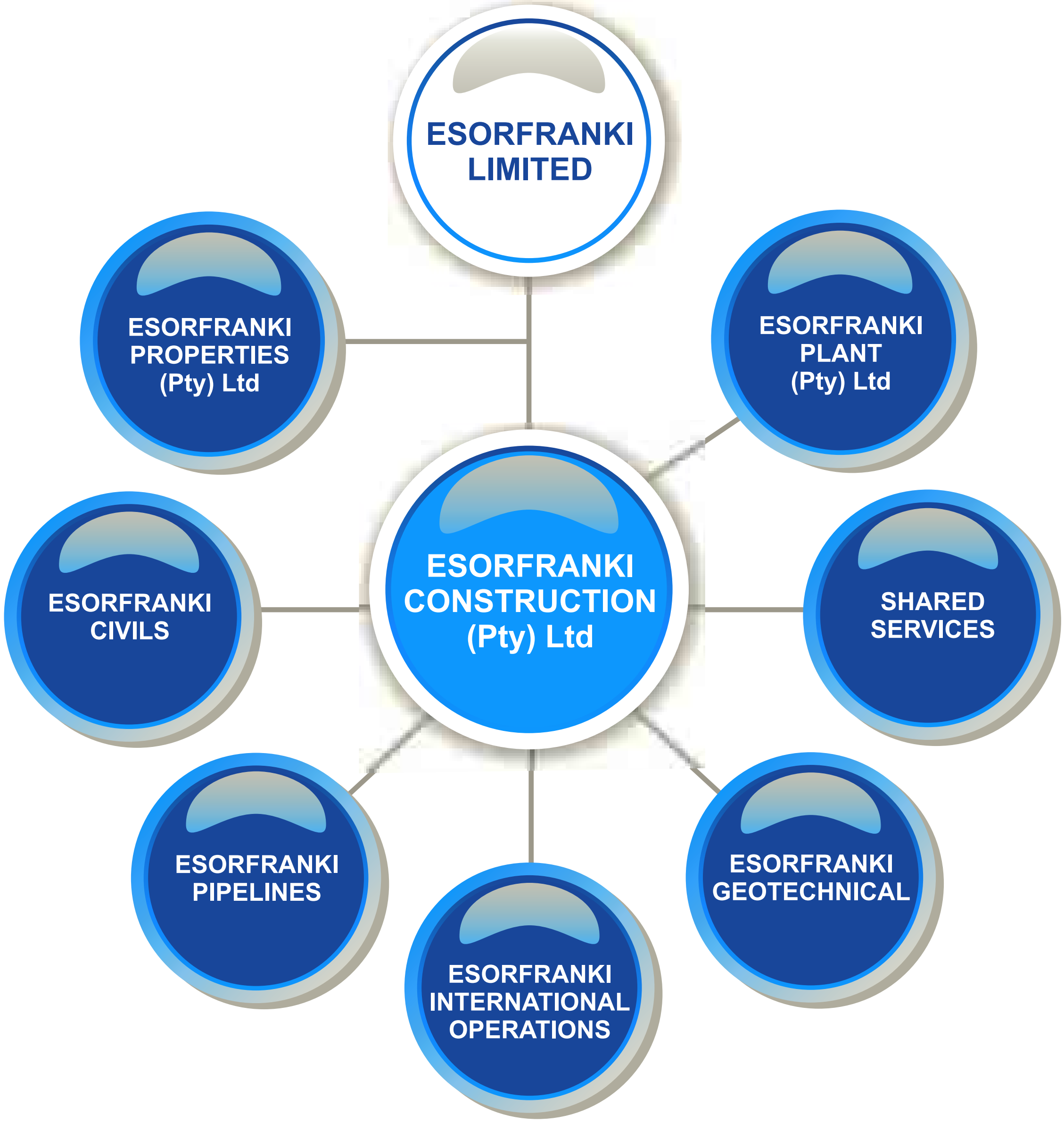
Differentiators

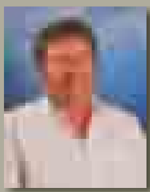
- Comprehensive geotechnical fleet & product offering
- Diversified civil engineering product offering
- Specialist in steel welded pipeline construction
- Geographically diversified
- Strong supply chain management & procurement
- Experienced & diversified management
- Well-established business entities

Group structure



Accolades

- At the 2010 IMESA Engineering Excellence Awards ceremony, Esorfranki was awarded first prize for the geotechnical design of the Moses Mabhida Stadium arch foundations.
- Geotechnical Managing Director, Roy McLintock, has been appointed as the 2011 President of SAFCEC, the employer body representing South African civil engineering contractors.



ESORFRANKI CIVILS

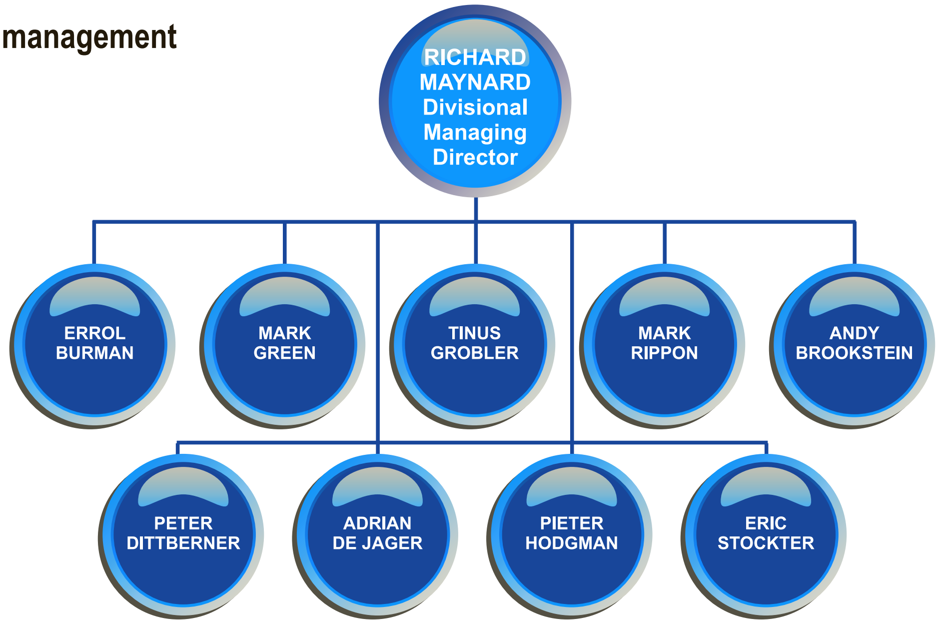
Richard Maynard - Managing Director
Dip QS Wits Tech
27 years' experience

Esorfranki Civils specifically focuses on road and bridge building, mining and township infrastructure work, water delivery and sewerage reticulation contracts, bulk earthworks and concrete projects for government, major mining houses and the private sector.

The division was originally established in 2008 through the acquisition of Patula, a civil engineering construction contractor with a nine year track record.

Esorfranki Civils boasts a comprehensive plant inventory.

Divisional management



Services

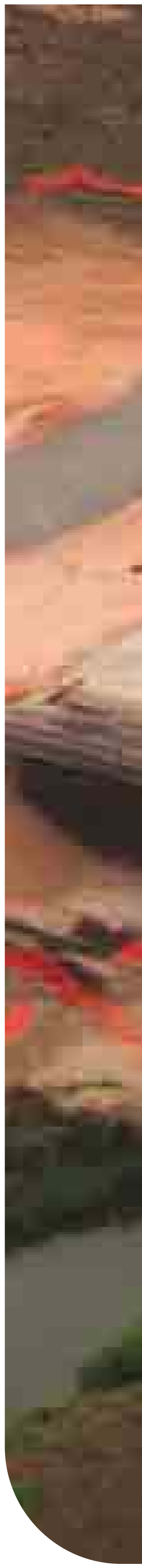
- Road construction
- Road rehabilitation
- Construction of bridges and culverts
- Building of reservoirs and other water-containing structures
- Infrastructure development
- Bulkwater pipeline construction
- General building
- Bulk earthworks
- Building of waste water treatment plants and oxidation ponds

Employees

1 453

Markets

- Civil engineering and construction sectors
- Government, major mining houses and private sector



A haul road-over-river bridge built over the Steenkoolspruit at Atcom East

Civils' challenges

The market

Protracted delays in contract awards, taking up to a year or longer, severely impacted forward planning during the year. The absence of significant secured revenue for the current year is in part attributable to curtailed tendering activity in light of contracts being awarded that are not ultimately realised, or are realised only after inordinate delays.

The scope of payment delays dramatically increased during the year, with even some traditionally well-paying clients lagging contract terms in this regard. The negative trend has been exacerbated by lower margins, together severely hampering cash flows. A policy of “the wheel that squeaks the loudest will get oiled” will continue to rigorously govern outstanding debt collection.

Bakwena N4 Toll Road

As a result of inclement weather as well as other factors, the N4 contract recorded a loss of R57 million. The contract comprises the construction of the second carriageway of the Bakwena N4 Toll Road, Phase 1 from the Marikana to the R512 Brits West Interchanges. A delayed start pending the Record of Decision (ROD) for the contract resulted in work commencing during the rainy season and the resultant delays extended the contract period into a second rainy season. Punitive penalties of R9 million were applied by the client in addition to the group's non-anticipated costs incurred. The contract has been fully analysed to ensure appropriate measures are in place to mitigate risk on the newly- awarded next phase (as well as on all other unrelated future contracts).

Integration

Both Esorfranki Civils and Esorfranki Pipelines are decentralised divisions, each operating in a distinct market segment. However, where synergies exist, these are exploited. For instance during the year offices, financial administration, estimating and plant resources were consolidated to cut costs and ensure the application of standardised principles and systems.

Strategy

Budgeting strategy will be cognisant of the highly competitive environment. Initiatives to enter the commercial, industrial and leisure building sectors have been set in progress with a view to securing a number of select contracts to yield a modest profit. Specific, qualified staff has been employed to run with these initiatives.

Financial review

Revenue for Esorfranki Civils declined 27% to R519 million (2010: R715 million). The division's capacity is geared to accommodate at least double this volume, resulting during the year in an under-recovery on overheads.

Salient features (R'000's)

	2010	2011
Revenue	715 033	**518 787**
Operational income/(loss)	144 520	**(3 113)**
Capex	49 711	**17 964**
Work on hand as at 28 Feb 2011	726 542	**860 267**
Work to be executed in FY 2012	537 542	**660 267**

Half-year comparisons (R'000's)

	2010			2011		
	H1	H2	Total	H1	H2	Total
Revenue	375 498	339 535	**715 033**	225 301	293 486	**518 787**
Operational income/(loss)	90 036	54 484	**144 520**	24 097	(27 210)	**(3 113)**
Operating margins	24%	16%	**20%**	11%	(9%)	**(1%)**
No. of employees	1 277	1 228	**-**	1 176	1 453	**-**
Revenue growth (%)	-	(10%)	**17%**	(34%)	30%	**(27%)**
Work on hand at period end	729 167	726 542	**-**	501 801	860 267	**-**

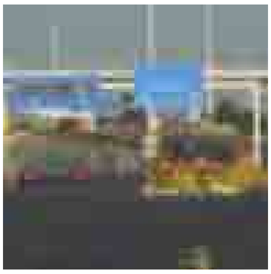
Future outlook

Expansion in the coal mining industry is expected to provide significant growth in the civils sector. Existing clients continue to negotiate work to the benefit of the group, and Esorfranki's excellent safety and quality record ensures the group is invariably positioned on 'preferred bidders' lists.

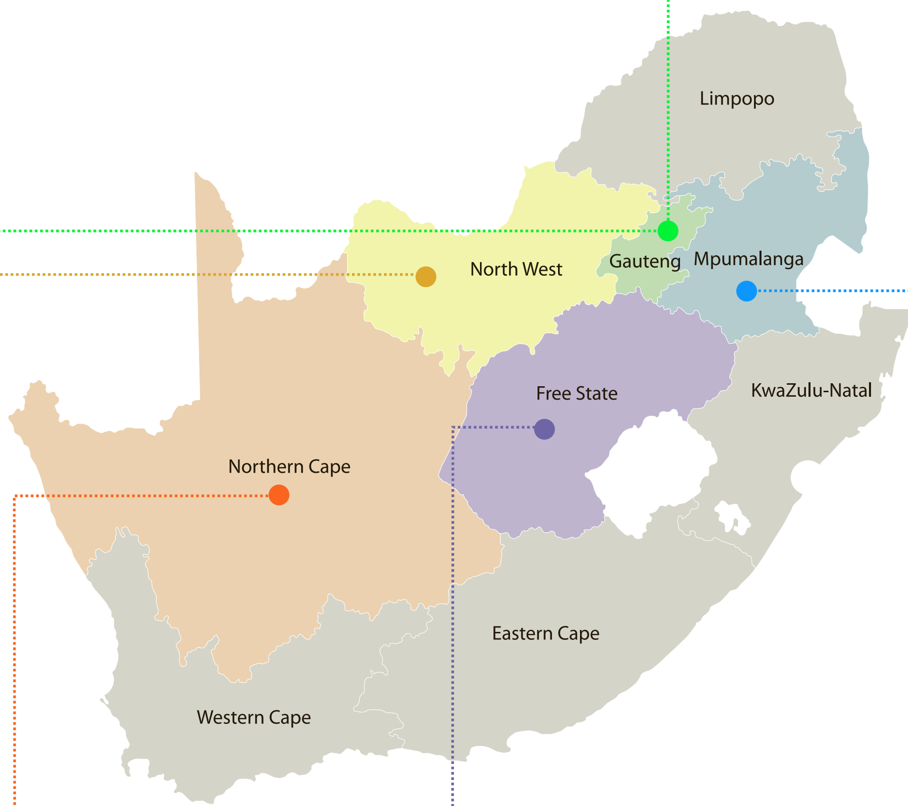
The group has received a letter of intent for a substantial upper-middle income housing contract near Maputo in Mozambique, marking Esorfranki Civils' first foray outside South Africa.

Geographic presence

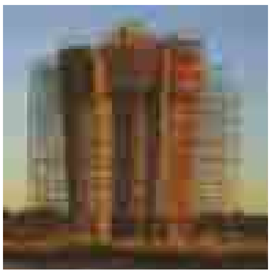
Sanral R21
Upgrade of 12.8km of the R21 national route from the East Rand Mall to Pomona Road.
Duration: approximately 28 months



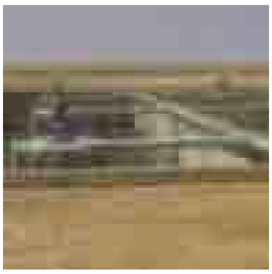
K71 R55
Phase 1 of the 6.5km R55 from the N14 to the Wierda Road (K103) intersection including two road-over-river bridges.
Duration: 24 months.
Final phase comprising 4.2km construction of a dual carriageway from the K103 intersection to Laudium and an additional two road-over-river bridges, currently underway.



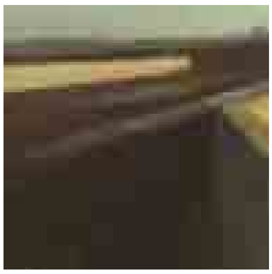
Bakwena N4 Toll Road
Construction of a second 11.2km carriageway along a section of the N4.
Duration: 18 months



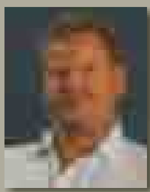
Kathu
Construction of a 20 mega litre water reservoir and water tower.
Duration: 18 months



Wesselbron
Construction of a mega litre waste water purification plant in Wesselbron.
Duration: 18 months



Atcom Bridges
Construction of haul road-over-river bridges (120m x 30m) for Xstrata Coal on the Atcom East project.
Duration: 18 months



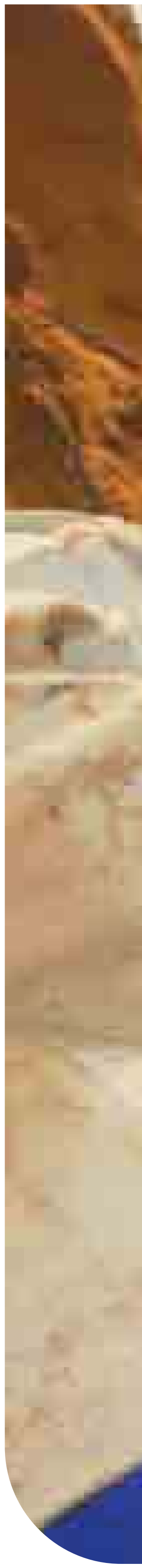
ESORFRANKI PIPELINES

Dave Gibbons - Managing Director
Dip Survey
23 years' experience

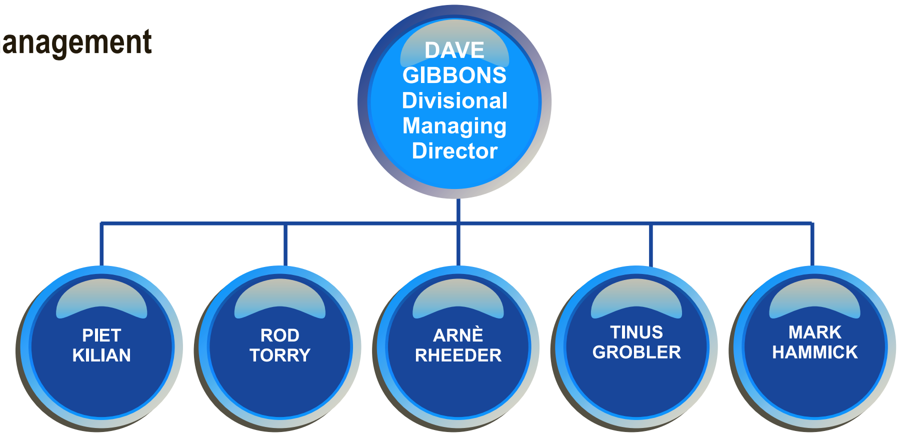
Esorfranki Pipelines focuses on the construction and rehabilitation of onshore pipelines and operates mainly in the gas and petrochemical, water, stormwater and sewerage sectors.

The unit has specialist experience in laying and welding steel pipelines as well as those made from glass fibre reinforced polyester (GRP), concrete, PVC, ductile iron, HDPE and fibre cement. In addition pipeline refurbishment is undertaken including mechanicals, linings and coatings.

A fully-equipped workshop and yard is onsite at the group's head office to support fleet maintenance.



Divisional management



Services

- Pipeline earthworks
- Installation of piping
- Wrapping and coating of completed pipeline sections
- Construction of pump stations
- Chambers and other pipeline associated works
- Testing and pigging of completed pipeline sections
- Valves and specials
- In-situ and stack yard lining of pipelines or pipe lengths

Employees

434

Markets

- Public and private sector clients
- Top mining and industrial groups
- Regional and municipal government

Specialist steel pipeline welders at the Nsezi pipeline project

Pipelines' challenges

BG3

The BG3 Rand Water contract comprises running a 3,5m diameter steel pipe along 8,6km to deliver water from the Vaal Dam to the canal feeding Zuikerbos Pump Station. This was Esorfranki Pipelines' flagship contract for the year. However, landowner issues, service relocation problems and water licence obstacles prevented significant progress. Through close co-operation with Rand Water these problems have been resolved and work is now progressing at full production, with an additional production front having been opened up. Additional resources have been allocated to ensure that the remaining R160 million of work will be completed in the next financial year (FY2012).

Western Aqueduct

Phase ll of the Western Aqueduct for Ethekwini Water and Sanitation Services is a prime example of the protracted contract award delays experienced during the year. The contract was tendered for in February 2009, with the tender validity period extended no less than five times. In December 2010 the group received a letter of intent, which is now subject to an appeals process (see Chairman's & CEO's Report on page 021).

Financial review

Revenue in Esorfranki Pipelines fell 26% to R169 million (2010: R229 million). Overhead costs were reduced during the year through restructuring and settling existing property leases. Overall the depressed market nontheless led to an under-recovery of overheads.

Salient features (R'000's)

	2010	2011
Revenue	229 231	**169 005**
Operational income/(loss)	31 068	**(3 548)**
Capex	3 096	**6 104**
Work on hand as at 28 Feb 2011	313 712	**264 082**
Work to be executed in FY 2012	313 712	**264 082**

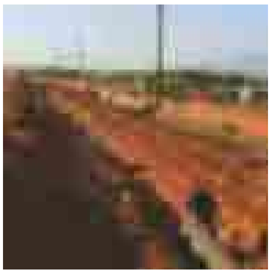
Half-year comparisons (R'000's)

	2010			2011		
	H1	H2	Total	H1	H2	Total
Revenue	130 553	98 678	**229 231**	102 297	66 708	**169 005**
Operational income/(loss)	24 496	6 572	**31 068**	423	(3 971)	**(3 548)**
Operating margins	19%	7%	**14%**	0%	(6%)	**(2%)**
No. of employees	713	427	**-**	467	434	**-**
Revenue growth (%)	-	(24%)	**14%**	4%	(35%)	**(26%)**
Work on hand at period end	119 723	313 712	**-**	240 488	264 083	**-**

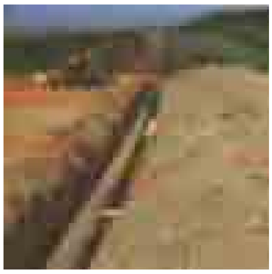
Future outlook

The Trans Caledon Tunnel Authority (TCTA), Rand Water, Umgeni Water and other authorities responsible for the supply and delivery of domestic and industrial bulk water throughout the country have extensive budgets that cover the installation of new, and the augmentation of existing water schemes. In addition the prevailing network of aging pre-stressed concrete pipelines will need to be replaced or converted to continuous welded steel pipelines on an ongoing basis. It is Esorfranki Pipelines' intention to be at the forefront of securing work arising from these opportunities.

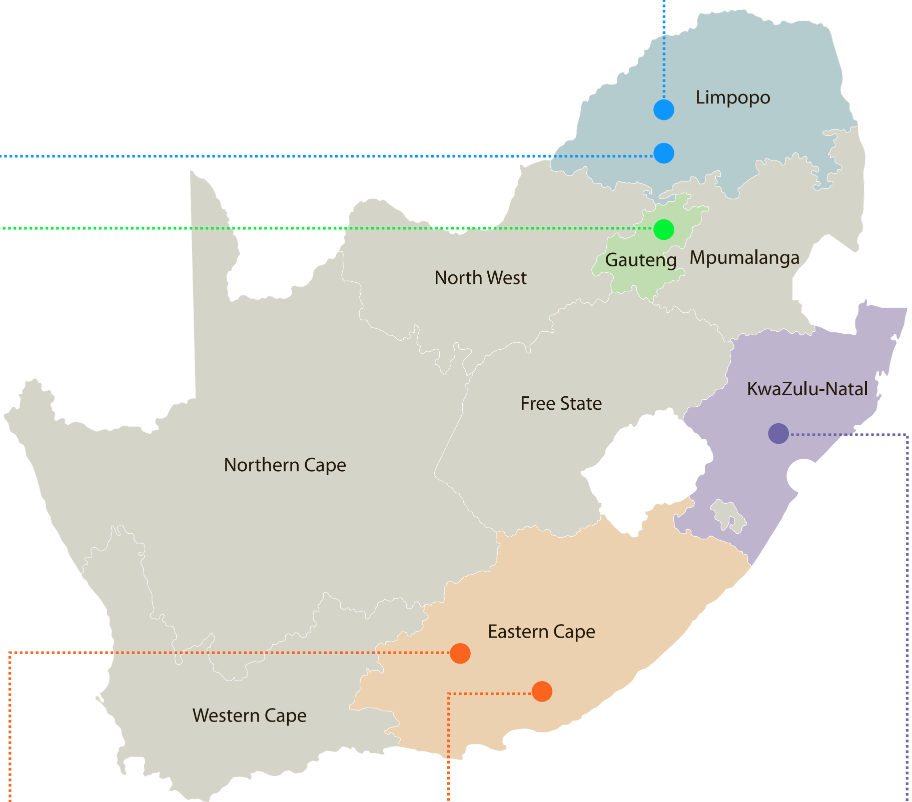
Geographic presence

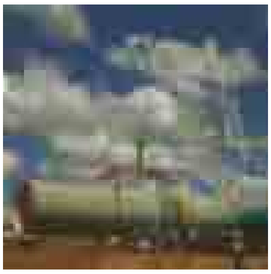


Mooihoek Bulk Water Supply Phase II
Installation of 13km of a 660mm diameter steel pipeline.
Duration: 8 months



Nebo Plateau Bulk Water Pipeline
Installation of 32km of a 450mm diameter steel pipeline from Nebo to Jane Furse.
Duration: 24 months

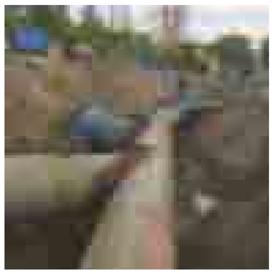




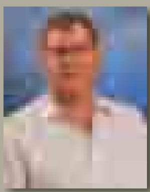
BG3
Delivering water from the Vaal Dam a distance of 8.6km in a 3 500mm diameter steel pipe to the canal feeding Zuikerbos Pump Station.
Duration: 24 months

Mbizana Pipeline
Installation of 13km of a 500mm diameter steel pipeline from the Ludeke dam site to the Nomlaqu treatment works.
Duration: 12 months

Milton Siphon
Replacement of approximately 1,1km of a 1 900mm diameter concrete siphon with new steel pipework.
Duration: 6 months



Nsezi Bulk Water Pipeline
Installation of 4,5km of a 1 300mm diameter raw water steel pipeline.
Duration: 8 months

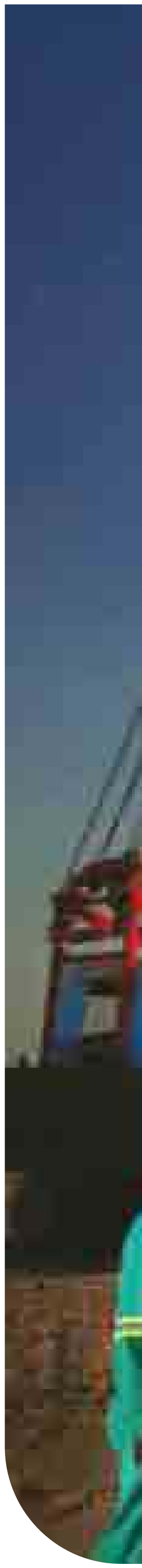


ESORFRANKI GEOTECHNICAL

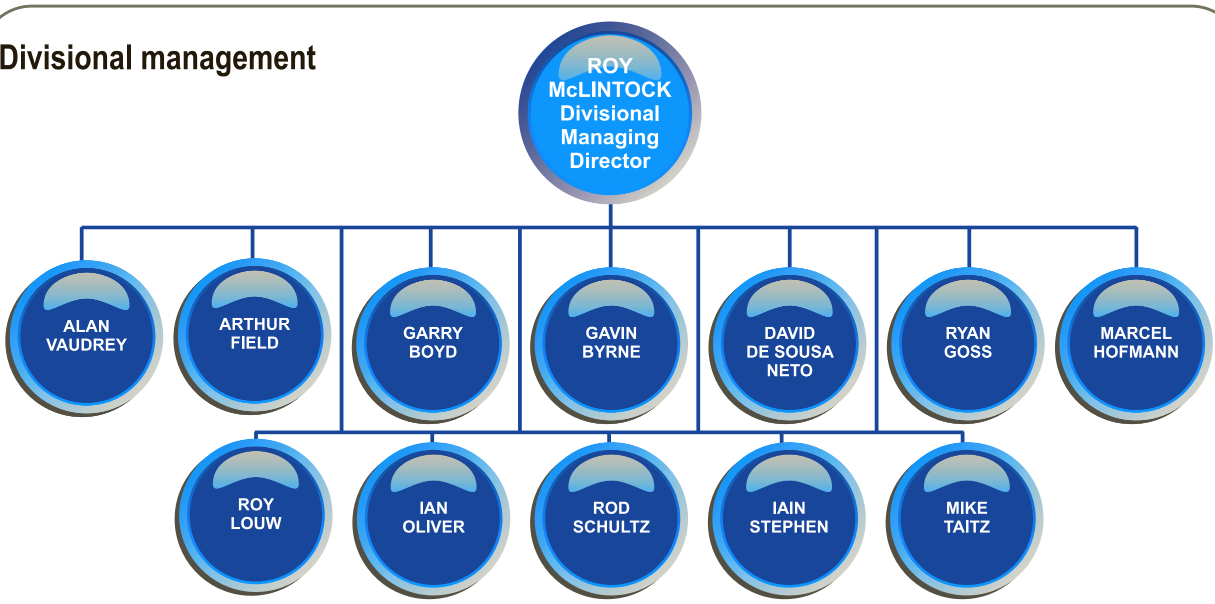
Roy McLintock - Managing Director
BscEng (Civil) Natal, Pr Eng, MSAICE
Over 31 years' experience

Incorporating Esor Africa and Franki Africa, Esorfranki Geotechnical is a 'one-stop geotechnical shop' - the largest specialist civil and geotechnical contractor in South Africa and the most established in the SSA region.

The group offers a full 'design and construct' service, while the 2008 acquisition of GCD has boosted market share in the fields of dynamic compaction, soil improvement, micro piling and lateral support.



Divisional management



Geotechnical Services

- Auger boring
- Bridge jacking
- Culvert jacking
- Environmental remediation
- Geotechnical investigation
- In-situ soil improvements
- Jet grouting
- Laboratory testing
- Lateral support
- Marine structures
- Piled foundations
- Pipejacking
- Soil improvement
- Technical design and expertise
- Under pinning

Employees

1 287

Markets

- Southern African and international
- Mining, civil engineering and construction industries

The piling being carried out at the Kusile power station

Geotechnical's challenges

The market
Overall the domestic geotechnical market halved in value in the second half of the year from R423 million to R283 million, which the group believes was primarily due to the general hiatus following the 2010 FIFA Soccer World Cup. This intensified competition and pressure on margins. Notwithstanding group restructuring initiatives in H1, overheads continued to be under-recovered by year-end. Retrenchment and restructuring costs absorbed during the year amounted to R7 million. Further restructuring within Esorfranki Geotechnical is currently underway.

Angola
The flagship Kinaxixi MXD complex project aside, the Angolan operation was affected by a general dearth of projects as a result of the government's debt repayment programme which superseded investment in infrastructure. On the Kinaxixi contract, a poor payment record resulted in numerous project delays. The Angolan economy is expected to recover in the short-term, driven by infrastructure spend. The group's Angolan operations are self-sufficient and optimally streamlined, but nontheless demand a minimum break-even revenue above that achieved for the year.

Gautrain DP7 Package
Total project revenue was impacted by losses on the final phases - comprising the lateral support and piling between Pretoria and Hatfield stations - due to excessive rain and tough working conditions. Restricted working space and the project's proximity to operational railway lines proved to be major challenges. Management of the storm water drainage system and the subsequent design adaptation further resulted in project overruns. To avoid protracted contractual negotiations Esorfanki and the main contractor agreed to a single lump sum price in respect of the works. Non-recurring losses of R27 million were absorbed during the year. The contract was concluded in November 2010.

Integration
The two geotechnical entities - Esor Africa and Franki Africa - were fully integrated into a single local and international operating division, Esorfranki Geotechnical, with effect from 1 March 2011. In Johannesburg Esorfranki Geotechnical operates from the former Franki Africa's Wynberg premises, while the KwaZulu-Natal branches will operate from one location in the near future.

Strategy
Budgeting strategy will be cognisant of the contracting domestic market and the need to grow revenue bases within SSA. As the division was recently re-tooled, capital expenditure requirements will be limited to maintenance only. Driven by demand, redeployment of local resources into SSA will be a priority. Continuing pressure on margins and competition is expected to drive innovation to maintain a competitive edge.

Financial review
Esorfranki Geotechnical posted revenue down 25% to R707 million (2010: R945 million).

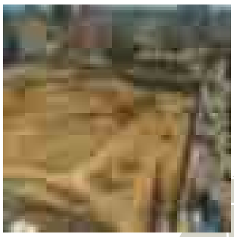
Salient features (R'000's)

	2010			2011		
	South Africa	Other	**Total**	South Africa	Other	**Total**
Revenue	687 115	257 747	**944 862**	471 003	203 619	**706 672**
Operational income/(loss)	94 247	69 900	**164 147**	(9 419)	28 166	**18 747**
Capex	14 909	37 937	**52 844**	10 038	1 756	**11 794**
Work on hand as at 28 Feb 2011	435 037	97 741	**532 778**	229 922	102 532	**332 454**
Work to be executed in FY 2012	435 037	97 741	**532 778**	229 922	102 532	**332 454**

Half-year comparisons (R'000's)

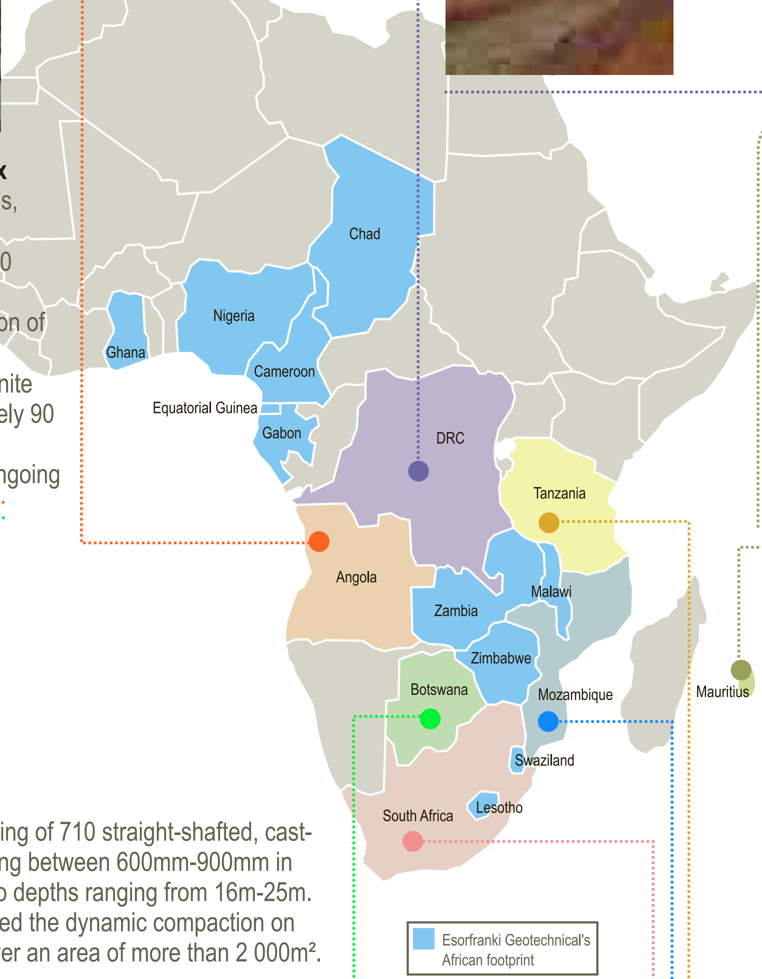
	2010			2011		
	H1	H2	**Total**	H1	H2	**Total**
Revenue	527 674	417 188	**944 862**	423 180	283 492	**706 672**
Operational income/(loss)	88 534	75 613	**164 147**	24 820	(6 073)	**18 747**
Operating margins	17%	18%	**17%**	6%	(2%)	**3%**
No. of employees	1 710	1 562	**-**	1 408	1 287	**-**
Revenue growth (%)	-	(21%)	**(21%)**	1%	(33%)	**(25%)**
Work on hand at period end	329 295	532 778	**-**	254 089	332 454	**-**

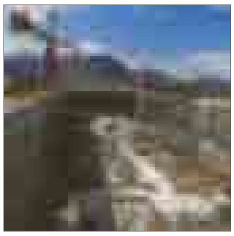
Geographic presence



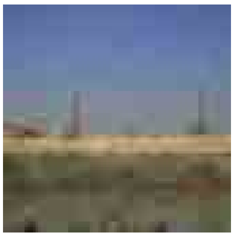
Kinaxixi MXD complex
Phase I - 1 150 soil nails, 4 200m^2 of gunite, 310 micropiles and over 370 soldier piles. Phase II comprised the installation of up to five rows of Titan anchors, 7 500m^2 of gunite arches and approximately 90 jet grout columns.
Duration: 15 months, ongoing

Kolwezi soil improvement project
Large soil improvement project for a new copper mine processing plant.
Duration: 6 months

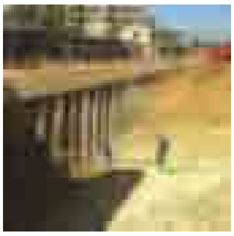




Dry dock in Port Louis
Construction of a diaphragm wall and piling to the floor slab of the dry dock.
Duration: 12 months



Jwaneng mine cut 8
A piling contract consisting of 710 straight-shafted, cast-in-situ auger piles ranging between 600mm-900mm in diameter and inserted to depths ranging from 16m-25m. Esorfranki also completed the dynamic compaction on the primary stockpile over an area of more than 2 000m².
Duration: 10 months

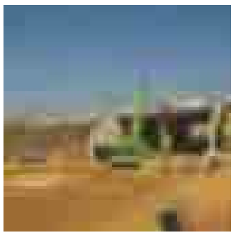


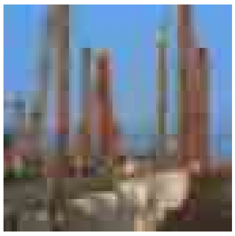
PSPF
Lateral support and piling to new offices for the Public Services Pension Fund in Dar-es Salaam.
Duration: 6 months

Argyle storm water outfall (KZN)
Design and construction of a temporary jetty and coffer dam with a 5m high protection wall for the construction of the extended concrete shotgun outfall.
Duration:12 months, ongoing

V&A Waterfront development piling (Cape Town)
Soil improvement and lateral support to the majority of the V&A Waterfront Development.

Bridge jacking to N17 contract (Gauteng)
Jacking of a 26m wide, 32m long and 15m deep bridge that weighed 4 500 tonnes underneath a fully functional railway line - a technique used to ensure minimal environmental impact.
Duration: 9 months





Hillside
A challenging project which involved deep piling for the Hillside Phase III project.
Duration: 9 - 10 months

Future outlook

The outlook for SSA (including South Africa) looks promising going forward with the main market driver expected to be demand for beneficiated resources. Angola and Mozambique both anticipate growth of between 7-9% in the year ahead. Rising oil prices and infrastructure spend should further stimulate economic recovery in Angola. Mozambique's coal resources are expected to lead to further port and harbour development with corresponding supportive road and rail infrastructure development. Esorfranki Geotechnical will endeavour to increase its market share within these economies by maintaining existing clients, actively seeking new relationships, being innovative and keeping abreast of developing trends and new techniques in the industry.

Survival in a year of turmoil!

Despite the challenging macroeconomic environment, Esorfranki has maintained a relatively healthy order book of R1,456 billion as at 28 February 2011. The group also achieved a significant milestone during the year, improving its BEE rating to Level 4.

The first half of the financial year proved especially challenging, with the South African market severely affected by the world financial crisis and the disruptive effects of the 2010 FIFA Soccer World Cup. This was exacerbated in the second half of the year by the sharp decline in tenders for infrastructure-related projects following the completion of the Soccer World Cup. Performance during the year also reflects a struggling construction sector with fewer contracts coming to market and increasing cancellations and delays of tenders, which continued to intensify competition and squeeze margins. The group was further impacted by contract losses on the Bakwena N4 Toll Road and Gautrain DP7 contracts, both of which are now complete after the expense of considerable resources and effort. In addition, unusually high rainfall in the first half of the year and again in November 2010 hampered project progression.

SSA offered little respite as markets there were also burdened by contract delays and cancellations as a result of liquidity constraints, and performance was further pressured by the strength of the Rand.

In order to address increasing sustainability risk, working capital discipline became a major focus during the year. The challenging conditions necessitated restructuring, which saw unfortunate retrenchments in Esorfanki Geotechnical and Esorfranki Pipelines.

Post year-end the group structure was streamlined for greater cost-efficiency and resilience in the prevailing economic conditions. This saw the divisionalisation of operations and their incorporation into a single operating company with effect from 1 March 2011. All group businesses are now housed under the re-branded company Esorfranki Construction (Pty) Limited, consolidating and strengthening the Esorfranki brand in the market. Esorfranki Geotechnical, Esorfranki Civils and Esorfranki Pipelines are therefore divisions of Esorfranki Construction.

In addition, most operations are now located at Esorfranki's newly-extended Germiston Head Office premises. Esorfranki Civils' and Esorfranki Pipelines' plant has also been consolidated under a central plant management company.

Flouting of tender rules when adjudicating tender submissions and inappropriate awards to under-qualified tenderers submitting non-complying bids has become a concerning trend. All divisions of Esorfranki, when directly affected, will continue to challenge these adjudications and awards through contractual appeal processes or through the courts when necessary.

Above L-R: Dave Thompson (Chairman) and Bernie Krone (CEO)

"Level 4 B-BBEE status is a critical differentiator for the group in an environment which is significantly dependent on government infrastructural spend and is highly competitive on price."

BEE

The scorecard improved from a Level 5 to a Level 4 B-BBEE status during the year. This is a critical differentiator for the group in an environment which is significantly dependent on government infrastructural spend and is highly competitive on price.

Financial results

See Operations on pages 009 to 020.

Strategy

We continue to strive to position ourselves as the benchmark construction group in South Africa. In the short-term strategic focus will be on addressing protracted contract awards, reduced private investment and funding constraints. We regard B-BBEE as a business imperative and will continue seeking to improve our scorecard rating. Another short-term

priority is the standardisation of policies and procedures across the group, as well as elevating the Esorfranki brand.

In the medium- to long-term we will concentrate on further geographical expansion as well as extending the product range both organically and acquisitively, particularly in identified growth sectors.

Business environment

Gradual recovery is evident globally and moderate growth is expected in South Africa - a 3,5% growth in GDP is anticipated in 2011, increasing to 4% in 2012. The interest rate should remain at current low levels for 2011, which will be favourable to the construction industry. Nonetheless market conditions are expected to remain challenging in the short-term. On the upside the recent awards of some meaningful contracts indicate the start of an improvement in trading conditions and have bolstered the group's prospects (see Prospects on page 023).

"The recent awards of some meaningful contracts indicate the start of an improvement in trading conditions and have bolstered the group's prospects."

In Africa, Angola and Mozambique are expected to offer growth opportunities with continued investment into large-scale projects in the resources/beneficiation industries in these countries.

In the medium- to long-term recovery is expected in government infrastructure projects as demand increases to meet targets and supply essential services.

Rights offer

A rights offer aimed at settling acquisition debt and strengthening the statement of financial position was announced in November 2010.

The exercise was concluded post year-end in March 2011, successfully raising R200 million for the group. The fully underwritten rights offer comprised 93 million shares at a subscription price of R2,15 each.

The proceeds have also been applied to help reduce gearing and further support the elimination of covenants and the favourable re-negotiation of facility requirements. The capital raised has assisted in alleviating the pressure of significant investment in plant and equipment ahead of the roll-out of large-scale contracts recently secured (see Prospects on page 023).

Shareholders applied for 20,1% of the rights shares, with Coronation Asset Management taking up 63,9% and Sanlam Investment Management the remaining 15,9%.

Sustainability

This Integrated Report is viewed by the board as the group's formal communication with all stakeholders including investors, customers, suppliers, staff, government and the general community within which Esorfranki operates. In this report we have attempted to comply with the principles of GRI and King III. The board endeavours to enhance its Integrated reporting going forward.

It affirms our belief that Esorfranki has a strong track record of building a successful and sustainable business. We are aware that in order for this to be achieved a number of inter-related strategic and operational priorities must be implemented in a highly effective manner. This Integrated Report is an open account of these priorities and the financial, environmental and social results of their implementation.

Esorfranki embraces the principle of sustainability reporting. We trust that this and subsequent reports will demonstrate our commitment to economic, social and environmental prosperity. Our philosophy is one of 'thinking globally and acting locally' - we accept that on a global scale our actions will effect minimal change, but we will adhere to sustainable business development principles that will directly affect the areas in which we operate (see Sustainability on page 041, for further detail).

Competition commission

In July 2009 Esorfranki was named by the Competition Commission in an investigation into alleged anti-competitive behaviour in the piling and drilling industry. The allegations related to transgressions by Franki Africa prior to the company's acquisition by the group and by the then-named Esor (Pty) Limited prior to listing. Esorfranki has cooperated with all the Competition Commission's requests and is fully committed to resolving this matter together with the Commission.

Any developments will be communicated in due course (see directors' Report on page 055 and Corporate Governance on page 027)

Prospects

Esorfranki has secured a number of significant contracts as detailed below.

"Esorfranki is well-positioned to take advantage of new projects coming to market."

Esorfranki Geotechnical's revenue appears to have stabilised at R700 million per annum (pa). The Cape Town operation has already secured 50% of its order book, while the East Coast region (KwaZulu-Natal, Mozambique, Tanzania) is experiencing a positive increase in workflow year-on-year. Growth in KwaZulu-Natal is being driven primarily by road infrastructure projects. In Mozambique a GDP growth of 8% pa is expected to continue stimulating activity levels - Esorfranki was recently awarded contracts to the value of R35 million. A R27 million contract was also recently secured in Tanzania. In Mauritius, Esorfranki is a dominant player in the geotechnical market, boding well for future growth. A GDP of 8% pa in Angola is expected to see a reversion to significant infrastructure spend and in this regard the group is currently targeting geotechnical work valued at R200 million.

In Gauteng the challenging Gautrain DP7 contract has been completed and the market itself is looking more buoyant. Esorfranki has secured a R40 million piling contract for Kalagadi , R30 million worth of piling work remains ongoing at Kusile and the R17 million K71 Odex project is underway.

Geotechnical contracts are short-term in nature and one of the first activities on site, to the group's disadvantage in downcycles. Conversely they are the first to benefit from an upswing. During tough economic times, longer-term contracts in the remaining divisions mitigate this phenomenon to build a sustainable, diversified revenue stream for the group.

In Esorfranki Civils the order book at 28 February 2011 stood at R860 million. Recent contract awards include R200 million worth of work on the K71/R55, an R80 million contract for Road Agency Limpopo (RAL), R310 million at Kusile and R330 million on the N4. In addition R200 million worth of ongoing and pending work in mining infrastructure is in hand, and a cross-border project in Mozambique is expected to commence in August 2011. Competition in this sector is expected to remain extremely tough.

Esorfranki Pipelines had an order book of R264 million at 28 February 2011. Recent contract awards include the R60 million project on Phase III of Mooihoek. The BG3 contract started full production in April 2011. The Western Aqueduct project was tendered for in February 2010 and has unfortunately experienced protracted award delays. It is currently subject to an appeals process by competitor bidders and is before the Appeals Tribunal. A decision is expected imminently. The group's portion of this project would exceed R420 million.

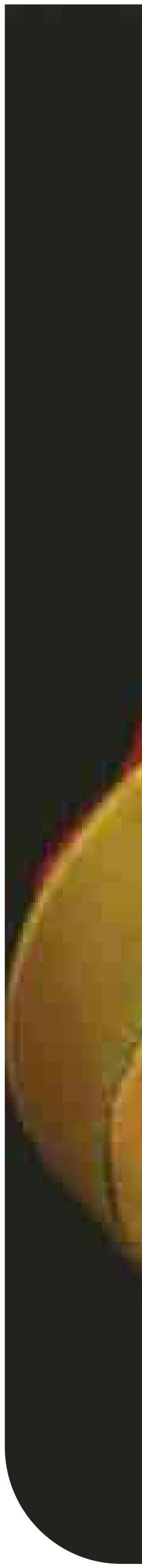
There is still an overwhelming need for infrastructure development in power, water, transport and resources which means spending is inevitable, especially given government's recently reiterated commitment to development. Esorfranki is well-positioned to take advantage of new projects coming to market.

Appreciation

Esorfranki's viability in the recessionary environment could not have been achieved without the effort and commitment of all management and staff, and we thank them wholeheartedly for the role they continue to play.

We extend our appreciation to our fellow directors, management and staff for their hard work and loyalty during this difficult year.

We also thank our business partners, suppliers and advisors as well as our clients and shareholders for their invaluable support.



Dave Thompson
Chairman
24 May 2011

Bernie Krone
CEO


esorfranki

Introduction

The group's results reflect a decrease in key performance indicators from the previous year driven by a variety of factors. These are set out in detail in the Chairman's & CEO's Report. The group recorded a headline loss per share of 12, 9 cents (2010 profit: 71, 3 cents).

Consolidated statement of comprehensive income

Revenue reduced by 26% to R1,4 billion with a consequent after tax loss of R40,7 million (2010: PAT R197,6 million). The gross profit margin decreased by 15% to R161,4 million after recognising significant loss provisions of R87 million in aggregate on the Bakwena N4 Toll Road construction and Gautrain DP7 contracts. Operating expenses increased by 3,9% year-on-year and included retrenchment costs of R6,7 million. Depreciation, impairments and amortisation accounted for 4,7% (2010: 4,4%) of revenue.

The group's effective tax rate was 13,4% (2010: 28,3%), which included prior year reversals of R9,4 million and a STC charge of R3,9 million on the dividend paid to shareholders.

Consolidated work on hand at 28 Feb 2011:

Business Unit	2010 (R000's)	2011 (R000's)
Geotechnical	532 778	**332 454**
Civils	726 542	**860 267**
Pipelines	313 712	**264 083**
Total	1 573 032	**1 456 804**

Consolidated work on hand by region at 28 Feb 2011:

Region	2010 (R000's)	2011 (R000's)
South Africa	1 475 291	**1 354 272**
Other	97 741	**102 532**
Total	1 573 032	**1 456 804**

The work on hand in the South African market has reduced marginally by 7,4% compared to the prior year's position. Post year-end on 21 April 2011 Esorfranki Civils has secured an additional R330 million road construction contract.

Consolidated statement of financial position

Intangible assets and goodwill

The directors independently assessed the recoverability of these intangible assets based on projected budgets and assumptions as further detailed in notes 5 and 6 to the annual financial statements.

Other than the impairment raised on the GCD brand name amounting to R1,6 million, the directors are confident that the recoverable amounts exceed the carrying values of these assets following a restructuring of the group.

Property, plant and equipment

Capital expenditure of R50,3 million (2010: R 96,0 million) was incurred to maintain operations as tabled below:

Business Unit	2010 (Rm)	2011 (Rm)
Geotechnical	42,8	**11,8**
Civils	49,7	**17,9**
Pipelines	3	**6,1**
Properties	-	**14,2**
Corporate	0,5	**0,4**
Total	**96,0**	**50,4**

Capex spent on properties included two houses received in lieu of payment of R5 million from a failed property developer and development costs of R9,2 million incurred on the group's new Head Office and existing yard in Midrand. This project has since been suspended until the group's cash flow and profitability can sustain completion of the development. The building capital cost of R1, 2 million was impaired in the financial year after the demolition of the former building on the Midrand premises.

The board has authorised capex of R278 million (2010: R72 million) mainly to accommodate anticipated growth in Esorfranki Civils on the award of specific projects. Further details are contained in note 35 to the annual financial statements.

Trade and other receivables

The impairment provision decreased to R34,9 million (2010: R36,2 million), accounting for 2,5% (2010: 1,9%) of group revenue. This provision related to receivables in Esorfranki Geotechnical.

The trade and other receivable days' revenue outstanding increased by 12,2 days to 110,5 days (2010: 98,2 days).

The past due and not impaired trade receivables improved by R75,4 million to R27,5 million (2010: R102,9 million).

Cash and cash equivalents

The group was a net consumer of cash in the year of R53,7 million (2010: R155,9 million), as a result of weak operating cash generated amounting to R58 million (2010: R159,6 million) and the outflow of cash into investing activities of R42,0 million (2010: R199,3 million) and into financing activities of R69,8 million (2010: R 116,3 million).

The company successfully raised R200 million in March 2011 following a fully underwritten rights offer to shareholders. Further detail is set out in the Chairman's & CEO's Report and the notes to the annual financial statements. Accordingly further short-term facilities have been raised subsequent to year-end with the group's primary banker, to fund working capital requirements anticipated for revenue growth in the current year.

Share capital and premium

Share issue expenses of R8,7 million were incurred at 28 February 2011 relating to transaction costs on the rights offer. The rights offer, concluded post year-end, will in turn support group cash flows and strengthen the capital base required for the anticipated growth in revenue.

The strength of the Rand again negatively impacted on the foreign currency translation reserve by R18, 9 million (2010: R28,9 million) in the translation of foreign operations into the South African reporting currency.

Non-current liabilities

Secured long-term borrowings decreased by R190,5 million (2010: R95,5 million) as a result of a post year-end settlement of R177,6 million of the outstanding acquisition-related debt on 18 March 2011. At year-end the interest-bearing debt to total debt and equity ratio amounted to 32% (2010: 33%).

As an illustrative comparable position to that of year-end, the proceeds from the rights offer and the subsequent settlement of acquisition-related debt as above will effectively reduce gearing to 14%.

Current liabilities

These include R177, 6 million acquisition-related debt repaid to Junonia Investments No 3 (Pty) Limited on 18 March 2011.

Trade and other payables include R90 million (2010: R85,7 million) due to customers. Cost of sales days outstanding in trade payables and other increased by 18 days to 94 days (2010: 76 days).

Wayne van Houten (CFO)

Provisions

Provisions decreased by R17, 8 million as no incentivised staff bonuses were payable on the results for the year under review.

Financial covenants

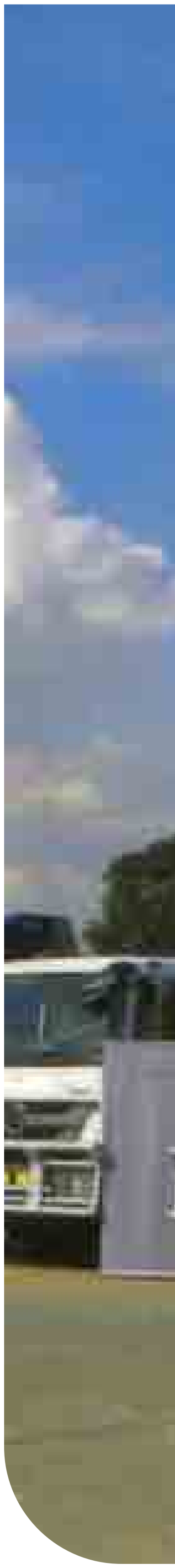
The group's bankers have waived the required minimum financial covenants in terms of the loan financing agreement with Junonia Investments no 3 (Pty) Limited, as at 28 February 2011, on the basis that the proceeds raised from the rights offer would be (and have been) utilised to settle the acquisition-related debt.

Dividend

The board has resolved that no dividend be declared based on its current financial position. See directors' report on page 055.

Esorfranki had declared and paid a dividend in June 2010 of R43,6 million (2010: R 42,4 million) which equated to 15 cents per share on HEPS of 71, 3 cents in the previous year.

Wayne van Houten
CFO
24 May 2011



Corporate governance

Esorfranki's board of directors remains committed to complying with the recommendations as set out in the King III Report, effective 1 March 2010. Esorfranki complies in all respects with these recommendations unless otherwise described below. The board realises that the long-term sustainability of corporate capital, balanced economic, social and environmental performance and due consideration to legitimate stakeholder involvement are inextricably linked. The year's integrated report reflects how this principle is embedded in the group's decision-making processes, audits and assessments.

During the year the group's focus intensified on identifying compliance gaps in line with the 'apply or explain' approach of the King III Report. Esorfranki will continue improving and codifying operational and corporate practices to achieve sound corporate governance, transparency and accountability at all times underpinned by integrity. The challenge for directors lies in balancing broader social objectives with the company's performance in an entrepreneurial market economy within a framework of governance principles.

2010 HIGHLIGHTS IN CORPORATE GOVERNANCE

- Independent self-assessment of 72% overall readiness in terms of compliance with the King III Report
- Code of Ethics updated and incorporated in the Audit and Risk Committee Charters
- Defined work plans for board and committees
- Establishment of Human Resources and Nominations Committee to assume and embellish on the responsibilities of the Remuneration Committee
- Audit and Risk Committee separated into two discrete committees
- New board and committee charters adopted and revised in terms of King III Report recommendations and new legislation

The board

The group is led by a unitary board of directors, which at year-end comprised two executive directors and four independent non-executive directors (*). The responsibilities of the Chairman and CEO, and those of other non-executive and executive directors, are clearly separated to ensure a balance of power and prevent any one director from exercising unfettered powers of decision-making. The Chairman, independent non-executive director DM Thompson, provides leadership to the board in all deliberations ensuring independent input, and oversees its efficient operation. The CEO is responsible for proposing, updating, implementing and maintaining the strategic direction of Esorfranki as well as ensuring appropriately supervised and controlled daily operations. In this regard, the CEO is assisted by the CFO and Executive Committee ("EXCO"). The independent non-executive directors are high merit individuals who objectively contribute a wide range of industry skills, knowledge and experience to the board's decision-making process. These directors are not involved in the daily operations of the company. During the year no changes were made to the board of directors.

The full board comprises:

- B Krone (CEO)
- EG Dube*
- Dr FA Sonn*
- W van Houten (CFO)
- MB Mathabathe*
- DM Thompson (Chairman)*

The board meets at least quarterly and further confers through electronic round robin deliberations where necessary. Details of directors' attendance at board and board committee meetings are set out below:

Board	Board	Audit Committee	Risk Committee	HR & Nominations Committee
Executive directors				
Bernie Krone (CEO) Years of service: 29 years & 8 months	4 (4)	4 (4)°	4 (4)°	1 (1)°
Wayne van Houten (CFO) Years of service: 4 years & 6 months	4 (4)	4 (4)°	4 (4)°	1 (1)°
Independent non-executive directors				
EG Dube Years of service: 4 years & 6 months	3 (4)	3 (4)	3 (4)	N/A
MB Mathabathe Years of service: 2 years & 1 month	3 (4)	N/A	N/A	0 (1)
Dr FA Sonn°°° Years of service: 4 years & 6 months	4 (4)	3 (4)	4 (4)	1 (1)
DM Thompson Years of service: 5 years & 2 months	4 (4)	4 (4)	4 (4)	1 (1)

°Attended by invitation
°Audit Committee chairman
°Human Resources and Nominations Committee chairman
°Risk Committee chairman

A fleet of 10m^3 Mercedes tipper trucks which form a part of Esorfranki's equipment

The group's articles of association provide for one-third of the directors to retire by rotation after a three-year term of office. Accordingly, MB Mathabathe and W van Houten will retire at the upcoming annual general meeting and, being eligible, will stand for re-election subject to shareholders' approval. Appointments of any new directors are subject to shareholders' approval at the annual general meeting directly following their initial appointment.

Esorfranki's board subscribes to a policy of actively reviewing and enhancing the group's systems of control and governance on a continual basis. This ensures that the business is managed ethically and within prudently determined risk parameters in conformity with accepted standards of best practice. The group continues to exercise leadership, integrity and judgement, based on fairness, accountability, responsibility and transparency.

Board charter

The purpose of the codified board charter is to regulate the parameters within which the board operates and to ensure the application of the principles of good corporate governance. It further sets out the roles and responsibilities of the board and its directors in line with triple-bottom-line reporting practices. The charter takes into consideration recommendations for improvement as set out in the King III Report, JSE Listings Requirements and other relevant regulations. The implications and requirements of the new Companies Act promulgated in April 2011 have yet to be addressed in all respects.

In terms of the charter, the board's primary function is the responsibility to determine, in conjunction with the CEO, the group's strategy, purpose, values and stakeholders relevant to its business. The directors are required to exercise effective leadership, integrity and judgement, based on fairness, accountability, responsibility, transparency and ethical business conduct. The board acts as the focal point for and custodian of the group's corporate governance. In doing so it ensures the group is a responsible corporate citizen, cognisant of the impact its operations may have on the environment and society in which it operates, while acting in accordance with its own Code of Ethics.

The board continuously monitors the solvency and liquidity of the company as well as any non-financial aspects. The board is further responsible for the implementation of frameworks for the delegation of authority as well as the governance of the group's subsidiaries and divisions. Further, the board is responsible for ensuring compliance with all relevant laws, regulations and codes of best business practice, as well as appropriate stakeholder communication to protect and enhance the company's reputation.

In appreciating the inseparability of strategy, risk, performance and sustainability, the board considers on an ongoing basis the material risks in the strategy and business plans. In this respect the board is assisted by the Audit and Risk Committees to ensure the company's risk function pro-actively manages risk, sets the risk tolerance levels and monitors the systems of internal control. Further, the board is responsible for the proactive and effective risk management of the company's information technology in line with new regulations.

The remuneration policy, which is fair, responsible, linked to individual performance and aligned with company strategy, is adopted by the board with the assistance of the new Human Resources and Nominations Committee (which replaced the former Remuneration Committee). Also in consultation with the Human Resources and Nominations Committee, the board provides input into senior management appointments and succession plans.

The board is responsible for approval of all acquisitions, mergers, takeovers, divestments of operating entities, equity investments and new strategic alliances by the company or its subsidiaries. It further ensures the integrity and accuracy of the company's integrated report.

Directors are required to act in a professional manner, in the best interests of the company, in good faith and with integrity at all times. All directors have unrestricted access to the advice and services of the Company Secretary and to company records, information, documents and property to participate meaningfully in board meetings. Non-executive directors also have unfettered access to management at any time. All directors are entitled to seek independent professional advice on any matters relating to the group in order to perform their responsibilities, at the company's expense.

Board processes

Share dealings and declarations of personal interest

The independence of directors is ascertained on a quarterly basis through formal mandatory declarations of personal interest/s. No shareholder holds more than 5% of the issued share capital of the company or has the ability to control or influence the board. The stakeholdings of independent non-executive directors are not material to their individual personal wealth. These findings have been discussed by the board and confirmed with the non-executive directors.

Directors are further required to disclose any share dealings in the company's securities to the CFO and Company Secretary for approval. The CFO, together with the Sponsor, ensures that share dealings are published on SENS.

All directors and senior executives with access to financial and any other price sensitive information are prohibited from dealing in Esorfranki shares during 'closed periods', as defined by the JSE, or while the company is trading under cautionary. The Company Secretary informs all directors by e-mail when the company enters a 'closed period'.

"The board realises that the long-term sustainability of corporate capital, balanced economic, social and environmental performance and due consideration to legitimate stakeholder involvement are inextricably linked."

Self-evaluation

The Company Secretary conducts an annual self-evaluation exercise of the board's performance, mix of skills and individual contributions of directors, its achievements in terms of corporate governance and the effectiveness of its sub-committees. The exercise further includes a review of communications between management and the board as well as between the board and stakeholders. Each individual director also performed a self-evaluation exercise during the year. The results were reviewed by the board as a whole which was satisfied that the overall assessment did not diminish in any material respect or degree from the previous assessment.

Succession planning

The group's succession plan was tabled for formal approval at a Human Resources and Nominations Committee meeting on 17 March 2011. The Human Resources Manager currently undertakes reviews of the group's succession, which in turn is discussed at EXCO as well as board level. Although not yet formalised, possible successors for the role of CEO have been identified should the need arise. The Human Resources Manager continually monitors the Geotechnical director positions in terms of age and has identified successors for these roles, who are currently being mentored. In respect of non-executive directors, no succession plan is currently in place but is intended to be implemented in the current financial year.

An increasing number of skilled middle management is coming through the ranks to fill senior management positions. Successes in succession planning were evident when the outgoing positions of Esorfranki Pipeline directors (two of whom retired to pursue personal interests), Contracts Manager and Managing Director were filled internally and immediately. Should the experience of an identified candidate be insufficient for the assumption of a management role, steps are taken to formally and informally train the nominated successor.

"During the year the group's focus intensified on identifying compliance gaps in line with the 'apply or explain' approach of the King III Report."

New appointments

According to the current articles of association, the board as a whole is responsible for new appointments in a formal and transparent manner. Effective 1 March 2010 the responsibility of new appointments and the appointment of the CEO will be assisted by the newly established Human Resources and Nominations Committee although the board as a whole remains responsible for such appointments. The board will also continue to set the terms of employment for the CEO.

In the case of new appointments, the CEO and CFO as an informal induction present an overview of the group's financial results, position and operations as well as information on directors' fiduciary duties and responsibilities. In addition, all new appointees are presented with the group's latest annual report, interim and annual financial results announcements, recent circulars to shareholders, minutes of the most recent board meeting, budget details, company structure, board and sub-committee composition and a board pack for the upcoming meeting.

Although listed on the JSE's Main Board, new board appointees and EXCO members can opt to attend the four-day AltX Directors' Induction Programme. The programme is run through the Wits Business School and endorsed by the Institute of Directors. It covers pertinent aspects of company law, stock exchange regulations, the roles, responsibilities and liabilities of directors, basic techniques of financial analysis and the importance of investor and media relations. In order to keep abreast of new developments, the Company Secretary in consultation with the CFO, the auditors and/or the Sponsor arrange specific training or seminars for directors and senior management. During the year this training included KPMG-hosted presentations on the King III Report and the proposed changes to the Companies Act.

Company Secretary

In accordance with the recommendations by the King III Report, the Company Secretary is not a director of Esorfranki and accordingly maintains an arm's length relationship with the board and its directors. Effective 1 April 2010 the board outsourced the role of Company Secretary to an independent expert in the field of corporate governance and best corporate practice, iThemba Governance and Statutory Solutions (Pty) Limited. This is to ensure enhanced compliance with all legislation, regulations and best practice.

The Company Secretary keeps record of, *inter alia*, shareholder registers, meeting attendance registers, meeting minutes, resolutions, directors' declarations of personal interest/s and all notices and circulars issued by the company. The Company Secretary is well versed in all relevant updates to current legislation and regulation and is responsible for advising the board as such. Further the Company Secretary reviews the rules and procedures applicable to the conduct of the board. To this end the Company Secretary will involve, wherever necessary, the Sponsor and other relevant advisors/experts to ensure that the directors have adequate information to sufficiently discharge their responsibilities. The Company Secretary is also the secretary of all board committees.

Subsidiaries & divisions

Effective post year-end, Esorfranki has consolidated its existing policies and procedures into a comprehensive manual to incorporate best practice throughout the group. This manual standardises policies, procedures and ethics at an operational level. Training will be conducted across the group to familiarise all employees with the manual during the new financial year.

EXCO has the responsibility of ensuring the implementation of these policies at subsidiary and divisional levels, while internal audit and the Group Risk Officer are responsible for monitoring compliance.

Board committees

The board charter provides for the formation of board committees to assist the board in performing certain specialised duties. In keeping with the recommendations of the King III Report, board committees currently comprise the Audit, Risk and Human Resources and Nominations Committees. All board committee chairmen attend annual general meetings to answer questions from shareholders pertaining to the relevant matters handled by their respective committees.

EXCO

The EXCO's responsibilities include assisting with the implementation of corporate governance compliance at group and subsidiary/divisional levels. The internal audit function and Group Risk Manager advise the EXCO on monitoring of compliance.

The committee consists of the CEO who chairs the committee, the CFO and key management from each of the divisions, namely Arthur Field and Roy McLintock from Esorfranki Geotechnical, Andy Brookstein and Richard Maynard from Esorfranki Civils, Dave Gibbons from Esorfranki Pipelines and the Group Human Resources Manager William Neuwenhuis.

Audit Committee

Refer to page 052 for a detailed Audit Committee Report.

Risk Committee

As with the Audit Committee, the newly-formed separate Risk Committee (formerly combined with the Audit Committee) is chaired by Dr FA Sonn. It further consists of two independent non-executive directors DM Thompson and EG Dube. The board has satisfied itself of the independence of the committee members in accordance with directors' mandatory quarterly disclosures of personal interests. The board is further satisfied that members of the committee have the appropriate skills, expertise and experience to discharge their duties sufficiently.

The Risk Committee charter has been revised and adopted and will be reviewed annually to keep abreast of relevant changes in legislation. In terms of the charter the committee meets a minimum of three times annually, with additional meetings held where necessary. Details of directors' attendance at meetings are set out on page 027. The CEO and other board members may attend by invitation. However the CFO, head of internal audit and the Chief Risk Officer are required to attend all meetings. Should any member of the committee, the Chief Risk Officer or the internal auditor request a meeting, such meeting may be arranged in consultation with the committee's chairman. The chairman of the Risk Committee is required to provide feedback to stakeholders at the annual general meeting.

The committee is authorised by the board to seek any information required from any employee and may further obtain external legal or other independent professional advice if deemed necessary, at the expense of Esorfranki. The Group Risk Officer independently oversees the risk management processes implemented by management, and reports directly to the committee. His observations as detailed in last year's report have either been addressed or are in the process of being addressed.

The main responsibility of the committee is to provide assistance to the board in ensuring implementation and maintenance of an appropriate and effective risk environment. In this regard, the committee is required to stay abreast of any new developments and changes in legislation and regulation as set out by the JSE and the King III Report.

The committee reviews and recommends for board approval the company's risk management policy and plan, the company's Code of Ethics and any corporate citizenship policies; the risk tolerance levels; the risk register as prepared by management, focusing on IT risks, fraud risks, reputational risks in addition to operational and other business risks; internal audit reports detailing effectiveness of risk management; the company's compliance with legal and regulatory provisions, its articles of association, Code of Ethics and the rules established by the board; and reviews cases of employee conflicts of interest, misconduct or fraud. It also submits an annual report to the board detailing the total risk management and assessment process and outcomes.

The charter further incorporates social and ethical responsibilities. A separate committee will be established to administer these functions and responsibilities, following the implementation of the new Companies Act.

During the year the performance of the Risk Committee was evaluated by the Company Secretary, whose findings were reviewed by the board. The findings were satisfactory and indicated the committee adds value to the group's overall governance process. Where necessary programmes will be developed to address any changes required.

Human Resources and Nominations Committee

The Human Resources and Nominations Committee (formerly the Remuneration Committee) comprises independent non-executive group Chairman DM Thompson and is chaired by independent non-executive director Dr FA Sonn, thereby fulfilling the mandatory minimum composition requirements in terms of the revised charter. The CEO and Human Resources Manager attend all meetings and have unrestricted access to the chairman and committee members. Meetings are held annually, but more frequently if required. Details of directors' attendance at these meetings are set out on page 027.

The committee is an independent and objective body which considers the group's human resources practices, composition and effectiveness of the board and board committees' skills and the remuneration policies for the executive directors, senior management and all employees. The committee is authorised by the board to seek any information required from any employee and may further obtain external legal or other independent professional advice if deemed necessary, at the expense of the group. According to the charter, the committee oversees all aspects of human resources and determines the group's remuneration philosophy and human resources strategy. As such, the committee's duties include scrutinising and reviewing incentive schemes, annual bonuses, remuneration of the CEO and EXCO members, salary increases, executive employment contracts, grants, retirement and healthcare funding for executives and senior management and all benefits paid out to employees, including pensions, benefits in kind and other financial arrangements.

As part of its succession planning responsibility, the committee recommends new director appointments to the board. It is responsible for identifying high-calibre candidates for positions as they arise.

Remuneration philosophy
The remuneration philosophy reflects Esorfranki's commitment to be compliant with best practice and its aspiration to be the preferred employer of choice. The group's executives are remunerated in terms of a remuneration package and are further incentivised for performance against a defined 'weighted average cost of capital' parameter on an EVA model based on total assets and profit before interest and tax. The annual remuneration packages and increases are benchmarked against market-related surveys, primarily that of Deloitte. These packages are structured on a 'cost to company' basis and include contributions to health care, disability, life insurance and retirement benefits.

Annual increases to executive remuneration packages are adjusted for changes in the general cost of living, while incentivised performance is calculated in terms of defined targets and key performance areas (KPAs) including risk-related elements.

Effective 1 March 2010 non-executives' remuneration has been recommended by the committee to be split into base and attendance fees on a 50:50 basis. These fees have been determined with reference to comparative JSE peer groups. The committee chairman fee is double the member fee, save for the Human Resources and Nominations Committee chairman where the fee is 1,5 times the member fee. The base fee is set out in Directors' emoluments on page 093. The fee structure is set out in detail below:

Type of fee (per meeting)	Existing fee in Rands - 2010	Proposed fee in Rands - 2011
Board		
Chairman	36 000	37 800
Board Member	18 000	18 900
Audit Committee		
Chairman	24 000	25 200
Member	12 000	12 600
Risk Committee		
Chairman	7 500	7 875
Member	5 000	5 250
Human Resources and Nominations Committee		
Chairman	15 000	15 750
Member	10 000	10 500

Directors' emoluments are set out in note 31 to the annual financial statements.

The three highest paid members of management (excluding executive directors) is set out below:

28 February 2011	Salaries	Bonus	Total
Total aggregate earnings (R'000's)	5 640	1 377	7 017

Accounting and auditing

External audit
KPMG, the external auditors, report on whether the annual financial statements are fairly presented in accordance with IFRS and the South African Companies Act. However it remains the responsibility of the directors to prepare the annual financial statements.

The board, assisted by the Audit Committee, evaluates the independence and effectiveness of the external auditors and considers whether any non-audit services provided by such auditors impacted on their independence. Appropriate corrective action is taken if this is found to be the case.

Internal audit
In August 2010, KPMG was appointed as external service providers to the group's internal audit function. The internal audit function will continue to report directly to the Audit Committee and to meet regularly with the committee chairman and other members.

The internal audit charter defines the scope of the internal audit function as assisting the board in assessing the group's risk management and governance processes. This includes the assessment of the reliability and integrity of financial and operating information, new and existing systems of internal control, means for safeguarding assets and methods of confirming consistency of results with established objectives.

The internal audit function is tasked with staying updated with developments in technology and best practice concerning internal auditing and corporate governance. During the year the Group Risk Officer conducted audits of technical civil engineering risk management processes, and continued to ensure that internal audit's focus remained directed at the areas most critical to the group.

Internal control

The board is responsible for the group's systems of internal control and risk management. The Group Risk Officer assists in this regard. The systems are designed to manage rather than eliminate risk. Absolute assurance cannot be provided as these internal control systems are designed, for instance, to provide only reasonable assurance as to the integrity and reliability of the annual financial statements. The systems are also designed to safeguard and maintain accountability of the group's assets. Further, these systems should identify and curtail significant fraud, potential liability, loss and material misstatement while complying with applicable statutory laws and regulations. Inherent limitations to the system's effectiveness exist due to the possibility of human error and the circumvention or overriding of controls. Internal Audit, based on the field work undertaken during the year, provided reasonable assurance on the adequacy of the internal controls tested and the associated risk management process.

Risk management

The group's Integrated Risk Management Strategy is pivotal to Esorfranki's operational strategy and is in adherence with the King III Report. This strategy encompasses the following elements – risk identification, risk control, policies and procedures, and board requirements. As Esorfranki considers its people to be key contributors to risk mitigation, new employees are fully informed of the responsibility framework in order to enhance and maintain risk control. An element of the group's strategy to minimise risk exposure is to employ competent and adequate personnel who receive the appropriate training.

The Risk Committee, supported by the Group Risk Officer PA Colman (appointed in 2010), ensures that risk tolerance levels are set and management adheres to a formal responsibility framework in this area. The Group Risk Officer reports quarterly on the group risk register to both the Audit and Risk Committees. A risk management self-assessment in terms of the recommendations of the King III Report showed the group's risk quantification and risk and control optimisation are in need of improvement.

Major findings during the year indicated:

- a lack of standardised policies and procedures throughout the group to mitigate risk;
- weak contract management reporting; and
- sub-par procurement procedures in the Geotechnical business unit.

The group has addressed specific operational risks which came to light during the internal audit:

- Weak procurement procedures and monthly cost reporting at the Geotechnical KZN branch;
- Control over petty cash and segregation of administration duties at Franki Mozambique; and
- Weaknesses in internal control with respect to diesel control and employee overtime exceeding basic guideline allowances at certain projects.

These issues were all addressed and mitigating actions implemented. Addressing of the issues below remains ongoing:

- Theft of diesel stock: and
- Need to implement a quality management system in the Pipelines and Civils divisions.

The group's reputational risk is underpinned by its slogan 'Quality is our foundation'. The open door policy at Esorfranki ensures that reputational risk management can be quickly escalated if need be within the flat organisational structure. A crisis management policy is in place and in the year ahead the group will look to introduce a crisis communications guideline document.

During the year the group received external independent assurance on its B-BBEE scorecard by BEE Verified CC and a quality assurance (ISO 9001 certificate) on Franki Africa. Two assessments on King III Report compliance were also conducted. Going forward, Esorfranki will undergo assessment in terms of compliance with the GRI. The Company has referenced this in an index at the back of the Annual Report.

Data on the achievement of set strategic objectives and key performance and risk indicators is collected and monitored on a monthly basis.

The group's risk indicator matrix is divided into three sections – Financial, Operational and Business Development.

A detailed risk matrix sets out the most critical business and operational risks faced by the group and strategies to mitigate these:

Risk Description	Mitigation Strategies
Strategic	
Sustainability: Dependency on government infrastructure spending	• Product diversification • Strategic BEE rating • Market diversification
Sustainability: Cash flow	• Reviewing secured work • Monthly cash flow forecast • Rightsizing • Tougher on debt collection
BEE	• Promotion from within • Careful management of transformation process
Financial	
Late payments/cash flow delays	• Weekly debtors meeting • Persistent debtors follow-up • Action to defaulters • Legal action
Material shortages/material delivery delays	• Contract specifications when qualifying tender • Proper planning • Qualifying bids • Site contracts and manuals
Penalties	• Reviewed at tender • Monitoring programmes and resources • Continuous improvement of quality
Credit risk if no payment guarantee	• Monthly debtors review at EXCO • Monthly review of contract financials • KPA of divisional managers to include debtor recovery
Credit risk in Africa	• Obtain an advance payment • Suspend operations until paid
Bribery and corruption	• Court interdicts • Exposure of corruption through whistle blowing • Enforce Code of Ethics
Project risk	
Competition	• Build on reputation through strong brand • Be competitive in terms of price and quality • Seek alternative bids • In-house design
Under-performing contracts	• Immediate post-mortem • Follow possible disciplinary action • Ensure accountability • Appoint the right people in the right jobs • Maximise profits from low margins • Minimise non-conforming reports
Enterprise governance	
Divisionalisation of business units	• New and standardised group-wide policies and procedures • Training and supervision

Set out in the notes to the annual financial statements is further detail on financial risk management, including the group's exposure to interest rate risk, credit risk and liquidity risk.

Market overview

Public sector

The National Budget released on 23 February 2011 (“the budget”) indicated government's inclination to tolerate larger deficits in order to nurture economic recovery.

Over the next three years, government and state-owned enterprises are expected to spend in excess of R800 billion on infrastructure development (power stations, road networks, dams and water supply pipelines, rail and ports facilities, schools, hospitals and government buildings) to encourage future GDP growth at the estimated 3,5% pa.

While infrastructure spending in the build-up to the 2010 FIFA Soccer World Cup somewhat moderated the impact of the recession on South Africa, government construction spending over the past year has visibly declined. Future infrastructure spending by government will require more intense focus on planning, budgeting and contract management in national and provincial departments and municipalities.

According to the budget review, capital expenditure continued to underspend budgeted amounts at both provincial and municipal levels including parastatals.

Private sector

By the end of 2010 government had implemented tax allowances and tax breaks to promote investment in, expansion of and upgrade to South Africa's manufacturing sector. The mining sector in particular has benefited from private sector investment, especially the iron ore, manganese, platinum and coal sectors.

In the non-residential building sector, business conditions remain tight as the initial investment surge from the private sector has dried up. Non-residential completions accordingly decelerated during the first half of 2010 in an overall tough economic climate. Esorfranki's Geotechnical division suffered as a result of the constricted tendering environment, in turn leading to downward pressure on margins and profits. Retrenchments therefore became necessary during the year.

Non-residential building activity is likely to remain under pressure for some time, to be aggravated by reports that government expenditure in this arena is taking strain due to insufficient managerial skills and other constraints, particularly at provincial and local levels.

Sub Saharan Africa

SSA is poised for strong growth in 2011 - around 5% - arising from strengthened economies, high commodity prices and rising foreign investment inflows. The slow global economic recovery and associated demand for African exports will be a key driver of future growth, coupled with a notable current uptick in institutional investor interest. However, key risks in this region remain interest rates and inflation, especially in Mozambique and Angola. Other risks such as political uncertainty, health risks, corruption and logistical issues also continue in force.

The economic GDP growth outlook for 2011 /2012 for the group's countries of operation is set out below:

Country	Real GDP growth	Important sectors
Angola	8%	**Oil**
Botswana	5%	**Diamonds**
Mauritius	5,1%	**Tourism**
Mozambique	8%	**Coal**
Zambia	6,4%	**Copper**

Angola: The construction sector has been largely affected by government liquidity constraints. The social inclusion project of the National Housing Programme, intended to provide houses, hospitals and schools, has been prioritised to address the affordable housing backlog. The Angolan government currently promotes the iron and steel industry as a means of economic diversification and is accordingly addressing its rail infrastructure programmes.

Botswana: Diamonds constitute a significant portion of Botswana's economy, and suffered dramatically in the global economic downturn. Government stimulus spending in 2008/9 resulted in larger budget deficits and as a result controlled spending is anticipated going forward. However, mining activity is expected to improve with the increase of export revenues. Jwaneng Mine commenced the Cut 8 project in 2010, which should result in increased downstream opportunities in diamond mining in the country.

Mauritius: The tourism and textiles sectors remain the main drivers of growth. The stimulus packages initiated by government are underway.

Mozambique: The construction activity in the country mainly revolves around coal exploration and beneficiation of vast unexploited coal reserves. There are numerous mining plans underway and government has upwardly revised its 2011 expenditure plans.

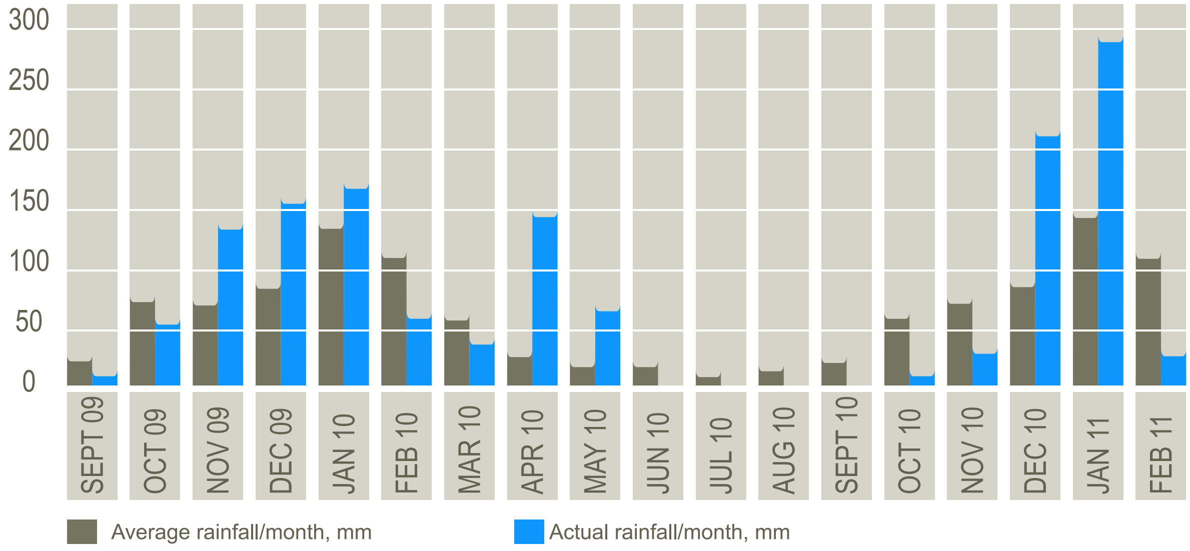
Zambia: Mining will be a driver of growth as copper prices are expected to remain robust.

Specific risks

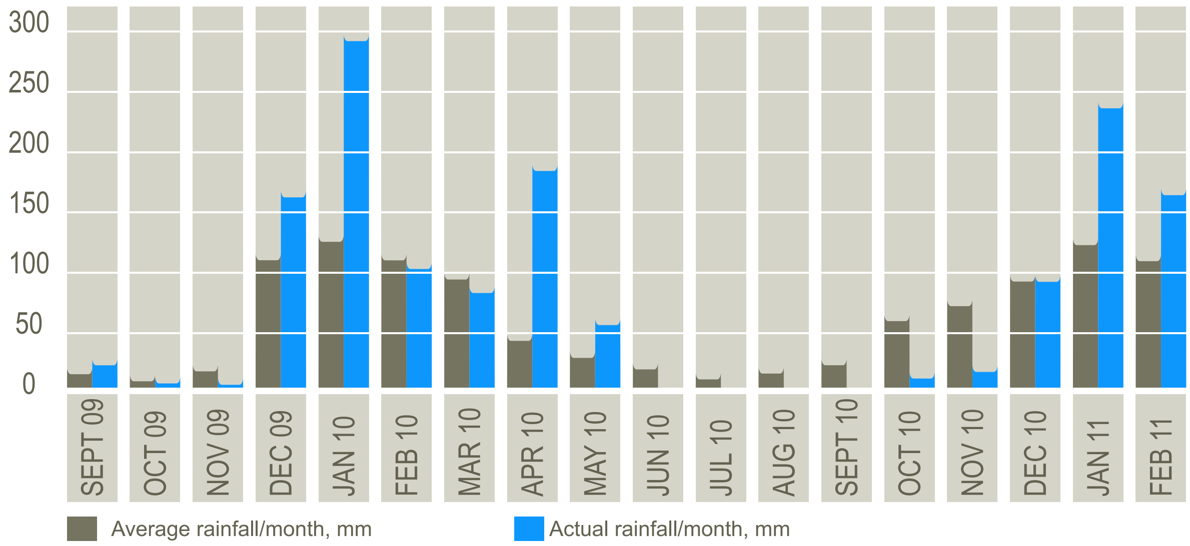
Environment

Increasing infrastructure damage following flooding is evidence of changing weather patterns, and is clearly visible for instance in Gauteng. These patterns escalate the risk of project non-completion/late completion. The rainfall graphs below clearly illustrate the abnormal nature of recent environmental changes:

Rainfall chart late 2009 to early 2011 (Bakwena N4 Toll Road contract)



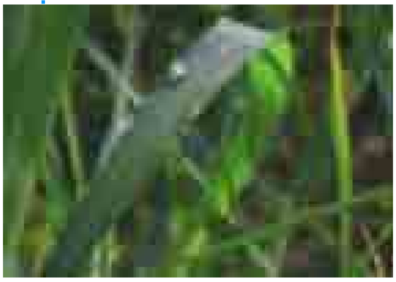
Rainfall chart late 2009 to early 2011 (R21 contract)

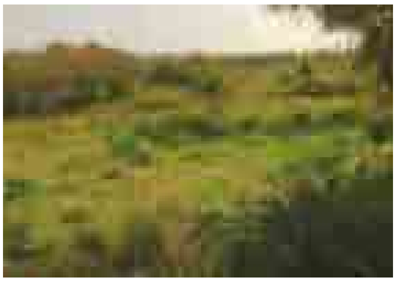


Changes in environmental legislation and compliance by clients have resulted in Esorfranki Geotechnical adapting its strategy and purchasing state-of-the-art screw pile technology that minimises piling vibration. Private clients are addressing power constraints and increasing costs by developing renewable energy and water supply projects.

The group maintains a strict environmental plan as illustrated on the following projects:

- Bakwena N4 Toll Road - rehabilitation of disturbed areas
- R21 - Recycling of used oil
- Atcom - Use of diesel driven generator for power as an alternative energy resource
- Kalagadi Project - Use of diesel driven generator for power as an alternative energy resource
- Atcom - Use of Jojo tanks for collection of rain water for the batch plants





Nsezi Pipeline land rehabilitation

Climate change also presents unique challenges for SSA, particularly due to the continent's dependence on the agriculture, tourism, fishery and forestry sectors. Although the African contribution to total greenhouse gas emissions, as a proportion of the world's contribution, is negligible, its economies are among the most vulnerable to the negative impacts of climate change. Many African economies do not have the capacity to adapt, are geographically located in warmer areas, and are also experiencing low rainfall levels or rainfall variability.

Aging infrastructure

A significant backlog of transport, energy, water supply and port projects to address aging infrastructure and growth demand in SSA currently exists.

The South African government is committed to addressing these backlogs by aiming to achieve a fixed investment spend of around 8,4% of GDP over the next three years.

Population growth and unemployment

Population growth and unemployment will continue to put pressure on infrastructure supply, specifically on food, energy, transport and water disciplines across SSA. The mobility of the population also impacts demand. However, education has been allocated the largest portion of government's spending budget.

Foreign investment and global economic crisis

The weaker foreign hard currencies (Dollar, Euro and Pound) and the investment opportunities sought from emerging economies in SSA, has impacted on the strength of the Rand, which directly impacts on the quantum of earnings from Esorfranki's foreign operations. The recession has resulted in the return of expats, creating a larger and more competitive talent pool. This has also resulted in further foreign construction competition.

Post 2010 Soccer World Cup

Although exceptionally beneficial to the construction industry pre-2010 Fifa Soccer World Cup, the protracted award of government projects post World Cup, as a result of funding and delivery constraints, left an oversupply of construction resources in South Africa. This has led to intense competition and margin squeeze on contracts coupled with additional commercial risks. Although notable improvement is evident during the first quarter of the 2011 calendar year, it is not likely to improve significantly within the current financial year. Risk management practices and risk tolerance levels on project execution have become critically high in light of the changing South African market.

IT governance

Esorfranki's IT policies and procedures have been approved by the Audit Committee and are currently in the process of being implemented by IT Shared Services. The appointed CIO oversees this function and applies the group's strategy to standardise, support and implement compatible business systems and applications to safeguard against risk. The new IT Shared Services department manages, assists and complements the group's outsourced IT support. It is further responsible for all planning, budgeting and performance of the group's IT function, including the information security components. Currently the CIO is responsible for providing EXCO with a report on the progress of the IT function's objectives in terms of protecting the group against risk. In future this will be reported to the board in terms of the recommendations of the King III Report.

The full IT integration process across the group will be completed by February 2012. The group's internal auditors, KPMG, will then assist in obtaining independent assurance on the effectiveness of the IT internal controls.

The BuildSMART application has to date already been introduced across the group. This suite offers an integrated solution for modules including accounting, estimating, measuring, procurement, project management, payroll and plant and includes systematic control of segregation of duties and authorisation/approval processes for procurement and financial processes.

The group outsources the management and backup of enterprise server systems and the backup to minimise data-loss risk and ensure effective disaster recovery. Enterprise servers/backup servers and other critical hardware are located offsite in access controlled server rooms where scheduled data backup procedures are conducted.

A centrally-hosted corporate email solution with an on- and offline message storage system and shared calendars has been introduced. Employees further have remote access to MS Outlook via smart phones/internet. Remote site-based employees enjoy secure, active directory integrated VPN-access to corporate LANs.

In terms of security, servers and client workstations have been standardised and their setup documented to include automatic updates of corporate anti-virus and anti-malware. Other protective measures include secure active directory domains, username and password access control, management of domains with group policies, installation of hard- and software firewalls and proxy servers for internet monitoring and reporting.

Stakeholder communications

Esorfranki remains intent on delivering timely, consistent and transparent communication with all of the group's stakeholders including employees, shareholders, clients, suppliers and the communities in which it operates. The group further remains committed to maintaining its culture of open communication.

During the current year, an employee intranet service is set for development to further integrate employees from all subsidiaries. E-mail addresses have already been standardised and amalgamated.

Internal communication takes many forms and during the year included:

- regular site meetings with feedback provided to employees;
- informal group e-mailers (also posted on notice boards);
- the launch of a quarterly employee newsletter called 'Onsite Insite'; and
- internal FIFA Soccer World Cup competitions via email and SMS channels.

External communication included investor newsletters which were disseminated via e-mailers, stakeholder events such as investor site visits, JSE showcases and brochures and more informal hosting and entertainment. The website is kept up-to-date and hits are monitored. Further, company announcements are released on SENS and posted on the group's website. Financial results announcements are also posted to shareholders who are encouraged to attend the annual general meeting for valuable interaction with directors. The Chairman, CEO and CFO avail themselves at all times to answer queries from stakeholders, including industry analysts. Wherever possible they also engage with the financial media to ensure transparent and accurate reporting.

During the current year, more emphasis will be placed on continued investor/stakeholder perception surveys. The intent is essentially that stakeholder perception will be a driving force in determining communication with stakeholders. As such the group is currently addressing issues raised in these polls such as clearly communicating succession planning at management level, addressing prospects at its Civils and Geotechnical divisions and applying caution when considering future acquisitions.

The group-wide Corporate Identity manual ensures that the branding strategy is adhered to, enabling cohesiveness and professionalism.

The group also adheres to all relevant advertising guidelines as set out by the Advertising Standards Authority as well as the Printing Industries Federation of South Africa with regards to print advertising.

Legal compliance

The group has in place a legal compliance checklist.

During the year Esorfranki was involved in various contract disputes and claims arising from the execution of contracts.

The company was notified by the Financial Services Board ("FSB") of their intent to conduct an investigation in respect of insider trading with regards to shares traded in July 2010. The board will provide full co-operation and the matter is currently dormant.

In July 2009 Esorfranki was served summons in relation to the alleged anti-competitive behaviour. The matter has been referred to the Competition Tribunal in January 2011. The board has been and intends to continue providing its full co-operation to reach closure in this regard. Investors, analysts and the group's bankers and auditors have received ongoing, full disclosure communications on the matter (see Chairman's and CEO's Report on page 021). To prevent a recurrence, the group's Code of Ethics has been amended to address the importance of the Competition Act.

Associations

The group belongs to the following industry associations:

- Regional Master Builders Associations ("MBAs");
- South African Federation of Civil Engineering Contractors ("SAFCEC");
- South African Institution of Civil Engineers ("SAICE");
- South African Bureau of Standards ("SABS");
- South African Society of Trenchless Technologies ("SASTT"); and
- Birdlife South Africa.

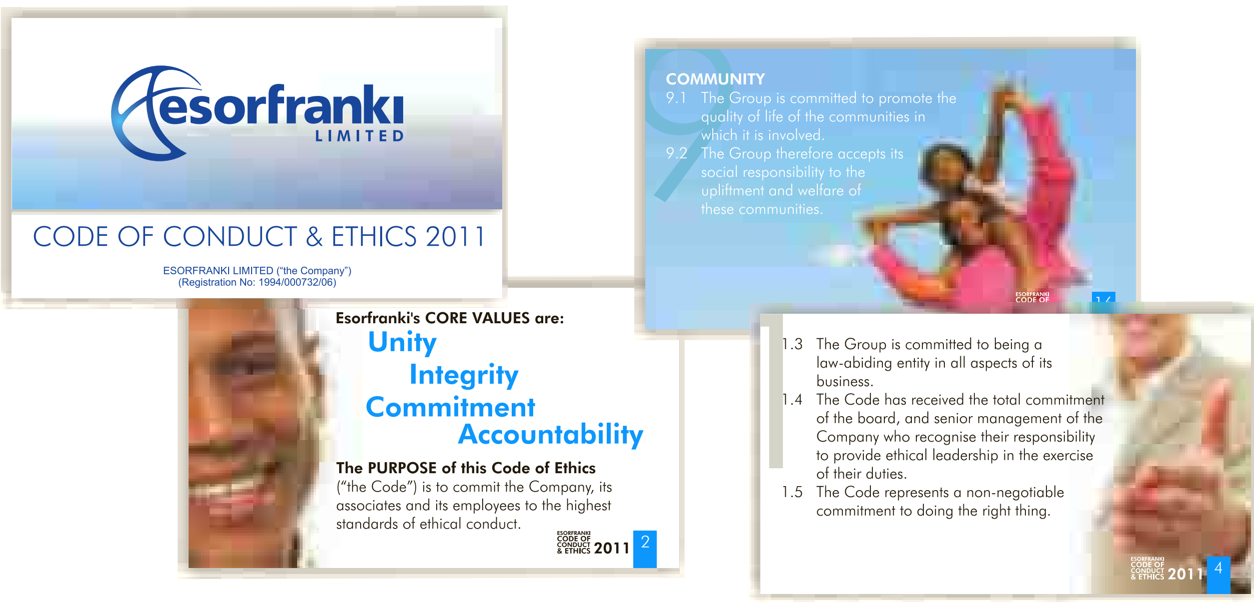
Code of Ethics and Conduct ("the Code")

Esorfranki's formal Code commits all employees to the highest standards of business conduct. The group's core values (unity, integrity, commitment and accountability) embody the principles of the Code. Reviewed annually, the Code has been updated during the year to stress the importance of adherence to the Competition Act.

The Code provides for the company, including employees, associates and business partners to commit themselves to maintaining the highest levels of competency, ethical conduct and integrity and at all times abiding by the law to ensure its reputation is beyond reproach. The Code also refers to the group's dealings as they relate to customers, government and political activities, employment practices, transformation, occupational health, safety and environment, the community in which it operates, the board of directors and management and the personal conduct of employees.

The Code is communicated to employees across the group via newsletters and posters at the group's offices and sites. Roadshows have further been conducted at all remote sites to reach all of the group's employees. There is an intention to implement an intranet in the next year which will include such information.

The group has a whistle-blowing process in place and employees are made aware of the anonymity of the process to eliminate fear of intimidation when reporting incidences. During the year, numerous incidences of diesel theft were reported by employees and also uncovered by the group's internal controls. Upon further investigation, the offenders were disciplined and discharged. The group has implemented a trial diesel management system which will in turn be rolled-out to sites. The system will monitor and report delivery of diesel, as well as the usage and consumption by vehicle and plant item. Discrepancies are reported and followed up by plant administration employees. This is an ongoing process.



make Esorfranki the best company to work for

BLOW THE WHISTLE ON FRAUD

with our TIP OFF ANONYMOUS LINE:

0800 20 40 72

esorfranki@tipoffs.com

Sustainability

Esorfranki is committed to complying with the 'triple bottom line' approach to integrated reporting. The group views long-term sustainable development as an integral component of its value proposition, decision-making processes and growth strategy. The board, and in particular EXCO as led by the CEO, is serious about the integrated management of the group's sustainable strategy. These integrated socio-economic and environmental practices form part of the group's overall growth strategy, and are inextricably woven into all risk assessments and audits.

Vision and strategy

In realising its vision and strategy, the group uses its unique organisational competencies to deliver sustainable economic value to stakeholders without compromising the needs of the community and environment within which it operates.

2010 SUSTAINABILITY HIGHLIGHTS

- Advancement to a Level 4 contributor in terms of the Department of Trade and Industry's B-BBBEE scorecard following intense focus on enterprise and socio-economic development efforts
- Standardisation of policies and procedures across the group
- Cohesive strengthened branding
- Integration of divisions and resources in the group restructure

Esorfranki strategy

Short-term

- Address:
  - protracted contract awards
  - client funding constraints
  - lack of private investment
  - BEE scorecard
- Restore and enhance profitability within existing contract portfolio and divisions
- Consolidate and integrate operational resources and continue standardising policies, procedures and practices
- Implement strict strategies around preserving cash while maintaining price competiveness in existing markets
- Reduce current debt levels
- Expand civils footprint into neighbouring growth countries
- Establish and enhance Esorfranki's brand recognition

Medium to long-term

- Further geographical expansion
- Expanding the product range organically and acquisitively to focus specifically on growth sectors

Transformation

Esorfranki improved its rating to a Level 4 contributor (from Level 5) in terms of the Department of Trade & Industry's B-BBEE Codes of Good Practice. This was largely due to the group's focus on enterprise and socio-economic development during the year. Clients of Esorfranki can now claim 100% of spend with the group as BEE spend.

The group compares well to peers in this arena, ranking in the sector's top 10 in the 2011 EmpowerDex/Financial Mail Survey. Taking this achievement further, against all companies listed on the JSE the group ranked in the top 100.

It is the group's intention to maintain its Level 4 rating and then to further improve to Level 3 by 2013.

Esorfranki's detailed scorecard at year-end is tabled below:

BEE Code	Charter (%)	Scorecard Rating (%)	Progress
Ownership	25	22,43	(0,95)
Management control	10	3,55	(0,72)
Employment equity	10	4,92	1,22
Skills development	15	3,14	(2,81)
Preferential procurement	20	14,72	(3,05)
Enterprise development	15	12,32	12,32
Socio-economic development	5	4,3	4,3
Total	**100**	**65,38**	**12,21**

Ownership

Esorfranki scored 29,64% (2010: 29,07%) Black-ownership, of which 4,55% (2010: 5,87%) comprised Black female equity participation. Included in the overall percentage are the following BEE shareholders:

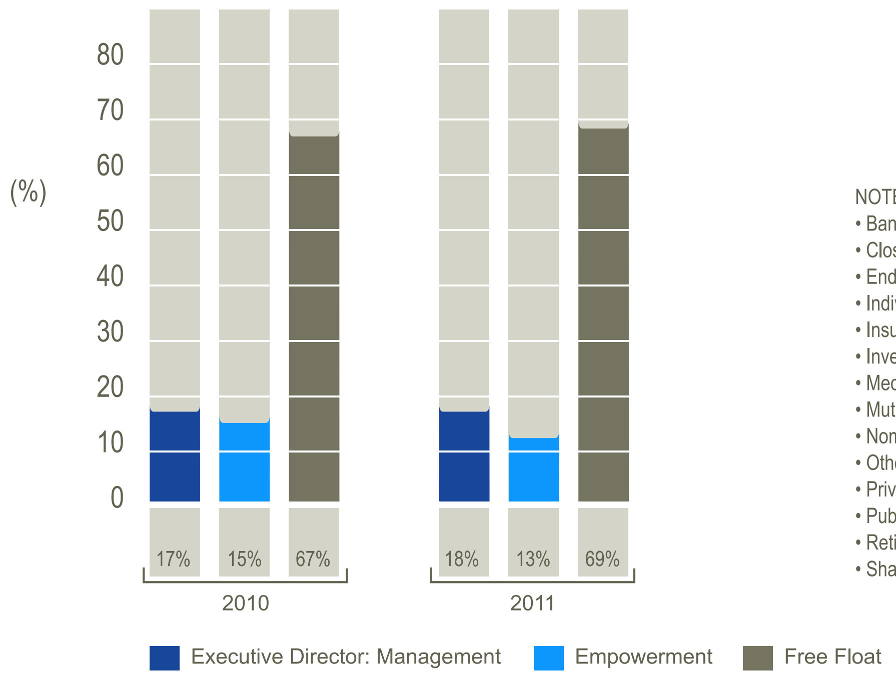
Shareholder	Shares
Vunani Capital Limited	10 695 000
Esor Broad-Based Share Ownership Scheme	18 750 000
Zerovest Investments 18 (Pty) Limited	12 500 000
Basfour 2309 (Pty) Limited	3 975 000
MB Mathabathe	4 000 000
Other	6 340 000
Total	**56 260 000**

Subsequent to the conclusion of the rights offer (post year-end) in terms of which a further 93 million shares were issued to institutional shareholders, the group will have to review its BEE shareholding in the current year.

Management control

Three of the group's six board members are Black. On an ongoing basis, suitable candidates from the 83% Black and 3% Coloured and Indian staff components are being identified for management training in order to accelerate their promotion.

Management Shareholding



NOTE: Free float represents:
- Banks
- Close corporations
- Endowment funds
- Individuals
- Insurance companies
- Investment companies
- Medical schemes
- Mutual funds
- Nominees and trusts
- Other corporations
- Private companies
- Public companies
- Retirement funds
- Share trusts

Employment equity

Esorfranki strives to be an equal opportunity employer and management is committed to overcoming and removing any perceived or existing discriminatory practices standing in the way of equal opportunities for all. A strategic priority is to expend additional efforts to assist previously disadvantaged groups in the form of sponsored education, training and development. Specific emphasis will be placed on assisting young Black female candidates wishing to pursue a career in civil engineering by providing bursaries. This will help to grow both the group's and the wider industry's skills pool.

With respect to recruitment Esorfranki, in the first instance, is committed to internal advancement of staff from previously disadvantaged groups. This is reflected in the assistance provided for internal staff through the further study scheme and ongoing skills development programmes. In these ways the group is addressing both career advancement and succession planning. Esorfranki has achieved great success in this regard to date and will continue to promote these initiatives.

With respect to external recruitment, Esorfranki prioritises filling positions with appropriately qualified candidates from previously disadvantaged groups.

During the year the group was served a summons from the Commission for Gender Equality. Esorfranki provided its full co-operation in this regard. The major concern raised by the Commission was the lack of Black female representation in top management positions in the Esorfranki group. It was explained to the Commission that this will be very difficult to address in the short-term due to practical considerations:

- Esorfranki is a young group established through the melding together of four companies: Esor Africa, Franki Africa, Shearwater and Patula, following the acquisition of the latter three.
- The practicalities of merging the human resources elements of these four companies are an ongoing consideration. However, the merger in this respect is time-consuming and addresses such issues as restraint of trade agreements (as these were previously owner-managed companies). This has in particular impacted on addressing gender inequalities in the short-term.
- Due to the process of integrating these entities into a cohesive group and the downturn in the market, the group has embarked on a major restructure overall and specifically in the newly created Esorfranki Geotechnical division housing Esor Africa and Franki Africa. The restructure affected approximately 600 employees, from top management to contract employees. There are also transformation implications with respect to restraints of trade for current top management.
- In addition, notwithstanding the factors above, the external skills pool with respect to experienced Black civil engineers, irrespective of gender, is extremely limited.

In view of the above, management took a decision to address the issue with a medium- and long- term strategy, and to focus on providing financial and mentoring support to young Black females wishing to pursue a career in civil engineering. Each of the group's divisions has reserved at least two bursaries pa for young Black females. During 2010 the group granted one Black female a bursary to further her studies towards a qualification in civil engineering.

During 2010, 16 female employees were employed in positions ranging across Administration/Branch Manager, Divisional Accountant, Group Marketing Manager, Civil Engineering Technician, Executive Secretary, Payroll Officer, Bookkeeper, Personal Assistant and Clerks.

The group's employee equity scorecard is set out below:

Sustainability indicator	End Sept 2010
• % of South African hourly paid unionised employees	31,8
• % of permanent employees on medical schemes	10,60
• % of Black employees within the South African permanent workforce	83
• % of Black employees in Executive and Senior management	0
• Number of Black bursary students	8
• As a % of total bursary students	44,44
• Number of Black female bursary students	1
• As a % of total bursary students	5,56

From a remuneration and benefits perspective, the group is in the process of standardising remuneration practices, conditions of employment and policies and procedures.

Effective 1 March 2010 the group has adopted a 'total cost to company' remuneration philosophy. Remuneration packages for salaried employees are calculated based on market norms using industry surveys. Increases are not performance-related as performance is recognised through annual bonuses.

With effect from 1 January 2011 all permanent salaried employees became members of the group-nominated retirement fund administered by Alexander Forbes. Members of the fund are allowed the flexibility of structuring their retirement and risk benefits based on a life stage model and personal needs.

Discovery Health is the group's healthcare service provider and employees have freedom of choice with respect to the specific plan. NMG has been appointed as the intermediary between the healthcare provider and members.

The group subscribes to the generic conditions of employment and wage rates for hourly paid employees are negotiated at industry level and gazetted in a Sectoral Determination and in collective bargaining agreements. Most conditions of employment are therefore already standardised with only a number of company-specific conditions still to be addressed by the group. This is being managed as part of the post year-end restructuring process and should be finalised during the current year.

Hourly paid employees are generally members of the Construction Industry Retirement Fund with the exception of employees employed in Esorfranki Pipelines and Esor Africa (Natal) (within Esorfranki Geotechnical) prior to 1 March 2010. It is a condition of employment for all new permanent hourly paid employees who joined the company from 1 March 2010 to join the Construction Industry Retirement Fund.

Other policies and procedures in respect of discipline and grievances, amongst others, are being standardised and this process should be finalised during the current year.

To facilitate employee retention the group has offered share options to key/critical staff under the Esor Share Incentive Scheme. In addition, all employees below executive level management are allowed an opportunity to derive financial benefits from the group's performance through their participation in the Esor Broad Based Share Ownership Scheme.

Strategic employment equity issues are addressed at group level while day-to-day issues are addressed on a decentralised divisional level.

Employment equity in the divisions is communicated to staff through the following channels:
• Employment Equity Fora;
• Regular feedback through Employment Equity Committees; and
• Toolbox Talks.

The group's employment equity table as at 30 September 2010 based on the South African Employment Equity report (excluding the international operations) is set out below:

Employment equity	Male				Female				South African expats		Total
Occupational levels	**A**	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**Male**	**Female**	
• Top management	0	0	0	8	0	0	0	0	0	0	8
• Senior management	0	0	0	20	0	0	0	0	1	0	21
• Professionally qualified and experienced specialists and mid-management	22	4	2	75	0	1	4	1	3	2	114
• Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	358	18	11	81	3	2	3	14	12	1	503
• Semi-skilled and discretionary decision making	280	8	6	4	12	2	2	6	6	0	326
• Unskilled and defined decision making	206	1	0	2	14	0	0	0	0	0	223
• Total permanent	**866**	**31**	**19**	**190**	**29**	**5**	**9**	**21**	**22**	**3**	**1 195**
• Temporary employees	1 167	5	1	27	106	0	0	1	0	0	1 307
• Total	**2 033**	**36**	**20**	**217**	**135**	**5**	**9**	**22**	**22**	**3**	**2 502**

A: African / C: Coloured / I: Indian / W: White

Skills development and training

A key strategic aspect of the group's organisational growth is career advancement from within. The focus in this regard is, in the first instance, on growing the internal skills pool particularly from previously disadvantaged groups. Due to the re-organisation and consolidation of human resources policies within the group, a number of previous skills development schemes were temporarily suspended while new policies were being formalised. The implementation of these schemes will be addressed in the year ahead.

As mentioned above assistance to Black female civil engineers has been identified as a priority for the current year.

Statistics with respect to training interventions during 2010 show that of the 852 employees who received training, 704 were involved in formal skills training programmes. 657 of the 704 (93%) trainees on these programmes were from previously disadvantaged groups.

Due to negligible staff turnover and an aging workforce, succession planning is a key priority. Older employees perform the role of coaches and mentors for new candidates.

Training by occupational levels	Male				Female				Total
Occupational levels	A	C	I	W	A	C	I	W	
• Top management	0	0	0	1	0	0	0	0	1
• Senior management	0	0	0	2	0	0	0	0	2
• Professional mid-management	48	11	12	69	4	0	1	0	145
• Skilled	310	9	11	37	3	0	1	10	381
• Semi-skilled and elementary	291	1	0	0	30	1	0	0	323
• Total	**649**	**21**	**23**	**109**	**37**	**1**	**2**	**10**	**852**

A: African / C: Coloured / I: Indian / W: White

Study schemes available in the group:

Esorfranki bursary schemes

Esorfranki is firmly committed to offering bursaries and assistance to employees, their children and external candidates, to further their education. In the past Esorfranki has run a successful bursary programme. However, during the year under review this was suspended temporarily, as the human resources policies within the group were being consolidated.

Esorfranki views the continuous recruitment of young entrants to the industry as fundamental to the future growth and ongoing success of the group. It remains committed to once again providing bursaries for external candidates in the current year. Applicants seeking a qualification in a discipline that can benefit the core business objectives of the group will be considered for the programme. Strategy includes seeking some candidates from other countries where the group foresees long-term potential in terms of work procurement. The programme will focus on the following fields of study:

- Engineer Assistants (N –levels/Technical Colleges)
- Diploma Engineers (S-levels/Technicon)
- Graduate Engineers (Universities)
- Learnerships

In-house further study scheme

Going forward Esorfranki is committed to re-introducing programmes to facilitate employees in furthering their studies and obtaining work-related educational and professional qualifications, to enhance their longer term potential within the group. Financial assistance will also be offered to employees who wish to follow a course leading to a recognised qualification in an academic, vocational or professional subject which is relevant to the employee's current or likely future employment with the group.

In-house Esorfranki bursary scheme

It is also intended to reactivate the in-house Esorfranki bursary scheme. This aims to encourage technical learning by supporting skills-related post-school education of children of employees in need of financial assistance. Such education must be related to either civil or mechanical engineering or the teaching of Maths and Science.

"SAICE's Young Member's Panel would like to thank Esorfranki for their continued support. There is indeed great potential shown through this initiative and, with the support of Esorfranki, it enables SAICE to reach out and impact positively on young civil engineering professionals and students"

- SAICE Young Members Panel

Preferential procurement

During the year the preferential procurement component of the scorecard reduced by 3,05 points. This was largely attributable to Esorfranki Civils and Esorfranki Pipelines increasing procurement spend on larger suppliers and sub-contractors in line with risk strategy, and in the process decreasing spend on SMMEs and micro enterprises. In the year ahead focus will be intensified on this scorecard aspect. The group undertakes to adhere to a formal policy regarding procurement/suppliers in pursuit of its long-term objective of achieving a Level 3 contributor status. This will include initiatives such as supply chain management with particular focus on preferential procurement and targets.

Enterprise development

Enterprise development was identified in last year's risk matrix as an immediate risk to be addressed in the short-term. Therefore an enterprise development vehicle was established across the group. Esorfranki achieved an enterprise development score of 12,32 out of a possible 15 points as a result, which substantially contributed to improvement to Level 4.

Socio-economic development

Esorfranki intensified focus on improving socio-economic development during the year. The group accordingly managed to boost its score in this regard by 4,3 points by selecting beneficiaries using the criteria set out in its Corporate Social Responsibility Policy. Funding of initiatives is managed at group level, with each operating entity contributing 1% of NPAT towards the funding pool.

Esorfranki currently offers sponsorship and coaching programmes with SAICE for civil engineering students. During the 2010 SAICE Young Engineers Workshop, the group provided career development training to students from the University of KwaZulu-Natal, Council for Scientific and Industrial Research (“CSIR”) and the Cape Peninsula University of Technology (“CPUT”). Feedback from the students in attendance was highly positive, praising the group's presentation.

'The course was beneficial and informative in terms of career establishment and for promotion within the industry.' In light of the feedback, the roadshow will be expanded to seven universities across South Africa in the new year. Attendance in terms of race and gender in 2010 is set out in the table below:

Gender	University of KZN	CSIR	CPUT
Gender			
Male	34	95	43
Female	18	42	21
Racial group			
Black	31	99	30
Coloured	2	11	25
Indian	14	4	-
White	5	23	9
Total	**52**	**137**	**64**

Labour relations

South African workers are represented by the National Union of Mineworkers and the Building Construction and Allied Workers Union. The group subscribes to the collective bargaining agreements negotiated between the employers' federation (SAFCEC) and the representative unions NUM and BCAWU. 100% of the hourly paid employees are covered by such bargaining agreements.

Safety, Health and Environment ("SHE")

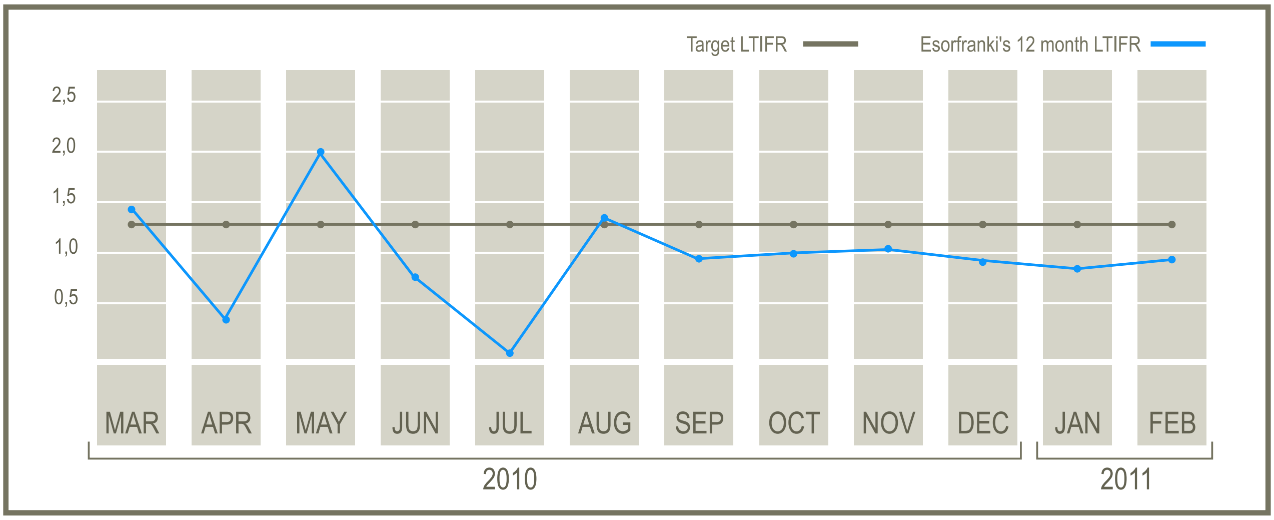
Esorfranki proves its commitment to a safe and healthy working environment by ensuring stringent compliance with the Occupational Health and Safety Act, 1993. The group's zero-harm policy provides for regular safety inspections and legal compliance audits are continually performed. The safety policy is reviewed on an ongoing basis and external audits are performed as required in compliance with ISO 9001.

Divisional/site safety officers and representatives support the Group Safety Officer to ensure the effective management of the SHE policy. It is the duty of every manager and supervisor to take all reasonably practical measures and precautions to prevent health risks or injuries to employees. The Group Safety Officer is responsible for standardising health and safety procedures and their reporting targets within each division. A detailed risk assessment is undertaken for each product type and specific tasks, which are then rated according to a matrix and mitigated accordingly.

Site staff are trained and each site has a health and safety plan including a method statement and risk assessment. The following measures are in place to prevent casualties and injuries:

- Divisional Safety Committees;
- Toolbox Talks;
- Safety alerts;
- Health and safety investigations; and
- Corrective disciplinary action in the event of proven negligence.

The group achieved a LTIFR of 0,9 during the year, above the industry average of 1,3.



Health and safety training courses were presented during the year, which included:

- Health and Safety Representative training;
- Fire Fighting;
- First Aid (Level 1 and 2);
- Dangerous Goods;
- Cutting Torch;
- Lifting Equipment;
- Slings and Rigging;
- Working at Heights;
- Incident and Accident Investigation;
- Diploma in Occupational Health and Safety; and
- Train the Trainer.

Esorfranki is committed to achieving high standards of environmental care in compliance with all applicable legislation and international best practice. Further, the group's commitment encompasses conserving natural resources by reducing the environmental burden of waste generation and emissions to the air, water and land. During the year the group joined Birdlife South Africa to show its commitment to conserving birdlife in the areas in which it operates. The group also applies strategies for reducing, re-using, recycling and safely depositing water. Further, it continuously improves methodologies to develop environmentally-compatible processes.

Each of the divisions has strict site-specific EMPs in place on all contracts, which are based on an EIA in compliance with the relevant environmental legislation and regulations and an overarching group Plant/Project Environmental Policy.

HIV/AIDS

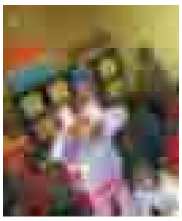
Esorfranki is committed to fair, ethical and equitable treatment of employees living with HIV/AIDS. The group's proactive HIV/AIDS workplace programme includes education and awareness projects as practiced in the past. These address issues such as the prevention, infection, treatment, voluntary and confidential pre-employment and employment testing and support for infected and affected employees.

An employee's status is treated as confidential. Should an HIV-positive employee voluntarily disclose his/her status, the relevant managers are briefed confidentially and informed to enable them to manage the situation. Employees are encouraged to seek medical treatment, counselling, ongoing testing and assistance from support groups.

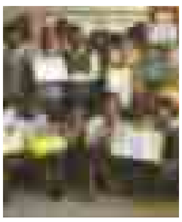
Corporate social responsibility ("CSR")

Esorfranki supports sustainable social development and upliftment by assisting community-based organisations. During the year the group was involved in three main CSR projects, managed centrally by the CSR Manager:

The **'SizaWena'** or **'Help You'** initiative entails the group sponsoring 100 previously disadvantaged learners and recently-qualified civil engineering professionals in Gauteng, KwaZulu-Natal and the Western Cape to attend SAICE's 'Engineering Planet Future' indaba in Pretoria. The one-day event covers a number of practical situations these learners may encounter during and after their studies and further provides learners with 'soft skills' necessary to succeed in the real world. R500 000 was spent on this initiative during the year.



The **Vlakfontein Creche** development was undertaken in conjunction with Bombela Civils and Stefanutti Stocks Holdings Limited. Esorfranki provided two containers which have been retro-fitted as classrooms and a playground was also constructed. The Vlakfontein Creche near Orange Farm supports 82 children and provides food for over 200 people on a daily basis. The group spent R200 000 on this project in addition to donations in the form of a photocopier, cardboard and food for the Christmas party.



Esorfranki believes in promoting relevant engineering skills at school level. In this regard we identified appropriate schools whose matric classes received science kits, in conjunction with **Edutrade** – specialist suppliers of science and biology kits for primary and high school learners. The result of this initiative will assist both teachers and learners when tackling practical sections within the science curriculum in order to improve learners' comprehension and ultimately exam results. R125 000 was spent on science laboratory equipment.

Dr Franklin Sonn
(b. 1939)
BA (Hons) STD FIAC
Independent non-executive Director

Democratic South Africa's first ambassador to the United States, Franklin is the recipient of thirteen honorary doctorates from national and international universities. He has held many distinguished positions in government and the private sector. He currently serves on the board of directors of companies including RGA Reinsurance Company of South Africa Limited; Esorfranki Limited and Macsteel Service Centres S.A. (Pty) Limited and as Chairperson of Worley Parsons Resources and Energy incorporating KV3 Engineers; Ekapa Mining (Pty) Limited, Imalivest (Pty) Limited, African Star Ventures (Pty) Limited and Cape Star Investments (Pty) Limited. He further serves as trustee of the Desmond Tutu Peace Trust, Impumelelo Innovations Awards Trust and the World Wide Fund for Nature S.A. He served as the former Rector of the Peninsula Technikon for 17 years (now Cape Peninsular University of Technology) and the former Chancellor of the University of the Free State.

Wayne van Houten
(b. 1965)
BCom BAcc CA(SA)
CFO

Wayne qualified as a Chartered Accountant in 1990 after serving articles with KPMG. He left the auditing profession shortly thereafter and has since been involved in the construction industry. He joined Franki (Pty) Limited in early 2005 and has been an executive director since November 2006. Wayne was appointed as group CFO in June 2008.

Malemadutje (Briss) Mathabathe
(b. 1942)
Independent non-executive Director

Briss has extensive experience in all aspects of the initiation, structuring, implementation and operation of capital investment projects. He is well-known to government, parastatals, development agencies, export bodies, contractors and financiers and is currently Managing Director of Imbani Holdings (Pty) Limited and serves as a director on a number of boards.

Above, from left: Dr Franklin Sonn, Wayne van Houten, Briss Mathabathe, Bernie Krone, Ethan Dube, Dave Thompson

Bernie Krone
(b. 1953)
BSc Eng (Civil) Pr Eng FSAICE
CEO

Bernie was born in Halstead, England and moved to South Africa as a child. After attaining Professional Engineer status, he gained experience in the employ of major geotechnical engineering companies before joining Esor (Pty) Limited, which became Esorfranki. He has over 33 years' experience across all aspects of geotechnical engineering.

Ethan Dube
(b. 1959)
MSc (Statistics)
Independent non-executive Director

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 he formed an investment banking division at African Harvest Limited and in 2002 concluded the management buy-out of the operating subsidiaries and strategic assets. Ethan is currently CEO of Vunani Limited (previously African Harvest Capital) and a non-executive director of Hyprop Investments Limited.

Dave Thompson
(b. 1936)
CA(SA)
Independent non-executive Chairman

Dave qualified as a Chartered Accountant in South Africa and is also a member of the Association of Accountants and Auditors in the United Kingdom. He completed the advanced management programme at Harvard University Cambridge USA in 1977. Dave has vast experience, having served on a multitude of boards.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements and annual financial statements of Esorfranki, comprising the statements of financial position at 28 February 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' Report, in accordance with International Financial Reporting Standards, the AC500 Series issued by the Accounting Practices Board and the manner required by the Companies Act of South Africa.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated annual financial statements and annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated annual financial statements and annual financial statements

The consolidated annual financial statements and annual financial statements of Esorfranki as identified in the first paragraph were approved by the board of directors on 24 May 2011 and signed on their behalf by:

B Krone
Chief Executive Officer

Germiston
24 May 2011

W van Houten
Chief Financial Officer

Germiston
24 May 2011

DECLARATION BY COMPANY SECRETARY

We declare that, to the best of our knowledge, 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.

iThemba Governance and Statutory Solutions (Pty) Limited
Company secretary

Germiston
24 May 2011

The information below constitutes the report of the Audit Committee in respect of the year under review, as required by section 94 of the Companies Act.

In compliance with the latest regulations, a separate Audit Committee has been formally appointed by the board of directors.

The Audit Committee is chaired by Dr FA Sonn. It further consists of two independent non-executive directors, DM Thompson and EG Dube. The board is satisfied with their levels of independence in accordance with directors' mandatory quarterly disclosures of personal interests. Although DM Thompson as Chairman of the board should not be a member of the Audit Committee in terms of the King III Report, the directors believe this is ameliorated by his qualification as a Chartered Accountant (SA) and the limited number of available non-executive directors to take his place.

The committee's charter promotes the overall effectiveness of corporate governance in accordance with the King III Report. Further it provides for the monitoring of the company's compliance with disclosure requirements, relevant laws and regulations and its own code of conduct. The Audit Committee charter is reviewed annually.

The committee met four times during the year. Details of directors' attendance at Audit Committee meetings are set out on page 027. Other independent non-executive directors, the CEO, the CFO and representatives of the external auditors may attend by invitation. Any member of the committee or the external auditors may request a meeting which is then arranged in consultation with the committee's chairman. The committee chairman provides feedback at annual general meetings.

In fulfilling its function, the committee specifically oversees:

- financial reporting risks;
- internal financial controls;
- fraud risks; and
- IT risks.

In terms of the external auditors, KPMG, the committee has:

- considered their appointment;
- reviewed their fees;
- reviewed their independence, objectivity and effectiveness; and
- approved non-audit services provided to the company such as internal audit services, tax services, corporate restructuring and merger and acquisition advice.

Any services or the extent thereof are assessed to ascertain whether they are likely to conflict with or impair the independence of the external auditors. Other than training and internal audit services, no non-audit services were provided by the external auditors during the year. The external auditors have unrestricted access to the Audit Committee and its chairman at all times.

The committee approved the structure of and appointments to the internal audit function and its performance, as well as reviewed the internal audit report.

With regards to the internal audit services provided by KPMG, the Audit Committee implements safeguards to eliminate or reduce independence threats by applying the independence rules based approach. The principles to evaluate perceived independence issues are also important and in general terms, the aim is to ensure that external auditors do not:

- audit their own work;
- make management decisions for the company;
- create a mutuality of interest; or
- find themselves in an advocacy position.

The Audit Committee also oversaw the integrated reporting and assurance model, recognising the importance of the company's B-BBEE scorecard. The committee further ensures that sustainability reporting does not conflict with financial information and recommends the integrated report for board approval.

(continued)

After reviewing the internal financial controls of the group, the committee has established that nothing has come to the attention of the committee to indicate that the internal financial controls were not operating effectively during the year.

The Audit Committee reviewed all interim and annual financial statements before submission to the board and focused on:

- changes in accounting policies and practices;
- major judgemental areas;
- significant adjustments resulting from the audit;
- going concern statement;
- compliance with accounting standards, stock exchange and statutory requirements; and
- providing accurate financial information.

During the year the performance and independence of the Audit Committee was evaluated by the Company Secretary, the findings of which were reviewed by the board. As a whole, the findings indicated the committee adds value to the group's overall governance process. However, the membership of the board chairman was identified as a problematic area in terms of the King III Report.

The Audit Committee has satisfied itself that KPMG and Mr FHC von Eckardstein, the designated auditor, are independent of the company.

In terms of the JSE Listings Requirements, the Audit Committee has considered and satisfied itself of the appropriateness of the expertise and experience of the CFO, Wayne van Houten.

The Audit Committee recommended the annual financial statements for the year ended 28 February 2011, for approval, to the board. The board has subsequently approved the annual financial statements which will be open for discussion at the forthcoming annual general meeting.

Dr FA Sonn
Audit Committee Chairman

Germiston
24 May 2011

To the members of Esorfranki Limited

We have audited the consolidated annual financial statements and the annual financial statements of Esorfranki Limited, which comprise the statements of financial position at 28 February 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 055 to 110.

Directors' responsibility for the financial statements

The company's 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 and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 judgement, 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 management, 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, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Esorfranki Limited at 28 February 2011, and its consolidated and separate financial performance and consolidated and separate 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.

KPMG Inc.
Registered Auditor

Per FHC von Eckardstein
Chartered Accountant (SA)
Registered Auditor
Director

24 May 2011

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 2011 which have been audited in compliance with the Companies Act. The preparation of these annual financial statements was supervised by the CFO, Wayne van Houten.

Nature of business

The nature of the group's business is set out in the group profile on page 007 of the annual report, of which this Directors' Report forms part.

Financial results

Consolidated revenue reduced to R1,366 billion from R1,858 billion in the previous year. Earnings before interest, depreciation, impairments, amortisations and taxation ("EBITDA") fell by 87,4% to R49,1 million from R389,1 million. Headline earnings per share ("HEPS") also fell by 118,1% to a loss of 12,9 cents per share. Net asset value ("NAV") per share fell by 13,3% from 275,63 cents to 238,86 cents based on the number of shares in issue at year-end, net of treasury shares.

Further comment is set out in the CFO's report and detail is set out in the annual financial statements and accompanying notes.

Property, plant and equipment

During the year, the group acquired property, plant and equipment amounting to R50,4 million (2010: R96 million). The capital expenditure programme is detailed in note 35 to the annual financial statements.

Dividend declaration

In deciding on the dividend, the board has considered a number of factors which include the solvency and liquidity of the company following the payment of a dividend, future availability of credit and the sustainability of the construction market. Further, the board considers it prudent to conserve cash, which will in turn have a positive effect on future profits.

The board has therefore decided that no dividend will be paid in the current year (2010: 15 cents). It remains the policy of the group to review the dividend annually in light of solvency, liquidity, cash flow, gearing and capital requirements.

Share capital

Details of the authorised and issued shares are set out in note 12 to the annual financial statements, and the analysis of shareholders on page 110. There were no changes to the authorised share capital during the year.

All authorised but unissued shares have been placed under the control of the directors until the upcoming annual general meeting, at which the directors propose that the authority granted to them to control the unissued shares be renewed (see Notice of Annual General Meeting).

Share option scheme

The board has resolved that this scheme will be discontinued and no further options will be granted. Since listing in March 2006, 14 250 000 options have been granted (equivalent to 4,7% of the issued share capital). These options are exercisable in 20% tranches over a five-year period from the date of granting the option. A total of 1 218 215 options (2010: 2 859 086) were exercised during the year.

Details of the options granted but not exercised are:

Date option granted	Expiry date	Number of ordinary shares	Subscription price
14 March 2006	13 March 2012	739 417	R1,00
30 November 2006	13 March 2012	709 607	R1,60
14 December 2009	13 March 2014	6 335 685	R2,50

(continued)

Interest in subsidiaries

Details of the company's subsidiaries are shown in notes 34 and 37 to the annual financial statements.

Special resolutions

At the annual general meeting on 25 June 2010, 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 effect a buy-back of the company's shares on the JSE. This authority will expire at the forthcoming annual general meeting unless it is renewed at the meeting.

Directors

The directors of the company at the date of this annual report are set out below:

Executive directors

B Krone (CEO)
W van Houten (CFO)

Independent non-executive directors

EG Dube
MB Mathabathe
Dr FA Sonn
DM Thompson

No directors resigned during the year.

MB Mathabathe and W van Houten will retire at the upcoming annual general meeting and being eligible, will stand for re-election. In addition all new directors are subject to confirmation of election by shareholders at the first annual general meeting after their initial appointment. There are no new directors who will stand for confirmation of election at the upcoming annual general meeting.

Company Secretary

Effective 1 April 2010 Iain Stephen was replaced by iThemba Governance and Statutory Solutions (Pty) Limited as Company Secretary. The company's business and postal addresses are set out on the inside back cover of this annual report.

Directors' interests

The directors of the company held the following direct and indirect interests in the company at year-end:

Directors' shareholding	Direct shareholding		Indirect shareholding		Total	
	2011	2010	**2011**	2010	**2011**	2010
EG Dube	**–**	–	**10 000 000**	10 698 600	**10 000 000**	10 698 600
MB Mathabathe	**4 000 000**	8 600 000	**–**	–	**4 000 000**	8 600 000
Dr FA Sonn	**–**	–	**3 975 000**	4 000 000	**3 975 000**	4 000 000
DM Thompson	**–**	–	**100 000**	70 000	**100 000**	70 000
B Krone	**13 509 394**	12 509 394	**–**	–	**13 509 394**	12 509 394
W van Houten	**1 152 908**	1 152 908	**–**	–	**1 152 908**	1 152 908

There have been no changes in the directors' interests since year-end up until the date of this report.

Directors' emoluments

The remuneration of directors is set out in note 31 to the annual financial statements.

(continued)

Auditors

KPMG Inc. will continue in office in accordance with section 90(6) of the Companies Act. The audit partner is Mr FHC von Eckardstein.

Events after reporting date

Other than the items mentioned below, the board of directors is not aware of any material matters or circumstances arising since year-end and the date of this report:

Competition Commission

Esorfranki was served a summons in July 2009 in relation to alleged anti-competitive behaviour in the group's Geotechnical division. The matter was referred to the Competition Tribunal in January 2011. The board has been, and intends to continue providing its full cooperation in this regard. Further details are contained in the Chairman's and CEO's Report.

Rights Offer

Following year-end, the rights offer as announced in the Circular dated 14 February 2011, and the results of which were announced on SENS on 8 March 2011, was concluded. Further details are contained on page 022.

STATEMENTS OF FINANCIAL POSITION

at 28 February 2011

	Note	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Assets					
Non-current assets		**966 187**	999 551	**677 467**	671 767
Property, plant and equipment	4	**565 775**	596 429	**–**	–
Intangible assets	5	**90 117**	93 737	**–**	–
Goodwill	6	**305 715**	305 715	**–**	–
Deferred tax asset	15	**4 580**	3 670	**–**	725
Investments in subsidiaries	7	**–**	–	**677 467**	671 042
Current assets		**498 164**	648 273	**53 763**	98 430
Inventories	8	**16 983**	14 827	**–**	–
Other investments	9	**420**	6 762	**–**	–
Unsecured loans	10	**–**	–	**53 583**	94 602
Taxation		**3 855**	9 952	**–**	3 356
Trade and other receivables	11	**413 768**	499 869	**124**	118
Cash and cash equivalents	28	**63 138**	116 863	**56**	354
Total assets		**1 464 351**	1 647 824	**731 230**	770 197
Equity and liabilities					
Share capital and reserves		**703 156**	808 028	**721 617**	768 943
Share capital and premium	12	**389 449**	396 956	**408 232**	417 000
Equity compensation reserve		**14 444**	8 253	**14 023**	8 253
Foreign currency translation reserve		**(33 188)**	(14 296)	**–**	–
Common control reserve		**–**	–	**261 107**	261 107
Retained earnings		**332 451**	417 115	**38 255**	82 583
Non-current liabilities		**195 562**	405 711	**–**	–
Secured borrowings	13	**84 516**	275 031	**–**	–
Post-retirement benefits	14	**1 657**	1 665	**–**	–
Deferred tax liability	15	**109 389**	129 015	**–**	–
Current liabilities		**565 633**	434 085	**9 613**	1 254
Current portion of secured borrowings	13	**241 527**	121 677	**–**	–
Unsecured loans	10	**–**	–	**579**	–
Taxation		**9 953**	6 644	**–**	–
Provisions	16	**3 213**	21 087	**–**	–
Trade and other payables	18	**310 940**	284 677	**9 034**	1 254
Total equity and liabilities		**1 464 351**	1 647 824	**731 230**	770 197

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 28 February 2011

		Group		Company	
		2011	2010	**2011**	2010
	Note	**R'000**	R'000	**R'000**	R'000
Revenue	19	**1 366 433**	1 857 817	**6 154**	50 000
Cost of sales		**(1 204 988)**	(1 361 041)	**–**	–
Gross profit		**161 445**	496 776	**6 154**	50 000
Other income	20	**3 654**	3 937	**–**	2 039
Operating expenses		**(116 033)**	(111 661)	**(1 519)**	(1 867)
Profit before interest, tax, amortisation, impairments and depreciation	21	**49 066**	389 052	**4 635**	50 172
Depreciation, impairments and amortisation		**(65 489)**	(83 478)	**–**	–
Results from operating activities		**(16 423)**	305 574	**4 635**	50 172
Finance costs	32	**(54 371)**	(93 106)	**(5)**	(193)
Finance income	32	**23 703**	63 281	**121**	8
(Loss)/profit before income tax		**(47 091)**	275 749	**4 751**	49 987
Income tax expense	22	**6 330**	(78 108)	**(4 153)**	1 144
(Loss)/profit after tax		**(40 761)**	197 641	**598**	51 131
Other comprehensive income:					
Foreign currency translation differences for foreign operations		**(21 334)**	(32 630)	**–**	–
Actuarial loss on post-retirement benefits		**(261)**	(28)	**–**	–
Income tax on translation differences		**2 441**	3 683	**–**	–
Other comprehensive loss for the period, net of tax		**(19 154)**	(28 975)	**–**	–
Total comprehensive (loss)/income attributable to:					
Owners of the company	23	**(59 915)**	168 666	**598**	51 131
Basic (loss)/earnings per share (cents)		**(13,9)**	69,4	**0,2**	17,3
Diluted (loss)/earnings per share (cents)		**(13,8)**	68,6	**0,2**	17,3

for the year ended 28 February 2011

Group	Share capital R'000	Share premium R'000	Equity compen-sation reserve R'000	Trans-lation reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 1 March 2009	278	338 800	3 917	14 651	261 931	619 577
Profit for the year	–	–	–	–	197 641	197 641
Other comprehensive income						
Foreign currency translation differences from foreign operations	–	–	–	(28 947)	–	(28 947)
Post-retirement benefit adjustment	–	–	–	–	(28)	(28)
Total other comprehensive loss	–	–	–	(28 947)	(28)	(28 975)
Total comprehensive (loss)/income for the year	–	–	–	(28 947)	197 613	168 666
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares related to business combinations	13	57 869	–	–	–	57 882
Share issue expense	–	(5)	–	–	–	(5)
Dividends to equity holders	–	–	–	–	(42 429)	(42 429)
Share-based payment transactions	–	–	4 336	–	–	4 336
Treasury shares	1	–	–	–	–	1
Total contributions by and distributions to owners	14	57 864	4 336	–	(42 429)	19 785
Balance at 1 March 2010	**292**	**396 664**	**8 253**	**(14 296)**	**417 115**	**808 028**
Loss for the year	**–**	**–**	**–**	**–**	**(40 761)**	**(40 761)**
Other comprehensive income						
Foreign currency translation differences from foreign operations	**–**	**–**	**–**	**(18 893)**	**–**	**(18 893)**
Post-retirement benefit adjustment	**–**	**–**	**–**	**–**	**(261)**	**(261)**
Total other comprehensive loss	**–**	**–**	**–**	**(18 893)**	**(261)**	**(19 154)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(18 893)**	**(41 022)**	**(59 915)**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Share issue expense	**–**	**(8 768)**	**–**	**–**	**–**	**(8 768)**
Dividends to equity holders	**–**	**–**	**–**	**–**	**(43 642)**	**(43 642)**
Share-based payment transactions	**–**	**–**	**6 191**	**–**	**–**	**6 191**
Treasury shares	**2**	**1 259**	**–**	**–**	**–**	**1 261**
Total contributions by and distributions to owners	**2**	**(7 509)**	**6 191**	**–**	**(43 642)**	**(44 958)**
Balance at 28 February 2011	**294**	**389 155**	**14 444**	**(33 188)**	**332 451**	**703 155**

for the year ended 28 February 2011 *(continued)*

Company	Share capital R'000	Share premium R'000	Equity compen-sation reserve R'000	Common control reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 1 March 2009	289	364 149	3 917	261 107	75 274	704 736
Profit for the year	–	–	–	–	51 131	51 131
Total comprehensive income for the year	–	–	–	–	51 131	51 131
Transactions with owners, recorded directly in equity						
Issue of ordinary shares related to business combinations	13	52 554	–	–	–	52 567
Share issue expense	–	(5)	–	–	–	(5)
Dividends to equity holders	–	–	–	–	(43 822)	(43 822)
Share-based payment transactions	–	–	4 336	–	–	4 336
Total contributions by and distributions to owners	13	52 549	4 336	–	(43 822)	13 076
Balance at 1 March 2010	**302**	**416 698**	**8 253**	**261 107**	**82 583**	**768 943**
Profit for the year	**–**	**–**	**–**	**–**	**598**	**598**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**598**	**598**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Share issue expense	**–**	**(8 768)**	**–**	**–**	**–**	**(8 768)**
Dividends to equity holders	**–**	**–**	**–**	**–**	**(44 926)**	**(44 926)**
Share-based payment transactions	**–**	**–**	**5 770**	**–**	**–**	**5 770**
Total contributions by and distributions to owners	**–**	**(8 768)**	**5 770**	**–**	**(44 926)**	**(47 924)**
Balance at 28 February 2011	**302**	**407 930**	**14 023**	**261 107**	**38 255**	**721 617**

for the year ended 28 February 2011

		Group		Company	
		2011	2010	**2011**	2010
	Note	**R'000**	R'000	**R'000**	R'000
Cash flows from operating activities		**58 075**	159 635	**(35 471)**	(131 552)
Cash receipts from customers		**1 464 009**	1 930 748	**6 154**	50 000
Cash paid to suppliers and employees		**(1 330 934)**	(1 572 090)	**3 257**	(137 370)
Cash generated from/(utilised by) operations	24	**133 075**	358 658	**9 411**	(87 370)
Dividends paid		**(43 642)**	(42 429)	**(44 926)**	(43 822)
Finance income		**23 703**	63 281	**121**	8
Finance costs		**(54 224)**	(92 977)	**(5)**	(193)
Taxation paid	25	**(837)**	(126 898)	**(72)**	(175)
Cash flows from investing activities		**(41 979)**	(199 270)	**(6 425)**	(29 565)
Additions to property, plant and equipment		**(50 373)**	(96 034)	**–**	–
Proceeds on disposal of property, plant and equipment		**3 032**	3 085	**–**	–
Investments disposed/(acquired)		**6 342**	7 507	**(6 425)**	(29 565)
Acquisition of businesses, net of cash acquired	26	**–**	(113 828)	**–**	–
Disposal of business	27	**(980)**	–		–
Cash flows from financing activities		**(69 820)**	(116 327)	**41 598**	161 176
Decrease in unsecured loans		**–**	–	**41 598**	108 614
Decrease in secured borrowings		**(70 665)**	(121 559)	**–**	–
Proceeds from share issue net of issue expenses		**1 261**	5 311	**–**	52 562
Post-retirement benefits paid		**(416)**	(79)	**–**	–
Net (decrease)/increase in cash and cash equivalents		**(53 725)**	(155 962)	**(298)**	59
Net cash and cash equivalents at beginning of year		**116 863**	272 825	**354**	295
Cash and cash equivalents at end of year	27	**63 138**	116 863	**56**	354

for the year ended 28 February 2011

1. General information

Esorfranki Limited (the "company") is a company domiciled in the Republic of South Africa. The address of the company's registered office is 30 Activia Road, Activia Park, Germiston. The consolidated financial statements of the company as at and for the year ended 28 February 2011 comprise the company and its subsidiaries (together referred to as the "group" and individually as "group entities") and the group's interest in jointly controlled entities. The group is primarily involved in the specialist geotechnical and civil engineering sector in South Africa and Southern Africa (refer notes 2.22 and 36).

2. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the AC500 Series issued by the Accounting Practices Board, in the manner required by 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. The accounting policies are consistent with the previous year and applied consistently by group entities. The methods used to measure the fair value of these financial instruments are discussed further in note 32.

2.1 Functional and presentation currency

These consolidated financial statements are presented in Rands, which is the company's functional currency and the group's presentation currency. All financial information presented in Rands has been rounded to the nearest thousand.

2.2 Use of estimates and judgements

The key assumptions and judgements made concerning the future and other sources of estimation uncertainty at the reporting 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:

Revenue

During the initial stages of a construction contract it is often the case that the contract outcome cannot be estimated reliably. When contract revenue and the costs to complete the contract can be measured reliably, profit is recognised by reference to the stage of completion of the activity of the contract. However, the reliability of current estimates of future revenue and expenses is a critical factor when assessing the profit to be recognised on a yet uncompleted contract (refer notes 11 and 19).

Business combinations

The recognition, measurement and identification of assets acquired, liabilities assumed and goodwill acquired (refer note 26).

Options granted

Management used the Black Scholes model to determine the value of the share options at issue date. Additional details regarding the estimates are included in note 30.

Impairment testing

Management used the value-in-use method to determine the recoverable amount of goodwill. Additional disclosure of these estimates is included in note 6.

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 16.

for the year ended 28 February 2011 *(continued)*

2. Presentation of annual financial statements (continued)

2.2 Use of estimates and judgements (continued)

Post-retirement benefits

Post-retirement benefits are provided to certain retired employees. Independent actuaries were tasked with calculating the value of the group's obligations. Further information on the significant assumptions are shown in note 14.

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.

Contingent liabilities

Management continually applies its judgement to advice it receives from attorneys, advocates and other advisors in assessing if an obligation is probable, possible, or remote. This judgement application is used to determine if the obligation is recognised as a provision, disclosed as a contingent liability or no disclosure is made.

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.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any accumulated 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 assets' future economic benefits are expected to be consumed.

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

Methods of depreciation, useful lives and residual values are reviewed annually at each reporting date. The following methods and estimated useful lives were applied during the current and previous periods:

Item	Method	Useful life
Land	Not depreciated	Indefinite
Buildings	Straight line	50 years
Plant and equipment	Straight line	5 – 15 years
Motor vehicles	Straight line	4 – 8 years
Furniture and fittings	Straight line	1 – 10 years
Computers	Straight line	3 years

The depreciation charge for each period is recognised in profit or loss.

Derecognition occurs when an item of property, plant and equipment is disposed of, or when it is no longer expected to generate any future economic benefits.

2. Presentation of annual financial statements (continued)

2.3 Property, plant and equipment (continued)

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 statement of financial position as current assets. The assets will be measured at the lower of their 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 their 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 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; and
- 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.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Intangible assets are carried at cost less any accumulated amortisation and any accumulated 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 intangible assets. These are tested annually for impairment and impaired if necessary.

Finite useful life intangible assets are amortised on a straight-line basis over their estimated useful life, from the date that they are available for use. They are only tested for impairment when an indication of impairment exists. Amortisation is recognised in profit or loss. Methods of amortisation and useful lives are reviewed annually at each reporting date.

2.5 Goodwill

For acquisitions on or after 1 March 2010, the group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

for the year ended 28 February 2011 *(continued)*

2. Presentation of annual financial statements (continued)

2.6 Investments in subsidiaries

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.

For group and company any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

2.7 Basis of consolidation

Investment in subsidiaries

Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

The non-controlling interest is stated at the non-controlling interest proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses are attributed to the non-controlling interest.

Acquisitions from entities under common control

At acquisition, business combinations arising from transfers of interest in entities that are under the control of the shareholder that controls the group are accounted for in the period in which the transfer of interest occurs and comparatives are not restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the group controlling shareholder's consolidated financial statements.

Jointly controlled operations

Jointly controlled operations involve the use of assets and other resources of the venturers in completing defined construction contracts. The group accounts for the assets it controls, the liabilities and expenses that it incurs and its share of the income that it earns from the construction contracts.

Special purpose entities

A special purpose entity ("SPE") is consolidated if, based on an evaluation of the substance of its relationship with the group and the SPEs risks and rewards, the group concludes that it controls the SPE. SPEs controlled by the group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

for the year ended 28 February 2011 *(continued)*

2. Presentation of annual financial statements (continued)

2.8 Impairment of assets

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

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

All impairment losses are recognised in profit or loss.

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

Non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together in the smallest group of assets that generate cash flows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

2.9 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, including retention receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

for the year ended 28 February 2011 *(continued)*

2. Presentation of annual financial statements (continued)

2.9 Financial instruments (continued)

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and costs is discussed in note 2.18.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method.

Derivative financial instruments

The group holds derivative financial instruments to economically hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not designated as a hedging instrument in a qualifying hedge relationship, all changes in its fair value are recognised in profit or loss.

2.10 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

for the year ended 28 February 2011 *(continued)*

2. Presentation of annual financial statements (continued)

2.10 Share capital (continued)

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

2.11 Leases

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 and are not recognised on the group's statement of financial position.

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 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 as an expense 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 discounted using the interest rate implicit in the lease contract. Any initial direct costs incurred are added to the amount recognised as an asset. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are recognised in profit or loss in accordance with the group's general policy on finance income and costs (note 2.18).

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. Contingent rent is recognised as an expense in the period in which it is incurred.

2.12 Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of inventories comprises all costs of purchase, costs of production or 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 all inventories is assigned using the first-in first-out method, as all inventories have a similar nature and use to the group.

for the year ended 28 February 2011 *(continued)*

2. Presentation of annual financial statements (continued)

2.12 Inventories (continued)

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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.13 Financial guarantees

Financial guarantees are contracts that require the company to make specified payments to reimburse the holder for a loss it incurs because a group company fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within trade and other payables.

2.14 Revenue

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be measured reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

2.15 Income tax

Income tax expense comprises current and deferred tax. An income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their current tax assets and liabilities will be realised simultaneously.

for the year ended 28 February 2011 *(continued)*

2. Presentation of annual financial statements (continued)

2.15 Income tax (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary tax on companies ("STC") that arises from the distribution of dividends is recognised at the same time that the dividend is declared and the liability to pay is raised.

2.16 Provisions

A provision is recognised if, as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

Restructuring costs

Provisions for restructuring are made if the group has a formal plan for restructuring identifying:

- the business or part thereof;
- the locations affected;
- the location, function, and approximate number of employees that will be compensated for terminating their services;
- the estimated expenditures;
- when the plan will be implemented; and
- has raised a valid expectation that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

2.17 Dividend received

Dividend income is recognised in profit or loss on the date that the company's right to receive payment is established.

2.18 Finance income and costs

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial liabilities at fair value through profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

2.19 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

for the year ended 28 February 2011 *(continued)*

2. Presentation of annual financial statements (continued)

2.19 Foreign currencies (continued)

Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign operations

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in other comprehensive income in the foreign currency translation reserve ("FCTR").

2.20 Share-based payment transactions

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

When the goods 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 fair value of the equity instruments granted.

Share-based payment arrangements in which the group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the group.

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 based on the fair value of the shares using a suitable valuation model. 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. Presentation of annual financial statements (continued)

2.21 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 employees 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 service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due to be settled. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Payments made to industry-managed retirement benefit schemes (or state plans) 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

The group contributes 50% of post-retirement medical aid costs of certain retired employees of Franki. The projected unit credit method is used to determine the present value of the defined benefit obligations and the related current service cost and, where applicable past service cost.

The group has unfunded obligations to provide these post-retirement benefits. The estimated liability is recognised on an accrual basis over the working life of the eligible employees. Actuarial gains and losses are recognised in other comprehensive income in the period in which they occur.

2.22 Segment reporting

The segment information has been prepared in accordance with IFRS 8 Operating Segments, which requires disclosure of financial information of an entity's operating segments.

Identification of reportable segments

Segment information is prepared in conformity with the basis that is reported to the chief operating decision maker in assessing segment performance and allocating resources to segments.

The revenue and operating assets are further disclosed within the geographical areas in which the group operates. These values have been reconciled to the consolidated financial statements. The basis on which the segments are reported by the group is in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Segment revenue excludes value added taxation and includes intersegment revenue. Net revenue represents segment revenue from which intersegment revenue has been eliminated. Sales between segments are made on a commercial basis.

for the year ended 28 February 2011 *(continued)*

2. Presentation of annual financial statements (continued)

2.22 Segment reporting (continued)

Identification of reportable segments (continued)

Segment expenses include direct and allocated expenses. Depreciation and amortisation have been allocated to the segments to which they relate.

The segment assets comprise all assets of the different segments that are employed by the segment and that either are directly attributable to the segment, or can be allocated to the segment on a reasonable basis.

Reportable segments

Geotechnical operations

Revenue in this segment is derived from the construction and provision of piling, pipejacking, lateral support and ground improvement for the construction industry, primarily in South Africa. Operations are, however, diversely located throughout Africa.

Civils operations

Revenue in this segment is derived from the construction of roads, township infrastructures, water and sewerage reticulation and concrete projects. Civils operations are solely located in South Africa.

Pipeline operations

Revenue in this segment is derived from the construction and rehabilitation of onshore pipelines. Pipeline operations are primarily located in South Africa.

Geographical information

The group's operations are principally located in South Africa. Operations are also located throughout Africa including Angola, Botswana, Tanzania, Swaziland, Lesotho, Nigeria, Namibia, Mozambique, DRC and the Indian Ocean Islands.

3. New accounting pronouncements

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 28 February 2011, and have not been applied in preparing these consolidated financial statements:

Standard		Effective date
IFRS 9 Financial Instruments	IFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009.	1 January 2013
IAS 24 Related Party Disclosures	Simplification of the disclosure requirements for government related entities. Amendment of the definition of a related party.	1 January 2011

Management has assessed the impact of IAS 24 amendment and concluded that the changes should not significantly impact the consolidated and separate annual financial statements. The full impact of the iFRS 9 changes has not yet been assessed.

for the year ended 28 February 2011 *(continued)*

4. Property, plant and equipment

Group	Cost R'000	Accumulated depreciation and impairment losses R'000	Carrying value R'000
2011			
Land and buildings	**63 651**	**(2 114)**	**61 537**
Plant and equipment	**741 790**	**(266 208)**	**475 582**
Motor vehicles	**73 453**	**(45 808)**	**27 645**
Furniture and fittings	**1 946**	**(1 490)**	**456**
Computers	**2 292**	**(1 737)**	**555**
	883 132	**(317 357)**	**565 775**
2010			
Land and buildings	43 931	(631)	43 300
Plant and equipment	735 649	(221 330)	514 319
Motor vehicles	80 856	(43 528)	37 328
Furniture and fittings	2 114	(1 415)	699
Computers	2 802	(2 019)	783
	865 352	(268 923)	596 429

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

	Carrying value at beginning of year R'000	Additions R'000	Disposals R'000	Depre-ciation R'000	Impairments R'000	Translation adjustments R'000	Carrying value at end of year R'000
2011							
Land and buildings	**43 300**	**21 442**	**–**	**(331)**	**(1 200)**	**(1 674)**	**61 537**
Plant and equipment	**514 319**	**27 765**	**(6 608)**	**(52 258)**	**–**	**(7 636)**	**475 582**
Motor vehicles	**37 328**	**808**	**(2 682)**	**(7 401)**	**–**	**(408)**	**27 645**
Furniture and fittings	**699**	**21**	**(43)**	**(221)**	**–**	**–**	**456**
Computers	**783**	**337**	**(107)**	**(458)**	**–**	**–**	**555**
	596 429	**50 373**	**(9 440)**	**(60 669)**	**(1 200)**	**(9 718)**	**565 775**

for the year ended 28 February 2011 *(continued)*

4. Property, plant and equipment (continued)

	Carrying value at beginning of year R'000	Additions R'000	Disposals R'000	Depre-ciation R'000	Translation adjustments R'000	Carrying value at end of year R'000
2010						
Land and buildings	34 494	11 091	(28)	(173)	(2 084)	43 300
Plant and equipment	513 415	71 444	(7 590)	(52 338)	(10 612)	514 319
Motor vehicles	39 579	12 507	(2 947)	(11 131)	(680)	37 328
Furniture and fittings	458	415	–	(174)	–	699
Computers	599	577	(15)	(377)	(1)	783
	588 545	96 034	(10 580)	(64 193)	(13 377)	596 429

Included in the carrying amounts above are items of plant and equipment which have been impaired. The accumulated impairment at year-end was R10,1 million (2010: R8,9 million).

The cost of buildings of R1,2 million was impaired in the current year after the demolition of the former building on our Midrand premises.

Certain plant and equipment with a carrying value of R277 million (2010: R300 million) is encumbered to secure the borrowings (instalment sale financing) set out in notes 13 and 17. Further to this, special notarial bonds to the value of R320 million (2010: R320 million) have been registered over the movable assets of Esor Africa and Franki, with the carrying value of R164 million (2010: R230 million) as shown in notes 13 and 17 to secure business acquisition financing.

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.

for the year ended 28 February 2011 *(continued)*

5. Intangible assets

Group	Cost R'000	Accumulated amortisation and impairment R'000	Carrying value R'000
2011			
"Franki" brand name	**94 529**	**(4 412)**	**90 117**
"Patula" brand name	**12 662**	**(12 662)**	**–**
"Shearwater" brand name	**4 660**	**(4 660)**	**–**
"GCD" brand name	**2 117**	**(2 117)**	**–**
Customer contracts	**22 910**	**(22 910)**	**–**
	136 878	**(46 761)**	**90 117**
2010			
"Franki" brand name	94 529	(2 521)	92 008
"Patula" brand name	12 662	(12 662)	–
"Shearwater" brand name	4 660	(4 660)	–
"GCD" brand name	2 117	(388)	1 729
Customer contracts	22 910	(22 910)	–
	136 878	(43 141)	93 737

The carrying amount of intangible assets can be reconciled as follows:

	Amortisation period	Carrying value at beginning of year R'000	Additions R'000	Amortisation R'000	Impairment R'000	Carrying value at end of year R'000
2011						
"Franki" brand name	**50 years**	**92 008**	**–**	**(1 891)**	**–**	**90 117**
"GCD" brand name	**10 years**	**1 729**	**–**	**(105)**	**(1 624)**	**–**
		93 737	**–**	**(1 996)**	**(1 624)**	**90 117**
2010						
"Franki" brand name	50 years	93 899	–	(1 891)	–	92 008
"GCD" brand name	10 years	1 941	–	(212)	–	1 729
Customer contracts	16 months	17 182	–	(17 182)	–	–
		113 022	–	(19 285)	–	93 737

The GCD brand name was impaired in the current year as the business unit was sold to Esor Africa on 31 August 2010 to trade under the Esor Africa name.

for the year ended 28 February 2011 *(continued)*

6. Goodwill

Group	Cost R'000	Accumulated impairment R'000	Carrying value R'000
2011			
Franki	**26 468**	**–**	**26 468**
Esorfranki Civils	**178 306**	**–**	**178 306**
Esorfranki Pipelines	**90 837**	**–**	**90 837**
Brookmay	**557**	**–**	**557**
GCD	**9 547**	**–**	**9 547**
	305 715	**–**	**305 715**
2010			
Franki	26 468	–	26 468
Esorfranki Civils	178 306	–	178 306
Esorfranki Pipelines	90 837	–	90 837
Brookmay	557	–	557
GCD	9 547	–	9 547
	305 715	–	305 715

The carrying amount of goodwill can be reconciled as follows:

	Carrying value at beginning of year R'000	Additions R'000	Adjustment R'000	Carrying value at end of year R'000
2011				
Franki	**26 468**	**–**	**–**	**26 468**
Esorfranki Civils	**178 306**	**–**	**–**	**178 306**
Esorfranki Pipelines	**90 837**	**–**	**–**	**90 837**
Brookmay	**557**	**–**	**–**	**557**
GCD	**9 547**	**–**	**–**	**9 547**
	305 715	**–**	**–**	**305 715**
2010				
Franki	26 468	–	–	26 468
Esorfranki Civils	152 620	25 686	–	178 306
Esorfranki Pipelines	90 981	–	(144)	90 837
Brookmay	557	–	–	557
GCD	9 547	–	–	9 547
	280 173	25 686	(144)	305 715

for the year ended 28 February 2011 *(continued)*

6. Goodwill (continued)

Goodwill arising from business combinations has been allocated to individual reporting units or cash-generating units, namely Franki, Esorfranki Civils, Esorfranki Pipelines, Brookmay and GCD.

The recoverable amount of each cash-generating unit was estimated based on its value in use and in all cases the carrying amount was lower than its recoverable amount and no impairment loss was recognised. The recoverable amount was determined with the assistance of independent valuers.

Value in use was determined by discounting the future cash flows generated from the continuing use of the individual entities and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and a forecast period of five years;
- Revenue growth was projected at 6,5% (2010: 6,5%) per annum for the forecast period, based on past experience;
- Gross margins were aligned downwards to margins expected in the industry over the forecast period based on past experience;
- Operating expenses were not expected to increase significantly but have been increased in line with revenue growth; and
- A pre-tax discount rate of between 15,77% to 17,77% (2010: 22,98% to 24,78%) was applied in determining the recoverable amounts of the cash-generating units. The discount rate was estimated based on weighted average cost of capital and a debt-equity ratio of 20% (2010: 20%).

The values assigned to key assumptions represent management's assessment of future trends in the construction industry and are based on both internal and external sources.

The above estimates are sensitive in the following areas:

- Discount rate applied; and
- Forecasted revenues and margins.

Based on a range of estimates in the above areas, management is confident that no impairment is required.

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
7. Investments in subsidiaries				
Shares at cost	**–**	–	**677 467**	671 042
Details of the investments in subsidiaries are shown in notes 34 and 37.				
8. Inventories				
Raw materials	**16 983**	14 457	**–**	–
Consumables	**–**	370	**–**	–
	16 983	14 827	**–**	–
9. Other investments				
– contingency policy	**420**	6 762	**–**	–
	420	6 762	**–**	–

The group has a contingency policy contract which is in line with the group's risk management policies. This is a self-insurance plan which affords the group the opportunity to receive a performance bonus at the end of the contract based on favourable claims experience and sound risk management practices during the contract period.

for the year ended 28 February 2011 *(continued)*

	Interest rate %	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
10. Unsecured loans					
Esor Africa (Proprietary) Limited	–	**–**	–	**37 671**	8 605
Esor Share Incentive Scheme Trust	–	**–**	–	**15 912**	24 018
Franki Africa (Proprietary) Limited	–	**–**	–	**(579)**	2 153
Esorfranki Pipelines (Proprietary) Limited	–	**–**	–	**–**	59 826
		–	–	**53 004**	94 602
Disclosed as follows:					
Current assets		**–**	–	**53 583**	94 602
Current liabilities		**–**	–	**(579)**	–
		–	–	**53 004**	94 602

These loans attract interest at the rates indicated and are repayable on demand.

A subordination agreement has been entered into by Esorfranki Limited and its subsidiaries, subordinating any intra-group debt claims the group companies may have against each other to the preferential debts owed to The Standard Bank of South Africa Limited and ABSA Bank Limited for the duration of the funding arrangements entered into (refer notes 13 and 17).

No impairments have been raised against any of the loans receivable as the fair values of Esor Africa's net assets exceed the shareholder's deficit recorded.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
11. Trade and other receivables				
Trade receivables	**385 168**	483 744	**–**	–
Sundry debtors and prepayments	**28 600**	16 125	**124**	118
	413 768	499 869	**124**	118
Trade receivables include amounts due from customers. This amount is calculated as follows:				
Costs incurred plus recognised profits, less recognised losses on contracts in progress at year-end	**1 366 433**	1 857 817	**–**	–
Amounts received	**(1 056 907)**	(1 465 266)	**–**	–
Retentions receivable	**75 642**	91 193	**–**	–
	385 168	483 744	**–**	–
Amounts due from contract customers	**385 168**	483 744	**–**	–
Amounts due to contract customers (refer note 18)	**(89 613)**	(85 723)	**–**	–

The total carrying value of trade receivables have been pledged to secure the borrowing facilities mentioned in notes 13 and 17.

for the year ended 28 February 2011 *(continued)*

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
12. Share capital and premium				
Authorised				
500 000 000 ordinary shares of R0,001 each	**500**	500	**500**	500
Issued				
302 162 174 (2010: 302 162 174) ordinary shares of R0,001 each	**302**	302	**302**	302
Less: 7 784 709 (2010: 9 002 924) treasury shares held by the Esor Share Incentive Scheme	**(8)**	(10)	**–**	–
	294	292	**302**	302
Share premium	**389 155**	396 664	**407 930**	416 698
Balance at beginning of year	**396 664**	338 800	**416 698**	364 149
Premium on shares issued	**1 259**	57 869	**–**	52 554
Share issue expenses written off	**(8 768)**	(5)	**(8 768)**	(5)
	389 449	396 956	**408 232**	417 000

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 provided the number of shares issued does not exceed 50% of the issued share capital. This authorisation is subject to the provisions of the Companies Act of South Africa and the Listings Requirements of the JSE Limited and is valid until the next annual general meeting.

Share movements

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

Ordinary shares, as tabled below, were issued for R4,15, on 17 August 2009 (1 December 2009: R3,75 per share on the effective date of control) as partial settlement of the purchase price for the acquisition of the following entities:

	2011 Number of shares issued	2011 Fair value R'000	2010 Number of shares issued	2010 Fair value R'000
Acquiree	–	–		
Esorfranki Civils	–	–	12 666 667	52 567
Brookmay	–	–	–	–
Esorfranki Pipelines	–	–	–	–
	–	–	12 666 667	52 567

During the comparative period, 8 250 000 ordinary shares were issued to the Esor Share Incentive Scheme at R2,50 per share. Of this number, 5 250 000 were issued in terms of the agreement of sale concluded with the vendors. The allocation of share options were granted on 14 December 2009.

for the year ended 28 February 2011 *(continued)*

13. Secured borrowings

	Monthly instalment Group R'000	Monthly instalment Company R'000	Group **2011 R'000**	Group 2010 R'000	Company **2011 R'000**	Company 2010 R'000
Instalment sale agreements	8 749	–	**148 347**	207 432	**–**	–
Junonia Investments No 3 (Pty) Limited	4 803	–	**177 605**	189 117	**–**	–
Mortgage bond	7	–	**91**	159	**–**	–
Total secured borrowings			**326 043**	396 708	**–**	–
Current portion included under current liabilities			**(241 527)**	(121 677)	**–**	–
			84 516	275 031	**–**	–

Instalment sale agreements are secured over plant and equipment referred to in note 4. Interest is levied at rates of between prime plus 1% and prime minus 2%. Instalment sale agreements are for periods not exceeding 60 months. The last final repayment date on the instalment agreements is December 2015.

The Junonia Investments No 3 (Pty) Limited financing comprised two loans given by Junonia Investments to Esor Africa (Pty) Limited. These loans, ultimately provided by The Standard Bank of South Africa Limited and ABSA Bank Limited, were secured by a cession of book debts, proceeds from short and long-term insurance and a special notarial bond over movable assets (refer note 4). Interest was levied at a rate of between JIBAR (three months) plus 220 basis points and JIBAR (one month) plus 250 basis points.

Following renegotiation of the terms and settlement conditions, this loan was settled during March 2011.

The company undertook a rights issue, which was fully underwritten, that raised R200 million on 8 March 2011. The proceeds of this rights issue was used to settle the debt to Junonia Investments No 3 (Pty) Limited on 18 March 2011. The terms of the settlement included a waiver of the imposed loan covenants which monitored four specific ratios, namely pre and post dividend debt service cover, debt: EBITDA, and EBITDA: interest payable. There were no breaches of any of the imposed loan covenants as at 28 February 2011 (refer note 10 for details of subordination agreements entered into by group companies as security).

The mortgage bond is secured by a property owned by a group company, with interest levied at the prime lending rate.
The carrying value of the underlying property is R14,5 million (2010: R6,45 million).The final repayment date on this bond is October 2012.

At year-end, the prime interest rate was 9% (2010: 10,5%).

for the year ended 28 February 2011 *(continued)*

		Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
14. Post-retirement benefits					
Defined benefits					
Prior to 1 July 2005, all medical aid members of Franki who reached the age of 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 contributions. This obligation is unfunded.					
Balance at 1 March		**1 665**	1 587	**–**	–
Current contributions paid		**(416)**	(79)	**–**	–
Settlement of liability		**–**	–	**–**	–
Actuarial loss/(gain) charged to other comprehensive income		**261**	28	**–**	–
Interest cost		**147**	129	**–**	–
Balance at 28 February		**1 657**	1 665	**–**	–
The principal actuarial assumptions applied in the determination of the fair values include:					
Consumer price inflation	(%)	**3,70**	5,70	**–**	–
Discount rate	(%)	**9,00**	9,25	**–**	–
Medical cost trend rate	(%)	**7,75**	7,25	**–**	–
Date of last actuarial valuation: 28 February 2011					
Date of next actuarial valuation: 28 February 2012					
Any changes in the actuarial assumptions are not expected to have a significant impact on the post-retirement obligation.					
Sensitivity					
The effect of a 1% movement in the health care cost inflation assumption on the contractual liability and the annual expense after taxation is as follows:					
1% increase in health care cost		**144**	126	**–**	–
1% decrease in health care cost		**(127)**	(113)	**–**	–
1% increase in interest cost		**(9)**	(7)	**–**	–
1% decrease in interest cost		**7**	6	**–**	–
Defined contributions					
Contributions to retirement benefit funds		**20 557**	22 578	**–**	–

Retirement benefits are provided for full-time permanently employed staff who are under normal retirement ages by means of a Pension and Provident Fund. The company's contributions are charged to profit or loss in the year that they become due. The funds are governed by the Pension Funds Act 24 of 1956 and are defined contribution funds.

for the year ended 28 February 2011 *(continued)*

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
15. Deferred tax				
Balance at beginning of year	**125 345**	92 110	**(725)**	(101)
Movements during the year:				
Acquisitions through business combinations (refer note 26)	**–**	–	**–**	–
Translation adjustment	**228**	(942)	**–**	–
Movements in FCTR and other	**(4 191)**	–	**–**	–
Temporary differences	**(16 573)**	34 177	**725**	(624)
Balance at end of year	**104 809**	125 345	**–**	(725)
The balance comprises:				
Leave pay accruals	**(478)**	(321)	**–**	–
Property, plant and equipment	**77 196**	60 084	**–**	–
Retentions receivable	**21 058**	24 949	**–**	–
Provisions/contract accruals	**(22 976)**	(24 150)	**–**	–
Accrued income	**14 795**	28 053	**–**	–
Intangible assets	**43 912**	39 840	**–**	–
Assessed loss	**(19 863)**	(7 638)	**–**	(76)
Other	**(8 835)**	4 528	**–**	(649)
	104 809	125 345	**–**	(725)
Non-current assets	**(4 580)**	(3 670)	**–**	(725)
Non-current liabilities	**109 389**	129 015	**–**	–
	104 809	125 345	**–**	(725)
16. Provisions				
Staff bonuses				
opening balance	**21 087**	21 584	**–**	–
utilised	**(18 181)**	(29 655)	**–**	–
created	**307**	29 158	**–**	–
Closing balance	**3 213**	21 087	**–**	–
Other provisions				
opening balance	**–**	9 534	**–**	–
acquired through business combinations	**–**	–	**–**	–
utilised	**–**	(9 534)	**–**	–
created	**–**	–	**–**	–
Closing balance	**–**	–	**–**	–
Total provisions	**3 213**	21 087	**–**	–

The provision for staff bonuses relates mainly to discretionary bonuses paid to staff. This provision is based on historical data and management's estimate of payments likely to be made. The group expects to incur the majority of the liability over the next year.

for the year ended 28 February 2011 *(continued)*

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
17. Borrowing facilities				
Available facilities				
– asset finance	**173 006**	400 000	**–**	–
– business acquisition financing	**177 605**	250 000	**–**	–
– contract guarantees	**999 183**	854 000	**–**	–
– overdraft	**–**	22 899	**–**	–
– forward exchange contracts	**15 000**	15 000	**–**	–
– mortgage bond	**91**	219	**–**	–
	1 364 885	1 542 118	**–**	–
Facilities utilised				
– asset finance	**148 347**	207 432	**–**	–
– business acquisition financing	**177 605**	189 117	**–**	–
– contract guarantees	**365 909**	250 334	**–**	–
– mortgage bonds	**91**	159	**–**	–
	691 952	647 042	**–**	–
Companies within the group have provided securities to secure these facilities (refer note 13).				
18. Trade and other payables				
Trade payables	**119 966**	120 515	**–**	–
Accruals	**73 114**	39 715	**9 034**	764
Amounts due to customers (refer note 11)	**89 613**	85 723	**–**	–
Sundry payables	**28 247**	38 724	**–**	490
	310 940	284 677	**9 034**	1 254
Included in amounts due to customers are amounts in respect of future losses on contracts amounting to R10,9 million (2010: R12,7 million).				
19. Revenue				
Contract revenue	**1 366 433**	1 857 817	**–**	–
Dividends received	**–**	–	**6 154**	50 000
	1 366 433	1 857 817	**6 154**	50 000
Contract revenue comprises the value of work done in respect of contracts, net of value added taxation.				
Dividends received comprises the gross amount of dividends received from subsidiaries and other investments.				
20. Other income				
Profit on disposal of subsidiary	**3 654**	–	**–**	–
Sundry income	**–**	3 937	**–**	2 039
	3 654	3 937	**–**	2 039

for the year ended 28 February 2011 *(continued)*

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
21. Results from operating activities				
Results from operating activities are stated after taking into account the following items which require separate disclosure:				
Income				
Profit on disposal of property, plant and equipment	**121**	182	**–**	–
Exchange gain on amounts due from subsidiaries and foreign branches	**21 367**	60 788	**–**	–
Expenditure				
Auditor remuneration	**3 321**	2 318	**413**	561
– Audit fees	**2 746**	2 318	**413**	561
– Other services	**575**	–	**–**	–
Depreciation of property, plant and equipment	**60 669**	64 193	**–**	–
Amortisation of intangible assets	**1 996**	19 285	**–**	–
Impairment of intangible assets	**1 624**	–	**–**	–
Impairment of property, plant and equipment	**1 200**	–	**–**	–
Loss on disposal of property, plant and equipment	**6 523**	7 677	**–**	–
Exchange loss on amounts due from subsidiaries and foreign branches	**19 687**	58 100	**–**	–
Staff costs	**435 596**	416 174	**–**	–
Operating lease charges (refer note 35)	**21 342**	21 912	**–**	–
– equipment hire	**11 016**	14 227	**–**	–
– motor vehicles	**4 425**	4 594	**–**	–
– property rentals	**5 901**	3 091	**–**	–
Number of employees at year-end	**3 184**	3 225	**–**	–
22. Income tax expense				
South African normal taxation				
– current tax	**9 055**	45 152	**–**	–
– prior year overprovision	**(8 946)**	(16 732)	**160**	(520)
Deferred tax				
– current	**(21 236)**	21 390	**725**	(624)
– prior year underprovision	**4 347**	17 406	**–**	–
Secondary tax on companies ("STC")	**3 910**	5 031	**3 268**	–
Foreign taxation				
– current	**10 853**	13 564	**–**	–
– prior year (over)/underprovision	**(4 629)**	(3 084)	**–**	–
Deferred				
– current	**504**	(2 978)	**–**	–
– prior year overprovision	**(188)**	(1 641)	**–**	–
	(6 330)	78 108	**4 153**	(1 144)
Reconciliation of tax rates:	**%**	%	**%**	%
Normal rate of taxation	**28,00**	28,00	**28,00**	28,00
Adjusted for:	**14,56**	0,32	**59,41**	(30,29)
– exempt income	**8,58**	0,10	**(36,47)**	(28,00)
– secondary tax on companies	**8,30**	1,82	**68,78**	–
– prior year adjustment	**(20,09)**	(1,47)	**–**	(1,04)
– foreign tax rates	**10,16**	(0,29)	**–**	–
– other	**7,61**	0,16	**27,10**	(1,25)
Effective rate of taxation	**(13,44)**	28,32	**87,41**	(2,29)

for the year ended 28 February 2011 *(continued)*

		Group		Company	
		2011	2010	**2011**	2010
		R'000	R'000	**R'000**	R'000
23. Earnings per share					
Basic (loss)/earnings per share	(cents)	**(13,9)**	69,4	**0,2**	17,3
Diluted (loss)/earnings per share	(cents)	**(13,8)**	68,6	**0,2**	17,3
Headline (loss)/earnings per share	(cents)	**(12,9)**	71,3	**0,2**	17,3
Diluted headline (loss)/earnings per share	(cents)	**(12,8)**	70,5	**0,2**	17,3
Dividend per share	(cents)	**–**	15,0	**–**	15,0
		R'000	R'000	**R'000**	R'000
The calculation of the headline (loss)/earnings per share attributable to the ordinary equity holders of the parent is based on the following information:					
Reconciliation of headline (loss)/earnings					
(Loss)/profit after tax		**(40 761)**	197 641	**598**	51 131
Net loss/(profit) on disposal of property, plant and equipment		**4 609**	5 396	**–**	–
Gain on disposal of subsidiary		**(3 654)**	–	**–**	–
Impairment of intangible assets and property, plant and equipment		**2 032**	–	**–**	–
Headline (loss)/earnings		**(37 774)**	203 037	**598**	51 131
Weighted average number of ordinary shares					
Issued ordinary shares		**302 162 174**	289 495 507	**302 162 174**	289 495 507
Effect of own shares held		**(8 398 823)**	(10 444 216)	**–**	–
Effect of share options exercised		**–**	–	**–**	–
Effect of shares issued		**–**	5 691 324	**–**	5 691 324
Weighted average number of shares		**293 763 351**	284 742 615	**302 162 174**	295 186 831
Dilutive average number of ordinary shares					
The calculation of the diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following information:					
Weighted average number of ordinary shares		**293 763 351**	284 742 615	**302 162 174**	295 186 831
Effect of share options in issue		**791 442**	3 295 731	**–**	–
Diluted weighted average number of shares		**294 554 793**	288 038 346	**302 162 174**	295 186 831

The average market value of the company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices of options that were outstanding during the period.

for the year ended 28 February 2011 *(continued)*

	Group		Company	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
24. Reconciliation of profit before taxation to cash generated from/(utilised by) operations				
(Loss)/profit before taxation	**(47 091)**	275 749	**4 751**	49 987
Adjusted for:				
– finance income	**(23 703)**	(63 281)	**(121)**	(8)
– profit on disposal of property, plant and equipment	**(121)**	(182)	**–**	–
– loss on disposal of property, plant and equipment	**6 523**	7 677	**–**	–
– disposal of subsidiary	**(3 654)**	–	**–**	–
– foreign currency adjustment	**(14 606)**	(16 512)	**–**	–
– depreciation of property, plant and equipment	**60 669**	64 193	**–**	–
– amortisation of intangible assets	**1 996**	19 285	**–**	–
– impairment of intangible assets	**1 624**	–	**–**	–
– share–based payments	**6 191**	4 336	**5 770**	4 336
– impairment of property, plant and equipment	**1 200**	–	**–**	–
– finance costs	**54 371**	93 106	**5**	193
Operating profit before working capital changes	**43 399**	384 371	**10 405**	54 508
Working capital changes	**89 676**	(25 713)	**(994)**	(141 878)
Decrease/(increase) in trade and other receivables	**86 086**	72 931	**(6)**	(118)
(Increase) in inventories	**(2 156)**	(3 448)	**–**	–
Increase /(decrease) in trade and other payables	**23 620**	(85 165)	**(988)**	(141 760)
(Decrease) in provisions	**(17 874)**	(10 031)	**–**	–
Cash generated from/(utilised by) operations	**133 075**	358 658	**9 411**	(87 370)

for the year ended 28 February 2011 *(continued)*

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
25. Taxation paid				
Amounts (owing)/receivable at beginning of year	**3 308**	(79 659)	**3 356**	2 661
Current tax charged to profit or loss	**(10 243)**	(43 931)	**(3 428)**	520
Amount (receivable)/owing at end of year	**6 098**	(3 308)	**–**	(3 356)
	(837)	(126 898)	**(72)**	(175)

26. Acquisition of businesses

During the 2009 financial year, the Esorfranki group acquired the following businesses:

- Esorfranki Civils;
- Esorfranki Pipelines;
- Brookmay; and
- GCD.

Esorfranki Civils

On 31 October 2008, the group acquired the entire issued share capital of the Esorfranki Civils Group (comprising Patula Construction (Pty) Limited, Patula Plant Hire (Pty) Limited and Balekane Construction (Pty) Limited) for R145,7 million in cash and R58,4 million in Esorfranki shares. The deal was also subject to a contingent consideration clause which required an additional payment of R114 million in cash and R52,6 million in Esorfranki shares to be made in the comparative period.

Esorfranki Pipelines (Pty) Limited

On 31 October 2008, the group acquired the entire issued share capital in Esorfranki Pipelines (Pty) Limited, inclusive of Esorfranki Pipelines (Pty) Limited's business operations, for R103,7 million in cash and R62,5 million in shares. The deal was also subject to a contingent consideration, however, Esorfranki Pipelines did not achieve the required target.

Brookmay Properties (Pty) Limited

On 31 October 2008, the group acquired all of the shares in Brookmay Properties (Pty) Limited for R3,9 million in cash and R1,6 million in shares.

Geo Compaction Dynamics

On 1 May 2008, the group acquired the business of Geo Compaction Dynamics (Pty) Limited for R18 million in cash.

for the year ended 28 February 2011 *(continued)*

26. Acquisition of businesses (continued)

Additional cash payments during the current year from the business acquisitions were as follows:

2010	Esorfranki Civils Group Recognised fair values on acquisition R'000	Esorfranki Pipelines Recognised fair values on acquisition R'000	Brookmay Properties Recognised fair values on acquisition R'000	GCD Recognised fair values on acquisition R'000	Total Recognised fair values on acquisition R'000
Property, plant and equipment	177 652	12 406	6 544	10 220	206 822
Intangible assets	29 100	11 132	–	2 117	42 349
Inventories	7 534	127	–	–	7 661
Unsecured loans	2 287	625	–	–	2 912
Investments	8 227	–	–	–	8 227
Trade and other receivables	117 434	28 732	–	–	146 166
Cash and cash equivalents	79 518	61 105	35	–	140 658
Secured borrowings	(65 415)	(1 079)	(232)	(1 761)	(68 487)
Deferred taxation	(48 640)	(5 583)	–	(592)	(54 815)
Trade and other payables	(62 328)	(24 255)	–	(1 486)	(88 069)
Current portion of secured borrowings	(21 805)	(492)	(1 364)	–	(23 661)
Unsecured loans	(11 191)	(59 825)	–	–	(71 016)
Taxation	(16 068)	(2 502)	(48)	–	(18 618)
Provisions	(15 160)	(4 996)	–	–	(20 156)
Total net assets	181 145	15 395	4 935	8 498	209 973
Goodwill on acquisition	152 620	90 981	557	9 547	253 705
Goodwill post acquisition adjustments	25 686	(144)	–	–	25 542
Total goodwill	178 306	90 837	557	9 547	279 247
Cash consideration paid	193 490	60 961	35	–	254 486
Total paid to date	370 642	166 057	5 492	18 045	560 236
Previously paid in 2009	(66 197)	(42 596)	(3 845)	(18 045)	(130 683)
Shares issued	(110 955)	(62 500)	(1 612)	–	(175 067)
Cash acquired	(79 518)	(61 105)	(35)	–	(140 658)
Net cash outflow	113 972	(144)	–	–	113 828

for the year ended 28 February 2011 *(continued)*

		Group		Company	
		2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
27. Disposal of subsidiary					
During the current year, effective 1 March 2010, the Civils Group disposed of its 62% interest in Balekane Construction (Pty) Limited as part of the restructuring of our empowerment interests. The subsidiary was sold to Mr MB Mathabathe, a director of Esorfranki Limited. The liabilities of this company were as follows on the date of disposal:					
Property, plant and equipment		**6**	–	**–**	–
Trade and other receivables		**15**	–	**–**	–
Cash		**1 029**	–	**–**	–
Deferred taxation		**1 470**	–	**–**	–
Trade and other payables		**(6 125)**	–	**–**	–
Net liabilities		**(3 605)**	–	**–**	–
Less:					
Cash disposed		**(1 029)**	–	**–**	–
Profit on sale of subsidiary		**3 654**	–	**–**	–
Net cash paid on disposal of subsidiaries		**(980)**	–	**–**	–
28. Cash and cash equivalents					
Cash and cash equivalents included in the statement of cash flows include the following amounts:					
Cash and cash equivalent at bank and on hand		**63 138**	116 863	**56**	354
29. Jointly controlled operations					
The group and company have interests in the following jointly controlled operations:					
Stefanutti Stocks Franki	(%)	**50**	50	**–**	–
Balekane	(%)	**95**	–	**–**	–
Ceremele	(%)	**50**	–	**–**	–
GFIP Contractors	(%)	**10**	10	**–**	–
Sapref WBHO	(%)	**50**	50	**–**	–
Steelpoort WBHO	(%)	**50**	50	**–**	–
Potties SWC	(%)	**50**	50	**–**	–
M & R Franki	(%)	**–**	50	**–**	–
The group's interests in the jointly controlled operations have been incorporated into the results, assets and liabilities as follows:					
Statement of financial position					
Current assets		**83 151**	30 907	**–**	–
Current liabilities		**4 500**	28 109	**–**	–
Statement of comprehensive income					
Revenue		**142 984**	221 068	**–**	–
Cost of sales		**(91 359)**	(199 529)	**–**	–
Gross profit		**51 625**	21 539	**–**	–
Other operating income		**–**	334	**–**	–
Other operating expenses		**(20)**	–	**–**	–
Profit before taxation		**51 605**	21 873	**–**	–

for the year ended 28 February 2011 *(continued)*

30. Share-based payment transactions

The group currently operates three share-based payment arrangements, which are described below:

General employee share options	Plan A	Plan B	Plan C
Grant date	14 March 2006	30 November 2006	14 December 2009
Number of options granted	3 000 000	3 000 000	8 250 000
Option life	Five years	Five years	Five years
Vesting conditions	Options vest in tranches of 20% per annum	Options vest in tranches of 20% per annum	Options vest in tranches of 20% per annum
Method of settlement	Equity	Equity	Equity

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

General employee share options	Plan A	Plan B	Plan C
Weighted average share price (cents)	237	237	692,5
Weighted average exercise price (cents)	136	136	362
Weighted average volatility (%)	35	35	50
Remaining option life (years)	1	1	3
Pre-tax risk-free rate (%)	7,4	7,4	7,68

The dividend yield assumption was based on a 20 cents per share dividend.

Outstanding share options	**2011 Number of share options**	2010 Number of share options
Opening balance at beginning of year	**9 002 924**	3 612 010
Granted during the year	**–**	8 250 000
Exercised during the year	**(1 218 215)**	(2 859 086)
Outstanding at end of year	**7 784 709**	9 002 924

	Group		**Company**	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Expense arising from share-based payment transaction	**6 191**	4 336	**–**	–
Weighted average share price for the year (cents)	**253,3**	345,2	**253,3**	345,2

for the year ended 28 February 2011 *(continued)*

	Basic salary R'000	Bonus R'000	Directors' base fee R'000	Directors' attendance fee R'000	Total R'000
31. Directors' emoluments					
2011					
Non-executive directors					
EG Dube	–	–	70	53	123
Dr FA Sonn	–	–	106	105	213
DM Thompson	–	–	111	111	222
B Mathabathe	–	–	36	27	65
Executive directors					
B Krone	–	–	–	–	–
W van Houten	–	–	–	–	–
From the company	–	–	232	296	619
Executive directors					
Franki					
B Krone	2 645	151	–	–	2 796
W van Houten	2 249	115	–	–	2 364
From subsidiaries	4 894	266	–	–	5 160
Total emoluments	4 894	266	323	296	5 779

for the year ended 28 February 2011 *(continued)*

	Share options R'000	Basic salary R'000	Bonus R'000	Directors' fees R'000	Total R'000
31. Directors' emoluments (continued)					
2010					
Non-executive directors					
EG Dube	–	–	–	70	70
JM Hlongwane*	–	–	–	55	55
Dr FA Sonn (including JC van Reenen*, alternate)	–	–	–	105	105
DM Thompson	–	–	–	121	121
B Mathabathe	–	–	–	60	60
Executive directors					
B Krone	–	–	–	–	–
W van Houten	–	–	–	–	–
From the company	–	–	–	411	411
Executive directors					
Esor Africa					
B Krone	–	1 704	918	–	2 622
Franki					
W van Houten	84	1 753	959	–	2 796
From subsidiaries	84	3 457	1 877	–	5 418
Total emoluments	84	3 457	1 877	411	5 829

**Resigned during the comparative periods*

The company allocated, in the 2010 financial year, limited unrestricted share options through the Esor Share Incentive Trust, as tabled below:

	Number of options	Exercise price per share R	Vesting date	Gain made on date of vesting R'000
Director				
W van Houten	22 700	1,00	5 June 2009	61
W van Houten	11 050	1,60	5 June 2009	23

No management, consulting, technical or other fees directly or indirectly, including payments to management companies, have been paid to any directors of the company. There is no commission, gain or profit sharing arrangement payable to any of the directors.

for the year ended 28 February 2011 *(continued)*

32. Risk management

Overview

- Credit risk;
- Liquidity risk; and
- Market risk.

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

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

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

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

Credit risk

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

Trade and other receivables

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

More than 80% of the group's customers have been transacting with the group for a number of years, and losses have occurred infrequently. In monitoring customer credit risk, customers are mainly grouped according to their geographical location, whilst other credit characteristics such as ageing profile, maturity and existence of previous financial difficulties are also considered. Customers classed as "high risk" are placed on a restrictive customer list and future contracts are entered into on an advance payment or payment guaranteed basis with the approval of the Tender Committee. Contracts entered into contain provisions for payment defaults and retention of title clauses so that in the event of non-payment the group and company may have secured claims. The group and company may require collateral in respect of trade and other receivables.

The group has various cash deposits, forward exchange contracts and financial guarantees which are held with or issued by reputable banking institutions which mitigate credit risk.

for the year ended 28 February 2011 *(continued)*

32. Risk management (continued)

Liquidity risk

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

The group and company use activity based costing to estimate the tendered cost of its products and services. Cash flow models, particularly on larger tender proposals, are reviewed by the Tender Committee. The objective is to ensure that projected cash flows remain positive throughout their estimated duration. Daily and monthly forecast cash flows are monitored to ensure that surplus cash is appropriately invested in optimal treasury call deposits and access finance facilities. Details of the borrowing facilities have been set out in note 17.

The company has issued a financial guarantee contract in respect of a group company's secured borrowings and for which the maximum amount payable by the company, assuming all guarantees are called on, is R326,0 million (2010: R396,7 million).

Market risk

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

Currency risk

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

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

The principal amounts of the group's and company's foreign cash balances are managed to ensure that its net exposure is kept to acceptable exposure levels through multiple hard currencies, both on and offshore. Foreign treasury call deposits, denominated in currencies other than the underlying operational functional currency, provide an economic hedge.

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

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

Interest risk

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

for the year ended 28 February 2011 *(continued)*

32. Risk management (continued)

Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the business. The board of directors monitors the return on capital, which the group defines as total capital and reserves, and the level of dividends to ordinary shareholders. The board's target is for employees, through the Esor Broad Based Share Ownership Scheme, to hold at least 5% of the Esorfranki group's ordinary shares. Their holding is currently 4,4% (2010: 4,4%). This shareholding is part of the group's Broad-based Black Economic Empowerment strategy.

The board seeks to maintain a balance between the higher returns with higher levels of borrowings and the security afforded by a sound and conservative capital position. The group's target is to achieve a return on average capital of more than 15% (2010: 25%).

The company raised R200 million through a fully underwritten rights offer in March 2011 to strengthen its capital base for anticipated growth opportunities. The company and its subsidiaries were subject to externally imposed capital requirements until 18 March 2011, in terms of the loan financing by Esor Africa following the acquisition of the business of Esorfranki Limited in the 2009 financial year (refer note 13). Share re-purchase and further facilities were subject to its banker's approval whilst these banking facilities were in place.

Recognised in profit or loss

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Finance income				
Interest income on bank deposits	**2 207**	2 492	**–**	8
Exchange gain on amounts owing to/from subsidiaries and foreign branches	**21 367**	60 789	**–**	–
Other	**129**	–	**121**	–
	23 703	63 281	**121**	8
Finance costs				
Interest expense on financial liabilities measured at amortised cost (other than bank overdrafts)	**18 494**	32 501	**5**	35
Interest expense on bank overdrafts	**16 169**	610	**–**	158
Exchange loss on amounts owing to/from subsidiaries and foreign branches	**19 687**	58 100	**–**	–
Change in fair value of financial liabilities at fair value through profit or loss	**–**	1 895	**–**	–
Other	**21**	–	**–**	–
	54 371	93 106	**5**	193
The above financial income and expense includes the following in respect of assets/(liabilities) not at fair value through profit or loss:	**(32 456)**	(30 619)	**(5)**	(185)
Total finance income on financial assets	**2 207**	2 492	**–**	8
Total finance expense on financial liabilities	**(34 663)**	(33 111)	**(5)**	(193)

for the year ended 28 February 2011 *(continued)*

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
32. Risk management (continued)				
Credit risk				
The maximum exposure to credit risk at the reporting date was:				
Contract debtors	**309 526**	392 551	**–**	–
Retention debtors	**75 642**	91 193	**–**	–
Sundry debtors	**28 600**	16 125	**124**	118
Other investments	**420**	6 762	**–**	–
Unsecured intra-group loans	**–**	–	**53 583**	94 602
Cash and cash equivalents	**63 138**	116 863	**56**	354
	477 326	623 494	**53 763**	95 074
The maximum exposure to credit risk by geographical concentration for financial assets at the reporting date was:				
South Africa	**425 339**	531 190	**53 763**	95 074
Angola	**17 731**	43 775	**–**	–
Mozambique	**11 012**	17 330	**–**	–
Botswana	**9 453**	13 366	**–**	–
Mauritius	**8 493**	11 342	**–**	–
Tanzania	**4 282**	3 155	**–**	–
Other sub–Saharan countries	**1 016**	200	**–**	–
Common Monetary Area countries (Swaziland, Namibia)	**–**	3 136	**–**	–
	477 326	623 494	**53 763**	95 074
Impairment losses				
The ageing of trade receivables at the reporting date was:				
Not past due	**357 641**	380 781	**–**	–
Past due not impaired	**27 527**	102 963	**–**	–
Past due and impaired	**34 987**	36 239	**–**	–
	420 155	519 983	**–**	–
The movement in the allowance for impairment in respect of trade receivables during the year was as follows:				
Balance beginning of year	**36 239**	32 910	**–**	–
Impairment loss (utilised)/raised	**(1 252)**	3 329	**–**	–
Balance at 28 February	**34 987**	36 239	**–**	–

Based on historic default rates, the group believes that no further impairment allowance, as detailed above, is necessary in respect of trade receivables not past due or past due. The ageing of contract debtors is affected directly by the measurement quantities claimed on interim certificates which are subject to re-measurement and interim adjustments by the customer or the customer's representative.

The maximum exposure to credit risk of trade receivables to significant customers at the reporting date was as follows:

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Customer				
Bakwena Platinum Corridor Concessionaire (Pty) Limited	**16 648**	4 230	**–**	–
Bombela JV	**10 906**	18 426	**–**	–
SANRAL	**10 779**	8 489	**–**	–
Imbani (Eskom)	**–**	56 000	**–**	–

for the year ended 28 February 2011 *(continued)*

32. Risk management (continued)

Impairment losses (continued)

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

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

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Non-derivative financial liabilities				
Secured borrowings				
Carrying amount	**326 043**	396 708	**–**	–
Contractual cash flows	**345 514**	640 664	**–**	–
One year or less	**247 216**	139 700	**–**	–
Two to five years	**98 298**	500 964	**–**	–
Trade and other payables				
Carrying amount	**193 374**	178 236	**9 034**	1 254
Contractual cash flows	**193 374**	178 236	**9 034**	1 254
One year or less	**193 374**	178 236	**9 034**	1 254
Two to five years	**–**	–	**–**	–
Other financial liabilities* (outside scope of IAS 39)				
Carrying amount	**117 566**	102 491	**–**	–
Contractual cash flows	**117 566**	102 491	**–**	–
One year or less	**117 566**	102 491	**–**	–
Unsecured loans				
Carrying amount	**–**	–	**579**	–
Contractual cash flows	**–**	–	**579**	–
One year or less	**–**	–	**579**	–
Two to five years	**–**	–	**–**	–
Total non-derivative financial liabilities				
Carrying amount	**614 500**	677 435	**9 613**	1 254
Contractual cash flows	**633 971**	921 391	**9 613**	1 254
One year or less	**535 673**	420 427	**9 613**	1 254
Two to five years	**98 298**	500 964	**–**	–

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

**Other financial liabilities include retention creditors, advance payments received and employee benefit obligations*

for the year ended 28 February 2011 *(continued)*

32. Risk management (continued)

Currency risk

Exposure to currency risk

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

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Gross exposure in the statement of financial position				
Cash and cash equivalents				
USD	**6 207**	18 316	**–**	–
GBP	**1**	–	**–**	–
BWP	**4 383**	7 742	**–**	–
MUR	**188**	2 351	**–**	–
Other	**10 715**	6 720	**–**	–
	21 494	35 129	**–**	–

Amounts owing to subsidiaries and branches are eliminated on consolidation. However, these amounts do impact profit or loss within the group and company's financial statements resulting from changes in foreign exchange rates. Exposure to currency risk occurs when entities in the group owe amounts to other group entities in currencies denominated in other than their functional currency.

Currency code	Description
USD	United States Dollars
GBP	Great British Pounds
BWP	Botswana Pula
MUR	Mauritian Rupee
ZAR	South African Rand
Other	Mozambican Metical/Tanzanian Shillings/Nigerian Naira/Zambian Kwacha/Angolan Kwanza

The following significant exchange rates applied during the year:

Group and company	**2011 Average rate**	**2011 Spot rate**	2010 Average rate	2010 Spot rate
Denomination				
Tanzanian Shillings	**196,5634**	**212,2579**	142,7906	171,2660
United States Dollar	**7,2094**	**6,9513**	8,0163	7,73480
Great British Pounds	**11,1401**	**11,2229**	12,6889	11,80250
Mauritian Rupee	**4,2516**	**4,1909**	3,9291	3,89720
Mozambican Metica	**4,6800**	**4,4800**	3,4000	3,59000
Botswana Pula	**1,0672**	**1,0417**	0,8645	0,89530

for the year ended 28 February 2011 *(continued)*

32. Risk management (continued)

Currency risk

Exposure to currency risk

Sensitivity analysis

A 10% strengthening of the ZAR against foreign currencies at the reporting date would have decreased profit or loss (after tax) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010. The translation of the foreign operations is affected by movements in the exchange rate which directly impacts on the group's and company's statement of comprehensive income.

A 10% weakening of the ZAR against the above currencies at reporting date would have had an equal but opposite effect on profit or loss (after tax) by the amounts shown below.

	Group		**Company**	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Effect on profit/(loss) for all currencies	**4 820**	8 658	**–**	–
Effect on profit/(loss) on significant currencies				
US Dollar	**917**	(425)	**–**	–
Tanzanian Shillings	**1 079**	1 939	**–**	–
Mozambican Metical	**(404)**	(770)	**–**	–
Botswana Pula	**2 009**	5 445	**–**	–
Mauritian Rupee	**1 564**	(198)	**–**	–
Effect on profit/(loss) on significant currencies	**5 165**	5 991	**–**	–
Interest rate risk				
At the reporting date the interest rate profile of the group's and company's interest-bearing financial instruments was:				
Fixed rate instruments				
Financial assets	**–**	–	**–**	–
Financial liabilities	**–**	–	**–**	–
	–	–	**–**	–
Variable rate instruments				
Financial assets	**63 138**	116 863	**53 639**	94 956
Financial liabilities	**(326 043)**	(396 708)	**(579)**	–
	(262 905)	(279 845)	**53 060**	94 956

for the year ended 28 February 2011 *(continued)*

32. Risk management (continued)

Currency risk (continued)

Cash flow sensitivity analysis for fixed and variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss (after tax) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis was performed on the same basis for 2010. A decrease in interest rates would have an equal but opposite effect on profit or loss.

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Profit or loss				
Fixed rate instruments	**–**	–	**–**	–
Variable rate instruments	**(1 893)**	(2 015)	**382**	683
	(1 893)	(2 015)	**382**	683

Accounting classification and fair values

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

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

	Loans and receivables R'000	Liabilities at amortised cost R'000	Financial assets and liabilities at fair value through profit or loss R'000	Other financial assets and liabilities* R'000	Total carrying amount R'000	Fair value R'000
Group 2011						
Financial assets						
Trade and other receivables	**227 308**	**–**	**–**	**157 860**	**385 168**	**385 168**
Investments	**420**	**–**	**–**	**–**	**420**	**420**
Cash and cash equivalents	**63 138**	**–**	**–**	**–**	**63 138**	**63 138**
	290 866	**–**	**–**	**157 860**	**448 726**	**448 726**
Financial liabilities						
Secured borrowings	**–**	**(84 516)**	**–**	**–**	**(84 516)**	**(84 516)**
Trade and other payables	**–**	**(193 374)**	**–**	**(117 566)**	**(310 940)**	**(310 940)**
Current portion of secured borrowings	**–**	**(241 527)**	**–**	**–**	**(241 527)**	**(241 527)**
	–	**(519 417)**	**–**	**(117 566)**	**(636 983)**	**(636 983)**

** Outside the scope of IAS 39*

for the year ended 28 February 2011 *(continued)*

32. Risk management (continued)

Accounting classification and fair values (continued)

	Loans and receivables R'000	Liabilities at amortised cost R'000	Financial assets and liabilities at fair value through profit or loss R'000	Other financial assets and liabilities* R'000	Total carrying amount R'000	Fair value R'000
Group 2010						
Financial assets						
Trade and other receivables	325 143	–	–	158 601	483 744	483 744
Investments	6 762	–	–	–	6 762	6 762
Cash and cash equivalents	116 863	–	–	–	116 863	116 863
	448 768	–	–	158 601	607 369	607 369
Financial liabilities						
Secured borrowings	–	(275 031)	–	–	(275 031)	(275 031)
Trade and other payables	–	(178 236)	–	(102 491)	(280 727)	(280 727)
Current portion of secured borrowings	–	(121 677)	–	–	(121 677)	(121 677)
	–	(574 944)	–	(102 491)	(677 435)	(677 435)

** Outside the scope of IAS 39.*

Company 2011						
Financial assets						
Unsecured loans	**53 583**	**–**	**–**	**–**	**53 583**	**53 583**
Cash and cash equivalents	**56**	**–**	**–**	**–**	**56**	**56**
	53 639	**–**	**–**	**–**	**53 639**	**53 639**
Financial liabilities						
Trade and other payables	**–**	**(9 034)**	**–**	**–**	**(9 034)**	**(9 034)**
Unsecured loans	**–**	**(579)**	**–**	**–**	**(579)**	**(579)**
	–	**(9 613)**	**–**	**–**	**(9 613)**	**(9 613)**

** Outside the scope of IAS 39.*

for the year ended 28 February 2011 *(continued)*

32. Risk management (continued)

Accounting classification and fair values (continued)

	Loans and receivables R'000	Liabilities at amortised cost R'000	Financial assets and liabilities at fair value through profit or loss R'000	Other financial assets and liabilities* R'000	Total carrying amount R'000	Fair value R'000
Company 2010						
Financial assets						
Unsecured loans	94 602	–	–	–	94 602	94 602
Cash and cash equivalents	354	–	–	–	354	354
	94 956	–	–	–	94 956	94 956
Financial liabilities						
Trade and other payables	–	(1 254)	–	–	(1 254)	(1 254)
	–	(1 254)	–	–	(1 254)	(1 254)

** Outside the scope of IAS 39.*

Basis for determining fair values

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

Derivatives

The fair values of derivative instruments are determined with reference to the quoted market prices of the relevant instrument at year-end.

Fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities: Secured borrowings and shareholder loans

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

Trade and other receivables

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

Trade and other payables

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

Investments

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

Unsecured loans

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

for the year ended 28 February 2011 *(continued)*

33. 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 10.

		Group		Company	
Party	Name of transaction	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000
Esor Africa (Pty) Limited	Finance cost	**–**	–	**–**	158
Franki Africa (Pty) Limited	Administration costs	**–**	–	**–**	2 039
Esorfranki Pipelines (Pty) Limited	Dividends received	**–**	–	**6 154**	15 000
Esorfranki Civils (Pty) Limited	Dividends received	**–**	–	**–**	15 000

Transactions with jointly controlled operations have been disclosed in note 29. Directors' emoluments are disclosed in note 31. Disposal of subsidiary to related parties is disclosed in note 27.

34. Investments in subsidiaries

	Share capital		Holding		Cost	
	2011 R	2010 R	**2011 %**	2010 %	**2011 R'000**	2010 R'000
Brookmay Properties (Pty) Limited 100 ordinary shares of R1 each at cost	**100**	100	**100**	100	**5 492**	5 492
Esor Africa (Pty) Limited 102 ordinary shares of R1 each at cost	**102**	102	**100**	100	**8 909**	7 791
Franki Africa (Pty) Limited 300 ordinary shares of R1 each at cost	**300**	300	**100**	100	**192 280**	190 309
Esorfranki Civils (Pty) Limited 100 ordinary shares of R1 each at cost	**100**	100	**100**	100	**363 071**	360 629
Esorfranki Pipelines (Pty) Limited 1 000 ordinary shares of R1 each at cost	**1 000**	1 000	**100**	100	**107 715**	106 821
					677 467	671 042

Refer note 37 for further information on subsidiary companies.

for the year ended 28 February 2011 *(continued)*

35. 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 were as follows:

	2011		2010	
Group	**Within one year R'000**	**Within two to five years R'000**	Within one year R'000	Within two to five years R'000
Land and buildings	**3 839**	**2 530**	8 348	10 161
Vehicles	**1 610**	**749**	3 842	1 515
Office equipment	**437**	**223**	457	616
	5 886	**3 502**	12 647	12 292

Capital commitments

Group

At year-end, the purchase of plant and equipment to the value of R64,0 million (2010: R8,3 million) had been authorised and contracted for. Further capital expenditure to the value of R214,3 million (2010: R63,7 million) had been authorised but was not yet contracted for. These assets will be utilised to expand the operating capacity of the group. The purchase of these assets will be funded through the group's borrowing facilities.

Company

The company has not authorised or contracted for any capital expenditure.

for the year ended 28 February 2011 *(continued)*

36. Segmental analysis

Operating segments

The group has three reportable segments, as described in the accounting policy note 2.22, which are the group's strategic business units.

	Geotechnical		Civils		Pipelines		Corporate and eliminations		Consolidated	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000
Segment revenue	**706 672**	944 862	**518 787**	715 033	**169 005**	229 231	**(28 031)**	(31 309)	**1 366 433**	1 857 817
Segment result										
(Loss)/profit before interest and taxation	**18 747**	164 147	**(3 113)**	144 520	**(3 548)**	31 068	**(28 509)**	(34 161)	**(16 423)**	305 574
Finance cost	**(53 608)**	(95 345)	**(9 286)**	(8 530)	**(79)**	–	**8 602**	10 769	**(54 371)**	(93 106)
Finance income	**24 858**	63 956	**4 168**	4 805	**3 361**	5 404	**(8 684)**	(10 884)	**23 703**	63 281
Taxation	**7 773**	(36 724)	**(3 014)**	(40 278)	**(794)**	(11 885)	**2 365**	10 779	**6 330**	(78 108)
Segment profit	**(2 230)**	96 034	**(11 245)**	100 517	**(1 060)**	24 587	**(26 226)**	(23 497)	**(40 761)**	197 641
Segment assets	**662 228**	754 541	**454 761**	442 162	**87 092**	167 121	**260 270**	284 000	**1 464 351**	1 647 824
Segment liabilities	**643 020**	717 460	**219 261**	197 009	**54 024**	127 733	**(155 109)**	(202 406)	**761 196**	839 796
Capital and non-cash items										
Additions to property, plant and equipment	**11 794**	52 844	**17 964**	49 711	**6 104**	3 096	**14 512**	(9 617)	**50 374**	96 034
Depreciation	**23 183**	32 226	**21 039**	19 430	**1 640**	3 120	**14 807**	9 417	**60 669**	64 193
Impairment loss	**1 624**	–	**–**	–	**–**	–	**1 200**	–	**2 824**	–
Number of employees	**1 287**	1 562	**1 453**	1 228	**434**	427	**10**	8	**3 184**	3 225

Revenue generated from significant customers includes:

Customer	Business Unit	Revenue **2011**	Revenue 2010
Bombela JV	Geotechnical	**91 291**	137 076
Bakwena Platinum Corridor Concessionaire (Pty) Limited	Civils	**97 883**	–
Xstrata	Civils	**69 397**	–
GFI Contractors JV	Civils	**42 921**	122 189
Imbani (Eskom)	Civils	**–**	223 503

for the year ended 28 February 2011 *(continued)*

36. Segmental analysis (continued)

Operating segments (continued)

Geographical information	South Africa 2011 R'000	South Africa 2010 R'000	Other regions 2011 R'000	Other regions 2010 R'000	Consolidated 2011 R'000	Consolidated 2010 R'000
Total revenue from external customers	**1 162 814**	1 600 070	**203 619**	257 747	**1 366 433**	1 857 817
Property, plant and equipment	**463 705**	494 531	**102 070**	101 898	**565 775**	596 429

A separate segment report has not been prepared for the company as it had no trading operations.

37. Interest in subsidiaries

The subsidiaries of Esorfranki Limited are involved in the following principal activities:

	Country of incorporation	Nature of business	Percentage held 2011	Percentage held 2010
Directly held				
Brookmay Properties (Pty) Limited*	South Africa	Property investment	**100**	100
Esor Africa (Pty) Limited*	South Africa	Geotechnical	**100**	100
Esorfranki Civils (Pty) Limited*	South Africa	Civil engineering – roads	**100**	100
Esorfranki Pipelines (Pty) Limited*	South Africa	Civil engineering – pipelines	**100**	100
Franki Africa (Pty) Limited*	South Africa	Geotechnical	**100**	100
Indirectly held				
Balekane Construction (Pty) Limited	South Africa	Civil Engineering	**–**	62
Esor Share Incentive Scheme	South Africa	Employee share scheme	**100**	100
Esorfranki DRC SPRL	DRC	Geotechnical	**100**	100
Esorfranki Plant (Pty) Limited	South Africa	Plant investment	**100**	100
Frankipile Botswana (Pty) Limited	Botswana	Geotechnical	**100**	100
Frankipile International Projects Limited	Mauritius	Geotechnical	**100**	100
Frankipile Lesotho (Pty) Limited	Lesotho	Geotechnical	**100**	100
Frankipile Mauritius International Limited	Mauritius	Geotechnical	**100**	100
Frankipile Mauritius (Seychelles) Limited	Seychelles	Geotechnical	**100**	100
Frankipile Mozambique Limitada	Mozambique	Geotechnical	**100**	100
Frankipile Namibia (Pty) Limited	Namibia	Geotechnical	**100**	100
Frankipile Swaziland (Pty) Limited	Swaziland	Geotechnical	**100**	100
GeoFranki (West Africa) Limited	Nigeria	Geotechnical	**60**	60
Nike Enterprises (PVT) Limited	Zimbabwe	Properties investment	**100**	100
Zimfranki Projects (PVT) Limited	Zimbabwe	Civil engineering, pipelines and geotechnical	**100**	100

**Further information on these subsidiaries can be found in note 34.*

for the year ended 28 February 2011 *(continued)*

37. Interest in subsidiaries (continued)

	Company 2011 R'000	Company 2010 R'000
The profit/(loss) after taxation attributable to the subsidiaries		
Brookmay Properties (Pty) Limited	**1**	66
Esor Share Incentive Scheme	**(1 080)**	(54)
Esor Africa (Pty) Limited	**(18 488)**	6 563
Esor Properties (Pty) Limited	**–**	(12)
Franki Africa (Pty) Limited	**11 102**	86 239
Hammib Properties (Pty) Limited	**–**	(14)
Esorfranki Civils (Pty) Limited and subsidiaries	**(11 245)**	100 451
Esorfranki Pipelines (Pty) Limited	**(1 060)**	24 587
	(20 770)	217 826
Aggregate profits	**11 103**	217 906
Aggregate losses	**(31 873)**	(80)
Loans to/(from) subsidiaries		
Esor Share Incentive Trust	**15 912**	24 018
Esor Africa (Pty) Limited	**37 671**	8 605
Franki Africa (Pty) Limited	**(579)**	2 153
Esorfranki Civils (Pty) Limited	**–**	–
Esorfranki Pipelines (Pty) Limited	**–**	59 826
	53 004	94 602

38. Guarantees

Arising out of Esorfranki Limited's sale of business agreement with Esor Africa, on 1 September 2008, the group companies had financial guarantees to The Standard Bank of South Africa Limited and ABSA Bank Limited for the due and punctual performance of its payment and other obligations relating to the funding arrangement entered into by Esor Africa to fund the acquisition of the business of Esorfranki Limited by Esor Africa. The guarantee bound all Esorfranki group companies jointly and severally to perform in terms of the funding arrangement should Esor Africa default on its obligations.

Esorfranki Limited had provided a further guarantee to the Standard Bank of South Africa Limited and ABSA Bank Limited for the due and punctual performance of its payment and other obligations relating to its own liabilities and those of any other Esorfranki group companies. The guarantee bound Esorfranki Limited jointly and severally with the other Esorfranki group companies to perform in terms of the group banking facilities should any group company default on its obligations.

These guarantees terminated on 18 March 2011 upon the settlement of the financing arrangement.

The company provided a parent company guarantee to Eskom for the performance by Esorfranki Civils in terms of its award for the construction of underground terraces at the Kusile Power Station. The maximum exposure for this guarantee is R31 million, being 10% of the award contract value. This guarantee is due to expire in May 2014.

	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 1 000 shares	645	18,05	395 035	0,13
1 001 – 10 000 shares	1 858	51,99	8 582 417	2,84
10 001– 100 000 shares	877	24,54	27 151 640	8,99
100 001 – 1 000 000 shares	146	4,09	44 158 892	14,61
1 000 001 shares and over	48	1,34	221 874 190	73,43
Totals	**3 574**	**100,00**	**302 162 174**	**100,00**
Distribution of shareholders				
Banks	10	0,28	5 987 980	1,98
Close corporations	70	1,96	2 651 367	0,88
Empowerment	6	0,17	40 562 981	13,36
Endowment funds	14	0,39	337 269	0,11
Individuals	3 035	84,92	111 728 231	36,98
Insurance companies	6	0,17	6 456 724	2,14
Investment companies	8	0,22	9 417 149	3,12
Medical scheme	10	0,28	1 717 239	0,57
Mutual funds	48	1,34	72 740 708	24,07
Nominees and trusts	217	6,07	9 509 967	3,15
Other corporations	42	1,18	536 433	0,18
Private companies	73	2,04	12 455 626	4,12
Public companies	3	0,08	54 300	0,02
Retirement funds	31	0,87	19 977 062	6,61
Share trust	1	0,03	8 229 138	2,72
Totals	**3 574**	**100,00**	**302 162 174**	**100,00**
Public/non-public shareholders				
Non-public shareholders	6	0,17	40 866 440	7,61
Directors and Associates of the company holdings	5	0,14	32 637 302	4,89
Share trust	1	0,03	8 229 138	2,72
Public shareholders	3 568	99,83	261 295 734	92,39
Totals	**3 574**	**100,00**	**302 162 174**	**100,00**
Beneficial shareholders holding 3% or more				
Sanlam			24 696 363	8,17
Abax Investments			19 500 000	6,45
Investec			13 717 489	4,54
Krone, B			13 509 394	4,47
Esor Broad Based Share Ownership Scheme			13 312 250	4,41
Field, AM			11 600 304	3,84
Barber, ML			10 934 395	3,62
Vunani			10 000 000	3,31
Trevisani, ML			9 913 731	3,28
Zerovest Investments 15 (Pty) Ltd			9 075 731	3,00
Totals			**136 259 657**	**45,09**

SHAREHOLDERS' DIARY

Financial year-end	February
Condensed consolidated results for the year ended 28 February 2011 announcement	26 May 2011
Annual report posted	May 2011
Annual general meeting	24 June 2011
Interim results announcement	November 2011

Esorfranki Limited

Incorporated in the Republic of South Africa
Registration number 1994/000732/06
JSE code: ESR ISIN: ZAE000133369
("Esorfranki" or "the company")

Notice is hereby given that the annual general meeting of shareholders of Esorfranki will be held at the offices of the company at 30 Activia Road, Activia Park, Germiston on Friday, 24 June 2011 at 10h00 to consider and, if deemed appropriate, pass the following ordinary and special resolutions, with or without modification:

Ordinary resolution 1: Adoption of annual financial statements

To receive and adopt the consolidated audited annual financial statements of the company and its subsidiaries, incorporating the reports of the auditors, the Audit Committee and the directors for the year ended 28 February 2011.

Ordinary resolution 2: Rotation of directors

To elect by way of separate resolutions, directors in the place of those retiring in accordance with the company's articles of association. The directors retiring are MB Mathabathe and W van Houten, both of whom being eligible offer themselves for re-election.

Ordinary resolution 3: Appointment of Audit Committee

To confirm, by way of separate resolutions, the appointment of the following independent non-executive directors as members of the Audit Committee:

- FA Sonn
- EG Dube
- DM Thompson

Ordinary resolution 4: Appointment of auditors

To re-appoint, on recommendation of the Audit Committee, KPMG Inc as independent auditors of the company, the designated auditor meeting the requirements of s90(2) of the Companies Act 71 of 2008.

Ordinary resolution 5: Authority to issue shares

To authorise the directors to allot and issue at their discretion the unissued but authorised ordinary shares in the share capital of the company and/or grant options to subscribe for the unissued shares, for such purposes and on such terms and conditions as they may determine, provided that such transaction(s) has/have been approved by the JSE Limited and are subject to the JSE Listings Requirements.

Ordinary resolution 6: Authority to issue shares for cash

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution:

"RESOLVED that, in terms of the Listings Requirements of the JSE Limited ("JSE"), the mandate given to the directors of the company in terms of a general authority to issue securities for cash, as and when suitable opportunities arise, be renewed subject to the following conditions:

- that this authority shall only be valid until the next annual general meeting of the company but shall not extend beyond 15 months from the date of this meeting;
- 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;
- 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;

(continued)

- that a paid press announcement giving full details, including the impact of the issue on net asset value, net tangible asset value, earnings and headline earnings per share and if applicable, diluted earnings and diluted headline earnings per share, be published after any issue representing, on a cumulative basis within one financial year, 5% of the number of shares in issue prior to the issue concerned;
- that the issues in aggregate in any one financial year (including the number of any shares that may be issued in future arising out of the issue of options) shall not exceed 15% of the number of shares of the company's issued ordinary share capital; and
- that in determining the price at which an issue of shares for cash will be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of the ordinary shares on the JSE, measured over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities."

Ordinary resolution 7: Remuneration philosophy

To approve, by way of a non-binding, advisory vote, the remuneration philosophy of the company as set out on pages 032 of the integrated report of which this notice forms part.

Special resolution 1: Directors' remuneration

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"RESOLVED, as a special resolution:

- that the company be and is hereby authorised to pay remuneration to its directors for their services as directors, as contemplated in s66(8) and 66(9) of the Companies Act of 2008; and
- that the remuneration structure and amounts as set out below, be and are hereby approved until such time as rescinded or amended by shareholders by way of a special resolution:

Type of fee (per meeting)	Existing fee in 2010 R	Proposed fee in 2011 R
Board		
Chairman	36 000	37 800
Board member	18 000	18 900
Audit Committee		
Chairman	24 000	25 200
Member	12 000	12 600
Risk Committee		
Chairman	7 500	7 875
Member	5 000	5 250
Human Resources and Nominations Committee		
Chairman	15 000	15 750
Member	10 000	10 500

Reason for and effect of special resolution number 1

The reason for and effect of this special resolution is to approve the payment of remuneration to directors for their services as directors.

(continued)

Ordinary resolution 8: General authority to repurchase shares

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution:

"RESOLVED, as a ordinary resolution, that the mandate given to the company in terms of its Articles of Association or Memorandum of Incorporation (or one of its wholly-owned subsidiaries) providing authorisation, by way of a general approval, to acquire the company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, subject to the Listings Requirements of the JSE Limited ("the JSE'), be extended, subject to the following:

- This general authority be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this ordinary resolution (whichever period is shorter);
- The repurchase being effected through the order book operated by the JSE trading system, without any prior understanding or arrangement between the company and the counterparty;
- Repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which the transaction was effected;
- An announcement being published as soon as the company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the initial number of ordinary shares, and for each 3% (three percent) in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases;
- The number of shares which may be acquired pursuant to this authority in any one financial year may not in the aggregate exceed 20% (twenty percent) of the company's issued share capital as at the date of passing of this ordinary resolution or 10% of the company's issued share capital in the case of an acquisition of shares in the company by a subsidiary of the company;
- The company's sponsor confirming the adequacy of the company's working capital for purposes of undertaking the repurchase of ordinary shares in writing to the JSE prior to the company entering the market to proceed with the repurchase;
- The company and/or its subsidiaries not repurchasing securities during a prohibited period as defined in the JSE Listings Requirements, unless it has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement published on SENS prior to the commencement of the prohibited period;
- At any point in time the company only appointing one agent to effect any repurchases on its behalf; and
- The board of directors must pass a resolution that they authorised the repurchase and that the company passed the solvency and liquidity test set out in section 4 of the Companies Act of 2008 and that since the test was done there have been no material changes to the financial position of the group.

The directors, having considered the effects of the maximum repurchase permitted, are of the opinion that for a period of 12 (twelve) months after the date of the notice of the annual general meeting and at the actual date of the repurchase:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the working capital of the company and the group will be adequate for ordinary business purposes;
- the assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards, will exceed the liabilities of the company and the group; and
- the company's and the group's ordinary share capital and reserves will be adequate for ordinary business purposes.

In terms of the Listing Requirements of the JSE Limited, ordinary resolution number 8 requires the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the Annual General Meeting.

(continued)

Special resolution 2: Financial assistance to related and inter-related companies

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"RESOLVED, by way of a special resolution, that the directors of the company be and are hereby authorised to provide financial assistance to all related and inter-related companies within the Esorfranki group of companies, at such times and on such terms and conditions as the directors in their sole discretion deem fit and subject to all relevant statutory and regulatory requirements being met, such authority to remain in place until rescinded by way of special resolution passed at a duly constituted annual general meeting of the company."

Reason for and effect of special resolution 2

The reason for and effect of special resolution 2 is to approve the authority of directors to provide financial assistance to all subsidiary, related and inter-related companies within the Esorfranki group of companies as contemplated in s45(2) of the Companies Act of 2008.

Ordinary resolution 9: Signing authority

To authorise any one director or the secretary of the company to do all such things and sign all such documents as are deemed necessary to implement the resolutions set out in the notice convening the annual general meeting at which this ordinary resolution will be considered and approved at such meeting.

Additional information

The following additional information, some of which may appear elsewhere in the integrated report, is provided in terms of the JSE Listings Requirements for purposes of the general authority to repurchase the company's shares set out in ordinary resolution number 8 above:

- directors and management – pages 049 to 050;
- major shareholders – page 110;
- directors' interests in ordinary shares – page 056; and
- share capital of the company – page 081.

Litigation statement

The directors in office whose names appear on pages 049 and 050 of the integrated report, are not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have, or have had, in the recent past, being at least the previous 12 (twelve) months from the date of this integrated report, a material effect on the group's financial position.

Directors' responsibility statement

The directors in office, whose names appear on pages 049 and 050 of the integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the ordinary resolution 8 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, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in the integrated report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the company's financial year end and the date of signature of the integrated report.

Directors' intention regarding the general authority to repurchase the company's shares

The directors have no specific intention, at present, for the company to repurchase any of its shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year which is in the best interests of the company and its shareholders.

(continued)

Proxies

Any shareholder holding shares in certificated form or recorded on the company's sub-register in electronic dematerialised form in "own name" and entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to attend, speak and on a poll vote in his stead. A proxy need not be a member of the company.

Proxy forms must be lodged at the offices of the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited (70 Marshall Street, Corner Sauer Street, Johannesburg; PO Box 61051, Marshalltown, 2107), by no later than 10h00 on Wednesday, 22 June 2011.

All beneficial owners whose shares have been dematerialised through a Central Securities Depository Participant ("CSDP") or broker other than with "own name" registration, must provide the CSDP or broker with their voting instructions in terms of their custody agreement should they wish to vote at the Annual General Meeting. Alternatively, they may request the CSDP or broker to provide them with a letter of representation, in terms of their custody agreements, should they wish to attend the Annual General Meeting.

Shareholders and proxies of shareholders are advised that they will be required to present reasonably satisfactory identification in order to attend or participate in the Annual General Meeting as required in terms of s63(1) of the Companies Act of 2008.

Voting

For the purpose of resolutions proposed in terms of the JSE Listings Requirements (i.e. ordinary resolution number 6 and special resolution number 2) wherein any votes are to be excluded from that resolution, any proxy given by a holder of securities to the holder of such an excluded vote shall be excluded from voting for the purposes of that resolution.

In terms of the JSE Listings Requirements any shares held by the Esorfranki Share Incentive Scheme will not have its votes at the annual general meeting taken into account in determining the results of voting on ordinary resolution number 6 and special resolution number 2.

By order of the Board

Annamarie van der Merwe
For: iThemba Governance and Statutory Solutions (Pty) Limited
Company Secretary

Germiston
24 May 2011

(continued)

Ordinary resolution 1 – Adoption of annual financial statements

At the Annual General Meeting, the directors must present the annual financial statements for the year ended 28 February 2011 to shareholders, together with the reports of the directors, the Audit and Risk Committee and the auditors. These are contained within the integrated report.

Ordinary Resolution 2 – Rotation of directors

In accordance with the company's articles of association, one third of the directors are required to retire at each Annual General Meeting and may offer themselves for re-election. In addition, any person appointed to the board of directors following the previous Annual General Meeting is similarly required to retire and is eligible for re-election at the next Annual General Meeting.

The following directors are eligible for re-election:

MB Mathabathe
W van Houten

Brief biographical details of each of the above directors and the remaining members of the board are contained on pages 049 and 050 of the integrated report of which this notice forms part.

Ordinary resolution 3 – Appointment of Audit Committee

In terms of s94(2) of the Companies Act 71 of 2008 ("the Act"), a public company must at each annual general meeting elect an audit committee comprising at least three members who are directors and who meet the criteria of s94(4) of the Act. Regulation 42 to the Act specifies that one third of the members of the Audit Committee must have appropriate academic qualifications or experience in the areas as listed in the regulation.

The board of directors of the company is satisfied that the proposed members of the Audit Committee meet all relevant requirements.

Ordinary resolution 4 – Appointment of auditors

KPMG Inc has indicated its willingness to continue in office and resolution 4 proposes the re-appointment of that firm as the company's auditors with effect from 1 March 2011. s90(3) of the Companies Act 71 of 2008 ("the Act") requires the designated auditor to meet the criteria as set out in s90(2) of the Act.

The board of directors of the company is satisfied that both KPMG and the designated auditor meets the relevant requirements.

Ordinary resolutions 5 and 6 – Placement and issue of shares for cash

In terms of the Companies Act 71 of 2008 ("the Act"), directors are authorised to allot and issue the unissued shares of the company, unless otherwise provided in the company's memorandum of incorporation or in instances as listed in s41 of the Act. The JSE requires that the memorandum of incorporation should provide that shareholders in a general meeting may authorise the directors to issue unissued securities and/or grant options to subscribe for unissued securities as the directors in their discretion think fit, provided that such transaction(s) has/have been approved by the JSE and are subject to the JSE Listings Requirements. In the absence of the memorandum of incorporation as contemplated in the Act, ordinary resolution 5 has been included to confirm directors' authority to issue shares. Directors confirm that there is no specific intention to issue any shares, as at the date of this notice.

Also, in terms of the JSE Listings Requirements, the authority to issue shares for cash as set out in ordinary resolution 6 requires the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the Annual General Meeting for ordinary resolution number 6 to become effective.

(continued)

Ordinary resolution 7 – Remuneration philosophy

The King Report on Corporate Governance for South Africa, 2009 recommends that the remuneration philosophy of the company be submitted to shareholders for consideration and for an advisory, non-binding vote to provide shareholders with an opportunity to indicate should they not be in support of the material provisions of the remuneration philosophy and policy of the company.

Special resolution 1 – Directors' remuneration

In terms of s66(8) and s66(9) of the Companies Act 71 of 2008, companies may pay remuneration to directors for their services as directors unless otherwise provided by the memorandum of incorporation and on approval of shareholders by way of a special resolution. Executive directors are not specifically remunerated for their services as directors but as employees of the company and as such, the resolution as included in the notice requests approval of the remuneration paid to non-executive directors for their services as directors of the company.

Ordinary resolution 8 – General authority to repurchase shares

S48 of the Companies Act 71 of 2008 ("the Act") authorises the board of directors of a company to approve the acquisition of its own shares subject to the provisions of s48 and s46 having been met.

Special resolution 2 – Financial assistance to related and inter-related companies

S45(2) of the Companies Act 71 of 2008 ("the Act") authorises the board to provide direct or indirect financial assistance to a related or inter-related company, subject to subsections (3) and (4) of s45 of the Act and unless otherwise provided in the company's memorandum of incorporation. In terms of s45(3) of the Act, a special resolution of shareholders is required in these instances.
The main purpose of the special resolution as set out in the notice of the meeting is to approve the granting of inter-company loans, a recognised and well known practice, details of which are also set out in the notes to the annual financial statements.

Ordinary resolution 9 – Signing authority

Authority is required to do all such things and sign all documents and take all such action as necessary to implement the resolutions set out in the notice and approved at the Annual General Meeting. It is proposed that the company secretary and/or director be authorised accordingly.

General

Shareholders and proxies attending the annual general meeting on behalf of shareholders are reminded that s63(1) of the Companies Act 71 of 2008 requires that reasonably satisfactory identification be presented in order for such shareholder or proxy to be allowed to attend or participate in the meeting.

G3	Indicator	Description	Page reference
Strategy	1.1	Statement from the most senior decision-maker of the organisation (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and its strategy.	022
	1.2	Description of key impacts, risks and opportunities.	034
Organisational profile	2.1	Name of the organisation	IBC
	2.2	Primary brands, products and/or services indicating the nature of its role in providing these products and services and the degree to which it utilises outsourcing.	007 – 020
	2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures.	008
	2.4	Location of organisation's headquarters.	007 and IBC
	2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	007, 012, 016 and 020
	2.6	Nature of ownership and legal form.	IBC
	2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries).	007 – 020
	2.8	Scale of the reporting organisation, including: • Number of employees; • Net sales (for private sector organisations) or net revenues (for public sector organisations); • Total capitalisation broken down in terms of debt and equity (for private sector organisations); and • Quantity of products or services provided. In addition to the above, reporting organisations are encouraged to provide additional information, as appropriate, such as: • Total assets; • Beneficial ownership (including identity and percentage of ownership of largest shareholders); and • Breakdowns by country/region of the following: – Sales/revenues by countries/regions that make up 5% or more of total revenues; – Costs by countries/regions that make up 5% or more of total revenues; and – Employees.	 007 059 – 007 – 020 058 110 007 – 020 – –
	2.9	Significant changes during the reporting period regarding size, structure, or ownership including: • The location of, or changes in operations, including facility openings, closings and expansions; and • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations).	 021 081
	2.10	Awards received in the reporting period.	008

(continued)

G3	Indicator	Description	Page reference
Report parameters	3.1	Reporting period (e.g. fiscal/calendar year) for information provided.	007
	3.2	Date of most recent previous report (if any).	IFC
	3.3	Reporting cycle (annual, bi-annual, etc.)	007
	3.4	Contact point for questions regarding the report or its contents.	–
	3.5	Process for defining report content, including: • Determining materiality; • Prioritising topics within the report; and • Identifying stakeholders the organisation expects to use the report.	022
	3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	007 – 020
	3.7	Limitations on the scope or boundary of the report.	007
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations.	066
	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	063 – 074
	3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement.	N/A
	3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	N/A
	3.12	GRI table	119 – 123
	3.13	Policy and current practice with regard to seeking external assurance for the report.	032 – 039 and 041
Governance, commitments and engagements	4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	027 – 032
	4.2	Indicate whether the Chairman of the highest governance body is also an executive officer and, if so, reasons for this arrangement.	027 – 029
	4.3	Number of independent and/or non-executive members.	027
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the board.	038
	4.5	Linkage between compensation for members of the highest governance body, senior managers and executives and the organisation’s performance.	031 – 032
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	029
	4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation’s strategy on economic, environmental, and social topics.	029 – 030

(continued)

G3	Indicator	Description	Page reference
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	IFC and 039
	4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles.	033 – 039
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	029, 031 and 033 – 038
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	033 – 038
	4.12	Externally developed economic, environmental, and social charters, principles or other initiatives to which the organisation subscribes or endorses.	027 – 038
	4.13	Memberships in associations (such as industry associations) and/or national/ international advocacy organisations in which the organisation: • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic.	008 and 039
	4.14	List of stakeholder groups engaged by the organisation.	022 and 038
	4.15	Basis for identification and selection of stakeholders with whom to engage.	022 and 038
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	038
	4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	038
Disclosures on management approach	DMA EN	The disclosures on management approach for all environmental aspects reported on.	036 – 039 and 048
	DMA HR	The disclosures on management approach relating to human rights reported on.	042 – 048
	DMA LA	The disclosures on management approach relating to labour practices and decent work reported on.	042 – 048
	DMA SO	The disclosures on management approach relating to society reported on. **Author's note: Disclosures on management approach are included throughout the report.**	042 – 048

(continued)

G3	Indicator	Description	Page reference
	DMA PR	The disclosures on management's approach to individual aspects of product responsibility reported on: PR5, PR6 – Stakeholder satisfaction and privacy of data and non-compliance with regulations. **Author's note: Disclosures on management approach toward product responsibility are included throughout the report.**	021 – 023 and 027 – 040
	DMA EC	The disclosures on management approach relating to the individual aspects reported on, including: EC1 – Direct economic value generated and distributed EC2 – Impacts of climate change EC6 – Spending on locally-based suppliers EC7 – Local hiring, including at senior management level EC8, EC9 – Economic impacts **Author's note: Disclosures on management approach are included throughout the report.**	021 – 023 and 027 – 040
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services and reductions in energy requirements as a result of these initiatives.	036 – 037 and 047 – 048
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	036 – 037 and 047 – 048
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	036 – 037 and 047 – 048
	EN13	Habitats protected or restored.	036 – 037 and 047 – 048
	EN14	Strategies, current actions and future plans for managing impacts on biodiversity.	036 – 037 and 047 – 049
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	036 – 037 and 047 – 048
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	036 – 037 and 047 – 048
	HR4	Total number of incidents of discrimination and actions taken.	044 – 045
	LA1	Total workforce by employment type, employment contract and region.	011 – 020
	LA2	Total number of employee turnover by age group, gender and region.	044 – 046
	LA4	Percentage of employees covered by collective bargaining agreements.	047
	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	047 – 048
	LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work related fatalities by region.	047 – 048
	LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.	048

(continued)

G3	Indicator	Description	Page reference
	LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	045 – 047
	SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	042 – 048
	SO2	Percentage and total number of business units analysed for risks related to corruption.	033 – 034
	SO4	Actions taken in response to incidents of corruption.	N/A
	SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes.	023, 038, 039 and 057
	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	N/A
	PR5	Practices related to stakeholder satisfaction, including results of surveys measuring stakeholder satisfaction.	038
	PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	038
	EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	036 – 037
	EC3	Coverage of the organisation's defined benefit plan obligations.	032 and 044 – 045
	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.	048
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	033 – 037

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