Annual Report 2009

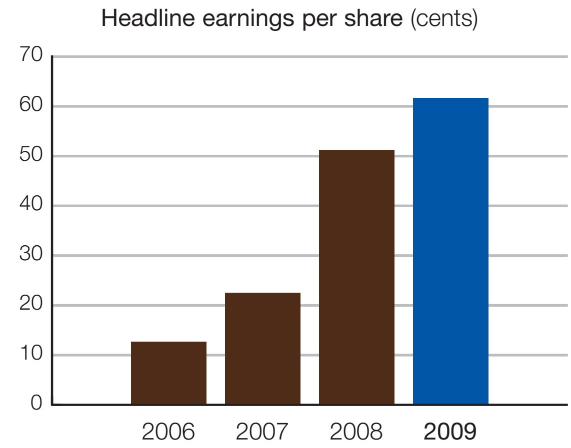
esorfranki limited

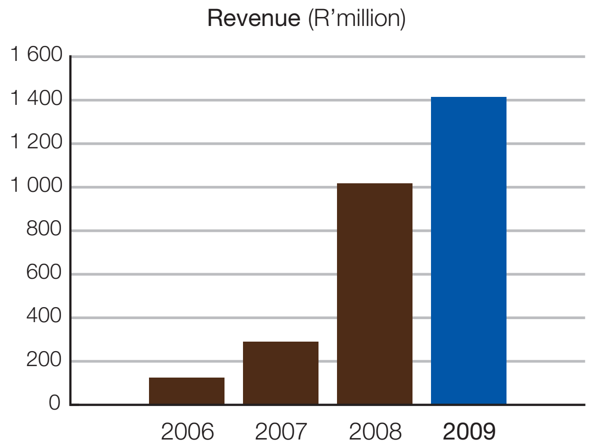
Contents

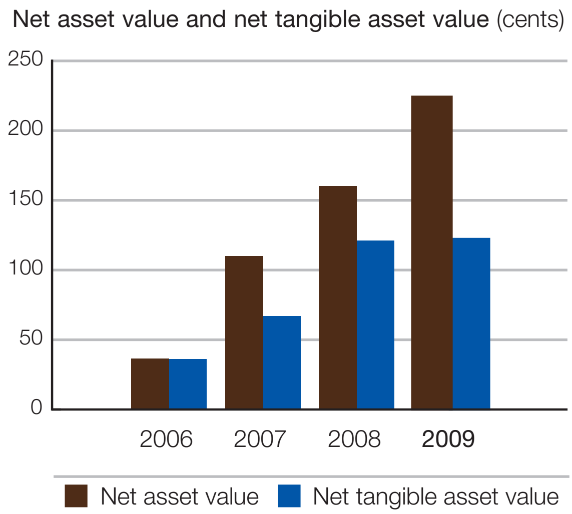
esorfranki limited

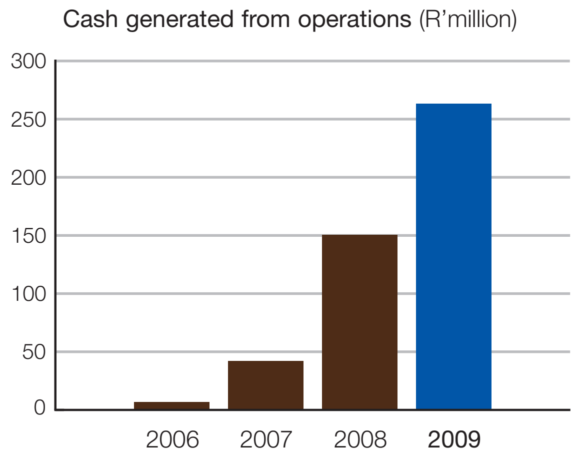
Financial highlights

- Revenue ⬆ 39% to R1,4 billion
- EBITDA ⬆ 78% to R325,9 million
- Headline earnings ⬆ 35% to R155,3 million
- Headline earnings per share ⬆ 20% to 61,7 cents
- Patula and Shearwater acquisitions successfully completed
- Order book of R1,5 billion
- Dividend of 15 cents per share
- Market capitalisation at year-end R613,7 million
- Closing share price at year-end 212 cents









Definitions

"BEE"	Black economic empowerment
"the board"	The board of directors of Esorfranki Limited
"Brookmay"	Brookmay Properties (Pty) Limited
"CIDB"	Construction Industry Development Board
"the company" or "Esorfranki"	Esorfranki Limited (formerly Esor Limited)
"DSCR"	In relation to a particular period – free cash flow during such period divided by total debt repayments
"Esor Africa"	Esor Africa (Pty) Limited
"Franki"	Franki Africa (Pty) Limited
"GCD"	Geo Compaction Dynamics, a division of Franki
"the group"	Esorfranki and its subsidiaries
"IFRS"	International Financial Reporting Standards
"JSE"	JSE Limited
"King II Report"	King Report on Corporate Governance for South Africa 2002
"Patula"	Patula Construction (Pty) Limited
"the previous year"	The year ended 29 February 2008
"the recent acquisitions"	The acquisitions of Brookmay, GCD, Patula and Shearwater
"SA"	South Africa
"SENS"	Stock Exchange News Service
"Shearwater"	Shearwater Plant Hire (Pty) Limited
"the year" or "the year under review"	The year ended 28 February 2009

Vision and values

Vision

To be the benchmark construction group in SA committed to the fulfilment of all our stakeholders' aspirations.

Core values

- unity
- integrity
- commitment
- accountability

Group profile

In a pinnacle to its 30-year track record, in March 2006 the group listed on AltX. It has since achieved strong organic and acquisitive growth boosting its top-line from R125 million on listing to R1,4 billion at February 2009. Post year-end the group was renamed Esorfranki to leverage the strong brand power of its principal operating subsidiary, Franki, which was acquired in November 2006.

In 2008 the group achieved another milestone when it diversified into the civil engineering construction sector through the acquisitions of Patula and Shearwater. These acquisitions aligned Esorfranki with major JSE-listed civil construction groups and expanded the group's services from purely sub-surface foundation work to include above-surface civil engineering and construction services.

The acquisitions were in line with the group's strict strategy to diversify but not diverge from the main focus – "scratching the surface of the earth".

Also in 2008, Esorfranki was awarded the "AltX National Business Award", recognising its strong performance and shareholder returns since listing.

Esorfranki operates throughout South Africa, sub-Saharan Africa and the Indian Ocean Islands providing specialist geotechnical services, roads, earthworks and pipeline construction. Boasting the highest possible "9CE" grading from the CIDB, the group is able to tender for construction projects of unlimited size and value.

There are three distinct business units:

Esorfranki Geotechnical* (comprising Esor Africa and Franki)

Roy McLintock *Managing Director*

This "one-stop geotechnical shop" is the largest specialist civil and geotechnical contractor in SA and the most established in the Southern African region. It provides the mining, civil engineering and construction industries with pipejacking, piling and lateral support services on a full "design and construct", or "construct-only" basis as well as laboratory testing, piling, underpinning and soil improvement. This is further complemented by a full range of services for the marine construction market. The recent acquisition of GCD in May 2008 further boosted the group's market share in the fields of dynamic compaction, soil improvement, micro piling and lateral support.

Esorfranki Civils* (comprising Patula)

Andrew Brookstein *Managing Director*

Providing civil engineering construction, the unit focuses on road building, mining and township infrastructure work, water and sewerage reticulation contracts and concrete projects for government, major mining houses and the private sector. Esorfranki Civils boasts a comprehensive plant inventory.

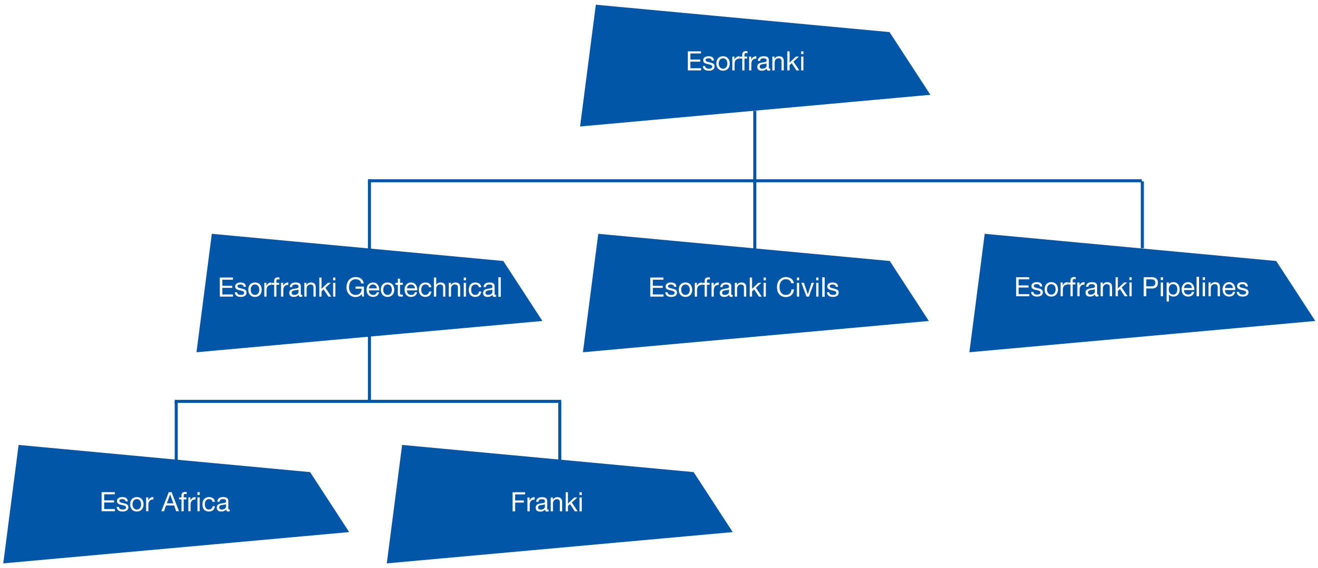
Esorfranki Pipelines* (comprising Shearwater)

Andrew Toy *Managing Director*

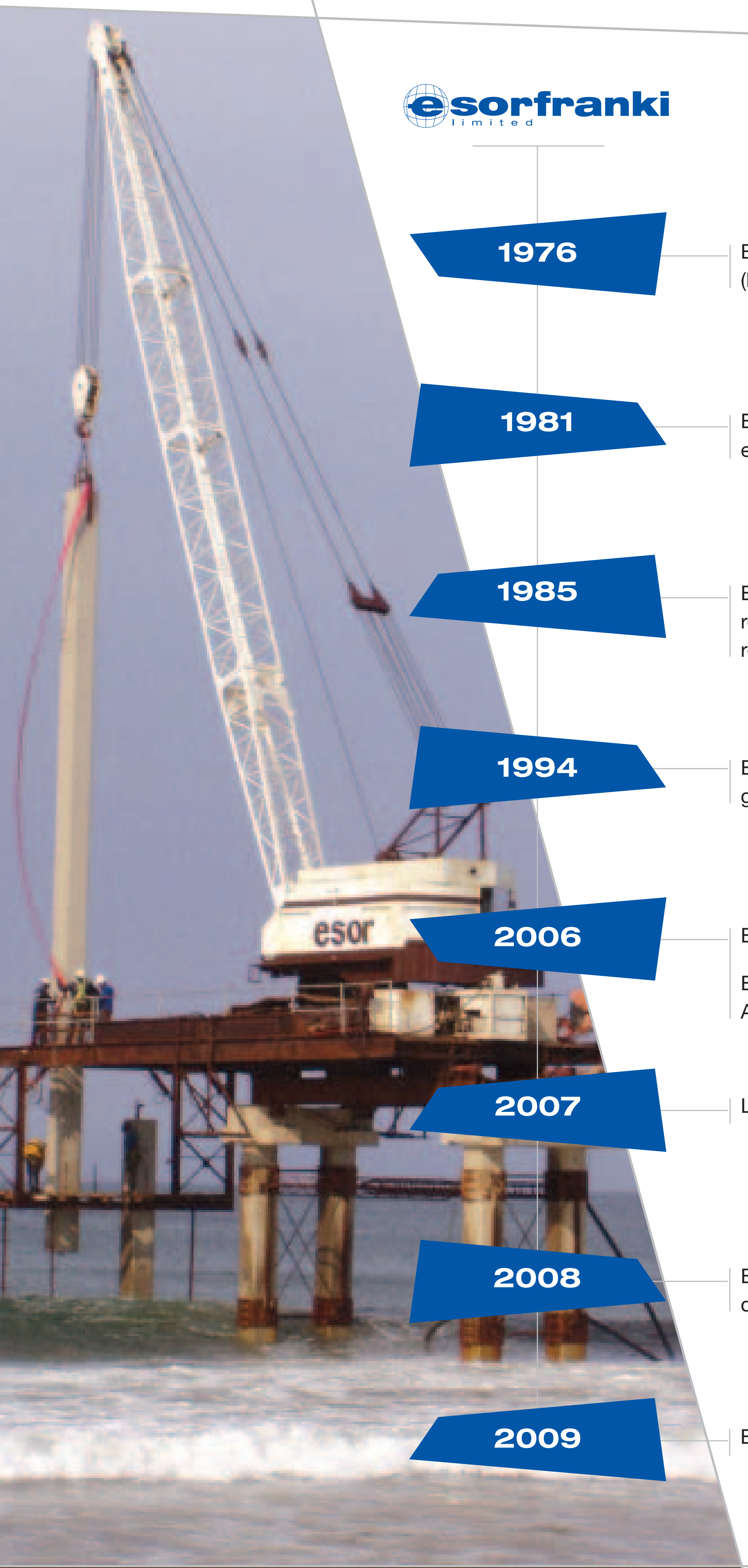
Esorfranki Pipelines focuses on the construction and rehabilitation of onshore pipelines and operates mainly in the gas and petrochemical, water and sewerage sectors. With specialist expertise in laying and welding steel pipelines as well as in pipeline refurbishment including mechanical linings and coatings, the unit services both public and private sector clients from top mining and industrial groups to regional and municipal government and government departments.

* *Operational business units are currently trading through and under the brandings of the existing operating entities of Esor Africa, Franki, Patula and Shearwater. Post the finalisation of the name change of the group to Esorfranki Limited on 11 May 2009, a rebranding initiative is being rolled-out to incorporate all operating entities under the Esorfranki brand.*

Group structure



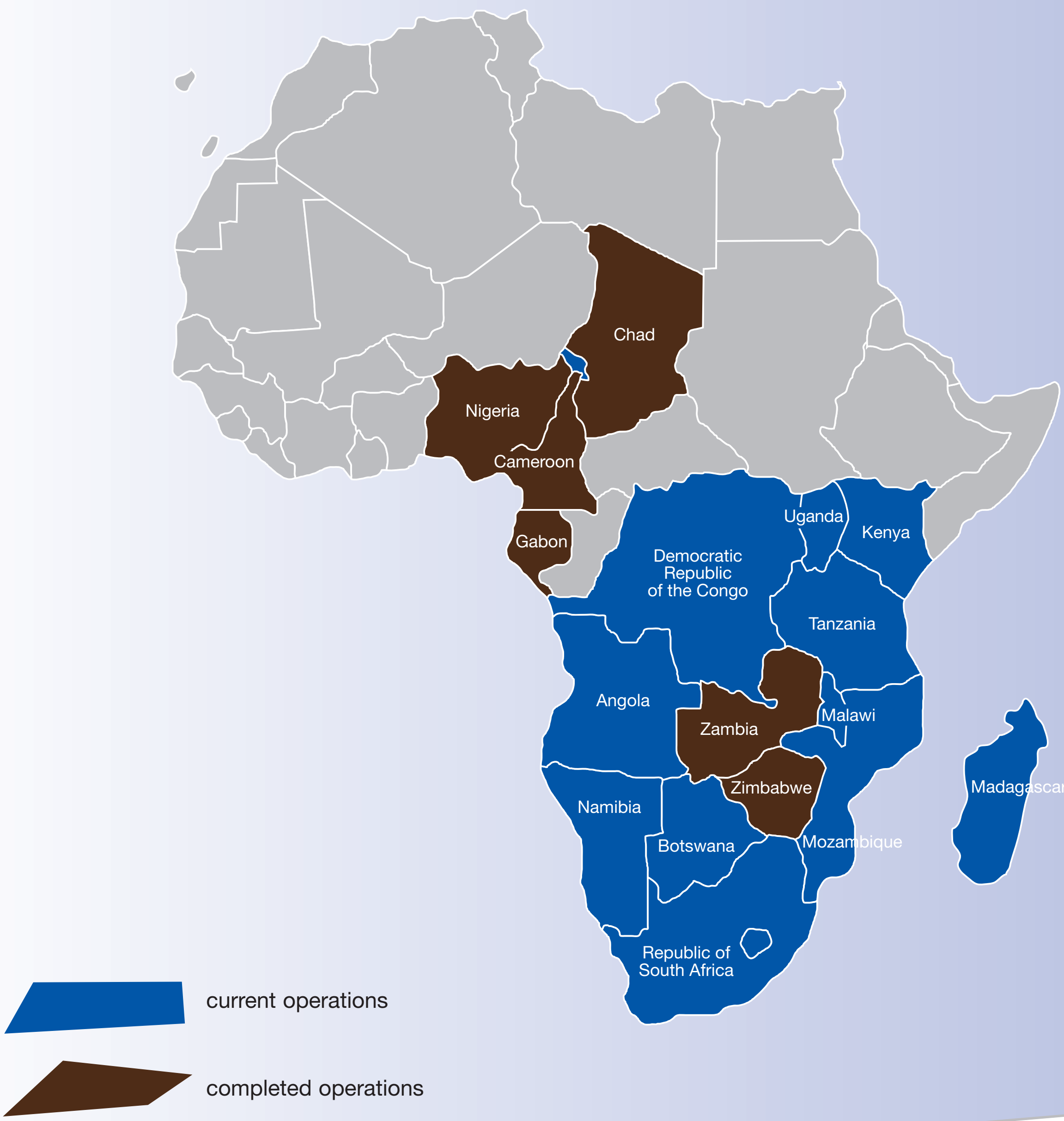
Timeline



1976	Esor established as Esor Ground Engineering (Pty) Limited in Durban
1981	Esor Ground Engineering (Transvaal) (Pty) Limited established to operate mainly in the former Transvaal
1985	Esor Geotechnical Engineering (Pty) Limited (later renamed Esor Africa) established to consolidate both regional companies into a single entity
1994	Esor (Pty) Limited established following restructuring of geotechnical operations and property companies
2006	Esor Limited lists on AltX Esor Limited acquires Franki and develops greater African footprint
2007	Landmark group revenue of R1 billion
2008	Esor Limited acquires Patula and Shearwater and diversifies into roads and pipeline segments
2009	Esor Limited changes its name to Esorfranki

Geographic profile

Esorfranki's geographic footprint extends across Southern Africa. Projects have been completed in Angola, Botswana, Democratic Republic of the Congo, the Indian Ocean Islands, Lesotho, Malawi, Mozambique, Namibia, Swaziland and Tanzania. Established operations across the African continent provide an exciting avenue of growth.



Four-year review

Balance sheet		2009 R'000	2008 R'000	2007 R'000	2006 R'000
ASSETS					
Non-current assets		987 520	386 415	238 579	20 463
Property, plant and equipment		588 545	262 741	139 861	20 463
Intangible assets		113 022	94 529	94 529	–
Goodwill		280 173	26 468	–	–
Deferred tax asset		5 780	2 677	4 189	–
Current assets		875 972	398 524	226 817	40 723
Inventories		11 379	7 224	6 877	36
Other investments		14 269	–	–	–
Taxation		4 699	3 527	5 743	–
Trade and other receivables		572 800	271 914	161 549	28 051
Cash and cash equivalents		272 825	115 859	52 648	12 636
Total assets		1 863 492	784 939	465 396	61 186
EQUITY AND LIABILITIES					
Share capital and reserves		619 577	389 664	240 020	36 940
Share capital and premium		339 078	213 587	175 352	6 372
Equity compensation reserve		3 917	2 361	658	–
Foreign currency translation reserve		14 651	6 683	41	–
Accumulated profits		261 931	167 033	63 969	30 568
Non-current liabilities		470 080	133 791	71 724	4 797
Secured borrowings		370 603	85 169	43 915	2 837
Post-retirement benefits		1 587	8 106	10 507	–
Deferred tax liabilities		97 890	40 516	17 302	1 960
Current liabilities		773 835	261 484	153 652	19 449
Current portion of secured borrowings		147 664	21 304	7 939	1 909
Taxation		84 358	26 781	3 047	3 570
Provisions		31 118	15 559	21 400	–
Trade and other payables		510 695	197 840	121 266	13 970
Total equity and liabilities		1 863 492	784 939	465 396	61 186
Number of ordinary shares in issue	('000)	289 496	247 904	243 371	100 000
Weighted average number of ordinary shares	('000)	251 780	224 560	150 771	100 000
Diluted weighted average number of shares	('000)	254 380	228 677	153 466	100 000
Net asset value per share	(cents)	223,2	160,3	109,8	36,4
Net tangible asset value per share	(cents)	121,2	121,4	66,5	36,4

Four-year review continued

Consolidated income statement		2009 R'000	2008 R'000	2007 R'000	2006 R'000
Revenue		1 414 722	1 017 480	291 392	125 393
Cost of sales		(981 829)	(745 546)	(209 465)	(98 772)
Gross profit		432 893	271 934	81 927	26 621
Other operating income		1 631	1 651	1 133	1 057
Operating expenses		(108 601)	(90 087)	(29 600)	(7 060)
Profit before interest, depreciation and taxation		325 923	183 498	53 460	20 618
Depreciation, impairments and amortisations		(92 473)	(30 391)	(8 654)	(2 650)
Profit before interest and taxation		233 450	153 107	44 806	17 968
Finance costs		(78 279)	(28 171)	(15 245)	(489)
Finance income		55 600	32 883	17 420	982
Profit before taxation		210 771	157 819	46 981	18 461
Taxation		(67 389)	(41 817)	(12 899)	(5 122)
Profit for the year		143 382	116 002	34 082	13 339
Headline earnings reconciliation:					
Profit for the year		143 382	116 002	34 082	13 339
(Profit)/loss on disposal of property, plant and equipment		(39)	(714)	(184)	(653)
Impairment of intangible assets		11 944	–	–	–
Headline earnings		155 287	115 288	33 898	12 686
Earnings per share					
Basic earnings per share	(cents)	56,9	51,7	22,6	13,3
Diluted earnings per share	(cents)	54,1	50,7	22,2	13,3
Headline earnings per share	(cents)	61,7	51,3	22,5	12,7
Dividends per share	(cents)	15,0	20,0	6,0	–

Chief Executive Officer's report

Never one for convention I am starting my report at the end, with a significant post year-end event. I trust this will contextualise an always interesting, often challenging and ultimately successful year.

On 11 May 2009 our group – formerly named Esor Limited – began trading under the banner of Esorfranki Limited in order to recognise the brand strength of our principal operating subsidiary Franki. With a more than 60-year track record Franki is the most established geotechnical contracting company in the Southern African region, and was acquired by the group in November 2006.

We further extended this re-branding initiative across all divisions in the group, which encompass Patula and Shearwater acquired during the year (see "Acquisitions" below), to align the overall branding with the single vision and unified core values shared by every operation in the group.

As to how we will achieve our vision will require a great deal more thought, discussion and input from all stakeholders. However, with executive management both excited and committed to making Esorfranki a force to be reckoned with in the SA construction industry, we have little doubt that we will actualise our vision and attain our goal of absolute leadership in time.

In light of this, I'll now turn to the year under review.

Surviving the plunge to earth

Having enjoyed a record year in the construction industry and with SA on the brink of some really impressive growth figures, the world economy suddenly collapsed in dramatic fashion towards the second half of the year. As I see it, it is equally important to understand the impact of this on Esorfranki's performance during the year and looking ahead, as it is to recognise how SA has fared relative to the rest of the world.

Thinking of how best to illustrate SA's performance in the face of a global financial meltdown, I thought humour was called for and decided on the analogy below:

The World Economy is invited for a pleasure flight on a new super-airliner by three renegade pilots, Commander Sub Prime, Captain Stock Futures (single of course) and Captain De Rivatives. The G7 countries, the top banks and other financial elite are in first and business class; emerging markets at the back with South Africa somewhere near the galley between Venezuela and Paraguay!

The guests are duly seated, buckled up and after a rather brief safety announcement, hear from the flight deck intercom: "OK Commander Sub Prime, let's see what this little baby can do!"

Chief Executive Officer's report continued

Cruising altitude is reached and the party in first and business class is in full swing. The cabin attendants (the financial gurus) are extolling the virtues of the pilots and the capabilities of the new airliner, which is faster and more impressive than anything before. To demonstrate his (and the plane's) flying attributes Captain De Rivatives takes the plane off auto pilot and executes a barrel roll to the left – no drinks are spilled, it's cheers all around and a second round is poured. Captain Single Stock Futures, not wanting to be outdone, takes the controls and executes a barrel roll to the right, a little quicker and with a flick of the wings. A few drinks are spilled but "who cares?" – more cheers and another round. Commander Sub Prime feels the need to make his presence known by putting the plane into a steep dive. Gathering speed, he breaks the sound barrier with a dramatic "bang" and then executes a perfect loop-the-loop – his only flaw, shedding all four engines on the exit. More cheers at the astounding feat and another round is poured.

As the plane slowly loses altitude, it begins to dawn on the first and business class passengers that this super-airplane was perhaps not designed for these sorts of antics. A hush descends, quickly followed by panic as cabin pressure is lost and only certain oxygen masks (the rescue packages) are released. The cabin attendants (the financial gurus I spoke of earlier) offer little advice and even less help as their shock and horror overtake action.

Inevitably the plane plummets to the ground and is forced to a stop atop a rocky outcrop. Brutal structural damage to the front of the plane has caused many fatalities and severe injuries to the pilots and passengers in first and business class. However, as often happens in air disasters, the tail section has detached on impact and skidded to a somewhat slower and softer stop in an adjacent grassy meadow. The dust settles, the smoke clears and the last shrieks of tortured metal abate – we (the economy class passengers) survey the scene and realise with relief that we have survived! As the shock wears off we realise we're not even seriously injured. If things get any better we may even find our luggage!

We cannot deny that the world is in recession. SA however, has not been as hard hit as the USA and the countries of Europe. Strict fiscal and monetary discipline, initially viewed as draconian by many, offered at least some protection from the worst economic storm to hit the world in almost 80 years. This, together with an expanded domestic public works programme and substantial infrastructure spend – the third largest in the world as a percentage of GDP – should see us survive this disaster.

It is with this scenario as the backdrop that I'll continue with Esorfranki's performance during the year.

Financial results

These results reflect the inclusion of Patula and Shearwater for four months from acquisition in November 2008. All four operating entities – Esor Africa, Franki, Patula and Shearwater – remain firmly aligned with government's committed infrastructure spend.

The group posted R1,4 billion revenue, up 39% from R1,1 billion for the previous year, generating EBITDA of R325,9 million that was 77,6% higher than the previous year's R183,5 million. Headline earnings rose 34,7% to R155,4 million which translated to 61,7 cents per share (HEPS), representing a growth of 20,2%. Net asset value per share increased by 39,2% from 160,3 cents to 223,2 cents (based on the number of shares in issue at year-end).

Acquisitions

Esorfranki boldly acquired Patula and Shearwater, both acquisitions effective 31 October 2008, to diversify the group's revenue streams into civil engineering construction and so boost bottom line growth. The acquisitions will further cement long-term sustainability by widening the scope for unlocking value in the areas of plant and equipment, resources, marketing and work space.

Patula was founded in 1997 by Andrew Brookstein, who remains the managing director, and Richard Maynard. The company focused initially on the mining sector and although still active in the structural work in mining infrastructure, today services all contracts of a civil engineering construction nature including road building, bridge building, township infrastructure work, water and sewerage reticulation schemes and bulk earthmoving. Clients range across government, mining houses and the private sector.

The acquisition has enabled Esorfranki access to a greater share of public and private sector development works, extending the group's participation in infrastructure spend. Patula has the highest possible CIDB rating of "9CE" which qualifies the company to tender for large-scale construction projects of unlimited scope. Our product and services offerings have been significantly augmented and diversified, with necessary added critical mass.

Patula will continue to operate within the group under the Esorfranki Civils division as a stand-alone and self-sufficient business unit.

In summary Patula is an established, profitable operation with a good presence and solid track record. Experienced management have added further depth and range to the group and importantly, have aligned their future interests with ours and all other stakeholders by becoming significant shareholders in Esorfranki.

Shearwater was founded in 2002 by Andrew Toy and Patrick Delamere, each of whom has in excess of 20 years' experience in the pipeline construction sector (having started out in the late 1980s) and both having taken senior management roles at various organisations until their joint formation of Shearwater seven years ago.

The company operates in the pipeline sector of the broader civil engineering construction market and generally in the bulk supply (cross-country) of pipelines. Its constant focus has remained the provision of pipeline construction services and more specifically, the construction of onshore pipelines and appurtenant works as well as the rehabilitation of existing pipelines.

Shearwater is active in the gas and petrochemical, water, sewerage and storm water industries. Clients range across mining, petrochemical, water supply and waste water treatment and management (including government, provincial government, regional water boards and municipalities). Its "9CE" CIDB rating, as with Patula's, qualifies it to tender for large-scale construction projects of unlimited scope.

The majority of revenue is derived from the construction of welded steel pipelines in the gas and petrochemical and water sectors, in which Shearwater is recognised as one of the leading contractors. The potential exists for the company to show sustained growth in revenue while still maintaining existing margins as a result of its focus on high growth markets. Eskom's commitment to large power generation projects will drive substantial work in the pipeline sector, and most of the regional water boards have indicated a marked increase in projects to deal with the provision of sufficient potable water and security of supply in general. While levels of activity in the mining sector have reduced due to the world financial crisis and the consequent drop in commodities prices, there remains a relatively constant flow of work from the petrochemical sector.

As with Patula, Shearwater will continue to operate within the group as a stand-alone and self-sufficient business unit – under the Esorfranki Pipelines division.

In order to accommodate future growth Shearwater is currently investing in suitable equipment and recruiting the necessary skills.

Operations

Esorfranki Geotechnical

Our geotechnical division enjoyed its best year ever in achieving turnover of R1 190 million with well-balanced contributions from all its operating sub-divisions. These include GCD for ten months of trading since acquisition in May 2008. Local projects accounted for 76% of turnover and 46% of profit, with cross-border projects accounting for the balance of 24% and 54%, respectively.

Gautrain remains the unit's single largest contract having generated turnover of R165 million in the year with another R70 million which will be carried forward into the current financial year. By the start of April 2009 the company had secured over 50% of its budget revenue for the year ahead. This includes the Kusile Power Station piling awarded to a joint venture in which our stake is 50%. We are also at present awaiting the award of numerous substantial contracts in Angola, which will further fill the 2010 order book

Esorfranki Civils

Patula recorded R149 million revenue for the four months included to year-end, with an operating margin well above industry standards. The R280 million road contract for the R55/K71 remains its flagship contract and is due for completion in November 2009. A R200 million infrastructure and housing contract near the Medupi Power Station has given the company good impetus going forward with the potential for two additional phases in the near future.

Esorfranki Pipelines

Shearwater performed well to post R85 million revenue and an operating profit well above industry standards for the four months of inclusion in results. The KwaZulu-Natal market has remained buoyant with contracts completed at Empangeni, Dube and Richards Bay and new awards at Ngcebo and Mkwanazi. In the Gauteng region contracts at Motherwell, Steelpoort, Milton and Nebo are in various stages of completion with some exciting prospects still to be awarded. The onshore pipeline market is expected to be particularly buoyant over the next three to five years.

Group

Although possible cancellation or postponement of private sector-funded projects does present a challenge, this has been largely offset by Esorfranki's exposure to increased government infrastructure spend. The group is also competitively advantaged by its ability to offer cost-effective "design and construct" alternatives on a large number of tenders as a result of our broader product range and extended synergies through the acquisitions.

Capex and plant replacement

During the year we continued with our aggressive enhancement of plant and invested R188,3 million, totalling R376,9 million since the commencement of the capex expansion programme. Of this amount, R23,2 million was by the new acquisitions and R353,7 million was by the geotechnical operations. Our current capital commitment is R66,9 million for the year ahead. Of this amount, the geotechnical operations plan to spend R29,9 million, civils R29,0 million and pipelines R8,0 million. The group's expansive capex programme is now complete and current capex is in respect of maintenance. We are satisfied that our fleet will then be well positioned to accommodate future growth and effectively service the increase in projects.

Black economic empowerment

We remain strongly committed to BEE and are constantly striving to increase black ownership of the group. Esorfranki is currently rated a "Level 6" contributor in terms of the Department of Trade and Industry's BBBEE Codes of Good Practice. 82% of our workforce is currently black, and emphasis is placed on training suitable candidates to accelerate promotion to management level.

In addition, after the streamlining of the board during the year and the appointment of Malemadutje Briss Mathabathe following the Patula acquisition, four of the five non-executive directors are black. This restructuring initiative also resulted in only two executive directors (the CEO and Financial Director) now sitting on the board at holding company level. (The remaining former executive directors continue their operational management roles in the group, simply at operating company level.)

Through the Esor Broad Based Share Ownership Scheme, implemented in 2006, all permanent staff below executive management level hold an aggregate 6,5% stake in the company.

(For more detail please see our Sustainability Report.)

People

The downturn in the economy has made it easier to address the former skills shortage facing the industry. We strive to be the employer of choice and we believe we are succeeding. We have excellent staff retention which is constantly reflected in the net gain of employees year-on-year. We have a young semi-skilled and skilled staff pool, which deepened when Franki joined the group and has now been further strengthened with the inclusion of Patula and Shearwater.

On behalf of the board I welcome all our new employees, and thank staff and management for the herculean effort during the year that has enabled the group to continue succeeding at the benchmark level we set.

Our staff is being continually upskilled to advance to management level positions through in-house training facilities and external supplier programmes. Identifying suitable candidates for succession planning took place some time back, with the group already benefiting from the newly skilled employees coming up through the ranks to middle management.

Succession planning at all levels has been formalised, with the prerequisite training and development put in place and currently ongoing. As a result of the acquisitions there is also increased opportunity for advancement of key personnel within the now larger group.

We employ a philosophy of empowerment, assigning responsibility and engendering a sense of ownership of the business, which we believe is a major contributing factor to the strength and depth of our skills pool.

Prospects

The board remains positive regarding Esorfranki's future prospects. Our current order book of R1,5 billion at the beginning of April 2009 puts us well on track for our 2010 financial year. Management is aware that competition is intensifying which will squeeze margins. Compared to five years ago however, the construction industry is still enjoying robust conditions.

Chief Executive Officer's report continued

We reiterate that we believe Gautrain will lead to explosive developmental growth around the urban nodes where the stations are located. Notwithstanding the current slowdown in the commercial building sector, we are approaching the turning point where forward-looking ambition should overtake fear in the race to secure and develop prime properties. This should result in high-rise office towers, hotels, apartment blocks and various retail and commercial buildings that will dramatically change the landscape and create significant opportunity for growth beyond 2010 when construction of the initial Gautrain system will be complete.

Government's reaffirmation in the latest budget of its commitment to infrastructure spend through its expanded public works programme provides encouragement to all four operating entities. Franki is already reaping the benefits at Kusile Power Station, Patula at Medupi, Esor Africa on the NMPP pipeline and Shearwater from various pipelines countrywide. SANRAL, Eskom and Transnet all have major projects still to be let on tender, and we are confident that Esorfranki will attain its share.

Outside of SA we have a well established footprint in several African economies including Angola, which all remain relatively buoyant. Having achieved growth of 69%, we will continue to develop our bases in sub-Saharan Africa where further exciting growth prospects exist. Additional resources have been placed on the ground in Angola and a number of large contracts there are pending imminent award.

Bernie Krone
Chief Executive Officer

14 May 2009

Financial Director's report

The 2009 financial year has seen some significant changes to Esorfranki. The recent acquisitions have been well bedded down since joining our group and will continue to diversify the group's services offering and revenue streams. In light of the recent economic failure that has permeated the world markets, we have striven to make improvements in corporate governance reporting for greater clarity.

Group income statement

The year under review includes four months of trading for Patula and Shearwater from the effective date of 31 October 2008.

Revenue for the year grew by R397,2 million (2008: R726 million) to R1,4 billion with profit after tax ("PAT") up by R27,4 million (2008: R81,9 million) to R143,4 million. Headline earning per share of 61,7 cents (2008: 51,3 cents) equated to a 20,2% increase on the previous year.

The group's earnings before interest, taxation, depreciation, impairments and amortisations ("EBITDA") increased by 77,6% to R325,9 million (2008: R183,5 million).

Depreciation of R68,6 million reflects the consequent charge on the group's expansive capital expenditure programme.

Amortisation of intangibles includes a charge of R16,6 million. This relates to the impairment of the Patula and Shearwater trade names, following the board's decision to re-brand the group to trade under a single trade name – Esorfranki.

Taxation includes a secondary taxation on companies ("STC") charge of R4,7 million relating to the dividend declared and distributed in June 2008, which increased the effective tax rate by 2,25%.

Esorfranki Geotechnical (comprising Esor Africa and Franki)

The geotechnical operation grew revenue by 17% to R1 190,1 million from the previous year's R1 017,5 million, of which foreign revenue accounted for 24%. The foreign operations contributed R57,1 million (2008: R33,5 million) towards PAT. This business unit achieved an operating margin of 14,1% (2008: 15%).

Financing costs include a pre-tax charge of R7,8 million on the acquisition finance raised to acquire the Esorfranki business unit (formerly within Esor Limited). Esor Africa, a wholly owned subsidiary, acquired the business as a going concern from Esorfranki on 1 September 2008. It also included a fair value adjustment of R8,7 million on an interest rate swap agreement on the term loan funding for the acquisition. All operational entities are now subsidiaries of the listed holding company.

The weakening of the Rand against the US Dollar during the year resulted in a favourable unrealised exchange gain, mainly regarding the funding of the Angolan operation.

Esorfranki Civils (comprising Patula)

Revenue for the full 12 months increased by 104,4% over the previous year, with PAT of R115,9 million. The civils operation contributed R42,2 million to group PAT since acquisition. A full year operating margin of 28,1% (2008: 22%) was recorded.

This performance resulted in Patula achieving its contractual profit warranties and therefore the recognition of a deferred contingent consideration of R140,8 million, which is payable in September 2009, in shares and cash.

There was no impairment of goodwill paid on the acquisition of this business unit as at 28 February 2009.

Esorfranki Pipelines (comprising Shearwater)

For the full 12 months this business unit achieved PAT of R36,2 million, and made a contribution of R24,4 million to group PAT since acquisition. The company achieved a full year operating margin of 23,5% (2008: 26,5%).

Failure to meet the deferred contingent targets did not result in any impairment to the fair value of the goodwill paid on acquisition. The profit warranty was not achieved as a result of a delayed order intake in the first eight months of the financial year and not due to the global economic crisis and its impact on the domestic economy. However, the orders were in part received in the third quarter of the financial year and should translate into growth going forward.

Balance sheet

Property plant and equipment ("PPE")

PPE has grown by R325,8 million during the year. The recent acquisitions accounted for R206,8 million of this increase and capital expenditure of R188,3 million was in line with the expansive capital expenditure programme.

The capital expenditure programme is now complete for the geotechnical business unit.

Trade debtors and other receivables

An impairment provision of R32,9 million was raised against overdue trade receivables following the deterioration in debt collections and contractual disputes. This represents 2,3% of total revenue.

Cash and cash equivalents

Cash generated by operations remained robust, amounting to R161,6 million (2008: R119 million).

The group has made investments of R323,8 million, including an amount of R130,6 million for the recent acquisitions and R188,3 million in respect of the capital expenditure programme. R319 million was raised through the group's financing activities. These include secured borrowings raised for the acquisition of the Esor business unit and the expansive capital expenditure programme.

The cash purchased in the recent acquisitions amounted to R140,6 million.

Share capital and reserves

Share capital increased by R122,5 million as a result of the recent acquisitions.

The reserves have increased through translation of the group's foreign operations as reflected in the foreign currency translation reserve, following the weakening of the Rand against the US Dollar.

Non-current liabilities

The post-retirement benefit has decreased following a settlement offer to our retired ex-employees in Franki. This liability has not been extinguished, although the number of employees remaining on the defined benefit plan is more manageable going forward.

Financial Director's report continued

Franki has settled R5,1 million of its post-retirement obligations leaving R1,5 million outstanding as at 28 February 2009.

Secured borrowings have increased as a result of the finance raised for the acquisition of the Esorfranki business operation and the capital expenditure programme.

Current liabilities

Trade and other payables include the recognition of a deferred contingent consideration of R140,8 million, payable to the Patula vendors.

Financial covenants

The group is required to maintain certain minimum financial covenants in terms of the financing obtained. There have been no breaches of the financial covenants for the year under review.

Prior year restatement

A restatement was made in the comparative period for the omission to raise deferred taxation on the intangible asset. This error has been corrected in the current and comparative periods.

Dividend

In deciding on the amount of dividend to declare, the board has considered a number of factors, these include the amount of debt on the balance sheet, future availability of credit, the covenants imposed in terms of the financing arrangements and uncertainty relating to the current world financial crisis. Further to this the board considered it prudent to conserve cash and to settle debt. The board has therefore decided on a dividend of 15 cents per share, which equates to 4,11 times dividend cover on headline earnings per share.

Wayne van Houten
Financial Director

14 May 2009

Corporate governance

The directors of Esorfranki are committed to implementing the principles of the King II Report. During the year the group has focused on improving and codifying operational and corporate practices to achieve full compliance with the Code of Corporate Practices and Conduct set out in the King II Report. Going forward the board will continue to monitor compliance to ensure ongoing improvement.

The board

In accordance with the King II Report the board at year-end comprised a majority of independent non-executive directors, with five of the seven directors holding independent non-executive positions. The board is chaired by independent non-executive director David Thompson.

During the year the board was streamlined for purposes of good corporate governance and to facilitate the next growth phase of the group. On 5 February 2009, Malemadutje Briss Mathabathe was appointed as an independent non-executive director following the acquisition of Patula. Effective the same date after the resignations of executive directors Michael Barber, Arthur Field, Roy McLintock and Mauro Trevisani, the board has been constituted as follows:

DM Thompson (independent non-executive Chairman)
B Krone (Chief Executive Officer)
W van Houten (Financial Director)
EG Dube (independent non-executive director)
JM Hlongwane (independent non-executive director)
Dr FA Sonn (independent non-executive director)
MB Mathabathe (independent non-executive director)

All the executive directors who resigned have remained within the Esorfranki group as executive directors of their respective operational entities.

The board meets quarterly with ad-hoc special meetings convened as necessary. Details of directors' attendance at board meetings are set out below.

	Board (four meetings)	Audit and Risk Committee (four meetings)	Remuneration Committee (one meeting)
Executive directors			
ML Barber	3**	n/a	n/a
AM Field•	2**	n/a	n/a
B Krone (Chief Executive Officer)	4	3*	1*
RP McLintock	4** ****	4*	1*
ML Trevisani••	3**	3*	1*
W van Houten (Financial Director)	4	4*	1*
Independent non-executive directors			
EG Dube	3	3	n/a
JM Hlongwane	4	n/a	1
MB Mathabathe	1***	n/a	n/a
Dr FA Sonn (JC van Reenen••• alternate)	4	4	1*
DM Thompson•••• (Chairman)	4	4	1

• British
•• Italian
••• Audit and Risk Committee chairman
•••• Remuneration Committee chairman

* Invitee to committee meetings
** Resigned 5 February 2009
*** Appointed 5 February 2009
**** Invitee after resignation

In accordance with the articles of association, two of the directors of the company will retire by rotation at every annual general meeting and their re-appointment will be subject to shareholders' approval. Ethan Dube and Franklin Sonn 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 annual general meeting at the first opportunity after their initial appointment. Accordingly, Malemadutje Briss Mathabathe will stand for confirmation of election at the upcoming annual general meeting.

Esorfranki Board Charter

During the year, Esorfranki adopted a formal Board Charter which sets out the role of the board and the responsibilities of the directors. The comprehensive Charter is in line with a global trend towards a "triple-bottom line" approach, which encompasses economic, environmental and social aspects of a company's activities. Esorfranki's challenge is to balance broader social objectives with performance in an entrepreneurial market economy within a framework of governance principles.

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

The duties and responsibilities of the board as codified by the Board Charter include:

- determining the company's purpose, values and stakeholders;
- evaluating the implementation of strategies, policies and management performance criteria;
- reviewing the company's financial objectives;
- identifying key risk areas;
- developing a corporate code of conduct;
- reviewing the processes and procedures to ensure the effectiveness of internal systems of control; and
- ensuring the company complies with all relevant legislation and best practice guidelines.

The responsibilities of the Chairman and CEO are strictly separated to ensure that no director can exercise unfettered powers of decision-making. This separation further extends to the responsibilities of all other executive and non-executive directors. The Chairman provides leadership to the board and oversees its efficient operation while the CEO is responsible for proposing, updating, implementing and maintaining the strategic direction of Esorfranki as well as ensuring that the day-to-day affairs of the group are appropriately supervised and controlled. The CEO and Financial Director together with an Executive Committee ("EXCO") are responsible for implementing strategy and operational decisions in respect of the group's day-to-day operations. The independent non-executive directors are high merit individuals who contribute a wide range of skills, knowledge and experience to the board's decision-making process and are not involved in the daily operations of the company.

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

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

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

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

Board processes

Share dealings

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

In addition, all directors and management with access to financial information and any other price sensitive information are prohibited from dealing in 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".

Self-evaluation

During the year the board conducted a self-evaluation exercise reviewing its mix of skills, the contribution of individual directors, the effectiveness of its sub-committees, performance, effectiveness and corporate governance compliance. The self-evaluation exercise also included a review of communications between management and the board as well as with stakeholders. The results are currently being assessed and considered by the board and where necessary, an appropriate programme will be implemented to address areas marked for improvement. The self-evaluation exercise is conducted annually as set out in the Board Charter.

Succession planning

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

New appointments

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

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

The company secretary in consultation with the Financial Director will further arrange specific training or seminars for directors and senior management where necessary.

Company secretary

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

Regulatory and legislative compliance

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

Board committees

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

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

EXCO

The committee consists of the CEO, Financial Director and the key management from each of the underlying companies – Andrew Brookstein, Patrick Delamere, Arthur Field, Richard Maynard, Roy McLintock, Andrew Toy and William Niewenhuis.

Audit and Risk Committee

The Audit and Risk Committee Charter was amended during the year to increase the number of meetings to four per annum, and the minimum number of non-executive directors required on the committee from three to two to align with the newly formalised Board Charter. In addition, the committee's scope of responsibility was specifically defined in the Charter to include assistance in matters relating to:

- financial reporting;
- internal controls;
- internal audit and risk management;
- external audit;
- compliance with legislation and regulations;
- committee meetings;
- committee evaluation;
- relationship with the board; and
- company secretary.

In compliance with the Companies Act all members of the committee are independent non-executive directors. The committee is chaired by independent non-executive director JC van Reenen and further comprises independent non-executive Chairman DM Thompson and independent non-executive director EG Dube. Other independent non-executive directors, the CEO, Financial Director and representatives of the external auditors attend meetings at the invitation of the committee.

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

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

The Audit and Risk Committee also sets the principles for recommending to the board the use of the external auditors for non-audit purposes, which includes tax services, corporate restructuring and merger and acquisition advice. No non-audit services were provided by the external auditors during the year.

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

Details of directors' attendance at Audit and Risk Committee meetings are set out on page 20.

During the year, the Audit and Risk Committee undertook a self-evaluation exercise, the results of which are currently being assessed and considered by the board. The exercise reviewed the committee's composition and skills-set as well as its performance in relation to financial statements, interaction with management and the external auditors and adherence to the Charter. Where necessary a programme will be developed to address the changes required.

Remuneration Committee

The committee comprises independent non-executive chairman DM Thompson, who chairs the committee, and independent non-executive director JM Hlongwane. It is tasked with making recommendations to the board of directors' remuneration packages and group remuneration policies. During the year, a formal charter governing the Remuneration Committee's composition, responsibilities and strategy was implemented.

As set out in the Charter the specific responsibilities of the Remuneration Committee include:

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

Details of directors' attendance at Remuneration Committee meetings are set out on page 20.

Remuneration philosophy

All executive directors are remunerated equally in terms of salary package in line with a "musketeer philosophy" that has existed at Esorfranki for many years. Increases are benchmarked against market-related surveys, primarily that of Deloitte. Executives are also incentivised for performance against defined "Weighted Average Cost of Capital" yardsticks and growth parameters on an EVA model. Overall, Esorfranki aspires to be the preferred employer on the basis of remuneration packages.

Accounting and auditing

External audit

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

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

Internal audit

The internal audit function assists the board in assessing the group's risk management and governance processes, and is governed by an Internal Audit Charter, which is updated annually. During the year, the scope of the internal audit function was precisely defined in the Internal Audit Charter and includes reviewing and evaluating:

- the reliability and integrity of financial and operating information;
- new and existing systems of internal control;
- means for safeguarding assets; and
- methods of confirming results are consistent with established objectives.

In addition, the internal audit function is tasked with keeping abreast of technological and best practice developments in internal auditing and corporate governance.

The internal audit function reports quarterly to the board via the Audit and Risk Committee regarding activities and outcomes.

Internal control and risk management

Internal control

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

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

Risk management

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

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

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

Risk		Risk mitigation
Financial risk	• Gearing • Exchange rate volatility	• Uniform policies and procedures across all group entities • Operate within defined board parameters and financial covenants • Board monitors risk exposure
Operational risk	• Overtrading • Quality standards • Logistics in Africa operations	• Uniform policies across group entities • Continuous logistics management
Human resources risk	Post-acquisition integration	• Uniform policies, procedures, employee benefits and practices across all group entities • Succession planning
Information technology risk	Non-standard and unintegrated systems	• System standardisation and integration
Reputation risk	Provision of sub-standard product	• Quality standards/supervision • Comprehensive insurance
Market risk	Limited product range	• Spread of product and activity – no single dependency on one product or economy
Legal risk	Non-compliance with legislation and contractual terms	• Engage advisors and experts in relevant fields

Further detail on financial risk management, including the group's exposure to interest rate risk, credit risk and liquidity risk, is set out in note 32.

Stakeholder communication

The group is committed to timely, consistent and transparent communication with all stakeholders and encourages an open culture.

Communication with employees takes place at regular site meetings where matters affecting the employees are discussed with management and feedback is subsequently communicated to employees.

In addition, Esorfranki communicates with employees through the following media:

- Franki's quarterly magazine, which will become a group-wide in-house initiative in the upcoming year;
- investor newsletters as copied onto the group's intranet; and
- quarterly Employment Equity Fora for employees.

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

Industry associations

The company, in its own right and through its operating entities, is an active member of associations including:

- Regional Master Builders Associations (MBAs)
- South African Federation of Civil Engineering Contractors (SAFCEC)
- South African Institute of Civil Engineers (SAICE)
- South African Bureau of Standards (SABS)
- South African Society of Trenchless Technologies (SASTT)

Code of ethics ("the Code")

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

Sustainability report

Esorfranki is committed to triple-bottom line reporting and views sustainable development as an integral part of its value proposition.

Black economic empowerment

The group remains strongly committed to BEE and is constantly striving to increase black ownership at holdings level. Esorfranki is currently 30,3% black-owned, comprising BEE shareholders that include:

- the Esor Broad Based Share Ownership Scheme, implemented in 2006, which benefits all permanent staff below executive management level and holds a 6,5% stake in the group;
- Zerovest Investments 18 (Pty) Limited ("Zerovest"), which is 100% owned by property developers Insolenu Group Holdings. Zerovest holds a 4,3% stake in the group and is represented at board level by independent non-executive director Jonathan Hlongwane; and
- Vunani Capital, a division of Vunani Limited, which holds a 3,7% stake in the group and is represented at board level by independent non-executive director Ethan Dube.

Shareholder	Shares
Esor Broad Based Share Ownership Scheme	18 750 000
Zerovest	12 500 000
Vunani Capital (Pty) Limited	10 695 000
MB Mathabathe	4 800 000
ASVI (Pty) Limited	3 875 000
Total	50 620 000

Esorfranki is rated a "Level 6" contributor in terms of the Department of Trade and Industry's BBBEE Codes of Good Practice (60% of spend with the group can therefore be regarded by clients as BEE spend). 82,9% of the workforce is black, and emphasis is placed on training suitable candidates to accelerate promotion to management level. Currently, 15,1% of senior and middle management in the group and four of the seven board members are black.

The Construction Charter is currently being finalised and Esorfranki is actively participating in this process by attending public meetings and submitting comment where appropriate. A member of the EXCO, RP McLintock, holds the position of Vice President of SAFCEC which is responsible for formulating the Charter.

Preferential procurement

Esorfranki has allocated significant discretionary procurement spend to preferred suppliers with the highest BEE ratings. A formal policy regarding procurement/suppliers is currently in development.

Employment equity

Esorfranki is committed to non-discriminatory employment practices that recognise and reward initiative, effort and merit across the board while at the same time prioritising the advancement of black staff. In terms of a formal policy statement, Esorfranki undertakes to be an equal opportunity employer and to this end aims to overcome and eliminate any perceived and/or existing discriminatory obstacles and practices impeding equal employment opportunities. A zero-tolerance approach is adopted in this regard. Esorfranki is therefore committed to equal employment, training and reimbursement opportunities for all race groups and genders.

As per the formal policy statement, when recruiting new employees Esorfranki strives to give precedence to appropriately qualified black candidates. With regard to promotion Esorfranki has a policy of prioritising existing employees. Where no suitable internal candidates can be identified, the position is sourced externally and preference is given, subject to the operational requirements, to those races in accordance with the Employment Equity Forum. Esorfranki also makes specific additional efforts to assist disadvantaged groups, for instance in terms of training and development.

Staff retention is excellent and each successive year reflects a net gain of employees. Identification of suitable candidates for succession planning took place some time back, with Esorfranki already benefiting from the newly skilled senior employees coming up through the ranks to middle management.

The group employs a philosophy of empowerment, assigning responsibility and engendering a sense of ownership of the business – an approach which is bolstering the strength and depth of its skills pool.

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

- Employment Equity Fora – national and divisional;
- regular feedback communicated through Employment Equity Committees;
- union meetings; and
- toolbox meetings.

Esorfranki employment equity statistics are set out below:

	Esor Africa		Franki		Civils		Pipelines	
	%	Target	%	Target	%	Target	%	Target
Category/level	2008/9*	2009/10	2008/9*	2009/10	2008/9*	2009/10	2008/9*	2009/10
Top management	–	–	–	–	25	25	–	–
Senior management	–	12	–	25	25	25	–	–
Professionally qualified	21	23	12	16	52	52	25	50
Skilled	58	58	58	54	93	92	33	40
Semi-skilled	91	89	90	89	97	97	94	94
Unskilled	99	100	100	100	93	93	100	100

* *Percentage of workforce which is black*

Skills development and training

The group is committed to ongoing training and development to enhance the skills base and facilitate advancement of employees, particularly black employees. A deterioration in market conditions in the wake of the global financial crisis has created the advantage of eliminating the former skills shortage and Esorfranki recognises this as an opportunity to deepen its skills pool. The group continues striving to be the "employer of choice" in its industry and is achieving pleasing success in this regard.

Formal operational training provided to staff during the year included:

- Basic concreting techniques
- Hydraulics
- In-house IRE training
- In-house pile maker training
- Scaffold erection
- Diploma building
- ICON
- In-house junior foreman training
- In-house site induction
- Welding
- Diploma civil engineering
- In-house Günter training
- In-house operator training
- Root cause analysis
- Welding course

88% of attendees were black.

Ongoing internal technical skills development is provided through classroom, personal mentoring and "on-the-job" training as well as through learnerships or apprenticeships. Internal skills training for pile makers, site clerks and foremen benefited 16 candidates at Franki during the year, while nine employees are receiving apprenticeships and mentoring.

To promote employee retention and incentivisation the group has implemented the following incentives:

- key/critical staff are offered share options under the Esor Share Incentive Scheme;
- all employees, excluding directors, participate in the Esor Broad Based Share Ownership Scheme, allowing them an opportunity to derive financial benefits from the performance of the group; and
- a bonus scheme based on individual and group performance.

Esorfranki also offers sponsorship for civil engineering students and a further study scheme is in place for existing employees. The group further has a School Bursary Scheme for children of existing employees. During the year 20 employees benefited from these schemes, of which 45% were black.

Safety, health and environment

Esorfranki is committed to a safe and healthy working environment and ensures strict compliance with the South African Occupational Health and Safety Act, 1993. To this end, inspection and legal compliance audits are performed regularly, safety policy is reviewed and external audits are performed as required in compliance with ISO 9001.

A Central Safety Committee reports regularly on safety issues to the EXCO. The group has also appointed a company health and safety co-ordinator, who oversees health and safety compliance. This position is supported by divisional/site safety officers and site safety representatives. A detailed risk assessment is undertaken for each product type and specific tasks. These are then rated according to a matrix and mitigated accordingly. Site staff are trained and each site has a health and safety plan including a method statement and risk assessment.

Further, the following measures are in place to prevent casualties and injuries:

- Central Safety Committee;
- divisional Safety Committee;
- toolbox talks;
- safety alerts;
- health and safety investigations; and
- corrective disciplinary action in the event of proven negligence.

The group is in the process of standardising health and safety procedures and reporting, which will include setting targets within each operating division. The group achieved a Lost Time Injury Frequency Rate (LTIFR) of 2,4 during the year.

Extensive health and safety training took place during the year including:

- Banksman/safesling
- Driver assessments
- Gas cutting
- Incident investigation
- Stacking and storage
- Basic safety
- Fire fighting
- Health and safety
- Risk assessment
- Use of power tools
- Dangerous goods
- First aid
- Heavy duty assessments
- Safety train the trainer
- Working at heights

Labour relations

The National Union of Mineworkers and the Building Construction and Allied Workers Union are currently the representative unions in the group.

HIV/AIDS

Esorfranki acknowledges the impact of the HIV/AIDS pandemic in South Africa and accordingly has a formal policy ensuring the fair, ethical and equitable treatment of employees living with HIV/AIDS.

The group's HIV/AIDS policy demands confidentiality of the employee's status – should an HIV-positive employee volunteer status information, the relevant managers are appropriately briefed and informed to enable them to manage the situation. Employees are encouraged to seek medical treatment, counselling, ongoing testing and assistance from support groups.

A proactive HIV/AIDS workplace programme is in place which includes education and awareness projects to address questions in respect of HIV/AIDS ranging across prevention and infection to treatment, voluntary and confidential pre-employment and during employment testing and support for infected employees. External supplier HIV/AIDS Managed Care Systems (Pty) Limited (CareWorks) is employed to run these projects.

Environment

Esorfranki is committed to prioritising environmental concerns on all projects. The group recognises the environment as fundamental to operations and aims to create and maintain a safe and healthy workplace in which levels of risk to employees, equipment and environment/community are minimised. Each of the four operating entities carry out contracts on which strict site-specific Environmental Management Plans (EMPs) are in place.

Corporate social investment ("CSI")

Esorfranki is committed to social development and upliftment through support of community-based organisations. During the year the group was involved in building a crèche at Vlakfontein, near Orange Farm, in conjunction with Bombela Civils.

Directorate

Back row from left to right: Arthur Field, Mike Barber, Bernie Krone*, Johan van Reenen**, Roy McLintock, Iain Stephen, Mauro Trevisani

Seated from left to right: Ethan Dube*, Dave Thompson*, Wayne van Houten*

Absent from picture: Jonathan Hlongwane*, Franklin Sonn*, Briss Mathabathe*

* Esorfranki board members at date of report

** Alternate

Jonathan Hlongwane

Franklin Sonn

Briss Mathabathe

Executive directors

Bernie Krone (55)
Chief Executive Officer
BSc Eng (Civil) Pr Eng FSAICE
Bernie was born in Halstead, England and moved to SA as a child. After attaining Professional Engineer status, he gained experience in the employ of major geotechnical engineering companies before joining Esor. He has 32 years' experience across all aspects of geotechnical engineering.

Wayne van Houten (44)
Financial Director
BCom BAcc CA(SA)
Wayne qualified as a Chartered Accountant in 1990 after serving articles with KPMG. He left the auditing profession shortly thereafter and he has been involved in the construction industry since qualifying. He joined Franki in early 2005 and has been an executive director since November 2006. Wayne was appointed as Financial Director in June 2008.

Independent non-executive directors

David Thompson (72)
Chairman
CA(SA)
David qualified as a Chartered Accountant in SA and is also a member of the Association of Accountants and Auditors in the United Kingdom. He has further studied for the Advanced Management Programme at Harvard in the USA. David has vast experience having served on a multitude of boards.

Ethan Dube (49)
MSc (Statistics)
Ethan worked at Standard Chartered Merchant Bank for several years in the Corporate Finance division and then spent six years in asset management, split between Southern Asset Managers and Infinity Asset Management. In 1998 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.

Jonathan (Mlungisi) Hlongwane (43)
In 1997, Mlungisi was appointed head of Universal Services Agency, a statutory body designed to spearhead the delivery of telecommunications to South African communities, particularly those disadvantaged by apartheid. In 2000, he joined Wireless Business Solutions as executive chairperson. In May 2005 he was requested by the African National Congress to serve as the executive mayor of Sedibeng District Municipality. He is currently studying towards a Bachelor of Business Administration with Newport University. He also serves as a director of Vukile Properties (Pty) Limited, Director Signs (Pty) Limited, Combo Signs, Vula Communications (Pty) Limited and Emerald Safari Resorts (Pty) Limited. Mlungisi is a former president of the South African National Civics Organisation (SANCO), a position he held for five years.

Malemadutje (Briss) Mathabathe (67)
Briss has extensive experience in all aspects of the initiation, structuring, implementation and operation of capital investment projects and is well-known to government, parastatals, development agencies, export bodies, contractors and financiers. He is currently managing director of Imbani Coal (Pty) Limited and serves as a director on a number of boards.

Franklin Sonn (69)
BA (Hons) STD FIAC
Democratic South Africa's first ambassador to the United States, Franklin is the recipient of thirteen honorary doctorates and has held many distinguished positions. He currently serves on the boards of companies including ABSA Bank Limited, ABSA Group Limited, Metropolitan Holdings Limited, Pioneer Food Group Limited, RGA Reinsurance Co. of SA Limited and SAPPI Limited. Franklin is also chairman of African Star Ventures (Pty) Limited, the Airports Company of SA Limited, Cape Star Investments (Pty) Limited, Ekapa Mining (Pty) Limited, Imalivest (Pty) Limited and Khwezi V3 Engineers (Pty) Limited, and serves on the board of Macsteel Services Centres 2005 (Pty) Limited. He is further a trustee of The Legal Resources Trust World Wide Fund for Nature SA and has been the chancellor of the University of the Free State since 2002. He served formerly as the rector of the Peninsula Technikon from 1978 to 1994.

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of Esorfranki, comprising the balance sheets at 28 February 2009, and the income statements, the statements of recognised income and expenses and cash flow statements 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 and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the group and company's ability to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

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

The group annual financial statements and annual financial statements of Esorfranki, as identified in the first paragraph, were approved by the board of directors on 14 May 2009 and signed on their behalf by:

B Krone
Chief Executive Officer

W van Houten
Financial Director

Germiston
14 May 2009

Declaration by company secretary

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

ID Stephen
Company secretary

Germiston
14 May 2009

Audit and Risk Committee report

In compliance with the Companies Act, an Audit and Risk Committee was formally appointed by the board of directors. This committee comprises JC van Reenen (chairman), DM Thompson and EG Dube who are non-executive directors and who act independently.

The definition set out in section 269 of the Companies Act was used to test the independence of each member of the Audit and Risk Committee. During the financial year ended 28 February 2009, in addition to the duties set out in the Audit and Risk Committee's terms of reference, a summary of which is provided in the Corporate Governance Report of this annual report, the Audit and Risk Committee carried out its functions as follows:

- nominated the appointment of KPMG Inc. as the registered independent auditor after satisfying itself, through enquiry, that KPMG Inc. is independent;
- determined the fees to be paid to KPMG Inc. and its terms of engagement;
- ensured that the appointment of KPMG Inc. complied with the Companies Act and any other legislation relating to the appointment of auditors; and
- approved a non-audit services policy, which determines the nature and extent of any non-audit services which KPMG Inc. is permitted to perform.

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

In terms of the JSE Listings Requirements the Audit and Risk Committee has considered and satisfied itself with the appropriateness of the expertise and experience of the Financial Director.

The Audit and Risk Committee recommended the annual financial statements for the year ended 28 February 2009, for approval, to the board. The board has subsequently approved the annual financial statements which will be open for discussion at the forthcoming annual general meeting.

Johan van Reenen
Chairman Audit and Risk Committee

Germiston
14 May 2009

Independent auditor's report

To the members of Esorfranki Limited

We have audited the group annual financial statements and the annual financial statements of Esorfranki Limited, which comprise the balance sheets at 28 February 2009, and the income statements, the statements of recognised income and expenses and cash flow statements 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 37 to 97.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 2009, 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

14 May 2009

Directors' report

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 2009.

Nature of business

The nature of the group's business is set out in the group profile on page 4.

Financial results

Revenue has increased to R1,414 billion from R1,017 billion in the previous year. Earnings before interest, depreciation, impairments, amortisations and taxation ("EBITDA") increased by 77,6% to R325,9 million from R183,9 million. Headline earnings per share rose 20,2% to 61,7 cents per share ("HEPS"). Net asset value ("NAV") per share increased by 39,2% from 160,3 cents to 223,2 cents based on the number of shares in issue at year-end.

Further comment is set out in the Financial Director's report and detail is set out in the annual financial statements and accompanying notes on pages 37 to 97.

Property, plant and equipment

During the year under review the group acquired property, plant and equipment amounting to R188,3 million (2008: R147,5 million). The capital expenditure programme is explained in the Chief Executive Officer's Report and the Financial Director's Report.

Dividend declaration

In deciding on the amount of dividend to declare, the board has considered a number of factors, these include the amount of debt on the balance sheet, future availability of credit, the covenants imposed in terms of the financing arrangements and uncertainty relating to the current world financial crisis. Further to this the board considered it prudent to conserve cash and to settle debt, which will in turn have a positive effect on future profits. The board has therefore decided on a dividend of 15 cents per share, which equates to 4,11 times dividend cover on headline earnings per share. It remains the policy of the group to review the dividend policy annually in light of cash flow, gearing and capital requirements.

The salient dates for the dividend are as follows:

Last day to trade *cum* dividend	Friday, 5 June 2009
Shares trade *ex* dividend	Monday, 8 June 2009
Record date	Friday, 12 June 2009
Payment date	Monday, 15 June 2009

No share certificates may be dematerialised or re-materialised between Monday, 8 June 2009 and Friday, 12 June 2009, both dates inclusive.

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 98. There were no changes to the authorised share capital during the year.

The issued share capital increased by 41 591 667 ordinary shares as a result of the allotment and issue of new shares during the year for the recent acquisitions.

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. The directors also propose that the general authority granted to them to repurchase ordinary shares as opportunities present themselves, be renewed at the forthcoming annual general meeting (see Notice of Annual General Meeting).

Share option scheme

Esorfranki has a share option scheme as an incentive for key employees of the group. Shortly after listing in March 2006, 6 000 000 options were granted (equivalent to 2,07% of the issued share capital). These options are exercisable in 20% tranches over a five-year period from the date of granting the option. 1 272 898 (2008: 1 115 092 options) were exercised during the year.

Details of the options granted but not exercised are:

Date option granted	Expiry date	Number of ordinary shares	Subscription price
14 March 2006	13 March 2012	1 738 833	R1,00
30 November 2006	13 March 2012	1 873 177	R1,60

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 27 June 2008, 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 next annual general meeting.

Post year-end a special resolution was passed by shareholders at a general meeting on 20 April 2009 to change the company name to Esorfranki Limited.

Directors

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

DM Thompson (independent non-executive Chairman)
B Krone (Chief Executive Officer)
W van Houten (Financial Director)
EG Dube (independent non-executive director)
JM Hlongwane (independent non-executive director)
Dr FA Sonn (independent non-executive director), (JC van Reenen, alternate)
MB Mathabathe (independent non-executive director) (appointed 5 February 2009)

The following executive directors resigned on 5 February 2009 following the group's restructuring. They remain executive directors of the operational entities:

ML Barber
AM Field
RP McLintock
ML Trevisani

Ethan Dube and Franklin Sonn 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 annual general meeting at the first opportunity after their initial appointment. Accordingly, Malemadutje Briss Mathabathe will stand for confirmation of election at the upcoming annual general meeting.

Acquisitions

GCD was acquired on 1 May 2008 for R18,05 million. With effect from 31 October 2008, the company acquired Patula for R344,9 million, Shearwater for R166,2 million and Brookmay for R5,5 million. The purchase consideration for all transactions was settled in a combination of cash and the issue of shares. The aggregate consideration for the recent acquisitions was R534,7 million.

Company secretary

ID Stephen is the company secretary. His business and postal addresses are those of the company.

Directors' interests

At 28 February 2009, the directors of the company held the following direct and indirect beneficial and non-beneficial interests in the company. There have been no changes in the directors' interests since year-end until the date of this report.

	Direct shareholding		Indirect shareholding		
Directors' shareholding	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Total
EG Dube	–	–	10 675 000	3 600	10 678 600
JM Hlongwane	–	–	12 500 000	–	12 500 000
B Krone	12 383 637	909 091	–	–	13 292 728
MB Mathabathe	4 800 000	–	–	–	4 800 000
Dr FA Sonn	–	–	7 875 000	–	7 875 000
DM Thompson	–	–	–	70 000	70 000
W van Houten	1 119 158	–	–	–	1 119 158

Directors' emoluments

The remuneration of directors is set out in note 31.

Auditors

RSM Betty & Dickson (Durban) resigned as auditors of the company with effect from 15 November 2008 and KPMG Inc. were appointed in their stead. KPMG Inc. will continue in office in accordance with section 270 (2) of the Companies Act.

Post balance sheet events

Operational business units are currently trading through and under the brandings of the existing operating entities of Esor Africa, Franki, Patula and Shearwater. Post the finalisation of the name change of the group to Esorfranki Limited on 11 May 2009, a rebranding initiative is being rolled-out to incorporate all operating entities under the Esorfranki brand.

Post year-end debt levels have been reduced by R112,5 million due to the early settlement of the financing facilities.

14 May 2009

Balance sheets at 28 February 2009

		Group		Company	
		2009	2008	2009	2008
	Note	R'000	R'000	R'000	R'000
Assets					
Non-current assets		987 520	386 415	641 578	261 271
Property, plant and equipment	4	588 545	262 741	–	67 668
Intangible assets	5	113 022	94 529	–	–
Goodwill	6	280 173	26 468	–	–
Deferred tax asset	15	5 780	2 677	101	452
Investments in subsidiaries	7	–	–	641 477	193 151
Current assets		875 972	398 524	213 071	139 987
Inventories	8	11 379	7 224	–	134
Other investments	9	14 269	–	–	–
Unsecured loans	10	–	–	209 428	11 546
Taxation		4 699	3 527	3 348	–
Trade and other receivables	11	572 800	271 914	–	83 495
Cash and cash equivalents	28	272 825	115 859	295	44 812
Total assets		1 863 492	784 939	854 649	401 258
Equity and liabilities					
Share capital and reserves	12	619 577	389 664	704 736	306 776
Share capital and premium		339 078	213 587	364 438	219 970
Equity compensation reserve		3 917	2 361	3 917	921
Foreign currency translation reserve		14 651	6 683	–	–
Common control reserve		–	–	261 107	–
Accumulated profits		261 931	167 033	75 274	85 885
Non-current liabilities		470 080	133 791	–	43 281
Secured borrowings	13	370 603	85 169	–	38 626
Post-retirement benefits	14	1 587	8 106	–	–
Deferred tax liability	15	97 890	40 516	–	4 655
Current liabilities		773 835	261 484	149 913	51 201
Current portion of secured borrowings	13	147 664	21 304	–	12 894
Unsecured loans	10	–	–	6 212	913
Taxation		84 358	26 781	687	7 873
Provisions	16	31 118	15 559	–	–
Trade and other payables	18	510 695	197 840	143 014	29 521
Total equity and liabilities		1 863 492	784 939	854 649	401 258

Income statements for the year ended 28 February 2009

		Note	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Revenue		19	1 414 722	1 017 480	181 204	351 544
Cost of sales			(981 829)	(745 546)	(152 256)	(272 859)
Gross profit			432 893	271 934	28 948	78 685
Other operating income		20	1 631	1 651	689	1 048
Operating expenses			(108 601)	(90 087)	(7 284)	(16 145)
Profit before interest, depreciation impairments, amortisations and taxation			325 923	183 498	22 353	63 588
Depreciation, impairments and amortisations			(92 473)	(30 391)	(4 843)	(4 943)
Profit before interest and taxation		21	233 450	153 107	17 510	58 645
Dividends received			–	–	30 000	5 051
Finance costs			(78 279)	(28 171)	(3 798)	(5 951)
Finance income			55 600	32 883	2 408	8 526
Profit before taxation			210 771	157 819	46 120	66 271
Taxation		22	(67 389)	(41 817)	(7 150)	(18 817)
Profit for the year			143 382	116 002	38 970	47 454
Earnings per share		23				
Basic earnings per share	(cents)		56,9	51,7	15,1	19,5
Diluted earnings per share	(cents)		54,1	50,7	15,1	19,5

Statements of recognised income and expenses

for the year ended 28 February 2009

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'00
Defined benefit plan actuarial gain	155	685	–	–
Profit on disposal of business	–	–	261 107	–
Foreign currency translation differences for foreign operations	7 968	6 642	–	–
Tax on items taken directly to/transferred from equity	–	–	–	–
Income and expenses recognised directly in equity	8 123	7 327	261 107	–
Profit for the year	143 382	116 002	38 970	47 454
Total recognised income and expenses for the year	151 505	123 329	300 077	47 454
Amounts attributable to:				
Equity holders of the parent	151 505	123 329	300 077	47 454

Cash flow statements for the year ended 28 February 2009

	Note	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Cash flows from operating activities		161 628	119 066	(31 336)	17 989
Cash receipts from customers		1 066 242	909 365	52 290	325 990
Cash paid to suppliers and employees		(802 960)	(759 138)	(54 439)	(288 389)
Cash generated from/(utilised by) operations	24	263 282	150 227	(2 149)	37 601
Dividends received		–	–	30 000	5 051
Dividends paid		(48 639)	(14 290)	(49 581)	(14 602)
Finance income		55 600	10 805	2 408	8 526
Finance costs		(78 279)	(8 669)	(3 798)	(5 951)
Taxation paid	25	(30 336)	(19 007)	(8 216)	(12 636)
Cash flows from investing activities		(323 846)	(146 399)	139 178	(51 470)
Additions to property, plant and equipment		(188 355)	(147 470)	(36 630)	(52 066)
Proceeds on disposal of property, plant and equipment		1 234	1 071	292	596
Investments acquired		(6 042)	–	(182 280)	–
Acquisition of business combinations, net of cash acquired	26	(130 683)	–	–	–
Disposal of business	27	–	–	357 796	–
Cash flows from financing activities		319 184	90 544	(152 359)	60 379
Decrease/(increase) in unsecured loans		2 911	–	(201 157)	37 751
Increase in secured borrowings		319 646	54 619	26 830	14 009
Proceeds from share issue net of issue expenses		2 990	38 235	21 968	8 619
Post-retirement benefits paid		(6 363)	(2 310)	–	–
Net increase/(decrease) in cash and cash equivalents		156 966	63 211	(44 517)	26 898
Net cash and cash equivalents at beginning of year		115 859	52 648	44 812	17 914
Cash and cash equivalents at end of year	28	272 825	115 859	295	44 812

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 2009 comprise the company and its subsidiaries (together referred to as the "group" and individually as "group entities") and the group's interest in joint ventures. The group is primarily involved in the specialist geotechnical and civil engineering sector in South Africa and Southern Africa (refer notes 2.21 and 36).

2. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, 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 balance sheet date that could have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year are:

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 – Share-based payment transactions.

Impairment testing

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

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 – Provisions.

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 – Post-retirement benefits.

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, unlikely, 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. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. 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. 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 – 12 years
Motor vehicles	Straight line	4 – 8 years
Furniture and fittings	Straight line	5 – 10 years
Computers	Straight line	3 years

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

2. Presentation of annual financial statements continued

2.3 Property, plant and equipment continued

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.

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

When a decision is made by the directors that an item of property, plant and equipment will be disposed of and the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are met, then those specific assets will be presented separately on the face of the balance sheet 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 its fair value at the date of acquisition. Research costs are recognised as an expense when they are incurred. Development costs are capitalised when they meet the following criteria:

- it is 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 intangibles. They are tested annually for impairment and impaired if necessary.

Finite useful life intangibles 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.

2. Presentation of annual financial statements continued

2.5 Goodwill

Goodwill arises on the acquisitions of subsidiaries, associates, joint ventures and on the separate purchase of businesses. Goodwill is carried at cost less accumulated impairment losses. For equity-accounted associates, the related goodwill is included as part of the investment in the associate.

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.

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

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

Acquisitions from entities under common control

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. The components of equity of the acquired entities are added to the same components within the group equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity.

Joint ventures

Joint ventures are operations over whose activities the group have joint control. Joint control is the contractually agreed sharing of control over operations, and exists only when the strategic financial and operating decisions relating to the entity require the unanimous consent of the venturers. Joint ventures are accounted for by applying the proportionate consolidation method on a line-by-line basis.

2. Presentation of annual financial statements continued

2.7 Basis of consolidation *continued*

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 SPE's 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 SPEs 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 gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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 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.

2. Presentation of annual financial statements continued

2.8 Impairment of assets continued

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.

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 2.17.

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.

2. Presentation of annual financial statements continued

2.9 Financial instruments continued

Derivative financial instruments continued

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 immediately in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately 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.

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 net of any tax effects, and 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 balance sheet.

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 borrowing costs.

2. Presentation of annual financial statements continued

2.11 Leases continued

The group as lessee continued

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 of 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.

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

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

2.13 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.

2.14 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, in which case it is recognised in equity.

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 balance sheet 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

2. Presentation of annual financial statements continued

2.14 Income tax continued

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 tax assets and liabilities will be realised simultaneously.

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.

2.15 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 measures 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.

2.16 Dividend received

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

2. Presentation of annual financial statements continued

2.17 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, and gains on derivative instruments that are recognised in 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 assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on derivative instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

2.18 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. 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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Rands at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Rands at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity, in the foreign currency translation reserve ("FCTR"). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred 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 equity in the FCTR.

2.19 Share-based payment transactions

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

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

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

2. Presentation of annual financial statements continued

2.19 Share-based payment transactions continued

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

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

2.20 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. 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 accrued basis over the working life of the eligible employees. Acturial gains and losses are recognised immediately.

2. Presentation of annual financial statements continued

2.21 Segment reporting

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

Although IFRS 8 is effective for reporting periods beginning on or after 1 January 2009, the group has early adopted the standard.

Identification of reportable segments

The group discloses its reportable segments according to the group's components that management monitor regularly in making decisions about operating matters. The reportable segments comprise various operating segments primarily located in South Africa.

The revenue and operating assets are further disclosed within the geographical areas in which the group operates. Segment information is prepared in conformity with the basis that is reported to the chief operating decision makers in assessing segment performance and allocating resources to segments. These values have been reconciled to the consolidated financial statements. The basis 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.

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, pipe jacking, 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 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 2009, and have not been applied in preparing these consolidated financial statements:

Standard			Effective date*
IFRS 2		Share-based Payments – Vesting Conditions and Cancellations	1 January 2009
IAS 23		Borrowing Costs	1 January 2009
IAS 39	amendment	Eligible Hedged Items	1 July 2009
IAS 27	amendment	Consolidated and Separate Financial Statements	1 July 2009
IFRS 3		Business Combinations	1 July 2009
IAS 32	and		
IAS 1	amendment	IAS 32 Financial Instruments and	
		IAS 1 Presentation of Financial Statements	
		– Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
IAS 1		Presentation of Financial Statements	1 January 2009
IAS 27	and		
IFRS 1	amendment	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
IFRIC 15		Agreements for the Construction of Real Estate	1 January 2009

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

Assessment of the potential impact of new and revised standards

Management has assessed the impact of the above-mentioned new and revised standards and concluded that other than IAS 1, the changes should not significantly impact the group annual financial statements.

IAS 1 Presentation of Financial Statements

IAS 1 will be adopted by the company for the first time for its financial reporting period ending 28 February 2010.

4. Property, plant and equipment

Group	Cost R'000	Accumulated depreciation and impairment losses R'000	Carrying value R'000
2009			
Land and buildings	35 058	564	34 494
Plant and equipment	703 415	190 000	513 415
Motor vehicles	76 144	36 565	39 579
Furniture and fittings	1 711	1 253	458
Computers	2 298	1 699	599
	818 626	230 081	588 545
2008			
Land and buildings	22 702	296	22 406
Plant and equipment	294 692	71 771	222 921
Motor vehicles	28 048	11 263	16 785
Furniture and fittings	1 240	822	418
Computers	1 360	1 149	211
	348 042	85 301	262 741

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

2009	Carrying value at beginning of year R'000	Additions R'000	Acquisitions through business combinations R'000	Disposals R'000	Depreciation R'000	Translation adjustments R'000	Carrying value at end of year R'000
Land and buildings	22 406	3 246	7 082	–	(178)	1 938	34 494
Plant and equipment	222 921	172 727	184 801	(837)	(64 249)	(1 948)	513 415
Motor vehicles	16 785	11 791	14 681	(343)	(3 771)	436	39 579
Furniture and fittings	418	98	122	–	(182)	2	458
Computers	211	493	136	–	(237)	(4)	599
	262 741	188 355	206 822	(1 180)	(68 617)	424	588 545

4. Property, plant and equipment continued

2008	Carrying value at beginning of year R'000	Additions R'000	Disposals R'000	Depreciation R'000	Translation adjustments R'000	Carrying value at end of year R'000
Land and buildings	21 271	862	–	(90)	363	22 406
Plant and equipment	106 989	136 847	(49)	(26 455)	5 589	222 921
Motor vehicles	11 100	9 383	(302)	(3 602)	206	16 785
Furniture and fittings	251	255	–	(87)	(1)	418
Computers	250	123	(6)	(157)	1	211
	139 861	147 470	(357)	(30 391)	6 158	262 741

Included in the carrying amounts above are items of plant and equipment which have been impaired. The accumulated impairment at year-end was R8,9 million (2008: R8,9 million).

Certain property, plant and equipment with a carrying value of R311 million (2008: R110 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 (2008: R40 million) have been registered over the movable assets of Esor Africa and Franki 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.

Company	Cost R'000	Accumulated depreciation and impairment losses R'000	Carrying value R'000
2009			
Plant and equipment	–	–	–
Motor vehicles	–	–	–
Furniture and fittings	–	–	–
Computers	–	–	–
	–	–	–
2008			
Plant and equipment	60 019	6 086	53 933
Motor vehicles	21 050	7 675	13 375
Furniture and fittings	373	221	152
Computers	1 016	808	208
	82 458	14 790	67 668

4. Property, plant and equipment continued

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

	Carrying value at beginning of year R'000	Additions R'000	Disposals R'000	Depreciation R'000	Disposal of business R'000	Carrying value at end of year R'000
2009						
Plant and equipment	53 933	33 211	–	(3 407)	(83 737)	–
Motor vehicles	13 375	3 326	(299)	(1 309)	(15 093)	–
Furniture and fittings	152	10	–	(60)	(102)	–
Computers	208	83	–	(67)	(224)	–
	67 668	36 630	(299)	(4 843)	(99 156)	–
2008						
Plant and equipment	11 868	44 723	(49)	(2 609)	–	53 933
Motor vehicles	8 638	7 181	(267)	(2 177)	–	13 375
Furniture and fittings	122	62	–	(32)	–	152
Computers	239	100	(6)	(125)	–	208
	20 867	52 066	(322)	(4 943)	–	67 668

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

5. Intangible assets

Group	Cost R'000	Accumulated amortisation and impairment R'000	Carrying value R'000
2009			
"Franki" brand name	94 529	630	93 899
"Patula" brand name	12 662	12 662	–
"Shearwater" brand name	4 660	4 660	–
"GCD" brand name	2 117	176	1 941
Customer contracts	22 910	5 728	17 182
	136 878	23 856	113 022
2008			
"Franki" brand name	94 529	–	94 529

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

2009	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
"Franki" brand name	50 years	94 529	–	(630)	–	93 899
"Patula" brand name	10 years	–	12 662	(422)	(12 240)	–
"Shearwater" brand name	5 years	–	4 660	(310)	(4 350)	–
"GCD" brand name	10 years	–	2 117	(176)	–	1 941
Customer contracts	16 months	–	22 910	(5 728)	–	17 182
		94 529	42 349	(7 266)	(16 590)	113 022

2008	Carrying value at beginning of year R'000	Additions R'000	Amortisation and impairment R'000	Carrying value at end of year R'000
"Franki" brand name	94 529	–	–	94 529

During the current financial year the group changed its estimate of the useful life of the Franki brand name from an indefinite useful life to 50 years. The amortisation for the period resulting from the change in estimate is set out above. The useful life of 50 years is based on an independent valuation of the brand name performed in the current year.

The Patula and Shearwater brand names were impaired in full at year-end as a decision was made to re-brand group companies to all trade under the Esorfranki name.

6. Goodwill

Group	Cost R'000	Accumulated impairment R'000	Carrying value R'000
2009			
Franki	26 468	–	26 468
Patula	152 620	–	152 620
Shearwater	90 981	–	90 981
Brookmay	557	–	557
GCD	9 547	–	9 547
	280 173	–	280 173

2008	Restated cost R'000	Accumulated impairment R'000	Restated carrying value R'000
Franki	26 468	–	26 468

The carrying amount of goodwill can be reconciled as follows:

2009	Carrying value at beginning of year R'000	Additions R'000	Impairment R'000	Carrying value at end of year R'000
Franki	26 468	–	–	26 468
Patula	–	152 620	–	152 620
Shearwater	–	90 981	–	90 981
Brookmay	–	557	–	557
GCD	–	9 547	–	9 547
	26 468	253 705	–	280 173

2008	Restated carrying value at beginning of year R'000	Additions R'000	Impairment R'000	Restated carrying value at end of year R'000
Franki	26 468	–	–	26 468

6. Goodwill continued

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

The opening balance of goodwill attributable to the acquisition of Franki was restated as a result of the prior period restatement (refer note 39).

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 8% 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 23,9% to 25,3% was applied in determining the recoverable amounts of the entities. The discount rate was estimated based on weighted average cost of capital and a debt-equity ratio of 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 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
7. Investments in subsidiaries				
Shares at cost	–	–	641 477	193 151
Details of the investments in subsidiaries are shown in notes 34 and 37.				
8. Inventories				
Raw materials	10 357	7 090	–	–
Consumables	378	134	–	134
Other	644	–	–	–
	11 379	7 224	–	134
9. Other investments				
Loans and receivables				
– endowments	8 914	–	–	–
– contingency policy	5 355	–	–	–
	14 269	–	–	–

Endowment policies owned by Patula Plant (Pty) Limited have been ceded to Standard Bank as security for property, plant and equipment acquired. At year-end, the fair value of these policies approximated the carrying value.

The group has acquired 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 practises during the contract period.

	Interest rate %	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
10. Unsecured loans					
Hammib Properties (Proprietary) Limited	14,5	–	–	–	825
Esor Properties (Proprietary) Limited	14,5	–	–	–	1 052
Esor Africa (Proprietary) Limited	14,5	–	–	117 786	3 285
Esor Broad Based Share Ownership Scheme	9,0	–	–	20 625	–
Esor Share Incentive Trust	–	–	–	–	6 384
Franki Africa (Proprietary) Limited	14,0	–	–	(6 212)	(913)
Patula Construction (Proprietary) Limited	–	–	–	11 191	–
Shearwater Plant Hire (Proprietary) Limited	–	–	–	59 826	–
		–	–	203 216	10 633
Disclosed as follows:					
Current assets		–	–	209 428	11 546
Current liabilities		–	–	(6 212)	(913)
		–	–	203 216	10 633

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 (Pty) Limited's assets and liabilities exceed the shareholder's deficit recorded.

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
11. Trade and other receivables				
Trade receivables	522 504	254 391	–	81 719
Sundry debtors and prepayments	50 296	17 523	–	1 776
	572 800	271 914	–	83 495
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	1 414 722	1 017 480	–	351 544
Amounts received	(977 437)	(788 037)	–	(278 283)
Retentions receivable	85 219	24 948	–	8 458
	522 504	254 391	–	81 719
Amounts due from contract customers	522 504	254 391	–	81 719
Amounts due to contract customers (refer note 18)	(145 993)	(65 561)	–	–

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

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
12. Share capital and reserves				
Authorised				
500 000 000 ordinary shares of R0,001 each	500	500	500	500
Issued				
289 495 507 (2008: 247 903 840)				
ordinary shares of R0,001 each	289	248	289	248
Less: 11 862 010 (2008: 4 884 908)				
treasury shares held by the Esor Share Incentive Scheme	(11)	(5)	–	–
	278	243	289	248
Share premium	338 800	213 344	364 149	219 722
Balance at beginning of year	213 344	175 133	219 722	211 108
Premium on shares issued	125 800	8 665	144 771	9 049
Derecognition of share scheme	–	29 981	–	–
Share issue expenses written off	(344)	(435)	(344)	(435)
	339 078	213 587	364 438	219 970

Unissued shares

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

On 1 December 2008, 675 000 ordinary shares were issued to Vunani Corporate Finance, the transaction advisor, for R2,50 per share as consideration for the services rendered in respect of the acquisition of the entities mentioned below.

On 1 December 2008, ordinary shares, as tabled below, were issued for R3,75 per share (price on the effective date of control) as partial settlement of the purchase price for the acquisition of the following entities:

	Number of shares issued	Fair value R'000
Acquiree		
Patula	15 570 000	58 388
Brookmay	430 000	1 612
Shearwater	16 666 667	62 500
	32 666 667	122 500

A further 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 had not yet been granted by year-end.

12. Share capital and reserves continued

Share movements continued

Reconciliation of movement in reserves

	Equity compensation reserve R'000	Foreign currency translation reserve R'000	Accumulated profits R'000	Total R'000
Group				
Balance at 1 March 2007	658	41	63 969	64 668
Derecognition of special purpose entity	–	–	667	667
Foreign currency translation adjustment	–	6 642	–	6 642
Post-retirement benefit adjustment	–	–	685	685
Share options exercised	1 703	–	–	1 703
Profit for the year	–	–	116 002	116 002
Dividends paid	–	–	(14 290)	(14 290)
Balance at 29 February 2008	2 361	6 683	167 033	176 077
Foreign currency translation adjustment	–	7 968	–	7 968
Post-retirement benefit adjustment	–	–	155	155
Share options exercised	1 556	–	–	1 556
Profit for the year	–	–	143 382	143 382
Dividends paid	–	–	(48 639)	(48 639)
Balance at 28 February 2009	**3 917**	**14 651**	**261 931**	**280 499**

	Equity compensation reserve R'000	Common control reserve R'000	Accumulated profits R'000	Total R'000
Company				
Balance at 1 March 2007	–	–	53 290	53 290
Share options exercised	921	–	(257)	664
Profit for the year	–	–	47 454	47 454
Dividends paid	–	–	(14 602)	(14 602)
Balance at 29 February 2008	921	–	85 885	86 806
Share options exercised	2 996	–	–	2 996
Profit for the year	–	–	38 970	38 970
Dividends paid	–	–	(49 581)	(49 581)
Disposal of business	–	261 107	–	261 107
Balance at 28 February 2009	**3 917**	**261 107**	**75 274**	**340 298**

13. Secured borrowings

	Monthly instalment		Group		Company	
	Group	Company	2009	2008	2009	2008
	R'000	R'000	R'000	R'000	R'000	R'000
Instalment sale agreements	8 275	–	266 576	106 473	–	51 520
Junonia Investments No 3 (Pty) Limited	3 410	–	251 472	–	–	–
Mortgage bond	7	–	219	–	–	–
Total secured borrowings			518 267	106 473	–	51 520
Current portion included under current liabilities			(147 664)	(21 304)	–	(12 894)
			370 603	85 169	–	38 626

Instalment sale agreements are secured over property, plant and equipment referred to in note 4. Interest is levied at rates of between prime minus 1% and prime minus 2% on these borrowings. Instalment sale agreements are for periods not exceeding 60 months. The final repayment dates on the instalment agreements is February 2014.

The Junonia Investments No 3 (Pty) Limited financing comprises 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, are 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). The final date of repayment on these loans is November 2013. Interest is levied at a rate of between JIBAR (three months) plus 220 basis points and JIBAR (one month) plus 250 basis points. Loan covenants imposed by this financing monitor four specific ratios, namely pre and post dividend debt service cover, debt: EBITDA, and EBITDA: interest payable. There are no breaches of any of the imposed loan covenants as at 28 February 2009 and the directors are confident that the group is able to maintain the ratios above the levels required by the covenants (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 final repayment date on this bond is October 2012.

At year-end, the prime interest rate was 14,0%.

		Group		Company	
		2009	2008	2009	2008
		R'000	R'000	R'000	R'000
14. Post-retirement 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		8 106	10 507	–	–
Current contributions paid		(1 639)	(2 310)	–	–
Settlement of liability		(5 082)	–	–	–
Actuarial gains charged to equity		(155)	(685)	–	–
Interest obligation		357	594	–	–
Balance at 28 February		1 587	8 106	–	–
The principal actuarial assumptions applied in the determination of the fair values include:					
Consumer price inflation	(%)	4,75	7,25	–	–
Discount rate	(%)	8,50	6,95	–	–
Medical cost trend rate	(%)	6,25	8,75	–	–
Date of last actuarial valuation: 28 February 2009					
Date of next actuarial valuation: 28 February 2010					
Any changes in the actuarial assumptions are not expected to have a significant impact on the post-retirement obligation.					
Contributions to retirement benefit funds		15 263	13 283	763	3 719

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.

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
15. Deferred tax				
Restated balance at beginning of year	37 839	13 113	4 203	2 851
Movements during the year:				
Prior year restatement (refer note 39)	–	26 468	–	–
Acquisitions through business combinations (refer note 26)	54 815	–	(13 772)	–
Translation adjustment	190	–	–	–
Tax rate change	(1 223)	–	(146)	–
Temporary differences	489	(1 742)	9 614	1 352
Balance at end of year	92 110	37 839	(101)	4 203
The balance comprises:				
Leave pay accruals	(851)	(3 312)	–	(452)
Property, plant and equipment	60 994	16 691	–	2 202
Retentions receivable	23 579	7 309	–	2 453
Provisions/contract accruals	(30 346)	(18 538)	–	–
Accrued income	15 702	15 281	–	–
Intangible assets	31 646	26 468	–	–
Deferred income	5 189	(16 345)	–	–
Assessed loss	(8 587)	–	(101)	–
Section 24C allowance	9 995	10 761	–	–
Other	(15 211)	(476)	–	–
	92 110	37 839	(101)	4 203
Non-current assets	(5 780)	(2 677)	(101)	(452)
Non-current liabilities	97 890	40 516	–	4 655
	92 110	37 839	(101)	4 203
16. Provisions				
Staff bonuses				
– opening balance	15 559	14 147	–	–
– acquired through business combinations	12 447	–	–	–
– utilised	(55 218)	(14 147)	–	–
– created	48 796	15 559	–	–
Closing balance	21 584	15 559	–	–
Other provisions				
– opening balance	–	7 253	–	7 253
– acquired through business combinations	7 709	–	–	–
– utilised	–	(7 253)	–	(7 253)
– created	1 825	–	–	–
Closing balance	9 534	–	–	–
Total provisions	31 118	15 559	–	–

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
17. Borrowing facilities				
Available facilities				
– asset finance	400 000	110 000	–	51 520
– business acquisition financing	350 000	–	–	–
– contract guarantees	102 672	196 958	–	–
– overdraft	29 719	23 107	–	–
– forward exchange contracts	15 000	–	–	–
– mortgage bond	219	15 000	–	–
	897 610	345 065	–	51 520
Facilities utilised				
– asset finance	266 576	106 473	–	51 520
– business acquisition financing	251 472	–	–	–
– contract guarantees	46 976	–	–	–
– mortgage bonds	219	–	–	–
	565 243	106 473	–	51 520

Companies within the group have provided securities and undertaken to adhere to certain financial covenants to secure these facilities (refer note 13).

In addition, a corporate guarantee by Franki restricted to the Rand equivalent of US$6,5 million in respect of its African and Indian Ocean Island operations has also been issued in this regard.

Additional unsecured guarantee facilities have been provided by Lombard Insurance Group	500 000	300 000	500 000	300 000
Amounts utilised	219 616	160 000	–	30 000

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
18. Trade and other payables				
Trade payables	98 362	92 976	–	23 178
Accruals	69 599	32 533	1 262	5 673
Amounts due to customers (refer note 11)	145 993	65 561	–	–
Deferred contingent consideration (refer note 26)	140 853	–	140 853	
Sundry payables	55 888	6 770	899	670
	510 695	197 840	143 014	29 521
19. Revenue				
Contract revenue	1 414 722	1 017 480	181 204	351 544
Revenue comprises the value of work done in respect of contracts, net of value added taxation.				
20. Other operating income				
Collection commission	–	–	33	66
Sundry income	1 631	1 651	656	982
	1 631	1 651	689	1 048
21. Profit before interest and taxation				
Profit before interest and taxation is stated after taking into account the following items which require separate disclosure:				
Income				
Profit on disposal of property, plant and equipment	370	760	47	320
Exchange gain on amounts due from subsidiaries and foreign branches	48 394	22 078	–	–
Expenditure				
Auditor remuneration	3 234	2 284	723	689
– audit fees	3 234	2 261	723	666
– fee for other services	–	23	–	23
Depreciation	68 617	30 391	4 843	4 943
Amortisation of intangible assets	7 266	–	–	–
Impairment of intangible assets	16 590	–	–	–
Loss on disposal of property, plant and equipment	316	46	54	46
Exchange loss on amounts due from subsidiaries and foreign branches	32 740	18 908	–	–
Staff costs	312 468	222 502	32 602	57 938
Operating lease charges (refer note 35)	23 947	18 472	17 019	16 340
– equipment hire	16 984	16 815	16 179	15 290
– motor vehicles	3 167	–	–	–
– property rentals	3 796	1 657	840	1 050
Number of employees at year-end	3 336	1 506	–	623

	Group		Company	
	2009	2008	2009	2008
	R'000	R'000	R'000	R'000
22. Taxation				
South African normal taxation				
– current tax	63 919	31 691	–	16 356
– prior year (over)/underprovision	(18 644)	(127)	(4 276)	4
Deferred tax				
– current	(7 953)	(5 612)	9 468	1 352
– prior year underprovision	10 361	–	–	–
Secondary tax on companies (STC)	4 746	1 105	1 958	1 105
Foreign taxation				
– current	15 927	10 679	–	–
– prior year underprovision	2 175	–	–	–
Deferred				
– current	(2 032)	4 081	–	–
– prior year overprovision	(1 110)	–	–	–
	67 389	41 817	7 150	18 817
Reconciliation of tax rates:	%	%	%	%
Normal rate of taxation	28,00	29,00	28,00	29,00
Adjusted for:	3,98	(2,50)	(12,49)	(0,61)
– incentive allowances	–	(2,15)	–	0,06
– exempt income	(0,21)	(0,79)	(7,47)	(2,21)
– capital gains	–	–	–	(0,01)
– secondary tax on companies	2,25	0,70	4,25	1,67
– prior year overprovision	(3,42)	(1,59)	(9,27)	–
– foreign tax rates	1,79	(0,07)	–	–
– other	3,57	1,40	–	(0,12)
Effective rate of taxation	31,98	26,50	15,51	28,39

Secondary tax on companies

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

		Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
23. Earnings per share					
Basic earnings per share	(cents)	56,9	51,7	15,1	19,5
Diluted earnings per share	(cents)	54,1	50,7	15,1	19,5
Headline earnings per share	(cents)	61,7	51,3	15,1	19,4
Diluted headline earnings per share	(cents)	58,5	50,4	15,1	19,4
Dividend per share	(cents)	15,0	20,0	15,0	20,0
The calculation of the basic earnings per share attributable to the ordinary equity holders of the parent is based on the following information:					
Earnings					
Profit after tax		143 382	116 002	38 970	47 454
Net (profit)/loss on disposal of property, plant and equipment		(39)	(714)	5	(274)
Impairment of intangible assets		11 944	–	–	–
Headline earnings		155 287	115 288	38 975	47 180
Weighted average number of ordinary shares					
Issued ordinary shares		247 903 840	243 370 510	247 903 840	243 370 510
Effect of own shares held		(6 896 552)	(24 750 000)	–	–
Effect of share options exercised		631 218	5 580 027	–	–
Effect of shares issued		10 141 530	359 198	10 141 530	359 198
Weighted average number of shares		251 780 036	224 559 735	258 045 370	243 729 708
Diluted earnings					
The calculation of the diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following information:					
Earnings					
Profit after tax		143 382	116 002	38 970	47 454
Net (profit)/loss on disposal of property, plant and equipment		(39)	(714)	5	(274)
Impairment of intangible assets		11 944	–	–	–
Headline earnings		155 287	115 288	38 975	47 180
Diluted weighted average number of ordinary shares					
Weighted average number of ordinary shares		251 780 036	224 559 735	258 045 370	243 729 708
Effect of share options in issue		13 369 401	4 116 841	–	–
Diluted weighted average number of shares		265 149 437	228 676 576	258 045 370	243 729 708

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 for the period that the options were outstanding.

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
24. Reconciliation of profit before taxation to cash generated from/(utilised by) operations				
Profit before taxation	210 771	157 819	46 120	66 271
Adjusted for:				
– finance income	(55 600)	(32 883)	(2 408)	(8 526)
– profit on disposal of property, plant and equipment	(370)	(760)	(47)	(320)
– loss on disposal of property, plant and equipment	316	46	54	46
– dividends received	–	–	(30 000)	(5 051)
– foreign currency translation reserve adjustment	7 735	3 693	–	–
– fair value adjustments	10 017	–	–	–
– depreciation of property, plant and equipment	68 617	30 391	4 843	4 943
– amortisation of intangible assets	7 266	–	–	–
– impairment of intangible assets	16 590	–	–	–
– share-based payments	1 556	1 703	303	664
– derecognition of share scheme	–	667	–	–
– finance costs	78 279	28 171	3 798	5 951
Operating profit before working capital changes	345 177	188 847	22 663	63 978
Working capital changes	(81 895)	(38 620)	(24 812)	(26 377)
Increase in trade and other receivables	(156 079)	(109 006)	(29 841)	(26 282)
Decrease/(increase) in inventories	3 506	(347)	(82)	(111)
Increase in trade and other payables	65 283	76 574	751	7 269
Increase/(decrease) in provisions	5 395	(5 841)	4 360	(7 253)
Cash generated from/(utilised by) operations	263 282	150 227	(2 149)	37 601

	Group		Company	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
25. Taxation paid				
Amounts (owing)/receivable at beginning of year	**(23 254)**	2 696	**(7 873)**	(3 044)
Current tax charged to profit or loss	**(68 123)**	(44 957)	**2 318**	(17 465)
Acquisition of business combinations	**(18 618)**	–	**–**	–
Amount owing/(receivable) at end of year	**79 659**	23 254	**(2 661)**	7 873
	(30 336)	(19 007)	**(8 216)**	(12 636)

26. Acquisition of business combinations

During the year the Esorfranki group acquired the following businesses:

- Patula;
- Shearwater;
- Brookmay; and
- GCD.

Patula

On 31 October 2008, the group acquired the entire issued share capital of the Patula 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 R26,9 million in Esorfranki shares. Patula met the required targets on 28 February 2009.

In the four months to 28 February 2009, the subsidiary contributed profit after tax of R42,2 million. Had the acquisition occurred on 1 March 2008, management estimates that the consolidated revenue would have increased by R461 million, and the consolidated profit after tax for the period would have increased by R64,9 million. In determining these amounts management has assumed that the fair value adjustments that arose on the date of acquisition had occurred on 1 March 2008.

Shearwater Plant Hire (Pty) Limited

On 31 October 2008, the group acquired the entire issued share capital in Shearwater Plant Hire (Pty) Limited, inclusive of Shearwater Construction (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, Shearwater did not achieve the required target.

In the four months to 28 February 2009, the subsidiary contributed profit after tax of R24,4 million. Had the acquisition occurred on 1 March 2008, management estimates that the consolidated revenue would have increased by R117 million, and the consolidated profit after tax for the period would have increased by R8,4 million. In determining the amounts management has assumed that the fair value adjustments that arose on the date of acquisition had occurred on 1 March 2008.

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.

In the four months to 28 February 2009, the subsidiary contributed profit of R0,2 million. If the acquisition had occurred on 1 March 2008, management estimates that the consolidated revenue would have not changed, and the consolidated profit after tax for the period would have remained unchanged at R143,4 million. In determining the amounts management has assumed that the fair value adjustments that arose on the date of acquisition had occurred on 1 March 2008.

Geo Compaction Dynamics

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

In the ten months to 28 February 2009, the business contributed profit after tax of R9,1 million. If the acquisition had occurred on 1 March 2008, management estimates that the consolidated revenue would have increased by R8 million, and the consolidated profit after tax for the period would have been R1,7 million higher. In determining the amounts management has assumed that the fair value adjustments that arose on the date of acquisition had occurred on 1 March 2008.

26. Acquisition of business combinations continued

The acquisitions had the following effect on the group's assets and liabilities on acquisition date:

	Patula		Shearwater		Brookmay		GCD		Total
	Pre-acquisition carrying amounts R'000	Recognised fair values on acquisition R'000	Pre-acquisition carrying amounts R'000	Recognised fair values on acquisition R'000	Pre-acquisition carrying amounts R'000	Recognised fair values on acquisition R'000	Pre-acquisition carrying amounts R'000	Recognised fair values on acquisiton R'000	Recognised fair values on acquisition R'000
Property, plant and equipment	116 439	177 652	8 804	12 406	1 760	6 544	4 452	10 220	206 822
Intangible assets		29 100	–	11 132	–	–	–	2 117	42 349
Inventories	7 535	7 534	127	127	–	–	–	–	7 661
Unsecured loans	2 287	2 287	625	625	–	–	–	–	2 911
Investments	8 227	8 227	–	–	–	–	–	–	8 227
Trade and other receivables	117 434	117 434	28 732	28 732	–	–	–	–	146 166
Cash and cash equivalents	79 517	79 518	61 105	61 105	35	35	–	–	140 658
Secured borrowings	(65 415)	(65 415)	(1 079)	(1 079)	(232)	(232)	(1 761)	(1 761)	(68 487)
Deferred taxation	(23 352)	(48 640)	(1 457)	(5 583)	–	–	–	(592)	(54 815)
Trade and other payables	(62 328)	(62 328)	(24 255)	(24 255)	–	–	(1 486)	(1 486)	(88 069)
Current portion of secured borrowings	(21 805)	(21 805)	(492)	(492)	(1 364)	(1 364)	–	–	(23 661)
Unsecured loans	(11 191)	(11 191)	(59 825)	(59 825)	–	–	–	–	(71 015)
Taxation	(16 068)	(16 068)	(2 502)	(2 502)	(48)	(48)	–	–	(18 618)
Provisions	(15 160)	(15 160)	(4 996)	(4 996)	–	–	–	–	(20 156)
Total net assets	116 120	181 145	4 787	15 395	151	4 935	1 205	8 498	209 973
Goodwill on acquisition		152 620		90 981		557		9 547	253 705
Cash consideration paid		145 715		103 701		3 880		18 045	271 341
Total paid		344 956		166 201		5 492		18 045	534 694
Deferred contingent consideration		(140 853)		–		–		–	(140 853)
Shares issued		(58 388)		(62 500)		(1 612)		–	(122 500)
Cash acquired		(79 518)		(61 105)		(35)		–	(140 658)
Net cash outflow		66 197		42 596		3 845		18 045	130 683

27. Disposal of business

During the period, effective 31 August 2008, the company disposed of its operating business to a wholly owned subsidiary, Esor Africa. The effect of the disposal was to transfer the day-to-day operations out of the company to maintain it as an investment holding company. The net assets of the company were as follows on the date of disposal:

	Company	
	2009 R'000	2008 R'000
Net assets disposed of:		
Property plant and equipment	99 156	–
Investment property	–	–
Unsecured loans	8 574	–
Inventories	216	–
Trade and other receivables	113 336	–
Cash	7 203	–
Taxation	–	–
Deferred taxation	(13 772)	–
Trade and other payables	(28 111)	–
Secured borrowings	(78 350)	–
Investments	–	–
Provisions	(4 360)	–
Shareholder's loan	(365 000)	–
Common control reserve	261 107	–
Add back shareholders loan	365 000	–
Subtotal	364 999	–
Less:		
Cash acquired	7 203	–
Net cash received on disposal of business	357 796	–

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
28. Cash and cash equivalents				
Cash and cash equivalents included in the cash flow include the following balance sheet amounts:				
Cash at bank and on hand	272 825	115 859	295	44 812

		Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
29. Joint ventures					
The group and company have interests in the following joint venture operations:					
Esor Zek Joint Venture	(%)	90	90	–	90
Esor Realeka Joint Venture	(%)	50	50	–	50
Esor Franki Joint Venture	(%)	–	–	–	50
Esor Dura Joint Venture	(%)	50	50	–	50
M & R Franki Joint Venture	(%)	50	50	–	–
GFI	(%)	10	–	–	–
Sopref WBHO	(%)	50	–	–	–
Steelpoort WBHO	(%)	50	–	–	–
Potties SWC	(%)	50	–	–	–
The group's interests in the joint ventures have been incorporated into the results, assets and liabilities as follows:					
Balance sheet					
Current assets		143 461	2 443	–	1 892
Current liabilities		60 872	1 051	–	2 196
Income statement					
Revenue		93 525	41 937	–	3 505
Cost of sales		(82 993)	(34 566)	–	(3 526)
Gross profit/(loss)		10 532	7 371	–	(21)
Other operating income		148	1	–	21
Other operating expenses		(2)	–	–	(72)
Profit before taxation		10 678	7 372	–	(72)

30. Share-based payment transactions

The group currently has two share-based payment arrangements, which are described below:

	General employee share options Plan A	General employee share options Plan B
Grant date	14 March 2007	30 November 2007
Number of options granted	3 000 000	3 000 000
Option life	Five years	Five years
Vesting conditions	Options vest in tranches of 20% per annum over the life of the options	Options vest in tranches of 20% per annum over the life of the options
Method of settlement	Equity	Equity

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

		2009	2008
Weighted average share price	(cents)	237	237
Weighted average exercise price	(cents)	136	136
Weighted average volatility	(%)	35	35
Remaining option lifetime	(years)	2,5	3,5
Risk-free rate	(%)	7,4	7,4

	2009 Number of share options	2008 Number of share options
Opening balance at beginning of year	4 884 908	6 000 000
Granted during the year	–	–
Exercised during the year	(1 272 898)	1 115 092
Outstanding at the end of the year	3 612 010	4 884 908

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Expense arising from share-based payment transaction	1 556	1 703	303	684

	Basic salary R'000	Bonus R'000	Directors' fees R'000	Total R'000
31. Directors' emoluments				
2009				
Non-executive directors				
EG Dube	–	–	75	75
JM Hlongwane	–	–	70	70
Dr FA Sonn (including JC van Reenen, alternate)	–	–	100	100
DM Thompson	–	–	140	140
Executive directors				
ML Barber	720	400	–	1 120
AM Field	720	100	–	820
B Krone	720	260	–	980
RP McLintock	–	–	–	–
ML Trevisani	720	100	–	820
W van Houten	–	–	–	–
From the company	2 880	860	385	4 125
Executive directors				
Esor Africa				
ML Barber	607	300	–	907
AM Field	629	400	–	1 029
B Krone	720	413	–	1 133
ML Trevisani	629	400	–	1 029
Franki				
RP McLintock	1 328	1 100	–	2 428
W van Houten	1 386	1 100	–	2 486
From subsidiaries	5 299	3 713	–	9 012
Total emoluments	8 179	4 573	385	13 137
2008				
Non-executive directors				
EG Dube	–	–	100	100
JM Hlongwane	–	–	90	90
Dr FA Sonn (including JC van Reenen, alternate)	–	–	120	120
DM Thompson	–	–	160	160
Executive directors				
ML Barber	1 320	1 500	–	2 820
AM Field	1 320	1 500	–	2 820
B Krone	1 320	1 700	–	3 020
ML Trevisani	1 320	1 500	–	2 820
From the company	5 280	6 200	470	11 950
Executive directors				
Franki				
RP McLintock	1 258	1 778	–	3 036
W van Houten	1 260	1 706	–	2 966
From subsidiaries	2 518	3 484	–	6 002
Total emoluments	7 798	9 684	470	17 952

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

32. Risk management

Financial assets and liabilities

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 aims 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 enduser customer. The tender committee, established in terms of its risk policies and procedures, is mandated to review new customers and counterparties prior to submission of any bid or tender offers and proposals. This committee directs appropriate risk payment conditions and terms in its review of tender 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, including whether they are individual or legal entities, whether they are wholesale or enduser customers and financiers, industry, 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 and accrued income.

The group has various cash deposits which are held with reputable banking institutions which mitigate credit risk.

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, especially 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.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the group's and company's income or 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, provides 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 transaction. No derivatives are entered into to hedge these positions.

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

Interest risk

The group and company are exposed to variable linked interest rate risk on 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.

One of the group entities entered into a fixed-rate swap agreement in the current year to economically hedge the variable interest rate risk on the loan finance obtained from The Standard Bank of South Africa Limited and ABSA Bank Limited.

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 more than five percent of the Esorfranki group's ordinary shares. Their holding is currently 6,5% (2008: 7,5%). 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 25%; in 2009 the return was 28,4 % (2008: 36,8%).

There were no changes in the group's approach to capital management during the year. The company and its subsidiaries are subject to externally imposed capital requirements in terms of the loan financing by Esor Africa on the acquisition of the business of Esorfranki Limited (refer note 13). Share re-purchase and further facilities are subject to its banker's approval whilst the existing banking facilities are in place.

Recognised in profit or loss

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Finance income				
Interest income on bank deposits	7 206	7 239	2 031	4 960
Exchange gain on amounts owing to/from subsidiaries and foreign branches	48 394	22 078	–	–
Other	–	3 566	377	3 566
	55 600	32 883	2 408	8 526
Finance costs				
Interest expense on financial liabilities measured at amortised cost (other than bank overdrafts)	36 468	4 875	3 511	2 195
Interest expense on bank overdrafts	413	3 756	214	3 756
Exchange loss on amounts owing to/from subsidiaries and foreign branches	32 740	18 908	–	–
Change in fair value of financial liabilities at fair value through profit or loss	8 658	–	–	–
Other	–	632	73	–
	78 279	28 171	3 798	5 951
The above financial income and expense includes the following in respect of assets/(liabilities) not at fair value through profit or loss:	(29 675)	1 542	(1 390)	2 575
Total finance income on financial assets	7 206	10 805	2 408	8 526
Total finance expense on financial liabilities	(36 881)	(9 263)	(3 798)	(5 951)

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
32. Risk management continued				
Credit risk				
The maximum credit exposure to credit risk at the reporting date was:				
Contract debtors	437 285	229 443	–	73 261
Retention debtors	85 219	24 948	–	8 458
Sundry debtors	50 296	17 523	–	1 776
Investments	14 269	–	–	–
Unsecured intra-group loans	–	–	209 428	11 546
Cash and cash equivalents	272 825	115 859	295	44 812
	859 894	387 773	209 723	139 853
The maximum exposure to credit risk by geographical concentration for financial assets at the reporting date was:				
South Africa	726 275	339 713	209 723	139 853
Angola	40 403	27 094	–	–
Other sub-Saharan countries	264	60	–	–
Common Monetary Area countries (Swaziland, Namibia)	2 576	263	–	–
Mozambique	38 763	7 694	–	–
Mauritius	29 241	9 085	–	–
Botswana	9 577	3 720	–	–
Tanzania	12 795	144	–	–
	859 894	387 773	209 723	139 853
Impairment losses				
The ageing of trade receivables at the reporting date was:				
Not past due	476 003	224 929	–	69 649
Past due	46 501	29 462	–	12 070
Past due and impaired	32 910	–	–	–
	555 414	254 391	–	81 719
The movement in the allowance for impairment in respect of contract debtors during the year was as follows:				
Balance beginning of the year	–	–	–	–
Impairment loss raised	32 910	–	–	–
Balance at 28 February	32 910	–	–	–

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 client or the clients' representative.

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 effect default risk in the event of non-payment by the group's and company's contract debtors.

The processes described above are followed by the group and company 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	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Non-derivative financial liabilities				
Secured borrowings				
Carrying amount	518 267	106 473	–	51 520
Contractual cash flows	713 256	130 429	–	56 218
One year or less	178 314	26 953	–	12 048
Two to five years	534 942	103 476	–	44 170
Trade and other payables				
Carrying amount	241 027	76 340	115 262	29 521
Contractual cash flows	241 027	76 340	115 262	29 521
One year or less	134 747	76 340	8 982	29 521
Two to five years	106 280	–	106 280	–
Other financial assets and liablities (outside scope of IAS 39)				
Carrying amount	180 606	121 500	–	–
Contractual cash flows	180 606	121 500	–	–
One year or less	180 606	121 500	–	–
Total non-derivative financial liabilities				
Carrying amount	939 900	304 313	115 262	81 041
Contractual cash flows	1 134 889	328 269	115 262	85 739
One year or less	493 667	224 793	8 982	41 569
Two to five years	641 222	103 476	106 280	44 170
Derivative financial liabilities				
Carrying amount	35 510	–	26 853	–
Contractual cash flows	35 510	–	26 853	–
One year or less	35 510	–	26 853	–
Two to five years	–	–	–	–

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

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	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Amounts owing to subsidiaries and branches				
Other	–	–	–	(958)
Cash and cash equivalents				
USD	22 022	692	–	–
GBP	30	276	–	–
BWP	6 041	–	–	–
MUR	2 493	–	–	–
Other	4 740	3 825	–	–
	35 326	4 793	–	–
Gross balance sheet exposure				
USD	22 022	692	–	–
GBP	30	276	–	–
BWP	6 041	–	–	–
MUR	2 493	–	–	–
Other	4 740	3 825	–	(958)
	35 326	4 793	–	(958)

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 dominated 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

32. Risk management continued

Exposure to currency risk continued

The following significant exchange rates applied during the year:

Group and company	2009 Average rate	2009 Spot rate	2008 Average rate	2008 Spot rate
Denomination				
One ZAR =	1,0000	1,0000	1,0000	1,0000
Tanzanian Shillings	141,942	131,5850	173,1200	154,6000
United States Dollar	8,666	9,9063	7,0463	7,5893
Great British Pounds	15,073	14,135	14,1053	15,0746
Mauritian Rupee	3,366	3,4466	4,3000	3,6000
Mozambican Metical	2,850	2,620	3,5800	3,2000
Botswana Pula	0,819	0,8005	0,8700	0,8400

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 2008. The translation of the foreign operations is affected by movements in the exchange rate which directly impacts on the group's and company's statement of recognised income and expenses.

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	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Effect on profit or loss	9 017	2 421	–	87
Interest rate risk				
At the reporting dale the interest rate profile of the group's and company's interest-bearing financial instruments was:				
Fixed rate instruments				
Financial assets	–	–	–	–
Financial liabilities	(8 658)	–	–	–
	(8 658)	–	–	–

32. Risk management continued

Interest rate risk continued

Cash flow sensitivity analysis for fixed 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 is performed on the same basis for 2008. A decrease in interest rates, would have an equal but opposite effect on profit or loss.

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Variable rate instruments				
Financial assets	287 094	115 859	295	56 358
Financial liabilities	(518 267)	(106 473)	–	(51 520)
	(231 173)	9 386	295	4 838
Profit or loss				
Fixed rate instruments	752	–	–	–
Variable rate instruments	(1 664)	(67)	(2)	(34)
	(912)	(67)	(2)	(34)

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	Derivatives R'000	Other financial assets and liabilities* R'000	Total carrying amount R'000	Fair value R'000
Group 2009						
Financial assets						
Trade and other receivables	363 948	–	–	159 551	523 499	523 499
Investments	14 269	–	–	–	14 269	14 269
Cash and cash equivalents	272 825	–	–	–	272 825	272 825
	651 042	–	–	159 551	810 593	810 593
Financial liabilities						
Secured borrowings	–	(370 603)	–	–	(370 603)	(370 603)
Trade and other payables	–	(241 027)	(35 510)	(180 606)	(457 143)	(457 143)
Current portion of secured borrowings	–	(147 664)	–	–	(147 664)	(147 664)
	–	(759 294)	(35 510)	(180 606)	(975 410)	(975 410)

* *Outside the scope of IAS 39.*

32. Risk management continued

Accounting classification and fair values continued

	Loans and receivables R'000	Liabilities at amortised cost R'000	Derivatives R'000	Other financial assets and liabilities* R'000	Total carrying amount R'000	Fair value R'000
Group 2008						
Financial assets						
Trade and other receivables	217 715	–	–	54 199	271 914	271 914
Cash and cash equivalents	115 859	–	–	–	115 859	115 859
	333 574	–	–	54 199	387 773	387 773
Financial liabilities						
Secured borrowings	–	(85 169)	–	–	(85 169)	(85 169)
Trade and other payables	–	(79 657)	–	(118 183)	(197 840)	(197 840)
Current portion of secured borrowings	–	(21 304)	–	–	(21 304)	(21 304)
	–	(186 130)	–	(118 183)	(304 313)	(304 313)
Company 2009						
Financial assets						
Unsecured loans	209 428	–	–	–	209 428	209 428
Cash and cash equivalents	295	–	–	–	295	295
	209 723	–	–	–	209 723	209 723
Financial liabilities						
Unsecured loans	–	(6 212)	–	–	(6 212)	(6 212)
Trade and other payables	–	(115 262)	(26 853)	–	(142 115)	(142 115)
	–	(121 474)	(26 853)	–	(148 327)	(148 327)

** Outside the scope of IAS 39.*

32. Risk management continued

Accounting classification and fair values continued

	Loans and receivables R'000	Liabilities at amortised cost R'000	Other financial assets and liabilities* R'000	Total carrying amount R'000	Fair value R'000
Company 2008					
Financial assets					
Unsecured loans	11 546	–	–	11 546	11 546
Trade and other receivables	83 495	–	–	83 495	83 495
Cash and cash equivalents	44 812	–	–	44 812	44 812
	139 853	–	–	139 853	139 853
Financial liabilities					
Secured borrowings	–	(38 626)	–	(38 626)	(38 626)
Trade and other payables	–	(29 521)	–	(29 521)	(29 521)
Unsecured loans	–	(913)	–	(913)	(913)
Current portion of secured borrowings	–	(12 894)	–	(12 894)	(12 894)
	–	(81 954)	–	(81 954)	(81 954)

* *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.

Non-derivative financial liabilities: Secured borrowings, shareholder loans and instalment sale agreements

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. Instalment sale agreements 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 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.

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

Trade and other payables

The fair value of 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.

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

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	
		2009	2008	2009	2008
Party	Name of transaction	R'000	R'000	R'000	R'000
EFA Holdings (Pty) Limited	Accounts receivable	–	–	–	881
Esor Africa (Pty) Limited	Rent	–	–	282	564
	Finance income	–	–	238	472
	Collection commission	–	–	5	41
	Administration fee	–	–	3	6
Esor Properties (Pty) Limited	Finance income	–	–	79	159
	Rent	–	–	135	270
	Administration fee	–	–	3	6
	Collection commission	–	–	7	14
Franki Africa (Pty) Limited	Interest	–	–	(73)	213
	Sales	–	–	2 135	4 644
	Purchases	–	–	2 896	9 079
	Dividends received	–	–	30 000	5 051
Hammib Properties (Pty) Limited	Rent	–	–	108	216
	Finance income	–	–	60	120
	Collection commission	–	–	5	11

Transactions with joint ventures have been disclosed in note 29.

34. Investments in subsidiaries

	Share capital		Holding		Cost	
	2009	2008	2009	2008	2009	2008
	R	R	%	%	R'000	R'000
Brookmay Properties (Pty) Limited						
100 ordinary shares of R1 each at cost	100	–	100	–	5 492	–
EFA Holdings (Pty) Limited						
Two ordinary shares of 1 Pula each at cost	2	2	100	100	*	*
Esor Properties (Pty) Limited						
100 ordinary shares of R1 each at cost	100	100	100	100	684	684
Esor Africa (Pty) Limited						
102 ordinary shares of R1 each at cost	102	102	100	100	5 544	5 241
Hammib Properties (Pty) Limited						
100 ordinary shares of R1 each at cost	100	100	100	100	930	930
Franki Africa (Pty) Limited						
300 ordinary shares of R1 each at cost	300	300	100	100	188 686	186 296
Patula Construction (Pty) Limited						
100 ordinary shares of R1 each at cost	100	–	100	–	333 765	–
Shearwater Plant Hire (Pty) Limited						
1 000 ordinary shares of R1 each at cost	1 000	–	100	–	106 376	–
					641 477	193 151

** Less than R1 000.*

Refer note 37 for further information on subsidiary companies.

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:

Group	2009 Within one year R'000	2009 Within two to five years R'000	2008 Within one year R'000	2008 Within two to five years R'000	2008 More than five years R'000
Land and buildings	3 853	10 613	2 441	577	–
Vehicles	3 128	4 049	2 794	5 007	–
Office equipment	781	1 073	356	844	36
	7 762	15 735	5 591	6 428	36

Capital commitments

Group

At year-end, the purchase of plant and equipment to the value of R9,6 million (2008: R132,2 million) had been authorised and contracted for. Further capital expenditure to the value of R57,3 million (2008: Rnil) had been authorised but was not yet contracted for. These assets will be utilised to expand the operating capacity of the group. The purchase of these assets will be funded through the group's existing borrowing facilities.

Company

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

36. Segmental analysis

Operating segments

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

	Geotechnical operations		Civils* operations	Pipelines* operations	Corporate and eliminations	Consolidated	
	2009	2008	**2009**	**2009**	**2009**	**2009**	2008
	R'000	R'000	**R'000**	**R'000**	**R'000**	**R'000**	R'000
Segment revenue							
Total revenue	1 190 192	1 017 480	148 993	85 361	(9 824)	1 414 722	1 017 480
Intersegment revenue	–	–	–	–	–	–	–
Total external revenue	1 190 192	1 017 480	148 993	85 361	(9 824)	1 414 722	1 017 480
Segment result							
Profit before interest and taxation	167 418	153 107	61 746	32 027	(27 741)	233 450	153 107
Finance costs	(68 718)	(28 171)	(3 743)	(86)	(5 732)	(78 279)	(28 171)
Finance income	56 539	32 883	–	1 977	(2 916)	55 600	32 883
Taxation	(49 827)	(41 817)	(15 778)	(9 493)	7 709	(67 389)	(41 817)
Segment profit/(loss)	105 412	116 002	42 225	24 425	(28 680)	143 382	116 002
Segment assets	994 471	784 939	382 169	197 011	289 841	1 863 492	784 939
Segment liabilities	1 006 706	395 275	223 673	167 798	(154 262)	1 243 915	395 275
Capital and non-cash items							
Additions to property, plant and equipment	163 831	147 470	14 435	8 824	1 265	188 355	147 470
Depreciation	46 887	30 391	17 493	384	3 853	68 617	30 291
Impairment losses	–	–	–	–	16 590	16 590	–
Number of employees at year-end	1 812	1 506	1 170	354	–	3 336	1 506

** Newly acquired.*

	South Africa		Other regions		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
Geographical information	**R'000**	R'000	**R'000**	R'000	**R'000**	R'000
Total revenue	1 128 748	848 273	285 974	169 207	1 414 722	1 017 480
Property, plant and equipment	509 069	219 843	79 476	42 898	588 545	262 741

Revenue generated from the Bombela Civils Joint Venture, which is a customer of the geotechnical operations, contributed R165,4 million (2008: R143,4 million) to the revenues of this segment.

A separate segment report has not been prepared for the company as all trading operations fell within the Geotechnical operating segment.

37. Interest in subsidiaries

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

	Country of incorporation	Nature of business	Percentage held 2009	2008
Directly held				
Brookmay Properties (Pty) Limited*	South Africa	Property investment	100	–
Esor Africa (Pty) Limited*	South Africa	Geotechnical	100	100
Esor Properties (Pty) Limited*	South Africa	Property investment	100	100
EFA Holdings (Pty) Limited*	Botswana	Dormant	100	100
Hammib Properties (Pty) Limited*	South Africa	Property investment	100	100
Franki Africa (Pty) Limited*	South Africa	Geotechnical	100	100
Patula Construction (Pty) Limited*	South Africa	Civil engineering – roads	100	–
Shearwater Plant Hire (Pty) Limited*	South Africa	Civil engineering – pipelines	100	–
Indirectly held				
Frankipile International Projects Limited	Mauritius	Geotechnical	100	100
Frankipile Mozambique Limitada	Mozambique	Geotechnical	100	100
Frankipile Mauritius International Limited	Mauritius	Geotechnical	100	100
Frankipile Botswana (Pty) Limited	Botswana	Geotechnical	100	100
GeoFranki (West Africa) Limited	Nigeria	Geotechnical	60	60
Frankiple Mauritius (Seychelles) Limited	Seychelles	Geotechnical	100	100
Balekane Construction	South Africa	Civil engineering construction	52	–
Esor Share Incentive Scheme	South Africa	Employee share scheme	100	100
Frankipile Swaziland (Pty) Limited	Swaziland	Geotechnical	100	100
Frankipile Lesotho (Pty) Limited	Lesotho	Geotechnical	100	100
Frankipile Namibia (Pty) Limited	Namibia	Geotechnical	100	100
Patula Plant (Pty) Limited	South Africa	Plant investment	100	100

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

37. Interest in subsidiaries continued

	Company 2009 R'000	Company 2008 R'000
The profit/(loss) after taxation attributable to the subsidiaries		
Brookmay Properties (Pty) Limited	17	–
Esor Share Incentive Scheme	775	330
Esor Africa (Pty) Limited	(9 717)	27
Esor Properties (Pty) Limited	17	15
EFA Holdings (Pty) Limited	(31)	(51)
Franki Africa (Pty) Limited	97 483	73 586
Hammib Properties (Pty) Limited	1	3
Patula Construction (Pty) Limited	42 208	–
Shearwater Plant Hire (Pty) Limited	24 425	–
	155 178	73 910
Aggregate profits	164 926	73 961
Aggregate losses	(9 748)	(51)
Loans to/(from) subsidiaries		
Esor Share Incentive Trust	20 625	6 384
Esor Africa (Pty) Limited	117 786	3 285
Esor Properties (Pty) Limited	–	1 052
Franki Africa (Pty) Limited	(6 212)	(913)
Hammib Properties (Pty) Limited	–	825
Patula Construction (Pty) Limited	11 191	–
Shearwater Plant Hire (Pty) Limited	59 826	–
	203 216	10 633

38. Contingent liabilities

Arising out of Esorfranki Limited sale of business agreement with Esor Africa (Pty) Limited, the group companies have provided corporate 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 (Pty) Limited to fund the acquisition of the business of Esorfranki Limited by Esor Africa (Pty) Limited. The guarantee binds all Esorfranki Group companies jointly and severally to perform in terms of the funding arrangement should Esor Africa default on its obligations.

Esorfranki Limited has 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 and any other ESOR group companies liabilities relating to the group banking facilities. The guarantee binds Esorfranki Limited jointly and severally with the other ESOR group companies to perform in terms of the group banking facilities should any group company default on its obligations.

The directors are confident that no present obligations exist in terms of these guarantees as the group has sufficient cash resources to service all obligations arising from both the funding arrangement and group banking facilities.

39. Prior period restatement

In November 2006, Esorfranki Limited acquired Franki. On applying IFRS 3 Business Combinations, the company assessed the value of the intangible assets and of other assets at the date of acquisition. In performing this assessment and raising the accounting entries, the company did not raise deferred taxation on the intangible assets. The directors have corrected this error in the current and comparative periods of these annual financial statements. The effect of the correction on the comparative period in the group financial statements is as follows:

Group	As previously stated R'000	Error R'000	Restated R'000
Non-current assets			
Goodwill	–	26 468	26 468
Non-current liabilities			
Deferred taxation	14 048	26 468	40 516

There has been no effect on the profit or loss or the earnings per share of the group as a result of this restatement.

Analysis of shareholders

Company: Esorfranki Limited | Register date: 27 February 2009 | Issued share capital: 289 495 507

	Number of shareholdings	Percentage	Number of shares	Percentage
Shareholder spread				
1 – 1 000 shares	692	20,48	431 573	0,15
1 001 – 10 000 shares	1 846	54,63	8 129 227	2,81
10 001 – 100 000 shares	708	20,95	21 353 766	7,38
100 001 – 1 000 000 shares	86	2,55	27 647 397	9,55
1 000 001 shares and over	47	1,39	231 933 544	80,12
Total	3 379	100,00	289 495 507	100,00
Distribution of shareholders				
Banks	7	0,21	650 446	0,22
Close corporations	81	2,40	4 588 577	1,59
Empowerment	7	0,21	49 182 250	16,99
Endowment funds	27	0,80	217 135	0,08
Individuals	2 777	82,18	104 690 076	36,16
Insurance companies	6	0,18	10 752 592	3,71
Investment companies	5	0,15	2 152 061	0,74
Medical scheme	1	0,03	111 500	0,04
Mutual funds	32	0,95	54 247 976	18,74
Nominees and trusts	288	8,52	6 380 460	2,20
Other corporations	32	0,95	251 585	0,09
Private companies	98	2,90	24 103 063	8,33
Public companies	4	0,12	56 700	0,02
Retirement funds	13	0,38	19 616 485	6,78
Share trust	1	0,03	12 494 601	4,32
Total	3 379	100,00	289 495 507	100,00
Public/non-public shareholders				
Non-public shareholders	8	0,24	31 780 087	10,98
Directors and associates of the company holdings	7	0,21	19 285 486	6,66
Share trust	1	0,03	12 494 601	4,32
Public shareholders	3 371	99,76	257 715 420	89,02
Total	3 379	100,00	289 495 507	100,00
Beneficial shareholders holding 3% or more				
STANLIB			24 226 443	8,37
Shearwater Group			16 666 667	5,76
Investec			15 916 540	5,50
Public Investment Corporation			15 848 812	5,47
Esor Broad Based Share Ownership Scheme*			13 312 250	4,60
Krone B			13 292 728	4,59
Field AM			12 509 395	4,32
Trevisani ML			12 509 395	4,32
Barber ML			12 509 395	4,32
Zerovest Investments 18 (Pty) Limited			12 500 000	4,32
Esor Share Incentive Scheme Trust			12 494 601	4,32
Vunani			10 695 000	3,69
Metropolitan			9 307 478	3,22
Total			181 788 704	62,80

** Excluding 5 437 750 shares loaned as part of a securities lending arrangement.*

Shareholders' diary

Financial year-end	February
Preliminary annual results announcement	19 May 2009
Annual report posted	May 2009
Annual general meeting	26 June 2009
Interim results announcement	November 2009

Dividend timetable

Last day to trade *cum* dividend	Friday, 5 June 2009
Shares trade *ex* dividend	Monday, 8 June 2009
Record date	Friday, 12 June 2009
Payment date	Monday, 15 June 2009

Notice of annual general meeting

Esorfranki Limited

(formerly Esor 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, Johannesburg on Friday, 26 June 2009 at 10:00 for the following purposes:

1. to consider the annual financial statements of the company for the year ended 28 February 2009;
2. to transact such other business as may be transacted at the annual general meeting of the company including the re-appointment of the auditors and the re-election of retiring directors; and
3. to consider and, if deemed fit, to pass, with or without modification, the following special and ordinary resolutions set out below, in the manner required by the South African Companies Act, 1973 as amended:

Special resolutions

Special resolution number 1

Share repurchases

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

1. any repurchase of securities be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
2. the company only appoint one agent to effect any repurchases on its behalf;
3. the company be authorised thereto by its articles of association;
4. the number of shares which may be acquired pursuant to this authority in any financial year (which commenced 1 March 2009) may not in the aggregate exceed 20% (twenty percent) of the company's issued share capital as at the date of passing of this special resolution 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;
5. repurchases of shares not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the securities for the five business days immediately preceding the date on which the transaction was effected;
6. repurchases may not be undertaken by the company or one of its wholly owned subsidiaries during a prohibited period (as defined in paragraph 3.67 of the Listings Requirements of the JSE) unless a repurchase programme is in place 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 over SENS prior to the commencement of the prohibited period;
7. repurchases only take place if, after such repurchase, the shareholder spread of the company still complies with the Listings Requirements of the JSE;

8. after the company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the number of shares in issue (at the time that authority from shareholders for the repurchase is granted), the company publishes an announcement to such effect, or any other announcements that may be required in such regard in terms of the Listings Requirements of the JSE which may be applicable from time to time; and
9. the company's Designated Adviser confirms the adequacy of the company's working capital for the purposes of undertaking the repurchase of shares in writing to the JSE prior to entering the market to proceed with the repurchase."

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

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

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

– the company and the group will be able to pay their debts in the ordinary course of business;
– the consolidated assets of the company and of the group fairly valued in accordance with international financial reporting standards, will exceed the consolidated liabilities of the company and of the group after the repurchase;
– the share capital and reserves of the company and of the group will be adequate for the ordinary business purposes of the company and its subsidiaries; and
– the working capital available to the company and its subsidiaries will be adequate for the ordinary business purposes of the company and its subsidiaries.

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

Directors	pages 32 and 33
Major beneficial shareholders	page 98
Directors' interests in ordinary shares	page 39
Share capital of the company	page 65

Litigation statement

The directors, whose names appear on pages 32 and 33 of this annual report of which this notice forms part, are not aware of any legal or arbitration proceedings including proceedings that are pending or threatened that may have or have had in the recent past being at least the previous 12 (twelve) months a material effect on the group's financial position.

Directors' responsibility statement

The directors whose names appear on pages 32 and 33 of this annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required in terms of the Listings Requirements of the JSE.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report for the year ended 28 February 2009 and up to the date of this notice.

Reasons for and effects of special resolution number 1

The reason for special resolution number 1 is to extend the general authority given to the directors of the company or a subsidiary of the company to effect a repurchase of the company's shares on the JSE. The effect of the resolution will be that the directors will have the authority, subject to the Listings Requirements of the JSE, to effect repurchases of the company's shares on the JSE.

Ordinary resolutions

Ordinary resolution number 1

Issue of shares for cash

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

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

In terms of the Listings Requirements of the JSE a 75% (seventy-five percent) majority of the votes cast by shareholders present or represented by proxy at the general meeting must be cast in favour of ordinary resolution number 1 for it to be approved (excluding the Designated Adviser and the controlling shareholders together with their associates).

Ordinary resolution number 2

Unissued ordinary shares

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

Ordinary resolution number 3

Re-election of directors

"Resolved that EG Dube be re-elected as a director of the company."

An abridged *curriculum vitae* in respect of EG Dube is included in the annual report of which this notice forms part.

Ordinary resolution number 4

Re-election of directors

"Resolved that FA Sonn be re-elected as a director of the company."

An abridged *curriculum vitae* in respect of FA Sonn is included in the annual report of which this notice forms part.

Ordinary resolution number 5

Confirmation of appointment

"Resolved that the appointment of MB Mathabathe as a non-executive director of the company be and is confirmed."

An abridged *curriculum vitae* in respect of MB Mathabathe is included in the annual report of which this notice forms part.

Ordinary resolution number 6

Directors' remuneration

"Resolved that the remuneration of the non-executive directors, as set out on page 80 of the annual report of which this notice forms part, be and is hereby confirmed and ratified."

Ordinary resolution number 7

Approval of proposed directors' remuneration

"Resolved that the non-executive directors' remuneration proposed for the year ending 28 February 2010 as set out below, be and is approved:

- Board Chairman R22 000 per meeting
- Non-executive directors R15 000 per meeting
- Audit and Risk Committee chairman R17 500 per meeting
- Audit and Risk Committee member R10 000 per meeting
- Remuneration Committee chairman R15 000 per meeting
- Remuneration Committee member R10 000 per meeting"

Ordinary resolution number 8

Re-appointment of auditors

"Resolved that KPMG Inc. be re-appointed as auditors of the company."

Ordinary resolution number 9

Consideration of annual financial statements

"Resolved that the annual financial statements of the company and the group for the year ended 28 February 2009, together with the directors' and auditors' reports be adopted."

Ordinary resolution number 10

Signature of documentation

"Resolved that any director or the company secretary of the company be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of special resolution number 1 and ordinary resolutions numbers 1, 2, 3, 4, 5, 6, 7, 8 and 9 which are passed by the members in accordance with and subject to the terms thereof".

Voting and proxies

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

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

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

Shareholders who have dematerialised their shares through their Central Securities Depository Participant ("CSDP") or broker rather than through own-name registration and who wish to attend the annual general meeting must request their CSDP or broker to issue them with a letter of representation.

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

By order of the board

ID Stephen

Company secretary

14 May 2009

Registered address
30 Activia Road
Activia Park
Germiston
1429
PO Box 6478, Dunswart, 1508

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

Form of proxy

Esorfranki Limited

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

Form of proxy for the annual general meeting of the company to be held on Friday, 26 June 2009 at 10:00 at the company's offices at 30 Activia Road, Activia Park, Germiston ("the annual general meeting").

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

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

I/We (name in block letters)

of (address)

being the holder/s of ordinary shares in the company, do hereby appoint

1. or failing him/her

2. or failing him/her

3. The chairperson of the annual general meeting

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

Number of votes on a poll (one vote per ordinary share)	In favour	Against	Abstain
To pass special resolution: 1. Directors' general authority to repurchase the company's shares			
To pass ordinary resolutions: 1. Directors' general authority to issue shares for cash			
2. To place the unissued shares under the control of the directors			
3. To re-elect EG Dube as a director of the company			
4. To re-elect FA Sonn as a director of the company			
5. To confirm the appointment of MB Mathabathe as a non-executive director			
6. To ratify the remuneration of the non-executive directors			
7. To approve the proposed non-executive directors' remuneration for the forthcoming year			
8. To re-appoint KPMG Inc. as auditors of the company			
9. To adopt the annual financial statements for the year ended 28 February 2009			
10. Directors' authority to effect the resolutions			

Signature signed at on 2009

Assisted by (if applicable)

Please see notes on reverse.

Notes to the form of proxy

1. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the company) to attend, speak and vote in place of that shareholder at the annual general meeting.
2. Shareholder(s) that are certificated or own-name dematerialised shareholders may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairperson of the meeting", but any such deletion must be initialled by the shareholder(s). The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy, the chairperson shall be deemed to be appointed as the proxy.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy other than the chairperson, to vote or abstain from voting as deemed fit and in the case of the chairperson to vote in favour of the resolution.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholders, but the total of the votes cast or abstained from may not exceed the total of the votes exercisable in respect of the shares held by the shareholder.
5. Forms of proxy must be lodged at or posted to Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received no later than 48 hours prior to the meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Where there are joint holders of shares, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.
7. The chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairperson is satisfied as to the manner in which the shareholder concerned wishes to vote.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or Computershare Investor Services (Pty) Limited or waived by the chairperson of the annual general meeting.
9. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
10. A minor must be assisted by his/her parent guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by Computershare Investor Services (Pty) Limited.
11. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.

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Corporate information

Esorfranki Limited
Registration number: 1994/000732106
JSE code: ESR
ISIN code: ZAE000133369

Registered office
30 Activia Road
Activia Park
Germiston
1429
PO Box 6478, Dunswart, 1508
Telephone: 011 822 3906
Facsimile: 011 822 3112

Company secretary
ID Stephen

Transfer secretaries
Computershare Investor Services (Pty) Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg
2001
PO Box 61051, Marshalltown, 2107
Telephone: 011 370 5000
Facsimile: 011 688 5210

Auditors
FHC von Eckardstein
KPMG Inc.
KPMG Crescent
85 Empire Road
Parktown
2193
Private Bag X9, Parkview, 2122
Telephone: 011 647 7111
Facsimile: 011 647 8000

Designated Adviser
Vunani Corporate Finance
39 First Road
Hyde Park
2196
PO Box 413972, Craighall, 2024
Telephone: 011 447 2951
Facsimile: 011 447 1929

Attorneys
Cox Yeats Attorneys
12th and 13th Floors
Victoria Maine
71 Victoria Embankment
Durban
4000
PO Box 3032, Durban, 4000
Telephone: 031 304 2851
Facsimile: 031 301 3540

Commercial banker
The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
Standard Bank Centre
3 Simmonds Street
Johannesburg
2001
PO Box 7725, Johannesburg, 2000
Telephone: 011 631 7134
Facsimile: 011 631 0770

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limited

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