esorfranki LIMITED

AUDITED SUMMARISED CONSOLIDATED RESULTS
for the year ended 28 February 2010

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

Summarised consolidated statement of financial position

	2010 R'000	2009 R'000
ASSETS		
Non-current assets	**999 551**	987 520
Property, plant and equipment	**596 429**	588 545
Intangible assets	**93 737**	113 022
Goodwill	**305 715**	280 173
Deferred tax assets	**3 670**	5 780
Current assets	**648 273**	875 972
Inventories	**14 827**	11 379
Other investments	**6 762**	14 269
Taxation	**9 952**	4 699
Trade and other receivables	**499 869**	572 800
Cash and cash equivalents	**116 863**	272 825
Total assets	**1 647 824**	1 863 492
EQUITY AND LIABILITIES		
Share capital and reserves	**808 028**	619 577
Share capital and premium	**396 956**	339 078
Equity compensation reserve	**8 253**	3 917
Foreign currency translation reserve	**(14 296)**	14 651
Retained earnings	**417 115**	261 931
Non-current liabilities	**405 711**	470 080
Secured borrowings*	**275 031**	370 603
Post-retirement benefits	**1 665**	1 587
Deferred tax liabilities	**129 015**	97 890
Current liabilities	**434 085**	773 835
Current portion of secured borrowings*	**121 677**	147 664
Taxation	**6 644**	84 358
Provisions	**21 087**	31 118
Trade and other payables	**284 677**	510 695
Total equity and liabilities	**1 647 824**	1 863 492
Net asset value per share (cents)	**275,6**	223,2
Tangible net asset value per share (cents)**	**177,5**	121,2

* Interest-bearing debt
** (Net asset value less intangible assets)/(shares in issue less treasury shares)

Summarised consolidated statement of comprehensive income

	2010 R'000	2009 R'000
Revenue	**1 857 817**	1 414 722
Cost of sales	**(1 361 041)**	(981 829)
Gross profit	**496 776**	432 893
Other income	**3 937**	1 631
Operating expenses	**(111 661)**	(108 601)
Profit before interest, tax and depreciation, impairments and amortisation	**389 052**	325 923
Depreciation, impairments and amortisation	**(83 478)**	(92 473)
Results from operating activities	**305 574**	233 450
Finance costs	**(93 106)**	(78 279)
Finance income	**63 281**	55 600
Profit before income tax	**275 749**	210 771
Income tax expense	**(78 108)**	(67 389)
Profit after tax	**197 641**	143 382
Other comprehensive income		
Foreign currency translation differences for foreign operations	**(32 630)**	7 968
Actuarial (loss)/gain on post retirement benefit	**(28)**	155
Income tax on other comprehensive income	**3 683**	–
Other comprehensive (loss)/income for the period, net of tax	**(28 975)**	8 123
Total comprehensive income for the period	**168 666**	151 505
Profit attributable to:		
Owners of the company	**197 641**	143 382
Total comprehensive income attributable to:		
Owners of the company	**168 666**	151 505
Basic earnings per share (cents)	**69,4**	56,9
Diluted earnings per share (cents)	**68,6**	54,1
Headline earnings per share (cents)	**71,3**	61,7
Diluted headline earnings per share (cents)	**70,5**	58,5
Reconciliation of headline earnings		
Profit attributable to ordinary shareholders	**197 641**	143 382
Adjusted for:		
Profit on disposal of property, plant and equipment	**(131)**	(266)
Loss on disposal of property, plant and equipment	**5 527**	227
Impairment of intangible assets	**–**	11 944
Headline earnings attributable to ordinary shareholders	**203 037**	155 287
Number of ordinary shares ('000) in issue	**302 162**	289 496
diluted weighted average	**288 038**	265 149
weighted average	**284 743**	251 780

HIGHLIGHTS

31,3% REVENUE

37,8% PAT

23,5% NAV PER SHARE

15,6% HEPS

Summarised consolidated statement of cash flows

	2010 R'000	2009 R'000
Cash flows from operating activities	**159 635**	161 628
Cash receipts from customers	**1 930 748**	1 066 242
Cash paid to suppliers and employees	**(1 572 090)**	(802 960)
Cash generated from operations	**358 658**	263 282
Dividends paid	**(42 429)**	(48 639)
Finance income	**63 281**	55 600
Finance cost	**(92 977)**	(78 279)
Taxation paid	**(126 898)**	(30 336)
Cash flows from investing activities	**(199 270)**	(323 846)
Proceeds on disposal of property, plant and equipment	**3 085**	1 234
Acquisition of businesses net of cash acquired	**(113 828)**	(130 683)
Addition to property, plant and equipment	**(96 034)**	(188 355)
Investments disposed/(acquired)	**7 507**	(6 042)
Cash flows from financing activities	**(116 327)**	319 184
Proceeds from share issue, net of expenses	**5 311**	2 990
Increase in unsecured loans	**–**	2 911
(Decrease)/increase in secured borrowings	**(121 559)**	319 646
Post-retirement benefits paid	**(79)**	(6 363)
Net (decrease)/increase in cash and cash equivalents	**(155 962)**	156 966
Cash and cash equivalents at beginning of period	**272 825**	115 859
Cash and cash equivalents at end of period	**116 863**	272 825

Summarised consolidated statement of changes in equity

R'000	Share capital	Share premium	Equity compensation reserve	Translation reserve	Retained earnings	Total equity
Balance at 1 March 2008	248	213 344	2 361	6 683	167 033	**389 669**
Profit					143 382	**143 382**
Other comprehensive income						
Foreign currency translation differences for foreign operations				7 968		**7 968**
Post-retirement benefit adjustment					155	**155**
Total other comprehensive income				7 968	155	**8 123**
Total comprehensive income for the year				7 968	143 537	**151 505**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares related to business combinations	33	125 800				**125 833**
Share issue expenses		(344)				**(344)**
Dividends to equity holders					(48 639)	**(48 639)**
Share-based payment transactions	8		1 556			**1 564**
Treasury shares	(11)					**(11)**
Total contributions by and distributions to owners	30	125 456	1 556		(48 639)	**78 403**
Balance at 28 February 2009	278	338 800	3 917	14 651	261 931	**619 577**
Profit					197 641	**197 641**
Other comprehensive income						
Foreign currency translation differences for foreign operations				(28 947)		**(28 947)**
Post-retirement benefit adjustment					(28)	**(28)**
Total other comprehensive loss				(28 947)	(28)	**(28 975)**
Total comprehensive (loss)/income for the year				(28 947)	197 613	**168 666**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares related to business combinations	13	57 869				**57 882**
Share issue expenses		(5)				**(5)**
Dividends to equity holders					(42 429)	**(42 429)**
Share-based payment transactions			4 336			**4 336**
Treasury shares	1					**1**
Total contributions by and distributions to owners	14	57 864	4 336		(42 429)	**19 785**
Balance at 28 February 2010	292	396 664	8 253	(14 296)	417 115	**808 028**

	2010	2009
Dividends per ordinary share (cents)	**15,0**	15,0

Segmental report

Geographical information R'000	Geotechnical 2010	Geotechnical 2009	Esorfranki Civils 2010	Esorfranki Civils 2009	Esorfranki Pipelines 2010	Esorfranki Pipelines 2009	Eliminations 2010	Eliminations 2009	Consolidated 2010	Consolidated 2009
Segment revenue	**944 862**	1 190 192	**715 033**	148 993	**229 231**	85 361	**(31 309)**	(9 824)	**1 857 817**	1 414 722
Segment result										
Profit before interest and taxation	**164 147**	167 418	**144 520**	61 746	**31 068**	32 027	**(34 161)**	(27 741)	**305 574**	233 450
Finance cost	**(95 345)**	(68 718)	**(8 530)**	(3 743)	**–**	(86)	**10 769**	(5 732)	**(93 106)**	(78 279)
Finance income	**63 956**	56 539	**4 805**	–	**5 404**	1 977	**(10 884)**	(2 916)	**63 281**	55 600
Taxation	**(36 724)**	(49 827)	**(40 278)**	(15 778)	**(11 885)**	(9 493)	**10 779**	7 709	**(78 108)**	(67 389)
Segment profit/(loss)	**96 034**	105 412	**100 517**	42 225	**24 587**	24 425	**(23 497)**	(28 680)	**197 641**	143 382
Segment assets	**754 541**	994 471	**442 162**	382 169	**167 121**	197 011	**284 000**	289 841	**1 647 824**	1 863 492
Segment liabilities	**717 460**	1 006 706	**197 009**	223 673	**127 733**	167 798	**(202 406)**	(154 262)	**839 796**	1 243 915
Capital and non-cash items										
Additions to property, plant and equipment	**52 844**	163 831	**49 711**	14 435	**3 096**	8 824	**(9 617)**	1 265	**96 034**	188 355
Depreciation	**32 226**	46 887	**19 430**	17 493	**3 120**	384	**9 417**	3 853	**64 193**	68 617
Impairment loss								16 590		16 590
Number of employees	**1 562**	1 812	**1 228**	1 170	**427**	354	**8**		**3 225**	3 336

	South Africa 2010	South Africa 2009	Other regions 2010	Other regions 2009	Consolidated 2010	Consolidated 2009
Total revenue from external customers	**1 600 070**	1 128 748	**257 747**	285 974	**1 857 817**	1 414 722
Property, plant and equipment	**494 531**	509 069	**101 898**	79 476	**596 429**	588 545

COMMENTARY

The audited summarised consolidated results of Esorfranki for the year ended 28 February 2010 ("the year") demonstrate the group's delivery of promised returns through sustained leadership and continued resilience in a challenging market, with significant year-on-year increases in profit after tax ("PAT") and headline earnings per share ("HEPS").

Revenue of R1,9 billion reflects the group's expansion from a geotechnical leader to a broader civil engineering operation, including the positive contributions of the civil engineering and pipelines acquisitions in 2009.

In a strategic milestone Esorfranki transferred to the 'Heavy Construction' sector of the Main Board of the JSE on 25 June 2009, capping three successful years on AltX. The group is now appropriately positioned alongside civil engineering construction peers.

Financial results

Revenue increased 31,3% compared to the previous year with PAT of R197,6 million translating into HEPS of 71,3 cents, 15,6% higher than the previous year.

Earnings before interest, taxation, deprecation, impairments and amortisation ("EBITDA") increased 19,4% to R389 million from R325,9 million. EBITDA includes a R19,3 million amortisation of customer contracts following the acquisition of Esorfranki Civils (formerly Patula Construction (Pty) Limited) and Esorfranki Pipelines (formerly Shearwater Plant Hire (Pty) Limited).

The strengthening of the South African Rand in the second half of the year negatively impacted on the translation of foreign operation income, resulting in a post tax charge of R28,9 million.

Cash generated by operations remained robust at R159,6 million (2009: R161,6 million), after tax payments of R126,9 million following changes to the South African provisional tax regulations which became effective in the year.

Esorfranki met all its loan covenants during the year.

Review of operations

Notwithstanding the negative impact of excessive rain in the second half of the year, contract delays and pressure on margins, the business units achieved pleasing results in a challenging macro-economic environment.

Esorfranki Geotechnical (comprising Esor Africa and Franki Africa)

As anticipated, revenue declined 20,6% to R944,8 million from R1,2 billion due to the adverse economic and trading conditions, resulting in a contracting market. Operating margins improved year-on-year by 3,3% to 17,4%. Foreign operations accounted for 27,2% (2009: 24%) of *Geotechnical* revenue.

The business unit recently won a number of major cross-border projects with a combined value of R55 million. These include pipe-jacking for a Gaborone sewer and piling and dynamic compaction for the Jwaneng Cut 8 project. Current contracts for both Gautrain and the new Kusile Power Station remain ongoing in the short-term.

Esorfranki Civils

Revenue increased 17,4 % to R715 million from R609 million in the previous year. The business unit achieved PAT of R100,5 million and respectable operating margins of 20,2%.

Esorfranki Civils is continuing work on Johannesburg's R21 between the N12 interchange and Pomona Road, and is also progressing with the R174 million contract for the second carriageway from the Modikane interchange to the R512 Brits West interchange on the N4.

Esorfranki Pipelines

Esorfranki Pipelines posted year-on-year revenue growth of 13,6% to R229 million. Notwithstanding the negative impact of contract delays in the latter part of the year, the business unit posted operating profits of R31 million equating to operating margins of 13,6%.

The business unit was recently awarded a R240 million contract from Rand Water for the construction of the BG3 Pipeline.

CAPEX

Esorfranki regards fleet maintenance and enhancement as key to growth and a significant differentiator. During the year the group invested R96 million (2009: R188,4 million) in property, plant and equipment ("PPE") to expand and maintain operations. The *Geotechnical* business unit accounted for R42,8 million of this, with R49,7 million invested in PPE at *Esorfranki Civils* and R3,0 million at *Esorfranki Pipelines*.

To accommodate future growth and to maintain its competitive edge, the board has approved capital expenditure for Esorfranki of R72,0 million for the 2011 financial year.

Black Economic Empowerment

During the year Esorfranki improved its rating to a 'Level 5' contributor (from 'Level 6') in terms of the Department of Trade & Industry's B-BBEE Codes of Good Practice. The group has set the short-term target of elevation to 'Level 4' and intends to focus on improving all areas of scorecarding to achieve this objective.

Incorporating retail shareholders on the open market, direct black ownership stands at 29%. Included in this is the 4,4% stake in the company held by black staff through the Esor Broad Based Share Ownership Scheme.

More than 85% of the group's 3 225 strong workforce is black and emphasis is placed on skills training and development to accelerate promotion into middle and senior management.

Prospects

The board remains positive that Esorfranki is on track to achieve its targets for the year ahead despite the continued tough trading conditions. With an order book in hand of approximately R1,6 billion (*Geotechnical*: R534 million; *Esorfranki Civils:* R726 million; *Esorfranki Pipelines:* R314 million) prospects for growth are sufficiently promising to support the board's optimistic outlook.

Esorfranki will continue to focus on Africa and is expected to benefit from an established presence and operating track record in growth nodes on the continent. In the *Geotechnical* business unit the intention is to significantly escalate the foreign contribution to revenue from 27% to 40% to improve growth. Esorfranki is therefore actively re-deploying plant and personnel across the continent including to Angola, Botswana, the DRC and Mozambique.

Esorfranki Civils anticipates continued construction projects, with work phases on the Medupi Power Station expected to come back on-stream following the IMF loan award to Eskom. In addition, the business unit is targeting opportunities in the mining sector, particularly in the coal and platinum arenas.

Esorfranki Pipelines is expected to benefit from increasing demand in KwaZulu-Natal, Gauteng and Mpumalanga mainly from municipalities and parastatals including Trans-Caledon Tunnel Authority.

Directorate

During the year Jonathan (Mlungisi) Hlongwane resigned as an independent non-executive director with effect from 26 February 2010. Alternate director to Dr FA Sonn, Johan van Reenen, resigned with effect from 30 November 2009. We thank both Mlungisi and Johan for their contribution.

Dividend declaration

The board has declared a dividend of 15,0 cents per share (2009: 15 cents per share), which equates to 4,75 times dividend cover on HEPS. It remains the policy of the group to review the dividend annually in light of cash flow, gearing and net external debt on the statement of financial position, future availability of credit and the covenants imposed in terms of current financing arrangements.

The salient dates for the dividend are as follows:

Last day to trade *cum* dividend	Thursday, 10 June 2010
Shares trade *ex* dividend	Friday, 11 June 2010
Record date	Friday, 18 June 2010
Payment date	Monday, 21 June 2010

No share certificates may be dematerialised or rematerialised between Friday, 11 June 2010 and Friday, 18 June 2010, both dates inclusive.

Statement of compliance

The audited summarised consolidated results for the year have been prepared in accordance with the recognition and the measurement requirements of International Financial Reporting Standards, the presentation and disclosure requirements of IAS 34: Interim Financial Reporting, and the JSE Listings Requirements and in the manner required by the South African Companies Act, 1973. The accounting policies applied in preparation of the audited summarised consolidated annual financial statements are consistent with those applied in the group's audited consolidated annual financial statements for the year ended 28 February 2010, which comply with International Financial Reporting Standards.

Audit opinion

The auditors, KPMG Inc., have issued an unmodified audit opinion on the group's financial statements for the year ended 28 February 2010. The audit was conducted in accordance with International Standards on Auditing. A copy of their audit report is available for inspection at the company's registered office. These audited summarised annual financial statements have been derived from the group audited annual financial statements and are consistent in all material respects.

Annual general meeting

The annual general meeting of the company will be held at the company's offices, 30 Activia Road, Activia Park, Germiston on Friday, 25 June 2010 at 10h00.

Appreciation

We thank our management and staff for their commitment and tenacious efforts, which have helped drive our continued success in the face of difficult trading conditions. We also thank our fellow directors for their valuable input and our advisors, suppliers, clients and stakeholders for their ongoing support.

On behalf of the board.

Bernard Krone
Chief Executive Officer

Wayne van Houten
Chief Financial Officer

26 May 2010

CORPORATE INFORMATION

DIRECTORS: DM Thompson* (Chairman); B Krone (CEO); W van Houten (CFO)
EG Dube*; MB Mathabathe*; Dr FA Sonn*
*Independent non-executive

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COMPANY SECRETARY: iThemba Governance and Statutory Solutions (Pty) Limited
Monument Office Park, Suite 5-102, 79 Steenbok Avenue, Monument Park
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