esor

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

HIGHLIGHTS

- All key performance indicators ahead of forecasts
- Revenue **UP** 132%
- HEPS **UP** 77%
- EBITDA **UP** 163%
- Dividend of 6 cents per share
- Successful integration of Franki acquisition
- BEE equity participation at 26,86%

AUDITED FINANCIAL RESULTS

for the year ended 28 February 2007

CONSOLIDATED INCOME STATEMENT

	Year ended 28 February 2007 Audited R'000	Year ended 28 February 2006 Audited R'000
Revenue	**291 392**	125 393
Cost of sales	**(209 465)**	(98 772)
Gross profit	**81 927**	26 621
Other operating income	**1 133**	1 057
Operating expenses	**(28 712)**	(7 060)
Earnings before interest, tax, depreciation and amortisation	**54 348**	20 618
Depreciation	**(8 654)**	(2 650)
Profit before interest and taxation	**45 694**	17 968
Net interest received	**1 287**	493
Profit before taxation	**46 981**	18 461
Taxation	**(12 899)**	(5 122)
Profit for the year	**34 082**	13 339
Reconciliation of headline earnings:		
Profit attributable to ordinary shareholders	**34 082**	13 339
Adjusted for profit on disposal of property, plant and equipment	**(184)**	(653)
Headline earnings	**33 898**	12 685
Weighted average shares in issue on which earnings are based	**150 771**	99 993
Basic earnings per share (cents)	**22,6**	13,3
Adjusted for –		
Profit on disposal of property, plant and equipment (after tax) (cents)	**(0,1)**	(0,6)
Headline earnings per share (cents) ("HEPS")	**22,5**	12,7
Dividend per share (cents)	**6,0**	–

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 28 February 2007 Audited R'000	Year ended 28 February 2006 Audited R'000
Cash flows from operating activities	**32 877**	4 781
Cash receipts from customers	**258 833**	120 827
Cash paid to suppliers and employees	**(216 904)**	(114 131)
Cash generated from operations	**41 929**	6 696
Interest received	**3 007**	982
Interest paid	**(1 720)**	(489)
Taxation paid	**(10 339)**	(2 408)
Cash flows from investing activities	**(146 638)**	(808)
Acquisition of property, plant and equipment	**(41 263)**	(2 229)
Proceeds on disposal of property, plant and equipment	**409**	571
Proceeds on disposal of investment property	**–**	850
Brand name acquired	**(94 529)**	–
Acquisition of subsidiary	**(11 255)**	–
Cash flows from financing activities	**153 773**	1 880
Increase/(decrease) in unsecured loans	**(4 419)**	2 192
(Decrease)/increase in secured borrowings	**30 905**	(312)
Share issue net of issue expenses	**127 287**	–
Net increase in cash and cash equivalents	**40 012**	5 853
Cash and cash equivalents at beginning of year	**12 636**	6 783
Cash and cash equivalents at end of year	**52 648**	12 636

CONSOLIDATED BALANCE SHEET

	28 February 2007 Audited R'000	28 February 2006 Audited R'000
ASSETS		
Non-current assets	**238 579**	20 463
Property, plant and equipment	**139 861**	20 463
Intangible assets	**94 529**	–
Deferred taxation	**4 189**	–
Current assets	**226 817**	40 723
Inventories	**6 877**	36
Unsecured loans	**–**	5
Taxation overpaid	**5 743**	–
Trade and other receivables	**161 549**	28 046
Bank and cash	**52 648**	12 636
Total assets	**465 396**	61 186
EQUITY AND LIABILITIES		
Share capital and reserves	**240 020**	36 940
Share capital and premium	**175 352**	6 372
Equity compensation reserve	**658**	–
Foreign currency translation reserve	**41**	–
Post retirement benefit reserve	**(681)**	–
Accumulated profits	**64 650**	30 568
Non-current liabilities	**71 724**	4 797
Secured borrowings	**43 915**	2 837
Post retirement benefits	**10 507**	–
Deferred taxation	**17 302**	1 960
Current liabilities	**153 652**	19 449
Trade and other payables	**121 266**	9 546
Current portion of secured borrowings	**7 939**	1 909
Taxation owing	**3 047**	3 570
Provisions	**21 400**	–
Unsecured loans	**–**	4 424
Total equity and liabilities	**465 396**	61 186
Shares in issue	**243 371 510**	100 000 000
Net asset value per share (cents)	**109,79**	36,94
Net tangible asset value per share (cents)	**66,55**	36,94

SEGMENTAL REPORT

	Southern Africa		Other regions		Consolidated	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000	**2007 R'000**	2006 R'000
Revenue	**256 591**	125 393	**34 801**	–	**291 392**	125 393
Profit	**36 939**	13 339	**(2 857)**	–	**34 082**	13 339
Total assets	**370 667**	61 186	**94 729**	–	**465 396**	61 186
Total liabilities	**187 549**	24 285	**37 827**	–	**225 376**	24 285

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Equity compensation reserve R'000	Foreign currency translation reserve R'000	Post retirement benefit reserve R'000	Accumulated profits R'000	Total R'000
Balance at 1 March 2005	*	–	–	–	–	17 229	17 229
Share issue	*	6 855	–	–	–	–	6 855
Share issue expenses	–	(483)	–	–	–	–	(483)
Capitalisation issue	100	(100)	–	–	–	–	–
Net profit for the year	–	–	–	–	–	13 339	13 339
Balance at 1 March 2006	**100**	**6 272**	**–**	**–**	**–**	**30 568**	**36 940**
Share issue	**93**	**137 807**	**–**	**–**	**–**	**–**	**137 900**
Share issue expenses	**–**	**(10 613)**	**–**	**–**	**–**	**–**	**(10 613)**
Share-based payments	**26**	**41 667**	**–**	**–**	**–**	**–**	**41 693**
Foreign currency translation adjustment	**–**	**–**	**–**	**41**	**–**	**–**	**41**
Post retirement defined benefit	**–**	**–**	**–**	**–**	**(681)**	**–**	**(681)**
Share options granted	**–**	**–**	**658**	**–**	**–**	**–**	**658**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**34 082**	**34 082**
Balance at 28 February 2007	**219**	**175 133**	**658**	**41**	**(681)**	**64 650**	**240 020**

** Amount less than R1 000.*

COMMENTS

INTRODUCTION

The directors are pleased to present the annual financial results of the company for the year ended 28 February 2007 ("the year"), which significantly exceed the forecasts in the revised listing particulars ("revised listing forecasts") issued on the acquisition of Franki Africa (Pty) Limited ("Franki") in October 2006. The successful year was marked by a number of strategic milestones. On 14 March 2006 Esor listed on the Alternative Exchange ("Alt^{x}") of the JSE Limited. In the third quarter of 2006 Esor concluded the acquisition of Franki at the same time boosting black ownership and directorship ahead of Charter requirements and expanding its services offering and footprint.

Although only four months of Franki's trading figures have been consolidated into the group results from the effective date of the acquisition, the benefits of the acquisition are reflected in Franki's contribution to the substantial increases in all of Esor's key performance indicators.

Esor has declared a final dividend of 6 cents per share for the year, more than three times the 1,97 cents per share in the revised listing forecasts. This move further reinforces Esor's leadership as the first construction-related company on Alt^{x} to do so.

REVIEW OF OPERATIONS

Esor has continued its strategy of selectively pursuing contracts offering higher profit margins. This has yielded a strong increase in profits commensurate with a substantial increase in revenue.

Thriving market conditions continue to drive unabated demand for Esor's services. At the same time management's strict cost control and focus on operational efficiency have improved operating margins.

During the year Esor completed a number of large-scale contracts including piling and lateral support for the expansion to OR Tambo International Airport valued at R150 million and the R20 million pipejacking and intake work for the Vaal River Eastern Subsystem Augmentation Project ("VRESAP").

FINANCIAL RESULTS

Group revenue more than doubled to R291,4 million from R125,4 million in the previous year, 14,5% ahead of the R254,5 million in the revised listing forecasts. EBITDA increased by 163% to R54,3 million from R20,6 million and exceeded the revised listing forecast of R41,9 million by 29,6%. Headline earnings rose 167,2% to R33,9 million equating to 22,5 cents per share (HEPS), 53,7% ahead of the revised listing forecast of 14,64 cents per share.

Cash on hand tripled (317,5%) to R52,6 million. During the year the group invested in organic growth with the purchase of capital equipment to the value of R41,2 million.

SEGMENTAL ANALYSIS

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

BLACK ECONOMIC EMPOWERMENT ("BEE")

As part of the Franki acquisition BEE ownership was boosted to 26,86% ahead of Charter requirements. In terms of the deal a BEE consortium including Esor and Franki staff, funded the cash component of the purchase price. Black employees now hold a 7,7% stake in the company through the Esor Broad Based Share Ownership Scheme.

More than 70% of the group's 1 075 core employees are black.

ACQUISITION

As previously announced on 25 August 2006 and 9 October 2006 Esor concluded the acquisition of Franki for an aggregate consideration of R186 million. Franki has a 60-year track record and operates throughout South Africa, sub-Saharan Africa and the Indian Ocean Islands providing specialist geotechnical services including laboratory testing, piling, underpinning and soil improvement, as well as a full range of services for the marine construction market.

The two companies are each strongly branded in the geotechnical contracting market, and it is intended that this strategy of independent branding will remain in place for the foreseeable future. At the same time synergistic cultures, management styles and operating systems have ensured successful integration and the group is operating as a seamless entity.

DIRECTORS

Following the conclusion of the Franki acquisition Roy McLintock and Wayne van Houten, the CEO and Financial Director of Franki respectively, were appointed to the Esor board as executive directors. Further, Ethan Dube, Mlungisi Hlongwane and Franklin Sonn were appointed to the board as non-executive directors in January 2007, taking black board representation to 30%.

Ian Jefferiss resigned from the board with effect from 23 November 2006. The board thanks him for his contribution.

PROSPECTS

Organic growth and aggressive investment in plant expansion and renewal have resulted in increased capacity for Esor. This together with Franki's additional capacity and excellent performance, has ideally positioned Esor to take advantage of spiralling demand as government and parastatal infrastructure programmes are implemented. Increasing demand for Esor's services from the municipal and commercial sectors further enhances the group's prospects.

The group has a healthy order book with budgeted value for the current financial year in excess of R570 million. Both Esor and Franki have already secured contracts in all areas of government infrastructure spend including the Gautrain, 2010 stadia and the Airports Company of South Africa ("ACSA"). The directors are confident of achieving real growth in HEPS subject to market conditions remaining favourable.

Esor will continue its strategy of capital expenditure on state-of-the-art equipment to revitalise its plant, specifically rigs to boost hydraulic efficiency. In the interim new plant will be used to augment current equipment and enable Esor to meet demand.

DIVIDEND POLICY

At interim results in November 2006 Esor announced its intention to declare a dividend at year-end equating to 40% of after tax profit. The directors of Esor have declared a final dividend of R0,06 per share for the year, covered 3,7 times by HEPS, three times higher than the 1,97 cents per share in the revised listing forecasts. The dividend will be financed out of current profits.

The salient dates for the dividend are as follows:

Last day to trade shares *cum* dividend	Friday, 8 June 2007
Shares trade *ex* dividend	Monday, 11 June 2007
Record date	Friday, 15 June 2007
Payment date	Monday, 18 June 2007

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

BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa, 1973. The accounting policies used to prepare these annual financial statements are consistent with those applied at the previous year-end.

AUDIT OPINION

The annual financial statements for the year ended 28 February 2007 have been audited by Esor's auditors RSM Betty & Dickson (Durban). Their unqualified audit report is available for inspection at the company's registered office.

APPRECIATION

The group recognises the value of its staff, many of whom have been with the group for more than 15 years. The directors thank them for their loyalty and work ethic which have contributed to the successful listing on Alt^{x} and Esor's exceptional results. The board also reiterates its welcome and thanks to the management and staff of Franki, who have already proved integral to the group, and believes the initial goodwill shown by both companies will continue to the benefit of all stakeholders. Esor also thanks its business partners, advisors, suppliers, clients and shareholders for their ongoing support and faith in the group.

By order of the Board

Bernard Krone
Chief Executive Officer

Mauro L Trevisani
Financial Director

23 May 2007

CORPORATE INFORMATION

Directors: DM Thompson*^ *(Chairman)*, B Krone *(CEO)*, ML Trevisani† *(Financial Director)*, ML Barber, E Dube*, AM Field¥, JM Hlongwane*, RP McLintock, FA Sonn*, W van Houten, J van Reenen (*alternate to F Sonn*) **Non-executive director, ^Independent, †Italian Citizen, ¥British Citizen*
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Transfer secretaries: Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61763, Marshalltown, 2107)
Designated Advisor: Exchange Sponsors (Pty) Limited
Company secretary: ID Stephen