esor

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

HIGHLIGHTS

- Revenue **UP** 249%
- EBITDA **UP** 243%
- Headline earnings **UP** 240%
- Net asset value per share **UP** 46%
- Net tangible asset value per share **UP** 83%

AUDITED CONSOLIDATED ANNUAL RESULTS

for the year ended 29 February 2008

INCOME STATEMENT

	Year ended 29 February 2008 Audited R'000	Year ended 28 February 2007 Audited R'000
Revenue	**1 017 480**	291 392
Cost of sales	**(745 546)**	(209 465)
Gross profit	**271 934**	81 927
Other operating income	**1 651**	1 133
Operating expenses	**(90 087)**	(29 600)
Profit before interest, depreciation and taxation	**183 498**	53 460
Depreciation	**(30 391)**	(8 654)
Profit before interest and taxation	**153 107**	44 806
Interest paid	**(28 171)**	(15 245)
Interest received	**32 883**	17 420
Profit before taxation	**157 819**	46 981
Taxation	**(41 817)**	(12 899)
Profit for the year	**116 002**	34 082
Earnings per share		
Basic earnings per share (cents)	**51,7**	22,6
Diluted earnings per share (cents)	**50,7**	22,2
Headline earnings per share (cents)	**51,3**	22,5
Dividends per share (cents)	**20,0**	6,0

CASH FLOW STATEMENT

	Year ended 29 February 2008 Audited R'000	Year ended 28 February 2007 Audited R'000
Cash flows from operating activities	**118 631**	32 877
Cash receipts from customers	**909 365**	258 833
Cash paid to suppliers and employees	**(759 573)**	(216 904)
Cash generated from operations	**149 792**	41 929
Dividends paid	**(14 290)**	–
Interest received	**10 805**	3 007
Interest paid	**(8 669)**	(1 720)
Taxation paid	**(19 007)**	(10 339)
Cash flows from investing activities	**(146 399)**	(146 638)
Acquisition of property, plant and equipment	**(147 470)**	(41 263)
Proceeds on disposal of property, plant and equipment	**1 071**	409
Brand name acquired	**–**	(94 529)
Acquisition of subsidiary	**–**	(11 255)
Cash flows from financing activities	**90 544**	153 773
Decrease in unsecured loans	**–**	(4 419)
Increase in secured borrowings	**54 619**	30 905
Share issue net of issue expenses	**38 235**	127 287
Post retirement benefit	**(2 310)**	–
Net increase in cash and cash equivalents	**63 211**	40 012
Net cash and cash equivalents at beginning of year	**52 648**	12 636
Cash and cash equivalents at end of year	**115 859**	52 648

STATEMENT OF RECOGNISED INCOME AND EXPENSES

	Year ended 29 February 2008 Audited R'000	Year ended 28 February 2007 Audited R'000
Defined benefit plan actuarial gain/(loss)	**685**	(681)
Shares issued	**8 670**	137 900
Share issue expenses	**(435)**	(10 613)
Share based payments	**1 703**	42 351
Derecognition of special purpose entity	**30 667**	–
Dividends paid	**(14 290)**	–
Foreign currency translation differences for foreign operations	**6 642**	41
Income and expenses recognised directly to equity	**33 642**	168 998
Profit for the year	**116 002**	34 082
Total recognised income and expenses for the year	**149 644**	203 080
Amounts attributable to:		
Equity holders of the parent	**149 644**	203 080
Minority interests	**–**	–
Total recognised income and expense for the year	**149 644**	203 080

BALANCE SHEET

	29 February 2008 Audited R'000	28 February 2007 Audited R'000
ASSETS		
Non-current assets	**359 947**	238 579
Property, plant and equipment	**262 741**	139 861
Intangible assets	**94 529**	94 529
Deferred taxation	**2 677**	4 189
Current assets	**398 524**	226 817
Inventories	**7 224**	6 877
Taxation	**3 527**	5 743
Trade and other receivables	**271 914**	161 549
Cash at bank and on hand	**115 859**	52 648
Total assets	**758 471**	465 396
EQUITY AND LIABILITIES		
Share capital and reserves	**389 664**	240 020
Share capital and premium	**213 587**	175 352
Equity compensation reserve	**2 361**	658
Foreign currency translation reserve	**6 683**	41
Post retirement benefit reserve	**4**	(681)
Accumulated profits	**167 029**	64 650
Non-current liabilities	**107 323**	71 724
Secured borrowings	**85 169**	43 915
Post retirement benefits	**8 106**	10 507
Deferred taxation	**14 048**	17 302
Current liabilities	**261 484**	153 652
Current portion of secured borrowings	**21 304**	7 939
Taxation	**26 781**	3 047
Provisions	**17 359**	21 400
Trade and other payables	**196 040**	121 266
Total equity and liabilities	**758 471**	465 396

SEGMENTAL REPORT

	Southern Africa 2008 R'000	Other regions 2008 R'000	Consolidated 2008 R'000
Revenue			
External sales	**848 273**	**169 207**	**1 017 480**
Total revenue	**848 273**	**169 207**	**1 017 480**
Result			
Segment result	**114 484**	**38 623**	**153 107**
Interest expense	**(19 596)**	**(8 575)**	**(28 171)**
Interest income	**14 608**	**18 275**	**32 883**
Income taxes	**(27 058)**	**(14 759)**	**(41 817)**
Profit	**82 438**	**33 564**	**116 002**
Other information			
Segment assets	**628 708**	**129 763**	**758 471**
Consolidated total assets	**628 708**	**129 763**	**758 471**
Segment liabilities	**341 762**	**27 045**	**368 807**
Consolidated total liabilities	**341 762**	**27 045**	**368 807**
Capital expenditure	**127 331**	**20 139**	**147 470**
Depreciation	**14 559**	**15 832**	**30 391**

COMMENTS

INTRODUCTION

The directors of Esor are proud to present the annual financial results for the year ended 29 February 2008 ("the year"), which reflect a record performance for the group. The year saw Esor's organic growth double across all disciplines and in all regions of operation. In addition the annual results reflect the inclusion for the full twelve months of Franki Africa (Pty) Limited ("Franki"), acquired in November 2006, which performed equally well to boost top and bottom line.

The group is firmly aligned to infrastructure spend including Government's approximately R590 billion public investment programme to be deployed over the next five years.

The two underlying companies, Esor and Franki, provide specialist civil engineering and geotechnical services encompassing field investigation, design, testing capabilities, piling, pipe jacking, soil improvement and lateral support.

REVIEW OF OPERATIONS

Thriving market conditions continued to drive demand for Esor's services. Margins in the second half of the year were to an extent impacted by unusually high rainfall in Gauteng prior to and following the month closure for 'Builders holidays', affecting the year's final quarter. However management's commitment to strict cost control with focus on optimising operational efficiencies and an aggressive plant renewal policy, resulted in consistent operating margins overall year-on-year.

Gautrain has been a major contributor to the group's growth – of the R420 million worth of projects secured, R170 million worth of work was completed during the year. Esor also completed piling projects for Airports Company South Africa ("ACSA") at the new King Shaka and Cape Town International Airports and contracts for piling, pedestrian culvert jacking and lateral support at OR Tambo International Airport. Work on the stadia for the 2010 World Cup has also been completed, specifically at Athlone Stadium in Cape Town, Moses Mabhida Stadium in Durban and Port Elizabeth Stadium.

The group further entrenched its presence in Africa building on Franki's existing foothold in oil-rich Angola. Contracts for piling, lateral support and marine works projects were completed during the year.

CAPEX AND PLANT REPLACEMENT POLICY

During the year the group invested R147,5 million in the purchase of capital equipment, compared to R41,3 million in the previous year.

SKILLS SHORTAGE

Esor strives to be the employer of choice in the industry. In light of the current industry-wide skills shortage, the group's staff retention record reflects its achievement of this objective and is a strong competitive advantage. Esor has a solid base of young semi-skilled and skilled employees, which reflected a net gain of employees for the year. The group is well-positioned to address the skills shortage having some time ago identified candidates to advance to management level positions using in-house training facilities and external suppliers. Esor's philosophy of empowerment, assigning responsibility and engendering a sense of ownership of the business, is a major contributing factor to the strength and depth of the skills pool.

BLACK ECONOMIC EMPOWERMENT

Esor remains strongly committed to BEE and is constantly striving to increase black ownership of the group. Esor has recently been rated as a "Level 6" contributor in terms of the Department of Trade and Industry's BBBEE Codes of Good Practice.

74% of Esor's workforce is black and emphasis is placed on training suitable candidates to accelerate promotion to management level. In addition, three non-executive directors on the company's board are black.

Through the Esor Broad Based Share Ownership Scheme, implemented in 2006, all permanent staff below executive management level hold an aggregate 7,56% stake in the company.

FINANCIAL RESULTS

Group revenue increased to R1 billion from R291 million in the previous year. Earnings before interest, depreciation, taxation and amortisation ("EBITDA") increased by 243% to R183 million from R53 million. Headline earnings rose 240% to R115 million equating to 51,3 cents per share ("HEPS"). Net asset value per share increased by 46% from 109,8 cents to 160,3 cents and net tangible asset value per share rose by 83% from 66,5 cents to 121,4 cents, based on the number of shares in issue at year-end.

BASIS OF PREPARATION

The audited consolidated financial statements for the year ended 29 February 2008 have been prepared in compliance with International Financial Reporting Standards ("IFRS"), IAS 34 and the South African Companies Act, 1973. The accounting policies and methods of measurement and recognition applied in preparation of these audited consolidated financial statements are consistent with those applied in the group's most recent audited annual financial statements for the previous year ended 28 February 2007.

AUDIT OPINION

These consolidated financial results for the year have been audited by the company's auditors, RSM Betty & Dickson (Durban). Their unmodified audit report on the consolidated annual financial statements is available for inspection at the registered office of the company.

PROSPECTS

Prospects for the upcoming year look positive with 60% of the order book for the year to February 2009 in hand, and key projects targeted and identified to achieve the balance. The Gautrain is expected to continue as a strong growth driver and further, is stimulating major development within the radius of its stations' use areas, which will dramatically alter the urban landscape and further boost the construction industry beyond 2010. A plethora of new developments is in the pipeline including high-rise office towers, hotel developments and various retail and commercial building projects.

As a major participant in Government's infrastructure spend, Eskom's commitment to energy development and private sector investment, Esor is well-positioned to withstand the current economic downturn. The directors believe that a period of consolidation may follow which will be to the long-term benefit of the industry. As the group is cash positive and major capex spend has already been incurred, the impact on Esor of rising interest rates will be mitigated to a large extent. In addition the impact on Esor of exchange rate fluctuations is mitigated by forward cover on contracts.

The directors further believe that ongoing penetration into Africa offers good growth prospects and Esor plans to leverage Franki's established base in sub-Saharan Africa to this end.

The Franki acquisition has proved incredibly successful with the group leveraging the synergistic benefits in areas such as plant, marketing, resources and human resources. Further acquisitions that could present similar benefits for the group in complementary fields, or which could assist Esor in diversifying, will be considered in the year ahead.

DIVIDEND POLICY

In line with policy Esor has declared a final dividend of 20,0 cents per share for the year, amounting to R49,6 million in total.

Last day to trade *cum* dividend	Friday, 6 June 2008
Commence trading *ex* dividend	Monday, 9 June 2008
Record date	Friday, 13 June 2008
Dividend payable	Tuesday, 17 June 2008

Share certificates may not be dematerialised or rematerialised between Monday, 9 June 2008 and Friday, 13 June 2008, both dates inclusive.

APPRECIATION

Esor recognises the key role our staff plays in the success of the group and we thank them unconditionally. We also thank our business partners, advisors, suppliers, clients and most importantly our 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

21 May 2008

CORPORATE INFORMATION

Directors: DM Thompson *(Chairman)*^, B Krone *(Chief Executive Officer)*, ML Trevisani *(Financial Director)* **, ML Barber, AM Field*, E Dube^, JM Hlongwane^, RP McLintock, FA Sonn^ *(alternate: JC van Reenen)*, W van Houten **British **Italian ^ Non-executive*
Group Secretary: ID Stephen 130 Aberdare Drive, Phoenix Industrial Park, Durban, 4051 (PO Box 40096, Red Hill, 4071)
Transfer Secretaries: Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61763, Marshalltown, 2107)
Designated Advisor: Exchange Sponsors (Pty) Limited
Investor Relations: Envisage Investor & Corporate Relations