REVIEWED INTERIM RESULTS
for the six months ended 31 August 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")

SALIENT FEATURES

R1 billion
ORDER BOOK

26%
REVENUE

68%
EBITDA

90%
HEPS

R58,7 million
OPERATING CASH GENERATED

R1 billion
SHORT-TERM PROSPECTS PIPELINE

Condensed consolidated statement of financial position

	31 August (Reviewed) 2010 R'000	31 August (Reviewed) 2009 R'000	28 February (Audited) 2010 R'000
ASSETS			
Non-current assets	**986 302**	999 341	999 551
Property, plant and equipment	**586 833**	602 042	596 429
Intangible assets	**91 057**	94 789	93 737
Goodwill	**305 715**	299 759	305 715
Deferred tax asset	**2 697**	2 751	3 670
Current assets	**622 468**	768 221	648 273
Inventories	**10 989**	13 661	14 827
Other investments	**8 846**	15 895	6 762
Taxation	**–**	3 929	9 952
Trade and other receivables	**514 623**	540 372	499 869
Cash and cash equivalents	**88 010**	194 364	116 863
Total assets	**1 608 770**	1 767 562	1 647 824
EQUITY AND LIABILITIES			
Share capital and reserves	**758 829**	673 374	808 028
Share capital and premium	**396 958**	340 421	396 956
Equity compensation reserve	**10 687**	4 696	8 253
Foreign currency translation reserve	**(34 630)**	(6 409)	(14 296)
Retained earnings	**385 814**	334 666	417 115
Non-current liabilities	**376 813**	367 499	405 711
Secured borrowings*	**255 638**	259 918	275 031
Post-retirement benefits	**1 665**	1 587	1 665
Deferred tax liabilities	**119 510**	105 994	129 015
Current liabilities	**473 128**	726 689	434 085
Current portion of secured borrowings*	**136 437**	112 324	121 677
Taxation	**17 027**	84 311	6 644
Provisions	**14 510**	35 321	21 087
Trade and other payables	**305 154**	494 733	284 677
Total equity and liabilities	**1 608 770**	1 767 562	1 647 824
Net asset value per share (cents)	**258,4**	241,7	275,6
Tangible net asset value per share (cents)**	**161,1**	139,7	177,5

* Interest-bearing debt
** (Net asset value less intangible assets)/ weighted average shares

Condensed consolidated statement of comprehensive income

	Six months ended 31 August (Reviewed) 2010 R'000	31 August (Reviewed) 2009 R'000	Change %	Year ended 28 February (Audited) 2010 R'000
Revenue	**750 798**	1 018 268	(26,3)	1 857 817
Cost of sales	**(603 294)**	(727 180)	(17,0)	(1 361 041)
Gross profit	**147 504**	291 088	(49,3)	496 776
Other income	**2 969**	603	392,4	3 937
Operating expenses	**(75 302)**	(56 103)	34,2	(111 661)
Profit before interest, tax, amortisation, impairments and depreciation	**75 171**	235 588	(68,1)	389 052
Depreciation, impairments and amortisation	**(37 158)**	(59 328)	(37,4)	(83 478)
Results from operating activities	**38 013**	176 260	(78,4)	305 574
Finance costs	**(17 184)**	(61 599)	(72,1)	(93 106)
Finance income	**3 079**	46 039	(93,3)	63 281
Profit before income tax	**23 908**	160 700	(85,1)	275 749
Income tax expense	**(11 597)**	(45 846)	(74,7)	(78 108)
Profit after tax	**12 311**	114 854	(89,3)	197 641
Other comprehensive income:				
Foreign currency translation differences for foreign operations	**(22 553)**	(21 060)	7,1	(32 630)
Actuarial loss on post retirement benefit	**–**	–	–	(28)
Income tax on other comprehensive income	**2 219**	–	100	3 683
Other comprehensive loss for the period, net of tax	**(20 334)**	(21 060)	(3,5)	(28 975)
Total comprehensive (loss)/ income for the period	**(8 023)**	93 794	(108,6)	168 666
Profit attributable to:				
Owners of the company	**12 311**	114 854	(89,3)	197 641
Total comprehensive (loss)/ income attributable to:				
Owners of the company	**(8 023)**	93 794	(108,6)	168 666
Basic earnings per share (cents)	**4,2**	41,3	(89,8)	69,4
Diluted earnings per share (cents)	**4,2**	40,9	(89,7)	68,6
Headline earnings per share (cents)	**4,1**	41,3	(90,1)	71,3
Diluted headline earnings per share (cents)	**4,1**	40,9	(90,0)	70,5
Reconciliation of headline earnings				
Profit attributable to ordinary shareholders	**12 311**	114 854		197 641
Adjusted for:				
Loss on disposal of property, plant and equipment	**918**	31		5 396
De-recognition of non-controlling interests in subsidiary	**(3 605)**	–		–
Impairment of property, plant and equipment	**1 200**	–		–
Impairment of intangible assets	**1 182**	–		–
Headline earnings attributable to ordinary shareholders	**12 006**	114 885	89,5	203 037
Number of ordinary shares ('000)				
in issue	**302 162**	289 495		302 162
diluted weighted average	**295 628**	281 122		288 038
weighted average	**293 403**	278 121		284 743

Condensed consolidated statement of cash flows

	Six months ended 31 August (Reviewed) 2010 R'000	31 August (Reviewed) 2009 R'000	Year ended 28 February (Audited) 2010 R'000
Cash flows from operating activities			
Profit for the period	**23 908**	160 700	275 749
Adjustments for:			
Depreciation of property, plant and equipment	**33 278**	41 095	64 193
Impairment of intangible assets	**1 624**	–	–
Impairment of property, plant and equipment	**1 200**	–	–
Amortisation of intangible assets	**1 056**	18 233	19 285
Profit on disposal of property, plant and equipment	**–**	–	(182)
Loss on disposal of property, plant and equipment	**1 275**	31	7 806
Unrealised foreign exchange differences	**(14 806)**	(24 777)	(16 512)
Equity settled share-based payment transactions	**2 434**	779	4 336
Income tax refund/(paid)	**5 702**	(30 272)	(126 898)
	55 671	165 789	227 777
Change in inventories	**3 838**	(2 282)	(3 448)
Change in trade and other receivables	**(14 754)**	32 428	72 931
Change in trade and other payables	**20 477**	(35 548)	(85 165)
Change in provisions	**(6 577)**	4 203	(10 031)
Net cash from operations	**58 655**	164 590	202 064
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**125**	9 411	3 085
Acquisition of business	**–**	–	(113 828)
Acquisition of property, plant and equipment	**(37 306)**	(64 034)	(96 034)
(Acquisition)/disposal of other investments	**(2 084)**	(1 626)	7 507
Net cash used in investing activities	**(39 265)**	(56 249)	(199 270)
Cash flows from financing activities			
Proceeds from the issue of shares	**2**	1 342	5 311
Decrease in secured borrowings	**(4 633)**	(146 025)	(121 559)
Post-retirement benefits paid	**–**	–	(79)
Dividends paid	**(43 612)**	(42 119)	(42 429)
Net cash used in financing activities	**(48 243)**	(186 802)	(158 756)
Net decrease in cash and cash equivalents	**(28 853)**	(78 461)	(155 962)
Cash and cash equivalents at beginning of period	**116 863**	272 825	272 825
Cash and cash equivalents at end of period	**88 010**	194 364	116 863

Condensed 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 2009	278	338 800	3 917	14 651	261 931	**619 577**
Profit					114 854	**114 854**
Other comprehensive income						
Foreign currency translation differences for foreign operations				(21 060)		**(21 060)**
Total other comprehensive income				(21 060)	–	**(21 060)**
Total comprehensive income for the period				(21 060)	114 854	**93 794**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares	1	1 342				**1 343**
Dividends to equity holders					(42 119)	**(42 119)**
Share-based payment transactions			779			**779**
Share options exercised						
Total contributions by and distributions to owners	1	1 342	779	–	(42 119)	**(39 997)**
Balance at 31 August 2009	279	340 142	4 696	(6 409)	334 666	**673 374**
Balance at 1 March 2010	292	396 664	8 253	(14 296)	417 115	**808 028**
Profit					12 311	**12 311**
Other comprehensive income						
Foreign currency translation differences for foreign operations				(20 334)		**(20 334)**
Total other comprehensive income			–	(20 334)	–	**(20 334)**
Total comprehensive (loss)/income for the period			–	(20 334)	12 311	**(8 023)**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends to equity holders					(43 612)	**(43 612)**
Share-based payment transactions			2 434			**2 434**
Share options exercised	2					**2**
Total contributions by and distributions to owners	2	–	2 434	–	(43 612)	**(41 176)**
Balance at 31 August 2010	294	396 664	10 687	(34 630)	385 814	**758 829**

	Six months ended 31 August (Reviewed) 2010	31 August (Reviewed) 2009	Year ended 28 February (Audited) 2010
Dividends per ordinary share (cents)	**–**	–	15,0

Information about reportable segments for the six months ended 31 August

	Geotechnical		Civils		Pipelines		Corporate and eliminations		Consolidated	
R'000	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
External revenues	**423 180**	527 674	**225 321**	375 498	**102 297**	130 553	**–**	(15 457)	**750 798**	1 018 268
Reportable segment profit before income tax	**12 016**	70 913	**20 849**	89 217	**2 254**	27 587	**(11 211)**	(27 017)	**23 908**	160 700
Reportable segment assets	**713 901**	793 534	**459 909**	498 805	**103 546**	181 791	**331 414**	293 432	**1 608 770**	1 767 562

Geographical information	South Africa		Other regions		Consolidated	
R'000	**2010**	2009	**2010**	2009	**2010**	2009
Total revenue	**589 879**	906 763	**160 899**	111 505	**750 798**	1 018 268
Profit before interest and tax	**4 215**	155 202	**33 802**	21 058	**38 013**	176 260
Profit after tax	**(9 867)**	112 411	**22 178**	2 443	**12 311**	114 854
Total assets	**1 307 756**	1 561 031	**301 014**	206 531	**1 608 770**	1 767 562

COMMENTARY

The directors of Esorfranki present the results of the group for the six months ended 31 August 2010 ("the period"). A number of factors negatively impacted on the group during the period, pressuring certain key financial indicators (as per Esorfranki's trading updates of 16 July 2010 and 5 October 2010). These included difficult trading conditions in the construction sector, inclement weather, intensifying competition and margin squeeze. The disruptive effects of the Soccer World Cup on certain projects, and the general lassitude in the wake of this event, further restricted top and bottom line growth.

Financial results
Revenue reduced by 26,3% to R750,8 million from R1 018,3 million in the previous comparative period, generating EBITDA of R75,2 million compared to EBITDA of R235,6 million in August 2009. Headline earnings decreased by 89,5% translating into HEPS of 4,1 cents per share, 90,1% lower than the previous comparative period.

Cash generated by operations totalled R58,7 million.

Gearing
Through focused attention on reduction of net external debt notwithstanding less cash generated from operations, gearing was lowered to 34,1% from 35,6% for the previous comparative period. Borrowings are as a result of the finance raised for the acquisition of the Esorfranki business operations, working capital and the now restricted capital expansion programme (see 'CAPEX and plant replacement policy' below).

Review of operations
Protracted delays in the award of certain major contracts particularly affected Esorfranki Pipelines and Esorfranki Civils, while challenges in Sub-Saharan Africa reflected in the poorer performance of Franki Africa's East and West coast operations. This situation is expected to improve in the second half of the year as both delayed and new projects start to come on stream.

Operating margins came under pressure on some of the group's contracts due to lower activity levels in the industry overall. Unfavourable weather conditions further exacerbated the situation, with excessive rainfall in the Gauteng region during the period. In addition Esorfranki incurred a once-off cost for restructuring initiatives.

Working capital cycles increased as a result of delayed collections from government as well as from main contractors in the Geotechnical business unit. This resulted in the group effectively borrowing a further R33 million, by re-advancing previously paid-up facilities, to fund its working capital requirements.

In Africa the geotechnical market has not developed as anticipated and has been subjected to economic constraints similar to the rest of the world, the effect of which on Esorfranki has been compounded by the Rand's strength.

The rapid decline in contract awards, and consequently in group revenue, necessitated an immediate and extreme restructuring of both the KwaZulu-Natal and Gauteng geotechnical operations. This unfortunately resulted in nearly 600 retrenched positions. A restructuring exercise has also been completed at Esorfranki Pipelines and Esorfranki Civils, with the offices combined into one premises using shared administrative support functions.

Esorfranki Geotechnical
This business unit comprises Franki Africa and Esor Africa. Despite a tough economic environment, revenue of R423,2 million declined only 19,8% from the previous comparative period. This equates to 56,4% of group revenue and generated a contribution to group Profit Before Tax ("PBT") of R12 million. Foreign revenue accounted for 38% of the business unit's revenue. Overall operating margins decreased to 5,9%.

Franki Africa amassed a loss of R20,5 million in the completion of the DP7 package of the Gautrain during this period. This was mainly due to the effects of excessive rain in March, April and May and challenging geotechnical conditions in confined working areas. Difficult piling conditions on the N4 contract resulted in a loss of R6 million for Esor Africa. In addition to trading hurdles in African countries, foreign operations were also adversely affected by the strengthening of the Rand during the period.

Esorfranki Civils
This business unit achieved revenue of R225,3 million, or 30% of group revenue, and generated PBT of R20,8 million. Heavy rainfall as mentioned above also impacted on this business unit, specifically the R21 contract, exacerbated by a six week disruption for the duration of the World Cup. The weather had an equally negative impact on the N4 and other mining infrastructure contracts.

Esorfranki Pipelines
This business unit achieved revenue of R102,3 million, a contribution of 13,6% to group revenue, with PBT of R2,3 million. The flagship contract – the BG3 project for Rand Water – has been slow to start as a result of access problems related to landowner issues, service relocations and water permits as well as blasting trials. In addition the contract was unexpectedly halted for six weeks for the duration of the World Cup. Certain other contracts have also been subjected to extended award periods and continual extensions of tender validities.

CAPEX and plant replacement policy
During the period the group invested R37,3 million (31 August 2009: R64,0 million) in property, plant and equipment. Going forward the directors have placed on hold any planned capital expenditure pending normalisation of market conditions.

R2,0 million of the total spend in respect of property relates to the office conversion at the Germiston premises, which saw the Esorfranki Pipelines offices consolidated into the Esorfranki Civils' premises. Construction on a proposed new head office at Commercia in Midrand (where the group's plant yard is currently situated) began during the period but has since been suspended.

Black Economic Empowerment
Esorfranki is currently rated as a 'Level 5' contributor to broad-based BEE.

The group's commitment to transformation is evidenced by its 29,07% black shareholding (including retail shareholders on the open market). Through the Esor Broad Based Share Ownership Scheme, staff hold a 4,4% stake in the company.

More than 85% of the group's 3 059 (3 700 in 2009) strong workforce is black.

Events after the reporting date
There were no significant events after the reporting date.

Prospects
The board remains positive of the group's growth prospects in the second half of the year notwithstanding prevailing market conditions, clients experiencing liquidity constraints and decline in demand continuing to result in project cancellations and postponements. Esorfranki's order book stood at R1,0 billion at 31 August 2010, which includes R300 million worth of orders to be completed in the 2012 financial year.

The group is shortlisted for the award of a further R1 billion of potential projects in the short term.

However, a number of adverse factors outside of Esorfranki management's control may continue to impact on these and other future opportunities. The factors include the non-award of tenders, ongoing funding constraints hampering client activity and increasingly tight competition.

In the long term general prospects are more positive. The economy is slowly recovering and projects are likely to go ahead as spending is inevitable to facilitate positive annual GDP growth. This optimistic outlook is underpinned by Government's reiterated commitment to infrastructure. The need for considerable spending in certain sectors should drive work despite tough economic conditions, such as in water and sanitation, road infrastructure and power (the current infrastructure will reach the end of its efficient life cycle by 2020/25).

The group will maintain its established presence across Sub-Saharan Africa to capitalise on growth opportunities in this region. Conditions in certain areas such as Mauritius and Mozambique are showing sustainable buoyancy, and while only comprising a small portion of Esorfranki's offshore revenue currently, these areas are growing healthily in contribution.

Dividend policy
In line with group policy no interim dividend has been declared. It remains the policy of the group to review the dividend policy annually in light of cash flow, gearing, capital requirements and bank covenants.

Statement of compliance
The reviewed condensed consolidated interim financial statements for the period have been prepared in accordance with and contain the information required by International Accounting Standard ("IAS") 34 – Interim Financial Reporting and the AC500 series issued by the Accounting Practices Board. The accounting policies and method of measurement and recognition applied in preparation of the condensed consolidated interim financial statements are consistent with those applied in the group's annual financial statements for the year ended 28 February 2010, which comply with International Financial Reporting Standards ("IFRS").

Auditor's independent review
These condensed consolidated financial results for the interim period have been reviewed by the company's auditors, KPMG Inc., in terms of International Standards on Review Engagements 2410. The scope of the review was to enable the auditors to report that nothing had come to their attention that caused them to believe that the accompanying condensed consolidated interim financial statements are not presented, in all material respects, in accordance with IAS 34 – Interim Financial Reporting and the South African Companies Act. Their unmodified review report on the condensed consolidated interim financial statements is available for inspection at the registered office of the company.

Appreciation
We thank our executives, management and staff for their tenacity and efforts in a tough environment. Esorfranki's people remain our key strength and competitive advantage. Thank you also to our fellow directors for your wise counsel. Finally, thanks to our advisors, suppliers, clients and stakeholders for your ongoing support.

On behalf of the board.

Bernard Krone
Chief Executive Officer

Wayne van Houten
Chief Financial Officer

26 October 2010

CORPORATE INFORMATION

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

REGISTERED OFFICE: 30 Activia Road, Activia Park, Germiston, 1401
(PO Box 6478, Dunswart, 1508) Telephone: +27 11 822 3906 Fax: +27 11 822 3112

SPONSOR: Vunani Corporate Finance, Vunani House, Athol Ridge Office Park
151 Katherine Street, Sandown, Sandton, 2196 (PO Box 413972, Craighall, 2024)

TRANSFER SECRETARIES: Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107)

COMPANY SECRETARY: iThemba Governance and Statutory Solutions (Pty) Limited
Monument Office Park, Suite 5-102, 79 Steenbok Avenue, Monument Park
(PO Box 25160, Monument Park, 0105)

AUDITORS: KPMG Inc., KPMG Crescent, 85 Empire Road, Parktown, 2193
(Private Bag 9, Parkview, 2122)