

AUDITED PROVISIONAL REPORT FOR THE YEAR ENDED 28 FEBRUARY 2009



221%

increase in revenue

69%

increase in profit after tax

20,4%

increase in headline earnings per share

CONDENSED GROUP INCOME STATEMENT

| Figures in Rand | Audited Year ended 28 February 2009 | Audited Year ended 29 February 2008 |
|--|--|--|
| Revenue | 720 956 601 | 224 726 826 |
| Cost of sales | (608 133 909) | (159 561 739) |
| Gross profit | 112 822 692 | 65 165 087 |
| Other income | 664 694 | 285 395 |
| Administrative and operating expenses | (40 828 549) | (19 745 819) |
| Operating profit | 72 658 837 | 45 704 663 |
| Finance income | 5 403 793 | 1 355 238 |
| Finance costs | (3 594 246) | (2 465 720) |
| Profit before taxation | 74 468 384 | 44 594 181 |
| Taxation | (21 024 940) | (12 914 020) |
| Net profit for the year attributable to ordinary shareholders | 53 443 444 | 31 680 161 |
| Reconciliation of headline earnings | | |
| Profit attributable to ordinary shareholders | 53 443 444 | 31 680 161 |
| Adjustments for non-trading items: | | |
| Loss/(profit) on disposal of plant and equipment | (696 591) | 2 226 296 |
| Headline earnings | 52 746 853 | 33 906 457 |
| Earnings per share (cents) | | |
| Basic | 40,64 | 31,12 |
| Headline | 40,11 | 33,31 |
| Diluted headline | 40,11 | 33,11 |
| Weighted average number of shares in issue (thousands) | 131 517 | 101 800 |

CONDENSED GROUP CASH FLOW STATEMENT

| Figures in Rand | Audited Year ended 28 February 2009 | Audited Year ended 29 February 2008 |
|---|--|--|
| Cash receipts from customers | 694 447 373 | 194 722 994 |
| Cash paid to suppliers and employees | (604 529 633) | (163 085 257) |
| Cash generated from operations | 89 917 740 | 31 637 737 |
| Net finance income/(cost) | 1 809 547 | (1 110 482) |
| Tax paid | (17 718 495) | (6 936 181) |
| Other non-cash items | 572 971 | - |
| Net cash from operating activities | 74 581 763 | 23 591 074 |
| Acquisition of subsidiary – net cash acquired | - | 703 962 |
| Acquisition of property, plant and equipment | (25 879 706) | (8 772 249) |
| Acquisition of plant for hire | (40 369 478) | (30 376 137) |
| Proceeds on disposal of property, plant and equipment | 1 880 359 | 341 584 |
| Proceeds on disposal of plant for hire | 5 006 705 | 1 759 518 |
| Net cash from investing activities | (59 362 120) | (36 343 322) |
| Net proceeds on share issue | - | 50 552 860 |
| Movement in borrowings | (319 658) | 4 347 772 |
| Net cash from financing activities | (319 658) | 54 900 632 |
| Net movement in cash and cash equivalents | 14 899 985 | 42 148 384 |
| Cash and cash equivalents at the beginning of the year | 42 403 658 | 255 274 |
| Cash and cash equivalents at the end of the year | 57 303 643 | 42 403 658 |

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

| Figures in Rand | Share capital | Share premium | Total share capital and premium | Share-based payment reserve | Common control deficit | Shares to be issued | Retained earnings | Total equity |
|---------------------------------------|------------------|--------------------|---------------------------------|-----------------------------|------------------------|---------------------|-------------------|--------------------|
| Balance as at 1 March 2007 | 969 450 | 192 860 850 | 193 830 300 | - | (177 246 106) | - | 8 992 139 | 25 576 333 |
| Profit for the year | - | - | - | - | - | - | 31 680 161 | 31 680 161 |
| Issue of shares | 194 194 | 53 268 757 | 53 462 951 | - | - | - | - | 53 462 951 |
| Share issue expenses | - | (2 910 391) | (2 910 391) | - | - | - | - | (2 910 391) |
| Acquisition of subsidiary | - | - | - | - | - | 51 097 033 | - | 51 097 033 |
| Balance as at 1 March 2008 | 1 163 644 | 243 219 216 | 244 382 860 | - | (177 246 106) | 51 097 033 | 40 672 300 | 158 906 087 |
| Profit for the year | - | - | - | - | - | - | 53 443 444 | 53 443 444 |
| Issue of shares | 204 388 | 50 892 645 | 51 097 033 | - | - | (51 097 033) | - | - |
| Share issue expenses | - | (97 765) | (97 765) | - | - | - | - | (97 765) |
| Treasury shares | (7 295) | (1 455 315) | (1 462 610) | - | - | - | - | (1 462 610) |
| Share-based payment charge | - | - | - | 572 971 | - | - | - | 572 971 |
| Balance as at 28 February 2009 | 1 360 737 | 292 558 781 | 293 919 518 | 572 971 | (177 246 106) | - | 94 115 744 | 211 362 127 |

CONDENSED GROUP SEGMENTAL REPORT

| Business segment | Civils Construction 2009 | Civils Construction 2008 | Small Plant and Formwork 2009 | Small Plant and Formwork 2008 | Commercial and Industrial Building 2009 | Commercial and Industrial Building 2008 | Services 2009 | Services 2008 | Total group 2009 | Total group 2008 |
|-----------------------------------|--------------------------|--------------------------|-------------------------------|-------------------------------|---|---|------------------|-------------------|--------------------|--------------------|
| Segment revenue and result | | | | | | | | | | |
| Revenue | | | | | | | | | | |
| Total segment sales | 201 867 066 | 156 319 290 | 83 063 650 | 73 210 402 | 444 855 103 | - | 5 400 000 | - | 735 185 819 | 229 529 692 |
| Less: Inter-segmental sales | - | - | (6 084 681) | (4 802 866) | (2 744 537) | - | (5 400 000) | - | (14 229 218) | (4 802 866) |
| Total revenue | 201 867 066 | 156 319 290 | 76 978 969 | 68 407 536 | 442 110 566 | - | - | - | 720 956 601 | 224 726 826 |
| Result | | | | | | | | | | |
| Operating profit | 33 420 757 | 20 327 467 | 8 007 814 | 25 299 011 | 22 353 471 | - | (1 123 205) | 78 185 | 72 658 837 | 45 704 663 |
| Finance income | 3 030 248 | 361 381 | 341 543 | - | 1 415 952 | - | 616 050 | 993 857 | 5 403 793 | 1 355 238 |
| Finance costs | (399 707) | (175 930) | (2 642 485) | (2 286 020) | (524 657) | - | (27 397) | (3 770) | (3 594 246) | (2 465 720) |
| Profit before taxation | 36 051 298 | 20 512 918 | 15 706 872 | 23 012 991 | 23 244 766 | - | (534 552) | 1 068 272 | 74 468 384 | 44 594 181 |
| Assets | 107 438 093 | 53 089 996 | 115 667 846 | 70 858 378 | 148 853 187 | 111 156 020 | 1 446 990 | 41 492 826 | 373 406 116 | 276 597 220 |
| Liabilities | 68 814 343 | 29 877 062 | 27 074 420 | 27 105 985 | 64 953 090 | 40 058 987 | 1 202 136 | 20 649 099 | 162 043 989 | 117 691 133 |
| Other information | | | | | | | | | | |
| Capital additions | 2 965 261 | 4 024 281 | 58 653 474 | 35 124 105 | 4 507 499 | - | 122 950 | - | 66 249 184 | 39 148 386 |
| Depreciation | 1 746 003 | 1 128 191 | 14 571 631 | 7 945 859 | 3 086 943 | - | 37 530 | - | 19 442 107 | 9 074 050 |

CONDENSED GROUP BALANCE SHEET

| Figures in Rand | Audited 28 February 2009 | Audited 29 February 2008 |
|---|--------------------------------|--------------------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 36 900 573 | 19 994 378 |
| Plant for hire | 66 986 191 | 42 464 956 |
| Goodwill | 52 822 314 | 54 264 143 |
| Deferred tax assets | 173 737 | 414 679 |
| | 156 882 815 | 117 138 156 |
| Current assets | | |
| Trade and other receivables | 128 195 106 | 108 365 214 |
| Inventories | 31 024 552 | 8 690 192 |
| Cash and cash equivalents | 57 303 643 | 42 403 658 |
| | 216 523 301 | 159 459 064 |
| Total assets | 373 406 116 | 276 597 220 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital and premium | 293 919 518 | 244 382 860 |
| Common control deficit | (177 246 106) | (177 246 106) |
| Share-based payments reserve | 572 971 | - |
| Shares to be issued | - | 51 097 033 |
| Retained earnings | 94 115 744 | 40 672 300 |
| | 211 362 127 | 158 906 087 |
| Non-current liabilities | | |
| Borrowings | 16 558 854 | 10 968 525 |
| Deferred tax liabilities | 986 713 | 3 128 118 |
| | 17 545 567 | 14 096 643 |
| Current liabilities | | |
| Borrowings | 7 312 776 | 13 222 763 |
| Current income tax liability | 15 840 405 | 10 072 786 |
| Trade and other payables | 121 345 241 | 80 298 941 |
| | 144 498 422 | 103 594 490 |
| TOTAL EQUITY AND LIABILITIES | 373 406 116 | 276 597 220 |
| Total number of shares in issue excluding treasury shares (thousands) | 136 074 | 116 364 |
| Net asset value per share (cents) | 155,33 | 136,56 |
| Supplementary information | | |
| Capital expenditure | (66 249 184) | (39 148 386) |
| Capital commitments | | |
| – authorised by directors and contracted for | 86 693 | 6 651 000 |
| – authorised by directors not yet contracted for | - | 12 000 000 |

Notes to the condensed group financial statements

- Basis of preparation**
The audited group financial statements for the year ended 28 February 2009, from which these condensed financial statements are derived, are prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies adopted are consistent with those used in the annual financial statements for the period ended 28 February 2009. These condensed financial statements are prepared in terms of IAS 34: Interim Financial Reporting and in accordance with the Listings Requirements of the JSE Limited ("JSE").
- Acquisition of Armstrong Construction and employee share options**
The JSE granted approval on 18 March 2008 for an allotment of 11 171 329 ordinary shares to the vendors of Armstrong Construction at R2,86 per share. Following the achievement of the warranted profit at 29 February 2008, the JSE granted approval on 29 August 2008 for a further, and final, allotment of 9 267 482 shares for this portion of the deferred purchase consideration.
In terms of IFRS 3: Business Combinations, the purchase consideration to be settled with shares should be measured at the fair value of the shares at the acquisition date of 28 February 2008, which was R2,50 per share.
The company has granted options that give employees the right to subscribe for 4 255 000 ordinary shares during July 2011 at R1,93 per share.
IFRS 2: Share-based Payment requires that fair value is estimated using a valuation model to determine the expense to be recognised in the income statement. Accordingly, the effect on headline earnings per share as a result of expensing share options amounted to 0,31 cents per share (2008: nil).

COMMENTARY

OVERVIEW
The high volume, secured order book brought forward from the prior year, together with a steady flow of contract awards through 2008, produced record revenues at satisfactory operating margins. Both construction companies performed exceptionally well, whilst Erbacon Small Plant ("ESP") made another solid contribution in a very competitive environment.

Acquisition – Armstrong Construction
The financial results of Davgram Construction (Proprietary) Limited (trading as "Armstrong Construction"), acquired on 28 February 2008, which comprises the Commercial and Industrial Building segment, were fully consolidated for the year under review, and made a significant contribution to the Group in its first year. The integration process proceeded smoothly and the business has fitted in extremely well, executing a strong order book. A highlight of the Armstrong Construction acquisition has been the optimisation of synergies across the two construction businesses, which culminated in the award of several contracts for the 2010 Soccer World Cup.

During the year the exercise, required in terms of IFRS 3: Business Combinations, to finalise the allocation of the purchase price was completed. The excess over the fair value of the assets acquired amounts to R52,8 million and is allocated to goodwill. The allocation of the purchase price also gave rise to a contract-based intangible asset amounting to R1,5 million which was amortised over the period of the contracts that existed at acquisition date. The after-tax charge on headline earnings per share arising from the contract amortisation was 0,83 cents per share.

FINANCIAL REVIEW

Consolidated income statement
Group revenue increased by 221% to reach a record R720,9 million (2008: R224,7 million). The order pipeline was particularly strong for the Commercial and Industrial Building segment, with Armstrong Construction invoicing most of the Unilever contract in 2008/2009. A project delay early in the financial year inhibited revenue growth for Erbacon Construction, but this growth curve will be substantially rectified in the new financial year. Certain branch closures, and a slow uptake at new locations, restricted revenue growth at ESP.

The Civils Construction segment contributed R201,8 million (2008: R156,3 million) or 28% (2008: 69%) of group revenue, whilst the Commercial and Industrial Building segment brought in a material workload of R442,1 million (2008: nil), with the Small Plant and Formwork segment making up the balance of 10,7% (2008: 31%).

The Armstrong Construction contribution raised the consolidated operating profit to R72,6 million (2008: R45,7 million), a year-on-year increase of 59%. ESP contributed 25% of the group operating profit, whilst Armstrong Construction accounted for 31% and Erbacon Construction a significant 46%.

Comparatives with the prior year are meaningless without the inclusion of Armstrong Construction. Nevertheless, the Group's profit before tax margin of 10,3% (2008: 19,8%) is commendable given the quantum of revenue skewed to the Commercial and Industrial Building segment in 2009.

Administrative and operating expenses represent an encouraging reduction to 5,7% of revenue (2008: 8,8%) due to the lower overhead weighting attributed to Armstrong Construction, and to year-on-year cost control.

The net interest charge of R1,1 million for the prior year has converted into a net interest receipt of R1,8 million following strong cash generation in the period. The net attributable profit for the year is R53,4 million (2008: R31,7 million) resulting in a headline earnings per share of 40,1 cents per share (2008: 33,3 cents per share), an improvement of 20,4%. The earnings per share calculation takes into account an increase of 29,2% in the weighted average number of shares in issue during the reporting period.

Basic earnings per share increased by 30,6% to 40,64 cents per share (2008: 31,12 cents per share).

Consolidated Balance Sheet and Cash Flow

During the year under review the JSE granted approval for the additional allotment of 20 438 811 ordinary shares in respect of the Armstrong Construction acquisition. This increases the issued ordinary share capital to 136 803 175 shares out of an authorised share capital of 300 000 000 shares.

Total group assets amount to R373,4 million (2008: R276,6 million), an increase of 35%. The net asset value per share at 28 February 2009 was 155,33 cents per share (2008: 136,56 cents per share).

In the prior year, trade creditors included the full outstanding purchase price of the Armstrong Construction acquisition of R20,0 million. Prior year listing proceeds funded the acquisition of plant for hire to provide working capital to new branches, in growth locations, for ESP. Several fixed properties were also purchased, as suitable rental premises were not available. Inventories, mostly materials on site, trade receivables and trade payables increased with the heightened activity levels.

The group was in a net un-gearred position at 28 February 2009, with cash and cash equivalents bulking up substantially to reach R57,3 million at year end (2008: R42,3 million including listing proceeds) and well ahead of the R15,3 million recorded at the interim stage.

Cash generated from operations increased by 184% to R89,9 million (2008: R31,6 million).

Capital expenditure on property, plant and equipment in the period amounted to R25,9 million (2008: R8,8 million) of which the majority was allocated to properties and transport. Plant for hire purchases increased by 32,8% to R40,3 million (2008: R30,4 million).

Dividend

Although no dividend was declared for the interim period ended 31 August 2008, shareholders were advised that the directors would review this position at the financial year end. Accordingly, the board has declared a maiden dividend of 5,5 cents per share. We regard the declaration of this dividend as a significant accomplishment at this early stage of Erbacon's listing on the AltX.

Outlook

Erbacon remains of the opinion that its overall exposure, both to opportunity and risk, is well balanced as a result of its three primary business segments – Civils Construction, Commercial and Industrial Building, and Small Plant and Formwork. However, the mix of new tender awards has shifted to Civils Construction which was previously skewed towards Commercial and Industrial Building as per the last financial year end.

The combined forward order book through to 2010 is in excess of R750 million, which is expected to prove positive to the Erbacon Group. Confidence levels post 2010 will be maintained or increased only if the government, in particular, keeps to their infrastructure spend, by awarding new projects during the course of 2009.

Audit opinion

The auditors, PriceWaterhouseCoopers Inc., have issued their opinion on the group's financial statements for the year ended 28 February 2009. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. A copy of their audit report is available for inspection at the company's registered office. These condensed financial statements have been derived from the group financial statements and are consistent, in all material respects, with the group financial statements.

Cautionary notice

Shareholders are further referred to the last renewal of cautionary announcement of 15 May 2009 in which shareholders were advised that Erbacon has entered into discussions, which, if successfully concluded, may have a material impact on the company's securities. Shareholders are accordingly advised to continue to exercise caution when dealing in the company's securities until a further announcement is made.

For and on behalf of the board

A Dawson
Chairman

Durban
28 May 2009

DB Erskine
Chief Executive Officer

DIVIDEND DECLARATION

Notice is hereby given that a first dividend, number 1 of 5,5 cents per share, in respect of the year ended 28 February 2009, was declared on Thursday, 28 May 2009 payable to ordinary shareholders recorded in the register at the close of business on Friday, 26 June 2009. The timetable for the payment of the dividend is as follows:

| | |
|---------------------------------|----------------------|
| Last date to trade cum dividend | Friday, 19 June 2009 |
| Commence trading ex dividend | Monday, 22 June 2009 |
| Record date | Friday, 26 June 2009 |
| Dividend payable | Monday, 29 June 2009 |

Share certificates may not be dematerialised or rematerialised between Monday, 22 June 2009 and Friday, 26 June 2009, both dates inclusive.

By order of the board

RK Braithwaite
Company Secretary

28 May 2009