ANNUAL REPORT 2009

ERBACON INVESTMENT HOLDINGS LIMITED

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The reports and statements set out below comprise the annual financial statements presented to the shareholders:

FINANCIAL PERFORMANCE AT A GLANCE

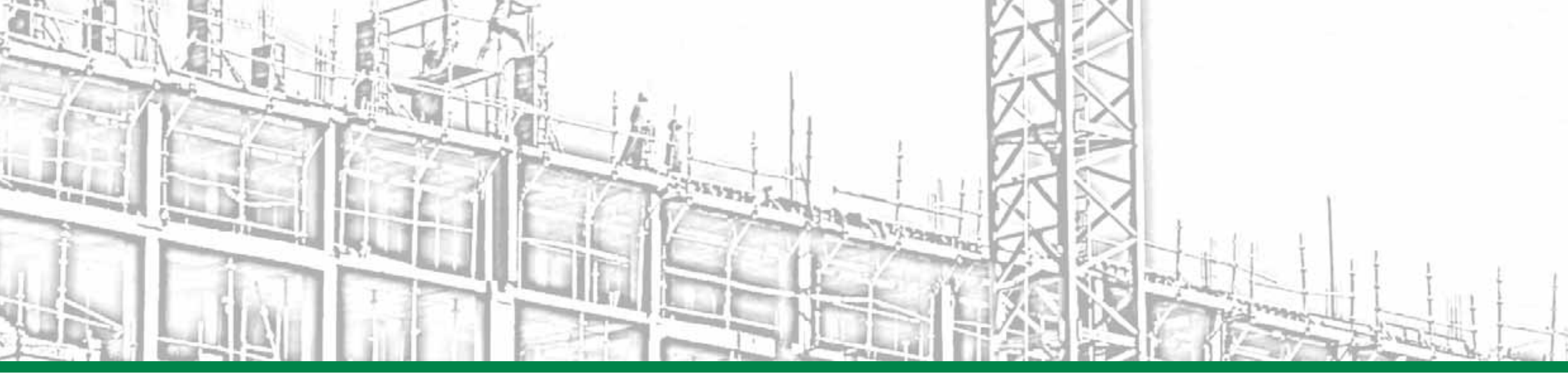
(R'000)		2009	2008	2007
Revenue		720 957	224 727	117 817
Profit for the year		53 443	31 680	12 492
Shareholders' interests		211 362	158 906	25 576
Net cash/(debt)		33 432	18 212	(13 323)
Net cash generated from operating activities		74 582	23 591	17 413
Total assets		373 406	276 597	57 313
SHARE STATISTICS				
Headline earnings per share [1]	(cents)	40,11	33,31	12,34
Earnings per share [1]	(cents)	40,64	31,12	12,89
Dividend per share	(cents)	5,5	–	–
Dividend cover	(times)	7,4	–	–
Dividend yield	%	3,7	–	–
Net tangible asset value per share	(cents)	117,11	92,26	27,18
Net asset value per share	(cents)	155,33	136,56	26,38
Share price				
High	(cents)	270	290	n/a
Low	(cents)	145	210	n/a
Closing (28 February)	(cents)	150	225	n/a
Market capitalisation	(R'm)	205	262	n/a
Volumes traded	('000)	3 094	2 805	n/a
Volumes traded as % of weighted number of shares	%	2,4	2,8	n/a
RATIOS AND STATISTICS				
Return on total shareholders' interest	%	25,29	19,94	48,84
Operating profit margin	%	10,08	20,34	17,69
Current asset ratio		1,50	1,54	1,18
Number of employees		1 041	1 093	305
Number of shares in issue [2]	(000's)	136 074	116 364	96 945
Number of weighted shares in issue	(000's)	131 517	101 791	96 945

Notes

(1) Based on weighted average number of shares in issue.

(2) The number of shares in issue has been reduced by 729 481 treasury shares held by the employee share incentive trust.

(3) No share trade data is available for the 2007 year, as Erbacon Investment Holdings Limited was only listed during the February 2008 financial year.



GROUP STRUCTURE

Erbacon Investment Holdings Limited

Civils Construction

Erbacon Construction (Pty) Limited (100%)

Erbacon Construction has been in the industry for more than 20 years. It prides itself on providing effective civil engineering solutions for a broad spectrum of clients in the infrastructure development and construction sectors. Products and services include concrete structures and buildings, concrete and bridge rehabilitation, pipeline construction, township services and developments, as well as bulk earthworks and roadworks.

Small Plant and Formwork

Erbacon Small Plant (Pty) Limited (100%)

Erbacon Small Plant, Erbacon's plant owning and equipment managing company, supplies the small equipment requirements within the Group while hiring plant and equipment to other major construction companies across South Africa. There are five divisions to the business – general small plant, compressed air, formwork and scaffolding, saw cutting and plant sales.

Commercial and Industrial Building

Davgram Construction (Pty) Limited (trading as Armstrong Construction) (100%)

Armstrong Construction operates within the commercial and industrial building sectors, specialising in industrial buildings – including factories and warehouses – as well as commercial buildings such as office parks, shopping malls and retail developments. The Company has also built a solid reputation for the numerous rural projects it has completed.

Erbacon's overall exposure, both to opportunity and risk, is well balanced as a result of its three primary business segments.

CHAIRMAN'S REVIEW

Alan Dawson
Chairman

PROFIT AFTER TAX UP BY **69%**

A maiden dividend is declared – a significant accomplishment at this early stage of Erbacon's listing on the Alt^X.

OVERVIEW

Erbacon Investment Holdings Limited ("Erbacon") has delivered a very healthy set of results in its second financial year as a listed Alt^X company. This Annual Report 2009, however, covers a "global trading period remarkable and astonishing for its disorder and surprise. Indeed a year unmatched in decades" (*The Economy in 2009 – Standard Bank*) as the global financial crisis has resulted in a well documented downward revision of growth prospects both abroad and here in South Africa.

However, at the domestic level, the Group increased revenue by 221% to R720,9 million (2008: R224,7 million), as several "key positives" gave stimulus to the South African construction sector. Whilst SA is "expecting" to be in a technical recession by quarter one 2009, the country is still faced with a significant infrastructure backlog. There remains a strong pipeline of construction projects and, encouragingly, government has started to "deliver" – it has set a gross fixed capital formation (GFCF) to gross domestic product target of 25% by 2015.

"This can be compared to the significant underinvestment in infrastructure in SA between 1986 and 2003 when this ratio was 15% (versus 23% between 1946 and 1985), or a typical ratio of 20% – 30% in developed countries" (*South African Construction Sector – UBS Investment Research, 9 December 2008*). In this context, we should give credit to the South African government for being in the position to actually allocate a revised R787 billion capital investment plan over the next three years, up from R418 billion in 2007, rather than to the enormous bank bail-out allocations required to be undertaken by many other nations.

All three companies performed with credit during the year under review, but the two construction entities, Erbacon Construction (Pty) Limited ("Erbacon Construction") and Davgram Construction (Pty) Limited (trading as "Armstrong Construction"), produced exceptional results. Armstrong Construction was integrated successfully into the Group following its acquisition on 28 February 2008.

The completion of several large contracts, in particular the R225 million warehouse for Unilever near Pietermaritzburg, was gratifying as it has inspired confidence in the Group to tackle an even larger spectrum of projects. The Group has since been awarded two soccer stadium contracts for 2010, one in Pietermaritzburg (the Harry Gwala Stadium – R86 million) and one in Durban (the Moses Mabhida stadium – R140 million), whilst Erbacon Construction is undertaking the N1 freeway upgrade in Gauteng for R206 million.

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, I am pleased to advise that your Board has declared that a maiden dividend be paid to shareholders. We regard this as a significant accomplishment at this early stage of Erbacon's listing on the Alt^X.

"Safcec is of the opinion that the industry is experiencing high altitude turbulence. Activity levels are substantially higher than what it was in the late '90s, or even in the '70s. Even a mild contraction in industry turnover will not alter the possibility of a long-term growth trend." (*Safcec's State of the Civil Industry, 1st Quarter 2009*).

CHAIRMAN'S REVIEW (continued)

BUILDING AND CONSTRUCTION SECTOR

It is anticipated that the acceleration of infrastructure spend, the expected interest rate cuts and the downward trajectory of inflation will assist towards softening the impact of the financial crisis on the South African economy.

However, year-on-year GDP growth slowed to 2,9% in the third quarter of 2008, down from 4,4% in the prior quarter. Growth rates for quarter four 2008 and quarter one 2009 are expected to be 0,3% and 0,5% respectively, resulting in a full year forecast for 2008 of under 3%, and less than 1% for 2009.

Although growth in real public sector capital investment of 9,5% should bolster total capital formation, funding constraints could "become a deterrent to infrastructure spending the more protracted global liquidity restrictions are. In any case, increasing uncertainty over the extent of the global recession, reduced access to finance, and deteriorating corporate profit growth are hampering investment by private business enterprises" (*Standard Bank – South Africa, Macroeconomic Perspectives, 24 February 2009*).

Notwithstanding the above, "construction works was the main driver in GFCF, increasing by an estimated 30,74% on an annual basis. Non-residential also increased during the twelve months to quarter four 2008, growing at approximately 15,15% ... construction showed the highest increase of all categories due to necessary infrastructure investment such as upgrading of freeways, building of new power stations and the construction and maintenance of new and existing roads. Infrastructure projects will be used as a method to weather the international meltdown and to keep the South African economy ticking…" (*Safcec – State of the Civil Industry 1st Quarter 2009 and SARB Quarterly Bulletin*).

Civils construction and commercial building (non-residential) is Erbacon's main focus. The Group is not involved in residential building, which sector contracted 6,38% year-on-year.

"Beyond 2010 one can make various assumptions of what will happen in the domestic market. The facts are however based on fundamentals of what we do know:

- The current economic infrastructure is not sufficient to facilitate a 6% growth. Any slowdown in spending is a postponement of the inevitable.
- Most of the current Eskom plant will be reaching the end of its efficient cycle by 2020 – 2025.
- Social infrastructure backlogs carry with it tremendous risks.
- Water and sewerage infrastructure is in dire need of repair and expansion across all provinces;
- Government is committed to fiscal spending (R787 billion) and views it as a shock absorber for the international turmoil; and
- Government is willing to borrow money for increased infrastructure spending which shows confidence on their behalf for the future of the country.

Safcec is of the opinion that the industry is experiencing high altitude turbulence. Activity levels are substantially higher than what it was in the late '90s or even the '70s, and even a mild contraction in industry turnover will not alter the possibility of a long-term growth trend" (*SAFEC's State of the Civil Industry, 1st Quarter 2009*).

PERFORMANCE

The net profit for the year attributable to ordinary shareholders increased 69% to R53,4 million (2008: R31,7 million). This converts to headline earnings per share of 40,1 cents compared to 33,3 cents in the prior year – an increase of 20,4% calculated on the increased weighted average number of shares in issue.

Armstrong Construction produced an exceptional performance, which saw it account for 61% of Group revenue in 2009 (2008: nil) and 34% of Group net profit after tax (2008: nil).

Erbacon Construction was the stand-out performer, increasing its contribution to Group net profit after tax to 48,5% (2008: 45,6%) and confirming the strong prospects for this civils operation.

Erbacon Small Plant continues to make a significant contribution to the Group, earning 20,5% of Group profits albeit below the prior year's outstanding achievements.

The cash generated by operations was a feature of the trading year and allows the Group to enter the new financial year with a healthy bank balance in this current climate of uncertainty over banking liquidity levels.

FOCUS

Many of the leading construction contractors around the world have recognised that skills shortages, risk management, escalating costs and sustainability are the key areas impacting on the construction industry. And, in difficult and turbulent times, it is wise to maintain cost discipline. However, the South African construction sector

is in a "sweet spot" and it can be justifiably argued that now is the time to "make hard choices", to make long-term fundamental changes, and to seek out buying opportunities. At the time of writing Erbacon was still under a "Cautionary Notice" (posted on 27 February 2009 and renewed on 15 May 2009).

It is Erbacon's intention to build a sustainable business to participate in South Africa's infrastructural development over the next decade and beyond. Sustainability issues such as BEE, governance, internal control, risk management and IT/IS are a continuing focus of the Board and executive management of your Company.

OUTLOOK

Erbacon's 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 whereas it was skewed towards Commercial and Industrial Building in the recently completed financial year.

The combined forward order book until 2010 is in excess of R750 million.

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.

DIRECTORATE AND APPRECIATION

The Erbacon Board of directors, and its various committees, have made significant progress on a number of issues in this first full year of trading as a listed entity. I extend my sincere appreciation to them for their commitment and enthusiasm. The following changes were made to the Board after an internal director rotation by Paladin Capital Limited, a major shareholder of the Company:

- Pierre Malan resigned with effect from 20 October 2008, and he was replaced by Johan Holtzhausen on the same date; and
- Piet Mouton resigned with effect from 20 October 2008, and he was replaced by Samara Totaram on the same date.

We appreciate the contribution made by the outgoing directors. To our valued customers, suppliers, employees and advisors, we value your continued loyalty to, and interest in, our Group.

Alan Dawson
Non-executive Chairman

28 May 2009

CHIEF EXECUTIVE OFFICER'S REPORT

David Boyd Erskine
Chief Executive Officer

Group revenues increased by 221% to reach a record R720,9 million.

The Group is ungeared, with cash bulking up substantially to reach R57,3 million at year-end.

BUSINESS OVERVIEW

The solid order book brought forward from the prior year, following a steady flow of contract awards through 2008, produced record revenues at satisfactory operating margins in a year which saw a material contribution from Armstrong Construction in its first year of trading under the Erbacon flag. Both construction companies performed exceptionally well, whilst Erbacon Small Plant made another solid contribution in a very competitive environment.

The South African construction sector is facing numerous challenges, some very high in profile (as in the stadiums and the urban rail infrastructure delivery programme ahead of 2010), including skills retention, the management of risk, cost control and such like. However, it is most likely that the local construction industry will successfully negotiate the current global financial crisis on account of the substantial assistance from a government that has committed the country to a R787 billion infrastructural upgrade.

Accordingly, the current national project database and the scale of contract awards, which grew 36,74% year-on-year for the fourth quarter of 2008, ensured another successful trading year for the Erbacon Group.

HIGHLIGHTS/EVENTS DURING THE YEAR

Shares 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. As Armstrong Construction achieved its warranted profit at 29 February 2008, approval was obtained from the JSE on 29 August 2008 for a further, and final, allotment of 9 267 482 shares for this portion of the deferred purchase consideration. This increased the issued ordinary share capital to 136 803 175 shares out of an authorised share capital of 300 000 000 shares. 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.

During the year under review, the exercise to allocate the purchase price for Armstrong Construction to the fair value of the net assets acquired, in terms of IFRS 3 (Business Combinations), was completed and had the effect of reducing HEPS by approximately 1 cent per share.

The Company has granted options that give employees the right to subscribe for 4 255 000 ordinary shares between 2011 and 2012 at R1,93 per share.

The combined forward order book is R750 million.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

IFRS 2 (Share-based Payments) 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).

Armstrong Construction

The financial results of Armstrong Construction, which comprise 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 which consisted of warehouses, shopping centres, office blocks and a hotel. A highlight 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 to allocate the premium in the balance sheet of R54,2 million for Armstrong Construction was completed. Accordingly, the purchase price for Armstrong Construction was allocated to the fair value of assets acquired in terms of IFRS 3. This allocation gave rise to a contract-based intangible asset amounting to R1,5 million that was amortised over the period of the contracts that existed at the acquisition date. As such, the premium to be allocated in the balance sheet resulted in the raising of goodwill amounting to R52,8 million, whilst the after-tax charge on headline earnings per share arising from the contract amortisation was 0,83 cents per share.

Contract awards

The Group gained confidence from the successful completion of several large contracts over the past twelve months. The flagship accomplishment was the commissioning by Armstrong Construction of a R225 million distribution warehouse for Unilever in Pietermaritzburg. Other large contracts in progress include Erbacon Construction's scope for the N1 freeway upgrade (R206 million) plus several stadium contracts for the World Cup 2010.

FINANCIAL REVIEW

Consolidated Income Statement

Group revenue increased by 221% to reach a record R720,9 million (2008: R224,7 million). Armstrong Construction made no contribution to consolidated Group revenues in the prior period. 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 from the new locations, restricted revenue growth at Erbacon Small Plant.

Erbacon's primary segmental separation is "business", being delineated according to the exact statutory composition of the Group, namely Civils Construction (Erbacon Construction (Pty) Limited), Commercial and Industrial Building (Armstrong Construction), Small Plant and Formwork (Erbacon Small Plant (Pty) Limited), and Services (Erbacon Investment Holdings Limited).

In view of the Group's current trading predominance in South Africa, and KwaZulu-Natal in particular, and due to the lack of a differential risk and reward profile, no secondary, or geographical segmental separation is deemed necessary at this stage.

The Civils Construction segment contributed R201,8 million (2008: R156,3 million) or 27,5% (2008: 68,2%) of Group revenue, whilst the Commercial and Industrial Building segment brought in a material workload of R444,9 million (2008: nil), with Small Plant and Formwork making up the balance of 11,3% (2008: 31,8%).

At the operating profit level, the acquisition of Armstrong Construction raised the consolidated operating profit to R72,6 million (2008: R45,7 million), a year-on-year increase of 59%. Small Plant and Formwork contributed 25% of the Group operating profit, Commercial and Industrial Building accounted for 31%, and Civils Construction a significant 46%. Erbacon Investment Holdings Limited (Services) operated to a near break-even recovery position before IFRS adjustments, after charging administration and management fees to subsidiaries.

Although the highest operating profit percentages are earned in the Small Plant and Formwork segment, this segment is also required to fund its plant hire purchases, resulting in a profit before tax margin ("PBT") of 18,9%, compared to 31,4% in the prior year. High upfront costs to establish the Nelspruit and Lepahlale branches, in addition to costs associated with the closure of the Salt Rock and Hillcrest branches, affected profit in the year. Bad debt write-offs also increased, which was a disappointment.

Armstrong Construction is generally a higher volume, lower margin business due to the elevated sub-contract content of its revenue. In this context, the risk is also reduced as that portion is usually laid-off to those respective contractors. Accordingly, their PBT was a commendable 5,2% (2008: n/a).

Erbacon Construction managed its contracts consistently well throughout the year. This segment returned a highly satisfactory PBT of 17,9% (2008: 13,1%) making it the star performer for the year.

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

Administrative and operating expenses represents 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 period has converted into a net interest receipt of R1,8 million following strong cash generation in the period. Interest charges on hire purchase agreements for hired plant remained static year-on-year, as private placement proceeds from the prior year were utilised instead to acquire certain of these working capital assets.

The net attributable profit for the year is R53,4 million (2008: R31,7 million) resulting in headline earnings of 40,1 cents per share compared to 33,3 cents per share in the prior period, an improvement of 20,4%. The earnings per share calculation takes into account an increase of 29,19% in the weighted average number of shares in issue during the reporting period.

A dividend is declared for the financial year ended 28 February 2009 of 5,5 cents per share (2008: nil). The return on total shareholders' interest is 25,3% (2008: 19,9%).

Consolidated Balance Sheet and Cash Flow

Total Group assets amount to R373,4 million (2008: R276,6 million), an increase of 35,0%, which is slightly less than the 39,9% revenue growth year-on-year of all the business segments.

The net asset value per share at 28 February 2009 was 155,33 cents (2008: 136,56 cents).

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 Erbacon Small Plant. 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 ungeared position at 28 February 2009, with cash and cash equivalents bulking up substantially to reach R57,3 million at year-end (2008: R42,4 million including listing proceeds) and well ahead of the R15,3 million recorded at the interim stage.

Cash generated by 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 32,9% to R40,4 million (2008: R30,4 million).

OPERATIONAL REVIEW

Civils Construction

This business segment executes a variety of projects for parastatals, Government departments, municipalities, roads agencies and other provincial bodies, as well as private clients and property developers. The products and services offered include concrete structures and buildings, concrete and bridge rehabilitation, pipeline construction, township services and developments, bulk earthworks and roadworks.

Erbacon Construction had an excellent year of trading, even though the increase in revenues to R201,9 million (2008: R156,3 million) was disappointing. The momentum has shifted a gear with the secured order book for 2009/2010 already standing at R400 million, double 2009.

Small Plant and Formwork

Initially established to service the needs of Erbacon Construction, the company compliments the civil and commercial construction businesses with a steady flow of shorter-term contract revenue flows, at higher margins. Its client base extends throughout the country, with a geographical emphasis in Gauteng.

Revenue increased to R83,1 million (2008: R73,2 million), a modest 13,5% gain. Repositioning of branches was undertaken during the year, with the closure of underperformers and those branches in close proximity to existing locations. With hindsight, the two new branches, at Lepahlale and Nelspruit, were mobilised before the target customers were ready for the services, but the decision to establish these bases is now bearing fruit. Executive management is targeting a superior return on assets (ROA) in 2010 from this business. The ROA of 9,5% in 2009 was below par (2008: 23,1%).

Annual revenue for 2010 is expected to be in excess of R100 million.

Commercial and Industrial Building

This business segment is represented by Armstrong Construction, a company that was established by its founder, Dave Armstrong, in 1996. In 2002, Armstrong Construction acquired Collins Contractors, another KwaZulu-Natal based construction company with a formidable track record of 100 years in the industry. Armstrong Construction's primary focus is on commercial and industrial building and construction.

This company recorded revenue of R444,9 million at 28 February 2009 (2008: R292,4 million, but not consolidated) and made a significant all-round contribution to the Group.

The secured forward order book for this company is already in excess of R260 million in spite of funding constraints that appear to be affecting the viability of some commercial ventures in this sector. Exposure to World Cup 2010 projects will provide a useful base-load in the forthcoming financial year.

Services

The holding company, Erbacon Investment Holdings Limited, executes management oversight and governance functions over the whole Group, in addition to the normal centralised functions of strategy and budgetary methodologies, finance, treasury, tax, secretarial, internal audit and other support services.

Executive management's key continuing pre-occupation will be to extract a superior and controlled operating performance from all business segments. The concentration will again centre around introducing standardised procedures and policies, improving productivity processes and reporting mechanisms, with particular focus on information systems for which sizeable capital expenditure allocations have been budgeted.

In broad terms, 2009 was a year of consolidation and control. The management team is engaging 2010 as a year for growth, with such growth intended as a means to advance the Group's BEE status.

APPRECIATION

This has proved to be another challenging but satisfactory year, and I extend my gratitude to all our employees, contractors, suppliers and customers for their commitment to the Erbacon Group.

Dave Erskine
Chief Executive Officer

28 May 2009

Alan
Dawson

David Boyd
Erskine

Robin Kevin
Braithwaite

Frans Petrus
Boraine

DIRECTORATE

Alan Dawson

Chairman – 66 years

BSc Civil Engineering, Pr Eng

Alan joined Grinaker Construction Natal in 1974, culminating in an executive directorship with Grinaker Holdings Limited, responsible for civil engineering work in Southern Africa. He was also appointed to the Board of Aveng Limited in 2000. He retired from these executive positions in 2002. Alan has been closely involved with the SA Federation of Civil Engineering Contractors for most of his career and was elected national president for 2000 – 2002. Alan became a director of Erbacon in March 2008.

David Boyd Erskine

Chief Executive Officer – 55 years

BSc Civil Engineering, Pr Eng

In 1987, Dave started Erbacon Construction as one of three founding members, after completing stints with the Department of Water Affairs and Grinaker (1981). Operating initially out of his garage, converted to office premises, the company grew rapidly and, in 1991, the current premises were acquired in Glen Anil, Durban. In 1996, Dave and Frans Boraine started Erbacon Plant Hire. Dave now leads a public company that has become a recognised medium-sized contracting Group, undertaking a broad spectrum of civil engineering and building contracts.

Robin Kevin Braithwaite

Group Finance Director and Company Secretary – 54 years

BCom, BAcc, CA (SA)

Rob qualified as a Chartered Accountant in 1984 and served articles with Ernst and Young. After a two-year term with John Holland Construction in Australia, and then Corobrik in Durban, Rob spent nearly a decade with the contracting and engineering companies of the Dorbyl Limited Group, as financial director. The latter eleven years of his financial career have been in the manufacturing sector, and with the Dunlop Group in particular. Rob joined Erbacon in February 2008.

Frans Petrus Boraine

Managing Director, Erbacon Small Plant (Pty) Limited – 38 years

BCom

Frans graduated from Stellenbosch University in 1994, whereafter he was employed by Erbacon Construction in the accounts department. In 1995, Frans recognised a need within Erbacon to start a plant hire division to service the requirements within the Group. Under Frans' management, the division expanded and, in 1996, Erbacon Plant Hire was created to service not only Erbacon Construction and its clients, but the open market as well.

David Graham Armstrong

Wayne Michael Ric-Hansen

Sydney Mark Hedley

Johannes Andries Holtzhausen

Samara Totaram

David Graham Armstrong

Managing Director, Armstrong Construction – 48 years

BSc Building Management

Since graduating from the University of KwaZulu-Natal, Dave has accumulated over 20 years' experience in the construction and building industry. A spell at Stocks and Stocks was followed by six years of co-ownership of the firm Raylyn Construction, after which Dave's entrepreneurial instincts resulted in him going on his own to start Armstrong Construction in 1996.

Wayne Michael Ric-Hansen

Commercial Director, Armstrong Construction – 47 years

National Higher Diploma in Quantity Surveying

Wayne has been closely associated with the construction and building industry since 1982, gaining experience as a quantity surveyor with such firms as Stocks and Stocks, Group 5 and Steffanuti and Bressan. He joined Armstrong Construction in 2003 when that company acquired Collins Contractors, another KwaZulu-Natal based company.

Sydney Mark Hedley

Non-executive Director – 53 years

BAgric Management, MBA (UCT)

After initially working in the agricultural sector, Mark spent three self-employed years in the USA pursuing various projects. From 1987 to 1995, he established, and then disposed of interests in several greenfields ventures in the chemicals and packaging industry. From 1996 to date, Mark has specialised in opportunities in the private equity industry in South Africa.

Johannes Andries Holtzhausen

Non-executive Director – 38 years

Bluris (Cum Laude) LLB, HDip Tax

Johan is the managing director of PSG Capital (Pty) Limited. He is a qualified attorney and has been involved in corporate finance since 1995, having implemented various corporate finance transactions and listings since then. He was also appointed by the Minister of Finance as a chairperson for the Special Income Tax Appeals for Gauteng in 1998. Johan became a director of Erbacon in October 2008.

Samara Totaram

Non-executive Director – 30 years

BAcc, PG Dip Acc, CA (SA)

Samara completed her articles with Deloitte, and then spent 18 months at the Royal Bank of Scotland in London. She joined PSG Capital (Pty) Limited in 2007 as an analyst and is primarily involved in new listings, capital raisings and other commercial transactions and general corporate finance consulting. Samara became a director of Erbacon in October 2008.

CORPORATE GOVERNANCE

Board and Committee effectiveness reviews have been undertaken.

95% attendance by directors at all scheduled meetings.

COMPLIANCE WITH KING II

The Group is committed to the principles established in the Code of Corporate Practices and Conduct as set out in the King II Report on Corporate Governance in South Africa ("the King II Report"). Erbacon recognises that its recent heritage is grounded on a "close corporation" foundation and that it is now a company with its securities listed on the Alternative Exchange of the JSE Limited. Erbacon also acknowledges that it is encumbent on the leadership of the holding company to assure the shareholders, and other stakeholders, of its responsibility and intention to elevate this newly listed entity to ever higher levels of compliance and "best practice".

Where it has not been possible to comply with the King II Report in any material way, this has been disclosed.

GOVERNANCE DEVELOPMENTS

The Companies Bill, 2008 (once enacted) will replace the Companies Act, 1973 and is expected to take effect from July 2010. In addition, the King Committee on Governance released the draft code of Governance Principles for South Africa: 2009 and the draft report on Governance for South Africa: 2009, together referred to as King III, for public comment on 25 February 2009. The final King III Report is expected to be effective from March 2010.

Committee effectiveness reviews have already been undertaken for the Audit and Risk Committee, and for the Remuneration and Nominations Committee. The Audit and Risk Committee has also presided over a "competency" examination of the Group finance director, a JSE Listings Requirement. The Audit and Risk Committee agenda has been expanded to accommodate risk analysis and IT, whilst methodologies have been established within Internal Audit to assist the board of directors to further assess the effectiveness of internal financial controls in the Group.

The Audit and Risk Committee approved the Internal Audit Charter and the subsequent establishment of an internal audit department.

CORPORATE GOVERNANCE (continued)

THE BOARD OF DIRECTORS

The "Charter of the Board of Directors" was adopted by the Board at its meeting on 28 February 2008 and states that the Board shall assume ultimate accountability and responsibility for the performance and affairs of the company. The board is responsible for giving strategic direction to the company, and for monitoring its performance. Although guided by similar charters for the Audit and Risk Committee, and the Remuneration and Nominations Committee, where matters relating to finance, risk, human resources and statutory issues can be dealt with in detail, the delegation to such committees does not absolve the Board from the responsibility for full control of the Group.

The requirement to balance entrepreneurial leeway and conformance with governance constraints is also a function of the Board. In this context, the Board has delegated an appropriate level of authority to the executive directors in such a manner that normal matters in the ordinary course of business can be effectively dealt with – namely, in an unbureaucratic and expeditious style, in order to retain the current nimbleness that attracts a competitive advantage. Those issues that are clearly "not in the ordinary course of business" are well defined in the delegation of authority resolution. To close the loop, the Board has unrestricted access to all information, records, documents and property.

The Group has a unitary board of directors and the Chairman is an independent, non-executive director. The roles of the Chairman and CEO are separated and each has a clear definition of responsibility. The Board has four non-executive directors and five executive directors, which imbalance, in favour of the executives, has arisen largely to accommodate the founding members of the various subsidiaries. The Board is of the opinion that this weighting does not impair effective leadership and control of the Group. In any case, this imbalance is substantially countered by the presence of the Designated Advisor at Board and Audit and Risk Committee meetings, as required by the JSE.

The composition of the board is required to comprise of a balance of executive and non-executive directors, with a majority of non-executive directors. The King III Report also recommends that the majority of non-executive directors should preferably be independent. Accordingly, the Remuneration and Nominations Committee will be tasked with identifying such candidates, who may also be nominated to populate the Audit and Risk Committee as well. It is therefore anticipated that such appointments will be given effect to in 2010, or sooner if such candidates are available, and that these appointments will furthermore be required to dovetail with the Group's BEE aspirations and the likely appointments that would flow from such an initiative.

Although the Board re-confirmed its charter (now an annual requirement) at its meeting on 25 February 2009, it is expected that a number of amendments will occur in the next annual update to incorporate the intentions and spirit of the new Companies Bill and King III.

All directors and the Company Secretary are required to attend the Alt^X Directors' Induction Programme. Most directors have already attended, with the remainder booked for scheduled courses in 2009.

Service contracts are applicable to the three executive directors, Messrs Erskine, Boraine and Braithwaite, but these do not exceed two years, and are now in their final year.

There was a high attendance by directors, the Company Secretary and the Designated Advisor at scheduled Board meetings (five meetings), meetings of the Audit and Risk Committee (two) and the Remuneration and Nominations Committee (five), during the year under review. In a full financial year the Board will normally meet at least four times. The schedule on page 20 lists board and committee attendance statistics.

BOARD COMMITTEES

The Remuneration and Nominations Committee presides over, and recommends, the composition of other committees required in terms of best practice and/or JSE Listings Requirements.

During the year the Board approved and/or reconfirmed charters for a) the Audit and Risk Committee b) the Remuneration and Nominations Committee and c) the policy relating to appointments to the Board. A charter was also adopted for the Executive Committee by the members of this committee in 2008.

BOARD APPOINTMENTS POLICY

Once a decision is taken at a board meeting to either fill a casual vacancy on the board or to appoint additional directors, the Chairman will then request the Remuneration and Nominations Committee to nominate a suitable candidate(s) provided that such appointment shall not exceed the maximum number of directors permitted in terms of the company's Articles of Association. Directors so appointed will remain in office only until the next Annual General Meeting, at which time their appointment will be confirmed by shareholders.

The chairman of the Remuneration and Nominations Committee is required to convene a meeting of the Committee for the purpose of identifying a suitable candidate(s) with the requisite strategic, analytical, communications and knowledge competence. Once identified and suitably verified, the Committee will submit a proposal of nomination of the appropriate candidate for appointment to the board.

AUDIT AND RISK COMMITTEE

The chairman is S Totaram (independent non-executive director) and she is joined by A Dawson (independent non-executive director). The former replaced P Mouton (non-executive director). A representative of the Designated Advisor, QuestCo Sponsors (Pty) Limited, is an invitee in terms of JSE Listings Requirements.

The external auditors, internal audit and Messrs Erskine (CEO) and Braithwaite (Group Finance Director/Company Secretary) are invited participants.

This committee is required to assist the Board in discharging its duties relating to the preparation of accurate and compliant financial reporting, the operation of adequate systems and control processes, the safeguarding of assets, and general issues relating to risk, risk analysis and control.

During the year under review, the Committee approved the Internal Audit Charter and the subsequent establishment of an internal audit department. In addition, the committee also established a monitoring and oversight function for the Group's risk management approach, which included the implementation of a more comprehensive insurance cover programme for 2009/2010.

In compliance with the JSE Listings Requirements, the Audit and Risk Committee obtained assurance that the auditors are registered with the JSE and have the required IFRS specialists with knowledge of the Listings Requirements. In addition, executive management met with the auditors prior to the approval of the annual financial statements.

The report of the Audit and Risk Committee is shown on page 28.

REMUNERATION AND NOMINATIONS COMMITTEE

The chairman is A Dawson (independent non-executive director) and he is joined by JA Holtzhausen (non-executive director) and DB Erskine (CEO). The Company Secretary is also in attendance for administrative support. P Malan resigned from this committee on 20 October 2008.

CORPORATE GOVERNANCE (continued)

This committee is required to assist the Board in discharging its duties relating to the Group's general policy on executive and senior management remuneration, performance-based incentives and bonuses, employee share trust allocations, retirement fund and other benefits, and criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities. Succession planning, and the nomination of candidates for the position of director, where vacancies occur, are also a function of this committee.

Key achievements during the course of the year were the introduction of a provident fund management committee; the implementation of an executive bonus scheme policy that is aligned to shareholders' targets (ROE), internal budgets and individual Key Performance Indicators; and a phased rollout of HR policies and procedures.

REMUNERATION

The Remuneration and Nominations Committee ensures that executive directors and senior management are adequately rewarded for their performance, taking into account industry and available market benchmarks. The retention of key staff is a major consideration, especially under the current circumstances of skills shortages prevailing across the global construction sector.

An analysis of directors' emoluments is given in note 32 on page 66 of this report.

Non-executive directors enjoy no benefits from the company for their services as directors, other than their fees and potential gains and dividends on their interests in ordinary shares. In line with the recommendation of King II, no share options are granted to non-executive directors. Non-executive directors are also paid for their attendance at Audit and Risk and Remuneration and Nominations Committee meetings.

The payment of directors' fees to non-executives commenced on 1 March 2008.

OTHER COMMITTEES

An Executive Committee, made up of executive directors and other selected senior managers in the Group, became formally operative from 19 March 2008, under the chairmanship of the CEO.

This committee is required to implement the strategies and policies of the Group, to submit relevant information to the board, to manage the affairs and business of the various entities, to prioritise the allocation of capital and human resources, to establish best management practices and functional standards, and to attend to staff appointments and performance monitoring.

During the year under review risk committees were established to further entrench oversight functions for site and work related issues such as health and safety monitoring, environment awareness, compliance with audit observations, and the broader risk management methodologies for reducing insurance costs.

An IT Steering Committee has been operative during the year and is currently preoccupied with researching alternative information systems for each of the three operating companies.

Board/Committee attendance statistics

Director	Board	Audit Com-mittee	Remune-ration Com-mittee	Nomina-tions Com-mittee
DG Armstrong	5/5	na	na	na
FP Boraine	5/5	na	na	na
RK Braithwaite	5/5	2/2	3/3	2/2
A Dawson	5/5	2/2	3/3	2/2
DB Erskine	5/5	2/2	3/3	2/2
JA Holtzhausen	2/2	na	2/2	1/1
SM Hedley	5/5	na	na	na
P Malan	3/3	n/a	1/1	1/1
PJ Mouton	2/3	0/1	na	na
WM Ric-Hansen	4/5	na	na	na
S Totaram	2/2	1/1	na	na
Designated Advisor	5/5	1/2	na	na
% Attendance	96%	80%	100%	100%
Overall attendance	95%			

INTERNAL CONTROL

In line with the commitment of the Company to be accountable to the board of directors and shareholders, an internal audit department has been established.

Accordingly, the internal audit department intends to:

a) operate initially as a part-time function under the finance division (until the Group reaches a practical critical mass) with direct access to the Audit and Risk Committee;

b) assist the board and the Audit and Risk Committee to layer an appropriate control blanket across the Group;

c) heighten awareness of an appropriate control environment;

d) employ its limited resources in a cost effective manner to encourage compliance and adherence to best practice;

e) make use of self-assessment tools and other methodologies to increase ground coverage; and

f) employ outsourced audit resources and/or other external capabilities.

PRICE-SENSITIVE INFORMATION

No director, officer or employee may deal in price-sensitive information regarding its business or affairs. In addition, no director, officer or employee in possession of price-sensitive information may trade in the company's shares during closed periods. These embargo periods precede the publication of interim and annual financial operating results and when under a cautionary.

COMPANY SECRETARY

The Group Finance Director, RK Braithwaite, undertakes the duties of the Company Secretary following his appointment on 28 February 2008. It is acknowledged that it is not recommended best practice for the Company Secretary to also be a director of the company. This issue will be addressed when the time is appropriate.

The board is of the opinion that he is suitably qualified and experienced to carry out his duties as stipulated under section 268G of the Companies Act. The Company Secretary provides guidance to the directors on their duties and ensures awareness of all relevant statutory requirements and legislation. All directors have access to the advice and services of the Company Secretary. Independent professional advice will be arranged for the directors by the Company Secretary, at the company's expense, where it has been requested by the directors.

SUSTAINABILITY REPORTING

Social responsibilities

The creation of a standardised social responsibility policy will be systematically introduced into the Group once stock has been taken of existing charitable and community based initiatives. A full report appears on pages 22 – 25.

Transformation responsibilities

Erbacon is committed to an employment equity culture and to the advancement of its previously disadvantaged employees. The Group acknowledges that these disadvantaged groupings have experienced difficulty in realising their full potential. It is an objective of Erbacon to facilitate the implementation of strategies, targets, and review mechanisms on all elements of the BEE scorecard.

Ethics

Erbacon's employees are required to maintain the highest ethical standards and to behave in an honest fashion in their dealings within the Group, and with external parties.

Directors' responsibility statement

The directors are responsible for the preparation, integrity and objectivity of the financial statements and other information contained in the annual report in a manner that fairly presents the state of affairs and results of the operations of the Group. The financial statements have been prepared in accordance with International Financial Reporting Standards. They are based on appropriate accounting policies and are supported by reasonable and prudent judgements and estimates.

The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their findings thereon.

GOING CONCERN

The full statement can be found on page 27.

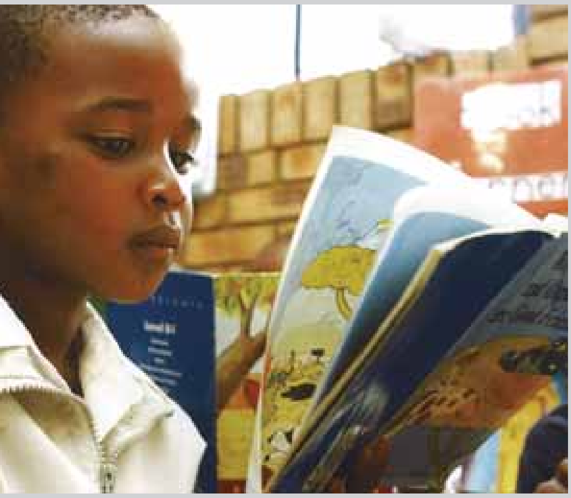
The three operating companies making up the Erbacon Group have again reported solid performances over the past year. In addition, the Group, which is ungeared at present, will be able to productively apply its entire existing asset and resource base to a more than satisfactory level of secured work in the forthcoming year. The risk, therefore, of idle capital equipment and human resources is greatly minimised against the current backdrop of a buoyant construction sector. Other risks facing the business are managed internally.

Accordingly, the directors believe that the Group will continue trading as a going concern for the foreseeable future.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

BEE is a focus area for Erbacon.

Sustainability is a major issue: skills training and retention, BEE compliance and employment equity.



Erbacon's Corporate Social Responsibility objective is to contribute to the country's social development agenda and to nurture a reputation amongst its stakeholders as a responsible corporate citizen. In this context the Group believes that sound sustainability practices equate to responsible business practices.

HEALTH AND SAFETY

Erbacon endeavours to diligently pursue sound health and safety practices at all of its construction and building sites, and other operating locations.

Construction sites are continuously monitored by Health and Safety officials.

The Group's Health and Safety Officers review all current practices, policies and procedures. A risk management committee, chaired by the CEO, provides an oversight function in this regard.

EQUALITY, HUMAN DIGNITY AND RIGHTS

In concert with our Constitution, Erbacon recognises that all individuals, regardless of race, gender or social position, have equal standing before the Law. A non-sexist, non-racist environment is fostered at all business units. Non-compliance is handled in line with the Group's Disciplinary Code.

BLACK ECONOMIC EMPOWERMENT

Erbacon supports and recognises Government's initiatives towards the transformation of the construction industry by way of the Department of Trade and Industry's Codes of Good Practice and the Construction Sector Charter.

The Company continued the process of identifying a BEE partner during the year under review. The Board will endeavour to ensure that upon the implementation of any such transaction, the economic costs

Erbacon recognises and supports Government's initiatives towards the transformation of the construction industry.

CORPORATE SOCIAL RESPONSIBILITY (CSR) (continued)

to be borne by the shareholders will be kept to a minimum in any BEE transaction.

Erbacon Small Plant has two operative BEE initiatives at subsidiary level, including the funding of a former black employee in establishing his own plant hire company, and a joint venture with Nkosi Plant Hire, a BEE company, in supplying to the Bombela Consortium on the Gautrain project. Erbacon Construction is also involved in BEE initiatives via two contract joint ventures.

In accordance with BEE legislation, Erbacon has undergone a full BEE assessment undertaken by an accredited verification agency, and has been rated as follows:

EMPLOYMENT EQUITY

Erbacon is committed to the advancement and development of its employees in accordance with the prevailing legislation. The lack of skills is a national concern shared by all construction sector firms in South Africa and across the globe, and career planning and training are essential to mitigate this growing concern.

Through Erbacon's Safcec affiliation, the induction of scholars into this field is being promoted.

TRAINING AND DEVELOPMENT

In conjunction with the employment equity drive, Erbacon is active in the pursuance of equipping employees and the community, via the acquisition of knowledge and related skills by means of:

a) the nomination and training of staff in numerous skills development programmes necessary for the enhancement of their tasks; and

b) the funding of registered learnerships for employed staff, and unemployed persons, in the interests of not only skills, but fully-fledged qualifications.

Erbacon has also been involved in the training and development of staff, outside the learnership arena, in various other scholarships for previously disadvantaged groups. Erbacon has registered six new learnerships ranging from carpentry to supervisory learnership.

These are all done in accordance with the provisions of the Skills Development Act. An approved Workplace Skills Plan and Annual Training Report are submitted annually and have been approved by the relative Construction Seta.

Erbacon has also provided bursary funding for an employee to further his studies at University.

CORPORATE ETHICS

An approved disciplinary code and grievance procedures are further instruments to enhance and maintain a disciplined and harmonious environment.

ENVIRONMENT

Erbacon recognises that the nature of its activities could impact upon the environment. In response to this awareness, the Company has undertaken to:

a) identify possible impacts that may arise from its activities;

b) implement mitigation measures to prevent, reduce, and minimise these impacts;

c) create awareness amongst all employees and subcontractors; and

d) incorporate environmental issues into business strategy.

Employee statistics	2009	2008
Total number of employees at the beginning of the year	1 093	305
Add – Recruitment	804	327
Less – Resignation/retirements, etc	(856)	(81)
Add – Acquisition (Armstrong Construction)	–	542
Total number of employees at the end of the year	1 041	1 093

The staff complement of the three operating companies remained stable during the period under review. As is normal under a contracting environment, fixed-term (contracting) employee movements varied in relation to contracts, either commencing or terminating. Labour needs fluctuate with tender awards or cancellations, project size, and the extent of sub-contractor involvement (which is frequently a client specification).

Total number of employees by segment:	2009	2008
Civils Construction	433	443
Small Plant and Formwork	138	106
Commercial and Industrial Building	466	542
Services	4	2
Total	1 041	1 093

Manpower by category	2009 %	2008 %
Salary earners	17	12
Wage earners	41	35
Fixed-term contracts	42	53
Total	100	100

Racial and gender profile	2009	% of total	2008	% of total
Non-designated group	54	5,2	47	4,3
Other males	4	0,4	3	0,3
White females	7	0,7	7	0,6
Indian males	64	6,1	39	3,5
Indian females	11	1,1	4	0,4
Coloured males	34	3,3	25	2,3
Coloured females	3	0,3	1	0,1
Other females	–	–	–	
African males	827	79,4	928	84,9
African females	37	3,4	39	3,6
Total number of employees	1 041	100,0	1 093	100,0

HR POLICIES AND PROCEDURES

To further the aims of corporate governance and control, standardised Human Resource Policies for the Group have been developed. These policies and procedures are being screened and implemented systematically.

DONATIONS

Two endeavours were supported, amongst others, this year:

- Kwathintwa School for the Deaf – a R40 000 donation was awarded by the Group, plus other assistance was mobilised for the school via the Group's network of subcontractors; and
- Rally to Read – a very worthy initiative which involves visiting the most remote and needy schools in rural areas to deliver books, teaching aids, science kits, sports equipment, educational toys and other material.

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa, 1973, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Group at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group.

While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the year to 28 February 2010 and, in the light of this review and the current financial position, they are satisfied that the Group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 26 to 72, which have been prepared on the going concern basis, were approved by the Board on 28 May 2009 and were signed on its behalf by:

Alan Dawson
Chairman

David Boyd Erskine
Chief Executive Officer

Durban
28 May 2009

STATEMENT FROM THE COMPANY SECRETARY

I certify that the requirements as stated in section 268G of the Companies Act, 1973 (No. 61 of 1973), as amended, have been met and that all returns, as required of a public company in terms of the aforementioned Act, have been submitted to the Registrar of Companies and that such returns are true, correct and up to date.

Robin Kevin Braithwaite
Company Secretary

Durban
28 May 2009

REPORT OF THE AUDIT AND RISK COMMITTEE

IN TERMS OF SECTIONS 269A AND 270A OF THE COMPANIES ACT, 1973 (NO. 61 OF 1973) AS AMENDED.

The Audit and Risk Committee ("the audit committee") of the Company and the Group, including wholly-owned subsidiaries, has pleasure in submitting this report, as required by sections 269A and 270A of the Companies Act.

1. Functions of the Audit Committee
The Audit Committee has discharged its functions as follows:

1.1 Reviewed the interim and year-end financial statements, culminating in a recommendation to the Board. In the course of its review the committee:
- took appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa;
- considered and, when appropriate, made recommendations on internal financial controls;
- dealt with concerns or complaints relating to the following:
  – accounting policies;
  – internal audit;
  – the auditing or content of the annual financial statements; and
  – internal financial controls.

1.2 Reviewed the external audit reports on the annual financial statements;

1.3 Confirmed the internal audit charter and audit plan;

1.4 Reviewed the internal audit and risk management reports and, where relevant, made recommendations to the Board;

1.5 Evaluated the effectiveness of risk management, controls and the governance processes;

1.6 Verified the independence of the external auditor;

1.7 Approved the audit fees and engagement terms of the external auditor; and

1.8 Determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services by the external auditor.

2. Members of the Audit Committee

2.1 The Audit Committee comprises two non-executive directors, S Totaram (chairman) and A Dawson. Their record of attendance is shown on page 20.

2.2 The members of the Audit Committee have at all times acted in an independent manner.

3. Frequency of meetings
The Audit Committee met twice in the financial year under review.

4. Attendance
The internal and external auditors, in their capacity as auditors to the Company and Group, attended and reported to all meetings of the Audit Committee.

Executive directors and relevant senior managers attended the meetings by invitation.

5. Confidential meetings
Audit Committee agendas provide for confidential meetings between the committee members and the internal and external auditors.

6. Independence of external auditor
During the year under review the Audit Committee reviewed a report by the external auditor and, after conducting its own review, confirmed the independence of the auditor.

7. Expertise and experience of Group Finance Director
As required by JSE Listings Requirement 3.84(h), the Audit Committee has satisfied itself that the Group Finance Director, RK Braithwaite, has appropriate expertise and experience.

8. Communication
The chairman of the Audit Committee is required to report to the Board of directors on the matters attended to by that committee. All Board members receive a copy of Audit Committee agendas and minutes.

Samara Totaram
Audit and Risk Committee Chairman

Durban
28 May 2009

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ERBACON INVESTMENT HOLDINGS LIMITED

We have audited the accompanying annual financial statements and group annual financial statements of Erbacon Investment Holdings Limited, which comprise the directors' report, the balance sheet and consolidated balance sheet as at 28 February 2009, the income statement and consolidated income statement, the statement of changes in equity and consolidated statement of changes in equity, the cash flow statement and consolidated cash flow statement for the year then ended and, a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 72.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and of the Group as at 28 February 2009, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.
Director: H N Govind
Registered Auditor

Durban
28 May 2009

DIRECTORS' REPORT

The directors submit their report for the year ended 28 February 2009.

1. OVERVIEW

Erbacon Investment Holdings Limited ("Erbacon") is the holding company of Erbacon Construction (Pty) Limited ("Erbacon Construction"), Davgram Construction (Pty) Limited ("Armstrong Construction") and Erbacon Small Plant (Pty) Limited ("Erbacon Small Plant").

Erbacon listed on the Alt^X of the JSE Limited ("JSE") on 7 December 2007. These consolidated results are published to provide information to the holders of Erbacon shares.

2. REVIEW OF ACTIVITIES

Main business and operations

The Company is an investment holding company, operating principally in South Africa, that carries on the business of making investments in the construction, plant hire and related industries. The Erbacon group of companies ("the Group") is engaged in contracting for the construction and building sector in South Africa.

The operating results and state of affairs of the Company and Group are fully set out in the attached annual financial statements.

The net profit of the Group was R53 443 444 (2008: R31 680 161), after taxation of R21 024 940 (2008: R12 914 020). This translates into basic earnings per share of 40,64 cents (2008: 31,12 cents).

3. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. BORROWING LIMITATIONS

In terms of the Articles of Association of the Company, the directors may exercise all the powers of the Company to borrow for the purpose of the Company such sums as the directors think fit.

5. ACQUISITION

On 28 February 2008, the acquisition of all of the shares in issue and claims against Armstrong Construction was concluded. As Armstrong Construction was purchased within only two trading days of the prior financial year-end, it made no contribution to the consolidated Group revenue during the prior year. Armstrong Construction made a strong contribution to the Group income statement, accounting for 61% of consolidated revenue for the period under review.

The purchase price allocation has been completed in the current year. The excess over the fair value of assets acquired amounts to R52,8 million and is allocated to goodwill. Refer to note 4 for further information.

6. POST BALANCE SHEET EVENTS

No material change has taken place in the affairs of the Group between the financial year-end and the date of this report.

7. DIRECTORS' INTEREST IN CONTRACTS

All directors are required to disclose their directorships and interests in contracts, which are collated by the Company Secretary and circulated to all Board directors. The details of directors' interest in contracts is disclosed in note 31 on page 65 of this report.

DIRECTORS' REPORT

(continued)

8. AUTHORISED AND ISSUED SHARE CAPITAL

The number of shares in issue was increased by 11 171 329 ordinary shares on 18 March 2008, and by a further allotment of 9 267 482 ordinary shares on 29 August 2008, following JSE approval after Armstrong Construction had achieved its warranted profit at 29 February 2008.

Details of the authorised and issued shares are shown in note 10.

The conditions relating to the repurchase by the Company of its own shares are governed by the Companies Act, the JSE Listings Requirements and the Company's Articles of Association. At the forthcoming Annual General Meeting shareholders will accordingly be requested to renew this authority until the next Annual General Meeting to be held in July 2010.

9. SHARE INCENTIVE SCHEME

At the Annual General Meeting held in July 2008 the shareholders approved an increase in the aggregate number of ordinary shares which may be made available for the purposes of the scheme, from 1,5% to 5% of the ordinary shares in issue. A total of 4 255 000 options were granted during the year (2008: nil).

Details of the options are shown in note 11.

10. DIVIDENDS

The directors have pleasure in declaring a maiden dividend of 5,5 cents per ordinary share (2008: nil).

11. INTEREST IN SUBSIDIARIES

Name of subsidiary	Percentage shareholding	Net income after tax in Rands
Davgram Construction (Pty) Limited	100	18 107 058
Erbacon Construction (Pty) Limited	100	25 940 894
Erbacon Small Plant (Pty) Limited	100	10 999 081

Details of the Company's investment in subsidiaries are set out in note 5. Refer to the segmental report on page 70 for further information on their results.

DIRECTORS' REPORT

(continued)

12. DIRECTORS

The directors of the Company during the year, and at the date of this report are as follows:

Name	Nationality	Changes
Alan Dawson # (Chairman)	South African	Appointed 1 March 2008
David Boyd Erskine (CEO)	South African	
Frans Petrus Boraine	South African	
Sydney Mark Hedley *	South African	
Petrus Johannes Mouton *	South African	Resigned 20 October 2008
Pierre Malan *	South African	Resigned 20 October 2008
Wayne Michael Ric-Hansen	South African	
David Graham Armstrong	South African	
Robin Kevin Braithwaite	South African	
Johannes Andries Holtzhausen *	South African	Appointed 20 October 2008
Samara Totaram #	South African	Appointed 20 October 2008

The schedule of directors' emoluments is given in note 32 on page 66 of this report.

 # Independent non-executive

** Non-executive*

At 28 February 2009, the direct and indirect, beneficial and non-beneficial interest of the directors in the fully paid share capital of the Company was 78 472 261 (2008: 63 513 450) held as follows:

	Beneficial				Non-beneficial			
	Direct		Indirect		Direct		Indirect	
Director	2009	2008	2009	2008	2009	2008	2009	2008
Executive								
David Boyd Erskine	33 920 250	33 920 250	–	–	–	–	40 000	40 000
Frans Petrus Boraine	14 537 250	14 537 250	–	–	–	–	–	–
Wayne Michael Ric-Hansen	4 468 144	–	–	–	–	–	–	–
David Graham Armstrong	10 425 667	–	–	–	–	–	–	–
Robin Kevin Braithwaite	399 700	399 700	–	–	–	–	–	–
Non-executive								
Alan Dawson	115 000	–	–	–	–	–	–	–
Sydney Mark Hedley	14 537 250	14 537 250	–	–	–	–	29 000	29 000
Petrus Johannes Mouton	–	50 000	–	–	–	–	–	–
Johannes Andries Holtzhausen	–	–	–	–	–	–	–	–
Samara Totaram	–	–	–	–	–	–	–	–
Total	78 403 261	63 444 450	–	–	–	–	69 000	69 000

DIRECTORS' REPORT

(continued)

13. COMPANY SECRETARY

The Company Secretary of the Company is Robin Kevin Braithwaite who is also the Group Finance Director.

14. AUDITORS

PricewaterhouseCoopers Inc. will continue in office in accordance with section 270(2) of the Companies Act.

15. SPECIAL RESOLUTIONS

The following special resolutions were passed during the year under review:

ERBACON INVESTMENT HOLDINGS LIMITED
Special resolution number 1: Authority to repurchase own shares (authority obtained at the 2008 Annual General Meeting).

The above special resolution was registered with the Registrar of Companies on 7 August 2008.

ERBACON CONSTRUCTION (PROPRIETARY) LIMITED
Nil.

ERBACON SMALL PLANT (PROPRIETARY) LIMITED
Nil.

DAVGRAM CONSTRUCTION (PROPRIETARY) LIMITED
Nil.

ERBACON INVESTMENT HOLDINGS EMPLOYEE SHARE INCENTIVE TRUST
Nil.

BALANCE SHEETS

at 28 February 2009

Figures in Rand	Note(s)	Group 2009	Group 2008	Company 2009	Company 2008
Assets					
Non-current assets					
Plant for hire	2	66 986 191	42 464 956	–	–
Property, plant and equipment	3	36 900 573	19 994 378	85 420	–
Goodwill	4	52 822 314	54 264 143	–	–
Investments in subsidiaries	5	–	–	265 227 321	264 927 033
Deferred income tax assets	6	173 737	414 679	106 358	–
		156 882 815	117 138 156	265 419 099	264 927 033
Current assets					
Inventories	7	31 024 552	8 690 192	–	–
Loans to group companies		–	–	1 885 114	–
Trade and other receivables	8	128 195 106	108 365 214	29 428 233	10 466 615
Cash and cash equivalents	9	57 303 643	42 403 658	1 115 422	41 492 825
		216 523 301	159 459 064	32 428 769	51 959 440
Total assets		373 406 116	276 597 220	297 847 868	316 886 473
Equity and liabilities					
Equity					
Share capital and premium	10	293 919 518	244 382 860	295 382 128	244 382 860
Common control deficit	12	(177 246 106)	(177 246 106)	–	–
Share-based payments reserve	11	572 971	–	572 971	–
Shares to be issued		–	51 097 033	–	51 097 033
Retained earnings		94 115 744	40 672 300	351 789	757 481
		211 362 127	158 906 087	296 306 888	296 237 374
Liabilities					
Non-current liabilities					
Borrowings	13	16 558 854	10 968 525	–	–
Deferred income tax liabilities	6	986 713	3 128 118	–	–
		17 545 567	14 096 643	–	–
Current liabilities					
Borrowings	13	7 312 776	13 222 763	–	–
Income tax liability		15 840 405	10 072 786	–	310 791
Trade and other payables	14	121 345 241	80 298 941	1 540 980	20 338 308
		144 498 422	103 594 490	1 540 980	20 649 099
Total liabilities		162 043 989	117 691 133	1 540 980	20 649 099
Total equity and liabilities		373 406 116	276 597 220	297 847 868	316 886 473

INCOME STATEMENTS

for the year ended 28 February 2009

Figures in Rand	Note(s)	Group 2009	Group 2008	Company 2009	Company 2008
Revenue	16	720 956 601	224 726 826	5 400 000	–
Cost of sales	17	(608 133 909)	(159 561 739)	(4 074 492)	–
Gross profit		112 822 692	65 165 087	1 325 508	–
Other income		664 694	285 395	–	600 000
Administrative and operating expenses	18	(40 828 549)	(19 745 819)	(2 426 211)	(521 815)
Operating profit/(loss)	20	72 658 837	45 704 663	(1 100 703)	78 185
Finance income	21	5 403 793	1 355 238	616 050	993 857
Interest paid	22	(3 594 246)	(2 465 720)	(27 397)	(3 770)
Profit/(loss) before taxation		74 468 384	44 594 181	(512 050)	1 068 272
Taxation	23	(21 024 940)	(12 914 020)	106 358	(310 791)
Profit/(loss) for the year		53 443 444	31 680 161	(405 692)	757 481
Earnings per share (cents):					
Basic	26	40,64	31,12	–	–

STATEMENTS OF CHANGES IN EQUITY

for the year ended 28 February 2009

Figures in Rand	Share capital	Share premium	Total share capital and premium	Share-based payments reserve	Common control deficit	Shares to be issued	Retained earnings	Total equity
Group								
Balance at 1 March 2007	969 450	192 860 850	193 830 300	–	(177 246 106)	–	8 992 139	25 576 333
Changes in equity								
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
Total changes	194 194	50 358 366	50 552 560	–	–	51 097 033	31 680 161	133 329 754
Balance 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
Changes in equity								
Profit for the year	–	–	–	–	–	–	53 443 444	53 443 444
Issue of shares	204 388	50 892 645	51 097 033	–	–	–	–	51 097 033
Treasury shares	(7 295)	(1 455 315)	(1 462 610)	–	–	–	–	(1 462 610)
Share issue expenses	–	(97 765)	(97 765)	–	–	–	–	(97 765)
Acquisition of subsidiary	–	–	–	–	–	(51 097 033)	–	(51 097 033)
Value of employee services	–	–	–	572 971	–	–	–	572 971
Total changes	197 093	49 339 565	49 536 658	572 971	–	(51 097 033)	53 443 444	52 456 040
Balance at 28 February 2009	1 360 737	292 558 781	293 919 518	572 971	(177 246 106)	–	94 115 744	211 362 127
Note(s)	10	10	10		12	29		
Company								
Balance at 1 March 2007	–	–	–	–	–	–	–	–
Changes in equity								
Profit for the year	–	–	–	–	–	–	757 481	757 481
Issue of shares	1 163 644	246 129 607	247 293 251	–	–	–	–	247 293 251
Share issue expenses	–	(2 910 391)	(2 910 391)	–	–	–	–	(2 910 391)
Acquisition of subsidiary	–	–	–	–	–	51 097 033	–	51 097 033
Total changes	1 163 644	243 219 216	244 382 860	–	–	51 097 033	757 481	296 237 374
Balance at 1 March 2008	1 163 644	243 219 216	244 382 860	–	–	51 097 033	757 481	296 237 374
Changes in equity								
Loss for the year	–	–	–	–	–	–	(405 692)	(405 692)
Issue of shares	204 388	50 892 645	51 097 033	–	–	–	–	51 097 033
Share issue expenses	–	(97 765)	(97 765)	–	–	–	–	(97 765)
Acquisition of subsidiary	–	–	–	–	–	(51 097 033)	–	(51 097 033)
Value of employee services	–	–	–	572 971	–	–	–	572 971
Total changes	204 388	50 794 880	50 999 268	572 971	–	(51 097 033)	(405 692)	69 514
Balance at 28 February 2009	1 368 032	294 014 096	295 382 128	572 971	–	–	351 789	296 306 888
Note(s)	10	10	10		12	29		

CASH FLOW STATEMENTS

for the year ended 28 February 2009

		Group		Company	
Figures in Rand	Note(s)	2009	2008	2009	2008
Cash flows from operating activities					
Cash receipts from customers		694 447 373	194 722 994	4 032 000	10 466 615
Cash paid to suppliers and employees		(604 529 633)	(163 085 257)	(42 951 889)	(20 516 737)
Cash generated/(used) by operations	27	89 917 740	31 637 737	(38 919 889)	(10 050 122)
Interest received		5 403 793	1 355 238	616 050	993 857
Interest paid		(3 594 246)	(2 465 720)	(27 397)	(3 770)
Tax paid	28	(17 718 495)	(6 936 181)	(310 791)	–
Other non-cash items		572 971	–	272 688	–
Net cash from operating activities		74 581 763	23 591 074	(38 369 339)	(9 060 035)
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(25 879 706)	(8 772 249)	(122 950)	–
Proceeds on sale of property, plant and equipment		1 880 359	341 584	–	–
Acquisition of subsidiary – net of cash acquired		–	703 962	–	–
Loans advanced to group companies		–	–	(1 885 114)	–
Purchase of plant for hire	2	(40 369 478)	(30 376 137)	–	–
Proceeds on sale of plant for hire		5 006 705	1 759 518	–	–
Net cash from investing activities		(59 362 120)	(36 343 322)	(2 008 064)	–
Cash flows from financing activities					
Proceeds on share issue		–	50 552 860	–	50 552 860
Proceeds from borrowings		–	4 347 772	–	–
Repayment of borrowings		(319 658)	–	–	–
Net cash from financing activities		(319 658)	54 900 632	–	50 552 860
Net movement in cash and cash equivalents		14 899 985	42 148 384	(40 377 403)	41 492 825
Cash and cash equivalents at the beginning of the year		42 403 658	255 274	41 492 825	–
Cash and cash equivalents at the end of the year	9	57 303 643	42 403 658	1 115 422	41 492 825

ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), the International Financial Reporting Interpretations Committee (IFRIC) interpretations adopted by the International Accounting Standards Board and the Companies Act of South Africa, 1973. The consolidated financial statements are prepared under the historical cost convention. The policies set out below have been consistently applied to all the years presented unless otherwise stated.

(a) Standards, amendments and interpretations to published standards effective for the first time this year
No standards, amendments and interpretations which became effective for the year ended 28 February 2009 have an impact on the Group.

(b) Standards early adopted by the Company
There were no standards early adopted by the Company.

(c) Standards, amendments and interpretations to existing standards effective for the first time this year but not relevant
IFRIC 12 – Service Concession Arrangements; and
IFRIC 14 – IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

(d) Standards, amendments to existing standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company
The following interpretations to existing standards have been published that are mandatory for the Group's future accounting periods but that the Group has not early adopted:

IAS 1 – Presentation of Financial Statements – revised (effective for periods beginning on or after 1 January 2009)
IAS 1 requires information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners separately from "non-owner" changes. The revisions include changes in the titles of some of the financial statements to reflect their function more clearly. The new titles are not mandatory for use in financial statements. The standard is applicable to the Group and is expected to result in additional disclosure.

IAS 23 – Borrowing Costs (effective for periods beginning on or after 1 January 2009)
The main change from the previous version of IAS 23 is the removal of the option of immediately recognising as an expense the borrowing costs that relate to assets that take a substantial period of time to become ready for use or sale. The standard is applicable to the Group. In the past, borrowing costs on qualifying assets were expensed. Application of the standard will result in these costs being capitalised.

IAS 27 – Consolidated and Separate Financial Statements – revised (effective for periods beginning on or after 1 July 2009)
IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. These transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss. The standard is applicable to the Group and will apply to future transactions.

IAS 39 (amendment) – Financial Instruments: Recognition and Measurement and IFRS 7 (amendment), Financial Instruments: Disclosures – Reclassification of Financial Assets (effective for periods beginning on or after 1 July 2008)
The amendments introduces the possibility of reclassifications for certain financial assets previously classified as "held for trading" or "available for sale" to another category under limited circumstances. Various disclosures are

ACCOUNTING POLICIES

(continued)

required where a reclassification has been made. Derivatives and assets designated as "at fair value through profit or loss" under the fair value option are not eligible for this reclassification.

IFRS Amendments Improvements to IFRS (effective for periods beginning on or after 1 January 2009)
This is a collection of amendments to IFRSs. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRSs.

The only amendment which is relevant to the Group is the amendment to IAS 16 – Property, Plant and Equipment. The amendment requires entities whose ordinary activities comprise renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.

The Group will apply IAS 16 (revised) from 1 March 2009.

Amendment to IFRS 2 – Amendment to IFRS 2 – Share-based Payments: Vesting Conditions and Cancellations (effective for periods beginning on or after 1 January 2009)
The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This standard is applicable to the Group and will apply to its future share-based payments.

IFRS 3 – Business Combinations – revised (effective for periods beginning on or after 1 July 2009)
The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. The standard will be applicable to the Group and the Group will apply IFRS 3 (R) to all new business combinations entered into after 1 July 2009.

IFRS 8 – Operating Segments (effective for periods beginning on or after 1 January 2009)
IFRS 8 requires an entity to adopt the "management approach" to reporting on the financial performance of its operating segments.The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The disclosure should enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. The Group is in the process of assessing the impact of the standard on its financial statements. The standard is expected to result in additional disclosure.

(e) Standards and interpretations to existing standards that are not yet effective and not relevant to the Company's operations
Amendment to IAS 32 and IAS 1 – Amendment to IAS 32 – Financial Instruments: Presentation and IAS 1 – Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation (effective for periods beginning on or after 1 January 2009);

Amendments to IAS 39 – Amendments to IAS 39 – Financial Instruments: Recognition and Measurement Exposures Qualifying for Hedge Accounting (effective for periods beginning on or after 1 July 2009);

Amendments to IFRS 1 and IAS 27 – Amendments to IFRS 1 – First Time Adoption of International Financial Reporting Standards and IAS 27 – Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for periods beginning on or after 1 January 2009);

ACCOUNTING POLICIES

(continued)

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(e) Standards and interpretations to existing standards that are not yet effective and not relevant to the Company's operations (continued)

IFRIC 13 – Customer Loyalty Programmes (effective for periods beginning on or after 1 July 2008);

IFRIC 15 – Agreements for the Construction of Real Estate (effective for periods beginning on or after 1 January 2009);

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (effective for periods beginning on or after 1 October 2008);

IFRIC 17 – Distributions of Non-cash Assets to Owners (effective for periods beginning on or after 1 January 2009); and

IFRIC 18 – Transfers of Assets from Customers (effective for periods beginning on or after 1 January 2009).

1.1 Consolidation

(a) Investments in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The investment in subsidiaries is stated at cost less accumulated impairment.

The Group has effective control over the employees' share incentive trust and as such it is considered to be a special purpose entity. The financial results of the trust is therefore consolidated in the Group accounts.

(b) Acquisition of subsidiaries under common control

Common control transactions are business combinations in which all the combining entities (subsidiaries) are ultimately controlled by the same party, before and after the transaction, and the control is not transitory. These transactions are accounted for at predecessor values. Predecessor values are considered to be the book value of assets and liabilities acquired as accounted for in the consolidated financial statements of the highest entity under common control. The cost of an acquisition of a subsidiary under common control is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Any costs directly attributable to the acquisition are written off against reserves. The difference between the cost of the acquisition and the predecessor value of the net assets acquired are taken to equity. Comparative information is restated as if the transaction was always in existence. The judgement applied to conclude if control arises is the same as the judgement applied when purchasing an interest in a subsidiary from an entity that is not under common control.

(c) Acquisition of other subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries, unless if a common control transaction, by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Where the cost of an acquisition has not been allocated to the fair value of the net assets of the subsidiary acquired, the difference between the cost of acquisition and the book value of the net assets of the subsidiary is recognised as premium to be allocated.

ACCOUNTING POLICIES

(continued)

(d) Inter-company transactions

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

(e) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

1.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated annual financial statements are presented in South African Rands ("R"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in the year in which they arise.

1.4 Plant for hire

The cost of an item of plant for hire is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Group; and
- the cost of the item can be measured reliably.

Plant for hire consists of construction related small plant and formwork equipment and is stated at cost less depreciation and subsequent impairment.

Costs include expenditure incurred initially to acquire or construct an item of plant for hire and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of plant for hire, the carrying amount of the replaced part is derecognised.

The residual value and the useful life of each asset are reviewed at each financial period end.

Each part of an item of plant for hire with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in the income statement unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of plant for hire is included in the income statement when the item is derecognised. The gain or loss arising from the derecognition of an item of plant for hire is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

ACCOUNTING POLICIES

(continued)

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.4 Plant for hire (continued)

Depreciation is calculated using the straight-line method to reduce the cost amounts of the assets to their residual values over their useful lives as follows:

Item	Average useful life
Formwork	7 years
Small plant	7 years

1.5 Property, plant and equipment

Property, plant and equipment is recorded at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation is provided on other assets using the straight-line method to write off their cost to their residual values over their estimated useful lives, as follows:

Item	Average useful life
Buildings	20 years
Plant and machinery	5 years
Furniture and fixtures	5 years
Motor vehicles	4 years
Office equipment	5 years
IT equipment	3 years

The residual value and the useful life of each asset are reviewed at each financial period end, and adjusted if appropriate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in the income statement unless it is included in the carrying amount of another asset.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are recognised in the income statement within "administrative and operating expenses".

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

1.6 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is allocated to cash-generating

ACCOUNTING POLICIES

(continued)

units for the purpose of impairment testing. The allocation is made to those cash-generated units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Contract-based intangibles
Contract-based intangibles acquired in a business combination are recognised at fair value at the acquisition date. These contract-based intangibles have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful life of the intangible.

1.7 Financial instruments

Financial assets
The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are initially measured at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet.

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original payment terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative and operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative and operating expenses in the income statement.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks net of bank overdrafts. These are reflected in the balance sheet and cash flow statement at cost. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. The maturities of the cash and cash equivalents are less than three months from original inception.

Gains or losses arising from changes in the fair value of loans and receivables are presented in the income statement within administrative expenses, in the period in which they arise. Loans and receivables are carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses are recognised in the income statement in the period in which they occur. Impairment testing of trade receivables is described in "trade and other receivables".

ACCOUNTING POLICIES

(continued)

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.7 Financial instruments (continued)

Financial liabilities

The Company has the following financial liabilities:

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, when the Group becomes party to the contractual provisions. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest received or paid in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the entity has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

1.8 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventories comprises raw materials and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1.10 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.11 Current and deferred income tax

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date. Current income tax for the current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of the current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset. Current income tax liabilities or assets for the current and prior periods are measured at amounts that are expected to be paid to or recovered from the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the annual financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

ACCOUNTING POLICIES

(continued)

1.12 Employee benefits

(a) *Pension benefits*

The employees of the Group are members of various defined contribution plans. A defined contribution plan is a pension plan under which the entity pays fixed contributions into a separate entity. The entity has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Healthcare benefits*

The Group provides healthcare benefits for its employees through contributions to various independent medical aid schemes. Payments to the medical schemes are charged to the income statement as incurred. The Group has no post-retirement obligations to employees.

(c) *Remuneration*

The cost of all short-term employee remuneration is recognised during the year in which the employee renders the related service. An accrual is made for employee entitlement to salary, bonuses and profit-share and leave pay based on contractual obligations at current rates of remuneration.

(d) *Termination benefits*

Termination benefits are payable when employment is terminated by the entity before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(e) *Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(f) *Share-based payments*

The Group operates an equity-settled share-based payment compensation plan.

The fair value of share options granted is recognised as an employee expense. The fair value is measured at grant date and expensed over the period during which the employee becomes unconditionally entitled to the equity instruments.

The fair value of the options granted is measured using generally accepted valuation techniques and excludes the impact of any non-market vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity or liabilities. The proceeds received on exercise of the options, net of any directly attributable transaction costs, are credited to equity.

ACCOUNTING POLICIES

(continued)

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the obligation.

1.14 Revenue

Revenue comprises the fair value of the consideration received or receivable from construction contracts, short-term hire rentals and sale of services in the ordinary course of business. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and the risks and rewards of ownership have been transferred to the customer. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement

Construction contract revenue
Revenues relating to construction contracts are accounted for using the stage of completion method. The stage of completion is measured by reference to surveys of work performed. The accounting policy for construction contracts is set out in note 1.15.

Short-term hire rentals
Revenues from the short-term hire of construction related small plant and formwork equipment are recognised as revenue in the period that the small plant and formwork is hired.

Interest income
Interest income is recognised as it accrues.

Dividend income
Dividend income is recognised when the right to receive payment is established.

1.15 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology, and functions, or their ultimate purpose or use. A group of contracts are treated as a single construction contract when the group of contracts are negotiated as a single package; the contracts are so interrelated that they are, in effect, part of a single project with an overall profit margin and the contracts are performed concurrently or in a continuous sequence.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable (i.e. there is a fully enforceable contract and there is no objective evidence that the entity will not be able to collect all amounts due according to the original payment terms) those costs will be recovered. Contract costs on these contracts are recognised when incurred.

ACCOUNTING POLICIES

(continued)

When the outcome of a construction contract can be estimated reliably, contract revenue is recognised by using the percentage of completion method as set out in note 1.14. Costs are recognised in net profit as incurred. However, costs incurred in the year in connection with future activity on a contract are excluded. They are presented as inventories, prepayments or other assets depending on their nature. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retentions are included within trade and other receivables.

Where recognised revenue using the percentage of completion method exceeds billed work, the balance is shown as amounts due from customers for contract work, under trade and other receivables. Where billed work exceeds recognised revenue using the percentage of completion method, the balance is shown as amounts received in advance, under trade and other payables.

1.16 Leases

a) Finance leases

Leases of property, plant and equipment where the entity assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings.

The interest element of the finance charges is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the shorter of the lease term and useful life of the asset.

b) Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's Board of directors.

Secondary tax on companies is provided for in respect of dividend payments, net of dividends received or receivable and is recognised as a taxation charge for the year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

2. PLANT FOR HIRE

Figures in Rand	2009 Cost	2009 Accumulated depreciation	2009 Carrying value	2008 Cost	2008 Accumulated depreciation	2008 Carrying value
Group						
Formwork	27 837 427	(6 665 708)	21 171 719	19 440 395	(3 502 054)	15 938 341
Small plant	58 687 776	(12 873 304)	45 814 472	33 183 349	(6 656 734)	26 526 615
Total	86 525 203	(19 539 012)	66 986 191	52 623 744	(10 158 788)	42 464 956

Reconciliation of plant for hire 2009

Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Total
Formwork	15 938 341	11 353 754	(2 182 120)	(3 938 256)	21 171 719
Small plant	26 526 615	29 015 724	(2 404 107)	(7 323 760)	45 814 472
	42 464 956	40 369 478	(4 586 227)	(11 262 016)	66 986 191

Reconciliation of plant for hire 2008

Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Total
Formwork	9 993 539	10 830 886	(2 605 186)	(2 280 898)	15 938 341
Small plant	12 364 009	19 545 251	(1 616 895)	(3 765 750)	26 526 615
	22 357 548	30 376 137	(4 222 081)	(6 046 648)	42 464 956

3. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand	2009 Cost	2009 Accumulated depreciation	2009 Carrying value	2008 Cost	2008 Accumulated depreciation	2008 Carrying value
Group						
Land and buildings	16 809 486	(609 029)	16 200 457	2 661 598	(201 339)	2 460 259
Plant and machinery	10 854 763	(3 846 112)	7 008 651	7 666 379	(2 556 100)	5 110 279
Furniture and fixtures	194 962	(98 936)	96 026	186 367	(70 901)	115 466
Motor vehicles	23 440 860	(10 840 586)	12 600 274	18 898 806	(7 212 445)	11 686 361
Office equipment	399 522	(188 117)	211 405	310 690	(152 739)	157 951
IT equipment	1 432 422	(734 082)	698 340	873 345	(409 283)	464 062
Computer software	122 950	(37 530)	85 420	–	–	–
Total	53 254 965	(16 354 392)	36 900 573	30 597 185	(10 602 807)	19 994 378

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Figures in Rand	2009 Cost	2009 Accumulated depreciation	2009 Carrying value	2008 Cost	2008 Accumulated depreciation	2008 Carrying value
Company						
Computer software	122 950	(37 530)	85 420	–	–	–

Reconciliation of property, plant and equipment – Group 2009

Figures in Rand	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land and buildings	2 460 259	14 147 888	–	–	(407 690)	16 200 457
Plant and machinery	5 110 279	4 230 075	(281 822)	72 398	(2 122 279)	7 008 651
Furniture and fixtures	115 466	8 595	–	–	(28 035)	96 026
Motor vehicles	11 686 361	6 678 855	(998 544)	420 996	(5 187 394)	12 600 274
Office equipment	157 951	112 757	(350)	–	(58 953)	211 405
IT equipment	464 062	578 586	(6 098)	–	(338 210)	698 340
Computer software	–	122 950	–	–	(37 530)	85 420
	19 994 378	25 879 706	(1 286 814)	493 394	(8 180 091)	36 900 573

Reconciliation of property, plant and equipment – Group 2008

	Opening balance	Additions	Additions through business combinations	Disposals	Depreciation	Total
Land and buildings	2 379 815	171 200	–	–	(90 756)	2 460 259
Plant and machinery	37 668	1 762 249	3 601 334	–	(290 972)	5 110 279
Furniture and fixtures	17 454	38 431	67 718	–	(8 137)	115 466
Motor vehicles	4 528 097	6 450 943	3 282 853	(102 158)	(2 473 374)	11 686 361
Office equipment	18 701	109 375	54 189	(2)	(24 312)	157 951
IT equipment	209 945	240 051	157 372	(3 454)	(139 852)	464 062
	7 191 680	8 772 249	7 163 466	(105 614)	(3 027 403)	19 994 378

Reconciliation of property, plant and equipment – Company 2009

	Opening balance	Additions	Depreciation	Total
Computer software	–	122 950	(37 530)	85 420

Pledged as security

Carrying value of assets pledged as security for instalment sale agreements amounts to R13 754 463 (2008: R15 747 424).

The carrying value of land and buildings pledged as security for bond borrowings amounts to R16 200 457 (2008: R2 460 259).

The cost and carrying value of land included in land and buildings is R5 192 976 (2008: R800 000).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

4. GOODWILL

	2009			2008		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Group						
Arising through business combinations	52 822 314	–	52 822 314	54 264 143	–	54 264 143

Reconciliation of goodwill 2009

	Opening balance at 1 March 2008	Allocated to underlying assets in business combination	Closing balance at 28 February 2009
Arising through business combinations	54 264 143	(1 441 829)	52 822 314

The initial accounting for the business combination in respect of the acquisition of Davgram Construction (Proprietary) Limited that was effected in the prior year was determined provisionally at the end of the 2008 financial year. The purchase price allocation exercise was completed during the year. This resulted in a fair value adjustment to assets acquired of R1 441 829 and a corresponding reduction in goodwill.

The fair value adjustment is summarised as follows:	
– Contract-based intangible	1 509 146
– Motor vehicles, plant and machinery	493 394
– Deferred taxation	(560 711)
	1 441 829

The contract-based intangible is in respect of short-term construction contracts and has been fully amortised in the current year.

The carrying value of goodwill is subject to annual impairment testing using the value in use method.

Operating budgets approved by the Board of directors formed the basis of projected cash flows which covered a five-year period.

Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 5,2%. A discount rate of 14,86% was applied.

On this basis, the value in use calculation indicated that no impairment was required.

The variables listed above were adversely amended to assess the impact on the cash flow projections. The amendments did not result in the conclusion above being changed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

5. INVESTMENTS IN SUBSIDIARIES

Name of company	Held by	% holding 2009	% holding 2008	Carrying amount 2009	Carrying amount 2008
Erbacon Construction (Pty) Limited	Erbacon Investment Holdings Limited	100,00	100,00	27 889 294	27 690 000
Erbacon Small Plant (Pty) Limited	Erbacon Investment Holdings Limited	100,00	100,00	166 240 994	166 140 000
Davgram Construction (Pty) Limited	Erbacon Investment Holdings Limited	100,00	100,00	71 097 033	71 097 033
				265 227 321	264 927 033

Equity-settled share-based payments of R300 288 (2008: nil) in respect of options granted to the employees of subsidiaries to acquire shares in the holding company have been capitalised.

Figures in Rand	Group 2009	Group 2008	Company 2009	Company 2008
6. DEFERRED INCOME TAX				
Deferred income tax asset	173 737	414 679	106 358	–
Deferred income tax liability	(986 713)	(3 128 118)	–	–
	(812 976)	(2 713 439)	106 358	–
Reconciliation of deferred tax asset/(liability)				
At beginning of the year	(2 713 439)	(774 913)	–	–
Reduction due to rate change	–	26 721	–	–
Davgram Construction (Proprietary) Limited acquired	–	(1 956 158)	–	–
Arising on purchase price allocation	(560 711)	–	–	–
Income statement charge	2 461 174	(9 089)	106 358	–
	(812 976)	(2 713 439)	106 358	–
Analysis of deferred tax asset/(liability)				
Accelerated capital allowances for tax purposes	(607 259)	(308 055)	–	–
Other provisions	62 440	224 000	6 440	–
Share-based payments	160 431	–	76 351	–
Provision for doubtful debts	601 755	548 979	–	–
Accrual for leave pay and bonuses	990 756	511 565	23 567	–
Income received in advance	8 126 705	319 781	–	–
Work in progress	(5 889 611)	–	–	–
Allowance for future expenditure	(1 520 758)	–	–	–
Retentions debtors	(9 018 789)	(4 009 709)	–	–
Retention creditors	6 281 354	–	–	–
	(812 976)	(2 713 439)	106 358	–

Figures in Rand	Group 2009	Group 2008	Company 2009	Company 2008
7. INVENTORIES				
Plant for sale	5 098 293	1 362 650	–	–
Construction work in progress (note 35)	25 926 259	7 327 542	–	–
	31 024 552	8 690 192	–	–

The cost of inventories recognised as an expense and included in cost of sales amounted to R104 335 616 (2008: R35 057 134).

Figures in Rand	Group 2009	Group 2008	Company 2009	Company 2008
8. TRADE AND OTHER RECEIVABLES				
Trade receivables	95 153 039	86 159 866	1 368 000	–
Less: Provision for impairment of receivables	(2 865 496)	(2 614 185)	–	–
Trade receivables – net	92 287 543	83 545 681	1 368 000	–
Deposits and prepayments	1 001 958	3 304 956	139 790	–
Accrued income	646 715	–	–	–
Loans to related parties	–	6 128 134	27 920 443	10 466 615
Other receivables	2 048 931	692 538	–	–
Retentions	32 209 959	14 693 905	–	–
	128 195 106	108 365 214	29 428 233	10 466 615

The fair value of the trade and other receivables approximates their carrying amounts.

Trade receivables are primarily in respect of progress billings not yet paid by customers and amounts unpaid by customers for hires of small plant and formwork. The amounts are subject to the Company's standard credit terms and are due within a maximum of 60 days after year-end. No interest is charged on these accounts.

Credit quality of trade and other receivables
The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Figures in Rand	Group 2009	Group 2008	Company 2009	Company 2008
Trade receivables				
Counterparties without external credit rating				
Current receivables	81 892 027	64 534 126	1 368 000	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

Figures in Rand	Group 2009	Group 2008	Company 2009	Company 2008
8. TRADE AND OTHER RECEIVABLES continued				
Trade and other receivables past due but not impaired				
Trade and other receivables which are less than 60 days past due are not considered to be impaired. At 28 February 2009, 9 386 724 (2008: R17 830 294) were past due but not impaired.				
The ageing of amounts past due but not impaired is as follows:				
60 days to 90 days	1 012 350	10 755 949	–	–
90 days to 120 days	3 071 501	4 730 088	–	–
Greater than 120 days	5 302 873	2 344 257	–	–
	9 386 724	17 830 294	–	–
Trade and other receivables impaired				
As of 28 February 2009, trade and other receivables of R3 874 288 (2008: R3 795 446) were impaired and provided for.				
The amount of the provision was R2 865 496 as of 28 February 2009 (2008: R2 614 185).				
The ageing of these loans is as follows:				
Current	684 273	–	–	–
30 to 60 days	179 425	–	–	–
60 to 120 days	–	2 075 528	–	–
Greater than 120 days	3 010 590	1 719 918	–	–
	3 874 288	3 795 446	–	–
Reconciliation of provision for impairment of trade and other receivables				
Opening balance	2 614 185	338 975	–	–
Provision for impairment	2 384 501	2 325 210	–	–
Amounts written off as uncollectible	(2 133 190)	(50 000)	–	–
	2 865 496	2 614 185	–	–

The creation and release of provision for impaired receivables have been included in administrative and operating expenses in the income statement. The other classes within trade and other receivables do not contain any impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security. There is no significant concentration of credit risk in respect of any particular customer or industry segment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

Figures in Rand	Group 2009	Group 2008	Company 2009	Company 2008
9. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Cash on hand	279 136	172 373	–	–
Bank balances	57 024 507	42 231 285	1 115 422	41 492 825
	57 303 643	42 403 658	1 115 422	41 492 825
The effective interest rate on short-term bank deposits was 10,25% (2008: 8,64%). These deposits are receivable on demand.				
Credit quality of cash at bank and short-term deposits, excluding cash on hand				
The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:				
Credit rating				
First National Bank Limited "C" rating (2008: "C" rating)	53 668 622	42 231 285	1 115 422	41 492 825
Nedbank Limited "C" rating	3 355 885	–	–	–
	57 024 507	42 231 285	1 115 422	41 492 825
10. SHARE CAPITAL AND PREMIUM				
Authorised				
300 000 000 ordinary shares of R0.01 each	3 000 000	3 000 000	3 000 000	3 000 000
Reconciliation of number of shares issued:				
Reported as at 1 March 2008	116 364 364	96 945 000	116 364 364	–
Issue of shares – ordinary shares	20 438 811	19 419 364	20 438 811	116 364 364
	136 803 175	116 364 364	136 803 175	116 364 364

The Group acquired Davgram Construction (Pty) Limited on 28 February 2008.

The 20 438 811 shares issued to the vendors of Davgram Construction (Pty) Limited, at R2,50 per share: this represented the portion of the purchase consideration settled with shares.

163 196 825 unissued ordinary shares are under the control of the directors until the forthcoming Annual General Meeting.

	Group		Company	
Figures in Rand	2009	2008	2009	2008
10. SHARE CAPITAL AND PREMIUM continued				
Issued				
Ordinary	1 368 032	1 163 644	1 368 032	1 163 644
Share premium	294 014 096	243 219 216	294 014 096	243 219 216
	295 382 128	244 382 860	295 382 128	244 382 860
729 481 shares acquired by the Erbacon Investment Holdings Employee Share Incentive Trust	(1 462 610)	–	–	–
	293 919 518	244 382 860	295 382 128	244 382 860

Share issue costs of R97 765 were written off against share premium in the current year.

729 481 (2008: nil) ordinary shares are held by the employee share incentive trust at year-end. This trust is consolidated and thus the shareholding is eliminated on consolidation.

11. SHARE-BASED PAYMENTS RESERVE

(a) Information on options granted during the year

Date options granted	Exercise price (cents)	Date exercisable	Number of options granted
29 July 2008	193	29 July 2011	4 255 000

The Group has an equity-settled share option scheme for certain employees. The options have a contractual service term of three years. The exercise price is based on the volume weighted average price calculated for the 30 days before the grant date. The options lapse three years after the grant date. The options are forfeited if not exercised before termination of employment subject to the discretion of the trustees.

(b) Movements in the number of share options granted and outstanding are as follows:

	Group		Company	
	2009	2008	2009	2008
Outstanding at the beginning of the year	–	–	–	–
Granted during the year	4 255 000	–	2 025 000	–
Outstanding at the end of the year	4 255 000	–	2 025 000	–

(c) Fair value of options

The fair value of options granted during the year was calculated at 69 cents per share. This was determined using the Black-Scholes valuation model and included the following inputs:

• Weighted average share price at grant date	R1,93
• Option life	3 years
• Annual risk-free rate	11,54%
• Expected volatility	43,09%
• Expected dividend yield	2,68%

Expected volatility has been measured as the standard deviation of the compounded rates of return based on share prices of industry competitors over the last two years.

The total cost of the options, as reflected by the model, is R2 946 707, which is charged to the income statement as follows:

	R
2009	572 971
2010	982 236
2011	982 236
2012	409 264
	2 946 707

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

Figures in Rand	Group 2009	Group 2008	Company 2009	Company 2008
11. SHARE-BASED PAYMENTS RESERVE continued				
(d) Reconciliation of share-based payments reserve				
Opening balance	–	–	–	–
Equity-settled share-based-payments charged as "administrative and operating expenses"	572 971	–	272 683	–
Equity-settled share-based payments capitalised to the investment in subsidiaries	–	–	300 288	–
	572 971	–	572 971	–
12. COMMON CONTROL DEFICIT				
The restructuring undertaken during the course of August – October 2007 resulted in the interposition of Erbacon as the holding company, and the establishment of Erbacon Small Plant and Erbacon Construction as its two wholly owned subsidiaries by way of the Erbacon Share Exchange. Erbacon issued, in aggregate, 96 915 000 ordinary shares, and accounted for this transaction as a common control transaction using predecessor values.				
Common control deficit	(177 246 106)	(177 246 106)	–	–
13. BORROWINGS				
Held at amortised cost				
Instalment sale agreements	11 149 927	15 810 943	–	–
The instalment sale borrowings are secured by vehicles with a net book amount of R13 754 463 (2008: R15 747 424).				
The instalment sale borrowings bear interest at prime related interest rates and are repayable in equal instalments of R818 756 (2008: R767 554) per month including finance charges.				
The last payment date for the instalment sale borrowings is 1 December 2012 (2008: 1 March 2012).				

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

Figures in Rand	Group 2009	Group 2008	Company 2009	Company 2008
13. BORROWINGS continued				
Bank overdraft	–	6 511 717	–	–
Trade and other receivables has not been pledged as security for any facilities. In the prior year, trade and other receivables were pledged as security for overdraft facilities of R10 500 000 of the Group.				
At year-end the overdraft amounted to nil (2008: R6 511 717). The Group has access to an overdraft facility of R25 000 000 (2008: R10 500 000), property finance facility of R10 158 511 and settlement facility of R700 000.				
The Group companies provide unlimited suretyships against these facilities.				
Mortgage bond Rand Merchant Bank	183 622	271 191	–	–
The Rand Merchant Bank Mortgage Bond is secured by property with a net book amount of R334 033 (2008: R356 808).				
The Rand Merchant Bank mortgage bond bears interest at prime less 0,75% and is repayable in equal instalments of R10 000 (2008: R10 000) per month including finance charges.				
The last payment date for the Rand Merchant Bank mortgage bond is 31 October 2010 (2008: 30 November 2023).				
Mortgage bond First National Bank	11 090 329	1 466 475	–	–
The First National Bank mortgage bond is secured by property with a net book amount of R13 980 946 (2008: R2 103 451).				
The First National Bank mortgage bond bears interest at prime less 0.5% and is repayable in equal instalments of R180 888 (2008: R24 683) per month including finance charges.				
The last payment date for the First National Bank mortgage bond is 1 August 2028 (2008: 1 November 2016).				

Figures in Rand	Group 2009	Group 2008	Company 2009	Company 2008
13. BORROWINGS continued				
Mortgage bond Nedbank Corporate	1 447 752	–	–	–
The Nedbank Limited Mortgage Bond is secured by property with a net book amount of R1 885 478 (2008: nil).				
The Nedbank Mortgage Bond bears interest at prime less 1% and is repayable in equal instalments of R22 481 (2008: nil) per month including finance charges.				
The last payment date for the Nedbank Mortgage Bond is 28 May 2018.				
Other borrowings	–	130 962	–	–
The loans are unsecured, bear no interest and have no fixed terms of repayment.				
	23 871 630	24 191 288	–	–
The fair value of the borrowings approximates their carrying values.				
Non-current liabilities				
At amortised cost	16 558 854	10 968 525	–	–
Current liabilities				
At amortised cost	7 312 776	13 222 763	–	–
	23 871 630	24 191 288	–	–
14. TRADE AND OTHER PAYABLES				
Trade payables	50 347 081	41 011 272	357 358	12 308
Amounts received in advance	38 158 817	6 561 162	–	–
Other payables and sundry accruals	5 634 692	3 507 744	252 514	–
Retention subcontractors	14 974 746	5 772 800	–	–
Accrued leave pay	4 126 782	1 827 023	534 168	–
Accrued bonus	1 186 632	405 000	–	–
Accrued expenses	6 916 491	1 213 940	396 940	326 000
Deferred purchase consideration – cash portion	–	20 000 000	–	20 000 000
	121 345 241	80 298 941	1 540 980	20 338 308

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

15. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group 2009

	Financial liabilities at amortised cost	Fair value through profit or loss (held for trading)	Fair value through profit or loss (designated)	Total
Trade and other payables	121 345 241	–	–	121 345 241
Other	23 871 630	–	–	23 871 630
	145 216 871	–	–	145 216 871

Group 2008

	Financial liabilities at amortised cost	Fair value through profit or loss (held for trading)	Fair value through profit or loss (designated)	Total
Trade and other payables	80 298 941	–	–	80 298 941
Bank overdraft	6 511 717	–	–	6 511 717
Other	17 679 571	–	–	17 679 571
	104 490 229	–	–	104 490 229

Company 2009

	Financial liabilities at amortised cost	Fair value through profit or loss (held for trading)	Fair value through profit or loss (designated)	Total
Trade and other payables	1 540 980	–	–	1 540 980

Company 2008

	Financial liabilities at amortised cost	Fair value through profit or loss (held for trading)	Fair value through profit or loss (designated)	Total
Trade and other payables	20 338 308	–	–	20 338 308

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

Figures in Rand	Group 2009	Group 2008	Company 2009	Company 2008
16. REVENUE				
Rendering of services	–	–	5 400 000	–
Construction contracts	643 977 632	156 319 290	–	–
Short-term hire	76 978 969	68 407 536	–	–
	720 956 601	224 726 826	5 400 000	–
17. COST OF SALES				
Raw materials and consumables	104 335 616	35 057 134	–	–
Labour	84 511 971	29 064 425	4 074 492	–
Plant and transport	42 142 180	24 093 430	–	–
Subcontractors and general expenses	377 144 142	71 346 750	–	–
	608 133 909	159 561 739	4 074 492	–
18. EXPENSES BY NATURE				
Raw materials and consumables	104 335 616	35 057 134	–	–
Subcontractors and general expenses	377 144 142	71 346 750	–	–
Employee costs	101 264 173	33 568 476	4 074 492	–
Plant and transport	42 142 180	24 093 430	–	–
Depreciation	8 180 091	3 027 402	37 530	–
Operating lease rentals – premises	2 072 374	1 346 697	–	–
Repairs and maintenance	278 459	233 538	49 535	–
Other expenses	13 545 423	10 634 132	2 339 146	–
Total cost of sales and administrative and operating expenses	648 962 458	179 307 559	6 500 703	–
19. EMPLOYEE COSTS				
Salaries and wages	90 727 164	28 830 793	1 661 685	–
Contributions to defined contribution plans	1 566 969	1 167 951	–	–
Shared-based payment	572 971	–	272 683	–
Directors' emoluments	8 397 069	3 569 732	2 140 124	–
	101 264 173	33 568 476	4 074 492	–
20. OPERATING PROFIT				
Operating profit for the year is stated after accounting for the following:				
Profit on sale of property, plant and equipment	593 545	236 267	–	–
Amortisation of contract-based intangible	(1 509 146)	–	–	–
Profit on exchange differences	70 558	–	–	–
Profit/(loss) on sale of plant for hire	373 943	(2 462 563)	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

	Group		Company	
Figures in Rand	2009	2008	2009	2008
21. FINANCE INCOME				
Interest received				
Bank	4 964 974	1 355 238	616 050	993 857
Interest charged on trade and other receivables	285 241	–	–	–
Other interest	153 578	–	–	–
	5 403 793	1 355 238	616 050	993 857
22. FINANCE COSTS				
Non-current borrowings	502 561	–	–	–
Late payment of tax	31 769	–	–	–
Bank overdraft	1 511 069	528 854	27 397	3 770
Instalment sale borrowings	1 548 847	1 936 866	–	–
	3 594 246	2 465 720	27 397	3 770
23. TAXATION				
Current				
Local income tax – current period	22 046 504	12 931 652	–	310 791
Local income tax – recognised in current tax for prior periods	1 439 610	–	–	–
	23 486 114	12 931 652	–	310 791
Deferred				
Originating and reversing temporary differences	(1 125 403)	(17 632)	(106 358)	–
Arising from prior period adjustments	(1 335 771)	–	–	–
	(2 461 174)	(17 632)	(106 358)	–
	21 024 940	12 914 020	(106 358)	310 791
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense:				
Accounting (loss)/profit	74 468 384	44 594 181	(512 050)	1 068 272
Tax at the applicable tax rate of 28% (2008: 29%)	20 851 148	12 932 312	(143 374)	309 799
Tax effect of adjustments on taxable income				
Permanent differences	157 197	–	19 606	–
Prior period underprovision	98 702	–	–	–
Capital gains on sale of assets	(110 954)	–	–	–
Tax losses carried forward	17 410	–	17 410	–
Other	11 437	(18 292)	–	992
	21 024 940	12 914 020	(106 358)	310 791

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

Figures in Rand	Group 2009	Group 2008	Company 2009	Company 2008
24. AUDITORS' REMUNERATION				
Fees				
– current year	1 193 000	794 000	293 000	270 000
– prior year	91 488	780 298	42 365	–
Fees for other services	96 880	74 034	56 850	56 000
	1 381 368	1 648 332	392 215	326 000

25. RETIREMENT BENEFITS

Defined contribution plan

It is the policy of the Group to provide retirement benefits to its employees.

A number of defined contribution provident funds, all of which are subject to the Pension Fund Act, exist for this purpose.

The Group is under no obligation to cover any unfunded benefits.

Figures in Rand	Group 2009	Group 2008	Company 2009	Company 2008
26. EARNINGS PER SHARE				
Basic earnings per share (cents)	40,64	31,12	–	–
Headline earnings per share (cents)	40,11	33,31	–	–

The basic and headline earnings per share has been calculated using a weighted average number of 131 517 332 (2008: 101 790 624) shares.

Figures in Rand	Group 2009	Group 2008	Company 2009	Company 2008
Reconciliation of headline earnings:				
Profit attributable to ordinary shareholders	53 443 444	31 680 161	–	–
– (Profit)/loss on disposal of plant and equipment	(696 591)	2 226 296	–	–
Headline earnings	52 746 853	33 906 457	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

Figures in Rand	Group 2009	Group 2008	Company 2009	Company 2008
27. CASH GENERATED FROM/(USED IN) OPERATIONS				
Profit/(loss) before taxation	74 468 384	44 594 181	(512 050)	1 068 272
Adjustments for:				
Depreciation and amortisation	19 442 107	9 074 050	37 530	–
(Profit)/loss on sale of assets	(967 488)	2 226 296	–	–
Interest received	(5 403 793)	(1 355 238)	(616 050)	(993 857)
Interest paid	3 594 246	2 465 720	27 397	3 770
Share issue expense charged to share premium	(97 765)	–	(97 765)	–
Changes in working capital:				
Inventories	(22 334 360)	(3 893 127)	–	–
Trade and other receivables	(19 829 891)	(36 753 788)	(18 961 618)	(10 466 615)
Trade and other payables	41 046 300	15 279 643	(18 797 333)	338 308
	89 917 740	31 637 737	(38 919 889)	(10 050 122)
28. TAX PAID				
Balance at beginning of the year	(10 072 786)	(3 941 621)	(310 791)	–
Current tax for the year recognised in income statement	(23 486 114)	(12 931 652)	–	(310 791)
Balance at end of the year	15 840 405	9 937 092	–	310 791
	(17 718 495)	(6 936 181)	(310 791)	–
29. ACQUISITION OF BUSINESSES				
COMMON CONTROL TRANSACTIONS				
Fair value of assets acquired				
Common control deficit	–	177 246 306	–	177 246 306
Erbacon Construction (Proprietary) Limited	–	5 422 484	–	5 422 484
Erbacon Small Plant (Proprietary) Limited	–	11 161 210	–	11 161 210
	–	193 830 000	–	193 830 000
Purchase consideration				
96 915 000 ordinary shares in Erbacon Investment Holdings Limited	–	(193 830 000)	–	(193 830 000)
	–	(193 830 000)	–	(193 830 000)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

Figures in Rand	Group 2009	Group 2008	Company 2009	Company 2008
29. ACQUISITION OF BUSINESSES continued				
BUSINESS COMBINATIONS				
Fair value of assets acquired				
Premium to be allocated	–	54 264 143	–	54 264 143
Goodwill	52 822 314	–	52 822 314	–
Davgram Construction (Proprietary) Limited – fair value of assets	18 274 719	16 832 890	18 274 719	16 832 890
	71 097 033	71 097 033	71 097 033	71 097 033
Purchase consideration				
Consideration paid in cash	(20 000 000)	(20 000 000)	(20 000 000)	(20 000 000)
11 171 329 ordinary shares in Erbacon Investment Holdings Limited	(27 928 327)	(27 928 327)	(27 928 327)	(27 928 327)
9 267 482 ordinary shares in Erbacon Investment Holdings Limited – deferred purchase consideration	(23 168 706)	(23 168 706)	(23 168 706)	(23 168 706)
	(71 097 033)	(71 097 033)	(71 097 033)	(71 097 033)
30. COMMITMENTS				
Authorised capital expenditure				
Contracted but not provided for				
Property, plant and equipment	86 693	6 651 000	–	–
Not yet contracted for	–	12 000 000	–	–
This committed expenditure relates to plant and equipment and software and will be financed by a combination of instalment sale agreements and cash on hand.				
Operating lease commitments				
Minimum lease payments due				
– within one year	1 513 150	1 473 540	–	–
– in second to fifth year inclusive	4 567 144	5 223 454	–	–
	6 080 294	6 696 994	–	–

Operating lease payments represent rentals payable by the Group for certain of its office properties.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

31. RELATED PARTIES

Relationships

Subsidiaries	Refer to note 5
Shareholders with significant influence	David Boyd Erskine Paladin Capital Limited
Membership of key management to other entities	Erbacon Plant Hire CC of DB Erskine INIC Computers CC of DB Erskine Real Property Holdings CC of DB Erskine Sasswood Trust of DB Erskine Armric Trust of DG Armstrong and WM Ric-Hansen Robdav Trust of DG Armstrong DGA Construction CC of DG Armstrong Hillclimb 17754 Investments CC of DG Armstrong Lot 22 VCCE (Pty) Limited of DG Armstrong
Members of key management	David Boyd Erskine Frans Petrus Boraine Gary Brockwell Flett Robin Kevin Braithwaite David Graham Armstrong Wayne Michael Ric-Hansen

Figures in rand	2009	2008
Related party balances		
Group		
Loan accounts – owing (to)/by related parties		
David Graham Armstrong	–	5 125 648
Wayne Michael Ric-Hansen	–	1 002 486
The loans were unsecured, interest free and had no fixed terms of repayment. These loans were repaid in terms of the Armstrong Acquisition agreement.		
Company		
Loan accounts – owing (to)/by related parties		
Erbacon Small Plant (Pty) Limited	32 686 710	10 285 000
Erbacon Construction (Pty) Limited	(4 766 267)	181 615
Davgram Construction (Pty) Limited	400 000	–
Erbacon Investment Holdings Employee Share Incentive Trust	1 485 114	–

The loans are unsecured, bear no interest and have no fixed terms of repayment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

Figures in rand	2009	2008
31. RELATED PARTIES continued		
Amounts included in trade receivables/(trade payables) regarding related parties		
Erbacon Construction (Pty) Limited	456 000	–
Erbacon Construction (Pty) Limited	(338 844)	–
Erbacon Small Plant (Pty) Limited	456 000	–
Davgram Construction (Pty) Limited	456 000	–
Related party transactions		
Group		
Purchases from related parties		
INIC Computers CC	953 812	659 811
Rent paid to related parties		
Real Property Holdings CC	522 000	522 000
Sasswood Trust	384 000	384 000
Armric Trust	570 816	–
Company		
Administration fees received from related parties		
Erbacon Construction (Pty) Limited	1 800 000	300 000
Erbacon Small Plant (Pty) Limited	1 800 000	300 000
Davgram Construction (Pty) Limited	1 800 000	–

32. DIRECTORS' EMOLUMENTS

Figures in Rand	Salary	Performance bonus	Benefits	Retirement funding	Total
Directors' emoluments were paid to the directors during the year as follows:					
Executive					
2009					
DG Armstrong	855 560	531 000	188 902	–	1 575 462
FP Boraine	909 688	247 000	141 368	100 212	1 398 268
RK Braithwaite	1 205 000	611 000	155 424	168 700	2 140 124
DB Erskine	994 800	519 000	174 830	139 272	1 827 902
WM Ric-Hansen	791 750	489 000	174 563	–	1 455 313
	4 756 798	2 397 000	835 087	408 184	8 397 069

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

32. DIRECTORS' EMOLUMENTS continued

Figures in Rand	Salary	Performance bonus	Benefits	Retirement funding	Total
Executive					
2008					
DG Armstrong	–	–	–	–	–
FP Boraine	728 308	350 000	146 120	97 769	1 322 197
RK Braithwaite	–	–	–	–	–
GB Flett	584 020	150 000	76 480	26 000	836 500
DB Erskine	815 250	331 710	149 940	114 135	1 411 035
WM Ric-Hansen	–	–	–	–	–
	2 127 578	831 710	372 540	237 904	3 569 732

All directors' emoluments are paid by subsidiary companies other than RK Braithwaite, whose emoluments are paid by the holding company.

	2009 Directors' fees	2008 Directors' fees
Non-executive		
A Dawson	100 000	–
SM Hedley	65 000	–
	165 000	–

All non-executive directors' fees are paid by the holding company.

Details of service contracts

Service contracts are applicable to three executive directors, Messrs Erskine, Boraine and Braithwaite, but these do not exceed two years, and are now in their final year.

Directors' share options

Information on options granted during the year (2008: nil) are set out below:

2009

Director	Share options at 1 March 2008	Options granted during the year	Options at 28 February 2009	Option price (cents)	Vesting dates	Expiry dates
RK Braithwaite	–	2 000 000	2 000 000	193	29/07/2011	29/07/2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2009 (continued)

33. RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Chief Executive Officer and Financial Director. They identify, evaluate and hedge financial risks.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits of other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Fair value estimation

The nominal value less impairment of trade receivables and payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

The Group's risk to liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. Repayments of borrowings are structured so as to match the expected cash flows from the operations to which they relate.

The expected maturity of all significant financial liabilities is disclosed in the relevant notes to the financial statements. In terms of its Articles of Association the Company has unlimited borrowing powers.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Figures in Rand	Less than one year	Between one and two years	Between two and five years	Over five years
Group				
At 28 February 2009				
Instalment sale agreements	9 511 446	10 620 843	441 811	–
Mortgage bonds	2 560 436	4 960 872	7 321 308	9 068 106
Trade and other payables	121 345 241	–	–	–
At 29 February 2008				
Instalment sale agreements	6 431 741	6 061 488	3 480 748	–
Mortgage bonds	198 805	207 631	494 113	837 116
Trade and other payables	80 298 941	–	–	–
Bank overdraft	6 511 717	–	–	–

Interest rate risk
The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on pre-tax profit of a 2% shift would be a maximum increase of R36 191 (2008: R360 800) or decrease of R36 191 (2008: R360 800), respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by management.

Credit risk
The Company's credit risk lies principally in its trade receivables. These comprise a small number of customers with significant balances. Management has a credit policy in place and the exposure to risk is monitored on an ongoing basis. Ongoing evaluations are performed on the financial position of these debtors by monitoring monthly receipts. The Company's trade receivables have been ceded to the bank as security for the bank overdrafts.

Cash and cash equivalents are placed only with substantial and reputable financial institutions.

34. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Recognition of expected losses
When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense in the income statement immediately. The amount of such expected loss is determined irrespective of whether work has commenced on the contract, the stage of completion of contract activity or the amount of profits expected to arise on other contracts. The amount of the loss is calculated as the excess of estimated total contract costs over total estimated contract revenue.

(b) Impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.6. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates (refer to note 4).

	Group		Company	
Figures in Rand	2009	2008	2009	2008
35. CONTRACTS IN PROGRESS				
Aggregate contract costs incurred to date	852 744 375	505 695 445	–	–
Recognised profits/(losses) to date	130 343 095	64 582 504	–	–
	983 087 470	570 277 949	–	–
Less: Progress billings to date	(957 161 211)	(562 950 407)	–	–
	25 926 259	7 327 542	–	–

GROUP SEGMENTAL REPORT

The segment information set out below is based on the requirements of IAS 14 – Segment Reporting. For management purposes the Group is split into four distinctive business segments.

Figures in Rands	Civils Construction	Small Plant and Formwork	Commercial and Industrial Building	Services	Total Group
Business segment					
2009					
Segment revenue					
Total segment revenue	201 867 066	83 063 650	444 855 103	5 400 000	735 185 819
Less: Inter-segmental revenue	–	(6 084 681)	(2 744 537)	(5 400 000)	(14 229 218)
Total Revenue	201 867 066	76 978 969	442 110 566	–	720 956 601
Segment result					
Operating profit	33 420 757	18 007 814	22 353 471	(1 123 205)	72 658 837
Finance income	3 030 248	341 543	1 415 952	616 050	5 403 793
Finance costs	(399 707)	(2 642 485)	(524 657)	(27 397)	(3 594 246)
Profit before taxation	36 051 298	15 706 872	23 244 766	(534 552)	74 468 384
Segment net assets	38 623 750	88 593 426	83 900 097	244 854	211 362 127
Total segment assets	107 438 093	115 667 846	148 853 187	1 446 990	373 406 116
Property, plant and equipment	5 238 634	22 936 126	8 640 393	85 420	36 900 573
Plant for hire	–	66 986 191	–	–	66 986 191
Goodwill	–	–	52 822 314	–	52 822 314
Deferred taxation asset	–	67 379	–	106 358	173 737
Inventories	21 379 504	5 098 293	4 546 755	–	31 024 552
Trade and other receivables	54 260 996	18 916 469	54 877 851	139 790	128 195 106
Cash and cash equivalents	26 558 959	1 663 388	27 965 874	1 115 422	57 303 643
Total segment liabilities	68 814 343	27 074 420	64 953 090	1 202 136	162 043 989
Borrowings	1 088 240	19 289 198	3 494 192	–	23 871 630
Deferred taxation liability	672 152	–	314 561	–	986 713
Income tax liability	7 721 466	1 489 140	6 629 799	–	15 840 405
Trade and other payables	59 332 485	6 296 082	54 514 538	1 202 136	121 345 241
Other information					
Capital additions	2 965 261	58 653 474	4 507 499	122 950	66 249 184
Depreciation	1 746 003	14 571 631	3 086 943	37 530	19 442 107

GROUP SEGMENTAL REPORT (continued)

Figures in Rands	Civils Construction	Small Plant and Formwork	Commercial and Industrial Building	Services	Total Group
Business segment					
2008					
Segment revenue					
Total segment revenue	156 319 290	73 210 402	–	–	229 529 692
Less: Inter-segmental revenue	–	(4 802 866)	–	–	(4 802 866)
Total Revenue	156 319 290	68 407 536	–	–	224 726 826
Segment result					
Operating profit	20 327 467	25 299 011	–	78 185	45 704 663
Finance income	361 381	–	–	993 857	1 355 238
Finance costs	(175 930)	(2 286 020)	–	(3 770)	(2 465 720)
Profit before taxation	20 512 918	23 012 991	–	1 068 272	44 594 181
Segment net assets	23 212 934	46 752 393	71 097 033	20 843 727	158 906 087
Total segment assets	53 089 996	70 858 378	111 156 020	41 492 826	276 597 220
Property, plant and equipment	4 224 069	8 606 843	7 163 466	–	19 994 378
Plant for hire	–	42 464 956	–	–	42 464 956
Goodwill	–	–	54 264 143	–	54 264 143
Deferred taxation asset	–	414 679	–	–	414 679
Inventories	3 019 144	1 362 650	4 308 398	–	8 690 192
Trade and other receivables	45 704 513	17 944 650	44 716 051	–	108 365 214
Cash and cash equivalents	142 270	64 600	703 962	41 492 826	42 403 658
Total segment liabilities	29 877 062	27 105 985	40 058 987	20 649 099	117 691 133
Borrowings	1 915 360	16 010 117	6 265 811	–	24 191 288
Deferred taxation liability	1 171 960	–	1 956 158	–	3 128 118
Income tax liability	4 173 363	5 452 938	135 694	310 791	10 072 786
Trade and other payables	22 616 379	5 642 930	31 701 324	20 338 308	80 298 941
Other information					
Capital additions	4 024 281	35 124 105	–	–	39 148 386
Depreciation	1 128 191	7 945 859	–	–	9 074 050

SHARE ANALYSIS

Register date: 27 February 2009
Issued share capital: 136 803 175

SHAREHOLDER SPREAD

	Number of shareholdings	Percent	Number of shares	Percent
1 – 1 000 shares	38	9,94	24 536	0,02
1 001 – 10 000 shares	191	50,02	934 223	0,68
10 001 – 100 000 shares	100	26,17	3 854 458	2,82
100 001 – 1 000 000 shares	45	11,78	12 108 836	8,85
1 000 001 shares and over	8	2,09	119 881 122	87,63
Total	382	100,00	136 803 175	100,00

DISTRIBUTION OF SHAREHOLDERS

Close corporations	13	3,40	341 100	0,25
Endowment funds	2	0,52	7 500	0,01
Individuals	326	85,37	74 688 562	54,59
Mutual funds	5	1,30	7 848 029	5,74
Nominees and trusts	23	6,02	1 011 528	0,74
Private companies	11	2,87	17 272 691	12,63
Public companies	1	0,26	34 904 284	25,51
Share trust	1	0,26	729 481	0,53
Total	382	100,00	136 803 175	100,00

PUBLIC/NON-PUBLIC SHAREHOLDERS

Non-public shareholders	12	3,13	114 106 026	83,41
Directors and associates of the Company holdings	10	2,61	78 472 261	57,37
Strategic holdings (more than 10%)	1	0,26	34 904 284	25,51
Share Trust	1	0,26	729 481	0,53
Public shareholders	370	96,87	22 697 149	16,59
Total	382	100,00	136 803 175	100,00

BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE

Paladin Capital Limited	34 904 284	25,51
DB Erskine	33 920 250	24,79
FP Boraine	14 537 250	10,63
SM Hedley	14 537 250	10,63
DG Armstrong	10 425 667	7,62
Total	108 324 701	79,18

SHARE INCENTIVE SCHEME

NATURE OF THE SCHEME

The Erbacon Investment Holdings Employee Share Incentive Trust ("the Trust") was created for the purpose of administering the Erbacon Employee Share Incentive Scheme ("the scheme") which was introduced for the purpose of incentivising senior employees of the Company and its subsidiaries by giving them the opportunity to acquire shares ("scheme shares") in the capital of the Company through the grant of options and/or offers of shares. The main object of the scheme is to enable the Company to attract and retain key personnel by giving them a stake in the Company's equity to encourage them to promote the continued growth of the Company and advance the Company's interest in the long term, thereby increasing their own personal wealth.

DEVELOPMENTS DURING THE YEAR

At the 2008 Annual General Meeting, the shareholders approved a resolution to increase the aggregate number of ordinary shares to 5% of the shares then in issue, being 116 364 364 at 29 February 2008, which may be made available for the purpose of the scheme.

On 29 July 2008, 4 255 000 share options were granted to various employees at R1,93 per share.

During the period under review, the vendors of Armstrong Construction donated some of the shares they acquired in Erbacon to certain employees of Armstrong Construction, of which 25% could be disposed of immediately at the employees' discretion. These employees disposed of 729 481 shares which were acquired by the Trust at R2.00 per share, and were still held by the Trust at year-end.

SALIENT FEATURES

Option-based scheme	An option is the right, but not an obligation, to purchase shares. Options do not have to be taken up when they become available.
Beneficiaries	The offerees are management and employees of the Erbacon Group and options may not be transferred to any third party.
Price	The scheme offers options to purchase shares at the 30-day volume weighted average price on the date of approval by the Board of directors and trustees.
Timing	The options must be exercised, in full, three years after acceptance of the offer. The options will lapse if they are not exercised at the time they become available.
Payment	The shares have to be paid for by participating employees at the time that the options are exercised.
Disposal	Up to 75% of the exercised shares may be disposed of within one month of the options being exercised. The balance of the shares (25%) may only be disposed of one year after the exercise date.
Lapse	The option will lapse if employment ceases, other than for reasons of death or physical disability. In the case of death, the estate will be entitled to exercise the options.

TRUSTEES

There are three trustees in office at all times. The current, and first trustees, are Messrs JA Holtzhausen, P Malan and PJ Mouton who were authorised to act as trustees by a Letter of Authority given by the Master of the High Court in Cape Town on 18 February 2008.

ALLOCATIONS FOR THE PERIOD UNDER REVIEW

(a) Number of securities that may be utilised for the purposes of the scheme at 29 February 2008 – 1 745 465 shares, being 1,5% of 116 364 364 ordinary shares in issue at 29 February 2008.

(b) Number of securities that may be utilised for the purposes of the scheme at 28 February 2009 – 6 840 159 shares, being 5% of 136 803 175 ordinary shares in issue at 28 February 2009.

(c) Options issued (or cancelled) during the period under review – 4 255 000 issued/granted; nil cancelled.

SHAREHOLDERS' CALENDAR

Activity	Date
Financial year-end	28 February 2009
Release of results	28 May 2009
Distribution of annual report	30 June 2009
Annual General Meeting	24 July 2009
Release of interim statement	October 2009

NOTICE OF ANNUAL GENERAL MEETING

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, please consult your stockbroker, accountant, attorney, banker or other independent professional advisor immediately.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of members of Erbacon Investment Holdings Limited ("Erbacon" or "the Company") will be held in the boardroom, Mount Edgecombe Country Club, Golf Course Drive, Gate 2, Mount Edgecombe, on Friday, 24 July 2009 at 10:30 for the following purposes:

1. To receive and consider the annual financial statements of the company for the twelve months ended 28 February 2009, including the Directors' Report and the report of the auditors thereon.

2. Directorate

2.1 The following directors, who were appointed subsequent to the last Annual General Meeting, retire in terms of Article 24 of the Company's Articles of Association but, being eligible, offer themselves for re-election:

- JA Holtzhausen
- S Totaram

2.2 The following directors, who retire by rotation in accordance with Article 24 of the Company's Articles of Association but, being eligible, offer themselves for re-election:

- DB Erskine
- FP Boraine
- SM Hedley

(Curriculum vitae of these directors are set out in the Directorate report of this document on page 14.)

The Chairman to propose that all the retiring directors be re-elected in one resolution. In the event that the motion is not approved, then each of the directors must be re-elected via individual resolutions.

3. Remuneration

3.1. To approve the remuneration of the directors for the twelve months ended 28 February 2009.

3.2. To approve the remuneration payable to non-executive directors for attendance at meetings at R190 000 per annum, in aggregate, for the year ending 28 February 2010.

4. To confirm the auditor's remuneration for the year ended 28 February 2009 as set out in the Annual Financial Statements.

5. To appoint PricewaterhouseCoopers Inc. as auditors to hold office until the conclusion of the next Annual General Meeting.

6. To consider, with or without modification, and if deemed fit, to pass the following special and ordinary resolutions:

NOTICE OF ANNUAL GENERAL MEETING

(continued)

6.1 Special Resolution Number 1 – General authority of Company and its subsidiaries to repurchase own shares

"THAT the Company (or any of its subsidiaries) is hereby authorised, by way of a general approval, to acquire the Company's (or any of its subsidiaries') securities, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the Company's Articles of Association, Section 85 – 89 of the Companies Act (Act 61 of 1973), as amended, ("the Act") and the JSE Listings Requirements ("the Listings Requirements"), provided that:

- Any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter-party;
- At any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf;
- This general authority be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond fifteen months from the date of passing of this special resolution (whichever period is shorter);
- An announcement is published as soon as the Company has cumulatively repurchased 3% (three percent) of the initial number (the number of that class of share in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases;
- Repurchases by the Company, and/or its subsidiaries, in aggregate in any one financial year, may not exceed 20% (twenty percent) of the Company's issued share capital as at the date of passing this special resolution or 10% (ten percent) of the Company's issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company;
- Repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the securities for the 5 (five) business days immediately preceding the date on which the transaction was effected. The JSE should be consulted for a ruling if the issuer's securities have not traded in such five business day period;
- Repurchases may not be undertaken by the Company or one of its subsidiaries during a prohibited period as defined in terms of the Listings Requirements unless a repurchase programme as contemplated in terms of the rule 5.72(g) of the Listings Requirements is in place.
- The Company will only effect a general repurchase if, after the repurchase is effected, it still complies with paragraphs 3.37 to 3.41 of the Listings Requirements concerning shareholder spread.
- the Company will provide its Designated Advisor and the JSE with all the documentation required in Schedule 25 of the JSE Listings Requirements, and will not commence any repurchase programme until the Designated Advisor has signed off on the adequacy of its working capital, advised the JSE accordingly and the JSE has approved this documentation."

NOTICE OF ANNUAL GENERAL MEETING

(continued)

The reason for the passing of the above special resolution is to grant the Company, or any of its subsidiaries, a general authority in terms of the Act for the acquisition by the Company, or any of its subsidiaries, of securities issued by the Company, which authority shall be valid until the earlier of the next Annual General Meeting, or the variation or revocation of such General Authority by Special Resolution by any subsequent general meeting of the Company; provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this general meeting. The passing and registration of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire securities issued by the Company, or to acquire securities issued by any of the Company's subsidiaries.

The following information, which is required by the JSE Listings Requirements with regard to the resolution granting a general authority to the Company to repurchase securities, appears on the pages of the annual report to which this notice of general meeting is annexed, as indicated below:

Directors of the Company	page 32
Major shareholders	page 72
Directors' interests in securities	page 32
Share capital of the Company	page 54
Responsibility statement	page 26

There are no legal or arbitration proceedings, either pending or threatened against the Company or its subsidiaries, of which the Company is aware, which may have, or have had in the last twelve months, a material effect on the financial position of the Company or its subsidiaries.

At the time that the contemplated re-purchase is to take place, the directors of the Company will ensure that:

- The Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business for a period of twelve months after the date of the Annual General Meeting;
- The consolidated assets of the Company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the Company and its subsidiaries for a period of twelve months after the date of the Annual General Meeting;
- The issued share capital and reserves of the Company and its subsidiaries will be adequate for the purpose of the business of the Company and its subsidiaries for a period of twelve months after the date of the Annual General Meeting; and
- The working capital available to the Company and its subsidiaries will be sufficient for the Group's requirements for a period of twelve months after the date of the Annual General Meeting.

6.2. Ordinary Resolution Number 1 – Unissued shares to be placed under the control of the directors

"That the authorised but unissued ordinary shares in the capital of the Company be and are hereby placed under the control and authority of the directors of the Company and that the directors be and are hereby authorised and empowered to allot and issue all or any of such ordinary shares to such person or persons on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the provisions of the Companies Act (Act 61 of 1973), as amended, and the JSE Listings Requirements."

NOTICE OF ANNUAL GENERAL MEETING

(continued)

6.3 Ordinary Resolution Number 2 – General authority to issue shares for cash

"THAT the directors of the Company and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to allot and issue all, or to issue any options in respect of all, or any, of the authorised but unissued ordinary shares in the capital of the Company for cash, to such person/s on such terms and conditions and at such times as the directors in their discretion deem fit, subject to the provisions of the Companies Act
(Act 61 of 1973), as amended, the Articles of Association of the Company, the JSE Listings Requirements and, in particular the following limitations:

- The securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights as are convertible into a class already in issue;
- Any such issue may only be made to public shareholders as defined by the Listings Requirements of the JSE and not to related parties;
- The number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 50% (fifty percent) of the number of issued ordinary shares;
- This general authority is valid until the earlier of the Company's next Annual General Meeting or expiry of a period of 15 (fifteen) months from the date that this authority is given;
- A paid press announcement giving full details, including the impact on the net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share, will be published when the Company has issued ordinary shares representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of ordinary shares in issue prior to the issue;
- In determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed between the issuer and the party concerned;
- Whenever the Company wishes to use ordinary shares that have been repurchased and are being held as treasury stock by a subsidiary of the Company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares; and
- At least 75% of the shareholders present in person or by proxy and entitled to vote at the Annual General Meeting must cast their vote in favour of this resolution."

6.4. Ordinary Resolution Number 3 – Authority to execute requisite documentation

"THAT any director of the Company, be and hereby is authorised to do all such things and to sign all such documents issued by the Company and required to give effect to the special resolution and ordinary resolution numbers 1 – 3."

7. To transact such other business that may be transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

(continued)

VOTING AND PROXIES

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote in his/her stead, subject to the general instructions attached to this notice. Any proxy so appointed need not be a member of the Company.

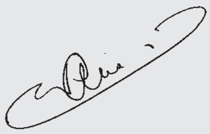
For the convenience of registered members of the Company, a form of proxy is enclosed herewith. The attached form of proxy is only to be completed by those ordinary shareholders who:

- hold ordinary shares in certificated form; or
- are recorded on the sub-register in “own-name” dematerialised form.

Ordinary shareholders who have dematerialised their ordinary shares through a CSDP or broker without “own-name” registration and wish to attend the Annual General Meeting, must instruct their CSDP or broker to provide them with the relevant Letter of Representation to attend the meeting in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Proxy forms must be received at the registered office of the Company at least 24 hours, excluding Saturdays, Sundays and public holidays, prior to the commencement of the Annual General Meeting.

By order of the Board



RK Braithwaite
Company Secretary

28 May 2009

Registered office
2 Montreal Road
Glen Anil
4051

Postal address
PO Box 40346
Red Hill
4071

Transfer Secretaries
Computershare Investor Services (Proprietary) Limited
Ground Floor, 70 Marshall Street,
Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

NOTICE OF ANNUAL GENERAL MEETING

(continued)

GENERAL INSTRUCTIONS

All shareholders are encouraged to attend the Annual General Meeting of the Company

1. All registered shareholders of ordinary shares (“shares”) in the Company are entitled to attend, speak and vote at the Annual General Meeting.

2. Please note that the Company has moved to the JSE Limited’s electronic settlement system, Share Transfers Totally Electronic (Strate). If you are a dematerialised shareholder (i.e. you have replaced your paper share certificates with electronic records of ownership under Strate) and are not an “own-name” dematerialised shareholder, then:

2.1. If you hold shares in dematerialised form, and you wish to attend the Annual General Meeting, you should contact your Central Security Depository Participant (CSDP) or broker, as the case may be, and obtain the relevant Letter of Representation from them. The Letter of Representation must be obtained within the time period required by your CSDP or broker, as the case may be, and allow them sufficient time to provide such letter to the Company Secretary prior to the Annual General Meeting;

or, alternatively,

If you are unable, or do not wish to attend the Annual General Meeting, then you must contact your CSDP or broker, as the case may be, and furnish them with your voting instructions in respect of the Annual General Meeting in accordance with the mandate between yourself and your CSDP or broker, as the case may be. In such circumstances, you should not complete the attached form of proxy (as this form is only for certificated shareholders, CSDP nominee companies, brokers’ nominee companies and dematerialised shareholders who have elected “own-name” dematerialisation). If your CSDP or broker does not obtain voting instructions from you in respect of the Annual General Meeting, it will be obliged to act in terms of your mandate. The instructions must be provided within the time period required by your CSDP or broker, as the case may be.

2.2. If you hold certificated shares (i.e. you have not dematerialised your shares in the Company) or are an “own-name” dematerialised shareholder, then:

You may attend and vote at the Annual General Meeting;

or, alternatively,

You may appoint a proxy to represent you at the Annual General Meeting by completing the attached form of proxy and returning it to the registered office of the Company by no later than 24 hours prior to the commencement of the meeting.

Designed by MOTIV
Printed by INCE

ADMINISTRATION

Country of Incorporation and Domicile	Republic of South Africa
Company Registration Number	2007/014490/06
Share Code	ERB
ISIN	ZAE000111571
Directors	Alan Dawson (Chairman)# David Boyd Erskine (CEO) David Graham Armstrong Frans Petrus Boraine Robin Kevin Braithwaite Sydney Mark Hedley* Johannes Andries Holtzhausen* Wayne Michael Ric-Hansen Samara Totaram# * Non-executive # Independent non-executive
Business Address (Head Office)	2 Montreal Road, Glen Anil, 4051
Registered Office	2 Montreal Road, Glen Anil, 4051
Postal Address	PO Box 40346, Red Hill, 4071
Website	www.erbacon.co.za
Auditor	PricewaterhouseCoopers Inc. Registered Auditor (Registration number: 1998/012055/21) (Practice number: 907286) PO Box 1049, Durban, 4000
Company Secretary	Robin Kevin Braithwaite +27 31 569 2866
Transfer Secretaries	Computershare Investor Services (Pty) Limited PO Box 61051, Marshalltown, 2107
Designated Advisors	QuestCo Sponsors (Pty) Limited (Registration number: 2004/018276/07) Private Bag X60500, Houghton, 2041
Bankers	First National Bank Limited
Corporate Advisor	PSG Capital (Pty) Limited (Registration number: 2006/015817/07) PO Box 7403, Stellenbosch, 7599 1st Floor, Ou Kollege 35 Kerk Street Stellenbosch 7600

www.erbacon.co.za