

# REVIEWED PROVISIONAL REPORT FOR THE YEAR ENDED 28 FEBRUARY 2010

15,8%

increase  
in revenue

22,3%

increase in  
profit after tax

12,5%

increase in headline  
earnings per share  
to 45,1 cents



ERBACON INVESTMENT HOLDINGS LIMITED

## CONDENSED GROUP INCOME STATEMENT

Figures in Rand	Reviewed Year ended 28 February 2010	Audited Year ended 28 February 2009
<b>Revenue</b>	834 531 633	720 956 601
Cost of sales	(691 752 498)	(608 133 909)
<b>Gross profit</b>	142 779 135	112 822 692
Other income	1 618 598	664 694
Administrative and operating expenses	(49 995 282)	(40 828 549)
<b>Operating profit</b>	94 402 451	72 658 837
Finance income	7 108 222	5 403 793
Finance costs	(6 112 732)	(3 594 246)
<b>Profit before taxation</b>	95 397 941	74 468 384
Taxation	(30 055 330)	(21 024 940)
<b>Profit for the year</b>	65 342 611	53 443 444
<b>Reconciliation of headline earnings:</b>		
Profit attributable to equity shareholders	65 342 611	53 443 444
Adjustments for non-trading items: profit on disposal of plant and equipment	(323 965)	(696 591)
<b>Headline earnings</b>	65 018 646	52 746 853
<b>Earnings per share</b>		
Basic (cents)	45,33	40,64
Diluted (cents)	38,03	40,64
<b>Headline earnings per share</b>		
Basic (cents)	45,10	40,11
Diluted (cents)	37,84	40,11
Weighted average number of shares in issue	144 151 421	131 517 332
Diluted weighted average number of shares in issue	175 262 841	131 517 332

## CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

Figures in Rand	Reviewed Year ended 28 February 2010	Audited Year ended 28 February 2009
<b>Profit for the year</b>	65 342 611	53 443 444
<b>Total comprehensive income attributable to equity shareholders</b>	65 342 611	53 443 444

# CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

Figures in Rand	Reviewed 28 February 2010	Audited 28 February 2009
<b>ASSETS</b>		
<b>Non-current assets</b>		
Plant for hire	72 215 117	66 986 191
Property, plant and equipment	93 570 912	36 900 573
Goodwill	121 479 915	52 822 314
Deferred tax assets	1 990 238	173 737
	<b>289 256 182</b>	<b>156 882 815</b>
<b>Current assets</b>		
Intangible assets	3 577 019	–
Inventories	20 504 801	31 024 552
Income tax asset	1 014 868	–
Trade and other receivables	183 852 992	128 195 106
Investments	41 858 077	–
Cash and cash equivalents	81 731 839	57 303 643
	<b>332 539 596</b>	<b>216 523 301</b>
<b>TOTAL ASSETS</b>	<b>621 795 778</b>	<b>373 406 116</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital and share premium	377 233 636	293 919 518
Common control deficit	(177 246 106)	(177 246 106)
Share-based payments reserve	1 414 432	572 971
Shares to be issued	46 119 165	–
Retained earnings	122 133 341	94 115 744
	<b>369 654 468</b>	<b>211 362 127</b>
<b>Non-current liabilities</b>		
Convertible redeemable and participating preference shares	54 519 158	–
Borrowings	21 010 681	16 558 854
Deferred tax liabilities	25 218 197	986 713
	<b>100 748 036</b>	<b>17 545 567</b>
<b>Current liabilities</b>		
Borrowings	4 922 617	7 312 776
Income tax liability	1 755 038	15 840 405
Trade and other payables	144 715 619	121 345 241
	<b>151 393 274</b>	<b>144 498 422</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>621 795 778</b>	<b>373 406 116</b>
Total number of shares in issue (net of treasury shares and including contingently issuable shares)	<b>189 784 478</b>	<b>136 073 694</b>
Net asset value per share (cents)	<b>194,78</b>	<b>155,33</b>

## CONDENSED GROUP CASH FLOW STATEMENT

Figures in Rand	Reviewed Year ended 28 February 2010	Audited Year ended 28 February 2009
Cash receipts from customers	824 753 709	694 447 373
Cash paid to suppliers and employees	(730 271 168)	(604 529 633)
Cash generated from operations	94 482 541	89 917 740
Net finance income adjusted for non-cash interest	2 810 490	1 809 547
Dividends paid	(37 325 014)	–
Tax paid	(58 502 629)	(17 718 495)
Other non-cash items	–	572 971
<b>Net cash from operating activities</b>	<b>1 465 388</b>	<b>74 581 763</b>
Acquisition of subsidiary – net of cash acquired	(26 769 369)	–
Purchase of investment	(19 275 077)	–
Purchase of property, plant and equipment	(9 602 539)	(25 879 706)
Proceeds on disposal of property, plant and equipment	1 212 205	1 880 359
Purchase of plant for hire	(23 300 740)	(40 369 478)
Proceeds on disposal of plant for hire	3 776 929	5 006 705
<b>Net cash from investing activities</b>	<b>(73 958 591)</b>	<b>(59 362 120)</b>
Net proceeds on issue of convertible redeemable and participating preference shares	113 248 800	–
Borrowings repaid	(16 327 401)	(319 658)
<b>Net cash from financing activities</b>	<b>96 921 399</b>	<b>(319 658)</b>
<b>Net movement in cash and cash equivalents</b>	<b>24 428 196</b>	<b>14 899 985</b>
Cash and cash equivalents at the beginning of the year	57 303 643	42 403 658
<b>Cash and cash equivalents at the end of the year</b>	<b>81 731 839</b>	<b>57 303 643</b>

## CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

Figures in Rand	Share capital	Share premium	Total share capital and premium	Share-based payments reserve
<b>Balance at 1 March 2008</b>	1 163 644	243 219 216	244 382 860	–
Total profit and comprehensive income for the year	–	–	–	–
Issue of shares	204 388	50 892 645	51 097 033	–
Share issue expenses	–	(97 765)	(97 765)	–
Treasury shares	(7 295)	(1 455 315)	(1 462 610)	–
Value of employee services	–	–	–	572 971
<b>Balance at 28 February 2009</b>	1 360 737	292 558 781	293 919 518	572 971
Total profit and comprehensive income for the year	–	–	–	–
Issue of shares – acquisition of subsidiary	250 209	39 783 193	40 033 402	–
Share issue expenses	–	(116 299)	(116 299)	–
Convertible redeemable and participating preference shares	674 100	59 870 542	60 544 642	–
Deferred tax on liability component of convertible redeemable and participating preference shares	–	(16 952 500)	(16 952 500)	–
Treasury shares	(1 346)	(193 781)	(195 127)	–
Dividends	–	–	–	–
Value of employee services	–	–	–	841 461
<b>Balance at 28 February 2010</b>	2 283 700	374 949 936	377 233 636	1 414 432

Figures in Rand	Common control deficit	Shares to be issued	Retained earnings	Total equity
<b>Balance at 1 March 2008</b>	(177 246 106)	51 097 033	40 672 300	158 906 087
Total profit and comprehensive income for the year	–	–	53 443 444	53 443 444
Issue of shares	–	(51 097 033)	–	–
Share issue expenses	–	–	–	(97 765)
Treasury shares	–	–	–	(1 462 610)
Value of employee services	–	–	–	572 971
<b>Balance at 28 February 2009</b>	(177 246 106)	–	94 115 744	211 362 127
Total profit and comprehensive income for the year	–	–	65 342 611	65 342 611
Issue of shares – acquisition of subsidiary	–	46 119 165	–	86 152 567
Share issue expenses	–	–	–	(116 299)
Convertible redeemable and participating preference shares	–	–	–	60 544 642
Deferred tax on liability component of convertible redeemable and participating preference shares	–	–	–	(16 952 500)
Treasury shares	–	–	–	(195 127)
Dividends	–	–	(37 325 014)	(37 325 014)
Value of employee services	–	–	–	841 461
<b>Balance at 28 February 2010</b>	(177 246 106)	46 119 165	122 133 341	369 654 468

# CONDENSED GROUP SEGMENTAL REPORT

Business segment	Civils Construction (Coastal) Reviewed 28 February 2010	Civils Construction (Coastal) Audited 28 February 2009	Civils Construction (Inland) Reviewed 28 February 2010	Civils Construction (Inland) Audited 28 February 2009	Small Plant & Formwork & Reviewed 28 February 2010
<b>Segment revenue and result</b>					
<b>Revenue</b>					
Total segment sales	531 039 381	201 867 066	77 400 623	–	86 675 676
Less: Intersegment sales	(3 947 510)	–	–	–	(9 832 107)
<b>Total external revenue</b>	<b>527 091 871</b>	<b>201 867 066</b>	<b>77 400 623</b>	<b>–</b>	<b>76 843 569</b>
<b>Result</b>					
Operating profit	56 433 553	33 420 757	10 816 487	–	18 229 960
Finance income	2 717 225	3 030 248	899 260	–	80 356
Finance costs	(179 392)	(399 707)	(704 098)	–	(3 331 375)
<b>Profit before taxation</b>	<b>58 971 386</b>	<b>36 051 298</b>	<b>11 011 649</b>	<b>–</b>	<b>14 978 941</b>
<b>Segment assets and liabilities</b>					
<b>Assets</b>	<b>116 366 526</b>	<b>107 438 093</b>	<b>242 180 076</b>	<b>–</b>	<b>120 888 686</b>
Plant for hire	–	–	–	–	72 215 117
Property, plant and equipment	6 774 218	5 238 634	56 679 390	–	22 234 804
Goodwill	–	–	68 657 601	–	–
Deferred tax asset	1 990 238	–	–	–	–
Income tax asset	–	–	637 143	–	184 120
Intangible assets	–	–	3 577 019	–	–
Inventories	3 422 342	21 379 504	2 008 945	–	4 266 918
Trade and other receivables	82 953 165	54 260 996	44 270 297	–	20 661 534
Investments	–	–	41 858 077	–	–
Cash and cash equivalents	21 226 563	26 558 959	24 491 604	–	1 326 193
<b>Liabilities</b>	<b>47 154 079</b>	<b>68 814 343</b>	<b>47 433 943</b>	<b>–</b>	<b>19 933 902</b>
Convertible redeemable and participating preference shares	–	–	–	–	–
Borrowings	377 335	1 088 240	8 879 718	–	14 861 267
Deferred tax liabilities	–	672 152	8 216 424	–	528 485
Income tax liabilities	1 755 038	7 721 466	–	–	–
Trade and other payables	45 021 706	59 332 485	30 337 801	–	4 544 150
<b>Other information</b>					
Capital additions	(3 694 027)	(2 965 261)	(3 477 528)	–	(24 731 043)
Property, plant and equipment	(3 694 027)	(2 965 261)	(3 477 528)	–	(1 430 303)
Plant for hire	–	–	–	–	(23 300 740)
Depreciation	1 724 091	1 746 003	3 953 655	–	15 366 969

Small Plant & Formwork Audited 28 February 2009	Commercial & Industrial Building Reviewed 28 February 2010	Commercial & Industrial Building Audited 28 February 2009	Services Reviewed 28 February 2010	Services Audited 28 February 2009	Total Group Reviewed 28 February 2010	Total Group Audited 28 February 2009
83 063 650 (6 084 681)	299 610 157 (146 414 587)	444 855 103 (2 744 537)	5 976 000 (5 976 000)	5 400 000 (5 400 000)	1 000 701 837 (166 170 204)	735 185 819 (14 229 218)
76 978 969	153 195 570	442 110 566	–	–	834 531 633	720 956 601
18 007 814 341 543 (2 642 485)	16 310 690 2 042 893 (82 590)	22 353 471 1 415 952 (524 657)	(7 388 239) 1 368 488 (1 815 277)	(1 123 205) 616 050 (27 397)	94 402 451 7 108 222 (6 112 732)	72 658 837 5 403 793 (3 594 246)
15 706 872	18 270 993	23 244 766	(7 835 028)	(534 552)	95 397 941	74 468 384
115 667 846	126 189 842	148 853 187	16 170 648	1 446 990	621 795 778	373 406 116
66 986 191 22 936 126 – 67 379 – – 5 098 293 18 916 469 – 1 663 388 27 074 420	– 7 829 417 52 822 314 – 80 704 – 10 806 596 35 891 850 – 18 758 961 64 261 867	– 8 640 393 52 822 314 – – 4 546 755 54 877 851 – 27 965 874 64 953 090	– 53 083 – 112 901 – 76 146 – 15 928 518 73 357 519	– 85 420 – 106 358 – – 139 790 – 1 115 422 1 202 136	72 215 117 93 570 912 121 479 915 1 990 238 1 014 868 3 577 019 20 504 801 183 852 992 41 858 077 81 731 839 252 141 310	66 986 191 36 900 573 52 822 314 173 737 – – 31 024 552 128 195 106 – 57 303 643 162 043 989
– 19 289 198 – 1 489 140 6 296 082  (58 653 474) (18 283 996) (40 369 478) 14 571 631	– 1 814 978 279 904 – 62 166 985  (989 212) (989 212) – 1 614 892	– 3 494 192 314 561 6 629 799 54 514 538  (4 507 499) (4 507 499) – 3 086 943	54 519 158 – 16 193 384 – 2 644 977  (11 469) (11 469) – 43 806	– – – – 1 202 136  (122 950) (122 950) – 37 530	54 519 158 25 933 298 25 218 197 1 755 038 144 715 619  (32 903 279) (9 602 539) (23 300 740) 22 703 413	– 23 871 630 986 713 15 840 405 121 345 241  (66 249 184) (25 879 706) (40 369 478) 19 442 107

# NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

## 1. Basis of preparation

The reviewed financial statements have been prepared in terms of International Financial Reporting Standards ("IFRS"), IAS 34: Interim Financial Reporting, the AC 500 series as issued by the Accounting Practices Board, in compliance with the Listings Requirements of the JSE Limited, and Schedule 4 of the Companies Act of South Africa, 1973. The accounting policies used in the preparation of the reviewed financial statements are consistent with those used in the annual financial statements for the year ended 28 February 2009. The company adopted IAS 1: Presentation of Financial Statements and IFRS 8: Operating Segments for the first time in the current year.

## 2. Share capital

The authorised ordinary share capital was increased to 500 000 000 ordinary shares with a par value of R0,01 per share (2009: 300 000 000). As part of the Civcontract Civils (Pty) Limited ("Civcon") purchase consideration, 25 020 876 ordinary shares at R1,68 were issued to the vendors of Civcon in December 2009.

## 3. Compound financial instruments

The company issued 67 410 000 fully paid-up convertible redeemable and participating preference shares with a par value of R0,01 per share effective 3 November 2009 at an issue price of R1,68 per share. These shares can be converted, subject to the preference share terms, at the option of the holder into ordinary shares on a one-for-one basis. The company is obliged to immediately redeem at R1,68 per share, should the preference shares not be converted into ordinary shares at the end of five years from the date of issue.

The company is furthermore obliged to redeem the preference shares at R1,68 per share on the occurrence of an actionable event as set out in the preference share terms. Management is of the opinion that the occurrence of an actionable event is remote.

The fair value of the liability component, included in non-current liabilities, was calculated using a market related interest rate of 16,53% for an equivalent debt instrument. The residual amount, representing the value of the equity component, is included in shareholders' equity in share capital and premium, net of taxes.

## 4. Acquisition of Civcon

On 3 November 2009 the group acquired 100% of the ordinary share capital of Civcon.

A portion of the purchase consideration was settled by a cash payment of R95 418 260. The remaining portion is settled by the issue of 53 845 354 shares in Erbacon valued at R1,60 per share, being the listed share price at the effective date of acquisition, 3 November 2009. The contingent consideration arrangement requires the issue of Erbacon ordinary shares based on profit after tax of Civcon for the years ended 28 February 2010 and 28 February 2011.

### Fair value of assets acquired

Goodwill	68 657 601
Civcontract Civils (Pty) Limited – fair value of assets	117 675 704
	<hr/>
	186 333 305

### Purchase consideration

Consideration paid in cash	(95 418 260)
25 020 876 ordinary shares in Erbacon Investment Holdings Limited – issued	(40 033 402)
28 824 478 ordinary shares in Erbacon Investment Holdings Limited – contingently issuable shares	(46 119 165)
Costs directly attributable to the business combination	(4 762 478)
	<hr/>
	(186 333 305)

Cash consideration paid including costs attributable to the business combination	(100 180 738)
Cash acquired	73 411 369

<b>Net cash outflow on acquisition</b>	<b>(26 769 369)</b>
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The assets and liabilities at 3 November 2009 arising from the acquisition are as follows:

Figures in Rands	Fair value	Acquiree's carrying amount
Property, plant and equipment	57 382 522	34 332 973
Intangible assets	9 482 509	–
Inventories	555 787	555 787
Trade and other receivables	45 879 962	45 879 962
Investments	22 583 000	22 583 000
Cash and cash equivalents	73 411 369	73 411 369
Borrowings	(18 389 069)	(18 389 069)
Deferred taxation liability	(8 993 616)	115 360
Income tax liability	(11 539 819)	(11 539 819)
Trade and other payables	(52 696 941)	(52 696 941)
Fair value of assets acquired	117 675 704	94 252 622
Goodwill	68 657 601	–
<b>Total cost of business acquisition</b>	<b>186 333 305</b>	<b>94 252 622</b>

Goodwill of R68 657 601 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities, as well as the highly skilled workforce. Goodwill is not deductible for income tax purposes.

The acquired business contributed revenue of R77 400 623 and net profit after tax of R8 315 925 for the period 3 November 2009 to 28 February 2010.

If the acquisition had occurred on 1 March 2009, Civcon would have contributed revenues of R318 487 245 and net profit after tax of R57 076 498. These amounts have been calculated applying the Group accounting policies but do not include the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 March 2009.

##### 5. Dividends

Final dividend for the 2009 year, paid on 29 June 2009: 5,5 cents (2008: nil)	7 524 175
Interim dividend for the current year: 21,93 cents (2009: nil)	30 000 936
Dividends paid to Erbacon Investment Holdings Limited Share Incentive Trust	(200 097)
	<b>37 325 014</b>

## OVERVIEW

Erbacon provides a comprehensive suite of heavy civil engineering, commercial and industrial building, general construction and plant hire services to many of the major projects being undertaken in South Africa.

The Group recorded another satisfactory result with profits after tax increasing by 22,3% (2009: 69%) at 28 February 2010, on a 15,8% (2009: 221%) increase in revenue. The civils construction company, Erbacon Construction (Pty) Limited ("Erbacon Construction") produced a record result which offset the anticipated reduced activity from the Commercial and Industrial Building division, and a weaker performance from the Small Plant and Formwork division.

Basic earnings per share increased by 11,5% from 40,64 cents per share to 45,3 cents per share, and headline earnings per share increased by 12,5% from 40,11 cents per share to 45,1 cents per share. These earnings are stated after taking into account a 9,6 % increase in the weighted average number of shares in issue.

The Group also delivered on its intention to build a more sustainable business to participate in South Africa's infrastructural development over the next decade and beyond. In this context, important sustainability issues such as BEE and diversification were successfully concluded.

## Developments during the year

Erbacon entered into an agreement on 21 September 2009 with Civcon in terms of which Erbacon acquired all the shares in the issued share capital of and all claims on shareholders' loan account against Civcon from the Civcon vendors. Civcon operates mainly in the mining construction and heavy industrial markets. All conditions precedent, including Competition Commission approval, were met resulting in an effective date of the transaction of 3 November 2009.

Erbacon also concluded a share subscription agreement on 21 September 2009 with Medu Capital (Pty) Limited ("Medu Capital"), on behalf of its funds under management, in terms of which Medu Capital were allotted 67 410 000 fully paid-up convertible redeemable and participating preference shares at an issue price of R1,68 per preference share. Medu Capital currently has an economic interest of approximately 29,41% in Erbacon and is the company's BEE partner.

## FINANCIAL REVIEW

### Consolidated income statement

Group revenue increased to R834,5 million (2009: R720,9 million) with the buoyant Civils Construction segment (Coastal and Inland) contributing a significant R604 million (2009: R202 million) or 72% (2009: 28%) of Group revenue. Erbacon Construction lifted year-on-year revenues by 163% assisted by its involvement on World Cup Soccer stadium and freeway contracts.

Civcon was consolidated from November 2009, but its revenue contribution of R77,4 million was limited as a result of the intervening construction sector shut-down, and the delay of certain projects towards the end of 2009. It is noted that Civcon's annual revenue amounted to R318,5 million (2009: R352,3 million), with a profit after tax of R57,1 million (2009: R51,3 million).

The Commercial and Industrial Building segment was affected by industry-wide project funding constraints and increased competition for available work, and reflected a reduced revenue of R299,6 million (2009: R445 million).

Small Plant and Formwork's contribution to Group revenue was 9,2% (2009: 10,7%) on a marginal increase in annual revenue of R86,7 million (2009: R83 million).

Gross profit increased by 26,6% to R142,8 million (2009: R112,8 million) with margins improving to 17,1% from 15,6% in the prior year.

At the operating profit level, the Civils Construction segment accounted for 71% (2009: 46%) of the total, and follows the trend of heavy civils activity experienced country-wide and targeted by Erbacon. Reduced revenue pulled the Commercial and Industrial segment down to a 17,3% contribution compared to a significant 31% in 2009. A competitive plant hire market, plus a reduction in formwork opportunities due to reduced demand from the commercial construction sector, resulted in a static contribution from this business.

Administration and operating expenses increased to 6,0% of revenue from 5,7% in 2009 with the incorporation of Civcon, and a higher than normal write-off of debtors, in Small Plant and Formwork in particular.

The purchase price for Civcon was allocated to the fair value of assets acquired in terms of IFRS 3: Business Combinations. This allocation gave rise to a contract-based intangible asset amounting to R9,5 million. The portion amortised to the income statement for the four-month period ended 28 February 2010 was R5,9 million.

The convertible redeemable and participating preference shares issued to Medu Capital is a compound financial instrument, which has been split into a liability and an equity portion. The notional interest expense of the liability portion amounts to R1,8 million (2009: nil) which charge is included under finance costs. Secondary tax on companies at 10% was paid during the year on dividends, being dividend number one (for 5,5 cents per share) and two (for 21,93 cents per share). The effective tax rate excluding the STC charge is 27,6% (2009: 28,2%).

The number of shares used in diluted earnings and headline earnings per share is based on the current weighted average number of shares in issue, plus shares issued to the Civcon vendors on the effective date, plus contingently issuable shares relating to the Civcon profit warranties for the financial years ending February 2010 and 2011, and the preference shares issued to Medu Capital that are convertible into ordinary shares. The interest charge on the preference shares and related deferred tax adjustments have been removed in determining the diluted earnings and diluted headline earnings per share.

Profit after tax increased 22,3% to R65,3 million (2009: R53,4 million). The contribution to profit after tax from the original Erbacon companies (excluding the effects of the Civcon acquisition) is R61,3 million, a 14,7% growth on the prior year.

The Group accounted for a change in accounting estimate of its depreciation rate to align itself with its peers in the construction industry. The after tax effect of this change in estimate resulted in an increase in profit after tax of R4,1 million.

#### **Consolidated balance sheet and cash flow**

During the year under review, the JSE Limited granted approval for the additional allotment of 25 020 876 ordinary shares in respect of the Civcon acquisition which increases the issued ordinary share capital to 161 824 051 shares. This was in addition to an aggregate cash amount of R95 418 260 paid to the Civcon vendors. This represents 51,5% of the purchase consideration on the effective date out of an aggregate maximum purchase consideration of R266 804 410 in terms of the agreement which was based on R1,6807 per ordinary Erbacon share. The estimated contingent purchase consideration of Civcon of R46,1 million is treated as shares to be issued, being 28 824 478 shares valued at R1,60 per ordinary share, being the Erbacon share price at the acquisition date. This calculation, together with the purchase price allocation, has resulted in a goodwill value of R68,7 million for the Civcon transaction.

The equity portion of the convertible redeemable and participating preference shares issued to Medu Capital has been calculated at R43 592 142 after taking account of deferred tax of R16 952 500 at 28%.

Total Group assets therefore increased to R621,8 million (2009: R373,4 million) following the consolidation of the Civcon balance sheet. The net asset value per share at 28 February 2010 was 194,8 cents per share (2009: 155,33 cents per share), calculated based on a total number of shares of 189 784 478, incorporating the contingently issued shares to Civcon in terms of the profit warranty calculation.

The Group was in a healthy net un-g geared position at 28 February 2010, with cash and cash equivalents reaching R81,7 million at year end (2009: R57,3 million), plus R41,9 million (2009: nil) in a near cash investment product.

Cash generated from operations was R94,5 million (2009: R89,9 million) and is stated after significantly increased taxation.

### Post balance sheet event

Erbacon's wholly owned subsidiary, Erbacon Construction, purchased various claims, rights, titles and the interests of various sellers' claims against PSC Civil Contractors (Pty) Limited for R17,5 million, effective 2 March 2010, in order to enhance the Group's footprint in roads and earthworks.

### Dividend

The board has resolved that the company is in a position to declare a final dividend, the quantum of which will be announced to shareholders in due course.

### Outlook

The merger with Civcon, the recent enhancement of the Group's roads and earthworks capability, together with the attainment of an elevated BEE status, affords Erbacon an increased level of diversification and geographic spread with which to confront the well documented, and immense, infrastructural backlog currently prevalent in South Africa and neighbouring territories.

Although the combined forward order book is in excess of R800 million, and tender activity remains satisfactory despite the termination of Soccer World Cup related construction activity, heightened competition and lower margins are, however, anticipated over the next financial year.

As stated in prior reports, confidence levels post 2010 will be maintained or increased only if government, in particular, keeps to their budgeted infrastructure spend programme.

### Review opinion

The financial information has been reviewed by PricewaterhouseCoopers Inc., the Group's external auditors. A copy of their review report is available for inspection at the company's registered office.

### Directorate

With effect from 1 January 2010, following the Civcon acquisition and the capital injection by Medu Capital, the composition of the board was amended as follows: Nhlanganiso Mkwanzazi and Zeyn Angamia are welcomed as non-executive directors, whilst Lex Henning and Charles Ramsay join the board as executive directors.

On the same date, Messrs Dave Armstrong, Wayne Ric-Hansen and Frans Boraine resigned as executive directors of the board, but remain executive directors of the various subsidiary companies. Mark Hedley also resigned as a non-executive director.

For and on behalf of the board

**A Dawson**

*Chairman*

Durban

**DB Erskine**

*Chief Executive Officer*

**RK Braithwaite**

*Group Finance Director*

21 May 2010

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### ERBACON INVESTMENT HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2007/014490/06) JSE code: ERB ISIN: ZAE000111571

("Erbacon", or "the company" or "the Group")

**Directors:** A Dawson (*Chairman*), DB Erskine (*CEO*), RK Braithwaite (*GFD*), AH Henning, CHA Ramsay, ZR Angamia\*, JA Holtzhausen\*, NP Mkwanzazi\*, S Totaram\* \**Non-executive* #*Independent non-executive*

**Company Secretary:** D Godfrey

**Registered office:** 2 Montreal Road, Glen Anil, 4051

**Telephone:** +27 31 569 2866

**Website:** <http://www.erbacon.co.za>

**Auditor:** PricewaterhouseCoopers Inc

**Designated and corporate advisor:** PSG Capital (Pty) Limited