



# UNAUDITED CONDENSED GROUP INTERIM RESULTS FOR THE PERIOD ENDED 31 AUGUST 2011

ERBACON INVESTMENT HOLDINGS LIMITED

## CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Interim 31 August 2011	Restated Unaudited Interim 31 August 2010	Restated Audited Year end 28 February 2011
Figures in Rand thousands			
Revenue	553 191	482 801	957 798
(Loss)/earnings before interest, tax, depreciation and amortisation	(19 148)	7 563	(21 439)
Depreciation	(10 739)	(7 797)	(18 455)
Amortisation of intangibles	-	(3 577)	(3 605)
Operating loss	(29 887)	(3 811)	(43 499)
Finance income	746	1 941	4 663
Finance costs	(6 428)	(5 092)	(10 291)
Loss before taxation	(35 569)	(6 962)	(49 127)
Taxation	10 297	(1 975)	12 617
Total loss and comprehensive loss for the period from continuing operations	(25 272)	(8 937)	(36 510)
Total loss and comprehensive loss for the period from discontinued operations	(68 483)	(9 315)	(31 874)
Total loss and comprehensive loss for the period	(93 755)	(18 252)	(68 384)
Total loss and comprehensive loss for the period attributable to:			
Owners of the parent	(83 714)	(18 252)	(66 520)
Non-controlling interests	(10 041)	-	(1 864)
	(93 755)	(18 252)	(68 384)
Reconciliation of headline loss			
Loss attributable to owners of the parent	(83 714)	(18 252)	(66 520)
Impairment of property, plant and equipment	-	2 106	-
Loss/(profit) on disposal of plant and equipment	(519)	126	1 967
Impairment on re-measurement of assets held for sale	38 062	-	-
Headline loss	(46 171)	(16 020)	(64 553)
Basic loss per share (cents)	(43,19)	(9,46)	(34,38)
From continuing operations	(13,04)	(4,63)	(18,87)
From discontinued operations	(30,15)	(4,83)	(15,51)
Diluted loss per ordinary share (cents)	(30,60)	(5,76)	(22,94)
From continuing operations	(8,23)	(2,19)	(11,47)
From discontinued operations	(22,37)	(3,57)	(11,47)
Headline loss per share (cents)	(23,82)	(8,30)	(33,36)
Basic headline loss per ordinary share	(13,18)	(5,71)	(18,92)
From continuing operations	(10,64)	(2,59)	(14,44)
From discontinued operations	(2,54)	(3,12)	(4,48)
Diluted headline loss per ordinary share	(8,33)	(2,99)	(11,51)
From continuing operations	(7,89)	(1,92)	(10,68)
From discontinued operations	(0,44)	(0,97)	(0,83)
Weighted average number of shares in issue	193 848	192 960	193 494
Diluted weighted average number of shares in issue	261 258	260 370	261 661

## CONDENSED GROUP STATEMENT OF CASH FLOW

	Unaudited Interim 31 August 2011	Unaudited Interim 31 August 2010	Audited Year end 28 February 2011
Figures in Rand thousands			
Cash receipts from customers	512 921	449 032	977 472
Cash paid to suppliers and employees	(562 532)	(477 769)	(1 002 606)
Cash utilised in operations	(49 611)	(28 737)	(25 134)
Finance income	835	2 593	-
Finance costs	(3 261)	(1 995)	153
Dividends paid	-	(34 863)	(34 863)
Tax paid	(1 877)	(12 162)	(15 626)
Net cash outflow from operations	(53 914)	(75 164)	(75 470)
Acquisition of property, plant and equipment	(3 098)	(33 880)	(40 344)
Proceeds from the disposal of property, plant and equipment	2 574	601	3 876
Sale of investment	-	41 858	41 858
Acquisition of plant for hire	(191)	(8 076)	(11 968)
Proceeds on disposal of plant for hire	1 442	2 519	6 923
Acquisition of intangibles	-	-	(1 486)
Net cash inflow/(outflow) from investing activities	727	3 022	(1 141)
Net proceeds from borrowings	45 038	24 334	8 581
Net cash inflow from financing activities	45 038	24 334	8 581
Net decrease in cash and cash equivalents	(8 149)	(47 808)	(68 030)
Cash and cash equivalents at the beginning of the year	13 702	81 732	81 732
Cash and cash equivalents and bank overdrafts at the end of the period	5 553	33 924	13 702

## CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Total share capital and premium	Share-based payments reserve	Common control deficit	Shares to be issued	Retained earnings	Total	Non-controlling interests	Total equity
Figures in Rand thousands										
Balance as at 1 March 2009	1 361	292 559	293 920	574	(177 246)	-	94 115	211 363	-	211 363
Total profit and comprehensive income for the year	-	-	-	-	-	-	65 343	65 343	-	65 343
Issue of shares - acquisition of subsidiary	250	39 783	40 033	-	-	51 199	91 232	91 232	-	91 232
Treasury shares	(1)	(194)	(195)	-	-	-	(195)	(195)	-	(195)
Convertible redeemable and participating preference shares	674	59 871	60 545	-	-	-	60 545	60 545	-	60 545
Deferred tax on liability component of convertible redeemable and participating preference shares	-	(16 953)	(16 953)	-	-	-	(16 953)	(16 953)	-	(16 953)
Share issue expenses	-	(116)	(116)	-	-	-	(116)	(116)	-	(116)
Value of employee services	-	-	-	841	-	-	841	841	-	841
Dividends	-	-	-	-	-	-	(37 325)	(37 325)	-	(37 325)
Balance as at 28 February 2010	2 284	374 950	377 234	1 415	(177 246)	51 199	122 133	374 735	-	374 735
Total loss and comprehensive expense for the period	-	-	-	-	-	-	(18 252)	(18 252)	-	(18 252)
Issue of shares - acquisition of subsidiary	320	50 879	51 199	-	-	(51 199)	-	-	-	-
Value of employee services	-	-	-	444	-	-	444	444	-	444
Dividends	-	-	-	-	-	-	(34 863)	(34 863)	-	(34 863)
Balance as at 31 August 2010	2 604	425 829	428 433	1 859	(177 246)	-	69 018	322 064	-	322 064
Total loss and comprehensive expense for the period	-	-	-	-	-	-	(48 268)	(48 268)	(1 864)	(50 132)
Issue of shares - acquisition of subsidiary	(4)	(506)	(510)	-	-	-	(510)	(510)	-	(510)
Issue of shares - acquisition of subsidiary	-	-	-	1 025	-	2 075	2 075	2 075	-	2 075
Value of employee services	-	-	-	-	-	-	1 025	1 025	-	1 025
Dividends	-	-	-	-	-	-	-	-	-	-
Balance as at 28 February 2011	2 600	425 323	427 923	2 884	(177 246)	2 075	20 750	276 386	(1 864)	274 522
Total loss and comprehensive expense for the period	-	-	-	-	-	-	(83 714)	(83 714)	(10 041)	(93 755)
Issue of shares - acquisition of subsidiary	13	2 062	2 075	-	-	(2 075)	-	-	-	-
Non-controlling interests' gain on loan forgiveness by owners of the parent	-	-	-	-	-	-	(9 822)	(9 822)	9 822	-
Non-controlling interests' share of losses recognised	-	-	-	-	-	-	200	200	(200)	-
Release of share-based payments reserve	-	-	-	(2 504)	-	-	2 504	-	-	-
Value of employee services	-	-	-	389	-	-	389	389	-	389
Balance as at 31 August 2011	2 613	427 385	429 998	769	(177 246)	-	(70 082)	183 439	(2 283)	181 156

## GROUP SEGMENTAL REPORT

The segment information set out below is based on the requirements of IFRS 8. Segment Reporting. The Group has been restructured and the civils coastal and civils inland operating segments are being managed and run by the same executive. There is no longer a civils coastal and inland segment but a civils segment only. The Group is now split into four distinctive operating segments, in comparison to five in the prior year. The Board of directors has determined the operating segments based on the reports that are used to make strategic decisions.

The Board assesses the performance of the operating segments based on a measure of profit before taxation. This measurement is consistent with the recognition and measurement principles applied within the statement of comprehensive income. Sales amongst segments are carried out at arm's length. The revenue from external customers reported to the Board is measured in a manner consistent with that in the statement of comprehensive income.

	Civils Construction August 2011	Restated Civils Construction August 2010	Commercial and Industrial Building August 2011	Commercial and Industrial Building August 2010	Services August 2011	Services August 2010	Total continuing operations August 2011	Total continuing operations August 2010	Small Plant and Formwork (discontinued operation) August 2011	Small Plant and Formwork (discontinued operation) August 2010	Total Group August 2011	Total Group August 2010
Figures in Rand thousands												
Segment revenue and result												
Revenue	434 147	259 842	120 251	227 891	2 633	2 988	557 031	490 721	23 325	35 291	580 356	526 012
Total segment sales	(1 078)	(1 880)	(129)	(3 052)	(2 633)	(2 988)	(8 440)	(7 920)	(5 739)	(6 664)	(9 579)	(14 584)
Less: Inter-segment sales	433 069	257 962	120 122	224 839	-	-	553 191	482 801	17 586	28 627	570 777	511 428
Total external revenue												
Result	(19 196)	(6 934)	(2 222)	8 694	(8 469)	(5 571)	(29 887)	(3 811)	(71 297)	(12 607)	(101 184)	(16 418)
Operating (loss)/profit	209	716	93	476	444	749	2 487	1 941	898	654	2 595	2 595
Finance income	(1 151)	(515)	(26)	(71)	(5 251)	(4 506)	(10 023)	(5 092)	(1 409)	(8 510)	(14 611)	(15 601)
Finance costs	(20 138)	(6 733)	(2 155)	9 099	(13 276)	(9 328)	(35 569)	(6 962)	(73 291)	(13 362)	(108 860)	(20 324)
(Loss)/profit before taxation	5 977	2 052	603	2 295	3 717	(1 732)	10 297	(1 975)	4 008	4 047	15 105	2 072
Taxation	(14 161)	(4 681)	(1 552)	6 804	(9 559)	(11 060)	(25 272)	(8 937)	(68 483)	(9 315)	(93 755)	(18 252)
(Loss)/profit after taxation												
Segment assets and liabilities												
Assets	461 142	351 224	117 241	157 209	(829)	736	577 554	509 169	37 183	115 402	614 737	624 571
Plant for hire	-	-	-	-	-	-	-	-	12 160	67 549	12 160	67 549
Property, plant and equipment	88 558	89 619	9 420	7 492	35	40	98 013	97 151	15 432	21 395	113 445	118 546
Intangible assets	75 813	73 738	52 822	52 822	-	-	128 635	126 560	-	-	128 635	126 560
Deferred tax asset	19 166	19 191	-	-	-	-	19 357	-	-	-	19 357	-
Income tax asset	8 358	6 333	1 742	(475)	6	617	10 106	6 475	-	4 584	10 106	11 059
Inventories	16 496	7 433	8 076	7 927	-	-	24 572	15 360	647	1 804	25 219	17 164
Trade and other receivables	231 151	151 428	39 042	78 429	4	2	270 197	229 859	8 944	19 910	279 141	249 769
Cash and cash equivalents	21 600	22 673	5 948	11 014	(874)	77	26 674	33 764	-	160	26 674	33 924
Liabilities	(259 559)	(117 455)	(43 405)	(65 267)	(77 932)	(75 651)	(380 896)	(258 373)	(52 685)	(44 134)	(433 581)	(302 507)
Convertible redeemable and participating preference shares	-	-	-	-	(68 782)	(59 025)	(68 782)	(59 025)	-	-	(68 782)	(59 025)
Borrowings	(69 004)	(14 874)	(348)	(1 225)	(69 352)	(16 099)	(20 200)	(16 099)	(20 200)	(34 168)	(89 552)	(50 267)
Deferred tax liabilities	(4 132)	(5 281)	-	(156)	(8 979)	(20 369)	(13 111)	(14 932)	-	(425)	(13 111)	(20 794)
Trade and other payables	(186 423)	(97 300)	(43 057)	(63 886)	(171)	(1 694)	(229 651)	(162 880)	(11 364)	(9 541)	(241 015)	(172 421)
Bank overdraft	-	-	-	-	-	-	-	-	(21 121)	-	(21 121)	-
Other information												
Capital additions	1 537	32 831	908	748	-	10	2 445	33 589	844	8 368	3 289	41 957
Property, plant and equipment	1 537	32 831	908	748	-	10	2 445	33 589	844	8 368	3 289	41 957
Plant for hire	-	-	-	-	-	-	-	-	191	8 076	191	8 076
Depreciation	9 868	7 009	858	765	13	23	10 739	7 797	7 301	7 630	18 040	15 427
Amortisation of contract-based intangibles	-	3 577	-	-	-	-	-	3 577	-	-	3 577	3 577
EBITDA	(9 329)	3 652	(1 363)	9 459	(8 456)	(5 548)	(19 148)	7 563	(63 995)	(4 976)	(83 143)	2 587

## COMMENTARY

### OVERVIEW

Erbacon provides a comprehensive suite of heavy civil engineering, commercial and industrial building, and general construction services.

Market conditions in the local construction sector showed no major evidence of improving during the period under review amidst a globally volatile economic outlook.

Furthermore, the government's planned infrastructures spend to accelerate growth and employment opportunities did not materialise as anticipated. This, coupled with a still subdued commercial and industrial building sector, resulted in yet another trading period of highly competitive tendering at low margins which contributed to the loss from continuing operations for the period under review.

Notwithstanding the current difficult trading environment, management and the Board have initiated a series of actions over the past 15 months in order to deal with loss making contracts, to ensure that appropriate capacity exists in each operating entity, to ensure that succession planning is addressed, and to ensure that an operational platform exists to deliver operational excellence in the future. All of these actions are intended to position the Group to target opportunities offering better sustainable earnings growth. In this context, substantial manpower and resources have been mobilised to give substance to the Board's aspirations for future