GROUP FIVE

ANNUAL REPORT 2007

Group Five is a provider of integrated building, infrastructure and engineering solutions. The group operates in South Africa, the rest of Africa, the Middle East and Eastern Europe. During the year, 58% of revenue was generated in the group's home country, South Africa.

CONTENTS

REPORTING STRATEGY

Group Five is committed to continuous improvement in its disclosure to all stakeholders.

Following enhancements made to last year's annual report, the group aimed to further increase the information it provides this year. The 2007 report is compliant with Global Reporting Initiatives to the extent indicated on page 324.

As Group Five has done for more than five years, the report is published on the same day as announcing its financial results to the market, less than three months after its year-end.

The group introduced a feedback forum to stakeholders in 2005 and would again welcome your comments on the report. Please email the group at feedback@g5.co.za.

In addition, stakeholders are encouraged to register for electronic Group Five information in the interest of the environment. Please type "Group Five electronic delivery" in your email title line and send to webmaster@quickreport.co.za.

FINANCIAL HIGHLIGHTS

REVENUE

31%

Group revenue increased by 31% from R5,9 billion to R7,7 billion.

OPERATING PROFIT

63%

Operating profit increased by 63% from R241 million to R392 million. The group achieved its short term overall operating profit margin percentage of 5% by recording 5.1%.

PROFIT AFTER TAX FROM CONTINUING OPERATIONS

44%

Profit after tax from continuing operations increased by 44% from R169 million* to R244 million.

The increase, inclusive of the effect of the BEE transaction on the prior year, was 212%.

EARNINGS PER SHARE

49%

Earnings per share increased by 49% from R1,95* to R2,91.

The increase, inclusive of the effect of the BEE transaction on the prior year, was 304%.

HEADLINE EARNINGS PER SHARE

47%

Headline earnings per share increased by 47% from R1,93* to R2,83.

The increase, inclusive of the effect of the BEE transaction on the prior year, was 310%.

DIVIDENDS PER SHARE

29%

The final dividend of 42 cents per share brings the total dividend for the year to 72 cents, which is in line with the group's philosophy of four times covered based on earnings per share.

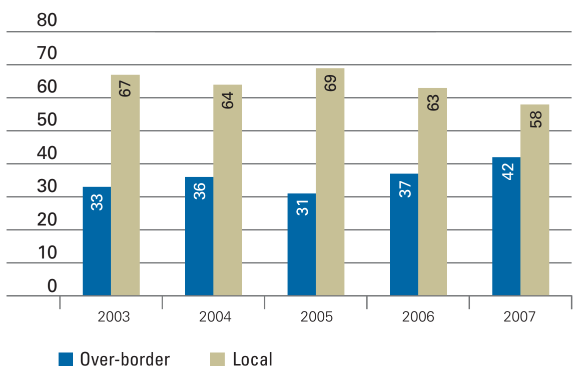
**Before the effect of the external BEE ownership transaction*

FIVE YEAR REVIEW

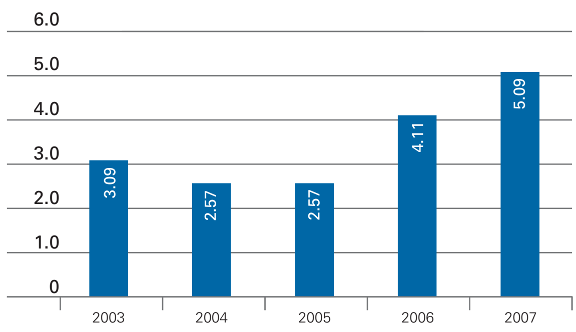
FIVE YEAR REVIEW

(R'000)	2007
INCOME STATEMENT	
Revenue	7 689 168
Operating profit	391 624
Other income – net	23 620
Profit before finance costs and taxation	415 244
Finance costs	(41 953)
Profit before taxation	373 291
Taxation	(129 560)
Profit from continuing operations	243 731
BALANCE SHEET	
Interest of equity holders of parent	1 612 587
Minority interests	9 335
Total equity	1 621 922
Long term liabilities	996 622
Liabilities directly associated with non-current assets classified as held for sale	–
Current liabilities	4 269 230
Total liabilities	5 265 852
Long term assets	2 098 216
Non-current assets classified as held for sale	163 967
Current assets	4 625 591
Total assets	6 887 774

TOTAL REVENUE – OVER-BORDER VERSUS LOCAL
(%)

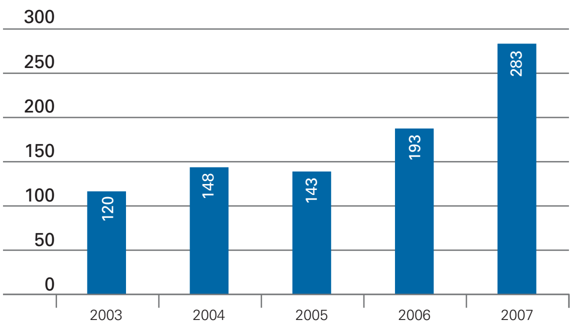


OPERATING PROFIT MARGIN
(%)



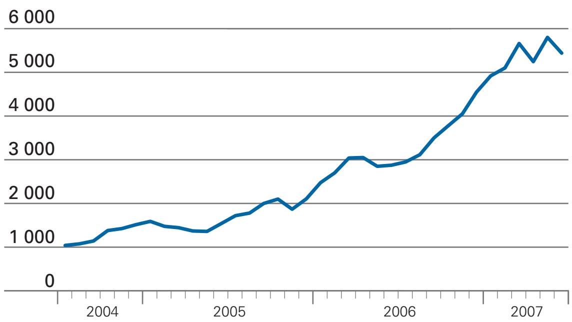
2006	2005	2004	2003
5 864 721	4 508 285	3 809 917	3 721 935
240 799	115 686	97 951	115 162
(69 497)	44 032	49 552	14 970
171 302	159 718	147 503	130 132
(30 329)	(25 922)	(29 780)	(24 913)
140 973	133 796	117 723	105 219
(62 754)	(26 199)	(22 294)	(25 876)
78 219	107 597	95 429	79 343
681 257	596 912	479 618	380 582
1 762	4 306	11 447	9 899
683 019	601 218	491 065	390 481
161 669	148 634	139 927	91 277
148 285	118 205	121 673	66 971
3 911 429	1 983 247	1 591 731	1 502 223
4 221 383	2 250 086	1 853 331	1 660 471
792 634	675 667	588 973	476 942
338 667	249 442	244 507	205 839
3 773 101	1 926 195	1 510 916	1 368 171
4 904 402	2 851 304	2 344 396	2 050 952

HEADLINE EARNINGS PER SHARE*
(Cents)



*Before the effect of the external BEE ownership transaction

CLOSING MARKET PRICE BY MONTH F2005 – F2007
(Cents per share)



KEY MEASURES

GROUP PERFORMANCE INDICATORS

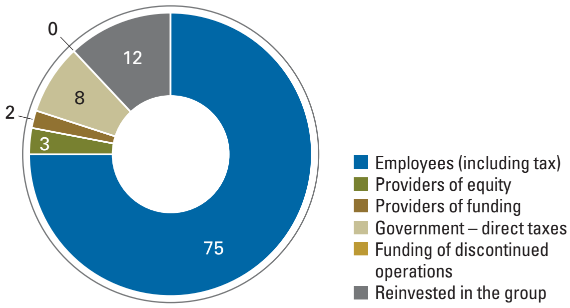
Revenue	**2007 R'000**	2006 R'000	2005 R'000	2004 R'000	2003 R'000
Infrastructure Concessions	**226 016**	189 247	132 517	172 210	139 575
Property Developments	**307 784**	126 970	94 773	55 145	31 268
Manufacturing and Construction Materials	**754 849**	472 975	446 308	358 296	320 329
Everite	**457 925**	450 736	431 776	358 296	320 329
Quarry Cats	**231 081**	–	–	–	–
Group Five Pipe	**65 843**	22 239	14 532	–	–
Construction	**6 400 519**	5 075 529	3 834 687	3 224 266	3 230 763
Building and Housing	**3 121 921**	2 788 466	2 268 610	1 917 554	1 433 665
Civil Engineering	**2 484 293**	1 662 700	1 051 679	986 836	1 290 642
Engineering Projects	**794 305**	624 363	514 398	319 876	506 456
Total revenue	**7 689 168**	5 864 721	4 508 285	3 809 917	3 721 935
Operating profit					
Infrastructure Concessions	**17 927**	12 398	6 138	7 643	12 565
Property Developments	**25 164**	25 132	11 240	3 715	10 646
Manufacturing and Construction Materials	**112 050**	60 205	36 157	27 969	6 773
Everite	**55 189**	56 658	34 369	27 969	6 773
Quarry Cats	**45 531**	–	–	–	–
Group Five Pipe	**11 330**	3 547	1 788	–	–
Construction	**236 483**	143 064	62 151	58 624	85 177
Building and Housing	**84 276**	78 903	44 158	74 581	43 760
Civil Engineering	**105 037**	50 169	(9 712)	(36 087)	21 475
Engineering Projects	**47 170**	13 992	27 705	20 131	19 942
Total operating profit	**391 624**	240 799	115 686	97 951	115 162
Overall operating profit margin (%)	**5.09**	4.11	2.57	2.57	3.09
Over-border revenue (%)	**42**	37	31	36	33
Cash generated/(utilised) – millions	**60**	391	111	49	(52)
Earnings per share (R)	**2,91**	0,72	1,82	1,84	1,49
Headline earnings per share (R)	**2,83**	0,69	1,43	1,48	1,20
Earnings per share (R) – before external BEE ownership expense	**2,91**	1,95	1,82	1,84	1,49
Headline earnings per share (R) – before external BEE ownership expense	**2,83**	1,93	1,43	1,48	1,20
Dividends per share (cents)	**72,0**	56,0	49,0	44,0	37,0
Net asset value (R)	**17,45**	9,22	8,30	7,00	5,70
Market indicators					
Market price – high (R)	**59,50**	32,50	17,00	11,00	7,71
Market price – low (R)	**27,26**	15,20	10,00	4,95	3,40
Market price – year-end (R)	**54,40**	28,75	15,39	11,00	5,20
Market capitalisation – year-end (R'millions)	**6 443,5**	2 867,1	1 132,3	809,3	382,6
Value of shares traded (R'000)	**3 124 034**	1 373 898	536 994	229 924	199 495
Number traded ('000)	**67 728**	57 970	39 950	28 038	34 456

VALUE ADDED STATEMENT

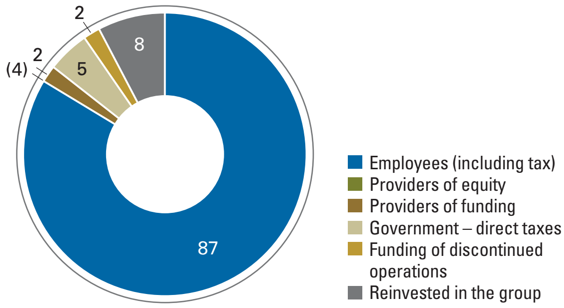
VALUE ADDED STATEMENT

	2007		2006	
	%	(R'000)	%	(R'000)
Revenue		7 689 168		5 864 721
Less: purchased cost of goods and services		(5 956 676)		(4 441 644)
Value added	98.7	1 732 492	105.1	1 423 077
Other income/(expenses)	1.3	23 620	(5.1)	(69 497)
Wealth created	100	1 756 112	100	1 353 580
Employees (including employees' tax)	75.0	1 317 813	87.3	1 181 816
Providers of equity	3.1	54 953	(3.9)	(53 571)
Providers of funding	2.4	41 953	2.2	30 329
Government – direct taxes	7.4	129 560	4.6	62 754
Funding of discontinued operations	0.1	1 129	1.6	21 536
Reinvested in the group	12.0	210 704	8.2	110 716
Wealth distribution	100	1 756 112	100	1 353 580
Number of employees		13 928		10 234
Wealth created per employee (R)		126 085		132 263
Weighted average number of shares		80 672		73 496
Wealth created per share (R)		21,77		18,42

DISTRIBUTION OF WEALTH CREATED – 2007



DISTRIBUTION OF WEALTH CREATED – 2006



KEY POINTS OF THIS REPORT

For ease of reading for the time-pressured reader, the group has included a summary of the main points of this year's annual report. This may result in some repetition for the detailed reader.

OPERATING ENVIRONMENT 10

- South African construction's share of GDP has grown by around 15% – 20% per year from 2.2% in 2002 – by far the fastest rate of growth of any of the GDP categories
- Demand-pull on commodities continues to fuel massive exploration, mining and related infrastructure spend on the African continent not seen for many years
- The Middle East market continues to show significant growth. In particular, Dubai has shown the fastest growth of the GCC countries, with real GDP compounded annual growth of 13% since 2000
- The strongest growth in Europe over the last decade has occurred in the emerging market countries in the east. Their currencies have outperformed the Euro and have regained much of the ground they lost during the 1990s

STRATEGIC PRINCIPLES 34

- The main changes implemented seven years ago were to unravel Group Five's pyramid structure, to change the group to a more direct managed company with greater centralisation and to ensure geographical and industry diversification
- With a few exceptions, all current exco members joined the group between 2002 and 2005 and have been responsible for successfully testing, refining and implementing the strategy
- The group is positioned in three clear areas: Investments and Concessions, Manufacturing and Construction Materials and Construction
- The group's has a focused strategy of a balanced portfolio along selected geographies

YEAR UNDER REVIEW

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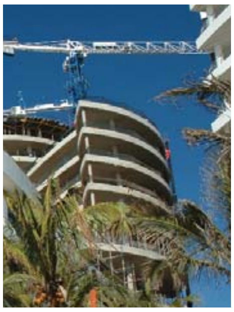

- The strategic and operational platform laid by the group in previous years remains strong
- The group's sustainability has been further demonstrated through the achievement of a solid set of results:
  - Infrastructure Concessions
    - Revenue increased by 19.4%
    - Operating profit improved by 44.6%
    - Operating margin increased from 6.6% to 7.9%
  - Property Developments
    - Revenue more than doubled
    - Operating profit was maintained at R25,1 million
    - As expected, operating margin decreased from 19.8% to a more realistic 8.2%
  - Manufacturing and Construction Materials
    - Everite's revenue and operating margins were maintained at R457,9 million (2006: R450,7 million) and 12.1% (2006: 12.6%) in a price-pressured environment
    - Quarry Cats performed in line with expectations for the five months since acquisition and achieved operating profit of almost 20%
    - Group Five Pipe trebled revenue and operating profits and achieved an operating margin of 17.2%
  - Construction
    - Revenue increased by 26.1%
    - Operating profit grew by a significant 65.3%
    - Operating margin broke through the 3% barrier to 3.7%
    - Building and Housing increased revenue by 12%, operating profit by 6.8% and achieved operating margins of 2.7%
    - Civil Engineering grew by almost 1,5 times, more than doubled operating profit and broke through the 4% barrier with a 4.2% operating margin
    - Engineering Projects increased revenue by 27.2%, more than trebled operating profit and significantly improved operating margin from 2.2% to 5.9%

KEY POINTS OF THIS REPORT (CONTINUED)

SUSTAINABILITY REPORT

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- The group continued to be the most empowered group in the Basics Industries sector of the JSE Limited
- Almost R1 million was provided from the CSI budget for a voluntary counselling and testing HIV/AIDS programme. Over 5 000 employees were tested
- Over R18,6 million was spent on the training and development of employees
- The group adopted a unified strategy for HR to ensure a move from transactional HR to strategic people development
- An in-house training facility, The Group Five Academy, was created to ensure the effective addressing of skills issues
- 80% of directors were medically tested during the year
- The group has focused on implementing a zero harm policy to ensure increased responsibility in terms of safety, environment, health and communities
- All business units now comply with the Group Five SHE Management System

FINANCIAL STATEMENTS

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- Group revenue increased by 31%
- Over-border revenue is at 42%
- Operating profit increased by 63%
- Operating margin of 5.1% met the group's short term objective of breaking through 5%
- Expansion into Construction Materials at higher margins positions the group to continue improving margins
- Secured order book of R4,8 billion

GROUP FIVE

OPERATING ENVIRONMENT

Group Five is well positioned in the African mining and construction sector

OPERATING ENVIRONMENT

All of Group Five's markets are showing strong growth. In South Africa, confidence of South African building and construction businesses is at almost unprecedented levels and massive exploration, mining and related infrastructure spend on the African continent continue unabated. Significant opportunities exist in the fast-growing UAE and the trend in Europe toward tolling of vehicles continues to strengthen.

KEY POINTS

South Africa

- Construction's share of GDP has grown by around 15% – 20% per year from 2.2% in 2002 – by far the fastest rate of growth in any of the GDP categories
- Investment in the construction industry has exceeded domestic GDP growth for the past six consecutive years
- Construction will account for 5% of the operating surplus of all companies in South Africa
- About R140 billion will be applied to capital formation in calendar 2007
- Employment in South Africa in construction has doubled to 110 000 and is expected to increase to 150 000
- Group Five generated value of about 24% of revenue in F2006 and 23% in F2007

Africa

- The sustained growth in Asia and China has seen commodity prices continue to rise dramatically in Africa
- The prospect of the "African century" seems more than a dream, as improving economic performance and transformation is seen across the continent
- Demand-pull on commodities continues to fuel massive exploration, mining and related infrastructure spend on the African continent not seen for many years
- Group Five has continued to focus on a number of African countries and extended its footprint in Madagascar, Mali and Burkino Faso and expanded further in Namibia and the DRC
- The group has carried out more than $300 million of work in Angola, has more than 11 years' continuous operational presence in Ghana, mainly on the gold mines, carried out the construction of high-rise, multi-storey complexes in Tanzania and Mauritius, roads in many countries, shopping centres in Malawi, Mauritius, Zambia, Namibia and Zimbabwe, as well as several mining developments in the DRC, Zambian copper belt and in Botswana

KEY POINTS (CONTINUED)

Middle East

- Group Five entered Dubai under a sponsorship agreement with a large local construction company, Al Naboodah Construction Group (Al Naboodah)
- Dubai's economic growth has been impressive – since 2000, real GDP has been growing at a compounded annual growth rate of 13%, far exceeding that of its GCC counterparts
- Group Five's contracts have been focused essentially on the Dubai airports where Al Naboodah has been working for over 20 years
- In the year under review, the group formalised its relationship with Al Naboodah through a joint venture

Eastern Europe

- Group Five is active in Eastern Europe through its Intertoll business, which was acquired in 1998
- The strongest growth in Europe over the last decade has occurred in the emerging market countries in the east. Their currencies have outperformed the Euro and regained much of the ground they lost during the 1990s
- Intertoll has developed a leading position in its core Eastern European market of Hungary and has leveraged this market position to recent success on the A1 Contract in Poland and in achieving strong positioning on a number of new contracts in the region, including new contracts in Hungary
- New contract activity in Eastern Europe improved over the last year, which has allowed Intertoll Europe to pursue new work with greater intensity than in recent years
- Intertoll's involvement and the contribution from new road user charging business activity is expected to become significant in the medium to long term

SECTOR REVIEW – SOUTH AFRICA

INTRODUCTION

Confidence of South African building and construction businesses in 2007 is at almost unprecedented levels since formal records began. One has to go back two generations to observe anywhere near the buoyancy prevalent today. This tide of optimism, predicted in Group Five's F2005 sector review, has gathered strength in the past two years. But today's optimism should not be extrapolated into yet more of the same – if anything, the challenges referred to in Group Five's F2006 sector review will become more pressing. Executives need to evaluate their strategies to cope with the burden of success, which in itself may lead to potential failure.

Whilst a healthy dose of realism is always called for in an industry where unpleasant surprises and instability are hardy perennials, it should of course be noted that the broad macro-economic landscape in South Africa is very different from the 1970s, 80s and 90s. The planning environment is underpinned by relative economic and political stability, openness to trade and investment, prudent fiscal and monetary policies, price inflation contained within single digit parameters and an interest rate cycle in which the nominal peak will be lower by 300 to 400 basis points than in the previous up-cycle. South Africa's economic management record is among the best in the developing world and its Anglo Saxon commercial framework and practice, a judicial system that makes contracts enforceable, and transparent ethical and governance standards reinforce confidence in doing business.

MARKET SIZE

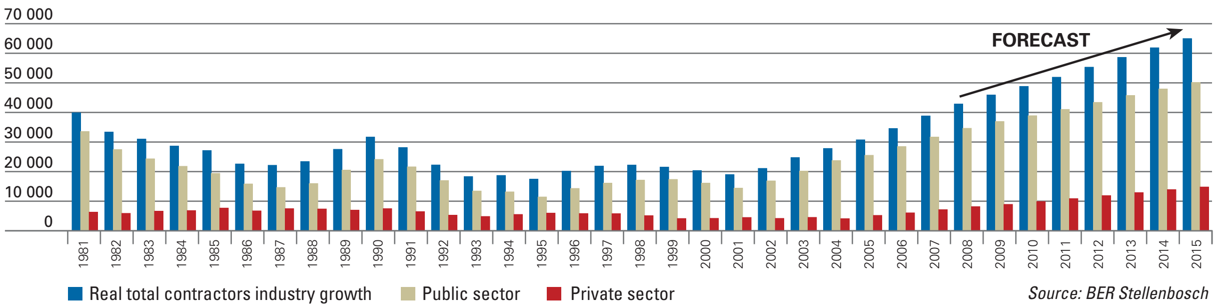
Measuring the size of the construction economy is not an exact science as data available from both government and private sources is insubstantial compared to data available in advanced economies.

Contribution to GDP

On a GDP measure, which is an added value statistic, the operating surplus of construction companies will contribute over 3% to national GDP or the equivalent of an annualised R60 billion ($8 billion) by early 2008 on the assumption that nominal South African GDP is R2 trillion ($280 billion). Construction's share of GDP has climbed from 2.2% in 2002, currently growing at an annual real rate of between 15% and 20%, by far the fastest rate of growth of any of the GDP categories and consistently so through 2005 and 2006. A survey by the South African Association of Consulting Engineers reveals that investment in the construction industry has exceeded domestic GDP growth for the past six consecutive years, with growth accelerating in the past two years.

> The operating surplus of construction companies will contribute over 3% to national GDP or the equivalent of an annualised R60 billion ($8 billion) by early 2008.

REAL (INFLATION EXCLUDED) INVESTMENT IN TOTAL CONSTRUCTION WORKS (R million)



Source: BER Stellenbosch

OPERATING ENVIRONMENT

Construction will account for 5% of the operating surplus of all companies in South Africa. This is calculated on recorded returns, with the surplus likely to be higher in a fragmented sector where informal activity is not recorded. Furthermore, as with many developing countries, South African official GDP is probably underreported. (This GDP computation is similar to the value added statement in a company's annual accounts – in other words, the wealth created after deducting the purchased cost of goods and services from revenue generated, which then determines the return available for employees and equity shareholders, the capacity to service loans and the surplus to reinvest in growth. GDP therefore does not equate to revenue).

Fixed capital formation

A better gauge of the available market to be exploited and therefore available for revenue, is the quantum of fixed capital formation assigned to building and construction assets. On this basis, an estimated R140 billion ($20 billion) will be applied to capital formation in calendar 2007, up from over R120 billion and growing yet further into 2008. This will be around 40% of total capital formation, implying that construction plays a very substantial role as an engine of growth, production, employment and demand.

In relation to the size of the economy, the available market for revenue purposes as calculated by capital formation is equivalent to 7% of GDP. This compares with data used by Swedish construction group Skanska, which records construction as a proportion of GDP in the range of 7% to 15% in the various markets it operates in. This includes both high per capita income in advanced market economies such as Great Britain, the Nordics and America, and poorer developing economies in Central Europe and Argentina.

However, not all capital formation is available for added value by contractors as the expenditure also includes capital equipment in the production of those services, but it is a reasonable gauge. The large difference between value added and capital formation stands to reason in an industry with large turnovers, but low net margins. For example, Group Five generated value added equivalent to 23% of revenue in F2007 (F2006: 24%). After paying staff, the group achieved an EBITDA margin of 6.8% (F2006: 4.1%). In F2008 value added will probably nudge closer to 28%, with the EBITDA margin approaching 8%.

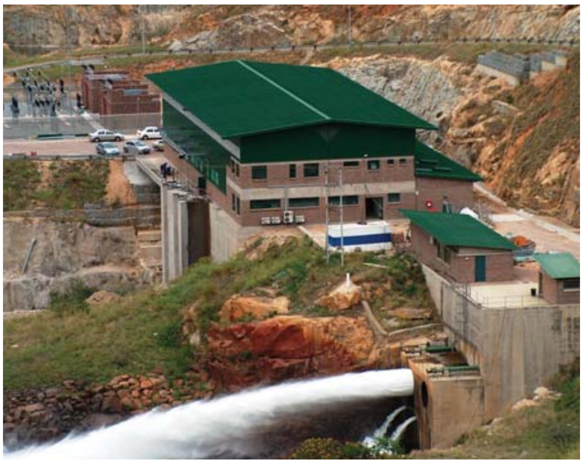
A team pours concrete at the Waterval waste water treatment plant, Gauteng

Informal market

In addition to formal sector activity, there is substantial informal activity, as suggested by the growing demand for building materials such as cement, bricks, electrical and plumbing equipment, roofing products and sanitaryware. Informal construction activity could be as much as R15 billion per annum, with building materials in excess of R40 billion per annum. Domestic cement volumes alone in 2007 will exceed 14 million tons – up an astonishing 65% since 2002 – with industry turnover running at an estimated R12 billion per annum ($1,7 billion).

Informal construction activity could be as much as R15 billion per annum, with building materials in excess of R40 billion per annum.

Workers at the Sunderland Ridge waste water treatment plant, Centurion



The hydropower station at the Maguga Dam in Swaziland was constructed by Group Five

MARKET PROSPECTS

Initially stimulated by a resurgence in residential building, there is an increasing orientation to commercial buildings, civil engineering, public facilities, transportation, energy, oil and chemicals, mining, metals, electrical reticulation, water, sub-economic housing, and investment that involves public assets such as roads, dams, bridges, prisons, transport, schools, water, electricity and ports.

Capital formation

The extent of South African infrastructure erosion has been dramatic – as a developing country South Africa has been spending well below competitor countries at a similar stage of economic development, with spending insufficient to maintain existing infrastructure, let alone cater for growth.

A breakout has been precipitated by a host of structural economic improvements that have laid the basis for future sustainable growth in the economy.

In 2006, total South African capital formation amounted to approximately R355 billion ($50 billion) – up two-thirds in real terms since 2002. Of the total capital expenditure, general government contributed 15%, parastatals 13% and the private sector 72%.

> In 2006, total South African capital formation amounted to approximately $50 billion – up two-thirds in real terms since 2002.

Fixed capital formation is now 19% of GDP, four percentage points up in five years. Total fixed investment is now 45% higher in real terms than at the beginning of 2003, with private investment 50% higher, parastatal investment 60% higher and general government spending lagging at only 15% up in real terms. It is this latter category that offers catch-up potential.

It is feasible to see gross capital formation continuing to grow at the current nominal rate of 20%, around 10% on a deflated basis, with an earnings multiplier for companies of 1,5 to 2 times that number. Based on current performance and contract pipeline, it is feasible to expect construction's share of value added to GDP to more than double to around 5% from the lows of the early 2000s. In other words, despite the dramatic recovery to around 3%, the industry is at best mid-way through a long term secular up-cycle.

OPERATING ENVIRONMENT (CONTINUED)

Constraints

Employment is set to be the real beneficiary. Globally, construction is the best absorber of labour. Employment in South Africa has already doubled to 110 000 and is likely to head to more than 150 000 if pipeline contracts are to be executed. This in turn has tremendous multiplier benefits throughout the economy. As discussed in last year's review, high-level skills remain a challenge. South Africa has approximately one engineer for every 3 200 people, compared to 1 in 150 in India and China, 1 in 300 in Europe and 1 in 400 in America and Australia.

A very real short term constraint is electricity generation. This alone has the potential to derail or postpone planned contracts. South Africa has 2% spare electricity capacity compared to an international norm of 15% to 18%. It is not surprising that Eskom, already de-mothballing facilities, is planning to double electricity generating capacity to 76 000 megawatts through new power stations.

As mentioned in last year's sector review, capital spending is likely to take place over a longer timeframe than originally envisaged due to constraints – in fact, the very constraints are likely to lengthen the cycle.

Capacity constraints are a reality – but this should not be overstated as the business sector is acutely aware of these constraints and already addressing them strategically. Business sector capital expenditure is soaring as spare capacity has all but been absorbed. Judging by construction companies' training programmes and graduate support, together with redeployment of international expatriate skills, selective importation of skills where necessary and attraction of skilled individuals out of retirement, skills per se may not be the logjam as many believe. In this respect, a review by government on the role that skilled immigrants bring to an economy and smoothing the path for them, is long overdue.

Capital spend

Confidence, particularly in civil engineering, is closely aligned with capital formation. Bureau for Economic Research (BER) surveys of executives indicate confidence levels of more than 80% (100% being extreme confidence), up from 15% seven years ago.

> The quantum of residential and commercial completions has increased by 60% since 2001, with building plans passed up 80%.

Overall business confidence, as measured by the RMB/BER survey, mirrors civil engineering confidence and has not been so high for so long in three decades. South Africa is enjoying its longest business upswing (eight years) since the end of the Second World War and there has been no technical GDP recession since 1992.

Private investors have been driving much of this capital formation, but more recently, government has become an important driver, with in excess of R420 billion ($60 billion) earmarked to date. There are a number of extraordinary mega-contracts in the pipeline (public transport, sub-economic housing, airports, electricity, roads, railways, ports, harbours and dams).

According to official statistics, the quantum of residential and commercial completions has increased by 60% since 2001, with building plans passed up 80%. Notable mega-contracts include R17,5 billion ($2,5 billion) for 2010 Soccer World Cup stadiums and related infrastructure, R140 billion ($20 billion) for Eskom expansion, R77 billion ($11 billion) for railway upgrades, R35 billion ($5 billion) for de-bottlenecking of ports and harbours, R21 billion ($3 billion) for airport facilities, R42 billion ($6 billion) for telecommunications network expansions and R21 billion ($3 billion) for the Gautrain rapid rail link around Johannesburg.

Sub-economic housing provision is paramount on the political agenda. Around R42 billion ($6 billion) is allocated to sub-economic housing during the next five years. Low-cost housing uses proportionately more cement as there are less of the alternative building materials in use than one finds in more expensive housing. Even on the basis of official figures, close to 500 000 tons of cement alone would be going into low-cost dwellings.

Market drivers

Recent interest rate increases (250 basis points at the time of writing in June 2007) have had a psychological impact on the residential market in particular and arrested the frantic rate of expansion at the top end, although low income and mid income housing prospects are positively influenced by rapid urbanisation and socio-economic dynamics that are structurally different from the 80s and 90s. Rapid urbanisation, a feature of developing countries as people migrate from rural areas to cities, is having positive spin-offs – housing is the most intensive user of cement, bricks and labour. Home improvement will continue to be a growth feature.

Commercial property demand is buoyant and is much less sensitive to short term moves in interest rates. Property development activities continue to be positively influenced by falling vacancy rates in office buildings and the beneficial effects of higher GDP growth on demand for industrial, warehousing, healthcare and retail space.

Demand in the resources and petrochemical arenas is strengthening as continued high commodity prices and strong demand for energy are given additional impetus from a weakening currency – against the US dollar, the Rand is about 20% weaker compared to the early part of calendar 2006.

MANAGING RISK

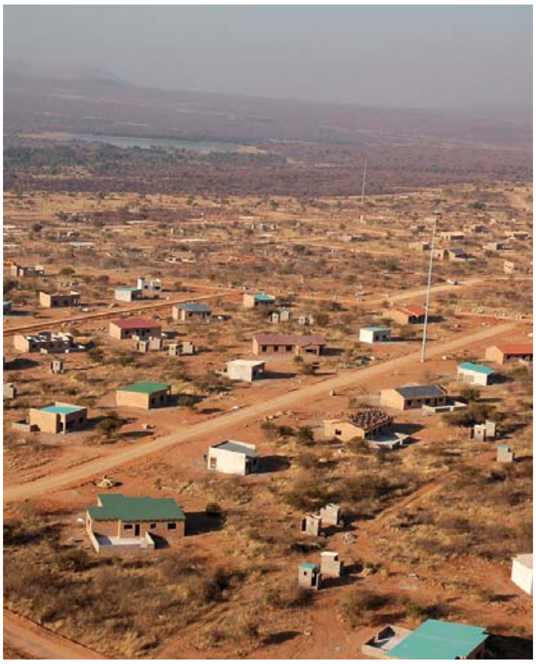
At this stage of the up-cycle there is significant expectation for construction companies to deliver outstanding earnings. This places increased pressure on teams to deliver. Contracting is traditionally risky, regardless of contract size or scope. Therefore, earnings over the next few years will be influenced by three key factors:

- Quality of management decision making to harness unprecedented opportunities
- Extent of capacity to capitalise on opportunity and mitigate risk
- Selecting of contracts that meet appropriate risk-weighted return thresholds

Construction is not about avoiding risk – but rather managing risk for the commensurate rate of return – by identifying, managing and pricing risk. Each construction contract has to be viewed as a business in itself and construction is largely about risk management. Each contract has unique characteristics and differs from a manufacturing business, which operates at a fixed location with long, predictable production runs. Group profits are simply a reflection of the individual profits of each business.

As the market shifts to larger sized contracts, so in turn the impact of one contract has the potential to be disproportionately positive or negative for a group. With low net margins, a variety of profitable contracts are necessary to offset just one problem contract. It is also true that early-stage problems typically don't improve as the contract progresses.

Hard lessons learnt over a quarter of a century of decline are not erased easily – this institutionalised knowledge of pain with little gain is positive for risk



Low-cost housing uses proportionately more cement than more expensive housing. At the housing relocation project in Potgietersrus, over 900 houses from sub-economic to five-bedroom homes are being built for Potgietersrus Platinum Mines

OPERATING ENVIRONMENT (CONTINUED)

mitigation going forward. Unwavering attention to contract risk evaluation processes, selectivity in tender/negotiated work, building alliances with trusted sub-contracting partners and a systematic elimination of threats to commoditisation of the business are necessities. A greater hazard than intrinsic industry risk would be an attitude of complacency.

At all times, construction companies require flexibility – in contract scheduling, staffing and equipment readiness. Moreover, diversification internationally serves as a healthy vent for the risk of compressing too much energy on a heated local market without the capability necessary to manage that opportunity.

CONCLUSION

The consumer-led bull run, which led to a catch-up in residential construction, is already moderating and being balanced by civils, public infrastructure, sub-economic housing, mining and energy.

Previous annual report reviews postulated that the building and construction industry could double from its lows – on the evidence to date, the industry is at best mid-way through a long term secular up-cycle.

Much of the contract pipeline is beneficial to listed construction companies, in large measure due to the intrinsically higher margins that can be generated as opposed to traditional bricks and mortar contracts.

Logjams and constraints exist – but to exaggerate the magnitude thereof would be to gainsay the inventiveness of the industry to maximise opportunity.

The risk/reward equation remains finely balanced – contract sizes are likely to get bigger and in turn open the door to not only disproportionate gains compared with the past, but also to higher risks. High confidence levels, in tandem with growing order books, do not preclude the possibility of operational problems – the fundamental basis of this industry, as indeed with any industry, is quality of management. One size does not fit all and there will continue to be winners, as well as losers in both good and bad times.

With acknowledgement to an independent research analyst

SOME SOUTH AFRICAN CONTRACTS

MSC Vodacom
- Office building extension for Vodacom office park in Midrand
- Group Five has built five of the six phases for Vodacom

Sandhurst Towers (1)
- Luxury apartment buildings located in the heart of Sandton in Gauteng's new CBD

1 Sandton Drive, Grayston
- A-grade office block at a prominent address in the Sandton CBD

Cedar Square (2)
- Lifestyle shopping centre in Fourways in the northern suburbs of Johannesburg

The Pearls, Umhlanga Rocks (3)
- Upmarket apartment complex
- The tallest building in Umhlanga, KwaZulu-Natal, with 23 floors above ground

VRESAP pipeline (4)
- Supply contract of steel pipes and installation work for the pipeline between Vaal dam and Secunda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SECTOR REVIEW – AFRICA

MARKET DYNAMICS

The sustained growth in Asia and China as the world's fastest growing major economies has seen commodity prices continue to rise dramatically despite some recent stabilisation. It is widely believed that this is relatively sustainable in the medium to long term. The prospect of the "African century", alluded to by President Thabo Mbeki, is therefore perhaps more than a dream, as improving economic performance and transformation is seen across the continent.

Furthermore, rapidly expanding Eastern economies with an insatiable appetite for raw materials and new markets, with a different approach to the traditional Western terms of engagement with Africa, already had a marked effect on the politics and economics on the continent.

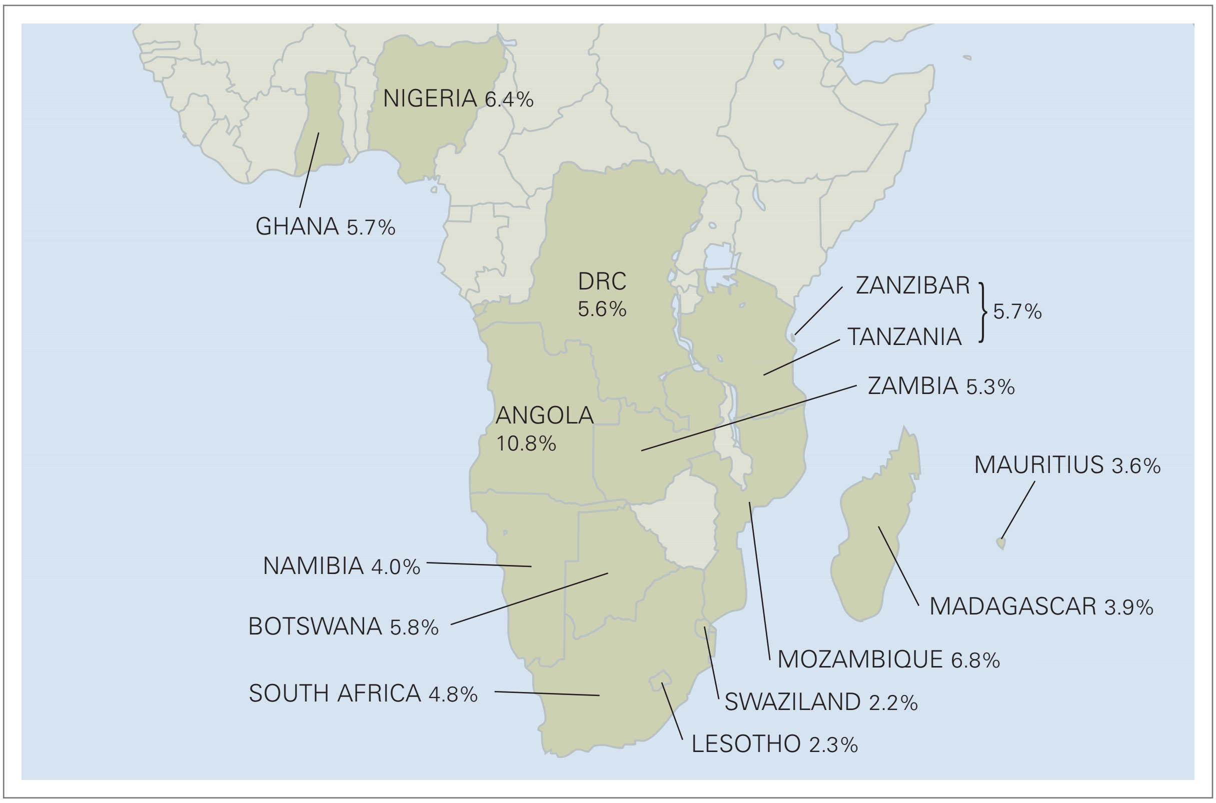
The political environment in sub-Saharan Africa has continued to improve, with various governments working towards democratic, free market economies, eradicating corruption and ensuring attractive investment opportunities.

All of these factors mean that demand-pull on commodities continues fuelling massive exploration, mining and related infrastructure spend on the African continent not seen for many years.

Group Five has continued to focus on a number of carefully selected African countries and has demonstrated its ability to operate in difficult locations, thus reinforcing its position as a leading African construction group well positioned to take advantage of the opportunities that are emerging. These include roads, housing, buildings, civil construction, dams,

AFRICAN COUNTRIES

(Group Five's areas of operation are highlighted below along with the countries' annual average real GDP growth rate percentage from 2002 – 2012)



GDP real growth rate % source: Global Insight February 2007

OPERATING ENVIRONMENT (CONTINUED)

The group has more than 11 years' continuous operational presence in Ghana

International operations have been consolidated to operate out of Mauritius

The demand for power has taken on a new urgency across the continent

irrigation canals, multi-disciplinary plant construction and power generation and transmission.

The group's main countries of focus are:

- Ghana
- Mauritius
- Namibia
- Zambia
- Angola
- Nigeria
- DRC
- Botswana

AFRICAN CONTRACT DELIVERY

In the past year, Group Five further grew its already significant track record in African countries. It extended its footprint into Madagascar, Mali and Burkina Faso and further expanded in Namibia and the DRC. The group has carried out more than $300 million of work in Angola, has more than 11 years' continuous operational presence in Ghana, mainly on the gold mines, carried out the construction of high-rise, multi-storey complexes in Tanzania and Mauritius, roads in many countries, shopping centres in Malawi, Mauritius, Zambia, Namibia and Zimbabwe and several mining developments in the DRC, Zambian copper belt and in Botswana. Power generation in Nigeria has been a new development and more opportunities are being pursued in this expanding sector.

Group Five believes that well executed contracts set up with proper legal and financial structures and support have the potential to realise attractive margins in selected African regions.

To this end, Group Five has taken steps to bolster its multi-disciplinary contract capability and has positioned itself significantly closer to the owner/operators/end-users to provide a complete construction solution rather than just pieces of the puzzle.

RESPONSIBLE OPERATIONS AND INDIGENISATION

During the last year, the group has selected a number of strategic countries and has put in place localisation plans to properly indigenise its operations. The culture of Africans helping Africans is taking hold and the need to spend on the continent is being recognised as being economically preferable and beneficial.

The group consolidated its international operations to operate out of Mauritius and country managers were

> Group Five has continued to focus on a number of carefully selected African countries and has demonstrated its ability to operate in difficult locations.

The group consolidated its international operations to operate out of Mauritius and country managers were appointed to closely monitor risk management and compliance.

appointed to closely monitor risk management and compliance within each country to ensure the group adheres to the applicable country laws and regulations, financial arrangements, taxation, repatriation of profits, duties, transfers and the like.

Currently, the group's relationships, employment and training of locals, knowledge of the local systems and laws and quality and standards add value beyond the lowest price. The amount of work and spend being undertaken on the continent and especially in territories where Group Five has already established a foothold are far more than it could possibly handle with its limited resources. A small share of this market, carefully chosen and responsibly managed, should achieve higher contribution margins and sustainable growth.

FOCUSED MARKET SECTORS

The group is focused on high growth markets with a significant private sector component.

Power

Generally, the requirement for power has taken on a new urgency across the continent – particularly gas-fired and hydro power. Several schemes involving a number of countries are likely to proceed in the short to medium term. Short term peaking supply stations are under construction and plans for a large coal-fired station in Botswana are well advanced.

The group has recent experience in the design and construction of power plants on the continent and continues to work closely with the world's most competent technology and equipment suppliers to develop this market.

Oil and gas/petrochemical

Group Five has been based in Cabinda in Angola for the last four years. Group Five resides within the local community, renting houses and services from the local population and training and employing local people. These efforts are recognised by the community and government and generate significant goodwill.

Copper and cobalt

New mines, like Kansanshi, Ruashi, Frontier and Lumwana, are producing or are under construction. Several more are on the drawing boards in both northern Zambia and southern DRC. The "new copper belt" runs west and north from Chingola, covering an area more than twice the size of the previous copper belt. Both demand and prices seem to remain sustainable. New names like Tenke Fungurume, Kalukundi and others are rising with the old, like Kolwezi and Solwezi, as the region expands. As the group is a resident contractor in both the DRC and Zambia, it is well placed to participate in these major contracts.

Gold, platinum and uranium

All three elements are touching 30-year price highs as gold beats \$650/oz and platinum exceeds \$1 200/oz. Group Five has executed significant mine construction contracts in Namibia on uranium mines and the Ghana goldfields production expansions. Gold mining is looking bullish in Ghana, Mali and Burkina Faso, with a number of new mines and expansions being considered. Group Five has an established operation in Ghana that serves the region.

Uranium has also become an interesting opportunity. For many years perceived to be politically and environmentally unfriendly, nuclear energy is now seen as one of the few viable alternatives to oil and coal that is not a threat to global warming and world pollution.

Many nuclear plants are currently under construction across the world – eight forecast in Africa. Demand for uranium has increased significantly, although supply of uranium only changed recently. A current Namibian plant under construction by Group Five will shortly be followed by others in Malawi, Algeria, Mali and others. Huge capital spend in the short term is expected.

OPERATING ENVIRONMENT (CONTINUED)

Infrastructure

Almost all African countries need significant infrastructure development. Housing is a desperate requirement almost everywhere on the continent.

Industrial contracts

Most industrial contracts in Africa are private sector investments consisting of, among others, cement plants, water treatment and sewerage plants, oil storage tank farms, pulp and paper plants, materials handling contracts and major airport structures.

CONCLUSION

The world continues to commit huge sums to the infrastructure development in Africa and the private sector is investing heavily in African mining infrastructure on the back of current commodity prices.

Group Five is exceptionally well positioned, both geographically and experientially in the African resources, power, energy and infrastructure sectors and will continue to responsibly develop its footprint in the region.

SOME AFRICAN CONTRACTS

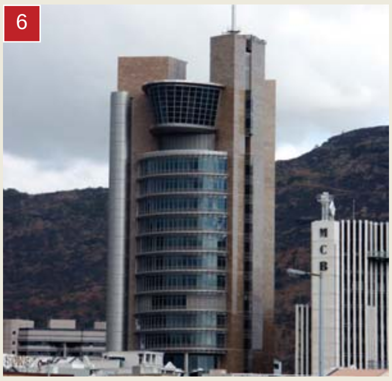
CENTRAL AFRICA

Greater Takula area expansion contract and Cabinda gas plant: Cabinda, Angola (1)

- With this contract, Group Five became the first new player in decades to penetrate the Angolan oil industry
- The group's multi-disciplinary expertise covered management, design, civil works and structural, mechanical, electrical, instrumentation and piping (SMEIP) installations
- Excellent safety standards were maintained across all disciplines

Langer Heinrich uranium plant, Namibia (2)

- The greenfields Langer Heinrich uranium plant is situated in a remote area of Namibia, about eight kilometres east of Walvis Bay
- Group Five was awarded four contracts that included structural steelwork and mechanical



erection at the leach area, platework and piping erection and the supply and installation of electrical equipment
- The construction and staged commissioning was successfully and timeously achieved at the end of December 2006

Zambia copper belt: Kansanshi and Lumwana copper mines (3)
- Group Five was among the first South African companies to venture into the Zambian copper belt
- Multi-disciplinary contracts included civil works, building and SMEIP installations

WESTERN AFRICA

Ibom gas fired power station, Nigeria (4)
- Multi-disciplinary contract for the design, supply and construction of a gas-fired power plant
- Largest ever contract for Group Five in West Africa
- The first independent power contract for Group Five in Africa
- The only privately funded independent power contract in Nigeria to meet contract targets

Bogoso BIOX Plant, Bogoso/Prestia Mine, Ghana (5)
- The Bogoso expansion contract involved the installation of the largest BIOX plant in the world at the mine

DRC copper belt: Frontier, Lubumbashi, Kamoto and Ruashi copper mines
- Multi-disciplinary contracts included civil works building and SMEIP installations
- Group Five ventured into the DRC copper belt in 2005

EASTERN AFRICA

Bank of Tanzania: Dar-es-Salaam and branch in Zanzibar
- The construction of the Bank of Tanzania was started in late 2002 by a combined team from Building and Civil Engineering. Initially valued at US$73,6 million (R515 million), it was the group's largest over-border contract at the time. Based on the group's performance on the contract, in late 2003 the Bank of Tanzania awarded Group Five a contract for a branch in Zanzibar. Both contracts have benefited from Group Five's established reputation for its ability to successfully complete high-rise buildings with specialised finishes required for Reserve Banks due to the security implications.

Geita Mine, Tanzania
- Multi-disciplinary construction of extensions to the Geita gold plant for AngloGold Ashanti
- The work was carried out in a remote area and involved the construction of a workshop, associated buildings and infrastructure and SMEIP structural, mechanical installations
- All materials and equipment had to be transported over poor roads from the port of Dar-es-Salaam

Bank of Mauritius: Port Louis, Mauritius (6)
- Group Five's established reputation for the construction of multi-storey buildings was put into practice during the simultaneous construction of the Bank of Tanzania in Dar-es-Salaam, its branch in Zanzibar and the Bank of Mauritius in Port Louis
- The construction methods on all three structures, two of which are 20 storeys high, included specialised and highly technical installations required by Reserve Banks

Moma Jetty, Mozambique (7)
- To overcome the problems caused by shallow waters off the coastline adjacent to the new Moma Titanium Minerals development in northern Mozambique, a jetty of 430 metres long was constructed to convey materials between the mine and anchored vessels
- The jetty is supported on 113 steel piles, each averaging 30 metres long and manufactured by Group Five Pipe in Gauteng
- The remote location of the site required careful planning to ensure timeous delivery of materials and equipment

OPERATING ENVIRONMENT (CONTINUED)

SECTOR REVIEW – MIDDLE EAST

OVERVIEW

Group Five's entry into the United Arab Emirates (UAE) since F2004, in particular the Dubai market, has been under a sponsorship arrangement with a large local construction company, Al Naboodah. In terms of the sponsorship arrangement, Group Five has a general construction licence to operate in Dubai in return for a turnover fee to Al Naboodah.

A crane at the CUC-6 contract at Dubai International Airport

GULF CO-OPERATION COUNCIL (GCC) COUNTRIES

A recent analysis done by Business Monitor International Limited of the UAE economy revealed the following:

Strengths

- The UAE is a member of the Gulf Co-operation Council, which, as well as being a free trade zone, is targeting a common currency by 2010
- The UAE has one of the most liberal trade regimes in the Gulf and attracts strong capital flows from across the region
- In common with most Gulf states, there is a high number of expatriate workers at all levels of the economy
- The UAE is progressively diversifying its economy, minimising vulnerability to oil price movements

Weaknesses

- The UAE's main trading partners are other Gulf states, which increases the vulnerability of the non-oil sectors to oil price volatility
- The state's location in a volatile region means that its risk profile is, to some extent, affected by events elsewhere in the world. US concerns about regional militant groups and Iranian WMD programmes could affect investor perceptions over the medium term

Opportunities

- Oil prices are expected to stay relatively robust over the forecast period to 2010
- Economic diversification into gas, tourism, financial services and high-tech industry offers some protection against volatile oil prices
- Its construction, tourism and financial sectors are growing rapidly, driven by domestic and foreign investment

Threats

- Heavy subsidies on utilities and agriculture, as well as an outdated tax system, have contributed to persistent fiscal deficits in the past
- There are fears that bubbles could be forming in the construction sector

Taking cognisance of the opportunities and the risks in the region, Group Five has a very focused view on the target sectors in which to operate. The group's contracts have been focused essentially on the Dubai airports where Al Naboodah has been working for over 20 years. This focus has provided an opportunity to grow into the territory in a known environment.

An analysis of the GDPs of the various UAE states reveals the following:

Economic indicators

	2002	2003	2004	2005	2006	2007f	2008f	2009f	2010f	2011f
Real GDP growth %	1.8	11.9	9.7	8.2	8.3	8.7	6.0	4.5	4.5	5.5
Nominal GDP, US$bn	74,3	87,6	105,2	132,2	157,5	182,3	204,8	224,8	244,3	268,0
Population, million	3,8	4,0	4,3	4,5	4,8	5,2	5,6	6,0	6,4	6,9
GDP per capita 19 791	21 681	24 363	29 378	32 586	35 134	36 780	37 624	38 094	38 939	
Oil production, million	2 158,5	2 547,0	2 667,0	2 675,0	2 700,0	2 730,0	2 760,0	2 800,0	2 835,0	2 835,0

f = Forecasted indicators

OPERATING ENVIRONMENT (CONTINUED)

Over the last three years, the group has entered into a large number of contracts, some in its own right and some in joint venture with Al Naboodah. These are listed on page 28.

Going forward, Group Five and Al Naboodah have agreed to change the sponsorship arrangement to a formal joint venture arrangement, whereby profits and losses will be shared on a 50/50 basis in a newly formed company.

The new structure is a sign of commitment to the partnership going forward. The joint venture's work will be limited to the current heavy civil engineering work undertaken by Group Five and a new mechanical, electrical, instrumentation and piping (MEIP) business will also be established within the joint venture. With Group Five's experience in this sector, through its Engineering Projects business cluster, MEIP is seen as a specific target due to the lack of companies successfully doing this kind of work in Dubai.

Group Five's current Dubai business will be sold to the joint venture and Al Naboodah will assist in securing further resources for the joint venture and provide expanded opportunities in the region.

Construction on the Mega Cargo terminal at Dubai International Airport

DUBAI

Dubai's economic growth from 2000 to 2005 has been remarkable, with double-digit real GDP growth and a relatively high per capita income despite negligible dependence on oil compared to other GCC countries. (The driving force behind Dubai's economic performance has been the government through investments and other initiatives, supported by the private sector.)

In particular, economic performance at the sectoral level has also been impressive and was led by trade, construction and real estate sectors, with good signs of successful diversification.

2000 – 2005

Dubai's historical economic growth has been truly impressive. In particular, since 2000, real GDP has been growing at a compounded annual growth rate of 13%, far exceeding that of its GCC counterparts.

The Dubai economy has also been growing faster than the emerging economies of China and India, and the developed economies of Ireland, Singapore and the US.

Much of Dubai's current success has been a result of its bold and visionary leadership and innovative human resources, mainly driven by government policies aimed at improving the business and investment environment, in addition to initiatives to establish specialised zones and mega contracts (eg Internet and Media City, Healthcare City, The Palm, Dubailand, etc).

Those developments ensured a leading role for Dubai and helped attract excess regional liquidity in the form of Foreign Direct Investment (FDI).

Economic growth has also been fuelled by private sector participation in developing sectors for which the government has set the stage by establishing a conducive business environment, coupled in many instances with heavy initial investments to boost private sector confidence.

Other supporting factors are supply-side factors such as availability of labour and land for major real estate projects, the existence of efficient government services, a solid institutional framework and good mechanisms for service delivery, strong laws and regulations, excellent infrastructure, a strategic location coinciding with the rapid rise in global trade, especially in China and India, and openness to other cultures, giving Dubai a reputation as a safe and comfortable place to live and do business.

Economic performance at the sectoral level has also been impressive. The non-oil sector played a more prominent role in 2005 with a 95% contribution to GDP, compared to 90% in 2000 (and as much as 46% in 1975).

This was mainly the result of the reduced dependence on oil, as well as a deliberate policy of diversifying the economy in favour of the non-oil sectors in which both the overall business environment and sector-specific programmes have played vital roles.

The services sector has been the key driver of economic growth, with an annual growth rate of 21% since 2000, constituting Dh101,4 billion ($27,6 billion) or 74% of Dubai's current GDP in 2005.

The construction and real estate sectors have also exhibited share gains, primarily due to the availability of land, labour, domestic and foreign capital, and changes in regulations.

Dubai's current GDP mix is very favourable, as its strongest sectors by international standards happen to be highly conducive to future global growth. These sectors are tourism, transportation, construction and financial services. They are well placed to constitute the focal point of Dubai's future growth path within the economic development sector plan.

2006

The oil sector's contribution to Dubai's GDP declined to 5.1% compared to 5.4% in 2005, according to a June 2007 report by the Dubai Chamber of Commerce and Industry (DCCI).

Dubai accounts for 43% of UAE non-oil GDP and 28% of total GDP.

Both the UAE and Dubai are growing rapidly. In 2006, Dubai's non-oil GDP grew by 21% and the UAE's non-oil GDP grew by 20%. By looking at Dubai's share in the UAE's non-oil GDP and its exceptional growth rate, it is clear that Dubai is still representing the key driving force of the UAE's non-oil GDP.

With the exception of the oil sector, which share in Dubai's total GDP dropped to 5.1% in 2006, the other non-oil components of Dubai's GDP have maintained their shares of total GDP.

In addition, Dubai experienced exceptionally high nominal growth in 2006 with nearly all sectors growing at a faster rate than in 2005. In other words, the sectoral structure of Dubai's non-oil GDP remained relatively unchanged with the wholesale retail trade and repairing services sector continuing to drive Dubai's economy. In 2006, it contributed 22% of Dubai's nominal GDP, having experienced growth rates of 16% for the second year running.

Nominal growth in the manufacturing sector slowed by 12% in 2006 compared to 32% nominal growth in 2005. Despite this fall, the manufacturing sector remains the second largest sector in Dubai's economy, generating 14% of its total GDP.

The construction sector has grown impressively through 2006, with a 31% year-on-year increase since 2005.

As a result, the construction sector is now an equivalent size to the transport, storage and communication sector, which has grown at a slightly slower rate, compared to rates in 2005. Both sectors now individually generate 13% of Dubai's total GDP.

The real estate and business services sector has also boomed over the past year, recording 31% growth compared to 18% in the previous year and, as such, has established itself as an integral driver of Dubai's economy. The real estate and business services market now contributes 11% of Dubai's nominal GDP compared to 10% in 2005.

OPERATING ENVIRONMENT (CONTINUED)

SOME DUBAI CONTRACTS

MIDDLE EAST

Central utilities complex – CUC6, Dubai International Airport

- The Central Utilities Complex (CUC6) was the first major contract awarded to Group Five at the airport
- With excavations of approximately 17 metres below the natural ground level and foundations of two metres thick, the contract involved heavy civil engineering work, as well as the construction of roads, infrastructure and buildings

Mega cargo terminal, Dubai International Airport (1)

- The construction of the mega cargo terminal at the Dubai International Airport (DIA) for the Department of Civil Aviation (DCA), a joint venture with Al Naboodah, is one of the largest multi-disciplinary contracts undertaken by the group
- The contract includes multi-disciplined activities from civils through to building, mechanical installations, electrical systems and intricate high-value fittings and finishes

Duty free warehouse, Dubai International Airport (2)

- The duty free warehouse, which forms part of the major expansion at Dubai International Airport, has a footprint of 27 600 m^2
- Group Five, in a joint venture, is responsible for the foundations and concrete framework comprising the warehouse, five levels of offices and two levels of stacking
- A subsequent contract has been awarded for the installation of the mechanical handling systems, electrification and air-conditioning

Terminal 2 ultimate expansion, Dubai International Airport

- Working to a very tight 12-month programme, Group Five is responsible for the complete refurbishment of and a new extension to the existing terminal building
- The contract is a turnkey contract and includes all aspects of construction, from infrastructure to mechanical and electrical installation, signage and baggage handling systems

Emirates aeroplane engine test centre (3)

- Group Five was the main contractor for the civils, building, roads and MEP construction of the Emirates Aeroplane Engine Test Centre, with Emirates Airline and General Electric as the clients
- This facility is one of the 12 largest of its kind in the world and caters for the most powerful aircraft engines

GSE tunnel at Dubai World Central International Airport (4)

- Group Five commenced its involvement at the dynamic Dubai World Central International Airport in Jebel Ali by securing the ground service equipment tunnel, a 630 metre long, 11 metres deep tunnel, comprising two ramps and a 260 metre fully enclosed section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SECTOR REVIEW – EASTERN EUROPE

EASTERN EUROPE

INTRODUCTION

Group Five is active in Eastern Europe through its Intertoll business, which was acquired in 1998. Intertoll acts as an independent operator of and investor in toll motorway assets.

Intertoll Europe, a 100% subsidiary of Group Five, has three offices that represent the various areas of activity. The offices are situated in Budapest in Hungary, Gdansk in Poland and Tonbridge in the United Kingdom (UK).

The ten years of experience gained from concession development, together with the operation and maintenance of toll roads in Eastern Europe means Intertoll Europe is well placed and has developed strong partnerships with the major European construction companies.

MARKET REVIEW

The three broad economic zones in Europe comprise the Euro zone in the West, the EU accession countries in Central and Eastern Europe and the Balkan and ex-communist states. Each of these markets offers distinct opportunities to Intertoll Europe.

Western Europe

The Western developed countries are at an advanced stage of evaluating and starting to implement road user charging contracts, primarily to control congestion and encourage better usage of public transport. The number of vehicles on the roads of European countries continues to increase despite significant improvements in public transport systems.

OPERATING ENVIRONMENT (CONTINUED)

Intertoll secured its first contract in Eastern Europe in 1996

Construction on the A1 freeway in Poland. The concession achieved financial close in July 2005

Bridge construction on the new A1 freeway in Poland

By way of example, the UK and Holland are presently considering either pilot or full congestion charging schemes.

Eastern Europe

The strongest growth in Europe over the last decade occurred in the emerging market countries in the east. Their currencies have outperformed the Euro and have regained much of the ground they lost during the 1990s.

The expansion of the common market (which now includes the newly joined accession countries) has led to an increase in the heavy vehicles that transit the Central and Eastern European countries. Additional motorways need to be constructed or upgraded, followed by proper operation and maintenance. This is especially the case in countries such as Poland, Slovakia, Hungary and Romania.

EU requirements for reducing and stabilising the state budget deficit of the accession countries to 3%, while these countries are required to meet the expenditure requirements associated with meeting EU infrastructure standards, have led to the roll out of privately financed infrastructure contracts, road user charging and traditional concession schemes.

> There is a definite trend in Europe (and elsewhere internationally) toward tolling vehicles for the use of motorways. These are no longer restricted to tolling individual routes, but charging for road usage across networks.

Poland

A new government was formed in Poland in November 2005. While the new government has campaigned against PPP and concession contracts for infrastructure development in the country, the absence of adequate motorways is likely to lead to accepting the need for PPP/concession type contracts to accelerate the process of improving Poland's transport infrastructure. The fact that earlier this year the 2012 European Football Championships were awarded to Poland and the Ukraine added urgency to the need for rolling out new transport infrastructure in the country.

Over the next five years, the government expects to construct 3 660 kilometres of motorways and expressways at an estimated cost of Euro20 billion (R190 billion). To achieve this, the government would need to spend 1% of GDP on road construction compared to the current 0.3%, as well as raise the fuel tax by 48%.

Hungary

Hungary's state deficit increased to 10% during the last year, which has prompted the government to consider a number of ways to improve the use of government funds and sources for revenue collection. This has resulted in the government reversing their previous position on availability based PPP contracts, with, for example, the issue of the tender for the M6 Phase III contract, a contract targeted to reach financial close by the end of 2007. This particular contract is also associated with the city of Pecs in the southwest of Hungary, a city which has been awarded the status as the cultural capital of Europe for 2010. Additional motorway contracts using the PPP method are therefore now anticipated in the short and medium term.

Since joining the EU at the beginning of 2007, the transit traffic through Hungary from Romania and Bulgaria has increased by more than 30%. The need to charge this transit traffic using electronic tolling has become a priority. This form of tolling is expected to increase the revenue from heavy vehicles significantly. The tender for the electronic tolling of heavy vehicles will be launched by the fourth quarter of 2007 and is expected to be operational by 2009.

Other countries

Russia, Romania, Bulgaria and to a lesser degree the Baltic States are actively considering the development of motorways using the PPP and/or traditional BOT model based on the experience gained by their fellow EU member states and the efforts of the World Bank, the EIB and other bilateral lending agencies.

INTERTOLL IN EUROPE

Over the last few years, Group Five has concentrated Intertoll's activities in the South African and Eastern European markets. Intertoll has developed a leading position in its core East European market of Hungary and has leveraged this market position to recent success on the A1 contract in Poland and in achieving strong positioning on a number of new contracts in the region, including new contracts in Hungary. The business also selectively considers opportunities elsewhere in Europe and are often invited onto contracts alongside key development partners. However, the group only considers participation in these contracts if stringent hurdle rates and strategic criteria are met.

OVERVIEW OF EXISTING OPERATIONS

Intertoll Europe is participating in three motorway concession contracts in Eastern Europe:

- M5 Motorway Concession in Hungary – 164 kilometres of motorway
- M6 Motorway Concession in Hungary – 60 kilometres of new motorway
- A1 Toll Motorway Concession in Poland – 90 kilometres of new motorway

Intertoll Europe is an investor in the M5 and A1 contracts and is responsible for the operation and maintenance of all three. In addition, Intertoll Europe is responsible for the collection of tolls and

The contracts that Intertoll Europe has recently pre-qualified for include:

- The M6 Phase 3 in Hungary presently out to tender. Intertoll Europe has a stake in the development consortium and will be the lead partner in the operation and maintenance joint venture. The other companies in this consortium include Strabag (Austria), Bouygues Traveaux Publics (France), Colas (France), and John Laing Infrastructure (UK)
- Intertoll Europe, in partnership with Bechtel (USA) and Enka (Turkey), for the high profile Western high speed diameter toll motorway contract in St Petersburg, Russia, for which the consortium officially pre-qualified on 26 March 2007

OPERATING ENVIRONMENT (CONTINUED)

procurement, installation and commissioning of the toll and motorway equipment for the A1 and M5 contracts.

All the contracts are long term contracts. Intertoll Europe's participation in these contracts extends between 20 and 30 years.

Intertoll Europe remains active in developing opportunities that arise from the existing concession contracts, including extensions to the operation and maintenance of new linked sections of motorway and the operation of contracts such as additional weigh bridge facilities to monitor overloaded heavy vehicles. Such work is typically revenue and margin enhancing for the business.

PROSPECTS

New contract activity in Eastern Europe has improved over the last year, which has allowed Intertoll Europe to pursue new work with greater intensity than has been the case in recent years. The business has pursued new concession development contracts in the countries where existing operations exist, namely Hungary and Poland, as well as investigating prospects for work in neighbouring countries north of the Baltic States, east of Romania/Bulgaria, Russia (St Petersburg) and south of the Balkans.

Road user charging (RUC) contracts

There is a definite trend in Europe (and elsewhere internationally) toward tolling vehicles for the use of motorways. These are no longer restricted to tolling individual routes, but charging for road usage across networks. As an experienced toll road developer, operator and investor, Intertoll is well placed to actively develop partnerships with companies that are considered future role players on these RUC schemes. Parallel to securing new "traditional" concession contract prospects in targeted European markets, a strategy to secure Intertoll Europe as an operator on RUC contracts in Europe is being developed and executed.

In defining Intertoll's strategy for RUC contracts, the following key factors and outputs have been taken into consideration:

- Competing technologies (eg microwave versus satellite positioning) and the varying client objectives, drivers and political environments make it unlikely that any specific technology will be adopted across Europe in the short or medium term
- Intertoll is currently building relationships with leading exponents of the alternative technologies
- A greater understanding of the different models that are likely to be adopted by various countries for the purposes of executing these contracts has been acquired. As a result, the role that Intertoll Europe can fulfil on these contracts has been clearly defined

Contracts using the RUC model that are expected to be launched in the near future include the Hungarian electronic tolling of heavy vehicles, the Polish heavy vehicle toll system and the Slovakian electronic tolling contract. Intertoll Europe is positioning itself to play a meaningful role in all three contracts.

Intertoll's involvement and the contribution from new RUC business activity is expected to become significant in the medium to long term.

SOME INTERTOLL CONTRACTS, EUROPE

Existing contracts

- M5 motorway in Hungary – awarded in 1998
- M6 Phase 1 motorway in Hungary – awarded in 2004
- A1 toll motorway in Poland – awarded in 2006

Short term prospects (pre-qualified)

- M6 Phase 3 motorway in Hungary
- Western high speed diameter toll motorway contract in St Petersburg, Russia

Medium/long term prospects

- Electronic tolling of heavy vehicles in Hungary
- Slovakian electronic toll collection contract
- Polish electronic toll collection contract

GROUP FIVE

STRATEGIC PRINCIPLES

The group's strategy of geographic and sector diversification has positioned it well in Dubai and African and European markets

STRATEGIC PRINCIPLES

The group's strategy is one of creating a balanced portfolio across selected geographies. This strategy continues to be the cornerstone of the group and has driven its positioning as the lead contractor in many African markets, its successful entry into Dubai, the European markets and its established position in South Africa.

KEY POINTS

Strategy

- The main changes implemented seven years ago were to unravel the pyramid structure, to change the group to a more direct managed company with greater centralisation and to promote selective geographical and industry diversification
- With a few exceptions, the current exco members all joined the group between 2002 and 2005 and have been responsible for successfully testing, refining and implementing the strategy
- The group is positioned in three clear areas: Investments and Concessions, Manufacturing and Construction Materials and Construction
- The creation of the Construction Materials discipline is as a result of the group's flexible strategy in action

Risk management

- The group considers the balance between risk and reward carefully to ensure the optimisation of rewards gained from each business unit's activities
- The group's risk management framework is holistic, covering the three key areas of strategic, operational and contract risk
- Significant improvements were made in the year under review, including appointing country managers to ensure effective risk management in over-border countries
- The number and quantum of claims under the majority of insurance classes were reduced, leading to premium spend staying constant over the last three years, although the group's turnover has increased by over 70%

Corporate governance

- The group's Code of Ethics is rigorously enforced throughout the group. Transgressions are reported to management directly or through the group's anonymous tip-off line
- A formal board evaluation was done on the board's effectiveness and skills
- Several new board appointments were made, with the non-executive component of the board now standing at seven. Four of these members are independent
- A formal conflict of interest policy was adopted

Regulatory review

- The board has approved the implementation of Project STARS, a risk register that includes a legal compliance programme
- Country managers were appointed in the group's over-border operations. Their role is to assist the group in managing risk and to ensure statutory and legal compliance

STRATEGIC PRINCIPLES

Group at a glance – service offering

Group Five provides integrated building, infrastructure and engineering solutions.

BUSINESS SECTOR	**INVESTMENTS AND CONCESSIONS**	
BUSINESS DISCIPLINE	**INFRASTRUCTURE CONCESSIONS**	**PROPERTY DEVELOPMENTS**
STRATEGIC DIRECTION	• Large-scale infrastructure developments and concessions • Selected investments	• Creation of quality property investment assets with a spread across commercial, industrial, retail and specific residential properties • Selected investments
BUSINESS UNIT/ CLUSTER	INFRASTRUCTURE CONCESSIONS	PROPERTY DEVELOPMENTS
SERVICE OFFERING		
FEASIBILITY	■	■
DESIGN	■	■
CONSTRUCTION	■	◤
MATERIALS SUPPLY		
OPERATIONS AND MAINTENANCE	■	

■ Service offering provided on all contracts

◤ Service offering provided on selected contracts

FOCUSED GEOGRAPHIC DIVERSIFICATION:

- A small share of the over-border markets in Africa, the Middle East and Eastern Europe, carefully chosen and well managed, achieves higher margins

MANUFACTURING AND CONSTRUCTION MATERIALS					CONSTRUCTION		
MANUFACTURING AND CONSTRUCTION MATERIALS					CONSTRUCTION		
• Adding repeat income streams aligned to the construction value chain • Acquisitive and organic growth					• Focusing on the upper end of the construction value chain, from contractor to project leader through alliancing • Market positioning and capacity building • Organic growth		
EVERITE BUILDING PRODUCTS (EVERITE)	QUARRY CATS	GROUP FIVE PIPE	COSMOS BUILDING SUPPLIES Cosmos Building Supplies was recently established. As a result, this business unit will only be reported on from F2008	SKY SANDS This business was acquired post year-end	BUILDING AND HOUSING	CIVIL ENGINEERING	ENGINEERING PROJECTS
					◤	◤	■
					■	■	■
■	■	■	■	■			
							■

• Group Five maintains the ability to gear up quickly to take advantage of opportunities in its home market, South Africa

STRATEGIC PRINCIPLES (CONTINUED)

STRATEGIC REVIEW

The group's current positioning and strategy was the result of a seven-year journey during which major changes were implemented to ensure business sustainability.

A SEVEN-YEAR JOURNEY

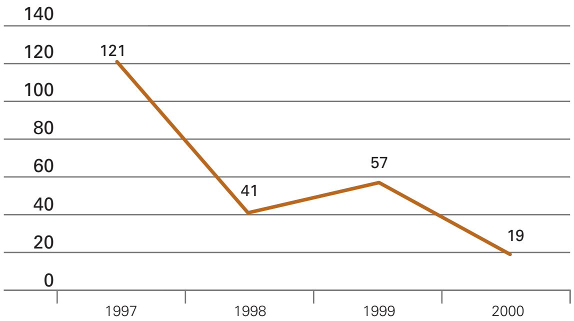
Seven years ago, in 2000, Group Five hit a crisis in terms of control, profit and cash. Serious interventions were required.

The main pillars of change around which the group's current strategy were built were to:

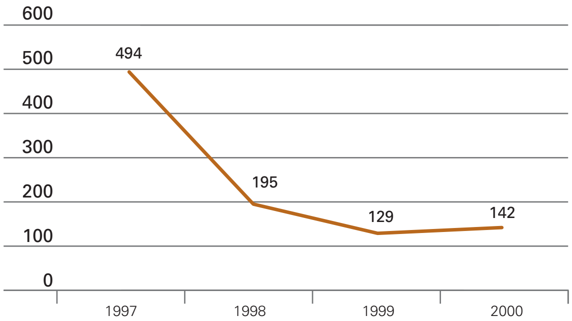
- Unravel the three listed company pyramid structure
- Move away from a portfolio managed group with autonomous operations to a more direct managed company with greater centralisation, particularly in the support functions
- Ensure effective geographic diversification
- Implement smart industry diversification

Set out below is the group's position from F1997 – F2000:

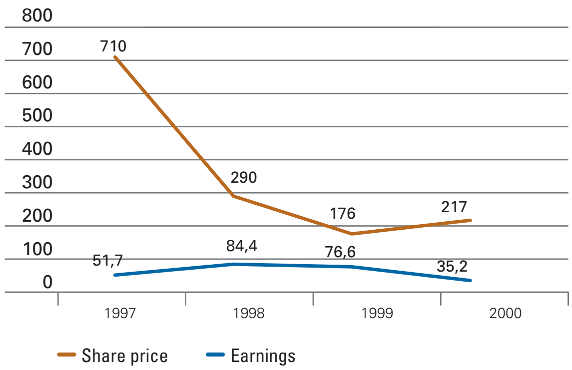
YEAR-END CASH AND CASH EQUIVALENTS ON HAND F1997 – F2000
(R million)



MARKET CAPITALISATION F1997 – F2000
(R million)



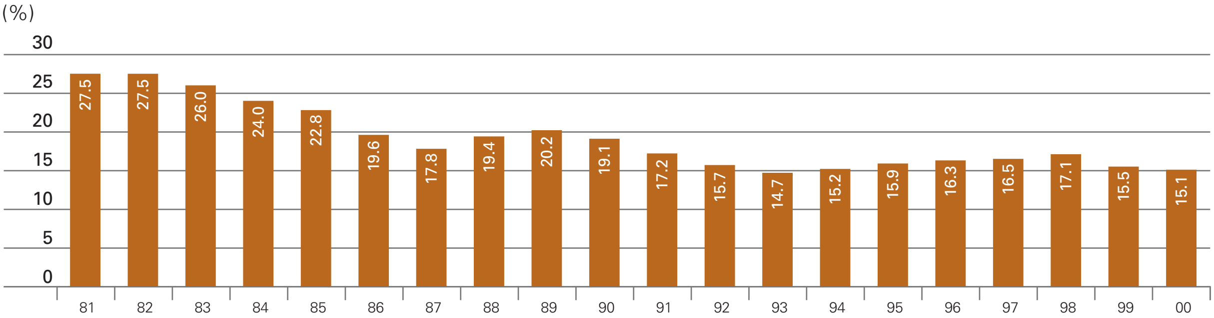
GROUP PERFORMANCE – SHARE PRICE AND EARNINGS PER SHARE F1997 – F2000
(Cents)



STRATEGIC PRINCIPLES (CONTINUED)

It was also a period reflected by a declining construction industry in South Africa, as depicted below:

GDFI AS A PERCENTAGE OF GDP FROM 1981 – 2000



Source: BER Stellenbosch

A full strategic review was conducted in F2001, revised in F2005/2006 and refined in F2007. As outlined on page 38, the group's current strategy was developed after a period of particularly difficult trading conditions and inconsistent performance. With a few exceptions, the current exco members all joined the group between 2002 and 2005 and have been responsible for successfully testing, refining and implementing the strategy to the current period under review.

Essentially, the strategy born out of difficult trading conditions in South Africa, was one of creating a balanced portfolio across selected geographies.

This strategy is built around a strategic framework, with strategic objectives and a balanced scorecard to ensure the group can continuously measure its progress.

VISION
To be an exceptional provider of integrated building, infrastructure and engineering solutions

MISSION
To drive sustainable earnings at enhanced margins through a balanced portfolio of geographic and industry diversification

VALUES
The seven most important values are: integrity, customer focus, performance, excellence, innovation, transformation and people wellbeing

SUPER-ORDINATE GOALS
The group has ten super-ordinate goals. These measures are designed to attain a healthy balanced state for the group. Refer to page 46

MARKET POSITIONING
The group's business areas are centered around the disciplines of Investments and Concessions, Manufacturing, Construction Materials and Construction with focused geographic diversification. The group aims to generate one third of revenue outside South Africa

STRATEGIC OBJECTIVES
The group developed an internal balanced scorecard to categorise, focus and prioritise its strategic efforts. Nine focused strategic objectives, covering both productivity and growth considerations, were developed. Refer to page 41

STRATEGIC OBJECTIVES AND BALANCED SCORECARD

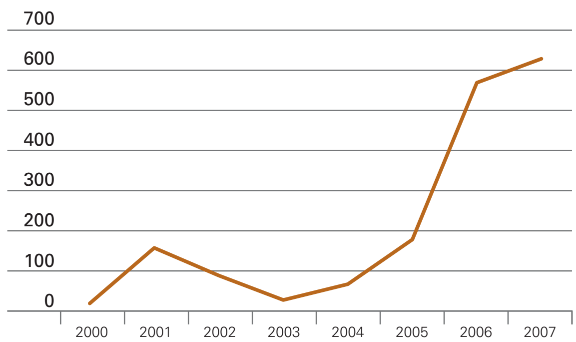
The group defined nine strategic objectives. These are the key focus areas of Group Five and also the criteria against which the group measures its performance.

	PRODUCTIVITY STRATEGY	GROWTH STRATEGY
FINANCIAL PERSPECTIVE		**Market positioning** Profiling Group Five to continually improve its public image with all stakeholders **BEE** Embracing BEE requirements to the benefit of the business and communities in which the group operates **Financial resources** Attracting additional financial resources for business growth
CUSTOMER PERSPECTIVE		**Markets and customers** Continually identifying and appraising markets, customers, products and services **Growth** Actively driving profitable growth in revenues from targeted customers
INTERNAL PERSPECTIVE	**Continuous improvement** Continually improving processes to optimise and maximise resource utilisation **Organisational structure** Ensuring the right geographical, market and process structures are in place to reduce costs and improve focus	
LEARNING AND GROWTH PERSPECTIVE	**People and leadership** Implementing and operating The Group Five Way by employing the right people in the right positions **Technology** Continually seeking new cost-effective technologies to improve the way the group operates	

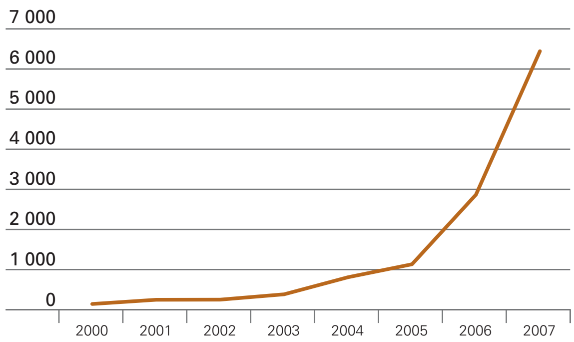
STRATEGIC PRINCIPLES (CONTINUED)

These strategic interventions resulted in the group's successful turnaround over the last seven years against a similarly changing market in South Africa, as can be seen from the following graphs:

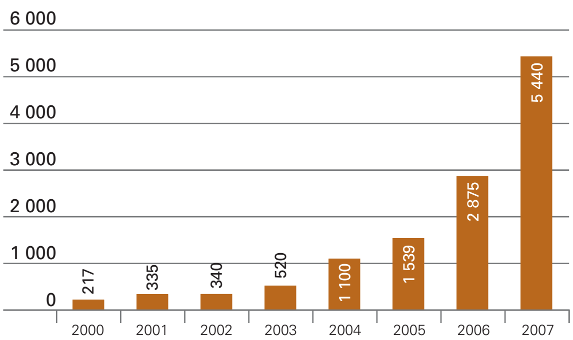
YEAR-END CASH AND CASH EQUIVALENTS ON HAND F2000 – F2007
(R million)



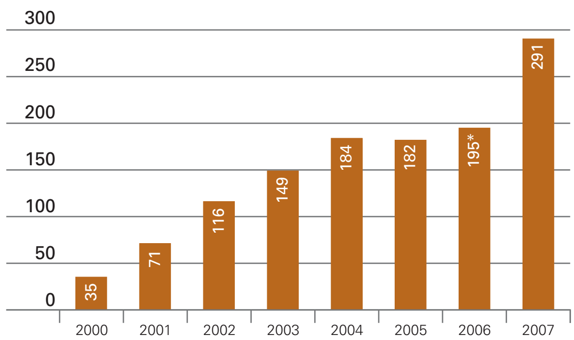
MARKET CAPITALISATION F2000 – F2007
(R million)



GROUP PERFORMANCE – SHARE PRICE PER SHARE F2000 – F2007
(Cents)

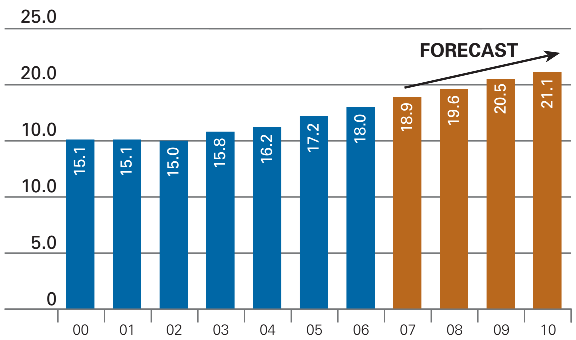


GROUP PERFORMANCE – EARNINGS PER SHARE F2000 – F2007
(Cents)



*Before the effect of the external BEE ownership transaction

GDFI AS A PERCENTAGE OF GDP FROM F2000 – F2010
(%)



Source: BER Stellenbosch

In line with the philosophy of "what gets measured, gets done", the group sets and redefines super-ordinate financial goals against which it benchmarks itself to measure the success of its strategy.

In benchmarking the fortunes of Europe's leading construction groups over the last seven years, one sees that they too had to grow in difficult trading conditions in their home markets. With varying levels of success, they have followed the natural progression from contractors to diversified infrastructure groups.

The mix that led to most success is a balance of geographic diversification and product offering diversification. An example of product diversification is that of civil engineering contractors moving into energy, heavy industrial construction, urban services like waste management, telecommunications infrastructure, property, concessions, facilities management, service and maintenance and construction materials.

Exceptional growth rates were achieved by some companies that reinvented themselves and others that stuck to their core business have flourished in buoyant home markets. The key is balance.

A focused strategy

The strategy embraced by Group Five was one of a balanced portfolio across selected geographies. Refer to page 46 for more information on the group's super-ordinate goals.

This strategy continues to be the cornerstone of the group's direction and has driven its positioning as the lead contractor in many African markets, led to its successful entry into the Middle Eastern market and

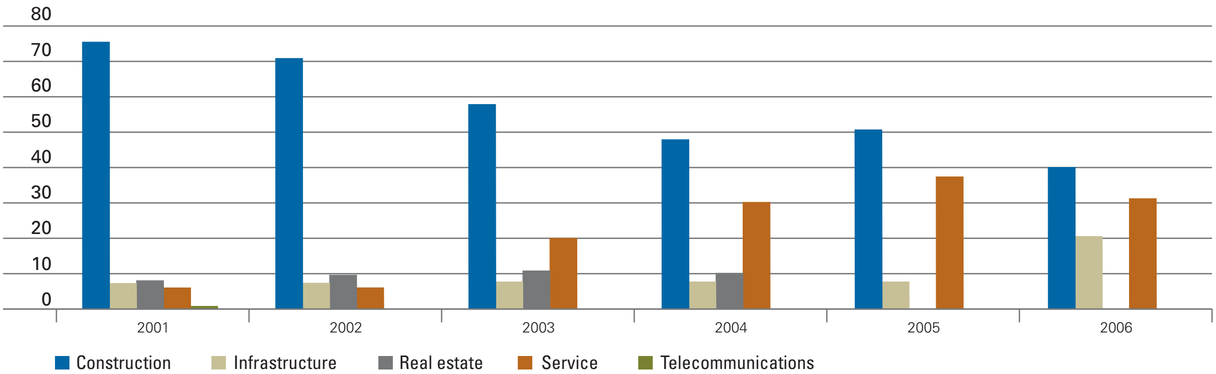
Definition of a diversified business

1. Real estate	Property management Facilities management Property development Real estate
2. Energy and industry	Electrical energy Building materials Oil and gas equipment Wind energy
3. Urban services and ecology	Water Waste management Waste collection Cleaning
4. Telecommunications	Operations and maintenance of: motorways, car parks, airport services
5. Concessions	Infrastructure Audio/video data image Media
6. Other	Logistics Consultancy Metallic construction

Construction companies are separated into four stages of diversification

STAGE	DESCRIPTION	EUROPEAN EXAMPLES
STAGE A	Traditional nature – high exposure to the country's economic cycle – accentuated by peaks and troughs of the sector	Balfour Beatty Eiffage
STAGE B	Specialised construction companies in the sector attempting the evade cycles by exporting their activities to other countries	SKANSKA HOCHTIEF NCC Bilfinger
STAGE C	Highly diversified construction companies to avoid the construction cycle	Bouygues Ferrovial FCC
STAGE D	Highly diversified and internationalised construction companies	Amec

CASE STUDY – FERROVIAL: REVENUE BY DIVISION, INDICATING THE MOVE FROM SOLELY CONSTRUCTION TO A DIVERSIFIED SERVICE OFFERING FROM F2001 – F2006
(%)



STRATEGIC PRINCIPLES (CONTINUED)

its positioning as a constructor in all the industry sectors, including being an early entrant in the emerging energy and power markets in Africa and large contracts associated with South Africa's 2010 World Cup and infrastructure expansion.

The group is positioned in three clear areas: investments and concessions, manufacturing and construction materials and construction. To date, the construction business has been the largest in the group, although the other two business streams have continued to improve their contribution. The current split of contribution to revenue and operating profit is shown on page 4 and 266.

The creation of the group's construction materials discipline during F2007 resulted directly from the group's flexible strategy in action. The group acquired Quarry Cats and post year-end, Sky Sands, to create a discipline that aims to achieve a more balanced portfolio across the group, which is margin enhancing. An added benefit is that the group has invested in its own supply chain, thus ensuring potential raw materials shortages are pro-actively addressed in the Gauteng region.

The group's investments and concessions in toll roads and property provides the third leg of the group's strategy to secure its long term and enhanced future earnings from a balanced mix of construction and annuity revenues.

The group sees its strategy as relevant and a basis from which to continue to grow shareholder value with a sustainable future earnings stream that is focused, yet diverse.

This strategy is supported by the experience of the construction sector in other markets, as outlined on page 43.

The group sees many opportunities to grow in the three chosen areas of activity and as indicated, each has a particular contribution to the success of the strategy.

The strategy embraced by Group Five was one of creating a balanced portfolio across selected geographies.

WHAT IS GROUP FIVE'S STRATEGY?

A balanced sector portfolio

INVESTMENTS AND CONCESSIONS	MANUFACTURING AND CONSTRUCTION MATERIALS	CONSTRUCTION
Expansion into new concession equity and revenue streams, eg power, infrastructure contracts, etc	Adding repeat income streams aligned to the construction value chain	Focusing on the upper end of the value chain from constructor to project leader
INVESTMENT	ACQUISITIVE	ORGANIC

Geographic focus in selected territories

Find below the group's progress against nine strategic objectives it uses to benchmark itself against delivery:

Balanced scorecard elements – progress to date

Initiative	2007 progress	2008 focus
People and leadership	The group invested heavily in all aspects of human capital development in technical and management fields, but more needs to be done in terms of culture change and transformation at senior levels	A new executive HR leader is being sourced with a brief to assist the exco in further driving transformation and culture change in the organisation
Technology	Successful execution of technically complex civil engineering construction works in Dubai and MEP work in oil, gas and power in Africa The group has gained experience in the use of the latest construction plant and methods The IT platform has been enhanced to support international operations on all sites New manufacturing technology was successfully implemented at Everite	Further roll out of IT best practice and network enhancements Investment in new technology and plant in construction and materials businesses Focus on development of international partnerships in the energy, water, waste management and power sectors
Continuous improvement	A culture of continuous improvement through Six Sigma and other initiatives has taken hold in the group, with dedicated Group Five trainees in place	Contracts that focus on construction management and supporting measures of performance were launched for implementation in F2008
Organisational structure	The group's structure has been focused on three distinct business streams in an integrated infrastructure group International business structures have been strengthened and focused	Growth into South Africa's emerging infrastructure roll out will require the group to further develop operational structures to cater for larger contracts The board will be strengthened and the group's skills set broadened
Markets and customers	Rigorous marketing, risk and discipline instilled to ensure resources are directed to the best opportunities	The group will focus on expanding public infrastructure at home and private sector capex in resources for its over-border operations
Growth	31% growth in revenue and 63% growth in operating profit were achieved	The construction sector is set to grow at 15% – 20% per annum. The group sees an opportunity to grow revenues and – more importantly – will focus on continuing to grow construction margins in the year ahead

STRATEGIC PRINCIPLES (CONTINUED)

Initiative	2007 progress	2008 focus
Market positioning	The group has been positioned as an integrated infrastructure group, as evidenced by the awarding of over R10 billion of large multi-disciplinary contracts for the 2010 Soccer World Cup, King Shaka airport, Durban harbour and mining and power contracts	To develop PPP opportunities with government for large infrastructure roll out and to expand the Dubai operations
BEE	The group was recognised as the most empowered company in its sector	Focus will be placed on the development of the group's supply chain to further increase the group's preferential procurement status
Financial resources	R850 million bonds raised, balance sheet restructured, acquisition of high margin materials businesses and market cap grew to R6 billion	Further strengthening of the group's ability to invest in strategic business opportunities through improved cash management and creating potential for further capital raising

Additionally, in line with the philosophy of "what gets measured, gets done", the group sets and redefines super-ordinate financial goals against which it benchmarks itself to measure the success of its strategy. These goals are set out in the table below:

Goal	Progress
1. One third of revenue earned outside South Africa	Currently 42%
2. Each financial year should open with two thirds secured construction order book for that year	Currently 71.8%
3. Return on shareholder funds of 25%	Achieved 15% for the year ended 30 June 2007 as a result of Quarry Cats' contribution to operating profit being for five months only
4. HEPS growing at least 20% per annum after achieving R1,93 before external BEE expenditure in 2006	HEPS of R2,83 achieved for the year ended 30 June 2007
5. One third of earnings to be from continual stream business, including manufacturing	Currently 12.8%. This is expected to increase with the expansion into Construction Materials
6. Top three of market share in each segment of the South African market in which the group operates	The group believes this is the case
7. Gearing not to exceed one third of equity	Net gearing of 36.9% at 30 June 2007
8. Cash generated equal to net income	Cash generated from operations of R98,5 million Net increase in cash of R60 million
9. Overall operating margin at a minimum of 5%	Operating margin of 5.1% achieved for the year ended 30 June 2007
10. 60% overall rating on Construction Charter scorecard	Currently 52.7%

THE GROUP FIVE WAY – IMPLEMENTING THE STRATEGY

The implementation of the group's strategy involves a focused programme, called The Group Five Way. The Group Five Way, launched in F2006, is aimed at aligning behaviour and operational intent to ensure improved delivery. Outlined below are the main pillars of The Group Five Way, with detailed information on the current status of the elements:

THE GROUP FIVE WAY

CERTIFICATION AND COMPLIANCE REQUIREMENTS	CONTINUOUS IMPROVEMENT INITIATIVES	STRATEGIC PLANNING INITIATIVES	TECHNOLOGY DRIVES
• ISO 9001/2000 • ISO 14001 • OHSAS 18001 • Policies and procedures across all functional areas	• Six Sigma • Contract lifecycle standardisation • Integrated performance management system • The Group Five Academy • Shared services	• Balanced scorecard • Values and ethics • Super-ordinate goals	• Information technology • Construction technology • Manufacturing technology

Certification and compliance requirements

ISO 9001/2000; ISO 14001; OHSAS 18001

The group measures its operations through industry certification. During the year under review, significant progress was made in the group's certification of business units in terms of ISO 9001/2000, ISO 14001 and OHSAS 18001. Refer to pages 231 and 247 for more information.

Policies and procedures

Over the last few years, the group has focused on standardising policies and procedures at all business units to ensure processes are aligned, compliant and consistent. During F2007, as part of Project Horizon, all financial and IT policies and procedures, as well as levels of authority, were revisited to align to the JD Edwards system upgrade and PeopleSoft HCMS roll out that took place. Refer to page 52.

Continuous improvement initiatives

Six Sigma

Six Sigma is a structured methodology using a number of toolsets to facilitate continuous improvement and to reduce variation within a process by controlling the inputs to deliver a specific outcome.

In essence, the structure of Six Sigma is a five-step process to problem solving aimed at eliminating inefficiencies in the business. The focus is to improve those factors that are critical to cost, time and quality.

The five steps are:

- **Define** the problem in as much detail and as accurately as possible with a measurement (metric) of the outcome
- **Measure** the inputs and outputs of the process, ensuring that a valid and reliable data set is gathered

STRATEGIC PRINCIPLES (CONTINUED)

- **Analyse** the extent of variation within each input of the process and calculate their statistical contribution to the output
- **Improve** processes. Improvements are piloted under focused supervision and then practically and statistically validated
- **Control** mechanisms are put in place to measure the critical inputs and the outputs. Reaction plans are formulated to deal with out of control conditions. The process is monitored to ensure that the improvement gains are sustained

"Sigma" is the statistical measure of variation. If a process is operating at a six sigma level, only 3,4 defects are experienced per million opportunities of the defect occurring.

Six Sigma at Group Five
Six Sigma was officially launched at Group Five in November 2005. Since then, specialists in this methodology have been recruited and a number of internal candidates trained.

The first two projects commented on in the F2006 annual report have been completed, with specific benefits reported:

- *Improving the cycle time to process goods received vouchers*
  This initiative has resulted in an improvement in supplier relationships, an improvement in vendors being paid on time and, as a consequence, an improvement in the settlement discount yield.
- *Reducing the requisition to order cycle time*
  The outcome of this project has been to introduce electronic requisitioning aimed at streamlining the process and measure turnaround time. This new functionality is currently being rolled out across the group, but is expected to significantly improve the efficiency of the procurement process.

Other projects implemented during the year under review include:

- *Improving the quality assurance process on a construction site*
  The outcome of this project has resulted in a review of the quality assurance processes, with pro-active approaches recommended to the business. These approaches are now being tested by the business.
- *Reducing the variation in concrete strength*
  The outcome of this project has resulted in a review of the material handling systems to ensure consistency of input to achieve the desired outcomes. The recommendations are now being tested by the business.
- *Improving the procurement and logistical planning process for over-border contracts*
  A model that focuses on project management principles has been developed. This is currently under discussion with a number of possible sites to pilot the improvement model.

Contract lifecycle standardisation
The group continuously looks at improving and standardising policies and procedures across all construction business units globally.

Project Mercury
During F2007, a mega Six Sigma project commenced in relation to site administration activities on all construction contracts. It has been recognised that activities associated with on-site supply chain (including plant and formwork), human resources (HR), information technology (IT) and administration and reporting are not consistent, which often lead to inefficiencies and unnecessary costs being incurred. It is estimated that as much as 1% of revenue could be lost on a site if these areas are not managed professionally.

This project, called Project Mercury, aims to ensure that all site administration activities are optimised, leading to savings and cost containment. The supply chain on site (a franchise model) is based on the development and implementation of a professional administrative function at a site level. The new

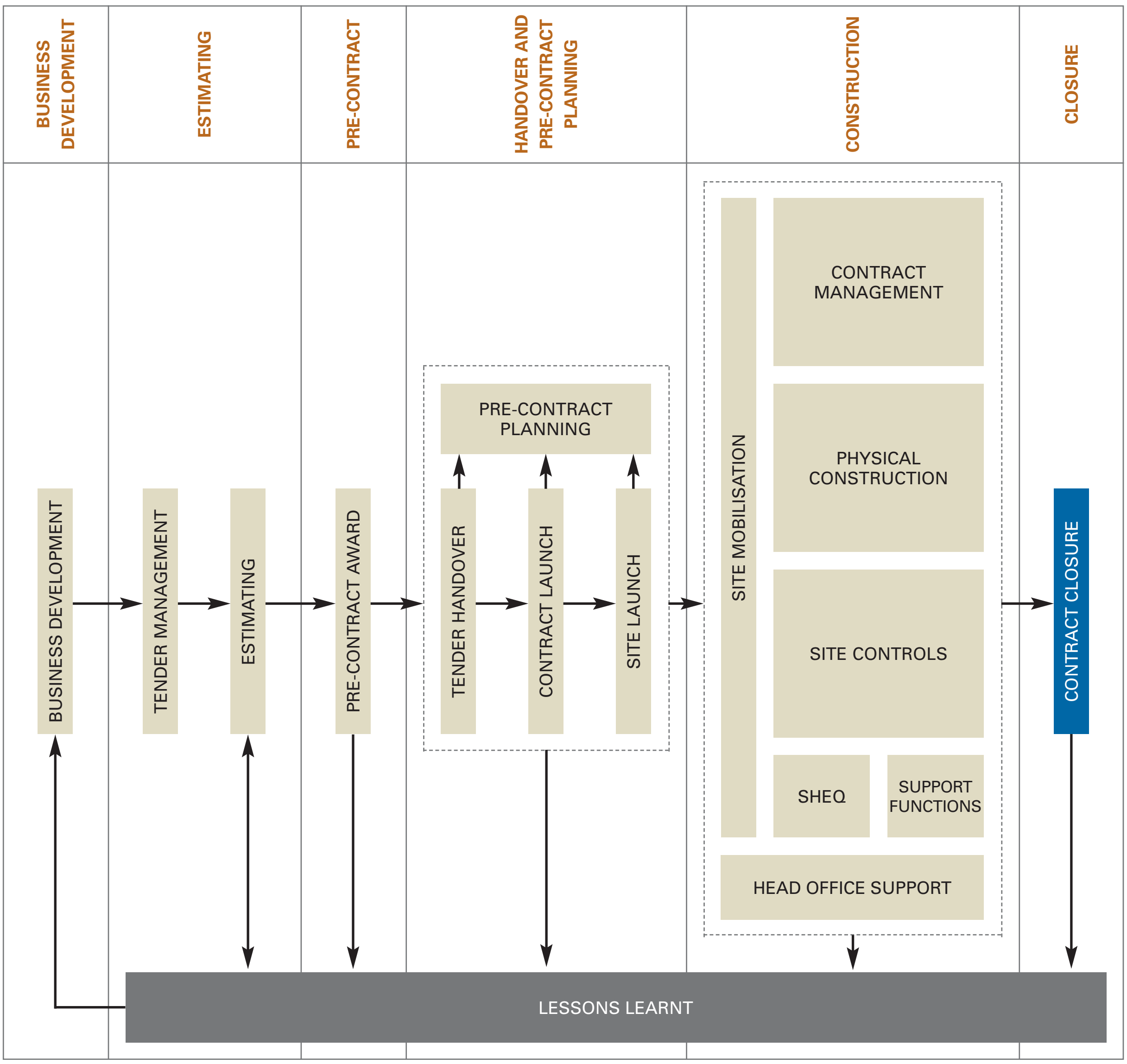
> Project Mercury aims to ensure that all site administration activities are optimised, leading to savings and cost containment.

model – called site administration supervisor (SAS) – will utilise the learning from various site visits, which will be condensed into a site administration manual. This manual caters for all site administration activities and is being used to develop targeted training in conjunction with The Group Five Academy (The Academy).

The project team presented to over 850 people from the Construction discipline and a total of 38 local sites were visited to obtain input and feedback. Roll out of the new site administration manual, as well as the recruitment and training of the site administration supervisors, is currently under way.

As a result of Project Mercury, the Six Sigma team has also evaluated the opportunity to address all phases in the contract lifecycle to achieve the same degree of standardisation across processes. An implementation plan to roll out a standard model across all businesses has commenced. The first step was to standardise the lifecycle across the Construction discipline, which has been completed and is set out in the table below:

CONTRACT LIFECYCLE



STRATEGIC PRINCIPLES (CONTINUED)

Integrated performance management system (IPMS)
Providing feedback to employees on their performance is a key pillar of The Group Five Way.

As reported last year, the group evaluated an IPMS programme to integrate employees' performance and the required performance measures in the business strategy.

The IPMS pilot process carried out in Building and Housing was completed, but found to be too laborious and time consuming in the context of the increased levels of market activity. While acknowledging the merits of this system, the group is now working on refining and simplifying it to a level suitable for the group's dynamic environment. In the interim, a task team was launched to assess the best of all the various processes being carried out across the group with a view to consolidate these into a unified group process. This process will be rolled out during the first half of F2008.

The Group Five Academy
The global shortage of the required skills and competencies in the group's areas of operations will impact on the group's ability to deliver in a very buoyant market. The rapid advances in global competition and increasing sophistication of customer needs also suggest that business savvy is a key ingredient to future success to ensure business development keeps pace with stakeholder expectations.

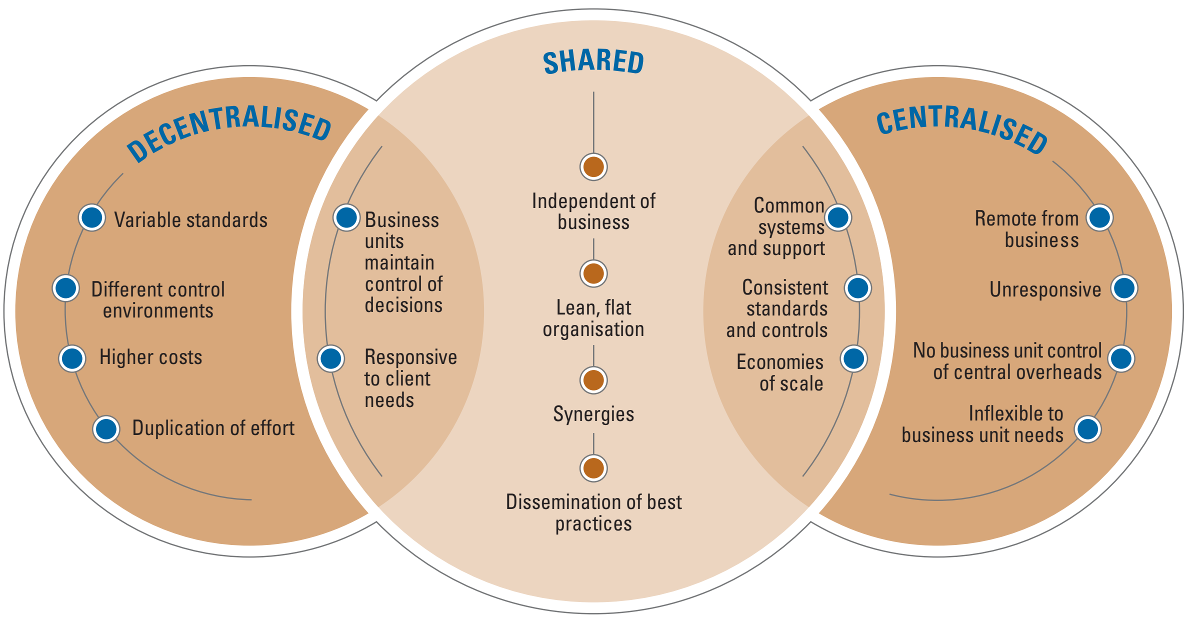
To ensure the group addresses these issues in a very focused and effective way with a long term vision and not merely a short term reactive approach, the group launched an in-house training academy, The Academy, during F2006.

Group Five's commitment from executive level downwards is uncompromising. A clear priority of people development, with a particular initial focus on skills development, has been established. Refer to page 205 for more information.

Shared services
A shared services methodology has been in use across the group for some time to cut down process cycle times and improve efficiencies. Shared services combine the benefits of both centralised and decentralised operations.

SHARED SERVICES

Shared services combine the benefits of both centralised and decentralised operations.



To date, this has been implemented to various degrees for accounts payable processing and payment (South Africa only); HR, payroll and administration (global); plant and equipment (South Africa only) and procurement and logistics (South Africa only). In future, this will be maximised and rolled out globally as far as possible.

During Project Horizon, the group used the opportunity to revisit the scope and function of the use of shared services. Refinements were identified, particularly in the cut-off where shared services' responsibility takes over from sites/business units. These refinements are currently being rolled out. Refer to page 52.

Strategic planning initiatives

Balanced scorecard

Group Five developed an internal balanced scorecard to categorise, focus and prioritise strategic efforts, as indicated on page 41. Nine focus areas were developed, each with measurables to track the group's progress.

Values and ethics

The entire group implemented a formal Code of Ethics in F2004 and firmly enforces a policy of zero tolerance to corruption. Refer to page 84 for the Code of Ethics and page 40 for the group's vision and values.

Super-ordinate goals

Against a fast-changing market, Group Five implemented certain super-ordinate goals during F2005 to ensure competitiveness and to constantly measure delivery against strategy. These goals are overall measures designed to attain balance in the group. Refer to page 46 for more information.

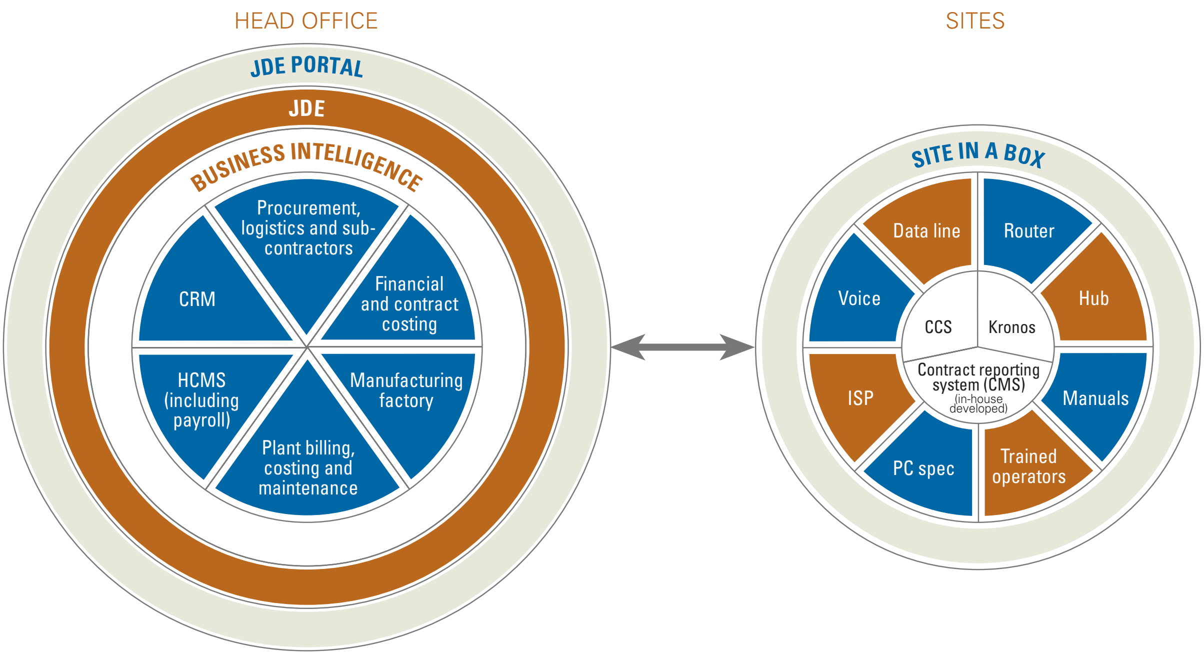
Technology drives

Information technology (IT)

In the F2006 annual report it was communicated that in F2001 an IT initiative, Project ReVAMP, was launched throughout the group to address various business information issues. These issues included multiple stand-alone systems, as well as outdated and ineffective systems. The standardised integrated IT software solution offered by ReVAMP was implemented in F2002 to F2004 in all the business clusters, units and sites globally.

The integrated system solution is set out below:

AN INTEGRATED SYSTEMS APPROACH



STRATEGIC PRINCIPLES (CONTINUED)

A new centralised server room has been installed

Connectivity is an area of focus as the group often operates in remote areas

With a focus on continuous improvement, the group launched another new initiative during the year under review called Project Horizon. The objective of the project was to ensure systems excellence through:

- Revisiting all implemented information systems and ensuring utilisation of full functionality within the latest appropriate software upgrade (from JDE 7.3.3 to JDE 8.10)
- Reviewing related processes, policies and procedures to ensure best practice adoption

The review entailed the following:

- All current procedures were reviewed
- Best practice procedures were defined
- Systems to represent the best practice were configured
- Reconfigured systems were tested
- Users were trained based on new business procedures
- Users were supported during go-live stage
- Policies and procedures were refined
- System user manuals were refined

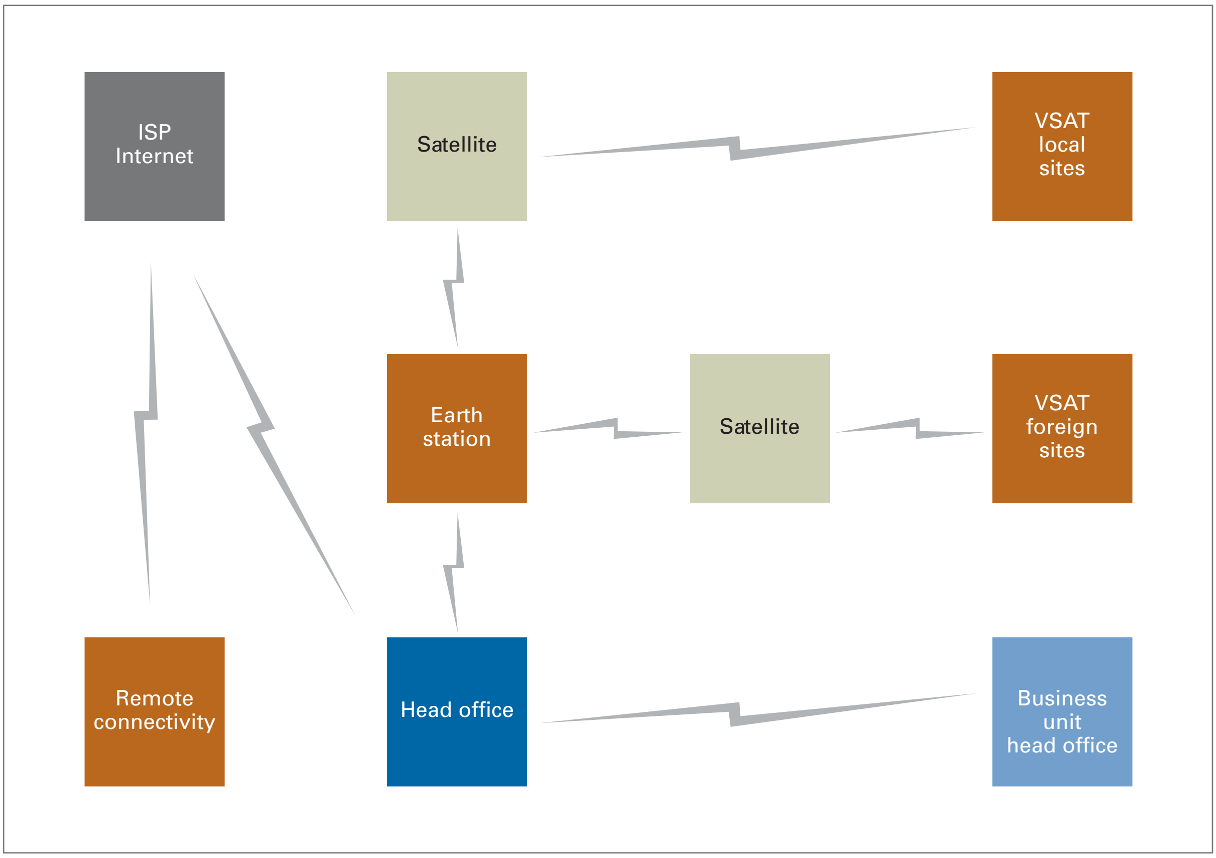
This review resulted in significant improvements in the system functionality, particularly in the procure to pay process where additional automation of the process has been introduced. A standardised, integrated business intelligence (BI) tool using .NET technology was also successfully implemented as part of this project.

In addition, with an increase in the number of users and sites over the year, together with a strategic review of the expected growth in the business over the next three years, Group Five reviewed its current hardware infrastructure to ensure its ability to support the business. The areas of change in this respect included:

- The installation of a new centralised server room. This will provide a stable platform with the necessary flexibility to adapt to the growing demands on infrastructure placed by the group
- The refinement of the group's connectivity solution. Connectivity continues to be an area of focus as the group often operates in remote areas with limited infrastructure availability. Due to the geographical spread of the group's construction business units, a satellite solution remains the most effective manner to ensure connectivity, resulting in simple and quick access to the group's network

The group's connectivity model can be depicted as follows:

GROUP FIVE'S SITE CONNECTIVITY



Going forward, in F2008 the group's main challenges will be to:

- Enhance the scope and functionality of the BI tool
- Implement a standard portal to access all group systems
- Implement a customer relationship management (CRM) tool

Construction technology

In the F2006 annual report, the group indicated it was benefiting from construction experience in Dubai that would have a positive influence in the local market.

In the year under review, an additional number of young engineers were deployed in Dubai to strengthen the team and gain experience. Also, the use of large pre-cast concrete structures, as opposed to the in-situ pouring of concrete into formwork (moulds) is more widely used internationally than has been seen in the local market. The group has seen the benefits in contract durations and has successfully executed contracts in Dubai with significant pre-cast elements. The group's contract on the Durban stadium in South Africa will benefit from using large pre-cast elements.

Various types of mobile plant, not yet widely used in South Africa, have been ordered for Civil Engineering and Engineering Projects. Going forward, the group will continue to seek advantages through the use of technology. Civil Engineering's partner on the Durban

STRATEGIC PRINCIPLES (CONTINUED)

'Marieke', the most advanced vessel in dredging technology, enters the Durban harbour to start on the new expansion contract for Transnet

harbour contract, Dredging International from Belgium, has already dispatched a new, hi-tech dredger capable of moving 5 000 m^2 of rock and silt per hour to achieve the seven million cubic metres that will be moved over the next two years on the contract.

The group has also established an engineering and plant best practice function that is working across several business units.

Manufacturing technology

The Manufacturing and Construction Materials discipline has succeeded in commissioning the new S7 fibre-cement line at Everite, which was locally engineered with international technology partners. The line has been constructed in just ten months, against an international average of 14 months.

Technology and process improvements in control systems have added to cost savings at Everite and Group Five Pipe.

Furthermore, the introduction of modular housing into the local market was driven to a large extent by the Everite team and the group is a founding member of the light weight steel frame housing association, SASFA, established to promote the use of this technology in the housing market in the country.

RISK MANAGEMENT

PHILOSOPHY

The group understands that risk cannot be totally eliminated. As such, it pursues opportunities involving some degree of risk. The group considers the balance between risk and reward carefully to ensure the optimisation of rewards gained from each business unit's activities. The key factors to successfully manage risks on any contract are early planning, unbiased assessment, including systematic tracking and reviewing of identified risks.

The group's risk management framework is holistic, covering the three key areas of strategic, operational (including compliance) and contract risk. To enhance the likelihood of success in any risk process adopted by the group, management strives to ensure that any group risk process/tool is:

- Value adding
- Robust
- User friendly
- Flexible
- Current

The increasing pace of change, customer demands and market globalisation have put risk management high on the agenda of Group Five. Effective risk management is considered critical to the sustainability of earnings and growth in its current and future environment. The group strives towards best practice and continuous improvement in risk management.

GROUP FIVE RISK FRAMEWORK

The underlying premise of Group Five's risk management framework is that enterprises exist to provide value to stakeholders. All entities face uncertainty and the challenge to management is to determine how much uncertainty should be accepted in its drive to grow stakeholder value.

Risk management strives to enable management to effectively deal with uncertainty, including the

Delivering on statements

The group believes it is important to demonstrate to stakeholders how it delivers on the statements made in this report and where the group believes further attention is required. This is set out below:

Delivery

- As part of the group's drive towards best practice, Group Five became a member of the global Engineering and Construction Risk Institute during F2007
- A further formalised risk system – the STARS system – will be implemented in the coming year
- A risk identification diagnostic (Risk Focus) is in the process of being implemented to improve the process of identifying and assessing risks within Group Five. This will be used to design appropriate data collection mechanisms and action plans within the STARS system to identify, assess and monitor risks on a real-time basis
- Current risk evaluation questionnaires and checklists will be converted into electronic questionnaires within the STARS system. Action plans and consolidated reports will be produced from the system to ensure that risks are monitored, managed and mitigated on a real-time basis
- Several country managers were appointed in over-border countries to ensure, among others, effective risk management in each region
- An online real-time country risk database has been established on the Group Five intranet

STRATEGIC PRINCIPLES (CONTINUED)

- Through increased focus and risk management, the group has reduced the number and quantum of claims under the majority of insurance classes. This has seen premium spend remain constant over the past three years, although Group Five's turnover has increased by more than 100% over the corresponding period

Challenges

- Although the culture of pro-active risk management has become entrenched in the group, the value of loss-making contracts remains unacceptably high, despite being about 20% down on last year. Minimising and eliminating loss-makers will remain a focus of the group in the forthcoming year
- Training employees to fully understand risk management remains a focus area. In conjunction with leading international and local law firms, programmes are being rolled out to enhance the group's understanding and awareness of key risks facing the construction industry

associated risks and opportunities flowing from those, thereby enhancing the capacity to build value in a sustainable manner.

Group Five's risk management encompasses the following:

- **Aligning risk appetite and strategy –** Management consider the group's risk appetite in evaluating strategic alternatives, setting related objectives and developing mechanisms to manage related risks
- **Enhancing risk response decisions –** Risk management provides the rigour to identify and select between alternative risk responses – risk avoidance, reduction, sharing and acceptance
- **Reducing operational surprises and losses –** The group focuses on enhancing its capability to identify potential events and to establish responses, reducing surprise and associated costs or losses
- **Identifying and managing multiple and cross-business risk –** The group faces a myriad of risks affecting different parts of the organisation. Risk management facilitates effective responses to the inter-related impacts and integrated responses to multiple risks
- **Seizing opportunities –** By considering a full range of potential events, management can identify and pro-actively realise opportunities
- **Improving deployment of capital –** Obtaining robust risk information allows management to effectively assess overall capital needs and enhance capital allocation

Risk management helps management to achieve group performance and profitability targets and to prevent unnecessary loss of resources. It also covers the three levels of risk management within Group Five, namely strategic, operational (including compliance) and contract-specific risk.

In summary, risk management gives reasonable assurance to the board that the group will achieve its objectives.

Key components of the group risk framework:

Internal culture – The internal culture encompasses the tone of an organisation and sets the basis for how risk is viewed and addressed by the group's employees. This includes the group's risk management philosophy and risk appetite, integrity and ethical values.

Strategy objective setting – Objectives must exist before management can identify potential events affecting their achievement. Proper risk management ensures that management has a process in place to set objectives. It also ensures that the chosen objectives support and are aligned with the group's mission and are consistent with its risk appetite.

Event identification – Internal and external events affecting the achievement of an entity's objectives must be identified, distinguishing between risks and opportunities.

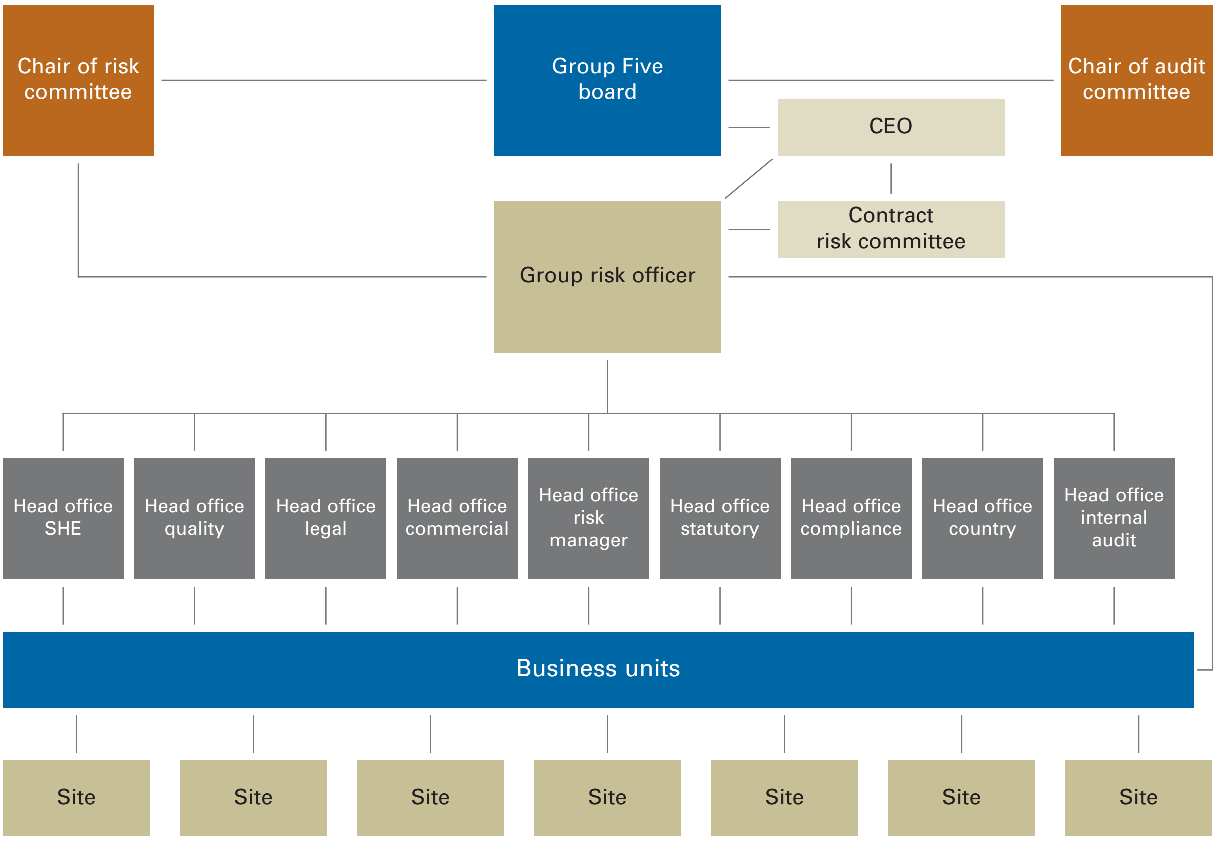
Risk assessment – Risks are analysed by considering the impact and likelihood to determine how they should be managed. Risks are assessed on an inherent and a residual basis.

Risk response – Management selects risk responses, such as avoiding, accepting, reducing or sharing risk in developing a set of actions to align risks with the group's risk tolerances and risk appetite.

Control activities – Policies and procedures are established and implemented to help ensure that the risk responses are effectively carried out.

Information and communication – Relevant information is identified, captured and communicated in a form and timeframe that allow people to carry out their responsibilities.

GROUP RISK DEPARTMENT REPORTING AND SUPPORT MATRIX



STRATEGIC PRINCIPLES (CONTINUED)

Roles and responsibilities

Everyone in the group has some responsibility for risk management. Management and employees support the group's risk management philosophy, promote compliance and manage risks within their spheres of responsibility, within pre-determined risk tolerances.

Board of directors

The board of directors provides an important oversight to risk management. It is aware of, and concurs with, the group's risk appetite. More specifically:

- The board knows the extent of management's effective risk management in the group
- It is aware of, and concurs with, the group's risk appetite
- It reviews the portfolio view of risk and considers it against the risk appetite
- It is informed of the most significant risks facing the group and whether management is responding appropriately

Group risk officer

- The primary role of this function is to act as the line managers' coach. The risk officer assists them in implementing the risk management architecture and works with them on an ongoing basis to ensure that the risk management architecture is suitably reviewed and updated regularly to address new elements of risk in the group
- The group risk officer monitors the group's entire risk profile, ensuring that major risks are identified and reported
- He also provides and maintains the risk management infrastructure to assist the board in fulfilling its responsibilities
- He assists in the execution of the risk management process and is ultimately accountable to the board

Management

- The CEO has ultimate executive responsibility for risk management. He ensures the presence of a positive internal environment and that all risk management components are in place
- Senior managers in charge of business disciplines, clusters and business units have responsibility for managing risks related to their business objectives

Everyone in the group has some responsibility for risk management. Business unit site management teams frequently commit themselves to charters of excellence within their spheres of responsibility

Management and employees support the group's risk management philosophy

- Senior managers guide the application of risk management, ensuring application is consistent with the group's risk tolerances
- Each manager is accountable to the next higher level for their portion of risk management, with the CEO ultimately accountable to the board

Other employees

- As stated on the previous page, risk management is an explicit or implicit part of everyone's job description
- Through regular communication, employees understand the need to resist pressure to participate in improper activities. Channels outside normal reporting lines are available to permit reporting in such circumstances

Third parties interacting with the group

Mechanisms – such as the group's anonymous tip-off line – are in place to receive relevant information from parties interacting with the group and to take appropriate action.

- Actions taken after a complaint is lodged include not only addressing the particular situation, but also investigating the underlying source of the problem and fixing it
- For outsourced activities, the management team implements a programme to monitor those activities, such as formalised service level agreements
- Management regularly consider the observations and insights of financial analysts, financial institutions, bond rating agencies and the media to enhance risk management throughout the group

Internal audit

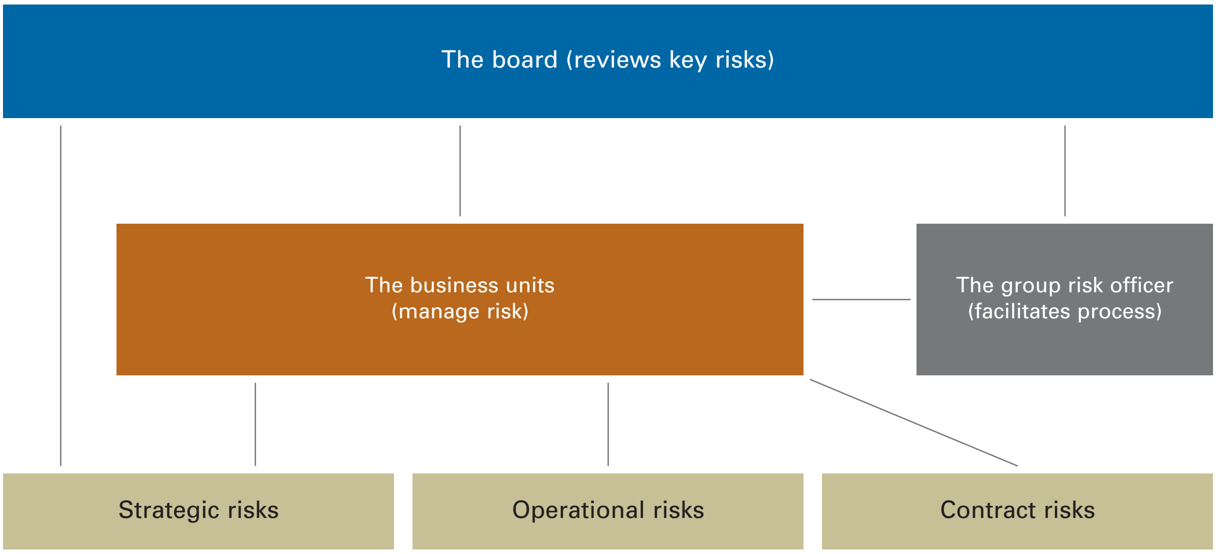
Internal audit does not own the functions, systems and processes of risk management, but assists the board and management in the monitoring of risk management in the group.

- Internal audit also monitors, through its own assurance processes, the progress of business disciplines, clusters and units in managing their risks in co-ordination with the group risk officer

RESPONSIBILITY MATRIX

	RISK TYPE			
	Strategic	Operational	Contract	Compliance
Board	X	X	X	
Board risk committee	X	X	X +R500 million	
Exco	X	X	X	
Manco	X	X		
Business unit MDs	X	X	X	X
Business unit risk management co-ordinator		X	X	X
Business unit directors		X	X	X
Department managers		X	X	X
Internal audit		X	X	X
Group risk officer	X	X	X	X
	Group	Business unit	Site	Functional/ department
	RISK LEVEL			

STRATEGIC PRINCIPLES (CONTINUED)



STRATEGIC RISKS

Strategic risks are the most important risks faced by the group. These include scenarios that would make a material difference to the group's ability to achieve its main objectives or to survive as a business.

These risks differ in magnitude from contract risks or operational risks that generally have more limited impact. Strategic risks are more strongly influenced by people's perceptions and their behaviour. They are more dynamic, uncertain and interconnected and therefore often need to be managed as complex processes rather than isolated events.

Real commitment and leadership are needed to ensure that the management of strategic risks is given the focus and attention it deserves. The board itself takes ownership on an ongoing basis, although the safety, health, risk, environment and quality (SHREQ) committee – through the group risk officer – is responsible for implementation.

Strategic risks, like any other risk, cannot exist in a vacuum. The strategic risks are identified through strategic objectives, as indicated on page 61, and form the basis of how the group identifies risks that could potentially threaten the group.

The identified strategic risks are listed on the next page and colour-coded according to the severity of threat posed to the group, with green being the least severe and red the most severe.

Improving processes to optimise resource utilisation is an objective of strategic risk

Strategic risks are the most important risks faced by the group. These include scenarios that would make a material difference to the group's ability to achieve its main objectives or to survive as a business.

DELIVERING AGAINST STRATEGY

Strategic risks

Strategic objectives	Risks
People and leadership	• Poor HR performance • Inadequate succession planning • Ineffective performance measurement and management • Inadequate artisan skills set • Shortage of external skills for employment • Inadequate managing directors and management teams • Poor communication of strategy throughout the group • Inadequately developing people's capability • Non-compliance with EE plan • Ineffective/inconsistent bonus scheme to support strategy • Insufficient understanding of the impact of HIV/AIDS on the business • Lack of quality people retention • Lack of honesty and integrity • Resistance to change by the group and business discipline, cluster and unit leaders • Poor literacy among workers, leading to the prevention of technological advancement and potential for safety problems
Technology	• Inadequate SHE management • Lack of culture of continuous improvement • Lack of integrated systems
Continuous improvement	• Lack of cost competitiveness • Failure to appropriately identify, communicate and control contract risks • Failure to ensure appropriate quality (design and performance)
Organisational structure	• Geographic structures not aligned to sustainable market opportunities
Markets and customers	• Inappropriate marketing strategy to fit group strategy • Not maximising inter-group leverage • Not entering markets successfully • Lack of understanding of legal implications/liability • Inappropriate and inadequate client and partner selection • Poor service delivery

• HIGH RISK • MEDIUM RISK • LOW RISK

STRATEGIC PRINCIPLES (CONTINUED)

Strategic risks (continued)

Strategic objectives	Risks
Markets and customers (continued)	• Risk of overtrading • Inadequate information systems to support business development • Poor customer relationships • Lack of unified face to customers • Non-compliance with numerous complex rules and regulations • Not understanding competitors
Growth	• Lack of financial and other resources to implement strategy • Inability to determine strategy to obtain the correct business • Poor customer selection • Inappropriate country strategy • Inadequate research into establishing new products and services • Not being more pro-active in identifying opportunities • Failure to build relationships with smart contractors • Failing to understand market needs
Market positioning	• Inability to forecast or meet expectations create uncertainty with investors
BEE	• Not being awarded public sector work • Selection of wrong partner
Financial resources	• Lack of appreciation of commercial consequences of decisions by managers • Failure to appropriately manage claims • Inadequate foreign currency management • Lack of sub-contractors/suppliers to support growth • Inadequate and inaccurate management of information to make informed decisions • Threat of imports in Manufacturing business discipline • Ineffective working capital management (forecasting) • Lack of independence of financial managers at business unit level • Inadequate credit risk management • Threat of asbestos claims

• HIGH RISK • MEDIUM RISK • LOW RISK

OPERATIONAL RISKS

These are risks falling between the high-level strategic threats to the group (and business disciplines, clusters and units) and those that are contract specific.

For the most part, these risks affect, and are managed by, the operating business units across the group. Due to the diverse nature of Group Five's operations, these risks can vary significantly between business units. However, with a shortage of resources (both human and materials) threatening South Africa, certain operational risks are common to all business units.

A list of operational risks is highlighted below.

Operational risks

Strategic objectives	Risks
People and leadership	• Inability to retain key staff (high) • Weak HR management (low) • Insufficient training (low) • Poor performance management (low) • Inability to recruit sufficient numbers of talented staff (high) • Shortage of key skills (high) • Resource shortage, unrealistic remuneration (high) • Ineffective talent management (medium)
Technology	• Inadequate contract information (medium) • Size of infrastructure spending anticipated will provide incentives to new competitors (medium)
Continuous improvement	• Loss-making business units (low) • Poor procurement planning (low) • Insufficient security of key supplies (medium) • Delay in major contracts (medium) • Weak commercial management (low) • Inadequate commercial management (medium)
Organisational structure	• Director capacity (medium)
Markets and customers	• Erosion of market share by foreign competition (low) • Inadequate CRM (low) • Sub-contractor and supplier capacities (low) • Insufficient market capacity (high) • Under-developed strategic sub-contractor alliances (medium) • Material shortages (high) • Volatile or increasing commodity prices (high) • Government constraints in delivering PPPs and mega contracts (medium) • Access to government funds and the impact of large budgetary allocations to infrastructure (medium)
Growth	• Failure to attract shareholder support (low)
Market positioning	Not applicable

• HIGH RISK • MEDIUM RISK • LOW RISK

STRATEGIC PRINCIPLES (CONTINUED)

Operational risks (continued)

Strategic objectives	Risks
BEE	• EE – lack of transformation • Lack of alignment between current BEE structure and prevailing charter
Financial resources	• Prevailing low-margins • Cash flow management • Overhead to turnover ratio • Financial constraints within Group Five – high development costs • Lack of policy on group internal debtors

• HIGH RISK • MEDIUM RISK • LOW RISK

CONTRACT RISK

Risk is inherent in all contracts, regardless of size and complexity. Risk management is a systematic way of identifying, assessing and managing contract uncertainties. The key to successful risk management is early planning, unbiased assessments and aggressive execution.

Contract risk management is undertaken to ensure that each risk identified within the contract environment is documented, escalated and mitigated, as appropriate. Risks are defined as "any event which is likely to adversely affect the ability of the contract to achieve the defined objectives, such as cost, deadline and quality".

Material shortages can impact adversely on a contract

The group has successfully empowered itself through deals with BEE partners

Risk management is undertaken on contracts through the implementation of five key processes:

- The identification of contract risks
- The logging and prioritising of contract risks
- The identification of risk mitigating actions
- The assignment and monitoring of risk mitigating actions
- The closure of contract risks

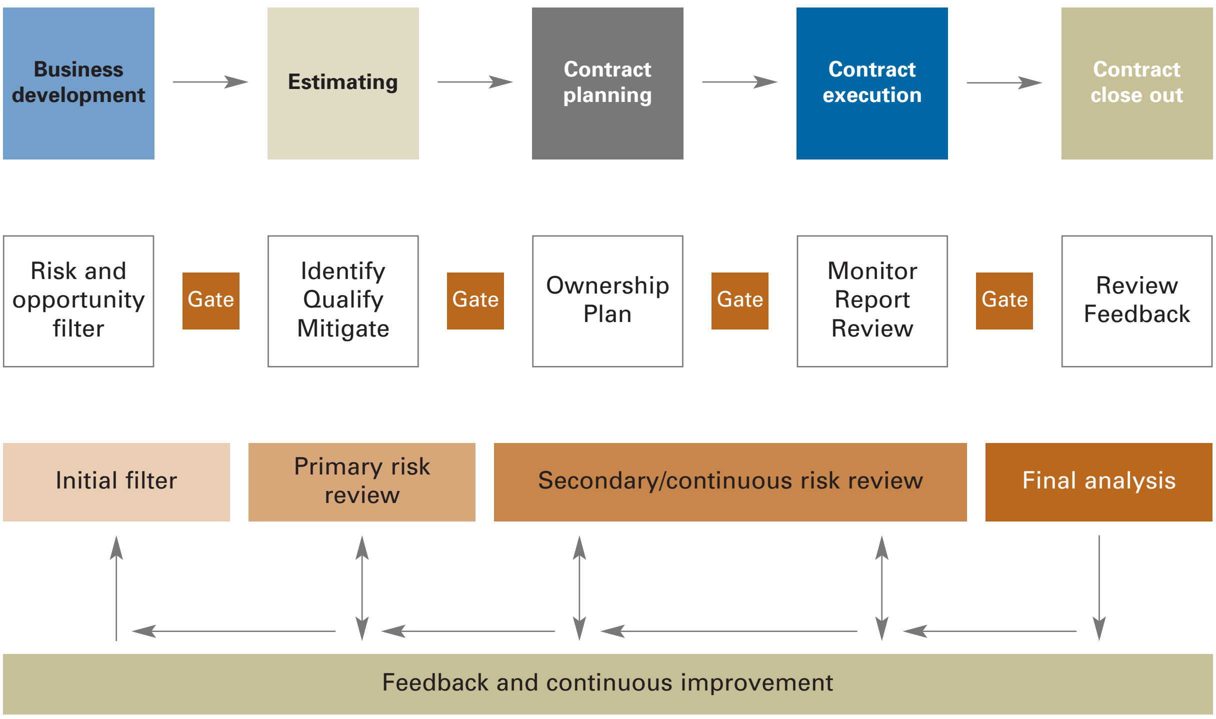
A risk strategy outlines the potential contract risks and provides a set of actions to be taken to prevent the risks from occurring and reducing the likely impact. More specifically, the plan includes:

- A full list of all the foreseeable risks during the contract
- A rating of the likelihood of risks occurring
- A rating/valuation of the impact on the contract if each risk occurs
- A priority rating of the overall importance of each risk
- A set of preventive actions to reduce the likelihood of the risks occurring
- A set of contingent actions to reduce the impact if the risk should happen
- A process for managing risks throughout the contract

The risk strategy for each contract is documented as early as possible in the contract during the planning phase. The plan is put in place prior to the execution phase to ensure that any risks identified are addressed during the execution phase itself. The contract risk management process is only terminated when the execution phase of the contract is completed (for example, just prior to contract closure).

The diagram below illustrates the group's contract risk lifecycle process, demonstrating the various stages of risk management throughout the life of any given contract.

CONTRACT RISK LIFECYCLE



STRATEGIC PRINCIPLES (CONTINUED)

A high level indication of management's responses to the risks affecting the nine strategic objectives can be found below. Each business discipline, cluster and unit develops specific controls and processes to manage these.

Risk	Management's response
People and leadership	The group undertakes multiple training and development initiatives combined with a rigorous and ongoing recruitment initiative
Technology	The group continuously investigates and adopts, when appropriate, improved technology, particularly in the area of IT, construction, plant and manufacturing technology
Continuous improvement	Six Sigma is employed throughout the group to design and/or improve processes and procedures
Organisational structure	A country framework has been established. Key regions have been identified and specialist country managers appointed
Markets and customers	The group implemented a country risk management structure and ensures a balanced operational footprint
Growth	Group Five ensures geographic and business diversity
Market positioning	The group has implemented a focused branding campaign and continuously develops strategic partnerships with key customers
BEE	The group has successfully empowered itself through the ownership deal with Mvelaphanda and iLima and continues to drive empowerment through employment equity, procurement and enterprise development
Financial resources	The group continuously evaluates its financial capacity, such as its debt structure, debt guarantees, cash and working capital

RISK MANAGEMENT SYSTEM OVERVIEW

It is Group Five's objective to implement a world-class risk management framework and system – the STARS system – throughout the group to ensure that risks are formally:

- Identified and assessed
- Monitored, managed and mitigated
- Reviewed and reported

The new system will provide Group Five with a formal documented approach to identify, record and rank risk on a strategic, operational and contract level, as well as tracking and reviewing risks on an ongoing real-time basis in a systematic manner in contrast to the manual processes currently in place.

The STARS system has the following capabilities:

- Identification and assessment (timeous data gathering)
  - Create customised forms to identify and assess any business risk through timeous data collection
- Monitor, manage and mitigate (record and report)
  - Enter, track and investigate incidents/risks of any type
  - Workflow and notifications ensure managers are aware of incidents and risks
- Review and report (pro-active action planning)
  - Track recommendations and corrective actions derived from assessments
  - Import recommendations into the system from third parties, consultants and other groups within Group Five
  - Flag and escalate email notifications to ensure timely follow-up

A phased approach will be followed during the implementation of the system within Group Five.

A pilot implementation will be done, which will include the following modules:

- Group strategic risk register
- Business unit/operational risk register
- Functional (support services) risk register

Contract risk management – best practice project

As part of the group's drive towards best practice, Group Five became a member of the Engineering and Construction Risk Institute. This institute is made up of more than 30 global construction companies and strives to institutionalise sound risk management in the engineering and construction industry globally. This is aimed at improving performance and predictability of construction contracts, enhancing the long term health of the engineering and construction community and the value to its clients and other stakeholders.

Much of the Engineering and Construction Risk Institute's work is accomplished by international teams of experts from the participating companies, of which Group Five is one.

Recently, a set of benchmark best practices was released by the Institute. Group Five will systematically adopt these processes over the forthcoming year. The areas covered are summarised below:

- **Risk financing:** To list the methods of securitisation of a contract with a recommended management approach associated with the requirements of a typical engineering and construction contract. In addition, supplementing the major insurance issues potentially required in the execution of an engineering and construction contract
- **Change management:** To emphasise that change during contract execution has a major impact on the contract's risk profile. It outlines the sources of new risks and outlines potential remedies available through the contract, commercial terms and contract execution methods

STRATEGIC PRINCIPLES (CONTINUED)

- **Risk quantification:** To meet the requirement that the risk profile of the uncompleted work is reassessed periodically throughout the contract lifecycle. The practice suggests contract lifecycle milestones for reviewing the contract risk profile
- **Joint ventures:** To address contract-specific joint ventures dedicated to a single contract or group of contracts. A document is produced to improve the group's capabilities in the development of joint ventures and the execution of the corresponding work, while maximising the benefits of the arrangement and minimising its risk
- **Risk management best practices:** To set a framework for the risk management process. It denotes 13 requirements that should be met to qualify as a best practice process. Although all these requirements are not mandatory, each should be considered. Justification is essential should the group decide not to conform
- **Project finance/development:** To list risks that may arise because of the requirements of third party financing and suggest potential remedies
- **Contract terms and conditions:** To list issues within the contract which, if properly drafted, assist the contractor's project management team to perform effectively
- **Risk based audit:** To develop an audit process that provides reasonable assurance to the board/management that there are appropriate control procedures in place for construction contracts and that these procedures are being followed

These standards will be incorporated into the group's revised contract lifecycle, ensuring that risk management is practised throughout the cycle of a contract. Revisiting all core processes within the contract lifecycle is about to commence with the assistance of the group's Six Sigma team. This will enable the risk lifecycle and the contract lifecycle to become a single process. Refer to page 47 for a Six Sigma update.

In addition to this, a manual is being developed that will be available on the intranet, encompassing all aspects of risk management within the group. It will cover everything from the philosophy and structure to specific issues such as SHEQ, legal, strategic, operational and contract risks.

- Contract risk assessment and reporting
- Country risk evaluation
- Site audit checklist
- SHE risk register and audit
- Legal compliance audit

Any additional modules identified and required during the pilot phase will be assessed and implemented after the pilot implementation.

Two workstreams have been identified during the analysis phase of the pilot project, namely:

- **Strategic risk registers**

  A risk identification diagnostic (Risk Focus) will be used to re-identify and re-assess risks within Group Five. Risk Focus is a questionnaire that consists of more than a 100 risk scenarios. Workshops and interviews will be conducted where all relevant stakeholders will be given the opportunity to complete the questionnaire. The output of Risk Focus will be used to design appropriate data collection mechanisms and action plans within the STARS system to identify, assess and monitor risks on a real-time basis.

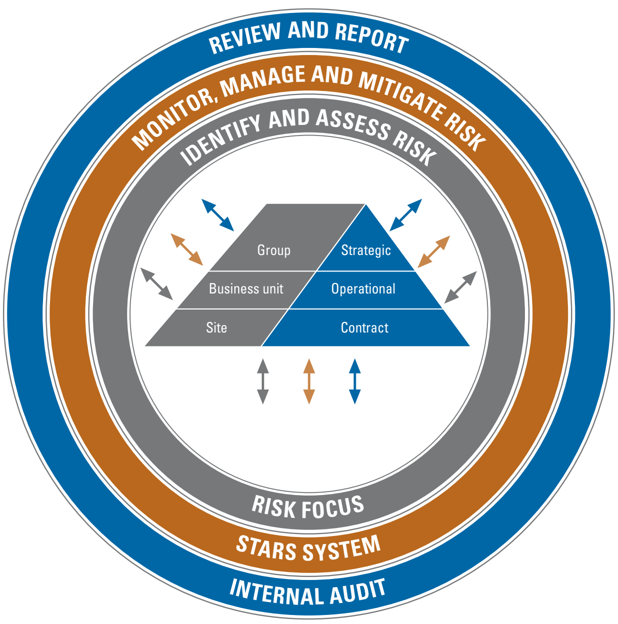
- **Contract risk assessment and reporting**

  Current risk evaluation questionnaires and checklists will be converted into electronic questionnaires within the STARS system. The data collection mechanisms, final output requirements and reporting formats will be identified and developed within the STARS system. Action plans and consolidated reports will be produced from the system to ensure that risks are monitored, managed and mitigated on a real-time basis.

The general benefit of implementing this system and approach will be:

- Greater structure and diligence in the way risk-related data is gathered, categorised and reported, which should yield the following additional business impacts:
  - Reduce the risk of accidents, resulting in saved lives and money
  - Reduction and elimination of loss-making contracts
  - Reduction in penalties
  - Risk-based internal audits
- A certain level of competitive advantage, such as better risk management that lowers the probability of business failures
- Lower total cost of risk, such as the costs involved in securing the following:
  - The cost of securing business continuity (for example, minimal downtimes)
  - The cost of reducing slippage and wastage
  - The cost of forecasting and actioning foreseeable risk exposures
  - The cost of insurance claims made each year, resulting in lower premiums
  - The cost of securing guarantees and loans that are based on business confidence
  - The cost of securing shareholder and stakeholder confidence

In conclusion, the system meets Group Five's requirements and will enable risk management and monitoring on a continuous basis and will be implemented during the course of the forthcoming year.



STRATEGIC PRINCIPLES (CONTINUED)

COUNTRY RISK MANAGEMENT

Purpose and approach

The main purpose of the country risk management function is to assist business disciplines, clusters, units and the group to manage non-operational risks inherent in over-border contracts and to ensure compliance in each country.

The country risk team consists of a group country risk director, a group international accountant, a group international treasurer and a number of country managers responsible for countries where the group is active.

The strategy of the country risk management function is to:

- Determine the compliance status of each entity per country
  - The country managers perform a review that covers all the relevant areas
- Address issues identified as part of the review
- Monitor compliance on an ongoing basis

  This is achieved through:
  - The maintenance of a compliance database
  - Monthly reporting by country managers on all relevant areas
  - Establishment of appropriate boards of directors per entity and conducting regular board meetings
  - Regular over-border tax and legal reviews by the risk department
- Be involved in the pre-contracting phase of contracts

  This entails:
  - Devising a strategy for investment in Africa and the Middle East, based on economic prospects, country risks and other relevant factors
  - Evaluating political, economic, operational, tax, legal and security risks in countries where specific opportunities have been identified
  - Researching and advising business units on the appropriate legal entity to be used for tendering and contracting purposes
  - Advising on taxes and other relevant costs to be included in tender prices
  - Advising on the tax-efficient structuring of contracts
  - The ongoing monitoring of the implementation of the above

Country risk management assists business disciplines to manage risks inherent in over-border contracts

The strategy of the country risk management function is to determine the compliance status of each country

- Execute specific special projects

  Areas covered include:

  – Financial tracking of results per entity in relevant countries

  – Compliance with local record-keeping requirements

  – Compliance with local taxes (income tax, VAT, payroll taxes, withholding tax, other taxes and levies)

  – Compliance with local statutory requirements (financial statements, statutory reporting)

  – Compliance with local licence and registration requirements (such as construction/business licences)

- Legal terms of contracts

The approach to be adopted to achieve this objective revolves around two focus areas:

- Collating and making available accurate, up-to-date information regarding doing business in relevant countries to identify risk areas and enable the group and business units to make informed decisions and to ensure that all relevant parties are aware of compliance requirements

- Regular review of implementation and compliance

COUNTRY RISK DATABASE

A country risk database has been established on the Group Five intranet, and contains:

- Links to websites with country information
- Links to the risk filter and procedures
- A complete section on country risk, containing:

  – A downloadable risk report, commenting on political, economic, tax, legal, operational and security risks, as well as allocating a risk rating per category

  – A tax, legal and regulatory environment document containing detailed information on the relevant tax and other compliance requirements per country

  – A structuring sheet summarising registration and licence requirements and relevant taxes, identifying the most appropriate entity for

Showing its commitment to SHEQ issues, the Building operation holds an ongoing safety competition with a floating trophy presented quarterly. Sandhurst Towers in Sandton has won the trophy four times running

purposes of tendering in the specific country and highlighting tax-saving opportunities

  – A labour regulatory environment document, addressing social security, medical aid, UIF and other requirements, safety rules and labour legislation

SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ)

Group Five represents a diverse range of individual business disciplines, clusters and units in the construction, manufacturing and services industries. These businesses are responsible for the day-to-day running of their operations and safety, health and environmental issues. Each business unit reports to the central corporate office where SHEQ data is captured and consolidated for executive management and the board.

The main purpose of the country risk management function is to assist the group to manage non-operational risks inherent in over-border contracts and to ensure compliance in each country.

STRATEGIC PRINCIPLES (CONTINUED)

A corporate level policy is available and every business unit is encouraged to prepare a policy relevant to their requirements. To fulfil the objectives of Group Five, the group is committed to actively promote an effective programme to minimise risks to the health and safety of all employees and any negative impact on the natural environment.

A comprehensive SHEQ report can be found on page 231.

FINANCIAL INSTRUMENT RISK

To ensure that financial risks associated with financial instruments the group is exposed to, both off and on balance sheet, are managed effectively, Group Five has established a comprehensive set of policies and procedures that are available on the group's intranet.

Financial risk is defined as the volatility relating to unexpected outcomes as a result of exposure to the

The group represents a synergistic range of individual business disciplines

Business units report to a central corporate office

Business units are encouraged to prepare policies relevant to their requirements

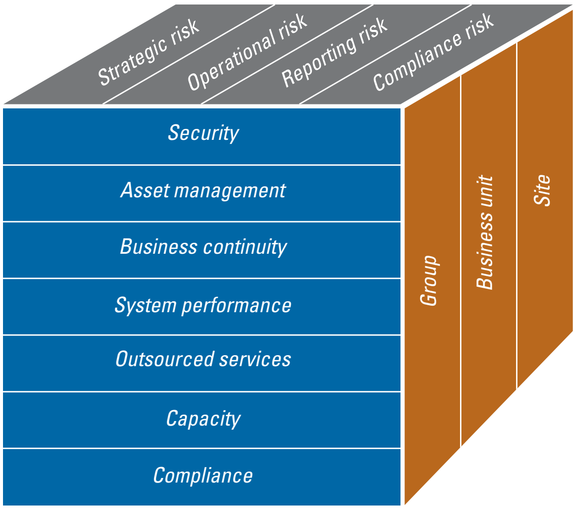
Negative impact to the environment is minimised on all sites change in the value of financial assets and financial liabilities. The four major areas of financial risk currently affecting Group Five are defined as:

- **Currency risk:** the risk that the value of a financial instrument or proposed financial transaction will fluctuate due to changes in foreign exchange rates
- **Interest rate risk:** the risk that the value of a financial instrument will fluctuate due to changes in market interest rates
- **Credit risk:** the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss
- **Liquidity risk:** the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments

Areas of financial risk are currency, interest rates, credit and liquidity risk

INFORMATION TECHNOLOGY (IT)

IT operates within the following risk framework:



All aspects of the framework have been considered as part of the IT department's risk review. The more material risks include the areas of business continuity and disaster recovery, outsourced services, capacity and compliance. These risks are managed as follows:

- Business continuity and disaster recovery risk
  - A fully operational business continuity centre is available for use in the event of a lengthy interruption at a business unit
  - The centre caters for all critical applications throughout the group
  - An outsourced IT disaster recovery site is available through multiple communication links. Should a link fail, communication may be rerouted at short notice
  - All server data is backed up on a daily basis
  - The backed-up data is stored in a fire-proof safe at the disaster recovery site
- Outsourced services risk
  - The operational support and maintenance of systems are outsourced to a third party. The relationship is managed through a service level agreement. Daily audits are conducted to ensure compliance with the service level agreement

STRATEGIC PRINCIPLES (CONTINUED)

In respect of physical construction risks, the group purchases contract works insurance in line with the risk and responsibility clauses within the specific contract conditions

- Capacity risk
  - Hardware capacity needs are formally assessed every year. The percentage utilisation of current resources against plans are monitored and where appropriate, additional resources are acquired
  - IT staff resource plans are also determined annually with consideration of the various planned initiatives. Where suitable skills are not available in the open market, intensive internal training programmes have been developed
- Compliance risk
  - Policies and procedures are in place for all critical processes and are readily available through the group portal. The group is currently focused on achieving compliance in terms of the ISO 17799 (security) and ISO 15489 (data) frameworks.

INSURANCE

Considering the inherent risks facing a large multi-disciplinary organisation such as Group Five, management have always deemed it prudent to transfer a certain amount of risk to reputable insurance organisations.

In line with sound risk management, Group Five only depends on its insurers for protection against losses that are, for the most part, catastrophic in nature.

In respect of the physical construction risks, the group only purchases contract works insurance in line with the risk and responsibility clauses within the specific contract conditions.

Aside from the physical risks associated with contract works, the group also purchases a broad form liability programme that is inclusive of professional indemnity for errors and omissions in design by Group Five and/or its sub-contractors.

Group Five continuously benchmarks the limits of indemnity purchased against both local and international construction companies.

The group is aware that its skills base is critical to the group's continued success. In line with the group's commitment to employees, Group Five annually reviews insurance cover relating to disability following injury, medical evacuation and medical aid for expatriates working outside South Africa. The group is committed to providing employee benefits that attract qualified employees. The group is currently looking at introducing additional benefits to group life products that will provide a social benefit to beneficiaries.

Group Five combines its assets, plant and motor fleet insurance into one programme, underwritten by one of South Africa's leading insurance companies.

Group Five has, through increased focus and risk management, been able to reduce the number and quantum of claims under the majority of insurance classes. This has seen premium spend remain constant over the past three years, even though Group Five's turnover has increased by over 100% over the corresponding period.

Assets – all risks

Type of cover provided
Group Five has all risk insurance for property, machinery, site offices and contents, stock in trade, as well as business interruption insurance for the Manufacturing business units.

Year of insurance	Number of claims	Net claim value as a percentage of premium paid
F2005	41	340
F2006	24	90
F2007	18	0
Total	**83**	**137**

As anticipated, the disposal of some of the Manufacturing business units in F2006 resulted in an improvement in the current year's claims experience and the group anticipates that this trend will continue.

The quantum related to the claims experience for F2005 was as a result of an incident at a supplier's premises which resulted in increased cost of working. The large claim for F2006 resulted from a sub-contractor causing a disruption to power supply, which resulted in a loss of profit.

Over the past three years, the Construction business units have improved their claims experience through effective risk management, which has resulted in a reduction in petty repetitive claims.

Plant – all risks

Type of cover
This insurance covers all plant and equipment (excluding motor vehicles) owned, hired or leased by Group Five where the group is responsible for providing such insurance.

Year of insurance	Number of claims	Net claim value as a percentage of premium paid
F2005	22	0
F2006	19	85
F2007	12	300
Total	**54**	**169**

Until May 2007, this particular class of insurance showed an improvement in both claims incurred and quantum. However, following the collapse of a tower crane on site in Botswana, the claims experience deteriorated considerably.

The cause of the loss is still being investigated by Group Five and the crane manufacturers. It is believed that the incident may have been caused by a mechanical failure, as operator error was ruled out.

Due to the size and circumstances of the loss, it cannot be concluded that the increase in claims paid percentage will continue in any kind of trend.

Motor

Type of cover
Own damage and third party liability applies to all vehicles owned, leased or hired by Group Five for which the group has the responsibility to insure.

The following table is based on own damage claims only and excludes any claims for damage to third party property:

Year of insurance	Number of claims	Net claim value as a percentage of premium paid
F2005	119	28
F2006	90	10
F2007	52	0
Total	**261**	**16**

The claims experience has improved dramatically over the past two years as a result of the better management of the entire motor fleet through the centralised Plant and Equipment business unit.

The group believes that the current trend will stabilise and claims volumes will continue at their current level.

Group personal accident

Type of cover
This insurance covers employees, not covered by the Workman's Compensation Act, for temporary disability, permanent disability and death due to accidental means. The cover excludes sickness or ill health.

STRATEGIC PRINCIPLES (CONTINUED)

Year of insurance	Number of claims	Net claim value as a percentage of premium paid
F2005	13	631
F2006	17	1 158
F2007	9	76
Total	**39**	**476**

It is impossible to detect a trend in claims for this type of insurance due to the unpredictability of accidents.

In F2007, a significant claim was lodged after the death of an employee flying as a passenger on a commercial airline. In F2006, a senior executive passed away while exercising. In F2005, an employee died as a result of a motorbike accident.

These claims arise from different causes, all of them beyond management's control.

Management, together with the HR team, are currently looking at some alternative methods of insuring this risk.

Fidelity guarantee

Type of cover
This cover provides group insurance in case of theft of money or property by employees. Cover includes losses suffered as a result of collusion between employees and third parties.

Year of insurance	Number of claims	Net claim value as a percentage of premium paid
F2005	0	0
F2006	3	1 110
F2007	0	0
Total	**3**	**284**

Following the claims in F2006 relating to over-border operations, financial policies and procedures were reviewed and tightened.

The group believes that the measures and improvements implemented will result in a lower number of claims.

Professional indemnity

Type of cover
This cover provides insurance for the rectification of damage following errors and omissions in design and detailing by suitably qualified professionals.

The group has had no claims of this nature in the past three years and as such retained significant limits of indemnity and extended cover.

Insurers are aware of the shortage of skilled staff available to the construction industry and the group endeavours to retain the services of experienced consultants as sub-contractors where the group is responsible for design and detailing.

Summary

The group has once again showed that, wherever possible, it has reduced the number of claims as a result of either a change in business practice or through heightened risk awareness and risk management.

The group's insurance brokers confirmed that Group Five's claims experience compares well to industry norms.

INTERNAL AUDIT

Internal audit reports directly to the Group Five board audit committee. The audit committee, together with the SHREQ committee, strives to ensure that:

- The risk strategy reflects the views of the board
- The risk structure is appropriate to support the strategy

Professional indemnity cover provides insurance for the rectification of damage following errors and omissions in design and detailing by suitably qualified professionals. The group has had no claims of this nature in the past three years.

- Adequate controls exist in critical risk areas
- Risk registers are maintained, graded and reviewed from time to time

The board of directors is responsible for the group's systems of financial and operational internal control. To fulfil this responsibility, the executive directors ensure that management maintain accounting records and have developed, and continue to maintain, systems of internal control that are appropriate to the achievement of Group Five's business strategies.

The systems of internal control are designed to provide reasonable, but not absolute, assurance as to the:

- Integrity and reliability of the financial and operational information that is used internally and for public reporting
- Safeguarding, verifying and maintaining assets
- Detection and minimisation of fraud, potential liability, loss and material misstatement
- Compliance with applicable laws, regulations and policies
- Effectiveness of operations

The systems of internal control are based on the requirement that directors and employees maintain the highest ethical standards, as outlined in the group's Code of Ethics, ensuring that business practices are conducted in a manner that, in all reasonable circumstances, is beyond reproach.

The major issues of concern reported by internal audit over the past two years have related primarily to poor site administration and subsequent losses. This is specifically addressed through Six Sigma. Refer to page 47 for further information.

CONCLUSION

In conclusion, it would appear that the culture of pro-active risk management has become entrenched in the group. However, the value of loss-making contracts remains unacceptably high, despite being about 20% less than the previous year. Minimising and eliminating loss-makers will remain a focus for the group in the forthcoming year and trends will be tracked and presented going forward.

A dedicated team ensures compliance with applicable laws, regulations and policies

With the markets continuing to favour the contractor, Group Five's ability to increase margins and price for risk will undoubtedly assist in eliminating losses.

Training employees to fully understand risk management remains a focus area. In conjunction with leading international and local law firms, programmes are being rolled out to enhance the group's understanding and awareness of key risks in the construction industry, particularly in the areas of engineering, procurement and construction (EPC), public private partnerships (PPP), and other large multi-disciplinary contracts.

Delivering on statements

The group believes it is important to show stakeholders how it delivers on the statements made in this report and where the group believes further attention is required. This is set out below:

Delivery

- Adoption of a formal Code of Ethics (implemented in F2004). This code is rigorously enforced throughout the group, included in every induction programme and monitored by employees. Any deviations from it are reported to management directly or through the group's anonymous tip-off line, which is administered by an independent third party. During the year, no significant incidents were reported
- During the year, a formal board evaluation was performed on the board's effectiveness and skills. Areas that require attention include an evaluation of experience and skill
- P Buthelezi was appointed as a non-executive director and chairperson designate. Buthelezi will formally take over as chairperson after the company's annual general meeting in October 2007 when the current chairperson, D Paizes, retires
- Another non-executive director, MSV Gantsho, was appointed to the board, bringing the non-executive members to seven and the executives to one. Four non-executives are independent
- A formal conflict of interest policy was adopted during F2006. During the year, no material conflicts of interest were reported
- An in-house workshop on directors' roles and responsibilities was conducted

CORPORATE GOVERNANCE

"If a country does not have a reputation for strong corporate governance practices, capital will flow elsewhere. If investors are not confident with the level of disclosure, capital will flow elsewhere. If a country opts for lax accounting and reporting standards, capital will flow elsewhere. All enterprises in that country, regardless of how steadfast a particular company's practices may be, will suffer the consequences. Markets must now honour what they perhaps, too often, have failed to recognise. Markets exist by the grace of investors. And it is today's more empowered investors that will determine which companies and which markets will stand the test of time and endure the weight of greater competition. It serves us well to remember that no market has a divine right to investors' capital."

– Arthur Levitt, Former Chairperson of the United States Securities and Exchange Commission –

INTRODUCTION

Group Five believes that corporate governance is the basis for a healthy organisation. It sets the tone as to how an organisation conducts itself, both internally and in the external market.

As a major contributor to not only the South African market, but also to the international environment, the group has always adopted and applied strict governance standards and practices. Group Five seeks to successfully communicate and demonstrate its commitment to judicious corporate governance and quality reporting by checking its governance systems against the principles that characterise good corporate governance. In fact, several of these principles, such as integrity, form part of the company's core values. Group Five also subscribes fully to the principles contained in the Code of Corporate Practices recommended by the King II report on Corporate Governance (King II). In this annual report, it also measures itself against world best practice as set out in the Global Reporting Initiative (GRI) Index. Refer to page 324.

THE BOARD OF DIRECTORS

The board of directors is ultimately responsible for providing effective corporate governance and has to remain impartial. The board advocates an integrated approach to corporate governance towards a wide range of stakeholders by embracing the social, environmental and economic aspects of the company's activities.

The board is composed of executive and non-executive directors – currently one executive and seven non-executive directors, of which four are independent. The positions of the chairperson and CEO are separately held, with a clear division of duties. The names and credentials of the directors in office for the year under review are detailed from pages 80 – 82.

MSV Gantsho was appointed as a non-executive director with effect from 17 November 2006. His appointment is as a result of the group's BEE ownership deal with the iLimaMvela consortium during September 2005. MR Maruma resigned as a member of the board on 26 January 2007. On 17 November 2006, MR Upton was appointed as an executive director following his appointment as group CEO designate. MR Upton took over on 1 April 2007 as CEO from MH Lomas who retired after 10 years as CEO. PS O'Flaherty resigned as Deputy CEO and CFO on 30 June 2007.

Upon their appointment, directors are formally advised of the legislation and regulations relevant to directors of listed companies, which include outlining their roles and responsibilities towards the company and its stakeholders.

To adhere to best practice and the highest standards of business conduct, the board has a charter that sets out the key principles that underpin the governance of the group, including, but not limited, to:

- Board composition
- Duties and responsibilities of the board
- Duties and responsibilities of each member of the board
- Board procedures
- Induction of new directors
- Directors' remuneration

and attended by the business unit senior management

- The audit committee formulated and adopted a policy for the use of external auditors for non-audit purposes

Challenges

The group believes the following areas still require attention:

- With the retirement of CEO MH Lomas and the resignation of Deputy CEO and CFO PS O'Flaherty, the board needs to be strengthened by at least one executive director and the appointment of further independent non-executive directors. The nominations committee is currently following a process of recruiting further new members to the board
- There is a need for a non-executive director with relevant engineering and technical knowledge to provide added input to the executive team
- Non-executive directors need further in-depth orientation into the business and operations of the group. Board workshops and site visits are being planned for the coming financial year
- There is the need for a clear succession plan of the board to avoid gaps when directors resign or retire from the board. It is the intention of the board to appoint the board chairperson as the chairperson of the nominations committee to comply with JSE Listings Requirements and King II

STRATEGIC PRINCIPLES (CONTINUED)

- Dealings in securities
- Board committees and terms of reference
- Board policies

In the year under review, the board and its committees complied, among others, with the following recommendations and requirements of King II and the JSE Listings Requirements:

- A formal board evaluation was performed
- As outlined, another two non-executive directors were appointed to the board
- A conflict of interest policy was adopted
- An in-house workshop on directors' roles and responsibilities was conducted and attended by the business unit senior management
- The audit committee formulated and adopted a policy for the use of external auditors for non-audit purposes

In terms of the company's articles of association, the board holds quarterly meetings and is entitled to hold ad hoc or special meetings, as it deems necessary.

ABRIDGED CVs OF BOARD MEMBERS

Executive directors

MR (Mike) Upton (52) ƒ * #
CEO

BSc Electrical Engineering, Professional Engineer (PR Eng), Business Management diploma (Newcastle, United Kingdom)

- Joined 2002
- Appointed to the board and as CEO in F2007
- Five years at Group Five in multi-disciplinary construction and engineering, with last three years as exco member (Construction)
- Before that, Mike was with NEI, Rolls Royce and ABB where he gained over 20 years' experience in manufacturing, engineering, commercial, marketing and international construction and services

PS (Paul) O'Flaherty (44) ƒ *
Outgoing deputy CEO and CFO
BCom, BAcc, CA(SA)

- Joined the group in 2002 and appointed as CFO in 2003 and deputy CEO in 2007
- Member of the Accounting Practices Committee of the SA Institute of Chartered Accountants
- Previous audit partner at PricewaterhouseCoopers, heading up the Energy and Mining group
- Drives the financial strategy of the group
- Manages group efficiency drives, including HCMS, JD Edwards and Six Sigma

Non-executive directors

D (Dennis) Paizes (71) * # ∆ ∞
Outgoing non-executive chairperson
BCom

- Appointed as a non-executive director in 1996
- Appointed as chairman in 2005
- Previously the MD of Fedsure Asset Management until 1996

P (Philisiwe) Buthelezi
Incoming non-executive chairperson
BA Economics, MSC in Economics (University of Paris, Sorbonne), MBA (UK)

- Appointed as non-executive director in July 2007
- Incoming chairperson, with effect from October 2007
- CEO of the National Empowerment Fund (NEF), tasked with promoting and facilitating economic equality and transformation
- She started her career in London with the investment bank, Banque Nationale de Paris (BNP-Paribas) in 1991
- In 1992 Philisiwe was employed by the SA Reserve Bank and a year later became the first black South African woman to be a corporate dealer at Standard Corporate and Merchant Bank

- Before she joined the NEF in 2005, she was the chief director of black economic empowerment at the Department of Trade and Industry (dti) and from 1997 – 2002 she was the regional director for Europe for the dti

Baroness L (Lynda) Chalker of Wallasey (65) * # ∞ ● ø
Independent non-executive director

- Appointed 2001
- Independent advisor to the World Bank
- UK member of parliament for Wallasey between 1972 and 1992
- UK government minister for 18 consecutive years (Minister of State for Transport, Minister of State for Africa, Foreign and Commonwealth office, Minister for Overseas Development)
- Director of various listed and unlisted foreign companies

WV (Vusi) Mavimbela (52) * ∆
Non-executive director
BSc

- Appointed 2006
- Executive director for business strategy with Mvelaphanda
- Held various government leadership positions, including political adviser and special adviser on intelligence and security matters for the office of the then deputy president, Thabo Mbeki
- Extensive knowledge and an in-depth understanding of developments on the African continent

SG (Stuart) Morris (61) * # ∆ ∞
Independent non-executive director
BCom, CA(SA)

- Appointed 2005
- Practised at KPMG South Africa for over 30 years where he was the chairman of KPMG Africa and a member of the KPMG international board and exco
- After KPMG, he became group FD of Nedbank and, following Nedbank's merger with BoE, had exco responsibility for finance, risk, tax, human resources and management services
- Non-executive director and chairman of the audit committees of City Lodge Holdings, Global Forest Products, Mwana Africa plc and Zurich Insurance Company (South Africa)

KK (Kalaa) Mpinga (46) * # ∞ ● ◊
Independent non-executive director
BSc in Agricultural Economics and MSc in International Agricultural Development

- Appointed 2002
- Kalaa worked for Bechtel Corporation in San Francisco before joining the LTA Group, a subsidiary of Anglo American in 1991
- In 1995 he joined the new mining business division of Anglo American, responsible for exploration and the acquisition of resources in Africa
- In 1997, he was appointed as an alternate director of Anglo American of South Africa
- He left Anglo American in December 2001 to pursue business opportunities in mining, founding Mwana Africa Holdings in 2003. Mwana Africa has since listed on AIM
- He is a non-executive director of GijimaAst, a Johannesburg listed IT company

Dr MSV (Mandla) Gantsho (45) #
Non-executive director
PhD, MSc (USA), BCom Hons, CA(SA)

- Appointed 2006
- Mandla joined the African Development Bank in 2006 as a vice president responsible for infrastructure, private sector, water and sanitation, NEPAD, regional integration and trade
- Before African Bank, Dr Gantsho worked for Mobil Oil, IFC, the private sector arm of the World Bank, and the Development Bank of Southern Africa

STRATEGIC PRINCIPLES (CONTINUED)

Company secretary

NB (Nosisa) Kekana (34)

Company secretary

BJuris, LLB

- Joined 2006
- Completed her articles of clerkship with XM Petse Incorporated, Umtata
- Admitted as an attorney in 1997
- Continued with XM Petse Incorporated as a professional assistant
- Moved to Johannesburg in 1998 and was employed as an associate by Chuene Kwinana Motsatse in their commercial and litigation department
- Nosisa was a consultant with the iLima group in 2005 when she obtained a Higher Diploma in company law at the University of the Witwatersrand

* SHREQ committee	ƒ Executive committee	# Audit committee	∞ Nominations committee
• CSI committee	† Management committee	Δ Remuneration committee	ø British ◊ Congolese

Attendance register – quarterly board meetings

	7 August 2006	Ad hoc 6 November 2006	15 November 2006	15 February 2007	23 May 2007
Executive directors					
MH Lomas*	√	√	√	√	n/a
PS O'Flaherty	√	√	√	√	√
MR Upton**	n/a	n/a	√(by inv)	√	√
Non-executive directors					
D Paizes (Chairperson)	√	√	√	√	√
L Chalker	√	√	√	√	√
KK Mpinga	√	√	√	√	√
SG Morris	√	√	√	√	√
MR Maruma***	x	√	√	n/a	n/a
WV Mavimbela	√	√	√	√	√
MSV Gantsho****	n/a	n/a	n/a	√	x

* *Retired at the end of March 2007*

** *Appointed CEO designate in November 2006. Assumed CEO role in April 2007*

*** *Resigned in January 2007*

**** *Appointed November 2006*

CODE OF ETHICS

King II states that companies should demonstrate their commitment to organisational integrity by formulating and adopting its standards in a code of ethics. The group implemented its Code of Ethics in F2004. It is available to all its stakeholders, including its employees and customers. The group's Code of Ethics is designed to promote:

- Honest and ethical behaviour
- Compliance with applicable government rules and regulations in all countries of operation
- Prompt internal reporting of violations
- Addressing anti-competitive or unethical actions

In the year under review, no major unethical behaviour was reported to the board.

> The group adopted a formal Code of Ethics in F2004. The code is rigorously enforced. Any transgressions are reported to management or through the group's anonymous tip-off line.

During F2005, the group developed an internal balanced scorecard (refer to page 41) to categorise, focus and prioritise its strategic efforts. Nine focus areas, covering both productivity and growth considerations, were developed. Find below how corporate governance has delivered against these strategic focus areas:

Strategic focus area	Delivery
People and leadership	• The group has a company secretary to ensure the effective implementation of corporate governance issues • The secretary reports to the board • All employees take responsibility for acting according to the group's Code of Ethics, with senior management and country managers throughout the group monitoring any transgressions
Technology	• Project STARS is being implemented, which will develop a group strategic risk register, which includes a self-assessment by each member of the board
Continuous improvement	• A formal board evaluation was done this year to address areas of weakness and to ensure the continuous improvement of the competency of the board
Organisational structure	• A formal Code of Ethics is in place to provide the structure for enforcing a zero tolerance policy toward corruption and unethical behaviour
Markets and customers	• The board approved the implementation of a formalised country manager framework
Growth	• The board approved the purchase of Quarry Cats and Sky Sands. Refer to page 127 and stakeholder toolkit
Market positioning	• The group ensures that communication to all stakeholders is delivered correctly and through the proper channels. As per the JSE Listings Requirements, communication to stakeholders is done through SENS • The group received an IAS award for communications and disclosure. Refer to pages 164 and 166 for more information
BEE	• The group has a black company secretary • Three out of eight board members are black • The incoming chairperson is black
Financial resources	• The board approved the raising of R850 million bonds to fund growth opportunities

STRATEGIC PRINCIPLES (CONTINUED)

CODE OF ETHICS

The Group Five Code of Ethics

Group Five's Code of Ethics relates to our business practices as well as expected conduct towards:

- Our customers
- Our employees
- Our business partners
- Our suppliers
- Our communities
- Our environment

General business principles

- We will generate business through application of knowledge of our markets, timeous delivery of quality products and services and by building sound client relationships
- We will at all times act in good faith in the best interests of the group as a whole. This applies to both external and internal business dealings and working relationships
- We will operate within the laws of South Africa, codes of industry practice and standards laid down by statutory bodies
- We will operate within the laws and custom of any other country where we do business
- We will not resort to bribery in order to further our business interests
- We will keep accurate and reliable records, which fairly reflect all business transactions in keeping with IFRS
- No employee of the group is to pursue any private business interests that will conflict with those of Group Five either by way of competition or diverting attention from the business of the group
- We will declare any conflicts of interest that may arise, including employment of family members and any business with related parties
- We will not divulge confidential information about our business without prior approval
- We will act at all times with disregard for any personal ulterior or improper motive such as personal gain

Our customers

- We will be professional in all our business dealings in order to maximise our reputation as the preferred supplier of construction goods and services
- We will meet and exceed our agreed-upon customer requirements
- We will strive to form "hassle free" business relationships with our customers

Our employees

- We will adhere to the group's policies and procedures and apply them fairly throughout the organisation
- We will continue to pursue the group's equity objectives
- All employees will operate within an agreed "framework of authority and operating guidelines"
- We will ensure that our working practices conform to strict SHEQ standards
- We will invest in the development of our employees and performance will be rewarded
- We will act in a professional manner with each other and respect one another's religious, ethnic and cultural backgrounds

Our business partners

- We will maintain professional working relationships with our business partners at the same time as fostering a culture of teamwork

- We will ensure that all our business partners fully understand our performance standards and requirements
- In keeping with international practice, agents may be appointed by the group in order to assist in country establishment and work procurement

All agents, partners and commercial agreements pertaining thereto must be approved by the group exco.

Our suppliers

- We will maintain professional working relationships with all our suppliers
- We will ensure that our suppliers understand our performance standards and requirements
- We will not divulge confidential information to our suppliers about our business strategies

Our communities

- We will consult with the communities where we operate on matters that may affect them
- We will respect the values, culture and beliefs of the communities in which we operate

Our environment

- We will respect and care for all life (people, animals and plants)
- We will educate all staff on environmental issues
- We will protect soil, water and air from damage through our operations as best we can. We will rehabilitate what we can
- We will control emissions from our operations and will manage waste disposal under strict constraints

The application of our Code of Ethics

In a work environment where the achievement of an organisation's goals depends on the combined efforts of all its people, it is imperative that all employees abide by a code of behaviour which is supportive of the organisation's objectives. It is therefore important that we uphold our Code of Ethics through proper behaviour in the workplace and that we apply ourselves diligently to our jobs.

In asking ourselves if our behaviour is ethical we should answer the following questions:

- Is it possibly illegal what I am doing?
- Is it dishonest what I am doing?
- Does what I am doing conflict with our Code of Ethics?
- Could other people in our organisation view what I am doing negatively and take offence?

If the answer to any of the above questions is "Yes" then you should not proceed with your actions. Please discuss with your manager what you want to do in order to see if there is an ethical solution to your problem.

The group has an anonymous whistle blowing line, Tip-Offs Anonymous. The number to call is **0800 00 4811.**

STRATEGIC PRINCIPLES (CONTINUED)

THE COMPANY SECRETARY

The company secretary is appointed by the board. The company secretary is NB Kekana and her statement of compliance is set out on page 256 of the financial statements.

All the members of the board have access to the services of the company secretary, who is responsible to the board for ensuring compliance with procedures and regulations of a statutory nature. All directors are entitled to seek and obtain independent professional advice concerning the affairs of the group at the group's expense, should they believe it would be in the best interest of the group.

The company secretary ensures that, in accordance with the pertinent laws, the proceedings and affairs of the directorate, the group itself and, where appropriate, owners of securities within the group, are properly administered. The company secretary is also responsible for alerting directors of any relevant changes to the Companies Act, the Securities Services Act and the JSE Listings Requirements, as well as any other statutory regulations or laws affecting them in their capacity as directors.

THE BOARD COMMITTEES

To assist the board to pay detailed attention to key areas of its duties and responsibilities, the board has four standing committees – the audit committee, remuneration committee, safety, health, risk, environment and quality (SHREQ) committee and the corporate social investment (CSI) committee. Each of these committees has formal terms of reference, clearly agreed upon reporting procedures and a written scope of authority. The chairpersons of the respective board committees table a report on their activities at every board meeting. Over and above their remuneration as non-executive members of the board, the non-executive members receive remuneration for their membership in committees, subject to attending the scheduled committee meetings. The secretary for each of the board committees is the secretary of the board.

Audit committee

The audit committee provides the board with the means to monitor and reinforce an effective internal control system. The committee consists of five non-executive directors and one executive director. The chairperson of the audit committee is SG Morris. He has adequate qualifications and the requisite financial expertise, as recommended by King II. He is an independent non-executive director. The chief financial officer is not a member of the audit committee, but is invited to attend the committee meetings.

The committee has the authority to:

- Seek information it requires from any company employee, internal and external auditors and any other external party
- Obtain legal or other independent professional advice and investigate any matter falling within its terms of reference, calling on whatever resources and information it considers necessary to carry out its duties
- Meet with external auditors without any executive member of the board in attendance
- Meet with internal auditors without any executive member of the board in attendance

The committee holds at least three meetings per year and among other responsibilities, it is tasked with reviewing the accuracy and reliability of interim and annual financial statements.

Attendance register – audit committee meetings

	4 Aug 2006	12 Feb 2006	22 May 2007
SG Morris (Chairperson)	√	√	√
D Paizes	√	√	√
KK Mpinga	√	√	√
MSV Gantsho*	n/a	n/a	√
MH Lomas	√	√	n/a
MR Upton*	n/a	n/a	√
PS O'Flaherty	√	√	√
L Chalker	√ (by inv)	√ (by inv)	√

** Appointed as directors in November 2006 and appointed to the audit committee in February 2007*

Remuneration committee

The remuneration committee makes recommendations to the board within its terms of reference on the company's framework of executive remuneration and to determine specific packages for executive directors. The group has a formal policy around linking executive compensation and the achievement of objectives. The board sets the objectives, which is communicated to the CEO and exco. A third of executives' short term incentives are linked to the achievement of these objectives.

The committee comprises three non-executive members, with the chairperson being independent. SG Morris was appointed as the chairperson of the committee on 15 February 2007. During the year under review, the board decided that a recommendation for the remuneration of non-executive directors should be tabled before shareholders at the company's annual general meeting for their approval before it can be implemented. None of the non-executive directors were granted share options by the remuneration committee. The committee meets at least twice a year.

Attendance register – remuneration committee

	13 Sept 2006	2 March 2007	12 June 2007
SG Morris (Chairperson)	√	√	√
D Paizes	√	√	x
MR Maruma*	√	n/a	n/a
WV Mavimbela**	n/a	√	√

** Resigned in January 2007*
*** Appointed in February 2007*

Details of emoluments paid for the year ended 30 June 2007

Executive directors

	Salary and car allowance (R'000)		Retirement, medical and other contributions (R'000)		Performance and equity incentives (R'000)		Total (R'000)	
	30 June 2007	30 June 2006	**30 June 2007**	30 June 2006	**30 June 2007**	2006	**2007**	2006
MH Lomas*	**2 092**	2 000	**342**	342	**5 953**	3 625	**8 387**	5 969
PS O'Flaherty	**1 401**	1 112	**275**	238	**3 937**	1 823	**5 613**	3 173
MR Upton**	**973**	–	**180**	–	**554**	–	**1 707**	–
	4 466	3 112	**797**	582	**10 444**	5 448	**15 707**	9 142

** Retired in March 2007*
*** Appointed CEO designate in November 2006. Assumed CEO role in April 2007*

Non-executive directors

Fees, services and expenses	**Total 30 June 2007 (R'000)**	Total 30 June 2006 (R'000)
D Paizes	**375**	300
L Chalker	**400**	565
KK Mpinga	**149**	100
MR Maruma*	**47**	265
SG Morris	**202**	133
WV Mavimbela	**105**	19
MSV Gantsho**	**47**	–
	1 325	1 382

** Resigned in January 2007*
*** Appointed in November 2006*

STRATEGIC PRINCIPLES (CONTINUED)

Non-executive directors' proposed remuneration for F2008

Position	Fee
Main board – chairman	R500 000 per annum
Main board – non-executive director	R120 000 per annum
Audit committee – chairman	R90 000 per annum
Audit committee – member/attendance	R15 000 per meeting
Remuneration/nomination/SHREQ and CSI committee – chairman	R60 000 per annum
Remuneration/nomination/SHREQ and CSI committee – member/attendance	R10 000 per meeting
Extraordinary services – fees	R1 700 per hour

Details of directors' share options

Name of director	Options granted and accepted Opening balance	During the year	Strike price	Options exercised and paid	Options lapsed	Total options granted and accepted Closing balance	Strike price	Options vested Closing balance
2007								
MH Lomas	220 000	–	3,83	(220 000)	–	–	–	–
	200 000	–	12,55	(200 000)	–	–	–	–
	–	400 000	30,44	(400 000)	–	–	–	–
PS O'Flaherty	325 000	–	5,95	(243 750)	–	81 250	5,95	81 250
	125 000	–	12,55	(62 500)	(62 500)	–	–	–
	18 750	–	3,83	(18 750)	–	–	–	–
	43 750	–	3,83	(43 750)	–	–	–	–
	–	400 000	30,44	–	(400 000)	–	–	–
MR Upton	35 000	–	4,42	–	–	35 000	4,42	35 000
	150 000	–	4,42	–	–	150 000	4,42	150 000
	75 000	–	12,55	–	–	75 000	12,55	37 500
	–	400 000	30,44	–	–	400 000	30,44	–
	1 192 500	1 200 000		(1 188 750)	(462 500)	741 250		303 750
2006								
MH Lomas	420 000	–	1,80	(420 000)	–	–	–	–
	100 000	–	1,70	(100 000)	–	–	–	–
	480 000	–	2,38	(480 000)	–	–	–	–
	220 000	–	3,83	–	–	220 000	3,83	220 000
	200 000	–	12,55	–	–	200 000	12,55	–
PS O'Flaherty	325 000	–	5,95	–	–	325 000	5,95	162 500
	125 000	–	12,55	–	–	125 000	12,55	–
	75 000	–	3,83	56 250	–	18 750	3,83	75 000
	175 000	–	3,83	131 250	–	43 750	3,83	175 000
	2 120 000	–		(812 500)	–	870 000		632 500

SHREQ committee

Risk management is the process of identifying and evaluating actual and potential risks as they relate to a company, followed by a procedure of termination, transfer, acceptance or mitigation of each risk. While the board ultimately remains responsible for the managing of risks associated with the business and the markets within which Group Five operates, a primary responsibility of the SHREQ committee is to assist the board in fulfilling its responsibilities by providing a framework for managing risk throughout the group. The group risk officer attends the committee meetings by invitation. SHREQ committee meetings are held at least twice a year. The chairperson of the committee reports to the board and the audit committee in respect of risks relevant to the audit committee's function. The current chairperson of the committee is KK Mpinga, an independent non-executive director.

Attendance register – SHREQ committee

	14 Nov 2006	22 May 2007
KK Mpinga (Chairperson)	√	√
SG Morris	√	√
L Chalker	√	√
SG Morris	√	√
D Paizes	√	√
MH Lomas*	√	n/a
MR Upton	√	√
PS O'Flaherty	√	√
G Mottram**	√	√

** Retired in March 2007*
*** By invitation as group risk officer*

Nomination committee

The main role of the nomination committee is to assist the board in fulfilling its fiduciary responsibilities to ensure that procedures for appointments to the board are formal and transparent. It is the duty of the committee to assist the board with proper succession planning. The members of the committee are all non-executive directors, as recommended by King II and as required by the JSE Listings Requirements. Going forward, it is the intention of the board to appoint the chairperson of the board as the chairperson of the nomination committee. Currently, the chairperson of the committee is KK Mpinga, an independent non-executive director.

Attendance register – nomination committee

	29 March 2006	10 May 2007	12 June 2007
KK Mpinga (Chairperson)	√	√	√
D Paizes	√	√	x
SG Morris	√	√	√
L Chalker	x	√	√

CSI committee

The group aims to be a respected corporate citizen by contributing, within its means, to transformation and development. The CSI committee consists of three non-executive directors and three other members of management within the group. In the year under review and due to his appointment as group CEO, MR Upton resigned from the committee and new members from senior management were appointed to strengthen the committee. The current chairperson of the committee is L Chalker, an independent non-executive director.

Attendance register – CSI committee

	4 August 2006	14 November 2006	12 February 2007	22 May 2007
L Chalker (Chairperson)	√	√	√	√
KK Mpinga	√	√	√	√
MR Upton	√	√	√	n/a
FH Enslin (Management)	n/a	n/a	n/a	√
J Doorasamy (Management)	n/a	n/a	n/a	√
B Oliphant (Management)	√	√	√	√
JA Wallace (Management)	n/a	n/a	n/a	√

STRATEGIC PRINCIPLES (CONTINUED)

BOARD EVALUATION

During the year under review, the board evaluated its performance and effectiveness. The board engaged the services of an independent consultant to formulate a board effectiveness evaluation questionnaire that addressed eight performance standards relating to the board as a whole. Upon completion by each of the directors, the questionnaire was confidentially forwarded to the consultant who tabulated the results.

The outcome of the evaluation identified both areas of strengths and weaknesses, as set out below:

Strengths

- Board agenda and meetings
- Board committees
- Risk management
- Financial and operational reporting
- Compliance

Weaknesses

- An evaluation of experience and skill

The chairperson of the nomination committee has been made aware of the results of the board evaluation and, together with the board, will map a way forward to strengthen the board in the areas of weakness. The nomination committee has started to address the issues that pertain to board composition and have made certain recommendations to the board for the appointment of non-executive directors to address the issues of diversity and skill.

As outlined earlier, the board has already made two new appointments – P Buthelezi as independent non-executive chairperson designate and MSV Gantsho as a non-executive director.

An independent consultant was appointed to evaluate the board's effectiveness

REGULATORY REVIEW

INTRODUCTION

Group Five believes that it is incumbent upon the group to ensure that it complies with all applicable legislative provisions and regulatory authority, as well as general corporate and industry specific codes of good practice and standards.

The group and the board of directors are committed to the application and implementation of all relevant legislative and regulatory provisions that apply to its business, from a central corporate level through to every business unit in the group.

As a listed company, Group Five and its subsidiaries and associated companies are subject to the provisions of the Companies Act, including the Securities Regulation Code, the JSE Listings Requirements, as well as King II in relation to corporate governance. In the general conduct of its business, the group is particularly mindful, inter alia, of the Competition Act, the Promotion of Access to Information Act, the Broad Based Black Economic Empowerment Act, the Prevention and Combating of Corrupt Activities Act and the Public Finance Management Act, as well as applicable labour and fiscal legislation, both locally and in the various international jurisdictions within which the group operates.

RELEVANT PRIMARY REGULATIONS

The construction and related manufacturing and mining industry, in particular, is governed by a host of regulatory provisions, geared toward maintaining industry standards, as well as the safety of workers and the protection of the environment. In this regard, the following legislative provisions and accompanying regulatory frameworks are of particular relevance:

- The Building Standards Act
- The National Housing Act

Delivering on statements

The group believes it is important to demonstrate to stakeholders how it delivers on the statements made in this report and where the group believes further attention is required. This is set out below:

Delivery

- The board has approved the implementation of Project STARS, a risk register that includes a legal compliance programme
- The roll-out of a centralised, focused country manager function for all of the group's over-border operations has started. The role of the country managers is to assist the group in managing risk inherent in over-border contracts and to ensure statutory and legal compliance

STRATEGIC PRINCIPLES (CONTINUED)

Challenges

- The identification of which regulations the group needs to comply with, other than the obvious ones, remains a challenge
  - With Project STARS, the group will be able to identify further regulations and/or laws the group has to comply with and identify risk areas arising from non-compliance
- The construction industry requires the use of many sub-contractors. Large companies often have the resources to comply with legislation, while small emerging contractors struggle. Group Five endeavours to assist smaller sub-contractors to ensure that they comply with the legislated requirements

- The South African National Roads Agency Limited and National Roads Act
- The Minerals and Petroleum Resources Act
- The Occupational Health and Safety Act
- The Mine Health and Safety Act
- The National Water Act
- The Environmental Conservation Act

Compliance from an operational and planning perspective with all aspects of the above-mentioned legislation is a group priority, both from a corporate governance perspective and from a social and environmental responsibility. Numerous programmes are in place to ensure monitoring and compliance with all regulatory standards, as well as ongoing education and training to engender an appreciation and understanding at operational level for the need to ensure compliance and, where possible, to exceed the regulatory standards set.

For example, Group Five is presently targeting and envisages achievement of an international occupational Health and Safety Assessment 18001 (OHSAS 18001 international standard for Health and Safety) for all business units by next year. There is also a strong environmental and rehabilitation focus on the manufacturing and mining activities of Everite and Quarry Cats respectively to ensure careful control and prevention of water and atmospheric pollution, as well as comprehensive rehabilitation where necessary.

The group's operations do not involve any significant pollutants except for the potential of water pollution at Everite. However, this is carefully controlled. At

Group Five believes that compliance to legislation and regulations, as well as codes of industry good practice and standards, is not only recommended, but essential for lawful behaviour and corporate success.

The group has a target to achieve international OHSAS 18001 standards

Everite has a water treatment protocol in place

Permits are obtained for blasting which takes place under controlled conditions

Quarry Cats, dust or air pollution is controlled through water suppression. The construction operations have a minor impact.

None of the group's sites reported any detrimental environmental incidents during the reporting period.

All group operations beyond the borders of South Africa are subject to the careful identification and ongoing monitoring of legislative and regulatory compliance within the applicable jurisdictions, which is reported on a monthly basis to the group risk officer. During the year, the group appointed country managers to ensure compliance with the laws and regulations of those countries. The country managers are responsible to ensure that businesses operate in line with the law on issues such as revenue services, operating and business licences, importation and work permits.

With the objective of ensuring legal and regulatory compliance throughout the group, a legal compliance framework has been drawn up and incorporated into the group's risk system, known as STARS. The framework sets out the following tools to be implemented to strengthen the culture of legal and regulatory compliance throughout the group:

Implementation

- Identifying areas of compliance
- Education/awareness
- Developing measures to prevent violations

Monitoring/sustainability

- Random compliance audits
- Identifying limitations
- Identifying weaknesses
- Recognising and rewarding successes

Evaluation

- Remedial measures
- Improving and updating program

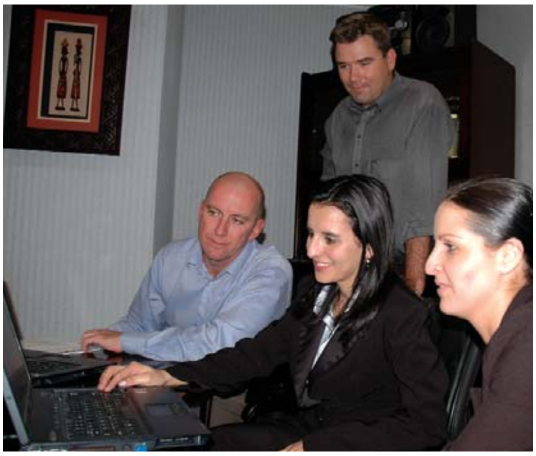
A legal compliance register, consisting of a comprehensive series of interactive questionnaires, is presently being formulated, which is intended to cover all aspects of compliance within key areas of the group's operations, including:

- Business/commercial legislation
- Health and Safety legislation

STRATEGIC PRINCIPLES (CONTINUED)

- Environmental legislation
- Construction, engineering, manufacturing and mining legislation
- Tax and finance
- Corporate governance
- Procurement
- Labour legislation

It is intended that the questionnaires will be completed in each business unit to facilitate centralised assessment through the preparation of quarterly reports, which will include a business unit scoring and ranking feedback mechanism. It is also intended that a consolidated summary of the reporting feedback will be published in the next annual report.



The Project STARS team has drawn up a compliance framework incorporating the group's risk system

Among the tools to be implemented within the framework are health, safety and labour legislation

GROUP FIVE

YEAR UNDER REVIEW

Artist's impression of the lounge at the new King Shaka Airport in KwaZulu-Natal

YEAR UNDER REVIEW

The group had another positive year. The strategic and operational platform laid in previous years remains strong and the group's sustainability has been further demonstrated through the achievement of a solid set of results. Most noteworthy was the group's achievement of its short term goal of breaking through the 5% barrier on operating margin with its delivery of a 5.1% operating margin during the year under review.

KEY POINTS

Chairperson and CEO report

- The group's flexible strategy and holistic approach to risk management has placed it well to deal effectively with an increasingly globalised market
- The group demonstrated the practical efficacy of its strategy by replacing the revenue and margins from the disposal of Vaal and DPI with margin-enhancing businesses in the materials sector
- The group's sustainability has been further demonstrated through the achievement of a solid set of results
  - Group revenue increased by 31%
  - Operating profit increased by 63%
  - Operating margin of 5.1% met the group's short-term objective of breaking through 5%
- The global shortage of the required skills and competencies in the group's areas of operations is the most important challenge to overcome to maximise opportunities
  - During the year, the group spent R18,6 million on skills development programmes

Operating and financial review

- Earnings per share increased by 49%
- Headline earnings per share increased by 47%
- The prior year's numbers have been reported before accounting for the cost of the external BEE ownership transaction expense to ensure effective comparison
- The final dividend of 42 cents per share (2006: 36 cents per share) brings the total dividends for the year to 72 cents per share (2006: 56 cents per share), an increase for the year of 28.6%
- Secured order book of R4,8 million

KEY POINTS (CONTINUED)

INFRASTRUCTURE CONCESSIONS

- The results have been amended to more accurately reflect the operating results of this business
  - Direct costs incurred in pursuing large contracts have been reallocated throughout the group
- Revenue increased by 19.4%
- Operating profit improved by 44.6%
- Operating margin increased from 6.6% to 7.9%

PROPERTY DEVELOPMENTS

- Revenue more than doubled
- Operating profit was maintained at R25,1 million
- As expected, operating margin decreased from 19.8% to a more realistic 8.2%
- The group is currently evaluating the repositioning of its property development portfolio

MANUFACTURING AND CONSTRUCTION MATERIALS

- The group acquired Quarry Cats, and post year-end, Sky Sands to establish its higher-margin Construction Materials business
- Everite continued at full capacity, with the new capacity from S7 coming on line in July 2007
- Pressure on prices continued to affect the Everite business
- However, Everite's revenues and operating margins were maintained at R457,9 million compared to R450,7 million in the prior year and 12.1% compared to 12.6% in F2006
- Quarry Cats performed in line with expectations and achieved operating profit of almost 20%
- Group Five Pipe trebled revenue and operating profits and achieved an operating margin of 17.2%

CONSTRUCTION

- The largest contributor at 83% of revenue continued its strong growth
- Revenue increased by 26.1%
- Operating profit grew by a significant 65.3%
- Operating margin broke through the 3% barrier to 3.7%
- Building and Housing increased revenue by 12%, operating profit by 6.8% and achieved operating margins of 2.7%
- Civil Engineering grew revenue almost 1,5 times, more than doubled operating profit and achieved a 4.2% operating margin
- Engineering Projects increased revenue by 27.2%, more than trebled operating profit and significantly improved operating margin from 2.2% to 5.9%

YEAR UNDER REVIEW

Mike Upton, CEO, and Dennis Paizes, Chairperson

CHAIRPERSON AND CEO REPORT

INTRODUCTION

It is with satisfaction that we are able to report on another very positive year at Group Five. The strategic and operational platform laid by the group in previous years remains strong, as indicated by the content of this year's annual report. Crucially, the group's flexible strategy and holistic approach to risk management sees it well placed to deal effectively with an increasingly globalised market characterised by rapid change and shifting customer demands.

PERFORMANCE

The group's sustainability has been further demonstrated through the achievement of a solid set of results.

Before F2006 restatements, revenue increased by 31% from R5 864 million to R7 689 million and operating profit increased 63% from R240,8 million to R391,6 million. The restatements arose out of the revised IFRS Accounting Standards governing BEE shareholding transactions. Refer to page 276 for more information.

However, most significant is the growth in margins in construction. Increasing margins in this business discipline has been a core focus area for the group, and it is pleasing to report that construction margins grew from 2.8% to 3.7%, while overall group margins grew from 4.1% to 5.1%.

Cash generation from operations for the year of R98,5 million was less than the prior year and reflects the working capital intensity of the revised higher-margin business mix. This was not unexpected and was one of the reasons for issuing the group's corporate bonds. The cash situation is regarded as a once-off switch and the short term target of the group is to be cash neutral in working capital going forward.

The group was able to convert most of its debt during the year under review into long term borrowings through issuing its own bonds at more preferential interest rates – a reflection of Group Five's investment A grade ratings, earned over a period of consistent performance.

The group also demonstrated the practical efficacy of its strategy by replacing the revenue and margins from its disposal of Vaal and DPI in F2006 with highly attractive long term revenues and margin-enhancing businesses in the materials sector through the creation of a new business arm, Construction Materials. The acquisition of Quarry Cats has been completed and that of Sky Sands received competition commission approval in July 2007.

MACRO-ECONOMIC CONTEXT

While South Africa's highly positive recent economic growth rate has obviously been good for business at Group Five, it is clear that this growth requires a steadily compounding increase in skills across all sectors to be sustainable. It is also clear that, in turn, the health and vibrancy of the South African economy as a whole is central to Group Five's performance over the long term.

The construction sector is under particular pressure to dramatically widen its skills base, thanks to the country's general preparations for the 2010 Soccer World Cup and, more significantly, to an increase in the number of national infrastructure contracts planned over the next five to seven years.

Skills development initiatives are supported by 161 Group Five learnership programmes

> The group's sustainability has been further demonstrated through the achievement of a solid set of results.

Group Five views South Africa's skills development agenda as a key macro-economic factor impacting on performance and accordingly, places a strong emphasis on driving skills development within the broad construction and engineering sectors, and internally.

The global shortage of required skills and competencies in the group's areas of operations is the most important challenge to overcome to maximise the opportunities in a very buoyant market. To ensure the group addresses these issues through a focused, long term strategy and not merely in a reactive manner, Group Five created The Group Five Academy (The Academy), during 2006. The Academy delivered both management and technical training throughout 2006 and 2007.

The Academy drives training and development within the group. Group Five's commitment to The Academy, from executive level downwards, is uncompromising and a clear people development priority, with a particular initial focus on the development of project management and senior management skills, has been established.

The spend during the year on skills training and development was R18,6 million, which serviced a total of 2 578 skilled employees, and 3 432 semi-skilled and unskilled staff. These skills development initiatives are supported by 161 Group Five learnership programmes with a value of R3,1 million. Refer to page 210.

The group has also placed significant emphasis on the adoption of a group-wide HR strategy framework. At the heart of this strategy is a focus on ensuring that Group Five manages to secure and retain industry-relevant talent to underpin its existing growth. It is particularly satisfying to note that the group participated successfully in a range of international recruitment drives in the year under review, resulting in the recruitment of 35 engineers of South

YEAR UNDER REVIEW (CONTINUED)

The group participated successfully in a range of international recruitment drives resulting in the recruitment of more than 35 engineers of South African and foreign origin

African and foreign origin. The group's employees increased from 10 234 last year to 13 928 this year. Refer to page 172 for more information on HR.

STRATEGIC OVERVIEW

Group Five has a clear strategy in terms of its areas of activity. The three core revenue streams or business sectors that constitute the group's value proposition as an exceptional provider of integrated infrastructure solutions continue to be defined as:

- Construction
- Investments and Concessions
- Manufacturing and Construction Materials

In honing this strategy, management sees organic growth in construction, investment in new concession opportunities and rationalisation and acquisition of materials businesses as the route to improved margins and sustainable performance.

The delivery model for large contracts has changed in the last few years, as contract resources in both public and private sector organisations do not have the experience or capacity required to meet the demand for infrastructure growth. This is an international phenomenon and requires the construction industry to develop its expertise beyond basic construction to ensure that it can take on larger, more complex contracts – from inception to completion. Group Five identified this opportunity at the beginning of the current construction cycle. It has therefore focused on building on its ability to organise resources across various business units and to deliver multi-disciplinary contracts that include material supply.

During the year under review, Group Five participated in contract delivery opportunities in the mining, power, oil, gas and large buildings sectors. This led to consortiums that were awarded mega contracts exceeding R10 billion for the 2010 Soccer World Cup, port expansions, mining and minerals plants, power contracts and the new Durban airport.

A significant opportunity, which the group believes is currently inadequately addressed by the industry and government alike, exists in PPPs – a mechanism to realise the public infrastructure expenditure mooted by government.

The PPP approach is the most likely route through which effective delivery in the realm of major public infrastructure contracts will be achieved and will be a significant strategic opportunity going forward.

On a more specific operational level, as the group outlined in its 2006 annual report, the group has the following key strategic initiatives:

- **Higher margins** in its core business, particularly Construction
- **Rationalisation of business streams,** particularly in the Manufacturing and Construction Materials discipline
- Organising the group synergies to be able to capture and execute the increasing **size and complexity of contracts**

- Responsible development of the group's **geographic footprint** in Africa, the Middle East and Eastern Europe
- Vigorous attention to **continuous improvement** initiatives and risk management

The focus on **margin improvement** continues to be the group's primary initiative. It has resulted in a more stringent selection of target contracts through enforced criteria, discipline at the bidding stage and early risk profiling. Industry conditions in the past have led to low-margin contracts being entered into, many of which were completed during this financial year, although some will run into F2008.

Migration of resources, physical and financial, into higher-margin opportunities, in particular Civil Engineering and Engineering Projects, will also continue to improve the overall margin and will strengthen the group's ability to **extract synergies across businesses** to provide integrated solutions on mega contracts.

Building and Housing will continue to be core group business areas, with increasing focus on emerging public infrastructure opportunities and margin enhancement through efficiency improvements.

Investment in materials business streams will further contribute to margin growth.

The viability, attractiveness and long term contribution to the group's sustainable growth of current and potential **business streams** will continue to be evaluated, particularly with respect to the Manufacturing and Construction Materials discipline.

The focus on margin improvement continues to be the group's primary initiative. It has resulted in a more stringent selection of target contracts through enforced criteria, discipline at the bidding stage and early risk profiling.

Over the last two years, the group has re-assessed its **geographic spread** and its international structures to direct its resources to the best opportunities. In this regard, Group Five has made a long term strategic commitment to grow operations in the Middle East by replacing its current partnership in Dubai with a new 50/50 joint venture business with partner Al Naboodah, a business with whom the group has had a relationship since 2004.

Regional African operations have been reviewed and a country manager structure established to ensure good governance and discipline in contract/country risk filtering.

Eastern Europe remains a targeted transport concession region where the group continues to build a strong business and track record in its Intertoll business unit.

The rapid growth in opportunities in the construction and materials sector demands that additional capacity be created and that the group continues to invest

Steel pipes are manufactured at the group's pipe factory in Gauteng

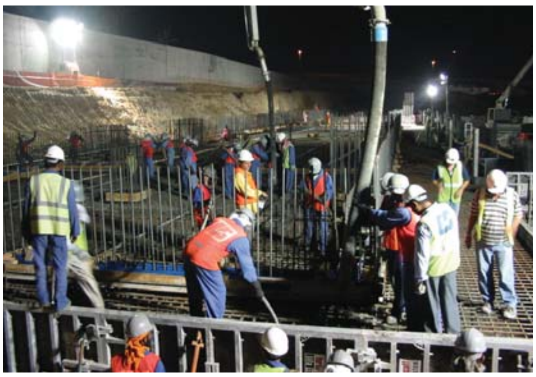
YEAR UNDER REVIEW (CONTINUED)

in supporting infrastructure and driving a culture of performance and **continuous improvement.** In this regard, Six Sigma is now well entrenched in the group and provides the framework for ongoing improvement initiatives. Refer to page 47.

A key achievement for the group during the year was the success it has achieved in marrying its skills development initiatives with its corporate social investment activities and its commitment to the transformation of South African society, internally and within the broader construction and resources sectors. Group Five continues to demonstrate, at a very practical level, how major corporations of the future might set about contributing to the positive evolution of South African society whilst simultaneously gaining market share and maintaining profitability. Refer to page 222.

MANAGEMENT AND BOARD CHANGES

During the course of 2007, CEO Mike Lomas retired and Deputy CEO and CFO Paul O'Flaherty announced his preference to pursue career opportunities outside the group. The transition of the CEO role from Mike Lomas to Mike Upton was planned and executed over a seven-month period. Similarly, the smooth hand-over of Paul O'Flaherty's areas of responsibility



Pouring concrete at the CUC-6 contract, Dubai International Airport

The group has placed significant emphasis on the adoption of a group-wide human resources (HR) strategy framework. At the heart of this strategy is a focus on ensuring that Group Five manages to secure and retain industry-relevant talent to underpin its existing growth.

were executed over a period of three months to ensure continuity during the finalisation of the 2007 year-end results.

The transition in the senior team has provided an opportunity to add new blood to the executive team. In this regard, a number of new appointments to the exco team were made in the year. These appointments are particularly representative of the growing Civil Engineering business and the renewed focus on expanding Group Five's non-construction business disciplines. Refer to pages 20 and 21 of the stakeholder toolkit for the group's full exco and manco team.

In the period ahead, the group will appoint a new CFO and HR director, and further strengthen the exco. The group has a strong management team in place. The team has worked together for the last five years and guided the implementation of the group's current strategy.

At board level, the skills and experience necessary to guide the group in the future have been carefully evaluated. Dennis Paizes has reached retirement age and will be standing down as a director and chairperson at the next annual general meeting in October 2007. Dennis has been a director over the past 11 years and chairperson for two years. His counsel over this period has been invaluable.

Philisiwe Buthelezi was appointed to the board in July 2007. She will take over the chair from Dennis in October. Philisiwe is the CEO of the National

Six Sigma is now well entrenched in the group and provides the framework for ongoing improvement initiatives. To date, 21 green belts and two black belts have been trained

Philisiwe Buthelezi was appointed to the board

A number of awards relating to excellence include the Concrete Society's Fulton commendations for two Civil Engineering contracts

Government infrastructure spend has started to impact positively on the construction sector

Empowerment Fund (NEF), tasked with promoting and facilitating economic equality and transformation. She will greatly add to the board's effectiveness and is welcomed to the Group Five team.

Another new appointment during the period under review was that of Dr Mandla Gantsho as a non-executive director. His appointment is as a result of the group's BEE ownership deal in 2005. We believe he will play an important role in terms of strategic and transformation issues.

Shareholder support through the period of transition has been most encouraging and we look forward to working with the board, the executive team and all stakeholders in the year ahead to deliver value and long term sustainability for the group, its people, customers and business partners.

YEAR UNDER REVIEW (CONTINUED)

PROSPECTS

Government infrastructure spend has started to positively impact the construction sector. In parallel, the resources sectors of minerals and mining, energy and power, transport and water in the sub-Saharan region continue to be very strong. The group's expectation is that government spend will roll out steadily, but more slowly than expected. This may ultimately better suit the capacity of the sector to grow the country's ability to implement large contracts on a sustainable basis.

Looking forward, the group's focus will be on continuing to service the resources sector in territories where Group Five has experience and on contracts that provide an acceptable risk/reward profile.

Significant growth in the industry will also see the emergence of new construction businesses and the group will continue to look for opportunities to encourage and work with emerging contractors to develop industry capacity.

The group's focus will be on continuing to service the infrastructure and resources sector

CONCLUSION

In closing, we thank our fellow directors for the time and effort they have put into their duties to the board. We also express our appreciation to Mike Lomas for his guidance and continued support, to Paul O'Flaherty for his significant contribution to the group's professional administration and performance, and to the executive and management teams for their support during a challenging time of transition, in the industry and within the group.

Looking forward, the group's focus will be on continuing to service the resources sector in territories where Group Five has experience, and on contracts that provide an acceptable risk/reward profile.

Given the strong performance reflected in this report, we thank staff – at all levels of the group – for their continued dedication and commitment to the success of the Group Five business. The results of your efforts are clear for all to see and your work is pivotal to the strong market position the group currently enjoys.

On this note, it is pleasing to point out the number of awards – particularly relating to excellence – we received this year. Refer to page 159 for a full list of these. Thank you to everyone who worked hard to ensure we are recognised externally.

We believe we speak on behalf of everyone working at Group Five when we say we keenly look forward to the future.

Batch plants are integral to the group in terms of supplying cement to construction contracts

GROUP FIVE'S INTEGRATED BUSINESS MODEL

This spread outlines a few contracts to demonstrate how Group Five's businesses work together to provide integrated solutions.

JACKAL CREEK GOLF ESTATE, NORTH OF SANDTON, GAUTENG

This unique, turnkey residential development is located on a prime 160 hectare estate with views of the Magaliesberg and provides affordable golf estate living for the young and upwardly mobile.

Property Developments

- The development team for the estate comprises Group Five Property Developments, Montagu Property Group and Zandevco

Design and Planning

- Financial structuring, design and construction in-house

Civil Engineering

- Responsible for all earthworks, infrastructure and civil works

Housing

- Construction of over 2 000 luxury residential units

IBOM GAS-FIRED POWER STATION, NIGERIA

The IBOM Power Company's new gas-fired power station in Nigeria, completed during May 2007, marked Group Five's largest ever contract in West Africa and its first contract in the independent African power market. The 180 MW power station, situated in the southern Akwa IBOM region on the Niger River delta, forms part of the Nigerian government's aim to enhance power generation in the southeast region of the country.

- As the main contractor for the contract, Engineering Projects was responsible for the design, supply and construction of the complete power plant and supporting infrastructure
- Civil Engineering completed the civil and building work

MOSES MABHIDA DURBAN SOCCER STADIUM

Construction of the new 70 000 seater soccer stadium in Durban by a consortium comprising Group Five, WBHO and Pandev

- The programme has been accelerated to ensure timeous completion for the 2010 Soccer World Cup
- Group Five has mobilised resources from Civil Engineering, Building and Housing and Engineering Projects in Gauteng to join forces with KwaZulu-Natal to undertake the massive contract

KING SHAKA AIRPORT

Construction of the new international airport at La Mercy, north of Durban, with consortium partners – WBHO, the KZN Empowerment Group, consisting of more than 10 empowerment groupings, and the Total Facilities Management Corporation (The iLembe Consortium)

- The airport will be South Africa's third largest airport and the single largest airport contract by the Airports Company of South Africa
- Negotiations on the contract were led by Group Five Infrastructure Concessions
- Building and Housing, Civil Engineering and KwaZulu-Natal will be involved in the execution of the contract

OPERATING AND FINANCIAL REVIEW

OVERVIEW

The group is pleased to announce another solid year of growth. Earnings per share increased by 49% from R1,95 to R2,91 and headline earnings per share increased by 47% from R1,93 to R2,83. To ensure a like for like comparison, the prior year's figures are stated before accounting for the cost of the external BEE ownership transaction.

The results for the year ended 30 June 2007 were as follows:

REVENUE

	2007 R'000	2006 R'000
Infrastructure Concessions	**226 016**	189 247
Property Developments	**307 784**	126 970
Manufacturing and Construction Materials	**754 849**	472 975
Everite	**457 925**	450 736
Quarry Cats	**231 081**	–
Group Five Pipe	**65 843**	22 239
Construction	**6 400 519**	5 075 529
Building and Housing	**3 121 921**	2 788 466
Civil Engineering	**2 484 293**	1 662 700
Engineering Projects	**794 305**	624 363
Total revenue	**7 689 168**	5 864 721

OPERATING PROFIT

	2007 R'000	2006 R'000
Infrastructure Concessions	**17 927**	12 398
Property Developments	**25 164**	25 132
Manufacturing and Construction Materials	**112 050**	60 205
Everite	**55 189**	56 658
Quarry Cats	**45 531**	–
Group Five Pipe	**11 330**	3 547
Construction	**236 483**	143 064
Building and Housing	**84 276**	78 903
Civil Engineering	**105 037**	50 169
Engineering Projects	**47 170**	13 992
Total operating profit	**391 624**	240 799
Overall operating profit margin (%)	**5.1**	4.1

Group revenue increased by 31.1% from R5 865 million to R7 689 million and operating profit (before accounting for the cost of the external BEE ownership transaction in the prior year) increased by a significant 63% from R240,8 million to R391,6 million. The group achieved its short term overall operating profit margin percentage of 5% by recording 5.1% (2006: 4.1%).

Fair value upward adjustments of R23,6 million (2006: R27,9 million) were recorded relating primarily to the group's interests in its Eastern European service concessions.

Despite the increase in operating profit, cash generated from operations decreased from R601,3 million to R98,5 million. This is primarily due to the growth in revenue, particularly in Civil Engineering as opposed to Building and Housing, over the last six months. Civil Engineering is traditionally more working capital intensive than Building and Housing due to differing contract conditions in terms of payments and the fact that Civil Engineering consists of more own work than Building and Housing, which is more sub-contractor based. This is not unexpected and was one of the reasons for issuing the group's bonds, noted later. This is regarded as a once-off switch due to a change in business mix and the short term target of the group is to be cash neutral in working capital going forward.

Cash of R154,9 million was spent in investing activities (2006: R47,8 million cash inflow) due to investments in investment property of R65,3 million (2006: R7,1 million) and net cash of R42,8 million to acquire Quarry Cats. In addition, cash inflows from the proceeds on the disposal of the JSE bare dominium of R73,9 million were recorded in F2006.

Net cash generated from financing activities of R295,7 million (2006: R67,4 million) reflects the raising of the group's R850 million bond and the restructuring and repayment of the majority of the group's finance leases, which were at higher interest rates.

Net cash of R26,4 million (2006: R100,7 million outflow) was generated from discontinued operations relating to net payments received in the current year from the sale of Vaal Sanitaryware and DPI Plastics. All of the above resulted in net cash generated of R59,6 million (2006: R391 million).

In line with expectations, finance costs increased by 38.3% from R30,3 million to R41,9 million, mainly due to the issue of bonds of R850 million at the end of February 2007 following the restructure of the business, as discussed under business refocusing.

The effective tax rate of 34.7% is higher than the South African statutory tax rate of 29% due to the effect of secondary tax on companies (STC) paid, together with the final losses incurred in Angola, for which no deferred tax asset has been raised.

The final dividend of 42 cents per share (2006: 36 cents per share) brings the total dividends for the year to 72 cents per share (2006: 56 cents per share), an increase for the year of 28.6%. The dividend is in line with the group's philosophy of four times covered based on earnings per share.

BUSINESS REFOCUSING

As noted in the interim announcement on 15 February 2007 and subsequent SENS announcements, the group continued its business refocusing, started in F2006. This is aimed at continuing Group Five's stated strategy to build synergistic diversification around a core construction business across selected geographies.

During the current year, the following was concluded:

- The final approvals for the sale of the Vaal Sanitaryware and DPI Plastics businesses
- The final approvals for the acquisition of Quarry Cats, a sand and stone supply, contract crushing and readymix supply business, with effect from 1 February 2007, which was fully funded through an issue of shares
- The issue of R850 million bonds out of a R1 billion domestic medium term funding note programme on the Bond Exchange of South Africa at the end of February 2007, to fund potential future acquisitions, eliminate expensive short term debt, manage working capital and consolidate long term finance leases
- The final approvals for the acquisition of Sky Sands, a business involved in the supply of building materials merchants, the building industry and the pre-cast concrete products industry, with effect from July 2007

The group will continue to review its current businesses, as well as further opportunities:

- To align itself to and diversify itself along the infrastructure value chain
- To enhance profit margins and cash generation
- To take interests in strategic investments

OPERATING AND FINANCIAL REVIEW (CONTINUED)

INFRASTRUCTURE CONCESSIONS

The Mariannhill toll plaza in KwaZulu-Natal

Road construction on the A1 in Poland

Road maintenance on the M6 in Hungary

The Grasmere toll plaza in Gauteng

Bridge construction on the A1 in Poland

Snow removal on the M6 in Hungary

Executive member: Eric Verner

INFRASTRUCTURE CONCESSIONS

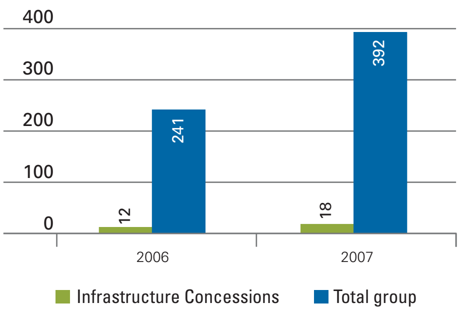
The Infrastructure Concessions discipline contributed 2.9% (2006: 3.2%) to group turnover and 4.6% (2006: 5.1%) to group operating profit.

Infrastructure Concessions currently consists of Intertoll, which offers toll system design, procurement, implementation and operation, together with related services such as routine road maintenance.

The business also currently has equity interests in two service concessions in Eastern Europe and operates toll roads in South Africa.

This business is actively pursuing new revenue streams, particularly in the power sector through identifying construction and investment opportunities for the group in the PPP, BOT, PFI and concession businesses.

OPERATING PROFIT
(R million)



MAIN FACTORS THAT INFLUENCE THE BUSINESS

IN RELATION TO NEW BUSINESS

- Overall budgetary position of host government, availability of public and private capital and lender appetite for contract debt
- Long contract development lead times from inception to implementation

IN RELATION TO EXISTING BUSINESS

- Market migration from tolling of single routes to networks, technology advances to automated, electronic and network tolling, optimising operational costs to match traffic volume-linked revenue models, managing toll system complexity
- Interest rate cycle and market risk appetite for investment in long term toll motorway infrastructure assets

COUNTRIES OF OPERATION

- Southern Africa
- Eastern Europe
- Selected target contracts in Western Europe

KEY PRODUCTS

- Toll system design, procurement, implementation and operation, together with related services such as routine road maintenance

KEY CONTRACTS OF THE YEAR

- Successful scaling up of operations on the M6 Phase 1 motorway contract, Hungary
- Toll system design, procurement and commissioning for the A1 motorway contract, Phase 1, Poland
- Successful pre-qualification for the £794 million (R11,2 billion) M6 Phase 3 contract in Hungary in joint venture
- The management within this business led the efforts for Group Five as part of the iLembe Consortium which successfully won the contract for the R6,8 billion King Shaka International Airport

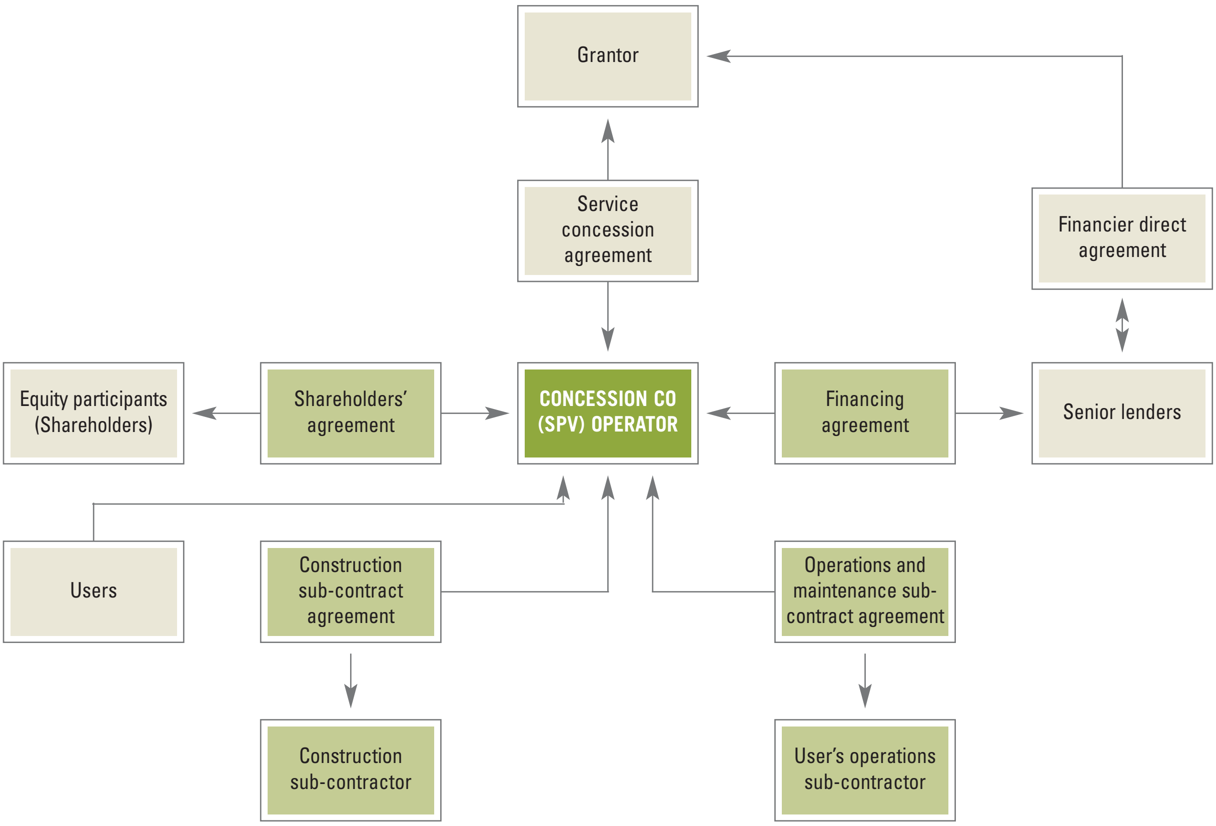
What is your value proposition to customers?

- This business assists clients to achieve infrastructure delivery and contract solutions efficiently and cost effectively

What value does your business add to the group?

- It allows the group to position itself for early investor advantage in infrastructure assets and to achieve good returns on capital, while balancing overall business risk through contract participation as an operator (toll roads)
- It provides an opportunity for exposure, experience and learning for the group on international contracts and from world-class global contract partners

A typical concession structure is set out below:



The Oribi Toll Plaza on the N2 is operated by Intertoll

The Group Five-led iLembe Consortium will have service concessions at the King Shaka Airport

Set out below are details of the concession investments, together with the group's toll road interests.

Current equity interests in toll road service concessions consist of:

						Value at 30 June	
Name	Country	Kms	% interest	Concession period	Current status	**2007 R'000**	2006 R'000
M5	Hungary	157	3.5	25 years	Construction complete; operational	**48 251**	40 535
A1	Poland	90	15	30 years	Construction complete; operations to commence	**25 677**	19 166
Total						**73 928**	59 701

Details of toll roads currently operated by Intertoll are:

Name	Country	Kms	Duration of contract
N1 North	South Africa	359,5	March 2010
N1 South	South Africa	359,3	March 2010
Mariannhill	South Africa	3	September 2007
Magalies	South Africa	22,2	April 2009
M5	Hungary	157	December 2009
M6	Hungary	58,6	December 2010
Tsitsikamma	South Africa	28	October 2014

What were your strategic and non-financial achievements during the year?

- Successfully maintained the quality niche market position of Intertoll and realigned the overhead structure to suit the business, while positioning the business for selective growth
- Concluded a strategic market alliancing agreement for Intertoll Europe and commenced with the first step of a tactical plan to position the business in the road user charging market
- Significantly enhanced the EE profile of Intertoll, with new leadership of Intertoll Africa appointed under an experienced black general manager. More than 50% of the executive leadership of this business are black
- Reduced central overheads in Intertoll and devolved decision-making power and authority, resulting in a more efficient and cost-effective operation for Intertoll Europe and Africa
- Restructured critical toll system supplier relationships for Intertoll Africa
- Concluded a strategic market alliancing agreement for Intertoll Europe
- Consolidated the position on secured contracts in Hungary and Poland and successfully formed consortia and/or pre-qualified for three significant new contract opportunities in Eastern Europe

Results for the year and prospects

The presentation of the results of this business has been amended in the current year and prior year to more accurately reflect the operating results of the business. Direct costs incurred in pursuing large-scale contracts, which do not relate specifically to this business, have been reallocated throughout the group.

Revenue, which consists primarily of fees for the operation and maintenance of toll roads, increased in line with budget by 19.4% from R189,2 million to R226 million, primarily due to the unfolding of the operations in Hungary.

Due to the increasing contribution from Hungary, the operating profit margin increased to 7.9% (2006: 6.6%) with operating profits improving by 44.6% to R17,9 million (2006: R12,4 million). In addition, outside of operating profits, the business also recorded R14,2 million (2006: R1,4 million) fair value increases relating to investments in its Eastern Europe concession businesses.

Going forward, the Polish concession road is expected to be completed at the end of calendar 2007 with operations and maintenance operations, for which the group has the contract, expected to commence in 2008.

An artist's impression of the concourse at the King Shaka Airport in Durban

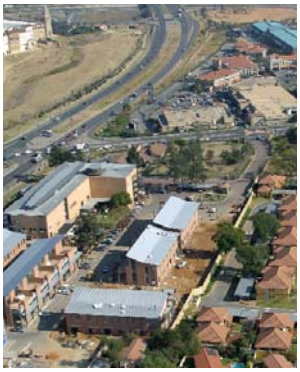
The competitive advantage of the Infrastructure Concessions team is derived from integrating the spread of skills

PROPERTY DEVELOPMENTS

Luxury units at the new Jackal Creek Golf Estate, north of Sandton

Luxury townhouses at Carlswald in Midrand

Corner on the Straight specialises in interior design retail outlets



The Gantry is a popular mixed use retail centre in Fourways

The new Sizwe Ntsaluba office complex was developed and constructed by Group Five

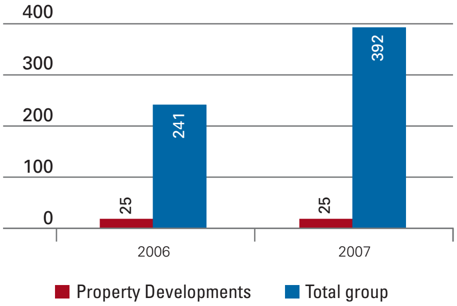
Prime property at North Riding, a rapidly growing area north of Sandton, is being developed by Property Developments

Business unit MD: Carel van Zyl

The Property Developments discipline contributed 4.0% (2006: 2.2%) to group turnover and 6.4% (2006: 10.4%) to group operating profit.

Since its inception three years ago, Property Developments has focused on property development opportunities in South Africa in the commercial, industrial, retail and residential markets, together with taking an interest in specific investment properties.

OPERATING PROFIT
(R million)



MAIN FACTORS THAT INFLUENCE THE BUSINESS

- Availability of well-positioned land at affordable prices
- Interest rates
- Capacity of contractors and professional service providers, such as architects, engineers and quantity surveyors

COUNTRIES OF OPERATION

- South Africa

KEY PRODUCTS

- Property Developments develops in all four of the property sectors, including residential, retail, industrial and commercial

KEY CONTRACTS OF THE YEAR

- Brackenfell industrial stands that were developed and sold
- Completed Jackal Creek residential development in Gauteng, which consisted of 410 apartments on a golf course
- Corner on The Straight in Gauteng was completed. This consisted of 7 500 m^2 of showrooms sold on a sectional title basis
- Carlswald Glades in Gauteng, which consisted of 62 sectional title townhouses
- Coachman's Crossing in Gauteng, which consisted of sectional title offices
- Sizwe Ntsaluba office park in Gauteng, which consisted of 8 500 m^2 of offices

AWARDS

- The Corner on the Straight development was nominated by SAPOA in the Category of "Best Innovative Retail Design"

What is your value proposition to customers?

- Property Developments aims to be a preferred development partner in South Africa, operating with integrity in all the sectors of the property market to create wealth for stakeholders

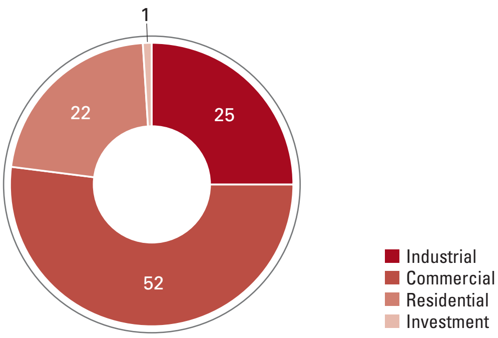
What value does your business add to the group?

- A solid contributor to group profit
- It provides annuity income to the group through fair value adjustments on its property fund
- It provides construction work to the group as Construction is the main contractor on most of the developments

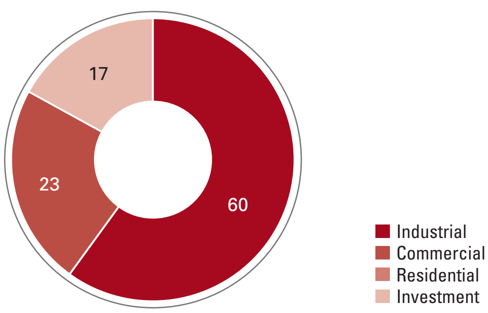
What were your strategic and non-financial achievements during the year?

- The business unit met its strategy of growing joint venture, long term relationships with other developers by forming five new joint venture companies during the year
- It also met its strategy of retaining some of its non-residential developments to start a property fund. This was achieved by retaining ownership of some of the group's commercial developments
- Successful completion of all of the contracts during the year

OPERATING PROFIT BY PROPERTY TYPE – 2007



OPERATING PROFIT BY PROPERTY TYPE – 2006



Results for the year and prospects

Property Developments' revenue consisted primarily of development fees, rentals on investment properties and profits made through the conclusion of property development sales. In addition, its profitability was enhanced by fair value increases on its investment properties, although these increases are reflected outside of operating profits.

In the year under review, Property Developments' revenue doubled in line with its capacity and expectations to R307,8 million (2006: R126,9 million). Operating profit was in line with the prior year at R25,1 million, although operating profit margin percentage decreased to a more realistic 8.2% (2006: 19.8%). This was in line with expectations as F2006 was positively affected by the profits from a once-off large-scale redevelopment of one of the previous Everite factories. In addition, outside of operating profit, the business recorded fair value increases of R9,4 million (2006: R26,5 million) relating to its investment properties. The group is currently evaluating the repositioning of its property development portfolio.

Everite's factory in the Western Cape was redeveloped by Property Developments

OPERATING AND FINANCIAL REVIEW (CONTINUED)

MANUFACTURING AND CONSTRUCTION MATERIALS

The prototype of a steel frame house uses Nutec products for cladding and internal finishes

The new S7 production line at Everite forms part of Manufacturing's focus on keeping up-to-date with modern technology

The manufacturing of spirally milled steel pipes takes place at the group's factory in Gauteng

Quarry Cats is a major supplier of crushed stone and sand products in Gauteng

Nutec Vermont is frequently specified as cladding on upmarket housing developments

Quarry Cats' readymix operation, Afrimix, has depots throughout Gauteng

Executive members: John Wallace and Tim Woodhead

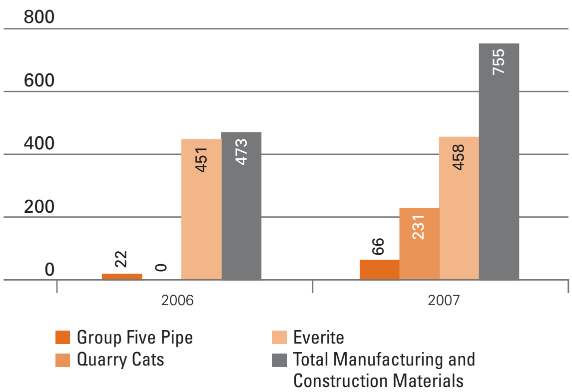
MANUFACTURING AND CONSTRUCTION MATERIALS

The Manufacturing and Construction Materials discipline contributed 9.8% (2006: 8.1%) to group turnover and 28.6% (2006: 25.0%) to group operating profit.

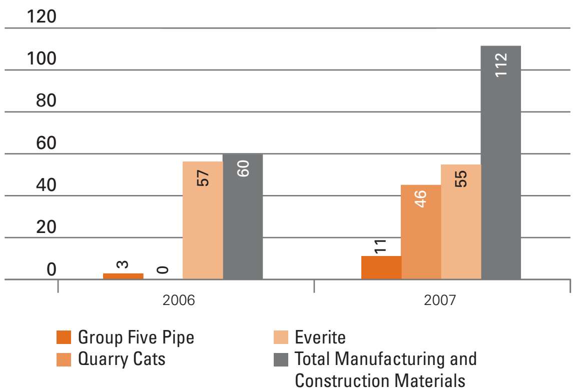
The increased contribution from the prior year was primarily due to the acquisition of Quarry Cats with effect from 1 February 2007.

The purchase of Sky Sands, with effect from 1 July 2007, will further enhance the margins and revenue of this business sector going forward. As with Quarry Cats, the group's purchase of Sky Sands, secures additional margin-enhancing capacity in the infrastructure value chain and further mitigates material shortage risk. The group will continue to review its businesses, as well as other opportunities.

REVENUE
(R million)



OPERATING PROFIT
(R million)



OPERATING AND FINANCIAL REVIEW (CONTINUED)

Nutec Vermont cladding continues to enjoy popularity, particularly in coastal regions

Group Five Pipe manufactures large steel pipes

Quarry Cats places the group strategically in the construction materials market

The operating performance by business unit was as follows:

	Year ended 30 June 2007		Year ended 30 June 2006		12 to 18 months target (average)
Business unit	**Revenue R'000**	**Actual operating margin %**	Revenue R'000	Actual operating margin %	Operating margin %
Everite	**457 925**	**12.1**	450 736	12.6	10 – 14
Quarry Cats	**231 081**	**19.7**	–	–	19 – 21
Group Five Pipe (50% proportionately consolidated)	**65 843**	**17.2**	22 239	15.9	12 – 18
Total	**754 849**		472 975		

EVERITE

Overview

Everite supplies non-asbestos fibre-cement building materials throughout southern Africa to the commercial, industrial, retail and residential markets. Everite is positioned as a commodity fibre-cement sheet manufacturer differentiated through product quality and its ability to serve a fragmented local market. It remains well positioned in the government-subsidised low-cost housing market and has also developed a small range of value-added products, such as high-density board (eg window sills), special profiled products (eg Canadian profile roof sheets) and hand-moulded items (eg garden pots).

Everite supplies its markets through the manufacture of a significant range of commodity products at its single-sited, recently expanded 20 million square metre production facility in Kliprivier, Gauteng, complemented by the importation of a limited synergistic product offering.

The non-asbestos fibre-cement technology at this plant has been enhanced through internally developed process improvements, particularly in the profiled products range where product stability and performance has been vastly improved. This pioneering work has in many instances been a world first and requests for technological assistance from global players are often received.

The business is constantly benchmarking itself against international best practice. With the Rand sustaining its strength and import competition growing, management remains focused on even greater production efficiencies and further reducing the fixed cost of doing business at Everite.

Going forward, Everite will contribute to an even greater extent to the cross-selling

EVERITE

MAIN FACTORS THAT INFLUENCE THE BUSINESS

- Currency fluctuations
- Product imports such as:
  - Asbestos products
  - Cheaper traded goods

COUNTRIES OF OPERATION

- Everite operates from a large factory in Kliprivier, Gauteng. Its major market is South Africa, although a small volume of material is exported to Namibia, Botswana, Malawi and Mauritius

KEY PRODUCTS

- A significant range of fibre-cement internal and external cladding materials for the housing industry, including ceiling boards, tongue and groove panels, and Vermont building planks
- A number of roofing products such as roof sheets, barge boards and fascia boards
- It manufactures a range of fibre-cement pipe products, including building columns, storm water and sewerage pipes and manhole barrels
- It also complements the manufactured range with traded products, such as fixtures and ceiling cornices

KEY CONTRACTS OF THE YEAR

- National government housing contracts for Big Six roof sheeting

OPERATING AND FINANCIAL REVIEW (CONTINUED)

What is your value proposition to customers?

- To provide a comprehensive range of high quality building materials, backed by technical support, to a fragmented building merchant and subsidised housing market

What value does your business add to the group?

- Everite provides an excellent and sustainable earnings stream to Group Five at margins well in excess of the overall group's average returns
- It has created the focus on supply chain excellence within the group that continues to create value throughout the construction sector

What were your strategic and non-financial achievements during the year?

- Maintained market share against imports from low-cost international producers and continued asbestos cement imports
- Successfully launched Big Six roofing teams both as a CSI initiative and as an enabler to increase sales of roof sheets within the corrugated steel inland market
- Built a turnkey production line within time and budget constraints – a first for Everite – which increased overall plant capacity by 25%
- Re-positioned Nutec Pipes as a supplier of pipe products locally and to Europe
- Launched lightweight steel-framed housing and became a founding member of the newly formed South African Steel Framers Association
- Closed the 60-year old asbestos waste site at Everite, minimising plant waste and finding alternate uses for unavoidable waste

Factory performances at the manufacturing plants were as follows:

	Year ended 30 June	
Everite	**2007 m^{2}v ('000)**	2006 m^{2}v ('000)
Actual production	**15 738**	15 035
Total sales	**15 286**	14 652
Group Five Pipe	**2007 tons ('000)**	2006 tons ('000)
Actual production	**28 078**	14 155
Total sales	**28 078**	10 112

In addition, approximately 6.2% of Everite's revenue is achieved from the sale of associated trading goods such as cornices.

initiative across the group, with particular focus on providing building material solutions aimed initially at the new entry bonded housing market, thus providing a contribution to Building and Housing.

Results for the year and prospects

Everite continued to operate at full capacity with the newly installed capacity coming on line in July 2007 and expected to increase output by 20% to 25% over the next few years. Pressure on prices continued to affect the business' performance and revenue remained in line with the prior year at R457,9 million, (2006: R450,7 million) with operating profit margin percentage maintained at 12.1% (2006: 12.6%).

QUARRY CATS

The rationale behind the purchase of Quarry Cats was that it is margin enhancing, complements the group's expansion and growth strategy in the infrastructure sector, and mitigates the risk of future material shortages with respect to key building and infrastructure contracts in Gauteng. The group's management also has prior experience in the crushing and readymix concrete sectors.

Results for the year and prospects

Quarry Cats performed in line with expectations since its acquisition on 1 February 2007 and achieved revenues of R231,1 million, with operating profits of R45,5 million at an overall operating profit margin percentage of almost 20%. The outlook is extremely positive for this business and further contract mining opportunities are being pursued.

A view across the quarry to the crushing plant

QUARRY CATS

MAIN FACTORS THAT INFLUENCE THE BUSINESS

- The construction materials sector is influenced by local economic activity levels and, more particularly, the fixed investment cycle
- Demand for residential and non-residential building and the level of infrastructure spend is a key factor
- Distance to market is a key competitive advantage

COUNTRIES OF OPERATION

- South Africa

KEY PRODUCTS

- Mining, crushing and screening contracts to numerous rock dumps around South Africa
- Metal recovery, crushing, mobile crushing, quarrying, screening and treating, as well as mining and selling rock

What is your value proposition to customers?

- The group is currently focusing on developing an integration model to allow for acquisitions to be incorporated with Quarry Cats into one strategic business discipline. The integrated business will be able to provide a range of raw materials to customers

What value does your business add to the group?

- Quarry Cats, together with the expected broader Construction Materials business discipline, provides stable and continuous revenue at attractive margins. It secures a source of strategic materials from which the group's manufacturing team can develop future niche opportunities in pre-cast products
- The mining services platform can be expanded and integrated with the group's engineering skills to provide complete solutions for the expanding African resources sector

What were your strategic and non-financial achievements during the year?

- The acquisitions of Quarry Cats are in the process of being bedded down and integrated into the group's operating standards and systems. Quarry Cats' businesses are performing well
- Within the discipline, the group has assembled a new team, drawing primarily from experienced internal resources
- The group has also completed and incorporated Quarry Cats quickly. This has proved the group's ability to anticipate and adapt to new market conditions

A conveyor at Quarry Cats' operation in Gauteng

Quarry Cats' crushing plant in Gauteng

GROUP FIVE PIPE

Results for the year and prospects

As noted in the prior year and in the interim announcement, the full positive effects of the VRESAP pipeline contract flowed through the group's joint venture, Group Five Pipe, in the current year. Group Five's share of the revenue and operating profits trebled to R65,8 million (2006: R22,2 million) and R11,3 million (2006: R3,5 million), respectively, resulting in an operating profit margin percentage of 17.2% (2006: 15.9%). Further work is being pursued in large-scale contracts in the energy and water sectors in Southern Africa. The company currently has a minimal order book going forward, although several potential contracts are being pursued.

GROUP FIVE PIPE

MAIN FACTORS THAT INFLUENCE THE BUSINESS

- As a supplier of large spiral weld steel pipes, this business is influenced by the overall spend in public and private infrastructure. It has been involved in supplying pipes to water pipelines, both for industrial and commercial applications

COUNTRIES OF OPERATION

- The company operates from a large factory in Meyerton in Gauteng and supplies products to areas of Southern Africa where it is competitive

KEY PRODUCTS

- Large diameter spiral weld steel pipes that can be coated to specification

KEY CONTRACTS OF THE YEAR

- The VRESAP pipeline (with Civil Engineering)
- Rand Water Board contract

What is your value proposition to customers?

- To design, manufacture and supply high-quality steel pipes for significant pipeline contracts

What value does your business add to the group?

- As a manufacturing entity, Group Five Pipe generates excellent and sustainable margins, while there is ongoing investment in major pipelines. It can also operate with Group Five Civils as a pipeline civils and pipe laying contractor

What were your strategic and non-financial achievements during the year?

- Finished supplying the VRESAP pipeline contract in full
- Awarded the Rand Water Board contract

CONSTRUCTION

Ocean View luxury apartments, Strand, Western Cape

Installations at the Bogoso gold mine in Ghana

Sandhurst Towers in Sandton comprises two multi-storey apartment blocks

Bridge construction on the N10 south of Cradock in the Eastern Cape

The Greater Takula area expansions at Cabinda, Angola

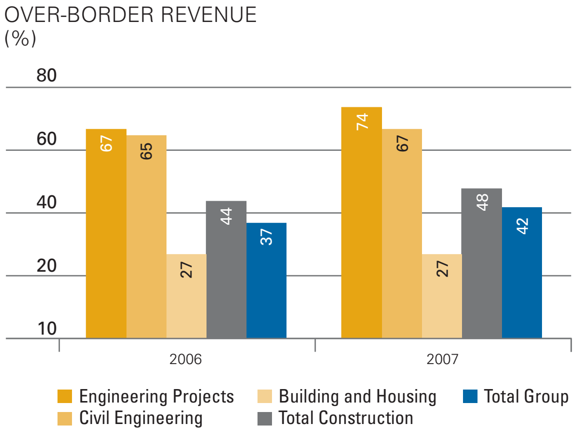
Construction of a regulating weir below the Maguga Dam in Swaziland

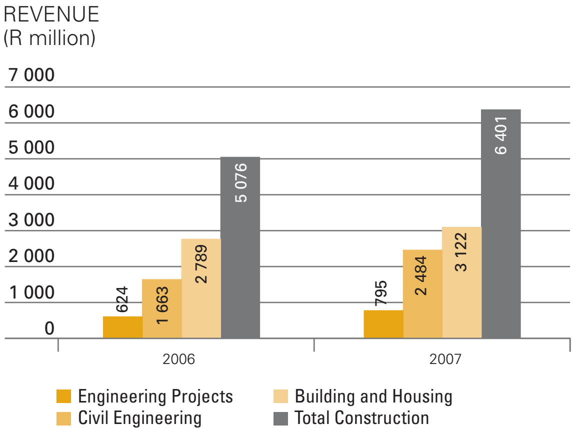


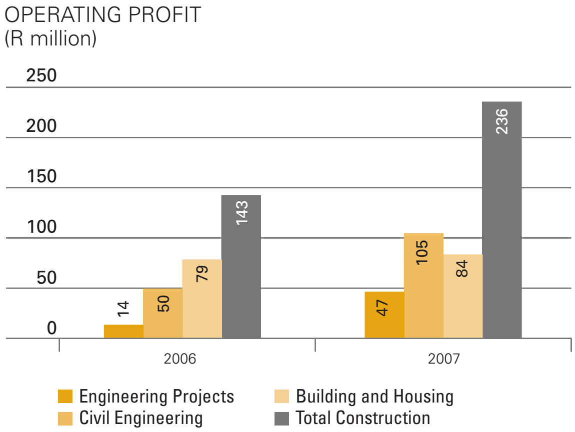
Executive members: Paul le Sueur, Andrew McJannet and Mike Upton

CONSTRUCTION

The Construction discipline is the largest discipline in the group and contributed 83.2% (2006: 86.5%) to group turnover and 60.4% (2006: 59.4%) to group operating profit.







OPERATING AND FINANCIAL REVIEW (CONTINUED)

The Pearls comprises a mix of low- and high-rise apartment blocks on the beachfront in Umhlanga Rocks, KwaZulu-Natal

The Lusip dams contract in Swaziland will provide water to 2 500 subsistence farmers in the Big Bend area

The Bogoso BIOX plant in Ghana is the largest in the world

The group's largest contributor at 83% (2006: 87%) of revenue continued its strong growth and remains well positioned for future growth in the sector, both locally and internationally.

Overall Construction revenue increased by 26.1% from R5 076 million to R6 401 million and operating profit increased by 65.3% from R143 million to R236 million. This resulted in an overall operating profit margin percentage of 3.7% (2006: 2.8%). The group is confident, given the current market conditions, that a medium term operating profit margin percentage of 5% is achievable for the overall Construction business for the full year. In fact, this was achieved for the six months ending 30 June 2007.

The operating performance by business cluster was as follows:

	Year ended 30 June 2007		**Year ended 30 June 2006**		**12 to 18 months target (average)**
Business cluster	**Revenue R'000**	**Actual operating margin %**	Revenue R'000	Actual operating margin %	Operating margin %
Building and Housing	**3 121 921**	**2.7**	2 788 466	2.8	3 – 5
Civil Engineering	**2 484 293**	**4.2**	1 662 700	3.0	3 – 5
Engineering Projects	**794 305**	**5.9**	624 363	2.2	3 – 6
Total	**6 400 519**	**3.7**	5 075 529	2.8	5

Secured order book (R millions)

Period	Total	Building and Housing	Civil Engineering	Engineering Projects
Year to 30 June 2006 (actual)	5 075	2 788	1 663	624
Percentage over-border	44	27	65	67
Year to 30 June 2007 (actual)	6 401	3 122	2 484	795
Percentage over-border	48	27	67	74
Year to 30 June 2008	4 833	1 883	2 215	735
Percentage over-border	37	–	55	73
Estimated annual capacity	7 300	3 100	3 200	1 000

BUILDING AND HOUSING

This business cluster contributes 48.8% (2006: 54.9%) to the Construction discipline turnover and 35.6% (2006: 55.2%) to the discipline operating profit.

Sandhurst Towers was a key contract during the year

BUILDING AND HOUSING

MAIN FACTORS THAT INFLUENCE THE BUSINESS

- Interest rates and the business confidence index. The confidence index has an effect on market sentiment and investment in the property sector, which is long term as opposed to short term
- Liquidity in the form of disposable income has a positive bearing on residential developments which, in turn, has an effect on retail development and essential services

COUNTRIES OF OPERATION

- South Africa and East Africa (Tanzania and Zanzibar). The group is also currently entering North Africa

KEY PRODUCTS

- Commercial developments
- Industrial developments
- Leisure developments
- Sectional title developments
- Retail developments
- Health facilities
- Airports
- Soccer stadia
- Mass housing

KEY CONTRACTS OF THE YEAR

- Bank of Tanzania
- Bank of Tanzania, Zanzibar
- Cedar Square Retail Development, Fourways
- Sandhurst Towers, Sandton
- 1 Sandton Drive, The Place, Sandton
- Ocean View, The Strand, Western Cape
- Spearhead Convention Towers, Cape Town
- The Pearls, Umhlanga Rocks, KwaZulu-Natal
- Liberty Midlands Mall retail centre, KwaZulu-Natal
- Mothlotlo housing scheme, Northern Province

AWARDS

- Cape Town and KwaZulu-Natal – PMR Golden Arrow Award
- Special commendation 2006: Cradock to Tarkwa Bridge, Eastern Cape
- Special commendation 2005: Bank of Tanzania

OPERATING AND FINANCIAL REVIEW (CONTINUED)

What is your value proposition to customers?

- The ability to add construction experience and value engineering, from inception to completion

What value does your business add to the group?

- Building and Housing is responsible for more than 40% of the group turnover, with a healthy return on investment, as well as strong positive cash flows
- Over the years, this business cluster has strongly contributed to the branding of the group

What were your strategic and non-financial achievements during the year?

- This cluster broke through the R3 billion turnover mark, with a healthy contribution to the group's results
- The successful completion of the Bank of Zanzibar at a value of approximately US$83 million (R589,3 million), as well as the imminent completion of the Bank of Tanzania in Dar-es-Salaam at a value of approximately US$320 million (R2,3 billion)
- Strategically positioning this cluster to secure particular major key contracts in respect of both the 2010 Soccer World Cup and the private sector, thereby further enhancing the growth of this sector. This led to being part of the team that secured the King Shaka International Airport and the Moses Mabhida Durban Soccer Stadium, both in joint venture

Overview

Building and Housing participates in various segments of the construction sector, including mass housing contracts, both of a public and private sector nature, high-rise residential apartments, commercial offices, retail shopping centres, industrial premises, educational and healthcare facilities, as well as hotel and leisure facilities.

Results for the year and prospects

Building and Housing revenue increased by 12.0% from R2 788 million (73% local) to R3 122 million (73% local), while operating profit increased by 6.8% from R78,9 million to R84,3 million, resulting in overall operating profit margin remaining constant at around 2.7% (2006: 2.8%). As noted in the interim announcement, the prior year's margin was positively affected by the substantial completion of higher-margin East African contracts. Margins continue to remain tight in the local market and the group has started transferring skills to work in large building infrastructure contracts where higher-margin work is coming through, particularly on the large contracts such as the King Shaka Airport and the 2010 Moses Mabhida Durban Soccer Stadium. The secured one-year order book is at a reduced R1,9 billion (100% local) compared to R2,5 billion at 30 June 2006, reflecting the shift to more "own" work as opposed to sub-contracted work.

Bank of Tanzania, Dar-es-Salaam

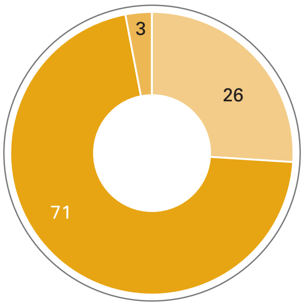
Significant contracts undertaken in the current year (with total revenue contribution for the periods under review and cumulative percentage completion) were:

			Year ended 30 June 2007		Year ended 30 June 2006	
Contract	Description	Location	**R'm revenue**	**% Completion (cumulative)**	R'm revenue	% Completion (cumulative)
Bank of Tanzania	Building of head office	Dar-es-Salaam, Tanzania	**555**	**76***	537	90
Bank of Zanzibar	Building of branch office	Zanzibar, Tanzania	**232**	**77***	150	85
Jabulani Mall	Shopping centre	Soweto	**74**	**100**	87	65
Mothlothlo Village	Mass housing	Mokopane, Northern Province	**111**	**77**	42	30
Nicole Grove	Shopping centre	Fourways	**3**	**100**	150	95
Pearls of Umhlanga	Residential apartments	Umhlanga	**105**	**73**	44	22
Cedar Square Mall	Lifestyle centre	Fourways	**261**	**100**	20	9
Sandhurst Towers	Residential apartments	Sandton	**124**	**99**	70	36
Vodacom Phase VI	Office park	Midrand	**167**	**95**	4	2
Ballito Manors	Residential apartments	Ballito	**90**	**100**	37	30
Sable Square	Shopping centre	Cape Town	**78**	**100**	46	37
1 Sandton Drive	Office building	Sandton	**115**	**47**	–	–

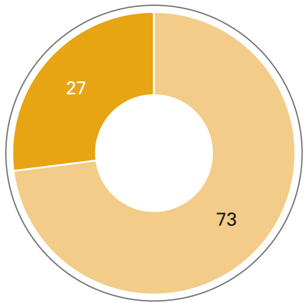
**The decrease in percentage completion as compared to the prior year is a result of an increase in the scope of the contract in F2007*

OPERATING AND FINANCIAL REVIEW (CONTINUED)

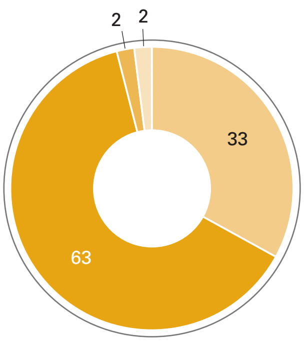
BUILDING AND HOUSING CONSTRUCTION REVENUE
BY INDUSTRY TYPE – 2006



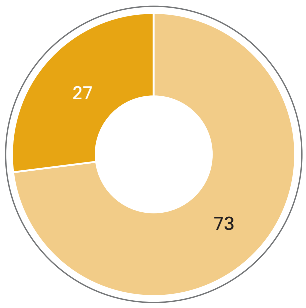
BUILDING AND HOUSING CONSTRUCTION REVENUE
BY GEOGRAPHICAL LOCATION – 2006



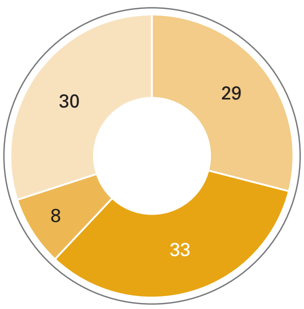
BUILDING AND HOUSING CONSTRUCTION REVENUE
BY INDUSTRY TYPE – 2007



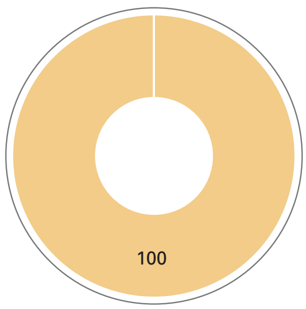
BUILDING AND HOUSING CONSTRUCTION REVENUE
BY GEOGRAPHICAL LOCATION – 2007



BUILDING AND HOUSING CONSTRUCTION REVENUE
BY INDUSTRY TYPE – 2008



BUILDING AND HOUSING CONSTRUCTION REVENUE
BY GEOGRAPHICAL LOCATION – 2008



CIVIL ENGINEERING

This business cluster contributed 38.8% (2006: 32.8%) to the Construction discipline turnover and 44.4% (2006: 35.1%) to discipline operating profit.

Lifting a pre-cast concrete beam for bridge construction on the Cradock to Tarkwa Bridge contract

Overview

Civil Engineering is the cluster within Construction that undertakes civil, roads and earthworks infrastructure contracts for public, mining and industrial contracts in Africa and Dubai. Group Five enjoys a competitive advantage in terms of skills and experience in two of the activities in which it specialises, namely its marine civils capability and its water treatment infrastructure capability.

The multi-disciplinary offering and focus of the group is highlighted by the successful co-operation between Civil Engineering and other Group Five business clusters

CIVIL ENGINEERING

MAIN FACTORS THAT INFLUENCE THE BUSINESS

- Availability of workload/work type
- Adequacy of management and skills capacity/availability
- Customer delivery expectations/perceptions
- Location of work
- Quality of partners

COUNTRIES OF OPERATION

- South Africa, Botswana, Swaziland, Zambia, Angola, DRC, Tanzania, Mozambique, Madagascar, Mauritius, Nigeria, UAE

KEY PRODUCTS

- Civil Engineering's products include dams, bridges, canals, port and marine structures, pipelines, reservoirs, water treatment works, slip-formed concrete, multi-storey constructions and pre-cast structures
- Mining and Industrial Civils includes petroleum and oil and gas works
- Roads and civil works
- Buildings and infrastructure (Dubai)

KEY CONTRACTS OF THE YEAR

- **South Africa** – VRESAP pipeline, Berg River dam, Lusip dams, Northern WWTW, Waterval WWTW, Sunderland WWTW, Senekal road, Cradock road and bridges, Mittal Steel
- **African Region** – Lumwana civils, Frontier mine civils, Geita mine civils, QMM Ilmenite civils, Four Seasons Hotel, Bank of Mauritius, Bank of Tanzania
- **UAE** – Mega cargo terminal, Dubai International Airport central utilities complex-6, Dubai International terminal 2 ultimate expansion contract and Dubai International Airport duty free warehouse

OPERATING AND FINANCIAL REVIEW (CONTINUED)

offering turnkey solutions for infrastructure and industrial contracts to the market.

Results for the year and prospects

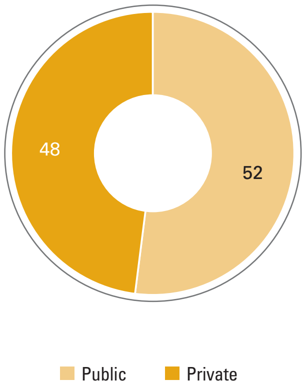
Civil Engineering revenue increased by 49% from R1 663 million (35% local) to R2 484 million (33% local), while operating profit more than doubled to R105 million from R50,2 million, resulting in an operating profit margin percentage increase to 4.2% (2006: 3%). Civil Engineering activity locally, in Africa and Dubai continues to improve. Dubai, in particular, produced its best results to date. The secured one-year order book stands at R2,2 billion (45% local), the highest of the construction businesses and surpasses Building and Housing for the first time in many years, reflecting the increased activity in this sector. This compares favourably to a secured one-year order book of R1,8 billion at 30 June 2006.

Subsequent to the year end, an agreement was reached with the group's sponsors in Dubai, Al Naboodah Construction Group, to form a new joint venture company in order to grow the current civil engineering business and set up an engineering projects business in the mechanical, electrical and piping market. This should ensure sustainable growth in this region going forward.

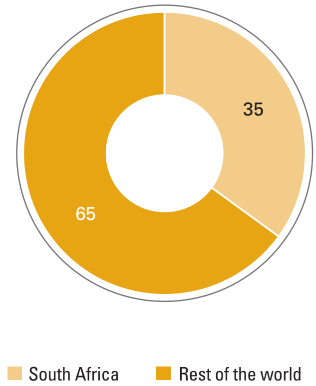
Significant contracts undertaken in the current year (with total revenue contribution for the periods under review and cumulative percentage completion) were:

			Year ended 30 June 2007		Year ended 30 June 2006	
Contract	Description	Location	**R'm revenue**	**% Completion (cumulative)**	R'm revenue	% Completion (cumulative)
Bank of Tanzania	Head office – structural work	Dar-es-Salaam, Tanzania	**139**	**100**	134	90
Central utilities complex-6	Cooling system structure	Dubai airport, Dubai	**56**	**100**	126	95
Mega cargo terminal	Cargo terminal building	Dubai airport, Dubai	**394**	**90**	310	70
Bank of Mauritius	Head office – structural work	Port Louis, Mauritius	**27**	**100**	55	80
IBOM power plant	Civil work for power plant	IBOM State, Nigeria	**54**	**51**	34	25
Berg River dam	Civils and Roads work on dam	Berg River, Western Cape	**50**	**100**	48	15
VRESAP pipeline	Water pipeline	Vaal dam to Secunda	**323**	**82**	35	13
Terminal 2	Terminal expansion	Dubai	**135**	**26**	–	–
Dubai duty free building	Structural work	Dubai	**112**	**26**	–	–
Emirates aircraft engine test centre	Test building	Dubai	**59**	**96**	54	46

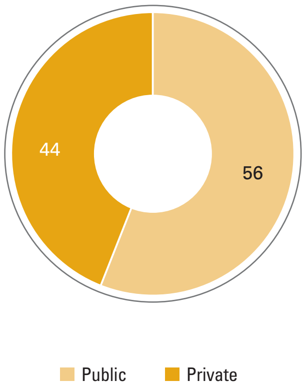
CIVIL ENGINEERING CONSTRUCTION REVENUE
BY INDUSTRY TYPE – 2006



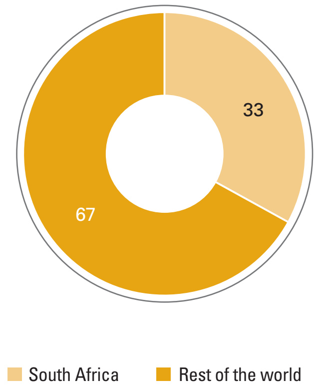
CIVIL ENGINEERING CONSTRUCTION REVENUE
BY GEOGRAPHICAL LOCATION – 2006



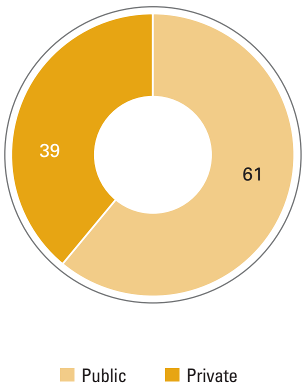
CIVIL ENGINEERING CONSTRUCTION REVENUE
BY INDUSTRY TYPE – 2007



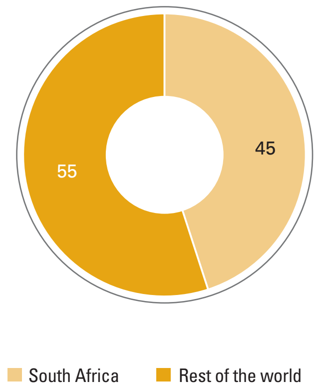
CIVIL ENGINEERING CONSTRUCTION REVENUE
BY GEOGRAPHICAL LOCATION – 2007



CIVIL ENGINEERING CONSTRUCTION REVENUE
BY INDUSTRY TYPE – 2008



CIVIL ENGINEERING CONSTRUCTION REVENUE
BY GEOGRAPHICAL LOCATION – 2008

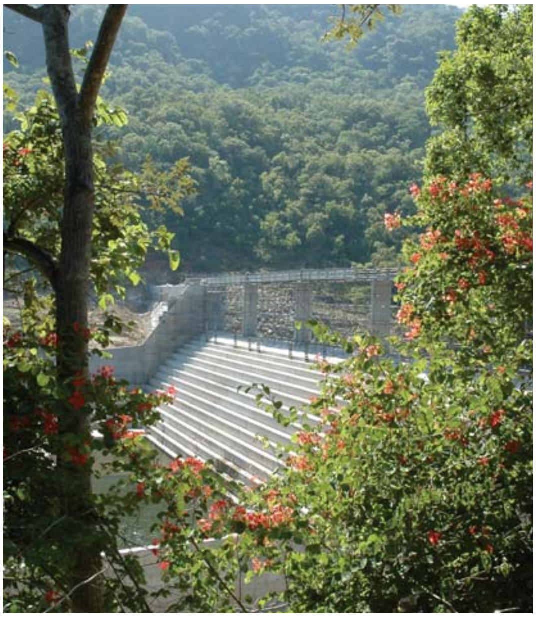


AWARDS

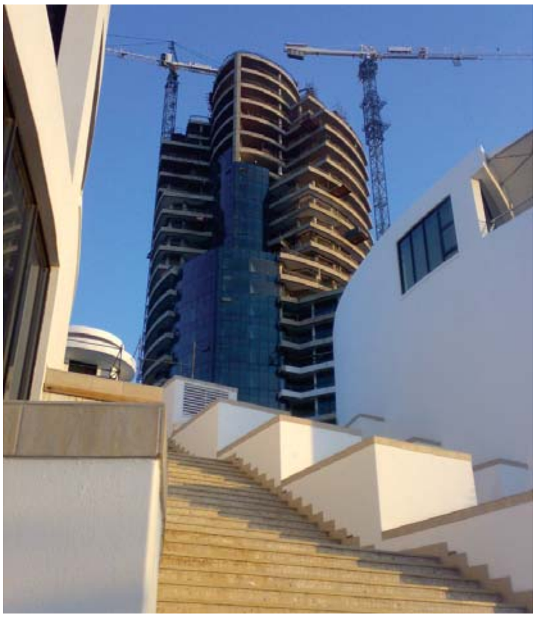
- Civils Fulton Award for excellence in the use of concrete. Special commendation 2006: Cradock to Tarka Bridge, Eastern Cape
- Construction World's best projects. Special commendation 2005: Bank of Tanzania
- PMR: Highest rated in the KZN construction sector: 2006: Group Five KwaZulu-Natal

CONCRETE SOCIETY OF SOUTH AFRICA

- Fulton Award commendation 2007: Civil Engineering category: **Maguga Dam regulating weir**
- Fulton Award commendation 2007: Construction techniques: **Cradock to Tarka river bridges**



The Maguga dam regulating weir received a Fulton Commendation



The Pearls in Durban was the highest rated in the PMR KwaZulu-Natal construction sector in 2006

What is your value proposition to customers?

- Conformance to specification/standards
- Timeous delivery
- Professional, transparent relationships
- Main contractor capability on multi-disciplinary contracts

What value does your business add to the group?

- It provides the civil engineering portion of the construction capability of the group, including civils, marine, roads and earthworks contracts
- It provides a comprehensive Dubai presence for the group

What were your strategic and non-financial achievements during the year?

- Rapid expansion of the business to cope with the increasing volumes of work, effectively doubling the size of the business in the year
- An improvement in the margins of work that was secured, which will flow into the results in future years
- Completion of historical loss-making contracts
- Development of supply agreements with key product suppliers
- Development of internal capacity to support recruitment, training and development of staff
- The growth of the marine portion of the business through contracts such as the Durban Harbour widening and the Richards Bay outfall pipeline
- The growth in the capacity of the service departments to support the operational growth
- Becoming a main player in the provision of airport infrastructure
- Growth of the Dubai operation into a self-supporting business
- Creation of a joint venture company in Dubai with Group Five's sponsor, Al Naboodah

Installation of a conveyor system at Tarkwa gold mine in Ghana

ENGINEERING PROJECTS

This business cluster contributed 12.4% (2006: 12.3%) to the Construction discipline turnover and 19.9% (2006: 9.8%) to discipline operating profit.

Overview

Engineering Projects is the business cluster within Construction that undertakes higher-margin, multi-disciplinary SMEIP work, primarily for the private sector, in the mining, power, oil and gas and heavy industrial area.

The team's competitive advantage is derived from a unique set of skills that includes SMEIP supply and erection to the client's design.

The team's activities cover all construction disciplines. It has an ability to structure itself around strategic technology partners to deliver turnkey solutions for targeted industries and contracts. It has a unique footprint in sub-Saharan Africa in the mining, energy and large industrial sector.

In terms of market positioning, a number of actions, listed below, have been implemented to move Engineering Projects up the value chain, thereby improving margins and positioning the group to access new markets:

- The addition to the Group Five portfolio of a number of partners in the engineering design and technology fields for specific sectors to position Engineering Projects as turnkey (design and construct) contractors
- The identification of capital expenditure in the resources and energy fields to support this strategy

Targeted industries include:

- Paper and pulp
- The new wave of junior miners in Africa

ENGINEERING PROJECTS

MAIN FACTORS THAT INFLUENCE THE BUSINESS: ENGINEERING

- The main factors influencing the Engineering Projects cluster are the buoyancy of the resources, mining and minerals benefaction sectors that result in heavy plant construction
- The oil, gas and deregulated power markets are of particular interest as they offer new business opportunities
- The sector focus on this cluster created a significant international footprint in sub-Saharan Africa

COUNTRIES OF OPERATION

- South Africa, Namibia, Botswana, Angola, DRC, Mozambique, Ghana, Nigeria, Burkino Faso, Mali, Tanzania, Zambia, Malawi

KEY PRODUCTS

- Mechanical and electrical engineers and contractors
- Multi-disciplinary construction in the heavy industrial, mining and energy sectors

KEY CONTRACTS OF THE YEAR

- IBOM power plant – Nigeria's first independently funded power contract
- Langer Heinrich uranium mine – complete plant construction by Group Five – all MEIP disciplines in the desert in Namibia
- Lead alliance contractor on Ruashi 2, a copper/cobalt design and construct project in the DRC
- Bogoso BIOX contract – a first for BIOX gold extraction technology in Ghana

AWARDS

- Three million injury free man hours – Cabinda, Angola

- Power
- Oil and gas

The three key focus areas of this business in the short to medium term are capacity building, people development and risk management. The actions to achieve this entail:

- Acquisition, development and retention of a new breed of project managers to operate at a higher intellectual level in the space the group wants to occupy. In addition, programmes have been instituted to develop and provide new opportunities to promising internal candidates
- Topping up capacity through the use of sub-contractors and partners
- Focusing on risk management and contract controls. In particular, pre-tender risk analysis and mitigation are well-developed activities. During the prior year, a process re-engineering project was completed that has resulted in a detailed business management framework which is being rolled out to improve contract execution

Results for the year and prospects

Significant contracts undertaken in the current year (with total revenue contribution for periods under review and cumulative percentage completion) were:

			Year ended 30 June 2007		Year ended 30 June 2006	
Contract	Description	Location	**R'm revenue**	**% Completion (cumulative)**	R'm revenue	% Completion (cumulative)
Bogoso	Sulphide plant expansion	Ghana	**129**	**99**	50	28
IBOM power plant	Engineering and supply work for power plant	Nigeria	**207**	**97**	75	29
Langer Heinrich	Mechanical, electrical and structural steel installation	Namibia	**70**	**100**	18	20
Geita gold mine	Mechanical, electrical and structural steel installation	Tanzania	**47**	**100**	5	10
Ruashi	Supply and construction of infrastructure	DRC	**41**	**13**	–	–

Engineering Projects had an impressive year, following the disappointing results in the prior year. Revenue increased by 27.2% from R624 million (33% local) to R794 million (26% local) and operating profit more than trebled from R14 million to R47 million, with operating profit margin percentage improving to 5.9% (2006: 2.2%). Activity in the mining and power sectors in Africa remains buoyant and an opportunity exists to enter Dubai, as noted previously. The secured one-year order book stands at an impressive R735 million (27% local), which, prior to this year, is equal to or greater than the annual revenues achieved in this business in the previous five years. This compares favourably to the secured one-year order book at 30 June 2006 of R400 million.

What is your value proposition to customers?

- Group Five Engineering Projects is positioned to compete at the top of the contract value chain, delivering innovative total solutions to the heavy industrial, mining and energy sectors through its strategic alliances with technology and engineering partners

What value does your business add to the group?

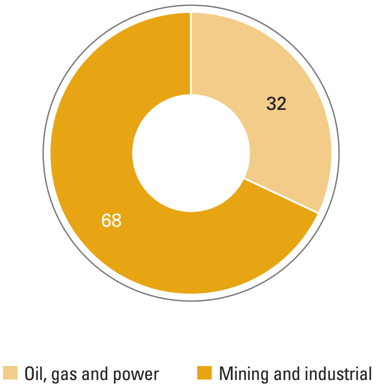
- Engineering Projects is the lead unit where large multi-disciplinary and/or multi business unit opportunities arise in the heavy mining, industrial and energy sectors
- A track record of contract delivery across the group's value chain provides opportunities for the group in the large infrastructure contracts in ports, harbours and power stations in the public sector and the ongoing buoyant investments in the minerals sector in African territories
- Through its repositioning as a contract leader and construction partner to customers and technology companies, including its unique position in certain territories, the business increased its profitability and contributed to the group strategy of margin improvement in Construction

What were your strategic and non-financial achievements during the year?

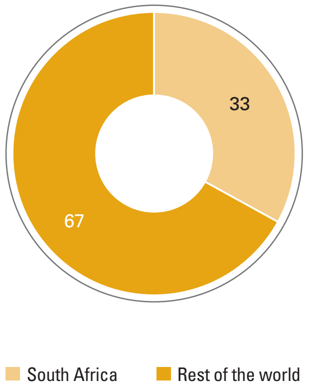
- Positioned the business as an equal partner in large contract execution
- Secured alliancing opportunities through negotiated positioning on selected contracts. An example is the first turnkey alliancing contract in the mining sector in Southern Africa (Ruashi, DRC)
- Established Group Five Energy – a business focused on oil, gas and power generation
- Further strengthened the synergistic relationship with some of the world's leading technology suppliers
- Seamless succession planning with the transfer of Mike Upton as MD of Engineering Projects to group CEO and the appointment of two internal leaders as managing directors within a now larger, refocused business cluster
- Commissioning of the first unit in Group Five's first turnkey power station contract (IBOM, Nigeria)
- Adoption by the group of the business cluster's project management systems
- During a year of rapid growth, there were no new significant contract failures, giving impetus to the drive for continuous improvement in systems supporting construction execution and confidence in the group's ability to execute technically complex contracts in difficult locations

OPERATING AND FINANCIAL REVIEW (CONTINUED)

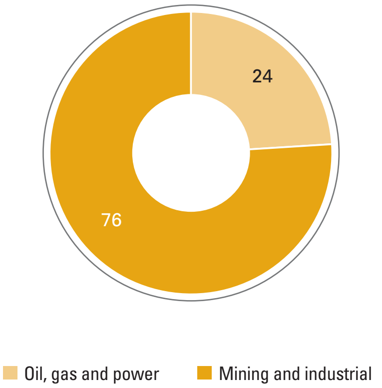
ENGINEERING PROJECTS CONSTRUCTION REVENUE BY INDUSTRY TYPE – 2006



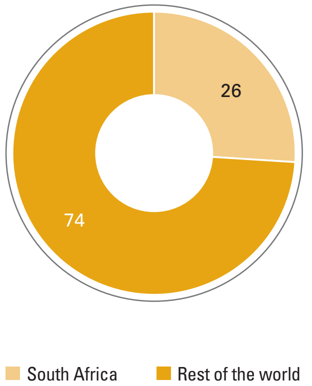
ENGINEERING PROJECTS CONSTRUCTION REVENUE BY GEOGRAPHICAL LOCATION – 2006



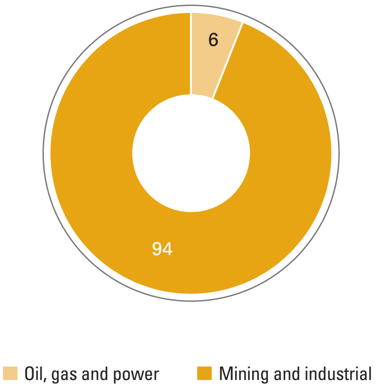
ENGINEERING PROJECTS CONSTRUCTION REVENUE BY INDUSTRY TYPE – 2007



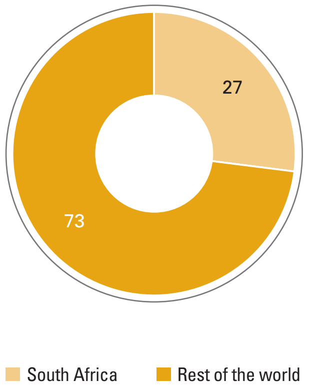
ENGINEERING PROJECTS CONSTRUCTION REVENUE BY GEOGRAPHICAL LOCATION – 2007



ENGINEERING PROJECTS CONSTRUCTION REVENUE BY INDUSTRY TYPE – 2008

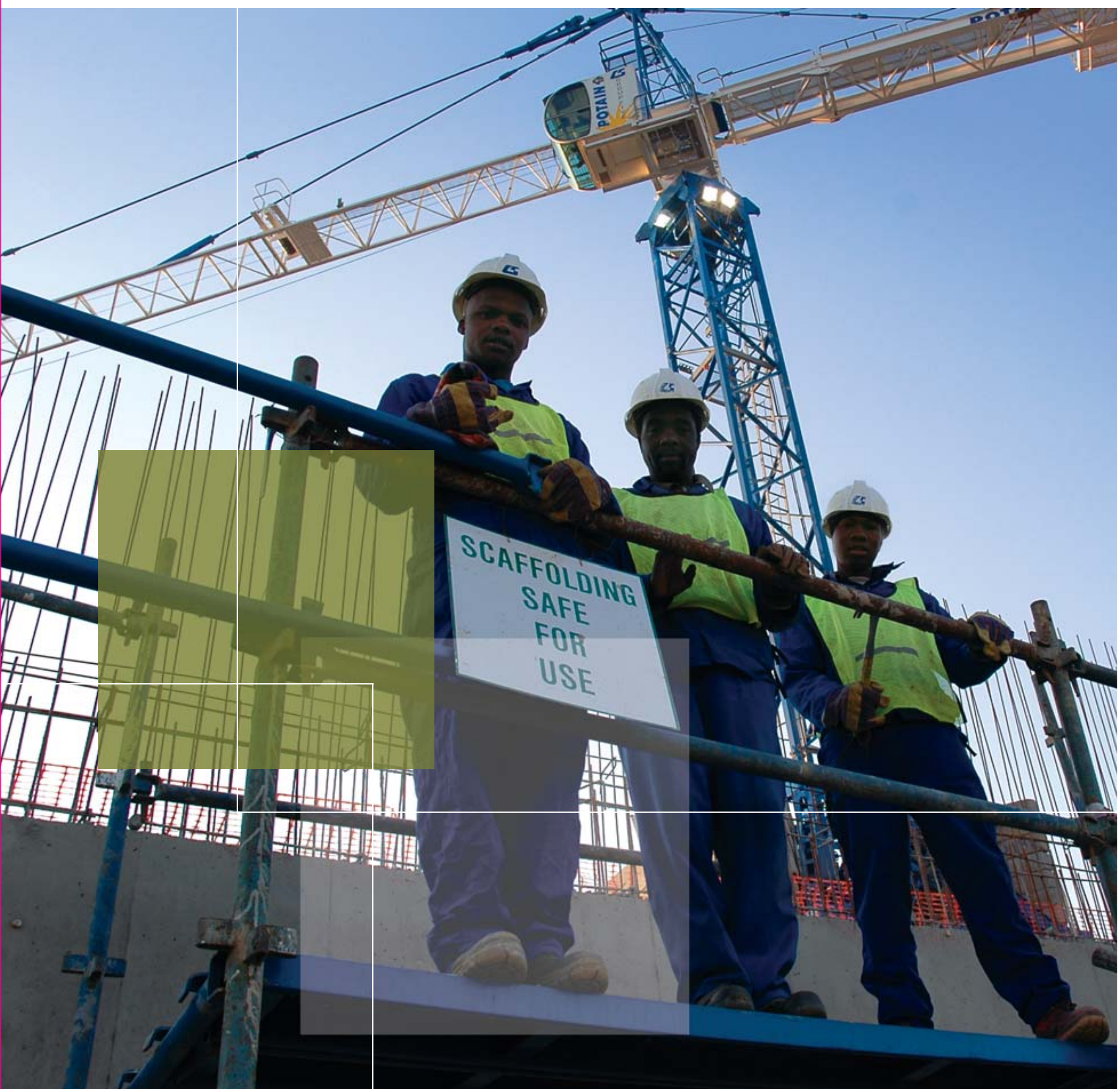


ENGINEERING PROJECTS CONSTRUCTION REVENUE BY GEOGRAPHICAL LOCATION – 2008



GROUP FIVE

SUSTAINABILITY REPORT



Effective environmental management is an integral part of the group's sustainability programme

SUSTAINABILITY REPORT

The group aims to effectively manage its economic, social and environmental relationships through an integrated approach to its stakeholders and the environments in which it operates.

The group is in the process of re-aligning and committing to zero harm to ensure its business contributes to society through the consideration of health, safety, social, environmental, ethical and economic aspects in all company decisions and activities.

KEY POINTS

The group aims to ensure that how it interacts with its stakeholders is more than merely a compliance issue. It aims to continuously evaluate how it affects those who come into contact with the group to ensure it operates as a sustainable business.

Some of the improvements during the year include:

HUMAN RESOURCES

- Workshops held with group HR and business units to refocus on transformation
- Adoption of a unified strategy for HR to ensure a move from transactional HR to strategic people development
- The successful creation of an in-house training facility, The Group Five Academy, to ensure the effective addressing of skills issues
- Focused recruitment drives, including international campaigns

EMPLOYEE WELLNESS

- 80% of directors were medically tested during the year
- Permanent paramedics are employed in over-border sites where medical assistance is not readily available
- 159 peer educators are in place in terms of HIV/AIDS programme, with 24 new educators trained during the year

BLACK ECONOMIC EMPOWERMENT

- Progress has been seen in terms of initiatives with ownership shareholders, with a major contract won together with the Mvela group
- In the coming year, senior appointments will be vetted by the CEO to ensure transformation in senior management levels
- Preferential procurement improved from 29% to 34%

KEY POINTS (CONTINUED)

SKILLS DEVELOPMENT

- R18,6 million was spent on the training and development of employees
- Over 6 000 people were trained during the year
- The group's learnership programmes and student programmes increased its intake significantly and further improved its mix of black candidates
- The bursary expenditure increased from R4,1 million to R6,4 million

CORPORATE SOCIAL INVESTMENT

- The total CSI spend during the year was R2,7 million
- Almost R1 million was provided from the CSI budget for a voluntary counselling and testing programme. 5 662 employees were tested
- The group's People at the Gate programme has trained 271 people, with 93% securing a position after training

SAFETY, HEALTH, ENVIRONMENT AND QUALITY

- The group has refocused on implementing a zero harm policy, with significant changes to be made during the coming year to ensure increased responsibility in terms of safety, environment, health and communities
- All business units now comply with the Group Five SHE management system
- Almost all business units received a gold SHE rating
- A disabling and injury frequency rate of less than 1 was achieved by the group
- 70% of business units have been OHSAS 18001 certified
- 85% of business units are compliant with ISO 14001
- Four new SHEQ managers were employed

For ease of comparison, the group has structured the sustainability report in line with that of last year's report.

However, the group has moved corporate governance to the front of the report, as it believes it underpins the organisational intent and gives a more comprehensive picture to stakeholders together with the risk report. Please refer to page 78 for more information.

The group has also included several scorecards indicating key measurements for the main areas reported on in the sustainability report. The 2007 report is again compliant with Global Reporting Initiatives to the extent indicated on page 324.

The sustainability report is structured around the following key areas:

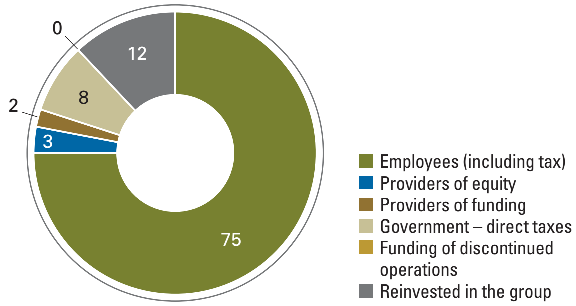
Mike Upton – CEO

SUSTAINABILITY REPORT (CONTINUED)

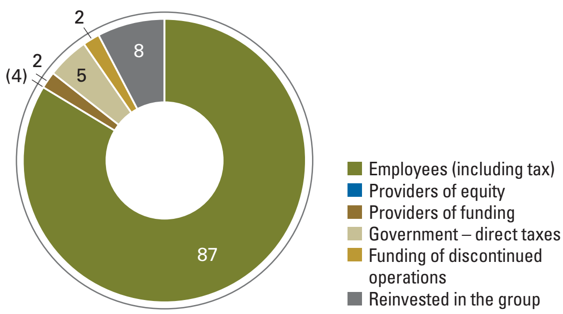
Economic value added statement scorecard

	2007		2006	
Sustainability indicator	%	(R'000)	%	(R'000)
Revenue		7 689 168		5 864 721
Less: purchased cost of goods and services		(5 956 676)		(4 441 644)
Value added	98.7	1 732 492	105.1	1 423 077
Other income	1.3	23 620	(5.1)	(69 497)
Wealth created	100	1 756 112	100	1 353 580
Employees	75.0	1 317 813	87.3	1 181 816
Providers of equity	3.1	54 953	(3.9)	(53 571)
Providers of funding	2.4	41 953	2.2	30 329
Government	7.4	129 560	4.6	62 754
Funding of discontinued operations	0.1	1 129	1.6	21 536
Reinvested in the group	12.0	210 704	8.2	110 716
Wealth distribution	100	1 756 112	100	1 353 580
Number of employees		13 928		10 234
Wealth created per employee (R)		126 085		132 263
Weighted average number of shares		80 672		73 496
Wealth created per share (R)		21,77		18,42

DISTRIBUTION OF WEALTH CREATED – 2007



DISTRIBUTION OF WEALTH CREATED – 2006



JSE Limited socially responsible investment index (SRI) scorecard

Sustainability indicator	2006 score (1)	2005 score	JSE base (2)
Governance	42		16
Social sustainability	51	Not assessed	25
Economic sustainability	39	in 2005	21
Environmental sustainability	58		16
Total	190		78

(1) As rated on the JSE SRI Index of 2006
(2) As determined by the JSE SRI Index guidelines

The group's score of 190 points significantly exceeds the JSE Limited's baseline score of 78 points.

Broad-based black economic empowerment scorecard

		Construction charter scorecard			DTI scorecard	
Core components	BEE elements	Weighting %	2007 Score % (1)	2006 Score % (1)	Weighting %	2006 Score % (2)
Direct empowerment	Ownership	25	14.83	14.83	20	15.00
	Board Management	10	4.85	4.85	10	2.30
HR development	Senior management	10	2.79	4.51	10	3.50
	Skills development	15	10.87	8.30	20	17.40
Indirect empowerment	Preferential procurement	20	4.09	4.20	20	5.60
	Enterprise development	15	11.3	10.00	10	10.00
	CSI	5	4.0	4.00	10	10.00
Total		100	52.73	50.69		63.68

(1) Self-evaluation as at 30 June
(2) As evaluated by rating agency Empowerdex

The group has requested Empowerdex to perform an audit of its 2007 scorecard based on the revised dti guidelines issued recently. The results of this audit have not yet been finalised.

The group has been rated by the Financial Mail as the most empowered company in the Basic Industries sector of the JSE Limited for 2005 and 2006.

SUSTAINABILITY REPORT (CONTINUED)

Employment equity and practices scorecard

Sustainability indicator	2007 score	2006 score
Total employee headcount (part-time and full-time employees)	**13 928**	10 234
Number of unionised employees	**1 786**	2 540
% of permanent employees on medical schemes	**45%**	38%
% of employees over border	**40.0%**	33.7%
% of black employees within the South African permanent workforce	**66.7%**	72.1%
% of coloured and asian employees within the South African permanent workforce	**78.3%**	82.6%
% of black employees appointed within Peromnes grades 1 to 3 (Executive and senior management) within the South African permanent workforce	**0.02%**	6.7%
% of black, coloured and asian employees appointed within Peromnes grades 1 to 3 (Executive and senior management) within the South African permanent workforce	**0.02%**	6.7%
Number of black male bursary students	**71**	57
As a % of total bursary students	**47.7%**	50.4%
Number of black female bursary students	**34**	12
As a % of total bursary students	**22.8%**	10.6%

Group Five is committed to promoting equity and diversity throughout the group, with special focus on its South African operations.

Skills development scorecard

Sustainability indicator	2007 score	2006 score
a) Annual value spent on training and development programmes	R18,6 million	R10,1 million
i) Total number of employees trained	6 010	5 806
ii) Total number of employees trained – semi-skilled and unskilled employees Peromnes grades 12 to 19	3 432	3 260
b) Annual value spent on learnerships	R3,1 million	Established in 2007
i) Total number of learners on learnership programmes	161	
ii) Total number of unemployed learners registered on learnership programmes	94	
c) Number of students on Group Five Programme for Management Development (PMD) in partnership with Gordon Institute of Business Science (GIBS)	20	Established in 2007
d) Annual value incurred on bursary expenditure	R6,5 million	R4,1 million
i) Number of bursary students University and University of Technology	149	113
ii) Number of female bursary students University and University of Technology	37	15
e) Total annual skills development spend – black employees	R14,2 million	R6,7 million

Group Five's commitment from executive level downwards is uncompromising and a clear priority of people development, with a particular initial focus on skills development, has been established

SUSTAINABILITY REPORT (CONTINUED)

Preferential procurement scorecard

Sustainability indicator	2007 score (1)	2006 score (2)
% of suppliers with at least 25% black ownership – Level 8 organisation	10.0%	10.0%
% of suppliers with at least 50% black ownership – Level 7 organisation	13.5%	19.0%
% of suppliers with less than 25% black ownership – Level 1 – 6 organisation	10.5%	–
Total % of preferential procurement	34.0%	28.9%

(1) As determined by the application of the dti Codes of Good Practice
(2) As determined post Ezee-Dex survey

There has been a progression in preferential procurement from 29% as reported last year to 34% this year.

Enterprise development scorecard

Sustainability indicator	2007 score	2006 score
Annual value of total direct costs incurred by the group	–	512 937
Value of funding provided by the group	R50,0 million	R 14,4 million
Financial institution guarantees issued from the group's facilities	R119 million	R250 million
Number of black-owned entities with which the group is engaging in significant joint venture partnerships	10	4
Total value of contracts being executed with black-owned joint venture partners	R4,1 billion	R838 million

The enterprise development section of the Construction Charter was designed to correct the distinct lack of capacity in the sector.

Corporate social investment (CSI) scorecard

Sustainability indicator	2007 score	2006 score
Targeted CSI spend as a % of annual payroll (to be achieved over four years)	**0.25%**	1% of PAT%
Actual CSI spend as a % of annual payroll	**0.20%**	0.14%
Total annual spend on CSI programmes	**R2,7 million**	R1,4 million
Number of unemployed people trained as part of the People at the Gate programme	**68**	203
% of unemployed people securing positions after training	**100%**	91%
Number of charities benefiting from the group's CSI programmes	**14**	10

CSI is an integral part of the group's business strategy and is driven at the highest level. The programmes are mainly structured around skills development, education and HIV/AIDS, as the group believes it can be most effective in ensuring transformation within these areas.

HIV/AIDS scorecard

Sustainability indicator	2007 score	2006 score
Number of sites where voluntary counselling and testing (VCT) was conducted	**51**	21
Number of employees and sub-contractor employees tested per VCT	**5 662**	3 337*
HIV/AIDS prevalence rate amongst employees tested	**14.6%**	19.1%*
Number of peer educators trained during the year	**24**	135
Total number of trained peer educators	**159**	135
Annual value of investment on HIV/AIDS prevention and treatment (jointly funded by Construction SETA)	**Nil**	R2,1 million
Annual value of investment on HIV/AIDS prevention and treatment and VCT (funded by the group)	**R1,3 million**	R360 000

** The group conducted prevalence testing and VCT in 2005.*

During 2007, only VCT was conducted. In 2005, the group's infection rate was 19%. Based on VCT conducted on 5 662 employees in 2007, the infection rate is estimated to be 14.6%.

SUSTAINABILITY REPORT (CONTINUED)

Safety, health, environment and quality (SHEQ) scorecard

Sustainability indicator		2007 score (1)	2006 score
PS 1:	Social and environmental assessment and management systems	**Assessed as adequate and appropriate**	Not assessed in 2006
PS 2:	Labour and working conditions	**Assessed as adequate and appropriate**	Not assessed in 2006
PS 3:	Pollution prevention and abatement	**Assessed as adequate and appropriate**	Not assessed in 2006
PS 4:	Community health, safety and security	**Assessed as adequate and appropriate in South Africa (*)**	Not assessed in 2006
PS 5:	Land acquisition and involuntary resettlement	**Assessed as adequate and appropriate in South Africa (*)**	Not assessed in 2006
PS 6:	Biodiversity conservation and sustainable natural resource management	**Assessed as adequate and appropriate in South Africa (*)**	Not assessed in 2006
PS 7:	Indigenous people in South Africa	**Assessed as adequate and appropriate**	Not assessed in 2006
PS 8:	Cultural heritage in South Africa	**Assessed as adequate and appropriate**	Not assessed in 2006

(1) During the period under review, the International Finance Corporation (IFC), a member of the World Bank group focusing on the private sector, conducted an environmental and social review on Group Five. The IFC applies certain performance standards to manage social and environmental risks and impacts in the private sector. Together, all eight performance standards must be met to provide an acceptable environmental and social rating.

(*) Compliance with South African laws and regulations, as well as adherence to the group's internal management policies and procedures, is deemed by the IFC as sufficient to ensure risks are adequately addressed. For over-border operations with limited formalised laws and regulations on environmental and social issues, the IFC requires the adoption of the performance standards along with the group's internal management policies and procedures. This is currently being addressed by the group.

GROUP FIVE AWARDS SINCE 2004

Company Awards

2007

Financial Mail Top 200 Companies

- 17th in 200 Top Performers

Investment Analysts Society

Best Reporting and Communications Award in the JSE Limited's (JSE) Basic Industry and Manufacturing category

2006

Financial Mail Top Empowerment Companies

- Most empowered company in the Basic Industries Sector of the JSE
- 9th position overall on the JSE
- 5th position in enterprise development

Sunday Times Top 100 Companies

- 15th position
- Ranked as a Royal Company

Services SETA

Best JSE-listed company sustainability report and a merit award in the JSE Industrial and Manufacturing category for the 2006 annual report

2005

FinWeek's Top 200 Listed Companies

- 7th position

Sunday Times Top 100 Companies

- 7th position

JSE Sustainability Reporting Index (SRI)

- One of only 58 companies included on the JSE's SRI
- Rated by Ernst & Young in the Top 20 on the SRI with regard to sustainability reporting

Institute of Chartered Secretaries and Administrators

- Merit award in the JSE Industrial and Manufacturing category for the 2005 annual report

Construction World's Best Contracts

2006

- Highly commended: **Moma Jetty, Mozambique**
- Special commendation: **Cradock to Tarkwa River bridge, Eastern Cape**

2005

- Highly commended: Civil Engineering and Building Contractors category and Public Private Partnerships category: **Berg River dam contract (JV)**
- Special commendation: **Bank of Tanzania**

2004

- Runner-up: **Cimangola cement mill, Angola**
- Third place: **Bank of Mauritius**

Concrete Society of South Africa

2007

- Fulton Award commendation: Civil Engineering category: **Maguga dam regulating weir**
- Fulton Award commendation: Construction techniques: **Cradock to Tarkwa River bridge**

2004/5

- Fulton Award special recognition: **2 448 units at the Nova Vida housing contract in Luanda, Angola**
- Concrete achiever: **Widening Edwin Swales highway, KwaZulu-Natal. Joe Venter: General foreman**

SUSTAINABILITY REPORT (CONTINUED)

GROUP FIVE AWARDS SINCE 2004 (CONTINUED)

MBA KwaZulu-Natal Region: Building Excellence

2006
- Highly commended: Commercial building: **Sappi Saiccor admin building, Umkomaas**
- Winner: Retail building: **Liberty Midlands Mall, Pietemaritzburg**
- Winner: Multiple residential building: **Pearl Tides, Umhlanga**

2005
- Highly commended: Industrial and Civil Engineering category: **Sapref LION contract**
- Highly commended: Multiple residential buildings category:
  - **Bondi Beach apartment block**
  - **Grand Floridian apartment block**
  - **Pallotine Fathers residence**
- Highly commended: Alterations, additions, renovations category:
  - **ABI bottling factory**
  - **Pavilion shopping centre**

MBA National Safety Awards

2006
- R200 million to R300 million – Third place: **Sandhurst Towers, Sandton, Gauteng**

2004
- R50 million to R200 million – Runner-up: **Grand Floridian, KwaZulu-Natal**
- Highly commended: **Oyster Shells, KwaZulu-Natal**
- R20 million to R50 million – Highly commended: **Oyster Quays**
- R10 million to R20 million – Highly commended: **Oyster Pearls**

NOSA Safety Awards

2005/6
- **Natref: 4-star Nosa**

2003/4
- **Sasol Refinery, Secunda**
- **Sasol 1, Sasolburg**
- **Iscor, Vanderbijlpark: Nosa 4-star**
- **All mining contracts in Limpopo**

PMR Golden Arrow Award

2006
- Highest rated in the Western Cape construction sector: **Group Five Western Cape**
- Highest rated in the KwaZulu-Natal construction sector: **Group Five KwaZulu-Natal**

2005
- Construction category runner-up: **Group Five**

2004
- Construction category runner-up: **Group Five**

PMR Silver Arrow Award

2007

- Construction category third place: **Group Five**

PMR Diamond Arrow Award

2004

- Best construction company in KwaZulu-Natal: **Group Five KwaZulu-Natal**

Safety achievements

2006/7

- **Contracts for GTA at Malongo, Angola:** 1,3 million injury-free man hours
- **Housing for Anglo Platinum, Potgietersrus:** 2 million injury-free man hours
- **AX222/222B, Dubai:** 2 million injury-free man hours
- **Chevron: Caltex refinery shutdown, Cape Town:** Outstanding safety performance
- **Amakhulu contract, Sappi Saiccor Umkomaas Mill:** Safety award for excellent performance
- **GRD Minproc:** 1 million injury-free man hours for the Langer Heinrich uranium contract in Namibia
- **Sappi Tugela, Mandini:** 1 million injury-free man hours
- **Mittal:** 2-star IRCA
- **Moma Jetty:** Certificate of excellence
- **Sasol:** Compliance grading award from Sasol

2004/5

- **DUBAL (Dubai Aluminium)** 3 million injury-free man hours
- **SAPREF LION contract:** Outstanding safety record from SAPREF for over 500 000 injury-free man hours
- **Iscor Newcastle:** 1 million injury-free man hours
- **Iscor** endorsement for Best SHE systems
- **Housing for Anglo Platinum, Rustenburg:** over 3 million injury-free man hours
- **Housing for Anglo Platinum/ARM, Burgersfort:** over 2 million injury-free man hours
- **Mondi RB 720:** contract completed without any lost time injuries
- **GTA contract Malongo:** 1 million injury-free man hours
- **Waterval ACP:** contract completed without any lost time injuries
- **Engineering Projects:** achieved a platinum rating for the corporate OHSAS audit (92%)
- **Mondi Merebank:** E&I project completed without any lost time injuries
- **Jwaneng Diamond Mine:** completed all contracts and demobbed from Jwaneng Botswana, having won numerous awards and trophies for SHE performances throughout its presence on the mine

SA Institute of Architects: Sustainable Building

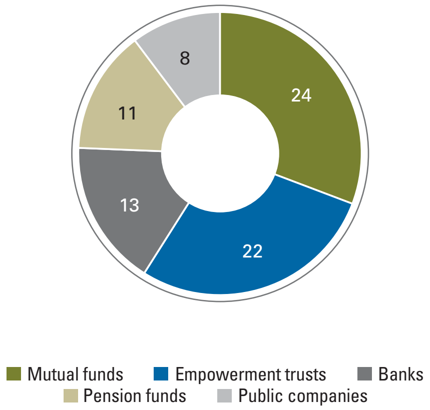
2004

- Africa region best practice award: **Nova Vida residential township, Luanda, Angola**

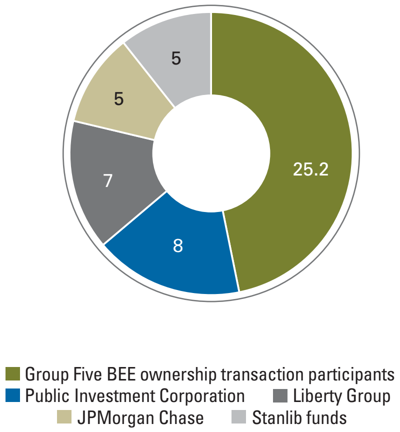
SUSTAINABILITY REPORT (CONTINUED)

SHAREHOLDER ANALYSIS

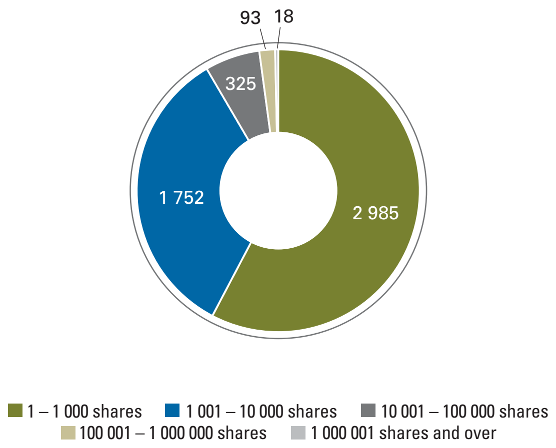
LARGEST FIVE SHAREHOLDER TYPES – PERCENTAGE OF SHARES HELD AT 30 JUNE 2007



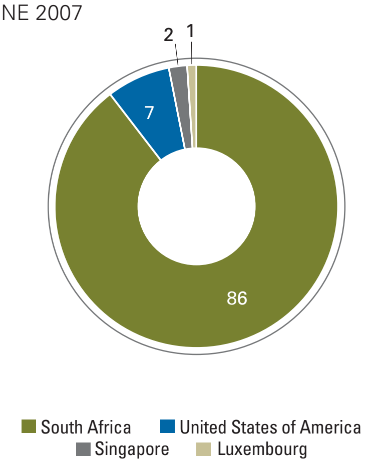
BENEFICIAL SHAREHOLDERS WITH AN INTEREST OF 5% OR MORE – PERCENTAGE OF SHARES AT 30 JUNE 2007



SHAREHOLDER SPREAD – NUMBER OF SHAREHOLDERS AT 30 JUNE 2007



LARGEST FOUR BENEFICIAL SHAREHOLDERS BY COUNTRY – PERCENTAGE OF SHARES HELD AT 30 JUNE 2007



STAKEHOLDER ENGAGEMENT

Group Five interacts with a broad range of stakeholders, both in South Africa and over border. The group aims to build constructive relationships with all the audiences it engages with.

In the next few pages, the group outlines its main stakeholders and some examples of ways the group interacts with them.

MAIN AUDIENCES

Audience	Method of engagement
Shareholders, investors and analysts	• Results presentations • SENS announcements • Site visits • One-on-one meetings • Media releases • Roadshows • Management days • Annual report • Annual general meeting • Group Five website • Annual reviews with providers of debt finance • Feedback forum – feedback@g5.co.za
Media	• Results presentations • Site visits • Media releases • One-on-one meetings • Annual report • Feedback forum – feedback@g5.co.za
Employees	• Internal magazine communicating developments in the group – InTouch • Magazine communicating contracts awarded – InSite • Newsflashes • Performance appraisals • Management presentations • Informal events, such as employee gatherings • Roadshows • Intranet • Internal results presentations • Internal operating committees, including OPSCO, MANCO, FINCO, shared services joint management forum • Anonymous tip-off line
Government	• Continuous interaction and at least one annual meeting with SARS and all significant over-border tax authorities

SUSTAINABILITY REPORT (CONTINUED)

Audience	Method of engagement
Customers	• Company magazine, InSite • Contract meetings • CRM programme – currently in the process of being launched • Targeted meetings
Suppliers and sub-contractors	• One-on-one meetings • Company magazine, InSite
Communities	• Community forums on certain sites • Media releases • Adverts • Community liaison officers • Recruitment of unemployed people • CSI programme, including People at the Gate and donations to charities

Shareholders, investors, analysts and media

The investment community and the media are important stakeholder groups with whom Group Five regularly communicates in a variety of ways. The communication is as inclusive as possible, encompassing buy-side analysts, sell-side analysts, institutional fund managers, retail fund managers and journalists. With the assistance of regular surveys conducted with representative samples of the investment community, the group has focused on what the market deems to be the most valuable aspects of interaction.

On 20 June 2007, the group was awarded the **"Best Reporting and Communications Award" in the Basic Industry and Manufacturing category** of the Investment Analysts Society. The award recognises effective corporate reporting and recognises the group's focus on relationship building and communication with stakeholders.

A key emphasis of investor and media communication is to avoid hype at all costs and to focus on the accurate communication of facts about Group Five. An important element is the communication not only of positive news about the group, but also timeous and accurate communication of negative news. In line with stock exchange requirements, announcements are made through the stock exchange news service (SENS).

In addition to financial information, many shareholders and media are also interested in how the business is performing on non-financial issues such as BEE, corporate governance, risk management and ethics. Group Five has made a concerted effort to include information on such issues in its various communication tools to shareholders, analysts and the media.

Another goal of Group Five's investor relations effort is to expose the group's operational management to investors on a controlled basis to prevent interfering with operational performance. This exposure is essential in communicating to the financial markets the strong management team that exists within the group. It is also a tangible indication to financial decision makers that Group Five is transparent and comfortable with its operational management communicating with investors.

Group Five is not only cognisant of, but supports, the JSE Listings Requirements in relation to imparting equal information to all investors. To this end, the group posts a synopsis on the group's website at the time of any particular investor communication.

Employees and management of Group Five are unable to comment on company-specific issues during closed periods and only the CFO or CEO are authorised to comment on industry-specific issues during closed periods.

Employees

The group believes employees are its most important stakeholder group. Without positive and constructive engagement with this audience, all other stakeholder engagement is affected.

As outlined in the HR report on page 172, the group has implemented a range of programmes over the last few years to improve its interaction with employees. During the year, feedback was conducted among a sample group of employees. The main issues that need to be addressed are:

- More regular senior management interaction
- A better understanding of group strategy and direction
- Clear career development paths
- Understanding the need for systems, policies and procedures
- Being a more family-inclusive company

The group will be embarking on a communications programme throughout the group, starting in August 2007. The new group CEO and exco team members will be conducting roadshows through the organisation to outline the group strategy and to assist in clarifying employee career paths. The new

Engagement with employees

Following the decision to implement a cost to company process, a detailed statement of intent was placed on the intranet and circulated to all employees throughout the group detailing the intended process and inviting interested employees to participate in focus groups to debate the merits of this proposal. 56 employees volunteered to participate.

This group was divided into two equal groups and a robust conversation ensued. By the end of these sessions, the employee representatives were unanimous in supporting the change. The minutes of these sessions were circulated through the group in the form of a comprehensive nine-page Q&A document. This was followed by numerous group and individual briefing sessions where employees were given the opportunity to comment on the merits of the proposed method of conversion to cost to company.

All employees were then issued with a dummy cost to company calculation, both before and following the annual March salary review process. They were invited to give feedback both on the process and on the accuracy of their individual calculations.

Following input from employees, a number of revisions were made to the calculation process. These included the introduction of an equalisation process to ensure that employees who had elected the cheaper medical aid options were not penalised and greater flexibility in the amount of money employees can set aside from their package for the December bonus.

SUSTAINABILITY REPORT (CONTINUED)

Group Five was the winner of the Best Reporting and Communications Award in the Basic Industry and Manufacturing category for 2006/2007. It was presented by the Investment Analysts Society at its annual awards ceremony. Former CFO and deputy CEO, Paul O'Flaherty, accepted the trophy from IAS board member, Frank Reuvers

Engagement with government

During the year, the group formalised its communications model with one of its government stakeholders, the South African Revenue Services (SARS) by ensuring at least one formal meeting with the large business centre to confirm taxation compliance for all companies within the group. This is in addition to the communication that occurs on a continuous basis as required between the different SARS offices and group companies. In addition, the group has agreed to partner with SARS in F2008 to assist SARS in implementing their strategic objectives. SARS will be utilising the group as a communication vehicle to address all group employees on recent PAYE initiatives.

CEO has already accompanied HR team members on a roadshow in May 2007 to address HR issues in the organisation.

A structured cultural change programme is also in the process of being implemented.

Government

The group interacts with all sections of provincial and local government in South Africa on an ongoing basis, particularly with the Department of Public Works, the Department of Transport and the Department of Housing.

The group believes this direct engagement on issues of mutual interest is critical at a time when the transformation of the construction industry is under way and delivery of key contracts is paramount to the benefit of the country and the economy.

The group has appointed various country managers in over-border countries, in addition to the financial and operational directors currently in place. The country managers' primary responsibility is to address all aspects of compliance per country of operation, which requires a focus on government and regulatory requirements. Each country manager has become the central point of contact for local regulatory units in African countries of operation. To date, country managers have been appointed in Nigeria, Ghana, Mali, Burkina Faso, Angola, Mozambique, Dubai, Jordan, Mauritius, Madagascar, Tanzania, DRC, Zambia, Botswana, Swaziland and Namibia.

The group believes employees are its most important stakeholders. Without positive and constructive engagement with this audience, all other stakeholder engagement is affected.

Targeted communication is sent to customers on a regular basis

The supply chain is defined as "all activities associated with the supply and consumption of materials and services within the group"

Customers

Customers are key stakeholders of the group and effective customer relations is one of the nine key strategic objectives in Group Five's balanced scorecard. The direct responsibility for customer relations has been allocated to the managing directors of each business unit and their executive teams in conjunction with the business development unit. Targeted communication is sent to customers on a regular basis. The CRM programme to drive customer interaction is currently being implemented.

As a sub-contractor, Protech Khuthele is active on site at the Northern waste water treatment works

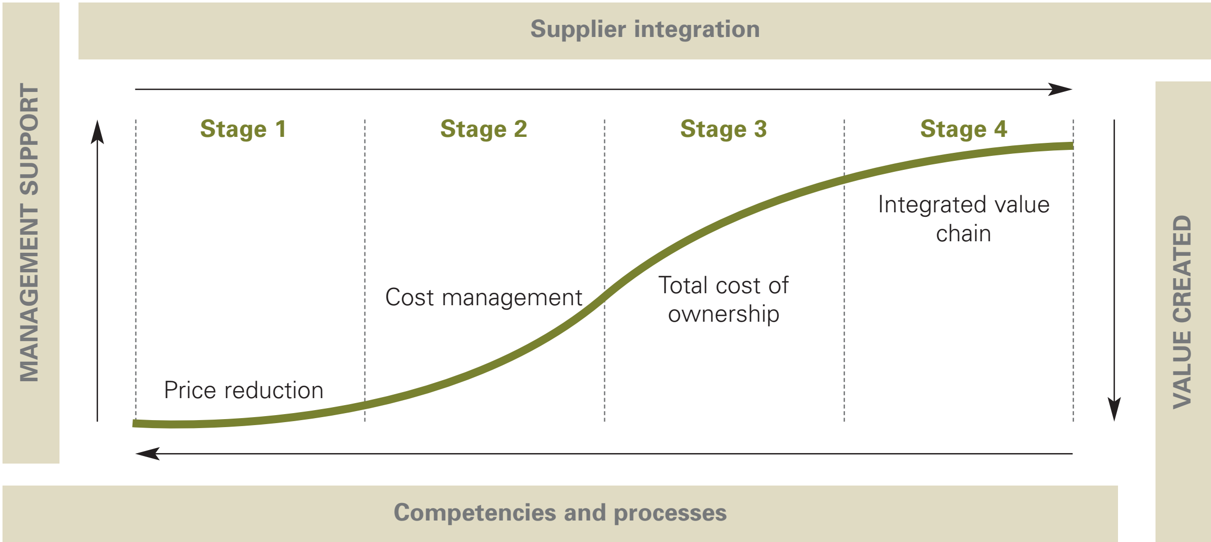
Suppliers and sub-contractors

During the year, Group Five embarked on a comprehensive supply chain strategy aimed at unlocking value through its relationships with suppliers and sub-contractors. The supply chain is defined as all activities associated with the supply and consumption of materials and services within the organisation.

The strategy is based on the simple principle of moving the organisation up the maturity curve. Refer to model on page 168. The team has focused on the following key improvement criteria:

- Enhancing the skill set of the procurement team and introducing highly competent commodity and supply chain strategists into the organisation
- Developing robust processes that support the improvement strategy
- Developing the competencies of not only the people, but also all activities associated with the procure-to-pay processes
- Senior level management support to develop vendor relationships at a strategic level
- Engaging key vendors in debate regarding opportunities to unlock and create value

SUSTAINABILITY REPORT (CONTINUED)



= Improved path for invested supply chain management

Engagement with suppliers

During the year under review, the supply chain team identified that the group interacts with 40 key suppliers in respect of materials supply. Business with these suppliers translates into 70% of the group's spend on materials each year.

Regular meetings, interaction and debate with approximately 50% of these key vendors are currently taking place, with the objective of understanding mutual needs and expectations, resolving issues of process and identifying opportunities. Focus on the other key suppliers with whom the group directly and frequently engages with, will continue in the new year.

Communities

The group believes businesses should interact responsibly with the communities where it operates. Due to the nature of construction, operations are often perceived to have a big impact on surrounding communities in terms of issues such as dust and noise.

To address this, the group has community liaison officers working with site management to address community concerns and to assist with the selection of local people for employment and training. The officers compile a database of skills available in the area and conduct the initial screening for employment.

The group also contributes to the communities around its operations through its structured CSI programmes. Refer to page 222 for more information.

In over-border countries, the group invests in the local communities it operates in. For example, in the town of Cabinda in Angola, Group Five chose to work and live within the community, hiring several houses from the locals and employing and training many more. This puts revenue directly into the hands of many people who would otherwise not have benefited from the capital expenditure programmes in the region and helped to build strong relationships with the community.

In the coming year, the group will further improve the way it interacts with communities through developing its SHEQ policy to one of SHEC. Refer to page 241 for more information.

Elizabeth Dikeleng Mozima

Group Five established a relationship with the Bafokeng nation when it launched its People at the Gate programme in Rustenburg. A representative from the Bafokeng compiled a database of unemployed people in the Rustenburg area who were seeking employment or opportunities for skills training. The Bafokeng representative is the liaison between Group Five and the community and is responsible for the first level of communication and screening.

104 unemployed members of the community were trained and 100 were offered employment after training.

"I completed my matric and started looking for work. I was not successful because I did not have the experience which was always asked for. I heard from the Royal Bafokeng administration youth co-ordinator that Group Five was looking for people to train. I had to complete a questionnaire and was interviewed by them. Thereafter, I was interviewed by two people from Group Five and was told that my application was successful and I would be trained to do basic plumbing. I was excited because I did not know that females could become plumbers. I was trained for 20 working days and then I was employed to work on the contract to rebuild the old mine hostels. I am still working for Group Five and I am very happy because I am learning a lot."

"After I finished my matric, my family could not afford to send me to study. I went to the Royal Bafokeng administration offices and put my name on a list for employment. I was called for an interview and told that there was no employment available and that I could be trained to become a plasterer.

"People from Group Five came to the administration offices and I was interviewed by them and told that I could start my training as a plasterer at the mine hostel. A week later the training started. Every morning the group was picked up and taken to the site for training. We were given a lunch pack every day. The contract will only finish at the end of 2007 and I am hoping to work for Group Five until then. I am also hoping that I will be given an opportunity to learn to do bricklaying because I could work as a bricklayer and plasterer when this job is finished."

Kelebogile Catherine Mokgwatlheng

SUSTAINABILITY REPORT (CONTINUED)

Empowering the local community

A shortage of bricks and skills at the Mothlotlo relocation project for Anglo Platinum in Potgietersrus offered the perfect opportunity to empower local community members.

The contract comprises the construction of 956 houses, schools, churches and retail outlets in preparation for the relocation of communities affected by mining operations in the area.

Working closely with Anglo Platinum, Group Five established a brick-making facility on the site, offering skills training and employment opportunities to suitable candidates.

During the course of the contract, over 11 million bricks will be manufactured and 80 people will be trained – nine of them into management and trainer positions.

On completion of the contract, the facility will be handed to the community. The community members will continue to operate it as a small business enterprise.

Membership of industry and business associations

The group participates in several associations to interact with other stakeholders in relevant industry and business platforms. Below is a list of the group's main memberships:

- International Project Finance Association (IPFA)
- Chartered Institute of Building (CIOB)
- SA Council for the Project and Construction Management Profession (SACPCMP)
- SA Association of Quantity Surveyors (SAAQS)
- Chartered Institute of Building (CIOB)
- SA Council for the Project and Construction Management Profession (SACPCMP)
- SA Association of Quantity Surveyors (SAAQS)
- SA Federation of Civil Engineering Contractors (SAFCEC)
- SA Institution of Civil Engineering (SAICE)
- Building Industry Federation of SA (BIFSA)
- Engineering Council of SA (ECSA)
- SA Institute of Electrical Engineers (SAIEE)
- Institute of Directors (IOD)
- Master Builders of SA (MBSA)
- SA Institute of Steel Construction (SEIFSA)
- SA Angola Chamber of Commerce (SAACC)
- SA Mozambique Chamber of Commerce (SAMOZACC)
- Econometrix
- Centre for Chinese Studies
- Foundation for Development of Africa (FDA)
- SA Institute for Steel Construction (SAISC)
- SA Capital Equipment Export Council (SACEEC)
- SA Institute of Welding (SAIW)

In addition, the outgoing Deputy CEO and CFO has been a member of the Accounting Practices Committee of the South African Institute of Chartered Accountants for a number of years, ensuring that industry views are noted, particularly in terms of BEE transaction accounting, service concession accounting and headline earnings determinants.

The group often receives requests from students and school children for work experience. During the year, 30 Take a Girl Child to Work learners and 13 University of Technology students spent some time with members of Group Five's team to learn more about the industry.

Some of the comments from students who spent time at Group Five were:

"Meeting you was such a life-changing experience. I told my manager that I was so impressed by your ability to discuss every facet of the business as if you work in those departments. It is good to see a woman such as yourself in such a position. You are such an inspiration."

"I am studying BTech Building Science at the Cape University of Technology and I had to do my one year practical training. I wrote to many companies and found that they had their own students and could not assist other students with practical training. Group Five was the only company that called me for an interview and agreed to let me work on one of their building sites. I am still working on site and hope that I will be employed by Group Five when I complete my studies."

The CBS employment equity forum meets on a regular basis

The group's participation in international recruiting drives has attracted approximately 35 qualified engineers

HUMAN RESOURCES (HR) MANAGEMENT

The group believes it is important to show stakeholders how it delivers on the statements made in this report and where the group believes further attention is required. This is set out below:

Delivery

- Workshops were held with group HR and all business units to refocus on transformation
- Adoption of a simplified group-wide strategy framework for HR
- Adoption of a standard reporting template across the group
- The comprehensive roll-out of the human capital management information system across the group. Data integrity and functionality are now at required levels
- Standardised HR policies were drafted and implemented across the group, including total revision of leave and maternity benefit policies
- Kronos electronic time-keeping system was rolled out across the majority of South African sites and Dubai. International sites are scheduled for completion in September 2007
- Cost to company implementation was undertaken as planned and went live on 1 July 2007
- Appointment of a full-time remuneration manager and the appointment of an interim recruitment manager while a full-time appointment is sourced
- All HR departments have been evaluated in terms of a standardised audit template for suitability and ability to deliver on both the group's transactional and transformational agenda and corrective action and re-staffing were undertaken, where required
- The group participated in numerous international recruitment drives and have so far recruited 35 engineers of South African and foreign origin
- The staff complement increased from 10 234 in F2006 to 13 928 in F2007
- The group launched a selection blueprint methodology to ensure a consistent approach to position profiling and competency framework development
- The Group Five Academy is now fully up and running

Challenges

- While renewed focus on employment equity (EE) has delivered results at middle management level, the group continues to struggle to find and retain suitable equity candidates in senior positions. In an attempt to address this, Group Five has embarked on a process to increase the representation of black people in the HR function and the accelerated development of the talent the group has procured. Refer to page 200 for more information
- The pilot of an integrated performance management system (IPMS) did not deliver results and is under review with an aim to a re-launch in F2008
- The launch of an e-performance module was deferred to F2008 to follow the revamp of IPMS. Integration of the talent matrix has been below par due to the delay of the full implementation of the IPMS process
- Due to the change in the CEO position, a comprehensive culture change programme was deferred to August 2007

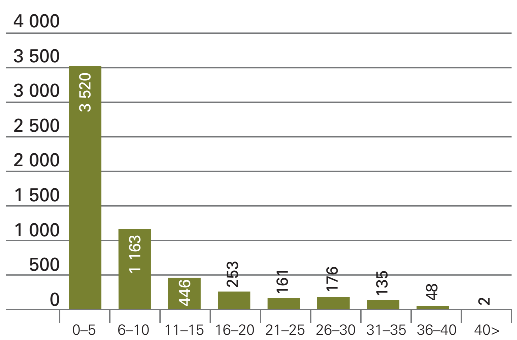
During 2005, the group developed an internal balanced scorecard (refer to page 41) to categorise, focus and prioritise its strategic efforts. Nine focus areas, covering both productivity and growth considerations, were developed. Find below how HR has delivered against these strategic focus areas:

Strategic focus area	Delivery
People and leadership	• Appointment of a remuneration manager and an interim recruitment manager • The group participated in numerous international recruitment drives and have so far recruited 35 engineers of South African and foreign origin • Overall, the number of employees increased from 10 234 in F2006 to 13 928 in F2007 • All HR departments have been evaluated in terms of a standardised audit template for suitability and ability to deliver on both the group's transactional and transformational agenda and corrective action and re-staffing have been undertaken where required
Technology	• Comprehensive roll-out of the human capital management system across the group. Data integrity and functionality are now at required levels • Kronos electronic time keeping system rolled out across all South African sites. International roll-out is scheduled for completion in September 2007
Continuous improvement	• Significant improvements were made to the HR function at Group Five. These include: – Adoption of a group-wide strategy framework – Standardised HR policies drafted and implemented across the group, including total revision of leave and maternity benefit policies – Cost-to-company implementation went live on 1 July 2007 – The Group Five Academy up and running – A selection blueprint methodology was launched to ensure a consistent approach to position profiling and competency framework development
Organisational structure	• Adoption of a standard reporting template across the group • The group restructured and strengthened its HR functions at business unit level to meet the challenges of skills shortages

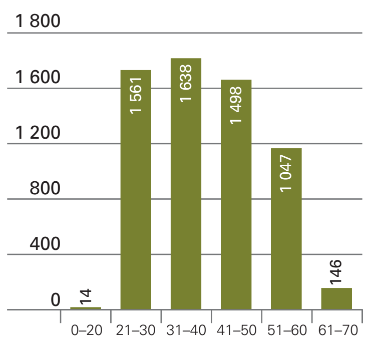
SUSTAINABILITY REPORT (CONTINUED)

Strategic focus area	Delivery
Markets and customers	• Focus has been given to ensure that the group is compliant in terms of the requirements of the market, especially in terms of BEE. This has resulted in a number of awards. Refer to page 160 for more information
Growth	• The group is well advanced in procuring a dispensation from home affairs to import international skills to support the group's growth plans. It is anticipated that this will be granted during Q1 2008
Market positioning	• The group continued to place emphasis on positioning Group Five to ensure potential employees are attracted to the group. This included corporate adverts and media articles • The group has internationalised its recruitment drive, leveraging the strong brand in markets where South African expatriates are targeted
BEE	• Workshops were held with group HR and all business units to refocus on transformation
Financial resources	• To meet the skills requirements to grow the business, the group increased the training spend to R18,6 million compared to R10,1 million last year

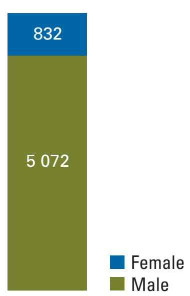
PERMANENT EMPLOYEES
(Years of service)



AGE DISTRIBUTION
(Number in age categories)



EMPLOYEES
(By gender)



INTRODUCTION

Within a sector with severe skills shortages, Group Five believes that the collective skills, motivation and performance of employees at all levels of the organisation are the intangible factors that will ultimately determine whether or not the group is able to continue to differentiate itself from its competitors and deliver sustainable stakeholder value in the short, medium and longer term.

During the year under review, the specific strategic challenge has been to find suitable resources and to retain current resources to deliver on the group's growth strategy, locally and abroad, while maintaining the momentum of the continuous improvement projects and transformational initiatives launched during the previous financial year.

Heightened levels of labour market liquidity and resultant mobility of skilled employees have also brought into focus the need to enhance the value proposition offered by the group in terms of rewards, career and personal development.

Different grading systems

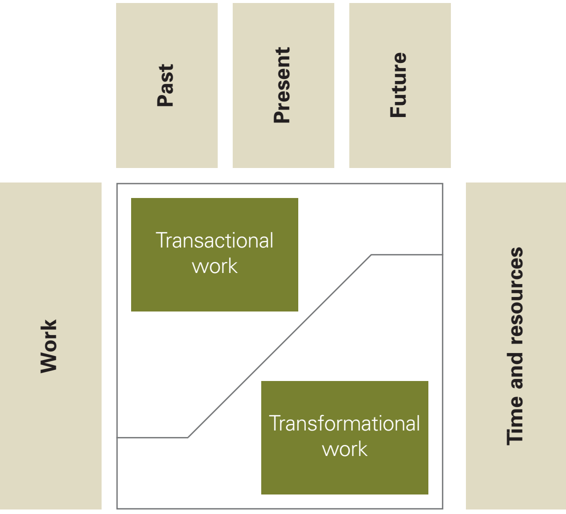
Semantic scale		Patterson	Peromnes	Hay	Castellion
Top management	F	F	1++ 1+		14
Senior management	E	E UPPER E LOWER	1 2 3	1 2	13
Professionally qualified, experienced specialists and middle management	D	D UPPER D LOWER	4 5 6	3 4	12 11 10
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	C	C UPPER C LOWER	7 8 9 10 11 12	5 6 6A 7 8	9 8
Semi-skilled and discretionary decision making	B	B UPPER B LOWER	13 14 15 16	9 10 11	7 6 5 4
Unskilled and defined decision making	A	A	17 18 19	12 13	3 2 1

The four grading systems referred to in the table are the most common factor-based job ranking systems used in South Africa. Group Five uses Peromnes.

SUSTAINABILITY REPORT (CONTINUED)

ADDRESSING HR SKILLS

During the year, HR, together with the exco and the incoming CEO, Mike Upton, held workshops with management teams of the various business units within the group. The key focus of this process was to reinforce the need to move from a focus on the more transactional side of HR to that of strategic delivery and transformation.



The implementation of new HR systems has streamlined the employee management functions

Arising out of this, the group adopted a basic HR strategy framework and conducted an in-depth analysis of the employees required to implement this strategy. What follows is an insight into some of the key issues being addressed in this context.

ENSURING HR PROFESSIONALISM

Centralisation and standardisation

Strategy: To ensure that the group has an HR function that is adequately staffed and equipped to meet strategic and operational employee requirements.

During F2006, the group reported on the adoption of a number of initiatives aimed at establishing a comprehensive HR information management solution. The overall objective of these initiatives was to streamline and improve the back office functions to free up resources to facilitate delivery and capacity in the HR and transformational arena. The design, planning and configuration of these systems were completed during F2006.

As with all IT-based initiatives, success is determined during the implementation phase. During the year under review, the focus changed from the technical design and testing, to the critical change management processes required to fully implement and integrate the required workflow processes.

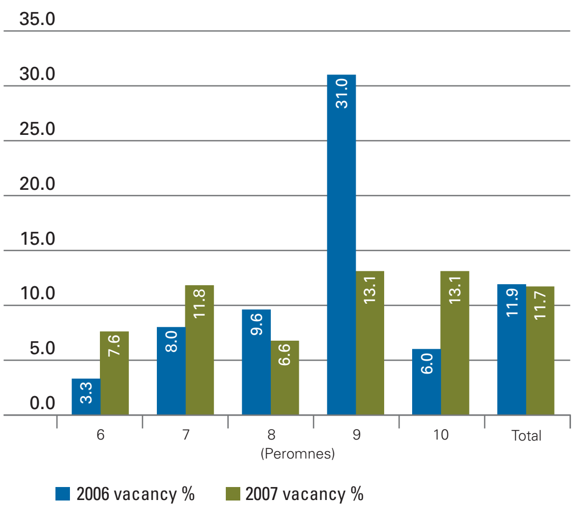
This necessitated widespread consultation and training, together with the collection and collation of significant amounts of data not previously recorded or maintained in any consistent form.

Although not without challenges, the systems have been successfully implemented and the anticipated benefits in terms of speed, accuracy and availability of management information have already started to flow through.

The current benefits achieved from this process have been:

- A specialised, centralised HR transaction services capacity to ensure efficient and compliant administration functions, such as payroll administration, employee record keeping and statutory reporting
- Standardised policies and procedures across the group to ensure consistency. This will facilitate both the consistent and equitable treatment of employees and the group's ability to establish in new countries as efficiently as possible
- An integrated human capital management solution designed to facilitate efficient communications, HR processes and information availability in all major centres
- Compatible software solutions designed to provide integration between employee management, time management, HR management, record keeping and payroll administration. The specific brands selected as part of the group-wide solution include the PeopleSoft HRMS, the Kronos time-keeping system, Payconnect, Microfile and Staff CV
  - All the above systems are supported by regular audits of the various HR processes against agreed templates and procedures to ensure consistency and continuous improvement. All systems are fully integrated with the central PeopleSoft engine

VACANCY ANALYSIS – PEROMNES GRADES 6 to 10
(Actual vacancies as a percentage of total permanent headcount)



Additional software templates successfully implemented during the course of the year were:

- The Omnicor selection blueprint system. This system provides the platform to store a comprehensive library of consistent job profiles and competency requirements, which ensures more accurate recruitment and performance management
- The Deloitte "ProFlex" package modelling tool that was implemented to support the change to a total cost of employment remuneration system

The intended launch of the PeopleSoft e-performance module to automate performance management processes had to be put on hold due to time constraints. The group is planning to roll this out in F2008.

RECRUITING AND SELECTING THE RIGHT CALIBRE OF EMPLOYEES

Strategy: To ensure that the group succeeds in recruiting the right calibre of employees to satisfy operational growth objectives, while meeting the group's EE requirements

While analysis of the group's employee planning reveals that the group has the competencies and human capacity to support current operational requirements, the procurement of the right people to allow Group Five to grow remains a significant challenge. The group has continued to refine and expand its capacity for delivery in this area.

The group's HR efforts have been significantly sharpened during the year to ensure the skills shortages in the company can be effectively addressed going forward and to ensure the retention of employees.

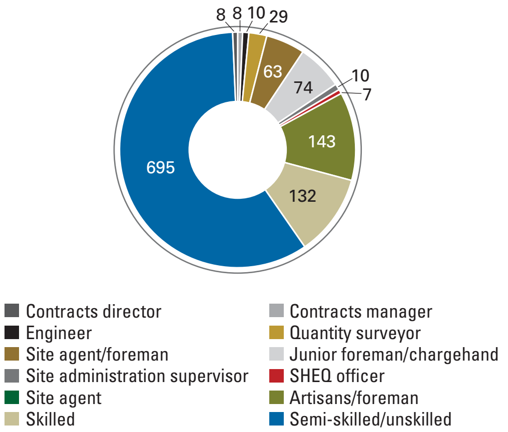
SUSTAINABILITY REPORT (CONTINUED)

The group's HR efforts have been significantly sharpened during the year to ensure the skills shortages in the company can be effectively addressed going forward and to ensure the retention of employees. In the next few pages, the group outlines initiatives to address shortages.

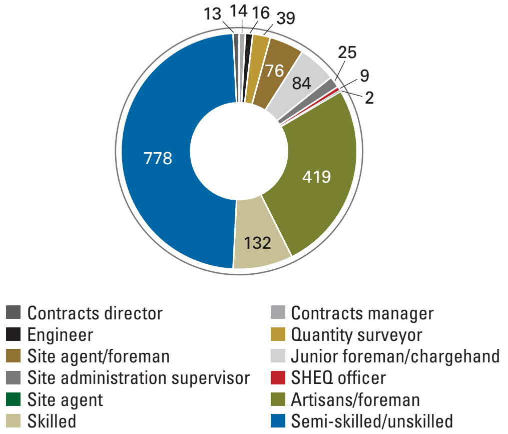
The graph on the previous page depicts a year-on-year comparison of the actual registered vacancies existing in the group and the key operational levels required to deliver on the current secured order book (relative to the total employees in Peromnes grade 6 to 10 (contracts director through to experienced first line supervision)).

While the group has experienced significant growth in both the order book and total headcount, it has managed to maintain the level of vacancies as a percentage of headcount at fairly constant levels. During the period, it moved from an overall vacancy percentage of 11.9% (local and international) at the end of F2006 to 11.7% at the end of F2007. The majority of these vacancies are found in the local market.

CONSTRUCTION – 2009 POTENTIAL VACANCIES
(Number)



CONSTRUCTION – 2010 POTENTIAL VACANCIES
(Number)



Employees with long-service records at Group Five Building

Achievements and strategic interventions to address skills shortages are as follows:

- The introduction of monthly resource planning and reporting
- The approval of the appointment of a senior operational HR resource to focus on the management of the processes required to ensure the capacity to recruit the best available talent and skills required by the group
- Appointment of an additional recruitment manager and a remuneration manager to focus efforts on the targeting of rare or specialist skills and talent on behalf of the group
- The formation of numerous strategic partnerships with recruitment service providers, both locally and abroad. This included the appointment of a recruitment specialist in Europe to assist with the procurement of new talent, particularly in the engineering and construction supervisory arena. A group delegation travelled to the UK during the year to participate in the Careers in Africa symposium with a specific brief to encourage the return of South African skills to the market. A total of 35 experienced South African and foreign engineers have been recruited
- An online e-recruitment solution – StaffCV – with the associated applicant and talent data storage capacity. This is a web-based facility that enables applicants to apply online from anywhere in the world
- The automation of internal vacancy procedures
- The commissioning of a revision of the relevant psychometric evaluations as a standard to enhance the success and reliability of the employee selection processes

These central initiatives are supported by the employment of dedicated recruitment resources in all major business units.

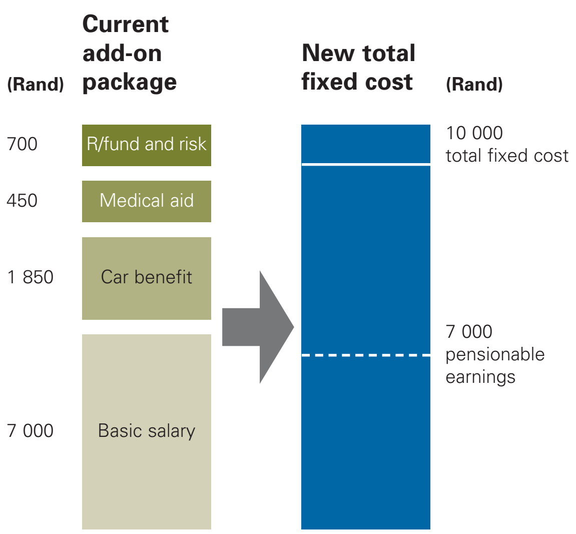
DEVELOPING AND MAINTAINING COMPETITIVE REMUNERATION AND EMPLOYEE BENEFIT STRATEGIES

Strategy: To ensure the attraction and retention of the correct calibre of employees

The group acknowledges that increased levels of churn and volatility in the labour market, resulting from the heightened levels of business activity in chosen market segments, make it critical that the group's remuneration strategy remains responsive to the trends in the market.

In this context, the group continuously strives to enhance its research capacity to facilitate the implementation of pro-active, competitive, but sound, remuneration practices. During the period under review, this included:

- The design and implementation of detailed reporting requirements to automate internal survey processes and seamless participation in all the key general and industry remuneration surveys
- The launch of a major project to convert the group's remuneration approach from the more traditional salary plus benefits approach to a cost-to-company philosophy, as illustrated below:



SUSTAINABILITY REPORT (CONTINUED)

- This project required the following:
  - Consultation with employees to obtain consensus, which included mass communication and dedicated focus groups (this process affected more than 2 000 employees)
  - The appointment of an external service provider to assist with the process
  - The purchase of the ProFlex package modelling tool to assist with the optimal structuring of packages on an individual basis
  - The automation of the input of employee information and packages both into and from the PeopleSoft human capital management system and payroll
  - The briefing of all salaried employees across the group on the mechanics of the system and their package modelling options
  - Obtaining formal tax opinion to ensure that the flexibility introduced is within the South African Revenue Services' regulations and requirements
  - The preparation and co-ordination of individual packages for all employees for sign-off

HR personnel were commandeered from the entire group to ensure the success of the newly implemented cost-to-company remuneration system

The conversion has met the 1 July 2007 implementation date agreed at the outset of the project.

Other initiatives in support of the group's strategy of ensuring that the employee value proposition is optimised include:

- The continual evaluation of the employee benefit package provided by the group. This included:
  - The decision to move from an expensive in-house medical aid scheme to an external service provider, resulting in greatly enhanced affordability and employee benefit options
  - The decision made (with the agreement of the trustees of the respective funds) to outsource the management of the Group Five retirement schemes to an external service provider. This move significantly reduces the administrative and other costs incurred by employees, while maintaining their current benefits and providing significantly enhanced choice with investment options. A further benefit has been to place the trusteeship of employees' benefits in the hands of highly respected and qualified professional trustees
- The maintenance of an internationally benchmarked remuneration and expatriate administration policy and remuneration practices (in consultation and collaboration with internationally recognised service providers) that has allowed the group to stay competitive in this arena and to respond timeously to changes in inflation, exchange rates and spending patterns
- The management share appreciation scheme approved by the shareholders in September 2005 to attract and retain the best available talent from middle and senior management
- The black management share scheme to accelerate the attraction and enhance the retention of the best available talent from the empowered workforce

CREATE A CULTURE THAT VALUES AND RECOGNISES PERFORMANCE AND INDIVIDUAL VALUE

Strategy: To create an environment where employees feel empowered to perform, receive regular feedback on the group and have clear growth and development paths

The group is determined to ensure the continuous improvement of employees' value proposition. The group believes this is not merely about remuneration, but about a combination of the following strategic HR interventions:

Medical benefits through an external provider have greatly enhanced affordability and employee benefit options

An internationally benchmarked remuneration policy allows the group to stay competitive

The black management share scheme enhances the retention of the best from the empowered workforce

SUSTAINABILITY REPORT (CONTINUED)

- Establishing a culture where performance is recognised and rewarded
- Establishing a common culture and sense of community and accepted behaviour
- Offering sustainable career development opportunities

These elements and the ongoing group strategies to achieve these are discussed in more detail below:

Ensuring that employees know exactly what is expected of them

This is achieved through careful workflow design and the standardisation of company procedures and requirements:

- All major business units continue to refine and document contract lifecycle procedures to ensure that employees are aware of performance requirements and accountability at each step in the contract delivery process. Refer to page 49
- On the back of the insights developed as a result of the above analysis, the group introduced the selection blueprint system that allows the accurate definition of key competencies required to ensure success in a specific role. Although the large numbers of different skills sets employed by the group make this a long term project, the benefits in terms of more accurate candidate matching during the recruitment process and diagnosis of employee development interventions are already evident where the process has been completed
- The previously reported pilot of the IPMS process carried out in Building and Housing with a view to ensuring the constant alignment of employee performance to the company's strategic and continuous improvement objectives was completed. However, it was found to be too laborious and time-consuming in the context of the increased levels of market activity. While acknowledging the merits of this system, the group is now working on refining and simplifying it to a level suitable to the group's dynamic environment. In the interim, the focus has shifted to maximising the benefits of a performance appraisal systems across the group during the course of the new year

Ensuring that employees receive objective and timeous feedback on their performance

- As one of the key pillars of The Group Five Way, which is aimed at aligning behaviour and operational intent within the group, employees receive a comprehensive performance appraisal at least once a year around September
- Most operational employees usually receive at least two appraisals during the lifecycle of a contract. The first takes place after the initial stages of the contract have been completed to ensure they are on track to deliver the contract, with the second at the end of the contract to ensure that good or poor performance is either recognised or addressed

These newly trained employees can expect to receive regular and objective feedback on their performance

Significant effort has gone into strengthening the group's brand in the marketplace

Orientation and induction of employees and bursary students ensure that they identify with the Group Five brand

Visibly and consistently linking performance to rewards

- Remuneration levels and remuneration increases throughout the group are based on a comprehensive assessment of an employee's performance and competence in terms of and against organisational expectations. Employees' remuneration is evaluated in terms of the market norms established in survey processes and band or market related adjustments are made where indicated
- The group's incentive schemes are based on a combination of the delivery in terms of financial performance and individual contribution

Creating a sense of community and brand identity

Significant effort has gone into strengthening the group's brand in the marketplace. Group Five believes this element contributes to the creation of a sense of identity among employees, which in turn contributes to enhanced motivation.

Key aspects of this strategy are:

- **The development of a common brand identity**
  Through simplifying the group's organisational structure and diverse brands throughout the years, employees can now identify with a common brand.
- **Comprehensive induction and orientation process**
  With a view to ensuring employees identify with the company and the brand as rapidly as possible, the group is in the process of revamping its induction process at both a group and business unit level.

This project involves:

- Development of a comprehensive e-learning induction portal designed to accelerate employee integration and to make available relevant information to all new employees in a user-friendly way
- The revamping of the business unit induction process with specific deliverables to ensure that employees' early impressions are as favourable as possible

The development of a clear, well-communicated and accepted mission, vision, values and culture in the organisation

This is encapsulated in The Group Five Way. Refer to page 47 for more information.

- **Defined behavioural norms**
  The group Code of Ethics was published and distributed in F2004.

SUSTAINABILITY REPORT (CONTINUED)

Extensive and ongoing training has been conducted to ensure both the understanding and compliant application of this code and the procedures encapsulated in the group's disciplinary and grievance procedure, which was revised to encapsulate and enforce the Code of Ethics.

- **Emphasis on the areas that make a difference to employees' experience of working in the group**

  The group believes that both formal and informal recognition, regular interaction, recognition of the importance of employees as a whole and not just a performance-based package, is what will make a difference to employees' experience of working in the group. Group Five still has more work to do in terms of the day-to-day working experience. With the change in group CEO, a planned cultural change programme to employees during the year under review was put on hold until August 2007.

CREATING A SUSTAINABLE CAREER PATH AND LEADERSHIP DEVELOPMENT OPPORTUNITIES

Strategy: To retain and attract high calibre employees by differentiating Group Five from competitors in the labour market by providing superior opportunities for development and career growth

The group recognises that to expect talented employees to remain in the organisation, the group has to consistently deliver on employees' career development aspirations. This requires constant feedback on where employees fit into the organisation, where the organisation sees employees going within the short to medium term and the consistent application of the group's policy of promotion from within, where possible.

While this is typically dealt with in the context of the performance appraisal process, for this to be truly effective requires the appraiser to be empowered to contract with employees in terms of the type of training required to improve their competence and performance.

To this end, last year the group adopted a talent management matrix that requires line management to reach consensus on positioning in terms of both performance and upward mobility potential and a broad strategy agreed before engaging with employees. Regrettably, this initiative has not progressed to the level the group hoped for due to the delay in finalising the group IPMS. This will receive more focus during F2008. This process will be incorporated into a planned learner management system which will be launched in the context of The Academy early in the new financial year. Refer to page 204 for more information on The Academy.

A trainee engineer checks levels on site

EMPLOYEE WELLNESS

INTRODUCTION

Group Five believes it has a duty to ensure its operations are safe working environments. It has a range of programmes that address employee wellness. These include:

- Annual medical examinations for directors
- Medical examinations for expatriate employees
- Pre-employment and post-employment medical examinations and regular interim medical check-ups for employees working in areas where a risk of occupational illness has been identified
- Trauma counselling for employees who need help in coping with a personal crisis
- Career guidance
- HIV/AIDS management

STRATEGIC OBJECTIVES

- To promote the wellbeing of employees in the workplace
- To provide a consistent and constructive set of guidelines to assist employees through the provision of confidential and professional counselling services
- To deliver comprehensive guidelines to managers and supervisors in the business units
- To ensure the efficient delivery of services through accredited service providers
- To address HIV/AIDS in a positive, supportive and non-discriminatory manner
- To pro-actively identify hazards and develop control measures to create a safe working environment

Delivering on statements

The group believes it is important to show stakeholders how it delivers on the statements made in this report and where the group believes further attention is required.

Delivery

- 80% of directors were medically tested during the year
- Permanent paramedic employees are deployed on over-border sites where medical assistance is not readily available
- Ongoing communication and training is done to increase employee awareness levels of health and safety in the workplace
- EE forum members and peer educators encourage employee participation in career guidance and counselling
- 27 peer educators were trained on refresher courses last year
- Peer educators have been trained to complete training plans for their teams and to have these plans approved by the relevant managers, ensuring management buy-in

Challenges

The following areas still require attention:

- Directors need further encouragement to participate in the group's executive health programme as time constraints pose a problem
- Protection and malaria prevention for expatriate employees need constant improvement
- Employees need encouragement to use counselling when necessary and to destigmatise the process
- Maintaining a high level of participation in HIV/AIDS awareness programmes due to the cyclical nature and high turnover of contract workers on construction sites is still problematic. Every effort is being made to reach employees who are only employed for short periods through an effective peer educator training programme
- Ensuring regular attendance at HIV/AIDS training sessions

Peer education forms part of Group Five's HIV/AIDS management programme

EXECUTIVE WELLBEING

Executive wellbeing has become an integral part of the group's risk management processes. The programme is tailored to meet each individual's needs and offers support, which addresses emotional, physical and work-life needs.

WELLBEING PROGRAMMES FOR EXPATRIATE EMPLOYEES

Malaria prevention and employee protection have become major focus areas. Permanent paramedic employees have been deployed on sites where medical assistance is not readily available.

COUNSELLING SERVICES

Counselling services are readily available to all employees in need. Employees are encouraged to use these services through communication briefs and through feedback sessions provided by EE forum members and peer educators.

During 2005, the group developed an internal balanced scorecard (refer to page 41) to categorise, focus and prioritise its strategic efforts. Nine focus areas, covering both productivity and growth considerations, were developed. Find below how employee wellness programmes have delivered against these strategic focus areas:

Strategic focus area	Delivery
People and leadership	• The group has a dedicated team in place to drive the wellness programmes. Peer educators throughout the group ensure focus and continuation • The CSI committee also prioritises HIV/AIDS, with a non-executive board member overseeing the programmes
Technology	• Provision is made for the recording and tracking of the medical condition of employees working over border through the group's PeopleSoft IT system. This allows for the recording of chronic ailments and medication, allergies, physiological assessments and general wellbeing • The group ensures employees are medically certified to meet country and customer requirements
Continuous improvement	• The group's employee wellness programme continued to improve during the year, with another successful VCT programme, with 1 809 employees and 3 853 sub-contractor employees taking part • Awareness programmes have now been implemented throughout the group, with awareness levels continuing to improve
Organisational structure	• Over the past few years, the group established effective structures for improved awareness and reporting throughout the group. Programmes are escalated through the group through the peer educator structure
Markets and customers	• The VCT initiative was highly successful, with 5 662 people participating
Growth	• The group's wellness programme will be grown in the following ways: – The statistics obtained from the recent VCT programme indicate that the HIV/AIDS education and awareness programme is effective. Continuing to improve the programme will remain a focus area – The support structure for families of employees working over border needs to be formalised

SUSTAINABILITY REPORT (CONTINUED)

Strategic focus area	Delivery
Market positioning	• The group communicates both internally and externally on its HIV/AIDS programmes through its internal magazine, its annual report and through media articles
BEE	• The team driving HIV/AIDS throughout the group is 77% empowered and all peer educators are empowered
Financial resources	• During the year, the spend on employee wellness was R1,3 million, which covered HIV/AIDS VCT, counselling and executive medicals

All HIV/AIDS commemoration days are recognised by management and employees

HIV/AIDS PROGRAMME

Group Five recognises the value of its employees and aims to promote a supportive environment for HIV-infected employees and/or employees with AIDS or any other life-threatening disease. Group Five is also committed to ensuring that the workplace is safe and free from stigmatisation and discriminatory practices.

The group produced a comprehensive roadmap as a step-by-step guideline for implementing an HIV/AIDS workplace programme. It is designed to guide business units through a process which starts with understanding the Group Five policy through to ensuring access to treatment for those who are HIV positive.

Employees were encouraged to know their HIV status through the VCT programme

Roadmap

Indicator	Description	Measurement	Status	Action during the year
Policy statement	A policy statement endorsing the company's commitment to HIV/AIDS for distribution to all business units to be displayed alongside the group's safety and quality policies	Formally adopted by Group Five's management committee in F2004 Signed by managing directors Displayed in all business units	Policy statement signed by all managing directors and displayed in business units	Business unit champions appointed to ensure that policy statement is continuously displayed at business unit head offices and sites
Group steering committee	Committee to focus on strategic issues and to co-ordinate group initiatives	Committee set up and functioning, as detailed in HIV/AIDS policy and procedures guidelines	Included as a function of the CSI committee Quarterly meetings held under the chairpersonship of Group Five board member, Lynda Chalker	HIV/AIDS is an agenda item at all CSI meetings
Communication structure	Implementation of a communication process	News and information disseminated to all employees	In place Internal magazine/ brochures/briefs used Internal presentations were done	HIV/AIDS events have been reported on in the group's InTouch magazine Posters continuously displayed throughout the group

SUSTAINABILITY REPORT (CONTINUED)

Indicator	Description	Measurement	Status	Action during the year
Management training	Training of business units' senior management teams	Training addresses the impact of the disease on the business, legal compliance, how to deal with HIV positive employees, etc	Ongoing. Managing directors and their teams have undergone basic training. Legal compliance and risk assessment training are in the pipeline	SABCOHA has been invited to address the business unit management and to provide strategic direction
Business unit task teams	The task team is responsible for the implementation of the HIV/AIDS policy and procedure	Set up according to policy, headed by a senior line manager	Implemented. Incorporated as a function of business unit's EE training forum	Business unit task teams meet quarterly to agree group initiatives
Legal compliance and administration	Policies and procedures to ensure legal compliance Recording of absenteeism and submission of disability and death claims	Policies and procedures available	Ongoing training provided to the relevant employees	HIV/AIDS policy available on the group's intranet Training provided in conjunction with EE and skills development training
Condom distribution	Procedure in place for condom distribution on all sites Refilling of dispensers done on an ongoing basis	Dispensers kept full Condoms available to all employees	Ongoing. Responsibility of peer educators in business units	Spot checks were carried out to ensure that condoms are freely accessible to all employees
Group peer educator programme	Volunteers, selection and training Updating and re-training of educators	Plan and conduct training Provide support in workplace Educators to be trained and re-trained	To date, 159 peer educators were trained	24 new volunteers trained during year Refresher courses have been conducted for those previously trained
Voluntary counselling and testing	Information campaign stressing confidentiality rolled out VCT programme done Providing "knowledge packs" with contact details for crisis handling	Voluntary, but employee participation is encouraged	Successfully completed during 2005 with 3 337 employees participating. Repeated in 2007 with 5 662 employees and sub-contractor employees participating	VCT conducted throughout the group from 18 to 22 June 2007 This was preceded by an extensive information and communication campaign

Prevention strategy

Prevention is the highest priority in the group's HIV/AIDS programme. Effective strategies involve a combination of education, prevention and treatment that go hand-in-hand with the prevention of other sexually transmitted infections (STIs). These strategies call for consultation with employees and their representatives and have the full backing of the group's leadership.

In terms of the group's policy, HIV/AIDS is treated like any other life-threatening disease. The policy is available on the intranet and may be accessed by all employees. Employees are consulted on all major initiatives through the business unit task teams. Initiatives are communicated to employees through poster distribution, e-mail communication, peer education training sessions and through the internal InTouch magazine.

Management have demonstrated their commitment to the HIV/AIDS programme by supporting all initiatives. The group's new CEO, Mike Upton, enlisted the support of all managing directors for the group's VCT programme. Furthermore, the most senior employee on site was the first one to be tested to encourage others to follow.

The VCT programme was supported by CEO Mike Upton

During the year, an employee who is HIV positive revealed his status and has become a great supporter of the group's HIV/AIDS programme. He has addressed several employees across the group on the benefits of testing and getting to know their status. He has also continuously stated that he has, and continues to receive, the support of his management team. In fact, he has been promoted after he revealed his HIV status, proving to his peers that Group Five will not victimise or sideline employees who disclose their status.

Education and training programme

In the 2006 annual report the group outlined its approach to HIV/AIDS training and education, which is:

- HIV/AIDS training will be included in the group's induction programme
- Education and training of the workforce through an effective peer educator training programme
- Education and training of the workforce on how to work with people living with HIV/AIDS
- Education and training of managers to understand the legal aspects of the disease and how to manage employees who choose to disclose their HIV status
- Education and training of the workforce to de-stigmatise the disease to encourage those infected to seek treatment more openly

During the year, the group included HIV/AIDS training in the new induction programme, which will be launched at the end of September 2007.

Voluntary counselling and testing (VCT)

VCT is the cornerstone of Group Five's "Know Your Status" programme. The first VCT exercise was done during F2005 and 3 337 employees participated. VCT was again done during June 2007. This time 5 662 employees and sub-contractor employees were tested.

SUSTAINABILITY REPORT (CONTINUED)

In an effort to de-stigmatise HIV/AIDS, guest speakers living with the disease are invited to address employees on World AIDS Day every year

The prevalence testing in F2005 was performed after an in-depth Knowledge, Attitude and Practices questionnaire, followed by awareness sessions. The awareness sessions included all aspects of prevalence testing, from why it is being done to the anonymous and voluntary nature of the testing.

Of the 3 337 employees tested in F2005, 636 tested positive, which represents 19% of those tested. Employees who tested positive were assisted to register on the company's medical HIV/AIDS programme or a government-aided programme for contract workers who are not on a medical aid scheme.

In 2007, 3 853 employees and 1 809 sub-contractor employees were tested. Of the total of 5 662 tested, 14.55% tested positive.

The statistics obtained from the recent VCT programme indicate that the HIV/AIDS education and awareness programme has made an impact. Continuing to improve the programme will remain a focus area.

Business unit	Negative	Positive		Unspecified	Declined	Total
Building and Housing	2 600	339	(11.44%)	10	14	2 963
CBS	75	0	(0.00%)	0	0	75
Civil Engineering	618	111	(15.14%)	1	3	733
Everite	333	72	(17.69%)	0	2	407
Intertoll	97	5	(4.90%)	0	0	102
KwaZulu-Natal	789	279	(25.69%)	1	17	1 086
Plant and Equipment	178	16	(8.16%)	1	1	196
Engineering Projects	96	2	(2.00%)	0	2	100
Total	**4 786**	**824**		**13**	**39**	**5 662**

Peer educator training programme

Group Five believes the most effective way of reaching and supporting the workforce is through the identification and training of peer educators. These are volunteers from various levels in the group who agree to become flag bearers for the prevention of HIV/AIDS and to provide a support base for the specific business units or construction sites. These educators continue with their day-to-day job function in addition to offering the following to their co-workers:

- A source of knowledge based on facts
- A thorough understanding of the group's policies in the areas pertaining to the disease
- A first line support for infected employees
- A referral base, advising employees of available services

During the year, an additional 24 new volunteers were trained and refresher courses conducted for those already trained.

Volunteers for the peer educator programme are trained by an accredited service provider

John Mohlokoane

WHY I BECAME A PEER EDUCATOR

"I have been a peer educator for two years. Since then, I have been paying attention to the impact of this pandemic on our people at Group Five. The HIV/AIDS pandemic is one of the most serious challenges facing South Africa.

"Group Five has a great employee assistance programme, but my heart goes out to employees who choose to resign when they find out that they are HIV positive. I remember an operator coming to me to say: 'I am resigning; I better die at home and not at work'. I tried to convince him to continue to work, saying that HIV/AIDS is not a death sentence and that Group Five has a great supportive programme to get him back to good health. He agreed with me, but he went home and never returned.

"As a peer educator I use this example as part of my training and I strongly discourage employees from doing the same. I remind them of their legal rights and also advise them of the group's policy and their commitment to help and support those infected and affected by HIV."

HIV/AIDS expenditure

For the year under review, an amount of approximately R1 million was allocated to HIV/AIDS initiatives and events. A major portion of the funding was used for the VCT exercise.

Previously, prevalence testing and VCT were co-funded by the Construction SETA. However, the programme conducted in F2007 was entirely funded by Group Five.

Provision of anti-retrovirals

Medical aid members have access to anti-retrovirals (ARVs) that are provided as part of the scheme's HIV/AIDS programme. 45% of Group Five's permanent workforce is on medical aid. Limited duration contract workers and sub-contractors do not have this benefit and the company has taken the decision not to provide ARVs, as there is unfortunately no long term relationship with this category of employee. The group believes that short term provision of ARVs to these employees during the limited time they are employed by Group Five will be highly irresponsible on the part of the company. Wherever possible, these employees are assisted to get help at public hospitals and clinics.

The HIV/AIDS expenditure is reported under CSI according to the requirements of the Construction Charter.

AIDS orphans cared for at St Francis Hospice benefit from regular financial donations by Group Five

EMPLOYEE RELATIONS

INTRODUCTION

The group is committed to ensuring compliance with all legal requirements within the countries in which it operates and seeks to treat all its employees with dignity and respect.

Group Five's employee relations (formerly known as industrial relations) is driven by a joint commitment towards continuous improvement and development, employee personal growth and wellbeing and business prosperity for the group and its stakeholders. This is achieved by entering into productive relationships and creating a competitive performance culture based on a common approach to ensure that collective and individual objectives are achieved.

To achieve these objectives, the group subscribes to all the principles that are fundamental to sound and constructive relationships between stakeholders.

During the year, the group reviewed and benchmarked its policies to ensure compliance in terms of the law and to ensure fair and equitable treatment of all stakeholders. These procedures were made more user friendly and ambiguous aspects were eliminated.

Education and training programmes are continually presented to management and supervisory levels to develop the necessary competencies to fulfil their respective roles more effectively.

Regular audits are conducted in all the group's operations to ensure compliance with the group's employee relations policy, procedures and systems.

During the year, the group reviewed and benchmarked its policies to ensure compliance in terms of the law and to ensure fair and equitable treatment of all stakeholders.

Delivering on statements

The group believes it is important to show stakeholders how it delivers on the statements made in this report and where the group believes further attention is required. This is set out below:

Delivery

- The group continued its employee relations training efforts with a specific focus on discipline
- The group employee relations manager is participating in the industrial relations structures at an industry level to ensure that the group's interests are protected and industrial peace is maintained

Challenges

The group believes the following areas still require attention:

- Training and orientation on all aspects of employee relations need to continue at all levels in the organisation
- With an increase in the number of large contracts and joint ventures, it is essential to ensure that fair and productive employee relations standards are established and maintained in line with The Group Five Way

SUSTAINABILITY REPORT (CONTINUED)

WORKER PARTICIPATION AND TRADE UNION RELATIONS

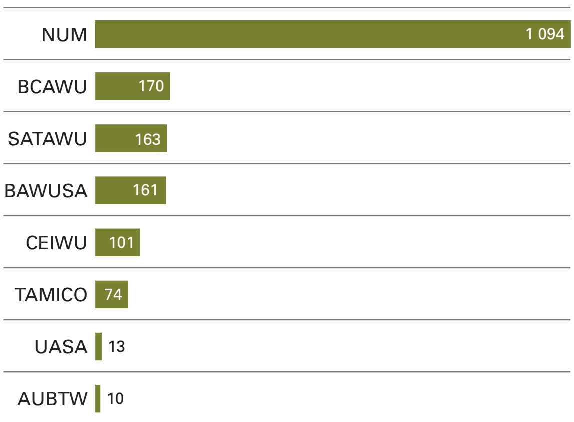
The group maintained interactive and constructive relationships with all representative employee organisations and trade unions in South Africa and abroad. Representative unions enjoy organisational rights, as well as consultative and negotiation powers on issues of mutual interest. In operations with no union representation, applicable consultative structures have been implemented. Both permanent and contract employees have the right to belong to trade unions of their choice and to participate in its affairs.

The group's Manufacturing business Everite has provided vocational training in retrenchment processes to address the continued employability of employees.

COLLECTIVE BARGAINING

Collective bargaining in the group takes place both at industry and operational level, as the case may be. The group plays an active role on industry bargaining forums established and maintained by the South African Federation of Civil Engineering Contractors (SAFCEC), Steel and Engineering Industries Federation of South Africa (SEIFSA) and the Gauteng Voluntary Bargaining Forum (VBF). Long term agreements, which limit the risk of potential industrial unrest in the industry, have been concluded.

TOTAL UNION REPRESENTATION – JUNE 2007



NUM	National Union of Mineworkers
BCAWU	Building Construction and Allied Workers Union
SATAWU	South African Transport and Allied Workers Union
BAWUSA	Building Wood and Allied Workers Union of South Africa
CEIWU	Construction and Engineering Industrial Workers Union
TAMICO	Tanzania Mines and Construction Workers Union
UASA	United Association of South Africa
AUBTW	Amalgamated Union of Building Trade Workers

The group's disciplinary code covers a comprehensive grievance system. Employees can also use the group's anonymous tip off line to lodge grievances.

Joint forums with worker representation have been established at operational level to discuss and consult on various issues, including productivity, health and safety and accommodation.

During the year, the group's operations lost 11 433 (F2006: 54 642) man hours due to industrial action. This amounted to 0.028% (F2006: 0.22%) loss of all hours worked.

DISPUTE RESOLUTION

During the year under review, 38 (F2006: 71) unfair labour practice matters were resolved under the auspices of the Commission for Conciliation, Mediation and Arbitration (CCMA) and applicable bargaining councils. A review of all potential claims is conducted regularly to ensure speedy and effective resolution.

The group's disciplinary code covers a comprehensive grievance system. Employees can also use the group's anonymous tip off line to lodge grievances.

CHILD AND FORCED LABOUR POLICY

The group recognises the constitutional rights of children and the minimum standards provided for in labour legislation. As such, the use of any form of child labour is expressly prohibited.

The group also recognises the rights of all citizens to freely associate with any organisation, structure and practice. It rejects all forms of forced labour. The principles related to freedom of association are encapsulated in the group's employee relations policy.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

OWNERSHIP

Group Five shareholders approved a BEE ownership transaction on 29 September 2005. The transaction led to the introduction of black people directly into the shareholding of the company. The transaction consisted of three components, which together added up to 26.1% of the enlarged share capital of the company. At the time of conclusion of the transaction, the breakdown of the shareholding was as follows:

The transaction is summarised in the table below:

	Total as at September 2005			Total as at 30 June 2007	
	Number of shares	Transaction value [1] R'000	Shareholding (post issue of new shares)	**Number of shares**	**Shareholding (post issue of new shares)**
Employee schemes	4 366 109	69 989	4.5%	**4 366 109**	**3.7%**
Broad-based scheme	575 000	9 217	0.6%	**575 000**	**0.5%**
Black management scheme	3 791 109	60 772	3.9%	**3 791 109**	**3.2%**
The participants jointly (iLimaMvela transaction)	20 957 325	335 946	21.6%	**25 450 172**	**21.5%**
iLima	10 478 662	167 973	10.8%	**12 725 086**	**10.7%**
Mvela	10 478 662	167 973	10.8%	**12 725 086**	**10.7%**
Total	25 323 434	405 935	26.1%	**29 816 281**	**25.2%**

[1] *Based on a share price of 16,03 cents per share being the 30-day VWAP (ex dividend) as at the close of business on 4 August 2005*

During the 2007 financial year, the group issued 17 229 497 additional shares to fund the acquisition of Quarry Cats. As a consequence of the share issue, the BEE shareholding in the group, based on an issued share capital of 118 446 901 shares at 30 June 2007, is now 25.2%. This still meets the requirements of the Construction Charter and the dti Codes of Good Practice.

During the year, the following activities in relation to the BEE ownership transaction took place:

The iLimaMvela consortium

iLima consortium

The iLima group of companies is a diversified BEE group of companies and trusts that include youth, women and broad-based parties. During the year, the iLima group, the majority shareholder in the iLima consortium, continued to expand its areas of activities through organic growth of its construction operations undertaken through iLima Projects. Group Five continues to work with iLima Projects in terms of a written enterprise development agreement between the parties. Refer to page 220 for more information.

In the spirit of BBBEE and enterprise development, which aims to ensure that any party being developed becomes a stand-alone and sustainable business, Group Five will assist iLima to become a medium-sized and sustainable construction business.

Group Five will assist iLima Projects to become a medium-sized and sustainable construction business

During the year, Group Five provided support to iLima Projects with construction resources, plant and technical and commercial advice. The group has issued guarantees of R119 million from Group Five facilities on behalf of iLima Projects for current contracts.

Mvelaphanda group

On 14 May 2007, the Mvelaphanda group (Mvela group) announced the implementation of a broad-based black economic empowerment ownership initiative aimed at enhancing and securing the Mvela group's BEE credentials. The objective of the transaction was to:

- Maximise BEE credentials within the Mvela group and its subsidiaries in terms of the Codes of Good Practice on Black Economic Empowerment issued under Section 9(1) of the Broad-based Black Economic Empowerment Act, 2003 (as amended) and in terms of its commitment to promoting BEE at all levels of the South African economy
- Ensuring that the level of Mvela group's BEE shareholding is maintained above 50% in the short to medium term

Group Five and Mvela group continue to have ongoing and regular dialogue to identify and pursue common business prospects in mining, infrastructure, energy and related sectors and in the last year have been successful in consortium with third parties on the R6,8 billion King Shaka contract, a contract which was signed on 6 June 2007.

Group Five and Mvela group have also worked together on the development of relationships in certain African territories.

MANAGEMENT

The dti Codes of Good Practice was promulgated on 9 February 2007. The management control element measures black people's participation in an organisation at three levels:

- The board
- Senior top management
- Other top management

Group Five has appointed its first black female non-executive and chairperson designate, Philisiwe Buthelezi. There is one other black female participant at this level, the company secretary, Nosisa Kekana. There are also three black males serving as non-executive directors on the board, namely Kalaa Mpinga, Vusi Mavimbela and Mandla Gantsho.

Mr Themba Mosai was appointed as a managing director of a business unit in the third category of management. Senior management transformation is a focus of the group going forward.

The Cradock road rehabilitation contract is the most recent to be carried out in joint venture with iLima

Shares have been allocated for the benefit of permanent black employees

SUSTAINABILITY REPORT (CONTINUED)

EMPLOYMENT EQUITY (EE)

INTRODUCTION

Group Five is committed to promoting equity and diversity throughout the group, with special focus on its South African operations where every effort is made to increase the percentage of previously disadvantaged individuals, especially at management level.

The Peromnes grading system, as indicated on page 175, is used, categorising employees from grade 1 for senior executives to grade 19 for unskilled labour.

The group's EE policy, which was revised in F2004, expressly prohibits any form of unfair discrimination. Business unit EE forums monitor employment practices on an ongoing basis to ensure that no form of unfair discrimination takes place.

Every business unit is obliged to conduct a yearly audit to enable them to complete the annual EE report which is submitted to the Department of Labour.

Fourth-year bursary students are targeted for management development positions

Set out below are the group's initiatives regarding EE:

Initiative	Objective	Progress
Targets set by business units to mirror the demographics of South Africa in terms of the EE Act	Promote equity throughout the group	Targets set for senior black and female management not met
Targets set by business units in terms of the Construction Charter	Apply the conditions of the Charter	Targets set for black management not met Black people represented well at other levels
Establish a group EE forum	Monitor progress at group level	Managing directors make up the forum and quarterly meetings are held
Consolidated group reporting	Change reporting format to be in line with Department of Labour requirements	Consolidation completed

BUSINESS UNIT EE FORUMS

All business units have EE forums in place and the forum members have been trained to understand their roles and responsibilities.

EE forums have been appointed at head office and at each business unit. A group forum comprising managing directors has been established at corporate level

CHALLENGES

A major challenge facing the group is to meet the targets set for senior management level. To address this lack of delivery, the following steps will be taken:

- A group forum, comprising business unit MDs, under the chairpersonship of the CEO, has been established to monitor progress
- A resource has been appointed at corporate level to interact with business units and identify difficulties and barriers to progress
- EE is a standard agenda item at business unit management meetings
- Business units have to report monthly on progress made or table reasons for lack of delivery
- Senior appointments will in future be signed off by the CEO, with a focus on employing black people

Delivering on statements

The group believes it is important to show stakeholders how it delivers on the statements made in this report and where the group believes further attention is required. This is set out below:

Delivery

- Every business unit has a functioning EE forum
- Business unit scorecards are compiled monthly. These scorecards are in line with the requirements of the Construction Charter and provide for scoring against set targets. This measurement tool provides management with an indication of each business unit's EE status
- The EE Act is displayed at all operations
- Minutes of EE forum meetings are available to all employees
- EE forums monitor progress made against EE plans that set out targets and objectives

Challenges

- The group recognises that it has not met the EE targets set for senior management. To ensure that progress is made in this regard, certain measures will be implemented with immediate effect. The measures will remain in place until management is satisfied that significant progress has been made:
  - Group Five embarked on a process to increase the representation of black people in the HR function and the accelerated development of the talent the group has procured
  - All appointments from Peromnes 7 and above will be approved by the CEO. Managers will be required to justify the appointment of non-designated people at senior management level
  - Business unit managing directors will be required to explain how they will meet EE targets at the group's quarterly EE forum meetings. Plans to address the shortcomings will have to be submitted to the CEO for approval and monitoring

CREATING A POOL OF GRADUATE ENGINEERS

Effort is being made to create a pool of competent black engineers. A major focus in the selection process at Group Five is to identify black students in an attempt to meet the EE targets. Refer to student management programme on page 213.

The number of black bursary students was increased significantly during the year under review:

	F2006	F2007
Number of black male students	57	71
Number of black female students	12	34

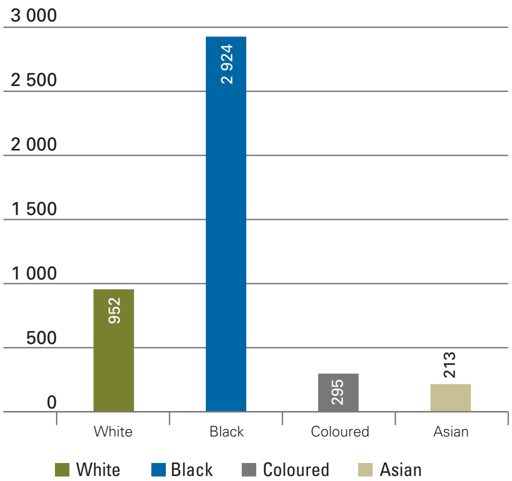
A pool of graduate engineers is being fostered through the Group Five student bursary scheme

GROUP EE PROFILE

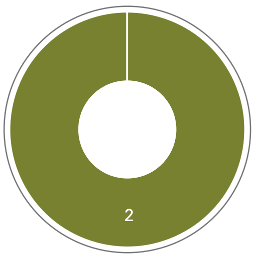
	White	Black	Coloured	Asian	Total
Executive 1+	2	0	0	0	2
Senior 1 – 3	11	1	0	0	12
Mid 4 – 6	92	4	3	10	109
Specialist/skilled 7 – 12	777	692	199	160	1 828
Semi-skilled 13 – 16	64	1 629	89	40	1 822
Lower skilled 17 – 19	6	598	4	3	611
Total	952	2 924	295	213	4 384*

**SA permanent workforce, not total*

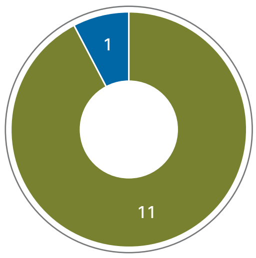
TOTAL SA PERMANENT WORKFORCE 4 384



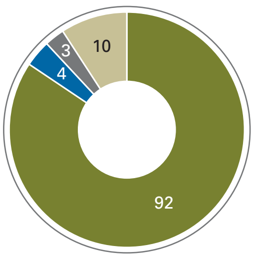
EXECUTIVE MANAGEMENT
Peromnes grades 1+



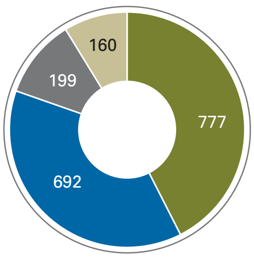
SENIOR MANAGEMENT
Peromnes grades 1 to 3



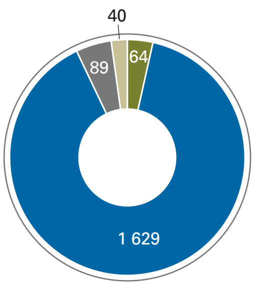
MIDDLE MANAGEMENT
Peromnes grades 4 to 6



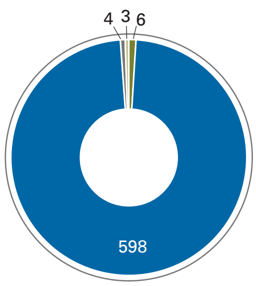
SPECIALIST/SKILLED
Peromnes grades 7 to 12



SEMI-SKILLED
Peromnes grades 13 to 16



LOWER SKILLED
Peromnes grades 17 to 19



Delivering on statements

The group believes it is important to show stakeholders how it delivers on the statements made in this report and where the group believes further attention is required. This is set out below:

Training and development

Delivery

- The creation of The Academy has provided the required focus to ensure effective and co-ordinated training and development programmes
- Over R18,6 million was spent on the training and development of core employees at all levels, as follows:

	R million
Skills training	6,4
Learnerships	3,1
Student management	6,5
Leadership development	2,6

- A total of 6 010 people were trained in the year under review:

Senior management	49
Professional and mid management	426
Skilled and junior management	2 103
Semi-skilled	2 170
Unskilled	1 262

- For the year under review, 44 people received ABET training in Manufacturing. The ABET programme was introduced in F2005 and was found to be highly successful in the manufacturing environment

SKILLS DEVELOPMENT

INTRODUCTION

The global shortage of the required skills and competencies in the group's areas of operations will impact on the group's ability to deliver in what is currently a very strong market. The rapid advances in global competition and increasing sophistication of customer needs also suggest that business savvy is a key ingredient for future success to ensure business development keeps pace with stakeholder expectations.

To ensure the group addresses these issues in a very focused and effective way with a long term vision and not merely a short term reactive approach, the group launched an in-house training academy, The Academy, during 2006.

Group Five's commitment from executive level downwards is uncompromising and a clear priority of people development, with a particular initial focus on skills development, has been established.

The Academy has grown rapidly in the past 12 months with the inclusion of the expertise of a programme manager, a programme co-ordinator, as well as the IT training department falling under The Academy umbrella. Six full-time employees are involved in ensuring The Academy delivers to business needs. Classroom facilities have been created at the group's head office and at the group's Manufacturing business discipline.

Group Five's commitment from executive level downwards is uncompromising and a clear priority of people development, with a particular initial focus on skills development, has been established.

The key focus for The Academy is to inculcate The Group Five Way, which is aimed at aligning behaviour and operational intent within the group. A consistently high standard of conducting business across managerial, administrative and operational functions is essential to compete in an increasingly fast-paced and demanding environment.

THE ACADEMY'S ROLE

The role of The Academy has been clearly defined to ensure business relevance. During the year under review, a senior resource with extensive training and development experience with large businesses was appointed to drive the development of people within the group.

The Academy aims to:

- Have a direct impact on business performance
- Have a direct impact on individuals
- Act as a hub for knowledge collection and dissemination
- Facilitate organisational development, change management, training, career, leadership and knowledge management
- Influence individuals and the organisation into thinking and acting outside of established or familiar patterns of learning

The Academy is responsible for:

- Co-creating and communicating a central learning and development strategy (through consensus) that is acceptable to all business units
- Developing a core curriculum for leadership and management that provides a consistent leadership philosophy and approach
- Providing a common technology platform for tracking, delivering and reporting learning and development activities
- Agreeing a core set of common metrics for all business units to track and report against

- The learnership programme was launched in F2006 and a target was set to register 100 unemployed learners for the group's areas of operation. There are currently 94 unemployed learners registered. A total of 161 learners (including employed) are registered on various learnership programmes
- The number of bursary students increased from 113 in F2006 to 149 in F2007. Those doing degree courses increased from 41 in F2006 to 64 in F2007 and those doing diploma courses from 72 to 85
- The bursary expenditure increased from R4,1 million in F2006 to R6,5 million in F2007. Effort was made to increase the number of female students and this has been successful, with the number of female students increasing from 15 in F2006 to 37 in F2007

Challenges

- Every effort was made to attract female learners to the learnership programmes and although significant strides have been made in this regard, it remains a challenge. The retention of these learners after completion of the programmes will also receive attention
- A challenge facing the learnership programme is providing the work-based experience required before the learner may be declared competent. Many construction sites are not equipped to provide the exposure to meet the unit standard requirements. This will receive focus during the coming year

SUSTAINABILITY REPORT (CONTINUED)

- An effective mentorship programme is an important component of the learnership programme and it remains a challenge to achieve the number of trained mentors required for all the registered learners in the group. The group is targeting possible mentors through communication programmes
- Ownership of people development by senior management is crucial to ensure that new learning is encouraged and sustained through the establishment of a learning environment and culture
- Senior management needs to role model behaviours and set an example
- Volumes of learners need to be tracked and new learners need to be targeted to create, manage and maintain learning momentum. A learner management system is required to deal with this complexity efficiently
- An effective, unified and ongoing performance management system is required to support identification of learning needs, as well as reinforce learning

To meet these challenges, The Academy will:

- Engage regularly with senior management driving the organisational strategy to ensure that there is alignment, as well as providing a vehicle to support organisational change
- Communicate clearly with all levels of the organisation to encourage a learning culture
- Setting standards, delivering on prioritised group-wide needs, developing curriculums and undertaking special projects jointly
- Collaborative agreements with partner institutions. For example, the group has a relationship with the Gordon Institute of Business Science (GIBS) in terms of certain courses

The benefits of The Academy are to:

- Help the organisation to exceed organisational performance objectives by equipping employees and future leaders with appropriate development opportunities
- Drive higher quality programmes at lower costs by managing group-wide learning resources for consistency and using deliberate processes for vendor review, selection and management
- Define value generated for the organisation through learning by implementing a relevant measurement system that monitors investments in learning in relation to business results
- Focus learning programmes on business needs through a model of group-wide education, with a central nucleus to address the needs across business disciplines, clusters and units and to partner with them to meet unique learning and development requirements

CEO Mike Upton signed an agreement with GIBS for management training through The Academy

During 2005, the group developed an internal balanced scorecard (refer to page 41) to categorise, focus and prioritise its strategic efforts. Nine focus areas, covering both productivity and growth considerations, were developed. Find below how skills development programmes have delivered against these strategic focus areas:

Strategic focus area	Delivery
People and leadership	• The Academy is led by a dedicated team with significant experience in training and development • The Academy has a formal partnership with GIBS and the University of Pretoria's Engineering Faculty
Technology	• A group-wide roll-out of JD Edwards software training has been concluded to facilitate more efficient and real-time processing of information • The group created a Civil Engineering basic skills programme for tertiary students
Continuous improvement	• The creation of The Academy has significantly improved training and development efforts at Group Five as it provides the required focus to ensure effective and co-ordinated training and development programmes
Organisational structure	• The Academy provides a structure for training and development across the group
Markets and customers	• The Academy essentially offers training and development to all internal staff members, operating in the main centres
Growth	• The scope for The Academy continues to grow along with the needs identified by the business based on current and future challenges
Market positioning	• The Academy has an internal web presence and an electronic calendar that provide up-to-date information and tools to constantly inform and facilitate learning. Other means of communication include bi-monthly newsletters, articles and updates in InTouch and media articles
BEE	• 50% of The Academy employees are black • About 80% of the people trained during the year were black
Financial resources	• Over R18,6 million was spent on the training and development of core employees at all levels

SUSTAINABILITY REPORT (CONTINUED)

THE ACADEMY FOCUS AREAS

Goal	Objective	Status
Implement an electronic calendar	To communicate workshops and programmes available on the intranet and facilitate the internal marketing	Implemented December 2006
Enhance offering on The Academy intranet website	To provide a useful and informative resource on the intranet that will encourage and support learning	Initial implementation February 2007 with ongoing improvements
Implement a learner content management system (LCMS)	To centrally keep track of learning programmes attended and to provide input and guidance to learners on programmes available	To be rolled out in first half of F2008
To market and continue to create awareness of The Academy	To ensure that employees take advantage of the various programmes on offer to build skills within Group Five	Communication through internal channels will continue to be utilised and enhanced, along with face-to-face contact with individual business units
Build skills within The Academy and ensure a thorough integration of employees into all aspects of The Academy	To continually build a cohesive, skilled Academy employee base that is accessible and supportive of the needs of the greater Group Five strategy	Initial implementation February 2007 with constant awareness of areas for improvement
Successful Programme for Management Development (PMD) with GIBS	To enhance the skills to build the pool of talent available to fill leadership positions across business units in Group Five	Excellent progress to date, with 20 students due to complete the PMD in August 2007
Class two of the PMD to commence in August 2007	To build on lessons learnt in the first PMD and to continue to expand the talent available	Nominations are under way and full support from business units is anticipated
Programme in Project Management (PPM) with University of Pretoria commenced in July 2007	To establish a foundation and benchmark for project management skills across all business units	A class of 22 students from six different business units have been enrolled in the first programme
Grow the scope and subject areas for The Academy workshops	To provide just-in-time learning for a variety of different levels to enhance effectiveness in the workplace	A number of workshop days have been rolled out since January 2007
Six Sigma – Project Mercury Refer to page 47	To provide the necessary training required for recruits into the site administration supervisor position	Information has been gathered into requirements for a pilot process that will be rolled out when recruitment has been finalised by the Project Mercury team. A curriculum designer has been secured to facilitate the programme design

THE GROUP FIVE ACADEMY

LEARNERSHIPS AND BASIC SKILLS	UNDERGRADUATE STUDENT PROGRAMME	FUNCTIONAL MANAGEMENT	LEADERSHIP AND TALENT	EXECUTIVE
• People at the Gate • Learnerships (unemployed) • Learnerships (employed) • Partnerships with FET colleges	• Tertiary institutions degree and diploma courses • Student boot camp	• Junior Management Programme • Supervisor skills development • Management learnerships	• Programme for Management Development (GIBS) • Project Management Development (University of Pretoria) • Mentoring and coaching	• Development of executive leadership in partnership with international and national institutions • Mentoring and coaching

Skills development and career development

FOUNDATIONAL SKILLS (CORE COMPETENCIES)

Examples:

Plant utilisation	Operator training	Report writing	Financial reporting	Commercial procedures
Formwork and falsework	Storemanship	Contract law	Tendering and estimating	Handling conflict
Scaffold erection	Site safety	Group Five systems	Contract reporting	Negotiation skills
Setting out	Basic business principles	Corporate governance	Site administration	Presentation skills
Construction skills	Meeting procedures	Planning and programming	SHREQ management	Employee relations

VALUES (orientation, induction and governance)

THE GROUP FIVE WAY

PEOPLE

PROCESSES

TECHNOLOGY

GROUP STRATEGIC OBJECTIVES

A progression of learning is offered by The Academy from an entry level through learnerships and support of students studying at tertiary institutions, all the way through to the development of management and leadership skills at an executive level. An entire "ladder of learning" is envisaged as a path for those career-minded individuals to progress upward through the growth and development of personal skills and competence.

Scaffolding erectors have benefited from the group's People at the Gate programme at Millwood in Bryanston, north of Johannesburg

People at the Gate

Through its CSI programme, the group launched an industry-leading programme, called People at the Gate, aimed at training and developing unemployed people. Although a skills development initiative, it qualifies under CSI for BEE scorecard purposes. Refer to page 222 for more information.

Although People at the Gate is mainly a skills development programme, it falls under CSI from a BEE scorecard perspective, as it trains unemployed people and is designed to leave a skills base behind when the construction contracts have been completed.

Skills programmes

Skills programmes have been successfully implemented on many of the group's construction sites. Business units are required to identify training needs and these form part of each business unit's workplace skills plans. These skills programmes are of short duration and designed to address short term skills requirements. Permanent, limited duration contract workers and unemployed people are identified for training, which is provided by accredited training providers and to registered training standards.

In response to a need for safety officers in business units, a pilot project was launched at the beginning of April 2007. Following a comprehensive selection process, 20 unemployed learners were enrolled on the programme, which consists of classroom and site-based training and will run over a period of 12 months. Every effort is being made to have this programme registered as a learnership with the Construction SETA.

Spend during the year (R millions):

	F2007	F2006
Skills training	6,4	6,0
Learnerships	3,1	–
Student management	6,5	4,1
Leadership development	2,6	–
Total	18,6	10,1

	All employees	Black employees only
Skills spend (R millions)	18,6	14,2
Skills spend as a percentage of payroll	1.41%	1.08%
Number of employees trained	6 010	4 799
Black employees trained as a percentage of all employees trained	–	79.9%
Black females trained as a percentage of all employees trained	–	25%
People with disabilities trained as a percentage of all employees trained	–	–

The lack of training in terms of disabled people is due to the fact that it is a major challenge to accommodate disabled people on construction sites. Wherever possible, disabled people are accommodated in an office environment. Group Five employs a total of 10 disabled people and, going forward, will continue to offer employment to disabled people wherever possible and within the bounds of stringent safety regulations.

Unemployed people, inducted in the group's safety programme, will be employed on site

Learnership programme

The Group Five learnership programme is one of the ways of addressing the group's critical skills shortage over the medium to long term. The programme is focused on developing skilled workers and unemployed people to meet the skills requirements identified by the business units. The learnership levels targeted are NQF levels 3 to 5 to meet the identified skills required at semi-skilled, skilled, junior management and senior management levels.

The duration of the learnerships varies from 12 to 24 months and consists of permanent and unemployed learners. However, for the year under review, the focus has been on the development of unemployed learners to identify new talent. The programme is wholly funded by Group Five and is over and above the skills levy paid to the various SETAs to which Group Five is affiliated. The SETAs are responsible for the accreditation and quality control of the programme.

The learnership programme was launched at the end of June 2006 and has been highly successful to date.

The total spend on the programme for the year under review amounted to R3,1 million.

	Total
Total number of learnerships registered	161
Learnerships as a percentage of all employees	2.08%
Black learnerships as a percentage of total learnerships	96.27%
Black women learnerships as a percentage of black learnerships	14.2%
Learnerships for unemployed people as a percentage of black learnerships	60.7%

Learnerships are being run at the Learnia Academy of Learning and the Chamdor Training Centre

Skills	Total number	Black learners	Unemployed learners	Male	Female
Junior management NQF 4	24	19	9	10	14
Supervision of construction NQF 4	83	82	39	72	11
Bricklaying NQF 3	11	11	11	9	2
Carpentry NQF 3	8	8	8	7	1
Painting NQF 3	11	11	11	9	2
Concreting NQF 3	7	7	7	3	4
Plastering NQF 3	7	7	7	5	2
Welding NQF 3	10	10	10	5	10
Total	161	155	102	120	46

Group Five boot camp

In an attempt to better equip university students for site work, the group arranged its first boot camp for fourth year university students. The camp was arranged for the vacation period in June 2007. The students were accommodated at a training centre for three weeks and trained in basic construction skills such as bricklaying, carpentry, plumbing, plastering, tiling, setting out, using hand tools, scaffolding, shuttering, steel fixing and the utilisation of small plant and equipment. The group consisted of 21 students – 14 males and seven females. An amount of R160 000 was allocated to the camp.

Fourth-year bursary students attended the group's first boot camp at the Chamdor Training Centre during their mid-year vacation

Students with little knowledge of site life were trained in basic labour activities

Among the training programmes were plumbing, bricklaying, plastering, tiling and carpentry

Student management programme

Group Five is committed to the development of young talent and is focused on developing its own employees through bursaries to young students.

The group believes in:

- An ongoing student management programme
- Providing opportunities for employees to join the programme
- Balancing the intake and discipline of students to meet business needs
- Addressing EE targets
- Providing a pool of young, qualified graduates for succession planning

The group policy provides for centralised and decentralised measures. Each business unit has structures to develop and support students studying diploma courses, while university students are managed by the group's corporate office.

The group's student management programme is more than 30 years old and there are many directors and senior managers who went through the programme and are still employed by Group Five. These include:

- Errol Tate, contracts director, Building and Housing (KwaZulu-Natal)
- Eric Higgitt, contracts director, Building and Housing
- Mark Humphreys, managing director, Engineering Projects
- Thomas Moolman, contracts director, Civil Engineering (Africa and local)
- Peter Keenan, managing director, Civil Engineering (Dubai)
- Guy Hopkins, managing director, Plant and Equipment

In the year under review, over R6 million was spent on the group's bursary programme.

Discipline	Total	Male	Female	Black
BSc Civil Engineering	37	26	11	22
BSc Construction Management	6	6	–	4
BSc Electrical Engineering	1	–	1	1
BSc Mechanical Engineering	2	2	–	2
BSc Property Development	1	–	1	1
BSc Quantity Surveying	17	12	5	12
BTech Mechanical Engineering	2	1	1	2
BTech Building Science	32	23	9	21
BTech Civil Engineering	29	23	6	23
BTech Quantity Surveying	7	4	3	5
HNDip Building Science	3	3	–	3
HNDip Quantity Surveying	3	3	–	3
HNDip Civil Engineering	3	3	–	3
NDip Construction Management	5	5	–	1
NDip Engineering Survey	1	1	–	1
Total	149	112	37	105

SUSTAINABILITY REPORT (CONTINUED)

Students' day

In F2004 the first students' day was held. This has become an annual event which brings together students from across the group. Students are addressed by the senior management of Group Five and are taken on site visits. Students are given the opportunity to meet the CEO, exco and manco members and to network with employees and other students.

Bursary students attend annual students' days during which they are familiarised with various aspects of the group's businesses

Leila Verapan-Lewis

"I am a third-year civil engineering student at the University of the Witwatersrand. I have been a Group Five student for the past 18 months and as such, I am being afforded the opportunity to grow with one of the largest construction companies in the country. This has meant that I can establish a name for myself in the industry early on in my career. This is something many of my peers can only dream of.

"I have benefited immensely from the vacation work programme. Being on site and actually seeing your textbook coming to life is really something else!

"Carrying the Group Five name has been an honour, a privilege and a blessing. The respect that the Group Five name has in construction circles is humbling and I am proud to be associated with it."

Sherly Molapo

Being a Group Five student is an honour. Being sponsored also comes with responsibilities and these can only maximise one's potential – mine included. Studying with the knowledge that there are people cheering you on not only financially, but also morally, makes you want to perform with excellence.

"Knowing people who share the same vision – be it studying towards the same qualification or working in the same industry – is vital. This networking comes into play on the annual students' day. The site visits allow you to visualise what we are being taught in lectures and give us a look into the future of our soon to be day jobs.

"Thank you to Group Five for everything!"

" When I started wearing glasses, it was only then that I took notice of the number of people that carry out their everyday lives relying on lenses to see them through. I had a strikingly similar realisation after receiving the Group Five bursary, not because my tuition fees were 'taken care of', but because I was taken care of and not every student is afforded this opportunity throughout their entire study period.

"This is not something that can be valued in money terms or explained even with the help of the most intense vocabulary."

Fulu Tshabuse

SUSTAINABILITY REPORT (CONTINUED)

Employee orientation

To standardise new employee induction throughout the group, an orientation programme is due for roll-out in the latter stages of the calendar years of 2007 and early 2008. This is the product of a project conducted by a group of students on the Group Five PMD through GIBS. The students consulted widely in the business and have delivered a quality product which has the capacity to be adapted to an e-learning platform.

The orientation programme highlights Group Five's vision and values to new employees and provides a firm foundation to understanding The Group Five Way. The specific purpose is to induct employees into the history and strategy of the organisation and to establish a professional environment that addresses the corporate brand and operational intent. This process is intended to align both behaviour and performance in a manner which has a significant impact on the individual and the organisation.

Professional leadership development

Several initiatives were implemented during the year:

Management and leadership development

- **PMD**

  Development of talent within the organisation is promoted through a number of initiatives, which includes the PMD run in conjunction with GIBS. This programme is intended to further develop Group Five employees with the potential to move into top leadership structures.

  The class of 20 students is due to complete their programme in August 2007. The programme focuses on delivering a measurable and distinct return to Group Five through a methodology of real-time learning that engages learners in a way that theoretical learning is unable to do, with immediate and continued enhancement of skills, knowledge and experience. This programme also includes networking with senior members of the organisation on a regular basis to encourage the transfer of knowledge and culture. This is largely accomplished through customised sessions designed by The Academy and strongly supported by the business.

The Academy was launched in 2006 with a PMD programme in conjunction with GIBS

- **Junior management training**

  A junior management in-house programme is in the design stage. Successful candidates will be able to grow towards the next level offered by The Academy, thus addressing the creation of more senior skills within the group.

- **PPM**

  The PPM is a six-month programme designed in conjunction with the University of Pretoria. It comprises a combination of classroom and distance learning. The Academy launched the PPM in July 2007 with two iterations due before the end of F2008. The Academy's core objective with this programme is to establish a foundation and to benchmark project management skills across all business units. Approximately 50 learners will be equipped with project management skills in the first year to more effectively manage multi-disciplinary contracts and provide professional support on the bigger contracts.

Executive development

Development of senior level management happens through experiential and interactive programmes with educational partners on a specific needs basis. This includes longer term and short term interventions, such as director induction for new directors.

Other initiatives

General

A competency framework is being developed to provide the parameters within which personal development of employees can be structured, with both needs and capabilities to be prioritised and aligned to Group Five's strategy. In-house modules will be developed to address identified gaps and the required growth path will be integrated into the performance management process for each individual. This process is in its development phase and will continue to be adjusted to the needs indicated by the business.

Operational needs will be met by The Academy initially in a just-in-time format, with the ultimate view to integrate as much of the learning as possible into a focused offering. Exposure to group initiatives such as Six Sigma, corporate governance and contractual, legal and risk imperatives are some of the ongoing customised development courses available.

Between January 2007 and May 2007, a total of ten workshops were conducted in-house by The Academy with 81 learners attending from the different business units. External and internal facilitators were used and the topic areas were identified as critical business areas.

The topics covered are indicated below:

Course name	Workshop date
Key contract failures – lessons learned	31 January 2007
Contract law	5 February 2007
Institute of Directors workshop	7 February 2007
Grievances and disciplinary programme	19 February 2007
Contract law	1 March 2007
Advanced contract law	2 March 2007
New engineering contract	27 March 2007
Key contract failures – lessons learned	30 March 2007
Triple bottom line	17 May 2007
Institute of Directors workshop	31 May 2007

These workshops, as well as other important external courses such as the Construction Management Programme run in Stellenbosch, are advertised on The Academy calendar on the group's intranet.

IT training

IT training is largely conducted in-house and this ensures that needs are met promptly in a consistent and sustainable manner, as well as being cost-effective. As new projects or software is introduced there is capacity within The Academy to plan and partner where necessary to achieve the required level of proficiency in the areas stipulated.

During F2007, 2 450 people were trained, covering a wide range of subjects, including MS Office suite, JD Edwards, PeopleSoft and Kronos.

OUTLOOK

Going into F2008, The Academy will be guided by a board on a quarterly basis, with more regular monthly meetings with key business unit HR members. This will enable more direct input from business units on their needs and will establish an improved conceptualisation of key areas for developmental interventions.

Key focus areas for F2008 will be closer partnerships with the business disciplines, clusters and units to find learning initiatives that lean towards life-long learning and to ensure The Academy remains forward-thinking and relevant within the greater context. Programmes and learning initiatives need to continue to be fit for purpose and deliver real value back into the business with value assessed regularly and impartially.

More specific goals are outlined below:

Short to medium term goals

- The online Academy calendar will be expanded to include more skills and competency courses
- Student learning and development will be managed through a learner management system
- Accredited learning will continue and be expanded

SUSTAINABILITY REPORT (CONTINUED)

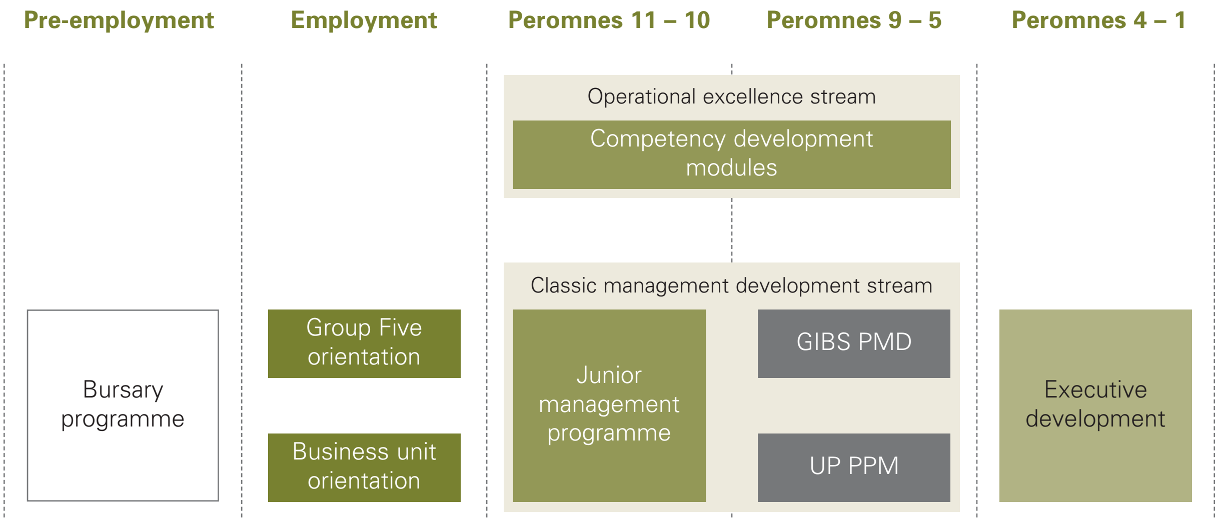
- The competency framework will be developed in collaboration with HR
- The resources available to the business will be expanded, including e-learning resources, access to world-class research relevant to business development and the more traditional media resources
- Training plans will be developed according to the business units' workplace skills plans
- Training must be done according to identified skills priorities and skills shortages
- Unemployed people should be identified to register on learnership programmes as the current learners qualify and take up employment in the group
- The number of bursary students should be increased in line with the expected growth of the company

Longer term goals

To support the business and HR in:

- Organisational development and change
- Assessments (leadership and career)
- Building of e-learning and blended learning methodology
- Performance management
- Recruitment and selection
- Skills development
- Talent management
- Coaching and mentoring

THE GROUP FIVE ACADEMY MODEL ADDRESSES OPERATIONAL AND MANAGERIAL EXCELLENCE



GIBS PMD – Programme for Management Development (Gordon Institute of Business Science)
UP PPM – Programme for Project Management (University of Pretoria)

PREFERENTIAL PROCUREMENT

INTRODUCTION

During the period under review, the final dti Codes of Good Practice were published. Group Five has surveyed primary vendors to confirm their respective processes to obtain an independently verified scorecard of BBBEE.

Vendors are now broadly categorised according to the following:

- An empowerment certificate has been provided by an independent verification agency (although no agency has been approved by the dti, Group Five is in the meantime accepting any rating certificate, provided the rating body has registered under the SANAS/dti process for validation as a qualified verification agent)
- Black ownership is confirmed, but a formal BBBEE rating certificate is yet to be obtained
- No empowerment credentials have been confirmed

PREFERENTIAL PROCUREMENT PROFILE

The tables below provide a summary of procurement with empowered organisations. There has been a progression in preferential procurement from 29% as reported last year to 34% this financial year.

In terms of the dti Codes of Good Practice, an enterprise is assessed on their contribution towards the seven elements of BBBEE. The highest possible contribution level is level one for entities obtaining a score of over 100%, while the lowest recognition level is level eight for entities that score between 30% and 40%. A status of "non compliant contributor" is assigned to an enterprise scoring less than 30%.

Applying the weightings, as defined in the dti Codes of Good Practice, result in the following procurement profile. This is based on a review of the majority of the procurement spend.

Empowerment level per dti Codes of Good Practice	Validated BBBEE scorecard	Ownership confirmed – but no BBBEE scorecard in place	Total
Level 1	0.00%	0.00%	0.00%
Level 2	0.17%	0.00%	0.17%
Level 3	0.76%	0.79%	1.56%
Level 4	2.47%	0.00%	2.47%
Level 5	1.18%	0.82%	2.01%
Level 6	2.49%	1.85%	4.34%
Level 7	3.88%	9.58%	13.46%
Level 8	0.43%	9.56%	9.99%
	11.4%	22.6%	34.0%

Empowerment level per dti Codes of Good Practice	Qualifying weight	Weighted validated BBBEE scorecard	Total
Level 1	135%	0.01%	0.01%
Level 2	125%	0.21%	0.21%
Level 3	110%	0.84%	1.71%
Level 4	100%	2.47%	2.47%
Level 5	80%	0.95%	1.61%
Level 6	60%	1.50%	2.61%
Level 7	50%	1.94%	6.73%
Level 8	10%	0.04%	1.00%
		7.96%	16.35%

SUSTAINABILITY REPORT (CONTINUED)

CONCLUSION

The objectives in terms of preferential procurement during F2008 will be:

- To work with vendors that have provided proof of ownership, but not yet completed an independent assessment of BBBEE to provide an empowerment rating certificate
- To continue working with vendors that have not yet provided any empowerment profile and to assess their strategy to achieve empowerment credentials. Special attention will be directed towards these 100 vendors
- To identify potential new vendors that meet not only the organisation's capability, capacity and commercial requirements, but also have the potential to enhance the preferential procurement profile

iLima Projects supplied concrete truck mixers on the Cradock Tarkwa bridge contract

ENTERPRISE DEVELOPMENT

The enterprise development section of the Construction Charter was designed to correct the lack of capacity in the construction sector. The spirit of black economic empowerment and enterprise development is aimed at ensuring that companies being developed become independent sustainable businesses.

In this context, Group Five and its one BEE ownership shareholder, iLima, are continuing to grow the business of iLima. Where growth and independence has been achieved, Group Five has lessened its involvement.

MANAGEMENT AND LABOUR ASSISTANCE AND SKILLS TRANSFER

- Group Five no longer has one of its executive directors on the board of iLima, as iLima has developed sufficient capacity and stability through the experience and skill that Group Five provided to its board, management and employees
- After an 18-month period of using Group Five's financial resources, including a senior financial manager, iLima has since appointed its own financial personnel, including a finance director
- The tendering and estimating management of Building continue to provide input to ensure that iLima optimises efficiency and profitability on specific contracts while bringing about effective solutions for its clients
- iLima and Group Five have agreed to quarterly due diligence processes being carried out by Group Five management to evaluate and ensure the growth and sustainability of iLima

ESTABLISHMENT OF ADMINISTRATIVE SYSTEMS

- This is an ongoing process which should continue at an intense level for the next six months. Under this agreement, iLima's administration and site personnel are undergoing training in financial, IT, payroll and site administration to achieve better utilisation of policies and procedures within the iLima group of companies

- During F2006, the Group Five financial and job costing system, JD Edwards, was fully implemented at iLima Projects

FINANCIAL ASSISTANCE

- iLima still enjoys a total of R119 million worth of bonds and guarantees made available to them by Group Five. The facility has allowed iLima to grow significantly within the construction industry
- Group Five has advanced a total amount of R50 million as loans to iLima to assist with working capital
- In some of their major contracts, iLima has leased various items from Group Five's plant business unit for which rental at market related rates is being charged
- With the backing and support of Group Five, iLima was able to obtain a CIDB rating in category 8 in terms of the CIDB Act

In the year under review, iLima Projects' order book has grown from R440 million to R450 million.

The group is in discussions with additional emerging contractors as it seeks to grow its enterprise development base.

OTHER JOINT VENTURES

In addition to the above, although not specifically qualifying for enterprise development in terms of the Construction Charter, Group Five has entered into a number of joint venture contracts with majority black-owned companies. Details of significant active contracts in the current year are set out in the table below:

Name of partner	Contract	Partner % holding in joint venture	Total value of contract (100%) R'000	Commence-ment date of contract	End date of contract
Makhosi & Fikile Construction	Department of Education	60%	322 480	April 2007	April 2009
Makhosi Construction	Sci Bono Discovery Centre II	10%	70 200	June 2007	August 2008
BL Williams Construction	Claremont Library	30%	33 484	May 2005	August 2006
RR Roberts Building Contractors	V&A East Pier	30%	34 800	June 2006	June 2007
iLima Projects	Cape Town International Convention Centre	10%	149 987	May 2006	December 2007
ZMK Construction	Gatsebe	50%	65 000	January 2006	March 2008
Pandev	Pearls of Umhlanga Phase 2	20%	269 448	September 2005	April 2008
Masinya Empowerment Group	ICC Arena Durban	51%	403 000	March 2005	June 2007
Pandev	Moses Mabhida Durban Soccer Stadium	10%	2 032 416	January 2007	June 2009
iLima Projects	Cradock road	30%	65 269	October 2005	September 2007
Lesedi	Sunderland	25%	55 206	October 2005	October 2007
Lesedi	Northern Waste Water Treatment	34%	107 770	July 2006	June 2008
Western Cape Empowerment Contractors	Berg River contract	18%	420 775	July 2004	Dec 2007

SUSTAINABILITY REPORT (CONTINUED)

Delivering on statements

The group believes it is important to show stakeholders how it delivers on the statements made in this report and where the group believes further attention is required. This is set out below:

Delivery

- VCT was conducted on all sites throughout the group. An amount of approximately R1 million was allocated for this through the CSI budget, as HIV/AIDS funding is allocated to CSI in accordance with the requirement of the Construction Charter
- Management displayed a high degree of commitment and encouraged employees to participate, resulting in 5 662 of employees and sub-contractor employees being tested

Challenges

- The challenges relating to the group's HIV/AIDS programme is detailed under employee wellness on page 185

People at the Gate programme

- The group's People at the Gate CSI programme is aimed at training local unemployed people in its areas of operation and to ensure that on completion of the contracts, a skills base is left behind

CORPORATE SOCIAL INVESTMENT (CSI)

INTRODUCTION

CSI is a key component of the Group Five business strategy. The group believes it is crucial for businesses to play a positive role in the communities within which it operates and views CSI not merely as a compliance issue, but as a business imperative.

The group's CSI programmes are mainly structured around skills development, education and HIV/AIDS, as the group is of the opinion that it can be most effective in ensuring the transformation of South Africa within these areas.

The group's CSI committee is representative of the diversity of the organisation and consists of business unit representatives, senior management and non-executive board members. The CSI committee is chaired by an independent non-executive board member, Baroness Lynda Chalker.

As chairperson of the CSI committee, non-executive director Baroness Lynda Chalker (second from right), takes great interest in the group's CSI programmes. On this occasion, she was joined by the UK's leader of the Conservative Party, David Cameron, on a visit to evaluate the group's People at the Gate programme

The CSI funding is approved on an annual basis by the Group Five board. In line with the requirements of the Construction Charter, the target has been set at 0.25% of annual payroll, to be achieved within the next four years. For the year under review, a total spend of R2,7 million (F2006: R1,4 million) was incurred. This amounts to 0.20% of payroll. The group is confident of meeting the Charter's target in F2008.

TOTAL CSI SPEND FOR YEAR ENDED 30 JUNE 2007

	Rand
HIV/AIDS	995 385
People at the Gate skills programme	939 938
Charities	366 597
Education	373 242
	2 675 162

People at the Gate is focused on unemployed people from local communities in the group's areas of operation

Although People at the Gate is mainly a skills development programme, it falls under CSI from a BEE scorecard perspective as it trains unemployed people. The programme is designed to leave a skills base behind when the construction contracts have been completed.

Delivery

- The People at the Gate programme has been highly successful as the group trains unemployed people to meet the skills requirements of certain contracts
- To date, 271 people have been trained, with 93% securing positions after training
- The training is in line with accredited unit standards

Challenges

- A major challenge is that people are only employed for the duration of a particular contract. Going forward, the focus will be on expanding the programme to become more sustainable. Proposals have been made to the group to form sub-contractor units with the trainees that could continue working after the completion of the contract. These units will be trained in basic business principles and will be able to function as small contracting businesses. Trainees who are not absorbed into these sub-contractor units will be provided with basic tools that will allow them to work as independent contractors after their work with Group Five is completed

Charities

Delivery

- A number of charities have benefited from the group's CSI programme. During F2007, charities received R366 597

Challenges

- It has become apparent that the handing over of cheques is insufficient. A greater degree of employee participation is required and this will become a focus area, with the CSI committee having made employee participation programmes a priority for the new year
- Ongoing interaction is required with the group's chosen charities to ensure that enduring and sustainable relationships are formed

Education

Delivery

- The group, through its CSI programmes, allocates funds to educational institutions for the upliftment of maths, science and technical capacity
- Strong relationships have been established with the institutions supported through the group's CSI programmes
- Group Five participated in an industry initiative which was established to upgrade the civil engineering faculty of the University of the Witwatersrand

Challenges

The following areas still need attention:

- The development of maths, science and technical needs at schools and tertiary institutions
- Industry initiatives with the Department of Education for the upgrading of selected Further Education and Training (FET) colleges. Resources will have to be allocated for this

The People at the Gate programme has been highly successful in the training of unemployed people

PEOPLE AT THE GATE PROGRAMME

In F2005, Group Five pioneered a project within the construction sector, People at the Gate, in an aim to address the huge amount of job seekers found at each construction site.

The project is focused on unemployed people from local communities in the group's areas of operation. The skills requirements for certain contracts are identified and people seeking employment are trained to meet these specific skills needs.

The project has been highly successful, with a total of 93% of trained people employed on the contract after completing their training. The focus over the next year will be to equip the employees to continue working as sub-contractor units or independent contractors upon completion of contracts.

The group's CSI committee is representative of the diversity of the organisation and consists of business unit representatives, senior management and non-executive board members.

During 2005, the group developed an internal balanced scorecard (refer to page 41) to categorise, focus and prioritise its strategic efforts. Nine focus areas, covering both productivity and growth considerations, were developed. Find below how CSI has delivered against these strategic focus areas:

Strategic focus area	Delivery
People and leadership	• CSI initiatives are driven at board level and by a committee with senior representatives from across the group • CSI has also become more focused on employee participation in its events
Technology	• The CSI committee will start tracking people trained through CSI programmes this year on a database linked to the group IT systems
Continuous improvement	The Group's CSI programmes continued to improve during the year through the following measures: • The committee was reconstituted to be more representative of the business units • The People at the Gate programme was identified as a major initiative and an amount of R1 million was allocated to it • The total amount allocated for CSI was realigned to meet the requirement of the Construction Charter • Business units are required to report quarterly on CSI initiatives
Organisational structure	• Over the past year, the focus of CSI programmes has grown to incorporate initiatives in other provinces • Partnerships have been established with local communities in the areas where the group works, including several African countries • The CSI committee comprises two non-executive main board members, a group exco member, two managing directors and two business unit directors
Markets and customers	• The group's CSI programme have moved from a situation of donation funding to one where partnerships and relationships are formed. For example, the People at the Gate CSI project involves a hands-on approach which involves local communities, clients, training providers and site management

SUSTAINABILITY REPORT (CONTINUED)

Strategic focus area	Delivery
Growth	• Going forward, the group's CSI committee has agreed that initiatives must be extended to all provinces and over-border contracts. All business units will get involved in CSI projects and these will be reported on at quarterly business unit board meetings
Market positioning	• The group communicates its CSI programmes both internally and externally • Media interviews around its People at the Gate programme were conducted this year • The group also participates in CSI surveys for benchmarking against other companies
BEE	• The head of the CSI programmes is a black female and the CSI committee is representative of the diversity of South Africa • CSI programmes are aimed at uplifting and creating opportunities for previously disadvantaged individuals • CSI spend is measured against the targets set by the Construction Charter
Financial resources	• The group's CSI spend was R2,7 million during the year • The group formed partnerships with clients for the implementation of the People at the Gate programme. Agreements are in the process of being finalised and additional funding will be used to expand the programme to create sub-contractor units

People at the Gate

Year	Site	Type of skill	Number trained	Males	Females	Number employed after training	Cost – Rands
2006	Millwood – Bryanston	Bricklayers	12	12	0	12	
2006		Plasterers	12	10	2	8	120 406
2006		Carpenters/painters	12	7	5	4	172 117
2006	Rustenburg	Bricklayers	12	12	0	12	
2006		Plasterers	12	9	3	12	
2006		Plumbers	16	13	3	16	
2006		6M business					
2006		principles	40	34	6	40	244 807
2006		Carpenters	12	8	4	8	172 881
2006		Scaffold erectors	12	10	2	12	7 455
2006	Sunderland Ridge –	Construction hands	63	60	3	60	141 232
2007	Pretoria	Pipe laying	12	10	2	12	25 513
2007	Northern Waste Water	Construction hands	56	50	6	56	55 527
			271	235	36	252	939 938

Of the 271 unemployed people trained, 252 were offered employment after completing the training course and were declared competent.

Lizzie Precious Pitswane

"I was born in a rural village in Mpumalanga. I have a National Diploma in Human Resources Management from the Tshwane University of Technology. I also did a certificate course in computer literacy, but was unable to find employment.

"I heard about Group Five's People at the Gate programme and applied though the local liaison officer. I was interviewed and accepted onto the programme. I completed the two-week basic construction hand training course and was employed by the company thereafter. Soon after I started working on site, the training officer asked me about my qualifications and suggested I move from site work to assisting in the site office. I started with filing, photocopying and faxing. I was promoted to a position of wage clerk and trained on the company's Kronos clocking system. I am now a site clerk at Sunderland Ridge, doing all office duties, including Kronos and wages.

"I thank Group Five for giving me the opportunity to prove myself and look forward to being an asset to this company and contributing to its growth."

SUSTAINABILITY REPORT (CONTINUED)

Salome Ziane

"I was unemployed when Group Five introduced the basic construction hand training course on the Sunderland Ridge contract. I was trained for a period of two weeks and then got my certificate. I started working as a general worker. This is my first job in my life and I am very happy that Group Five gave me the chance to be trained and to work."

"I was unemployed until Group Five came to Sunderland Ridge. I was trained and I am now working as a tea lady. I am able to buy food and pay school fees for my children with the money that I get from the company. This helps me a lot."

Poppy Mohlala

This group was trained in pipe laying and subsequently employed on a contract for extensions to the Northern Waste Water treatment plant

DONATIONS TO CHARITIES

Applications for donations are received continuously. After a selection process that involves ensuring that all charities have a sound track record, financial controls and are legally compliant, the CSI committee approved the spending of R366 597 during the year under review.

Another important criteria for the selection of charities is the possibility of employee participation at these organisations. Although initially the focus was on supporting HIV/AIDS charities, the CSI committee has agreed to shift the focus to charities where the group can form sustainable relationships.

	Rand
St Francis Care Centre	65 000
Caritas Care Home	35 000
Thusang Childhood Development programme	30 000
Gcwalamoya Primary School	30 000
SA Abused Children's Fund	30 000
The Giving Organisation	20 000
Headways (Alexandra Township)	30 000
Frederick Place Home for the Aged	30 000
Nazareth House	30 000
Oliver's House Soup Kitchen	30 000
Girls and Boys Town (KwaZulu-Natal)	30 000
Jamboline School	1 097
Fred Moore – Drawings	500
Rosemary Rudd – Book on Everite products	5 000
Total	366 597

SUSTAINABILITY REPORT (CONTINUED)

Applications from charities for financial assistance go through a stringent selection process. A donation to Headways, a home in Alexandra for adults suffering from brain injuries, brought joy to the administrators and patients

Underprivileged children and those infected or affected by HIV/AIDS are assisted through the CSI programme and employee donations of clothing and non-perishable food

EDUCATION

Group Five recognises the importance of involvement with and sponsorship of educational programmes in South Africa. The group's CSI projects in the education field are centred on Group Five's student management programme for which an amount of over R6 million was allocated. Refer to page 213 for more information. Over an above the student management spend, the following was allocated to educational initiatives during the year under review:

	Rand
University of Witwatersrand – Computer cluster	191 334
Cosmo City Primary School – Computer laboratory	60 650
Conference for building contractors	50 000
University of Johannesburg – Engineering week	4 900
University of Johannesburg – Technolab	60 984
Wits University – Prize-giving	2 000
FET College – Assessments	3 374
Total	373 242

Sponsorships for educational programmes included donations of computers to the Wits University Computer Cluster and to the Cosmo Primary School at Cosmo City

SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ)

INTRODUCTION

Group Five implemented a formalised, standardised group safety and health policy and system in F2002 with the objective of fully integrating environmental management and quality assurance into one SHEQ management system.

To date, environmental elements have been successfully included although quality assurance systems remain exclusive to business units due to the varying technical elements. However, during the year under review, progress was made in terms of standardising document presentation and document controls. For example, during the F2006 corporate audits, the audit team included one SHE representative and one quality assurance representative. The group objective remains to advance towards implementing a corporate management system which will provide a support system to address the entire spectrum of SHEQ controls.

The group is also in the process of re-aligning and committing to zero harm to ensure its business contributes to society through the consideration of health, safety, social, environmental, ethical and economic aspects in all company decisions and activities. This will result in quality falling under the group risk officer and SHEQ moving towards a principle of safety, health, environment and community (SHEC).

POLICY

Group Five aims to achieve certification for ISO 9001/2000, ISO 14001 and OHSAS 18001 throughout the group. During the year under review, notable progress was made with eight business units achieving full OHSAS 18001 certification. 70% of all business units now have both OHSAS 18001 and ISO 9001/2000 certification, with five more business units scheduled for OHSAS 18001 certification by June 2008. First stage ISO 14001 system audits were conducted in June 2007 and a number of business units are expected to follow by June 2008.

Business unit	ISO 9001/2000 status	OHSAS 18001 readiness
Infrastructure concessions		
Intertoll	100%	100%
Property developments	70%	70%
Manufacturing and Construction Materials		
Everite	100%	80%
Quarry Cats	70%	70%
Group Five Pipe	100%	70%
Construction		
Building	In development	80%
Housing	In development	85%
KwaZulu-Natal	100%	100%
Civil Engineering	100%	100%
Civil Engineering (Dubai)	85%	90%
Plant and Equipment	In development	100%
Engineering Projects	100%	100%
Other		
Corporate and business services	85%	100%

Delivering on statements

The group believes it is important to show stakeholders how it delivers on the statements made in this report and where the group believes further attention is required. This is set out below:

Delivery

- All business units were expected to comply with the Group Five SHE management system as a minimum. This was achieved, except for new acquisitions that are currently reviewing existing systems and adopting the Group Five SHE system
- All business units have achieved a bronze Group Five SHE rating. During the corporate audits in F2006, a target was set to achieve a gold rating. All but three of the business units achieved this
- The previous performance standard of achieving and maintaining a disabling injury frequency rate (DIFR) of less than one was achieved based on the entire group's performance
- Every business unit was expected to obtain an OHSAS 18001 certification by the end of 2006. Although this was not achieved, although 70% of business units obtained certification
- Ongoing communication and training programmes to increase individual awareness levels of safety, health and environmental issues included pilot projects at Everite to implement active management principles. Three business units produced independent work specific induction DVDs and implemented continuous re-induction programmes

GROUP FIVE SHEQ MANAGEMENT SYSTEM

Currently, all business units – except the recent acquisition of Quarry Cats – are expected to comply with the Group Five SHE management system as a minimum requirement. As outlined, quality assurance systems will for now remain at business unit level, although within the agreed Group Five format.

The SHE group system has become entrenched within Group Five and was instrumental in ensuring that another five business units achieved full OHSAS 18001 certification.

Quarterly development meetings are held where all business unit SHE and quality assurance representative managers are part of the updating and amendment of the system.

The reporting period has seen amendments and improvements made to:

- Hazard identification and risk assessment formats and database
- Electronic reporting formats
- The active legal register, which is continually updated and accessible to relevant stakeholders through a secure site on the intranet
- Ensuring that quarterly development meetings and training sessions for SHEQ managers happen
- Implementing effective communication channels in the event of a major incident
- Developing a standard induction format available for all business units
- Creating a user-friendly SHE induction booklet for use within the group

CORPORATE AUDIT 2006

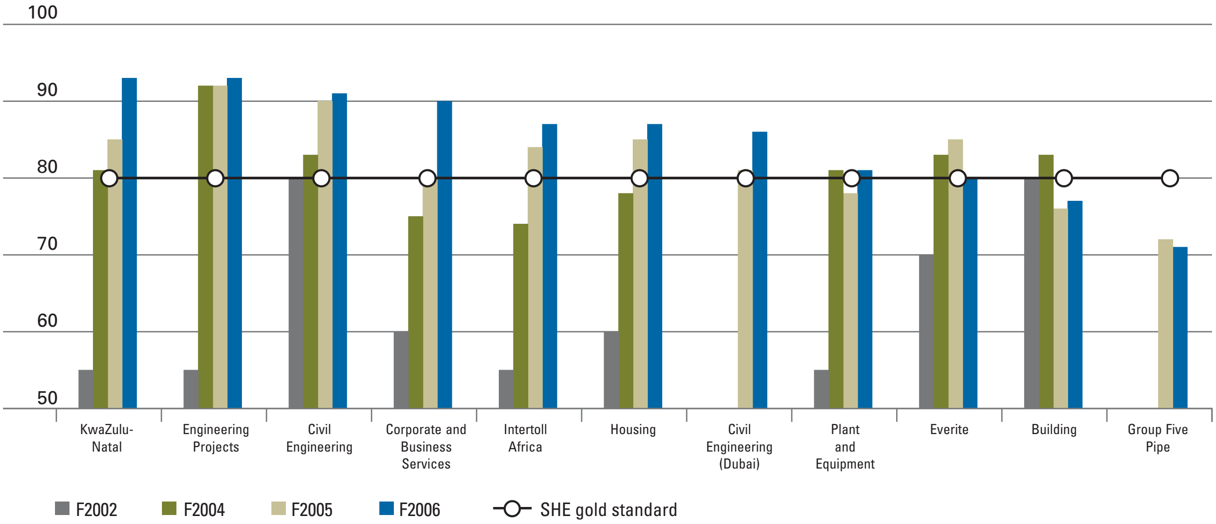
A Group Five gold SHE rating, which is a minimum of 80% compliance to the group SHE system, was set as the target for the F2006 corporate audit. The scope of the audit required an auditing team to identify progress from the audits conducted in F2005 and readiness towards OHSAS 18001 certification and implementation of ISO 9001/2000.

Results indicate a general improvement in implementation levels. The chart below displays a comparison over four periods audited: F2002, F2004, F2005 and F2006. Corporate audits are conducted annually during September to November. These results therefore reflect up to the November 2006 results, which was the last audit. The next audit is due September 2007.

Two business units experienced a drop in ratings:

- **Everite** – Regrettably, two fatal injuries were experienced in 11 months. An internal enquiry exposed a lack of SHE programme implementation. An extensively documented programme was available, but actual implementation was not apparent. The SHEQ department was restructured, an induction DVD was produced specific to Everite's operations and all employees were re-inducted. A pilot "Active leadership" programme was implemented to ensure participative inspections are conducted, which involves senior and middle management. Individual awareness and accountability is being focused on
- **Group Five Pipe** – Increased workloads and employment levels resulted in a spate of medical and lost time injuries. Although progress was made in the development of a SHE programme, implementation levels were not adequately addressed

GROUP FIVE SHE PERFORMANCE COMPARISONS F2002/F2004/F2005/F2006
(Percentage)



INFORMATION GATHERING

Ways of improving the accuracy of statistical reporting remains a focus area. During the year, the implementation of the group's human capital management system, PeopleSoft, allowed for more details to be captured in terms of incident information.

There is now a substantial database from which injury analysis can be extracted to identify potential high-risk areas and identify root causes to focus efforts on reducing injuries. Historic information is used to compile risk assessments and to identify training needs

The group's DIFR target remains zero. The current DIFR is less than one. Group Five continues to strive to reduce injuries and future initiatives will look at proactive rather than reactive actions.

- Focus on environmental issues increased. The group systems were reviewed to ensure ISO 14001 principles were adequately included into the SHE programme and ISO 14001 first stage certification audits started. Physical controls continued to ensure responsible actions to exercise care in conserving the natural environment
- Four senior SHEQ managers were employed and where the construction contract warranted it, a permanent safety officer was appointed. The number of SHEQ employees within the group doubled in the reporting period

Challenges

The following areas still require attention:

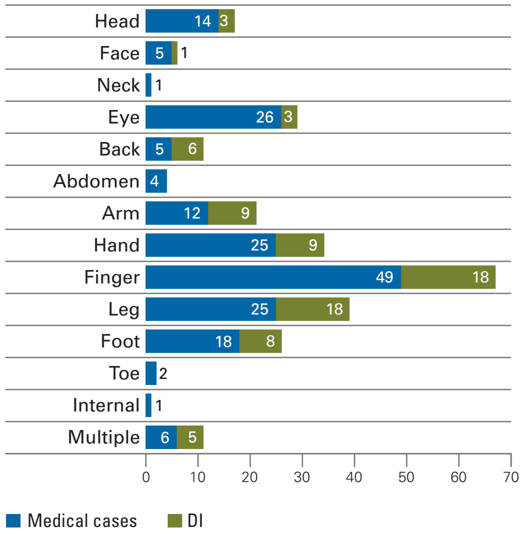
- Quality assurance system standardisation. Efforts are in progress to achieve this and will continue until satisfactory targets are achieved
- ISO standards certification was expected in all three principles of ISO 9001/2000, ISO 14001 and OHSAS 18001. Although the OHSAS 18001 certification process gained adequate recognition, quality assurance and environmental elements lagged. Restructuring and new appointments in the SHEQ departments will add renewed focus to the quality assurance and environmental elements of the system
- Continuously improving safety to prevent injuries and fatalities. This is receiving renewed focus during the year

GROUP FIVE INJURY EXPERIENCE

Lacerations to fingers and hands remain the most common type of injury due to the nature of operations. Although there was a reduction in the percentage of fractures experienced, injuries to legs remained high. This would suggest that poor

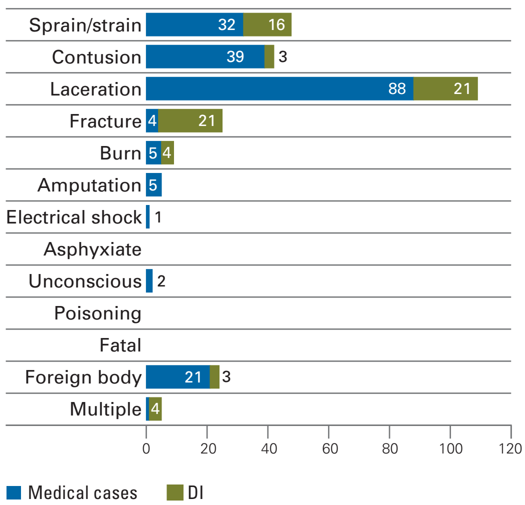
A high number of multiple injuries are indicated below.

GROUP FIVE INJURY EXPERIENCE
(Body part injured)



A high number of lacerations are indicated below.

GROUP FIVE INJURY EXPERIENCE
(Nature of injury)



housekeeping may have contributed to a number of these injuries. Housekeeping inspections have been implemented daily to ensure acceptable standards are achieved. The percentage of eye injuries has already reduced, which indicates a certain amount of success in injury prevention programmes.

Individual business units identify specific injury trends and develop focused campaigns to address any issues. These include "tool box talks" and active leadership promotions where supervisors and management address groups and individuals on safety, health and environmental issues specific to their areas of work.

SAFETY

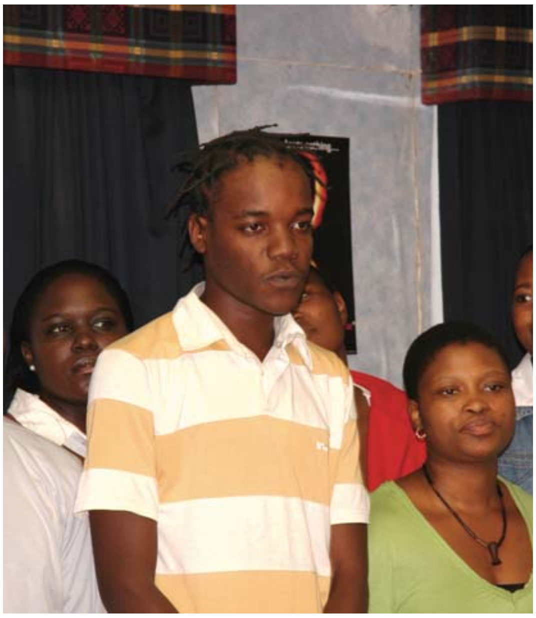
Annual audits

The annual corporate audits revealed a general improvement in compliance and application. However, a number of issues were recognised, including:

- The lack of communication and basic leadership skills of frontline supervision is a weak link, which result in incidents
- A failure by individuals to recognise their roles within the SHE programme and take responsibility for their own actions
- A lack of realisation that SHE controls add value and are not just an extra legislated requirement
- Fast-track construction programmes put pressure on employees, as the programme requirements often take priority
- A lack of trained and experienced safety officers result in poor performance on site, as the safety officer is required to be a forceful communicator

To address these issues, Group Five embarked on a number of initiatives, including:

- **Active leadership** – a campaign based on a Du Pont concept founded on values and behaviour and termed as "visibly felt leadership". The programme entails participation of leadership in active management roles
- **Induction DVD** – a number of business units employed the services of a specialist to produce induction DVDs specific to the risks and hazards experienced in the industry
- **Site SHE officer trainees** – a programme was established in conjunction with a service provider to offer a structured training path to develop SHE officers



Site SHE officer trainees. A programme was established in conjunction with a service provider to offer a structured training path to develop these officers

Active leadership

A pilot project was rolled out at Everite, aimed at including middle and senior management in scheduled safety inspections. This included ensuring that management are aware of their responsibility and accountability in terms of preventing incidents. The programme also ensures that management are aware of the fact that they should lead the safety effort consistently to establish safety goals, demand accountability for safety performance and provide resources.

There was a notable decrease in safety deviations and an increase in the usage of personal protective equipment. The programme will be rolled out to other

SUSTAINABILITY REPORT (CONTINUED)

business units within the Manufacturing discipline, with the Construction discipline to follow.

Induction DVD

A specialist service provider was contracted to produce induction material that addresses risks and the associated controls specific to a business unit's operations. Everite, Building (Western Cape), Plant and Equipment and Quarry Cats completed the project.

Filming took place on site and involved business unit employees, plant, materials and products. The DVD allows for a consistent message to be communicated. All new employees, visitors and contractors must view the induction material and employees are re-inducted at least once per year.

Training of safety, health and environmental officers

A pilot project was launched at the beginning of April 2007. Following a comprehensive selection process,

Operating a forklift is one of many training programmes at Everite

20 people were identified for the programme and Dekra Noriska was selected as the service providers to facilitate the programme, which will run over a period of eight months. The programme comprised 60% classroom studies and 40% practical implementation of learned skills. The students spent periods of five to six weeks in the classroom, after which they were placed on a site where they were mentored by Group Five site safety officers for periods of up to four weeks.

The courses include:

- Basic legislation – OHS Act, Mines Health and Safety, NEMA and COIDA
- Risk assessments
- Incident investigation
- Basic management skills, including project planning and financial control
- Presentation skills
- Computer literacy – MS Word, Excel and Powerpoint
- Advanced legal compliance
- Peer educator training
- First aid
- Fire fighting

An activity log book will be maintained and on completion, the students will receive a certificate of competency from Dekra, which will include certificates for all the accredited courses during their training period. The qualification will be equivalent to a NQF level 4.

DIFR

The group's definitive target remains zero. The current DIFR is less than one. Group Five continues to strive to reduce injuries and future initiatives will look at proactive rather than reactive reporting sequences. An improvement was made to the DIFR reporting process, as first aid and medical injuries were included in the calculations to determine an overall performance rating and a cut-off target of 2 was set.

Learners are issued with overalls, hard hats and safety boots

70% of all business units now have both OHSAS 18001 and ISO 9001/2000 certification, with four more business units scheduled for OHSAS 18001 certification by June 2008

Safety scorecard

The table on the next page reflects the groups safety scorecard, which gives an overall statistical evaluation of the injury performance of business units when considering all first aid, medical and lost time cases calculated on the total number of man hours worked (number of injuries x 200 000 man hours worked).

The current group DIFR is 0.66.

ZERO HARM POLICY

It is Group Five's aim to achieve zero harm to people, the environment and the communities in which the group operates. This begins with zero harm to each person and their colleagues as employees of Group Five. To deliver this, the group focuses on providing a workplace where it is possible to work free of harm and developing its people to make safe decisions.

The group aims to implement zero harm before production and profits. In short, it means "safety first, everything else second".

People are trained in the following principles:

- No amount of money is worth a life
- Think and plan before you and your team act
- You have the duty to stop anybody committing an unsafe act
- You have the right to refuse to commit an unsafe act
- Every person has the right to stop work if they believe, in good faith, the job is unsafe
- The group is committed to zero harm and will shut down operations until they are made safe
- Managers, supervisors or contractors who put profit or production before people are not aligned with the leadership of Group Five

SUSTAINABILITY REPORT (CONTINUED)

Safety statistics

Discipline	Man hours	First aid	FAFR	Non Lost Time Injury	MFR	Lost Time Injury	Occ. Dis	Fatal	Current DIFR	Score x Factor x Inverse of hrs	Env. Inc.	Site Insp.
Cumulative from June 2006 to June 2007												
Corporate and Business Services	333 730	0	0.00	0	0.00	0	0	0	0.00	0.00	0	12
INFRASTRUCTURE CONCESSIONS												
Intertoll Africa	853 989	1	0.23	2	0.47	14	0	0	3.28	2.69	0	1
PROPERTY DEVELOPMENTS												
Property Developments	34 905	0	0.00	0	0.00	0	0	0	0.00	0.00	0	74
CONSTRUCTION												
Building	2 781 279	65	4.67	18	1.29	5	0	0	0.36	0.77	3	429
Civil Engineering	5 998 590	65	2.17	47	1.57	19	2	0	0.63	0.64	4	92
Housing	939 073	3	0.64	5	1.06	4	0	0	0.85	0.82	0	133
KwaZulu-Natal	1 738 766	55	6.33	14	1.61	6	0	0	0.69	1.24	0	159
Civil Engineering (Dubai)	6 420 058	773	24.08	68	2.12	3	0	0	0.09	1.91	0	153
Plant and Equipment	788 480	0	0.00	0	0.00	3	0	1	1.01	0.78	0	33
Engineering Projects	3 516 899	54	3.07	34	1.93	7	25	0	0.40	0.69	0	69
Discipline total	22 183 145	1 015	9.15	186	1.68	47	27	1	0.43	1.43	7	1 068
MANUFACTURING AND BUILDING MATERIALS												
Everite	2 132 854	16	1.50	15	1.41	8	0	1	0.84	0.00	0	34
Quarry Cats	365 015	4	2.19	1	0.55	3	0	0	1.64	1.32	0	2
Group Five Pipe	421 990	9	4.27	15	7.11	1	0	0	0.47	1.22	0	5
Discipline total	2 919 859	29	1.99	31	2.12	12	0	1	0.89	1.12	0	41
Group total	**26 325 628**	**1 045**	**7.94**	**219**	**1.66**	**73**	**27**	**2**	**0.66**	**1.49**	**7**	**1 196**

Abbreviations
FAFR = First aid frequency rate
MFR = Medical cases frequency rate
DIFR = Lost time/disabling injury frequency rate
Occ. dis. – Occupational diseases
Env. inc. – Significant environmental incident
Total score = (FAFR x 10%) + (MFR x 10%) + (DIFR x 80%) x (business unit hours/total hours)

During 2005, the group developed an internal balanced scorecard (refer to page 41) to categorise, focus and prioritise its strategic efforts. Nine focus areas, covering both productivity and growth considerations, were developed. Find below how SHEQ has delivered against these strategic focus areas:

Strategic focus area	Delivery
People and leadership	• Each SHE officer has performance measurements in place to monitor progress • Employment profiles are available to assist SHEQ managers to employ people for contracts • 20 new SHEQ officers are being trained, with 95% being black
Technology	• Risk assessment programmes include technical experts who identify new technologies that include reducing SHE-related risks • Improvements were made in terms of SHEQ reporting through more IT-based data capturing
Continuous improvement	• The SHEQ development committee meets at least twice a year to address SHE systems. Improvements are regularly made to the system • Every business unit has an annual management review in line with ISO 9001/2000 requirements • There was 10% progress on ISO 9001/2000 certifications in the past year and the group is 85% compliant with IS0 14001 • A specialist updates the Group Five legal register six-monthly to ensure it is current with legislative changes • Group Five joined the International Construction Risk Organisation and sits on selected working groups
Organisational structure	• Risk assessment programmes aim to identify possible hazards and to ensure associated controls and structures are in place to address these • The strengthening of the group's SHEQ structure in the year included a new SHE manager and additional legal and commercial business partners on call

SUSTAINABILITY REPORT (CONTINUED)

Strategic focus area	Delivery
Markets and customers	• Group Five's SHE policy will be changed in the current year to ensure its business remains viable and contributes lasting benefits to society through the consideration of health, safety, environmental, social, ethical and economic aspects
Growth	• Group Five's vision for sustainable development is to be the company of choice. Central to this is the group's aim to ensure zero harm, which will be strengthened during the year • The group believes that sustainable development has very clear business returns and is fundamental to the long term success of the group
Market positioning	• Group Five communicates its SHEQ initiatives both internally and externally through InTouch and the group's annual report • The group also has community forums in place to interact with stakeholders on SHEQ-specific issues
BEE	• The Group Five site SHEQ officer trainee initiative includes developing black employees • At contract level, local people are employed and trained where possible • Sub-contractors are embraced on contracts and site SHE officers assist in bringing the BEE contractors up to full legal compliance levels
Financial resources	• The group strengthened its SHEQ team and in F2008 will be enhancing its environmental and quality management systems

PROGRESSING TO SAFETY, HEALTH, ENVIRONMENT AND COMMUNITY (SHEC)

During the coming year, the group will recommit to a policy of zero harm to ensure its business contributes to society through the consideration of health, safety, social, environmental, ethical and economic aspects in all company decisions and activities. This will result in quality falling under the group risk officer and SHEQ moving towards a principle of safety, health, environment and community (SHEC).

In this process, Group Five will highlight four key components:

- **Health** – promoting and improving the health of the group's workforce and host communities
- **Safety** – ensuring safety values are not compromised and providing a workplace where people are able to work without being injured
- **Environment** – promoting the efficient use of resources, reducing and preventing pollution and enhancing biodiversity protection
- **Community**

  Internal community – upholding ethical business practices and encouraging a diverse workforce where employees and sub-contractors are treated fairly, with respect and able to realise their full potential

  External community – engaging regularly with those affected by Group Five's operations to enhance economic benefits and contribute to sustainable community development

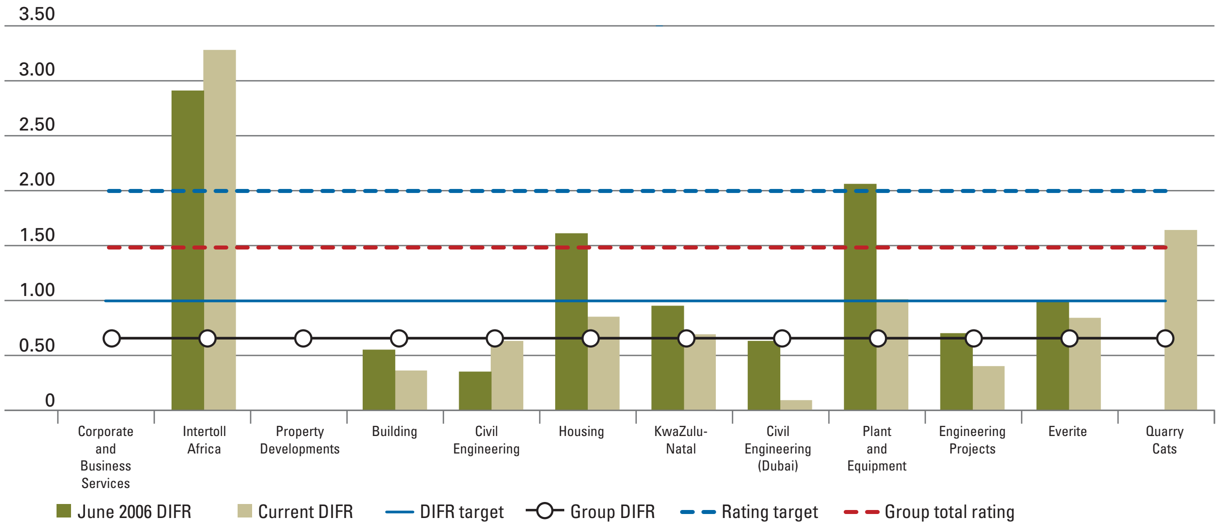
  Human rights – understanding, promoting and upholding fundamental human rights within Group Five's sphere of influence

The objectives of these standards are to:

- Support the development from a SHEQ policy to the implementation of a SHEC policy
- Provide a risk-based SHEC management system framework, consistent with:
  - Group Five's risk management policy
  - ISO 14001
  - OHSAS 18001
  - International policies, standards and management practices to which Group Five has committed, including the:
    - United Nations Global Compact
    - United Nations Universal Declaration of Human Rights
    - International Council on Mining and Metals (ICMM) Sustainable Development Framework
    - World Bank Operational Directive on Involuntary Resettlement
    - US/UK Voluntary Principles on Security and Human Rights
    - Other regional commitments
- Set out and formalise the expectations for progressive development and implementation of more specific and detailed SHEC management systems at all levels of Group Five
- Provide auditable criteria, against which SHEC management systems across Group Five can be measured
- Drive continuous improvement towards leading industry practice

SUSTAINABILITY REPORT (CONTINUED)

GROUP FIVE DIFR AND TOTAL PERFORMANCE RATING AS AT JUNE 2007 VERSUS DIFR AS AT JUNE 2006



Note: Where no blue bar is reflected, that business unit recorded a DIFR of zero in June 2005 or was not operational at the time

OHSAS 18001 certification

It was the group's intention to have all business units fully OHSAS 18001 certified before the end of 2006. The corporate audits indicate that 80% of the business units are currently in a position to achieve OHSAS 18001 certification. Although this was not fully realised, the group progressed from two certifications in the previous reporting period to seven during the year – an improvement from 17% to 70% certification.

Providing financial and physical resources

Senior SHE personnel were appointed during the financial year, with appointments made in the corporate office (Corporate and Business Services), Civil Engineering (Dubai), Building and Housing, Property Developments and Everite. This has ensured a more focused approach to SHE implementation. Business units have also improved structures and made more site appointments.

Individual business units hold safety forums to ensure site safety officers remain up to date with legislative changes and group movements.

> The group progressed from two OHSAS 18001 certifications in the previous reporting period to seven during the year – an improvement from 17% to 70% certification.

Site inspections and site audits

1 516 formal inspections and site audits were performed throughout the group during the reporting period compared to 1 330 during the previous reporting period. These audits included the OHSAS 18001 certification audits and the group annual corporate audits.

The site team at Engen KwaZulu-Natal achieved a 96% score during an OHSAS 1800 audit conducted by external auditors

Sub-contractor development

Building and Housing, as well as Property Developments, often experience SHE compliance challenges regarding its site sub-contractors, especially in terms of small bricklaying and plastering companies.

During the year, the group embarked on a programme to assist small contractors with legal compliance. The sub-contractors are given support in all aspects of SHE compliance to ensure the risk to all people and resources on the contract is controlled.

The programme entails that site SHE officers and SHE managers, in conjunction with the management of the sub-contractor:

- Compile health and safety plans
- Compile site appointment formats
- Compile site-specific risk assessments and method statements
- Compile health and safety files
- Conduct training sessions – "toolbox talks"
- Perform ongoing inspections and audits
- Provide task-specific safety training
- Register for COIDA

Although sub-contractor compliance remains a major challenge for management on construction contracts, there were improvements noted on most contracts. Sub-contractors submit injury reports to Group Five and preliminary results indicate a sustained reduction in reported injuries.

SUSTAINABILITY REPORT (CONTINUED)

HEALTH

Occupational health

Group Five considers statutory legislation as a minimum requirement. Where specific risks are identified, every effort is made to remove the source or control it to acceptable levels. All business units apply construction regulation requirements and conduct operator medicals.

For example, Group Five Pipe completed baseline health assessments on all their employees, with a particular focus on noise induced hearing loss regulations. Risk assessments indicate noise as a major factor in this process and all regulatory requirements are being addressed.

Everite continues to provide clinic facilities at the factory and regional visits by contracted specialist occupational health practitioners ensure that the asbestos legacy is monitored.

Asbestos free Nutec pipes loaded and ready to leave for the Ruashi mine site in DRC where Group Five is working on a contract

Asbestos

Having stopped using asbestos as a raw material in December 2002, Everite continues to manage the legacy risks associated with the use of asbestos since 1942. These include plant closures, dump closures, dust monitoring and medical surveillance.

All former employees are encouraged to return for an annual medical at clinics around the country. This costs Group Five approximately R2,5 million per year. Those who show signs of an asbestos-related disease are referred to the Compensation Commissioner in terms of the Compensation for Occupational Injuries and Diseases Act. In terms of a constitutional court ruling, the commissioner relieved the company of any further legal liability to the affected employees. However, the company supplements the pension paid to employees on a voluntary basis. Given the occupational exposure profile for different kinds of asbestos at the company's plants and the latency period associated with various asbestos-related diseases. The incidence of reportable asbestos-related disease among current and former employees were at its peak last year (at 600 cases). This year, this is down to 551 cases, which will continue to decline over the next few years. The long term maximum financial exposure associated with the company's voluntary disability pension policy has been actuarially valued at R22,2 million and is fully provided for.

An average of over 126 SHE inspections and audits are performed monthly throughout the business units. These exclude specific equipment inspections required under legislative requirements.

Silica

Silica has been identified as a potential source of occupational disease. It is found in products such as fibre-cement, concrete and mortar. Group Five actively identifies and monitors exposures, which resulted in no cases being reported.

Malaria

Malaria is one of the group's most significant occupational diseases. Expatriate employees and the local employees in over-border countries remain at huge risk to being affected by malaria. Several initiatives are in place to address this, as outlined in the Engineering Projects case study below.

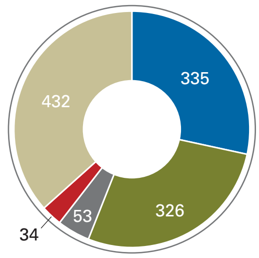
Travel clinic stats

Whenever practical, all employees requiring medical examinations are referred to a central travel clinic. Engineering Projects and Civil Engineering mostly require medical examinations for over-border work. Plant and Equipment use the facility for medical examinations of construction equipment operators.

Statistical records supplied by the clinic indicate that 5% of people examined were declared unfit for the proposed position or over-border work. The majority of these cases were for high blood pressure. The clinic informs the employee and employer when referrals are made to medical practitioners for further treatments.

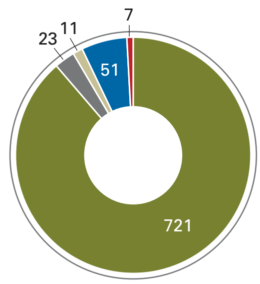
Statistical data indicates that deferrals for potential hearing loss were a very low 1% of people visiting the clinic.

CLINIC VISITS BY BUSINESS UNITS



- Plant and Equipment
- Civil Engineering
- Corporate and Business Services
- Building and Housing
- Engineering Projects

FINDINGS OF EMPLOYMENT-RELATED MEDICALS



- Fit
- Unfit
- Defer vision
- Defer medical
- Defer doctor
- Defer hearing

In Engineering Projects in Ghana, the country where most malaria cases are reported, the group found that after the December holiday period, there was a sharp increase in malaria cases. Investigations showed that a contributing factor was that upon returning to the operation after the break, avoidance controls slipped. Engineering Projects investigated measures to increase avoidance controls, which included:

- Spraying of accommodation units to control malaria vector mosquitoes and other insects. The insecticide is sprayed onto external and internal walls and under roofs. Residue lasts up to three months on walls and surrounding ground, even if it rains
- A fog generator is used in conjunction with a hot fog oil-based insecticide. The unit can be hand held or transported on a vehicle and produces a cloud of fog of approximately three metres by three metres
- Stagnant water ponds and any area where water is standing are treated with an emulsifiable concentrate for application to mosquito breeding sites for the control of mosquito larvae

All insecticides used are harmless to fish and bird life and approved by the World Health Organisation.

SUSTAINABILITY REPORT (CONTINUED)

AWARDS

Group Five Building achieved three safety awards from the Gauteng Master Builders Association in 2006

Group Five received numerous safety awards, which included awards in the regional Master Builders Association (MBA) safety competitions:

The group achieved three awards at the Gauteng MBA safety awards:

- Third place in the R200 million to R300 million category (Vice President's Trophy) was awarded to Building for the Sandhurst Towers luxury apartment block in Sandton. The award was received by the business unit's safety officer, Elias Mohapi
- Damien Spagnuolo of Building took third place as best site agent for the Orion building
- Jan du Toit of Civil Engineering achieved second place as best company safety manager

KwaZulu-Natal's MBA safety award winners in 2006

KwaZulu-Natal MBA safety awards:

- The Pearls of Umhlanga was the regional winner of the over R200 million value category
- Liberty Midlands Mall was the regional winner of the R120 million to R200 million category
- The SAPPI SAICCOR contract gained second place and a five-star rating in the R20 million to R50 million category
- Ballito Manors received a highly commended award in the R50 million to R120 million category

Strict environmental regulations were observed during the construction of the Maguga hydro power station

ENVIRONMENT

Environmental management system

The Group Five environmental management system was re-evaluated during the year to ensure environmental (ISO 14001) aspects are addressed and to prevent any operations or processes from having a detrimental impact on the natural environment.

An independent body was appointed to assess content and compliance. As at June 2007, the results indicated 85% compliance with ISO 14001. A target date for first stage certification audit is set for June 2008. Upon certification, there will be a roll-out to all business units to assist with certification.

The amended systems include Group Five's commitment to environmental controls in line with ISO 14001 and best practices, which include:

Resource consumption

- The group aims to avoid pollution and degradation of the environment at all times. Where this is not possible, Group Five ensures that impacts are minimised and disturbances are remedied to acceptable standards
- Where possible, waste will be recycled and disposal takes place in a responsible manner
- Where exploitation of non-renewable natural resources is required, activities are performed in a responsible and equitable manner, taking into account the consequences of the depletion
- Development, use and exploitation of renewable resources and the eco-systems they are part of, will not exceed the level beyond which their integrity is jeopardised
- The group aims to anticipate and, where practical, prevent negative impacts on the environment and on people's environmental rights
- Where oils, grease or classified hazardous substances are used or stored, immediate surroundings will be continually monitored for spillages or contamination

SUSTAINABILITY REPORT (CONTINUED)

Energy consumption

- Energy consumption is unavoidable. However, Group Five implements control measures to monitor the consumption of electricity, petrol, gas and diesel. Where practical, the group follows reduction measures

Water consumption – releases to water

- Where Group Five processes and requires water consumptions of potable or industrial surface water, all licencing controls regarding usage, run-off, recycling, seepage and storage are implemented

Waste generation, separation and disposal

- A "cradle to grave" concept in all permit requirements are identified and complied with. Waste disposal contractors are vetted and waste disposal certificates obtained for all relevant waste

Releases to air

- In general, Group Five's operations do not release harmful or noxious gases into the air. Where operations may produce dust, controls are implemented to reduce levels as far as is possible

Fires are not tolerated on contracts where there is a risk of damage to the immediate fauna and flora

Other releases

- Noise is controlled as far as is practical. Associated legal control limits are identified and practical control measures implemented

Land use and new development

- New developments are completed according to the associated environmental impact assessments and local council requirements

Land biodiversity, fauna and flora

- Group Five applies appropriate biodiversity planning within the national biodiversity framework of the National Environmental Management Act, 1998 and NEM: Biodiversity Act of 2004
- Indigenous biological resources are used in a sustainable manner and alien and invasive species of fauna avoided

Potential incidents

- Group Five endeavours to prevent incidents which may have a detrimental impact on the environment. Should an emergency occur in relation to spillage or seepage of a hazardous substance that may contaminate a water source, the relevant authorities are notified. All associated clean-up operations are undertaken
- As a general rule, fires are not tolerated on contracts where there is a risk of damage to the immediate fauna and flora. Fire prevention and protection controls are implemented

Social

- Ongoing communication and training programmes are established to ensure relevant stakeholders are informed and empowered to participate in the Group Five environmental management plan
- Where practical, local suppliers of goods, services and skills are sourced and good environmental practices encouraged

GROUP FIVE REHABILITATION PROGRAMMES AT WORK

Kliprivier waste disposal site

Everite historically disposed of its production waste on a waste site situated to the south of the plant and operated under a concept permit issued by the Department of Water Affairs and Forestry (DWAF) in 1990. In terms of the Environmental Conservation Act, Act 37 of 1989 and the Minimum Requirements, it was indicated that the site should be properly permitted. An environmental scoping and closure report outlined the outcomes of investigations conducted and provided required information to DWAF for the consideration of a closure permit.

The Everite dump site is being covered with a view to closing it by the end of 2007

A permit for the closure of the site was issued by the Department of Agriculture, Conservation and Environment and the waste site was actively managed. Covering took place progressively as dumping occurred with a view to close the site by the end of 2008. Comprehensive efforts are in place to reduce volumes of process waste generated. The group has been successful in the past year to such an extent that the closure date was moved to the end of 2007, with dumping stopped at the end of May 2007.

During the operation, ground and surface water monitoring was routinely conducted by an independent laboratory and this monitoring will be continued after closure. Environmental air monitoring was conducted annually to ensure the operations on the waste site did not negatively affect the surrounding environment. Results from these surveys indicate that the waste site poses no danger to the health of the surrounding community and environment, as no asbestos fibres were detected in the samples taken.

Final rehabilitation work has already started and will be completed by December 2007. This process abides by all the regulations as stipulated in the closure permit, scoping report and final design specification as approved by the Department of Agriculture Conservation and Environment (DACE). An independent environmental auditor will conduct annual audits on the waste site to ensure compliance to these specifications.

The entire process was conducted in consultation with DWAF, the Department of Environmental Affairs and Tourism, the Department of Agriculture and the Department of Labour. A multi-stakeholder monitoring committee was established and meets quarterly. During these meetings, feedback is given regarding the progress, as well as the results of the routine water and environmental monitoring.

To date, no formal or informal complaints regarding the operation and the closure of the waste site were received from any interested and affected parties. The closure of the waste site will positively impact the surface water, groundwater and air quality, as well as resulting in improved waste management.

Brackenfell

Manufacturing of asbestos cement building products at this site ceased in 2000. Since the factory closure, the permitted on-site disposal facility was used for the disposal of excess materials and factory waste generated during the factory clean-up. The site was shaped and capped as per the closure design, with one cell being left open for asbestos containing waste that could potentially come from the civil work conducted on the closed factory site. Development has been in progress for the last four years and has finally come to an end. All the protocols for groundwater monitoring, erosion control and air monitoring were conducted during the last four years.

The process for applying for the closure permit has already started and the open cell has been closed. An environmental scoping and closure report will be drafted once the end use of the site is determined and the same procedure will be followed as with the Kliprivier waste site closure.

Control and removal of alien vegetation continues and local contractors are employed to perform this task. Compliance with local and national legislation is maintained.

A Stone Age site was discovered during operations

Land biodiversity, fauna and flora and social responsibility

Rehabilitation of the Barberskrans Pass on the N10 forms part of a contract for the South African National Roads Agency Limited (SANRAL) to upgrade approximately 25 kilometres of the N10, south of Cradock and over the Barberskrans Pass to Tarkwa Bridge in the Eastern Cape.

Public safety was foremost. Precautions taken for nearby residents in two townships included pedestrian crossings, a pull-off area for a craft market, taxi stopping places and right-turn lanes at all township accesses.

During operations in the borrow pit, it was discovered that a Stone Age site had been disturbed. There had been no mention made of this site on the EIA and Group Five had applied all permit requirements. Once the discovery was made, work was stopped and the associated experts notified. Only after this visit and detailed investigations by external experts, did work continue under revised permit conditions.

QUALITY

Quality assurance

At present, all business units continue to apply a quality assurance system unique to their type of process or product. The systems are based on ISO 9001/2000 principles and 70% of the business unit systems are certified. During the 2006 corporate audits, quality assurance systems were audited. Of the 12 business units that were audited, six are ISO 9001/2000 listed and all the other business units have some form of quality assurance system in place. This would suggest that the group has a good quality management culture and that Group Five as a whole should be able to achieve a full ISO 9001/2000 listing.

Business unit document formats are expected to comply with a standard Group Five format and document controls are being aligned to ensure this happens. At present, Six Sigma projects include reviewing identified site controls to ensure a common standard will be applied. Refer to page 47 for more information.

THE WAY FORWARD

The key SHEQ initiatives for the short and medium term are:

- To improve compliance with Group Five SHEQ standards related to risk management, contracts, plant and equipment integrity, management of change and behavioural safety
- Reduction of high and extreme risks through:
  - Embedding Group Five SHEQ standards
  - Setting up key leading SHEQ indicators and monitoring and improving performance against these indicators
  - Implementing an improvement action plan for preventive measures
  - Maintaining and improving the SHEQ management systems and maintaining certifications (ISO14001, OSHAS 18001 and DEKRA star grading)
  - Implementing and embedding proper project management procedures with front-end loading and SHEQ and business reviews at different phases of the contract life
  - Implementing the recommendations made during SHEQ workshops and audits. Specific attention will be given to the recommendations made to reduce and eliminate injuries and fatalities
- Developing and implementing an action plan to improve the effectiveness of the Group Five SHEQ system in line with the Group Five corporate targets and objectives in F2007/2008.

Safety improvement road map

- Decision-making and the overall SHEQ culture in the organisation is directed by Group Five policy, which sets the vision for the group as an organisation in which:
  - The safety of people is a value that is not compromised
  - Safety excellence is recognised as good business
  - Leaders at all levels are safety role models
  - Effective safety leadership is a pre-requisite for promotion
  - People are aware of the hazards and risks in their workplace and act accordingly
  - Compliance with safety standards and procedures is absolute
  - Risky behaviour is not acceptable and is addressed when observed
  - Effective skills to lead and work safely are developed through ongoing training and mentoring

SUSTAINABILITY REPORT (CONTINUED)

During the year, the International Finance Corporation (IFC), part of the World Bank, conducted an environmental and social review on Group Five's operations. For a full report, refer to the group's website at www.g5.co.za.

The main findings in terms of SHEQ were:

- Group Five is committed to achieve ISO 14001 and OHSAS 18001 certification for all of its business units, and has met this objective across a number of these units
- Group Five has developed and rolled out operating standards on SHEQ matters. There is a group SHEQ manager and each business unit has a senior SHEQ representative. There is also SHEQ employees at each site responsible for day-to-day management
- Group Five's Manufacturing operations do not pose significant environmental, health and safety or social risks
- In Construction and Infrastructure Concessions, Group Five acts as an agent and is neither responsible for EIAs nor for implementing mitigation measures such as resettlement plans
- Group Five generally develops its own environmental management plans for each site, with the implementation overseen by a dedicated SHE officer and the auditing undertaken by Group Five, its consultants and/or the client. Assistance is generally given to sub-contractors in this respect. Each plan typically addresses waste management, spill prevention, waste water treatment and management of hazardous materials. Emergency response procedures are developed as part of the site's occupational health and safety plan
- At Group Five Manufacturing, the management of issues is addressed in environmental management programme procedures and/or Group Five procedures, in compliance with South African regulations
- Group Five's corporate SHE policy requires 25% of the workforce to receive formal SHE training during each 12-month period. All business units provide employees with induction training before they are allowed to work
- Group Five has a SHE policy. Quality is currently managed separately, although Group Five's future objective is to combine the quality assurance function with SHE
- Being in the construction sector, occupational health and safety is of primary concern to Group Five. The group was at the time of the audit 60% OHSAS 18001 certified. The remaining units were 75 – 90% ready for certification

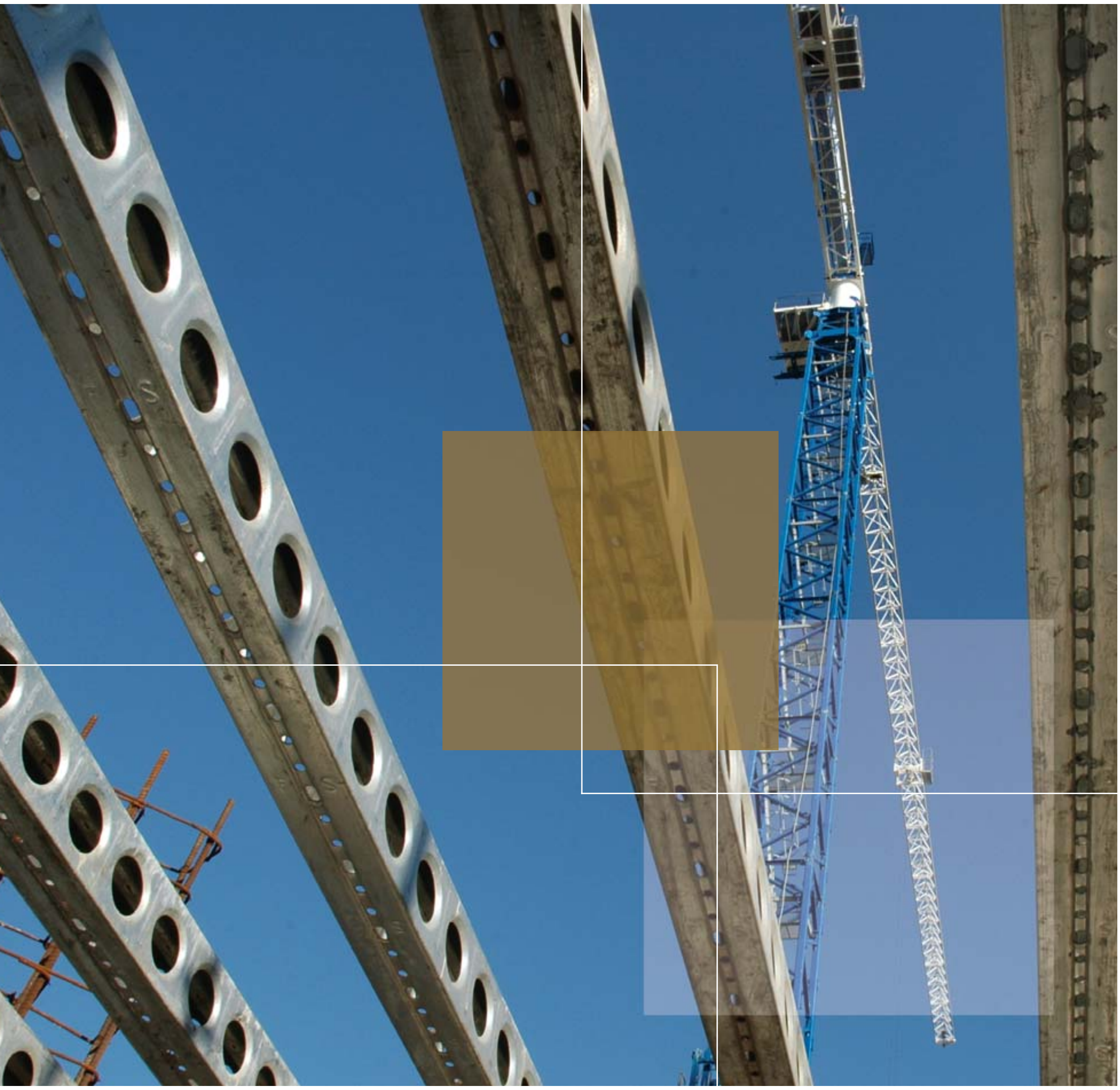
Some recommendations included:

- Group Five's risk committee should screen new contract proposals against IFC performance standards and the Group Five SHEQ policy in the case of over-border contracts. This screening process should be incorporated into Group Five's environmental management system
- The group's EMPs should be prepared in response to EIAs and mitigation measures should be put in place to address those aspects of the overall contract over which Group Five and its sub-contractors have direct control
- Group Five should undertake safety, health and environmental due diligence audits on all new acquisitions, using South African SHE regulations as a reference in South Africa and IFC performance standards outside of South Africa
- SHE liabilities should be defined and included in the contractual agreements and action plans should be developed to deal with identified deficiencies. Each new facility should be certified to Group Five's SHEQ management system standard within a specified timeline

The group is currently introducing a process to implement these recommendations.

GROUP FIVE

FINANCIAL STATEMENTS



Over the last few years significant improvements have been made to the group's administration and financial systems

FINANCIAL STATEMENTS

The group delivered another solid year of growth. Earnings per share increased 49% from R1,95* to R2,91 and headline earnings per share increased 47% from R1,93 to R2,83. Group revenue increased by 31% from R5,9 billion to R7,7 billion and operating profit increased by a significant 63% from R241 million to R392 million. The group achieved its short term overall operating profit margin percentage goal of 5% by recording a margin percentage of 5.1% (2006: 4.1%).

* Before adjustment for the external BEE ownership expense

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

for the year ended 30 June 2007

The directors are responsible for the maintenance of proper accounting records and the preparation, integrity and fair presentation of the financial statements of Group Five Limited and its subsidiaries. The financial statements, presented on pages 257 to 312 have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act in South Africa and include amounts based on judgements and estimates made by management. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

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. These 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. The 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 and the internal auditors 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 going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the group will not be a going concern in the foreseeable future based on forecasts and available cash resources. The viability of the group is supported by the financial statements.

The financial statements have been audited by the independent accounting firm, PricewaterhouseCoopers Inc., who have been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. PricewaterhouseCoopers Inc.'s unqualified audit report is presented on page 256.

The financial statements were approved by the board of directors on 8 August 2007 and are signed on its behalf by:

D Paizes
Chairman

MR Upton
Chief Executive Officer

FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF COMPLIANCE BY THE COMPANY SECRETARY
for the year ended 30 June 2007

I certify that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act 61 of 1973 in respect of the year ended 30 June 2007, and all such returns are true, correct and up-to-date.

N Kekana

8 August 2007

REPORT OF THE INDEPENDENT AUDITORS
for the year ended 30 June 2007

TO THE MEMBERS OF GROUP FIVE LIMITED

We have audited the annual financial statements and group annual financial statements of Group Five Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 June 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the 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 257 to 312.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these 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 consolidated 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 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 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 management, as well as evaluating the overall presentation of the 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 of 30 June 2007, 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: FJ Lombard
Registered Auditor

Johannesburg

8 August 2007

DIRECTORS' REPORT
for the year ended 30 June 2007

NATURE OF BUSINESS
Group Five Limited is an investment holding company with interests in the building, infrastructural and engineering sectors. The company does not trade and all of its activities are undertaken through its subsidiaries, joint ventures and associates.

GROUP RESULTS
The consolidated income statement for the year is set out on page 260. Segmental information as approved by the directors relating to the business of the group is set out on pages 264 to 268.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES
The interest in subsidiaries, joint ventures and associated companies, are set out on pages 306 to 309 of this annual report. During the prior year, the group disposed of its 25% interest in Group Five Saudi Pipe joint venture for $1 million and its 50% interest in Water and Sanitation Services South Africa (Pty) Ltd for R2 million. The group also ceased all operations in India in the prior year and during the current year, concluded the disposal of its Vaal Sanitaryware operations and its 40% joint venture interest in DPI Holdings (Pty) Ltd for R107 million.

In terms of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the results and financial position of these operations are reflected as discontinued operations in both the current and prior year.

With effect from 1 February 2007, the group acquired 100% of Quarry Cats (Pty) Ltd and its subsidiaries (Quarry Cats) for R810 million. Quarry Cats is involved in the supply of construction materials and crushing services to the construction and mining industries.

On 2 May 2007 the group announced its intention to acquire 100% of Sky Sands (Pty) Ltd (Sky Sands) for R124 million. Sky Sands is involved in the supply of plaster and washed sand products to building materials merchants, the building industry and the precast concrete products industry. The transaction was approved by the Competition Commission on 9 July 2007 and the deal finalised. The group will incorporate the results of this operation with effect from that date.

CAPITAL EXPENDITURE
Details on capital expenditure by business are set out on page 267 of this report.

SHARE CAPITAL
The authorised and issued share capital are as follows:

Authorised:
150 000 000 ordinary shares of no par value.

Issued:
118 446 901 ordinary shares of no par value (2006: 99 724 556). All shares have been fully paid up.

On 26 February 2007, 14,9 million shares at a price of R43,53 per share and a total value of R648,6 million were issued. On 6 March 2007, 2,3 million shares at a price of R43,53 and a total value of R101,4 million were issued. These shares were issued to fund the purchase of Quarry Cats. On 7 March 2007, 1 million shares at a price of R53 and a total value of R53 million were issued in terms of the provision of the company's share incentive scheme.

On 29 September 2005, shareholders approved an issue of shares amounting to approximately 26.1% of the issued share capital, after such issue, in terms of a Black Economic Empowerment ownership transaction. On 10 October 2006, 376 408 shares at a total value of R11,8 million and on 18 May 2007, 116 440 shares at R54,06 per share and a total value of R6,3 million were issued in terms of the group's BEE ownership transaction. Of these shares 25 816 281 (2006: 25 323 433) are held as treasury stock and in trust, in addition, 209 519 (2006: 482 905) were held by the share incentive trust at 30 June 2007.

The BEE ownership transaction comprised three components, namely:
- a broad-based employee scheme, comprising an aggregate 0.6% of the enlarged share capital of the company;
- a black management share scheme comprising 3.9% of the enlarged share capital of the company; and
- the iLima Mvela Transaction comprising 21.6% of the enlarged share capital of the company.

The BEE ownership transaction is summarised in the table below:

	as at September 2005			as at 30 June 2007	
	Number of shares	Transaction value[1] R'000	Shareholding (post issue of new shares)	Number of shares	Shareholding
Employee Schemes	**4 366 109**	**69 989**	**4.5%**	**4 366 109**	**3,7%**
Broad-based scheme (refer note 20.4.1)	575 000	9 217	0.6%	575 000	0,5%
Black management scheme (refer note 20.4.2)	3 791 109	60 772	3.9%	3 791 109	3,2%
The Participants jointly (iLima Mvela Transaction)	**20 957 325**	**335 946**	**21.6%**	**25 450 172**	**21,5%**
iLima	10 478 662	167 973	10.8%	12 725 086	10,7%
Mvelaphanda	10 478 662	167 973	10.8%	12 725 086	10,7%
Total	**25 323 434**	**405 935**	**26.1%**	**29 816 281**	**25,2%**

[1] Based on a share price of 16,03 cents per share, being the 30-day VWAP (ex dividend) as at the close of business on 4 August 2005.

The mechanics of the iLima Mvela Transaction are set out below:

- in terms of an Initial Subscription agreement, on 1 November 2005 each Participant subscribed for 10 478 662 Group Five shares (being Subscription Shares), at the Subscription Price of one cent per share;
- in terms of the internal funding mechanism, the Group Five shares were notionally issued at a 10% discount to the Reference Price of R16,03 per Group Five share, which equated to approximately R14,43 per Group Five share. These shares are notionally subject to a fixed funding rate over the approximate seven-year term of the scheme of 12% nominal per annum, compounded annually;
- in terms of a Forward Sale agreement, each Participant will sell to Group Five, with effect from 31 December 2013 (the end date), the number of Group Five shares held by such Participant, determined with reference to the formula set out below, at a purchase price of one cent per Group Five share.

  $$\text{Number of Forward Sale Shares} = \frac{\text{Notional Funding Terminal Amount}}{\text{Market Value per Group Five share}}$$

  save that where the end date occurs as a result of an event of default in relation to such Participant (as detailed in the above agreements) the number of Forward Sale Shares shall be equal to the total number of Subscription Shares held by such Participant on the end date;
- in terms of a Further Subscription Right (contained within the agreements), each Participant shall have the right, capable of being exercised during the 30 Business Day period succeeding the end date, on a single occasion and provided that no event of default has occurred in relation to such Participant (as detailed in the Subscription and Sale agreements), to subscribe for up to that number of Group Five shares as are equal to the number of Group Five shares sold by such Participant to Group Five in terms of the Forward Sale. These shares will be issued at a purchase price per Group Five share, equal to the market value thereof as at the date of exercise of the Further Subscription Right by such Participant;
- in terms of the Distribution Subscription Obligation (contained within the agreements), each Participant is obliged to utilise the proceeds of all the cash distributions (and the proceeds of the distributions in specie converted to cash) received by such Participant from Group Five by virtue of such Participant's holding of Group Five shares, during the period between 1 November 2005 and the end date, to subscribe for Group Five shares at the market value thereof as at the date of such subscription; and
- in addition the group loaned iLima Group (Pty) Ltd, a Participant in the iLima Mvela Transaction, an amount of R50 million.

DIRECTORS' REPORT (CONTINUED)
for the year ended 30 June 2007

SHAREHOLDER SPREAD
Details of shareholder categories are set out on page 310 of this report.

DIVIDENDS
On 8 August 2007, the directors declared a final dividend of 42 cents per ordinary share (2006: 36 cents). This brings the total dividend for the year to 72 cents (2006: 56 cents). In order to comply with the requirements of STRATE the relevant details are:

Event	Date
Last day to trade (cum-dividend)	Thursday, 20 September 2007
Shares to commence trading (ex-dividend)	Friday, 21 September 2007
Record date (date shareholders recorded in books)	Friday, 28 September 2007
Payment date	Monday, 1 October 2007

No share certificates may be dematerialised or rematerialised between Friday, 21 September 2007 and Friday, 28 September 2007, both dates inclusive.

DIRECTORS AND SECRETARY
The names of the directors appear on page 80 of this report. Mr MR Upton and Dr MSV Gantsho were appointed to the board on 17 November 2006.

Mr MR Maruma resigned on 26 January 2007 and Mr PS O'Flaherty resigned on 30 June 2007. Mr MH Lomas retired on 31 March 2006. Ms P Buthelezi was appointed on 4 July 2007 to take over as chairperson from Mr D Paizes who retires on 16 October 2007. In terms of the company's Articles of Association, Mr KK Mpinga and Mr SG Morris retire by rotation. Being eligible they offer themselves for re-election.

DIRECTORS' SHAREHOLDINGS
At 30 June 2007, the number of ordinary shares held beneficially and non-beneficially by the current directors was 30 000 and nil respectively (2006: 69 005 and nil respectively). There has been no material change in their holdings between the year-end and the date of this report. Details of directors' share options are set out in the table on page 88.

BORROWING POWERS
In terms of the articles of association, the company has unlimited borrowing powers.

BOND ISSUE UNDER THE BOND EXCHANGE OF SOUTH AFRICA (BESA) DOMESTIC MEDIUM TERM NOTES (DMTN) PROGRAMME
On 27 February 2007, the group, through its wholly owned subsidiary Group Five Construction (Pty) Ltd, issued two senior unsecured bonds as follows:

GFC1: R300 million, three-year, 9.05% fixed rate per annum

GFC2: R550 million, five-year, 9.20% fixed rate per annum

The bonds were issued under an approved R1 billion BESA listed DMTN programme. In relation to this programme, Global Credit Ratings agency accorded the group a long term credit rating of A and a short term credit rating of A1.

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

FINANCIAL STATEMENTS (CONTINUED)

GROUP INCOME STATEMENT
for the year ended 30 June 2007

		Group	
(R'000)	Notes	2007	2006
Construction revenue		**6 400 519**	5 075 529
Invoiced value of goods and services supplied		**980 865**	662 222
Property sales and development fees		**307 784**	126 970
Revenue		**7 689 168**	5 864 721
Cost of materials		**1 110 277**	1 119 952
Cost of subcontractors		**2 941 820**	2 397 817
Staff costs	20.1	**1 317 813**	1 181 816
Depreciation and amortisation	3; 7	**105 261**	70 874
Plant costs		**839 607**	333 020
Manufacturing distribution costs		**79 931**	84 215
Other operating expenses – net		**902 835**	436 228
Total operating expenses		**7 297 544**	5 623 922
Operating profit	3	**391 624**	240 799
Fair value adjustment relating to investment properties		**9 393**	26 538
Fair value adjustment relating to investment in service concessions		**14 227**	1 385
Expense relating to issue of shares in terms of BEE broad-based scheme		**–**	(6 420)
Expense relating to issue of shares in terms of external BEE ownership scheme		**–**	(91 000)
Profit before finance costs and taxation		**415 244**	171 302
Finance costs – net	4	**(41 953)**	(30 329)
Finance income		**31 382**	4 324
Finance costs		**(73 335)**	(34 653)
Profit before taxation		**373 291**	140 973
Taxation	5	**(129 560)**	(62 754)
Profit after taxation from continuing operations		**243 731**	78 219
Loss for the year from discontinued operations		**(1 129)**	(21 074)
Profit for the year		**242 602**	57 145
Allocated as follows:			
Equity shareholders of Group Five Limited		**234 879**	52 555
Minority interest		**7 723**	4 590
		242 602	57 145
Earnings per share – basic (cents)	6.1	**291,2**	71,5
Fully diluted earnings per share (cents)	6.2	**239,5**	65,0
Earnings per share from continuing operations (cents)	6.3	**292,6**	100,2
Fully diluted earnings per share from continuing operations (cents)	6.4	**240,7**	91,0
Dividends per share (cents) – based on the years to which they relate		**72,0**	56,0

GROUP BALANCE SHEET

at 30 June 2007

		Group	
(R'000)	Notes	2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	7	1 756 287	513 138
Investment property	8	79 786	9 656
Investment in associates	9	1 719	1 669
Investment in service concessions	10	73 928	59 701
Deferred taxation	11	186 496	208 470
Total non-current assets		2 098 216	792 634
Current assets			
Inventories	12	328 261	296 268
Contracts in progress	13	911 445	844 279
Trade and other receivables	14	2 715 378	1 919 555
Cash and cash equivalents		670 507	712 999
Total current assets		4 625 591	3 773 101
Non-current assets classified as held for sale	30	163 967	338 667
Total assets		6 887 774	4 904 402
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Stated capital		1 145 021	387 142
Retained earnings		489 403	309 477
Other components of equity		(21 837)	(15 362)
		1 612 587	681 257
Minority interest		9 335	1 762
Total equity		1 621 922	683 019
Non-current liabilities			
Interest-bearing borrowings	15.1	902 475	126 305
Derivative financial instruments	16	41 675	–
Provision for employment obligations	20.3	22 227	18 635
Provision for environmental rehabilitation	17	30 245	16 729
Total non-current liabilities		996 622	161 669
Current liabilities			
Trade and other payables	18	3 655 211	3 330 053
Provision for liabilities and charges	19	237 159	150 334
Current taxation payable		55 224	56 955
Current portion of long-term interest-bearing borrowings	15.1	62 291	110 476
Short-term borrowings		217 571	119 762
Bank overdrafts	15.3	41 774	143 849
Total current liabilities		4 269 230	3 911 429
Liabilities directly associated with non-current assets classified as held for sale	30	–	148 285
Total liabilities		5 265 852	4 221 383
Total equity and liabilities		6 887 774	4 904 402

GROUP CASH FLOW STATEMENT
for the year ended 30 June 2007

		Group	
(R'000)	Notes	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before working capital changes	24	487 195	307 099
Working capital changes	25	(388 685)	294 164
Cash generated from operations		98 510	601 263
Finance costs		(41 953)	(30 329)
Taxation paid	26	(109 317)	(155 716)
Dividends paid		(54 953)	(38 634)
Cash effects of operating activities		(107 713)	376 584
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(63 266)	(90 024)
Acquisition of investment property and service concessions		(65 333)	(7 134)
Advances to associates		(50)	–
Acquisition of subsidiary – Quarry Cats, net of cash acquired	27	(42 799)	–
Proceeds on disposal of property, plant and equipment		12 000	37 050
Proceeds on disposal of investment property		4 596	73 900
Proceeds on disposal of investments and service concessions		–	33 933
Cash effects of investing activities		(154 852)	47 725
CASH FLOW FROM FINANCING ACTIVITIES			
Long- and short-term borrowings raised		850 000	208 666
Long- and short-term borrowings repaid		(554 267)	(149 598)
Issue of shares		–	8 339
Cash effects of financing activities		295 733	67 407
Cash generated from/(utilised in) discontinued operations	30	26 415	(100 681)
Net increase in cash and cash equivalents		59 583	391 035
Cash and cash equivalents at beginning of year		569 150	178 115
Cash and cash equivalents at end of year	28	628 733	569 150

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2007

	Number of ordinary shares issued	Number of shares held by share trusts	Net shares issued to public	Stated capital R'000	Foreign currency translation reserve R'000	Distributable reserves R'000	Minority interest R'000	Total shareholders' equity R'000
Balance at 30 June 2005	**73 573 023**	**(1 677 305)**	**71 895 718**	**287 803**	**13 553**	**295 556**	**4 306**	**601 218**
Issue of shares to share trust in terms of share scheme	828 100	(828 100)	–	–	–	–	–	–
Issue of shares from share trust	–	2 022 500	2 022 500	4 317	–	–	–	4 317
Issue of shares in terms of BEE ownership transaction	25 323 433	(25 323 433)	–	–	–	–	–	–
Costs related to BEE ownership transaction	–	–	–	83 891	–	–	–	83 891
Share option costs	–	–	–	11 131	–	–	–	11 131
Translation differences arising from foreign operations	–	–	–	–	(28 915)	–	–	(28 915)
Net profit for the year	–	–	–	–	–	52 555	4 590	57 145
Purchase of minorities	–	–	–	–	–	–	(7 134)	(7 134)
Dividends paid	–	–	–	–	–	(38 634)	–	(38 634)
Balance at 30 June 2006	**99 724 556**	**(25 806 338)**	**73 918 218**	**387 142**	**(15 362)**	**309 477**	**1 762**	**683 019**
Issue of shares to share trust in terms of share scheme	1 000 000	(1 000 000)	–	–	–	–	–	–
Issue of shares from share trust	–	1 273 386	1 273 386	(205)	–	–	–	(205)
Issue of shares to acquire Quarry Cats	17 229 497	–	17 229 497	750 000	–	–	–	750 000
Issue of shares in terms of BEE ownership scheme in lieu of dividends	492 848	(492 848)	–	–	–	–	–	–
Transaction costs relating to issue of shares	–	–	–	(1 637)	–	–	–	(1 637)
Share option costs	–	–	–	9 721	–	–	–	9 721
Translation differences arising from foreign operations	–	–	–	–	(6 475)	–	–	(6 475)
Net profit for the year	–	–	–	–	–	234 879	7 723	242 602
Distribution to minorities	–	–	–	–	–	–	(150)	(150)
Dividends paid	–	–	–	–	–	(54 953)	–	(54 953)
Balance at 30 June 2007	**118 446 901**	**(26 025 800)**	**92 421 101**	**1 145 021**	**(21 837)**	**489 403**	**9 335**	**1 621 922**

Foreign currency translation reserve

The foreign currency translation reserve is the result of exchange differences arising from the translation of the group's foreign operations to the functional currency of the holding company, being Rand.

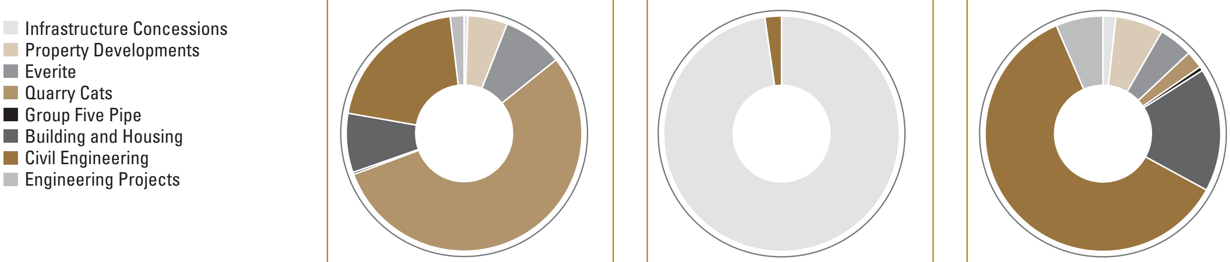
FINANCIAL STATEMENTS (CONTINUED)

GROUP SEGMENTAL ANALYSIS
for the year ended 30 June 2007

For reporting purposes, the group is organised on a worldwide basis into eight major reporting segments as set out below.

BALANCE SHEET

	PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY		OTHER NON-CURRENT ASSETS (excluding non-current assets classified as held for sale)		CURRENT ASSETS	



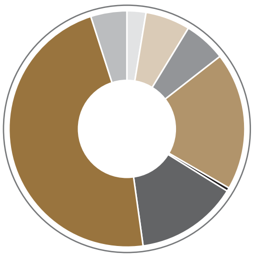
Business	2007 R'000	2006 R'000	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Infrastructure Concessions	9 423	6 154	73 928	59 701	69 712	30 959
Property Developments	100 212	14 106	–	–	259 061	169 939
Manufacturing and Construction Materials	1 168 575	112 929	–	–	302 925	184 110
Everite	152 127	111 821	–	–	184 745	149 694
Quarry Cats	1 011 037	–	–	–	95 714	–
Group Five Pipe	5 411	1 108	–	–	22 466	34 416
Construction	557 863	389 605	1 719	1 669	3 323 386	2 675 094
Building and Housing	149 408	50 873	–	–	671 156	925 909
Civil Engineering	373 828	314 777	1 719	1 669	2 396 435	1 395 418
Engineering Projects	34 627	23 955	–	–	255 795	353 767
Total	1 836 073	522 794	75 647	61 370	3 955 084	3 060 102

A description of the products and/or services provided by the segments is disclosed under the operational and financial review of this annual report.

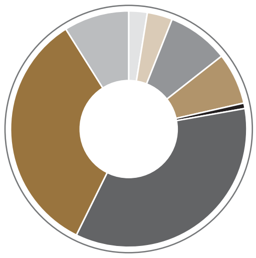
Note: Graphs represent F2007 values only.

BALANCE SHEET

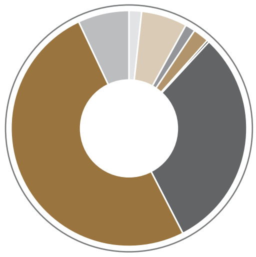
TOTAL ASSETS
(excluding non-current assets classified as held for sale)



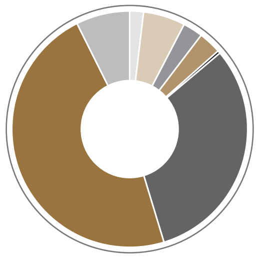
NON-CURRENT LIABILITIES
(excluding liabilities directly associated with non-current assets classified as held for sale)



CURRENT LIABILITIES



TOTAL LIABILITIES
(excluding liabilities directly associated with non-current assets classified as held for sale)



Total assets 2007 R'000	Total assets 2006 R'000	Non-current liabilities 2007 R'000	Non-current liabilities 2006 R'000	Current liabilities 2007 R'000	Current liabilities 2006 R'000	Total liabilities 2007 R'000	Total liabilities 2006 R'000
153 063	96 814	25 321	563	72 358	39 323	97 679	39 886
359 273	184 045	34 481	378	262 776	162 148	297 257	162 526
1 471 500	297 039	161 482	41 213	160 154	105 315	321 636	146 528
336 872	261 515	83 773	41 053	57 215	81 520	140 988	122 573
1 106 751	–	70 292	–	90 538	–	160 830	–
27 877	35 524	7 417	160	12 401	23 795	19 818	23 955
3 882 968	3 066 368	775 338	119 515	3 676 944	3 403 839	4 452 282	3 523 354
820 564	976 782	349 748	8 293	1 275 443	1 489 874	1 625 191	1 498 167
2 771 982	1 711 864	336 604	109 365	2 109 179	1 486 207	2 445 783	1 595 572
290 422	377 722	88 986	1 857	292 322	427 758	381 308	429 615
5 866 804	3 644 266	996 622	161 669	4 172 232	3 710 625	5 168 854	3 872 294

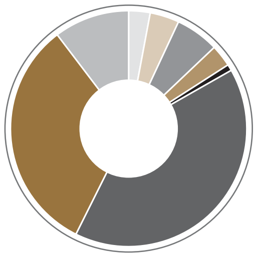
FINANCIAL STATEMENTS (CONTINUED)

GROUP SEGMENTAL ANALYSIS (CONTINUED)
for the year ended 30 June 2007

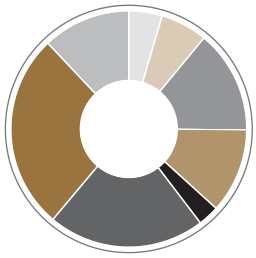
For reporting purposes, the group is organised on a worldwide basis into eight major reporting segments as set out below.

INCOME STATEMENT

REVENUE



OPERATING PROFIT



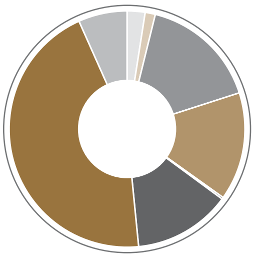
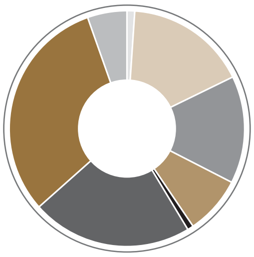
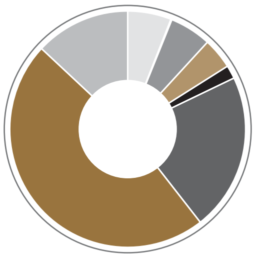
- Infrastructure Concessions
- Property Developments
- Everite
- Quarry Cats
- Group Five Pipe
- Building and Housing
- Civil Engineering
- Engineering Projects

Business	Revenue 2007 R'000	Revenue 2006 R'000	Operating profit 2007 R'000	Operating profit 2006 R'000
Infrastructure Concessions	**226 016**	189 247	**17 927**	12 398
Property Developments	**307 784**	126 970	**25 164**	25 132
Manufacturing and Construction Materials	**754 849**	472 975	**112 050**	60 205
Everite	**457 925**	450 736	**55 189**	56 658
Quarry Cats	**231 081**	–	**45 531**	–
Group Five Pipe	**65 843**	22 239	**11 330**	3 547
Construction	**6 400 519**	5 075 529	**236 483**	143 064
Building and Housing	**3 121 921**	2 788 466	**84 276**	78 903
Civil Engineering	**2 484 293**	1 662 700	**105 037**	50 169
Engineering Projects	**794 305**	624 363	**47 170**	13 992
Total	**7 689 168**	5 864 721	**391 624**	240 799

A description of the products and/or services provided by the segments is disclosed under the operational and financial review of this annual report.

Note: Graphs represent F2007 values only.

CASH FLOW

DEPRECIATION		CAPITAL EXPENDITURE		NUMBER OF EMPLOYEES	
					
2007 R'000	2006 R'000	**2007 R'000**	2006 R'000	**2007 R'000**	2006 R'000
2 596	2 145	**4 698**	6 192	**833**	708
1 469	603	**73 492**	7 246	**19**	18
32 867	18 230	**103 533**	27 402	**1 638**	1 082
17 031	18 127	**64 787**	27 026	**795**	886
15 580	–	**35 097**	–	**589**	–
256	103	**3 649**	376	**254**	196
68 329	49 896	**257 824**	225 153	**11 438**	8 426
14 049	13 946	**97 134**	51 480	**3 004**	2 662
47 248	30 217	**136 879**	156 390	**6 617**	4 460
7 032	5 733	**23 811**	17 283	**1 817**	1 304
105 261	70 874	**439 547**	265 993	**13 928**	10 234

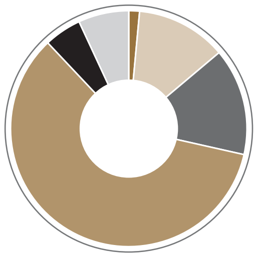
GROUP SEGMENTAL ANALYSIS (CONTINUED)
for the year ended 30 June 2007

The group's segments operate in six principal geographical areas of the world, as set out below.

Eastern Europe
Dubai
Eastern Africa
Southern Africa
Central Africa
Western Africa

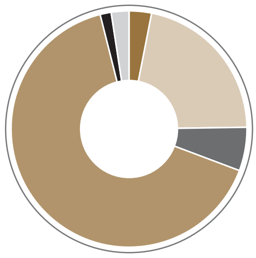
INCOME STATEMENT

REVENUE



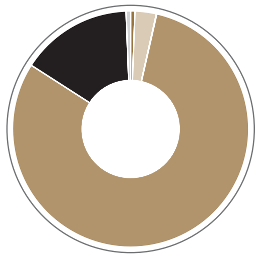
BALANCE SHEET

TOTAL ASSETS
(excluding non-current assets classified as held for sale)



CASH FLOW

CAPITAL EXPENDITURE



Region	Revenue 2007 R'000	Revenue 2006 R'000	Total assets 2007 R'000	Total assets 2006 R'000	Capital expenditure 2007 R'000	Capital expenditure 2006 R'000
Eastern Europe	**112 942**	84 877	**180 724**	63 118	**2 619**	1 007
Dubai	**951 414**	565 871	**1 272 005**	824 300	**12 802**	33 282
Eastern Africa	**1 129 546**	883 658	**349 598**	514 037	**253**	4 210
Southern Africa	**4 571 123**	3 736 949	**3 833 475**	1 180 009	**353 926**	220 740
Central Africa	**392 794**	420 958	**88 604**	836 562	**67 244**	6 754
Western Africa	**531 349**	172 408	**142 398**	226 240	**2 703**	–
Total	**7 689 168**	5 864 721	**5 866 804**	3 644 266	**439 547**	265 993

BASIS OF PRESENTATION

The group's primary format for reporting segment information is business segments and its secondary format is geographical segments based on the location of its operations.

Segment revenue and expenses: All segment revenue and expenses are directly attributable to the segments and are disclosed at the operating profit level.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of inventories, contracts in progress, receivables (net of allowances) and property, plant and equipment.

Segment liabilities include all operating liabilities and consist principally of accounts payable and provisions for liabilities and charges.

Segment assets and liabilities do not include income taxes (including deferred) nor bank balances/overdrafts as the group operates under a centralised cash management function.

Note: Graphs represent 2007 values only.

1. PRINCIPAL ACCOUNTING POLICIES

These consolidated and company financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are consistent with those of the previous year except as noted in note 1.23.

The financial statements are prepared on the historical cost basis as modified principally by the revaluation of investments in service concessions and investment property. The financial statements are prepared on a going concern basis. Set out below are the principal accounting policies used consistently throughout the group.

When preparing these financial statements management has improved certain disclosures that resulted in the comparative figures in respect of 2006 being restated to reflect such adjustments. Refer note 1.23.

The consolidated financial statements include those of the holding company, its subsidiaries, joint ventures and associates. All financial results are consolidated with similar items on a line by line basis except for investments in associates which are included in the group's results as set out below:

1.1 Use of estimates

The preparation of the financial statements in conformity with International Financial Reporting Standards requires the group's management to make estimates and judgements concerning the future. The resulting accounting estimates and judgements can, by definition, only approximate the actual results. 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2.

1.2 Basis of consolidation

a) 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired (including mineable resources) 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

b) 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.

c) Joint ventures

Joint ventures are those entities in which the group has joint control. The proportion of assets, liabilities, income and expenses and cash flows attributable to the interests of the group in jointly controlled entities are incorporated in the consolidated financial statements under the appropriate headings. The results of joint ventures are included from the effective dates of acquisition and up to the effective dates of disposal.

ACCOUNTING POLICIES (CONTINUED)
for the year ended 30 June 2007

1. PRINCIPAL ACCOUNTING POLICIES **(continued)**

1.2 Basis of consolidation (continued)

c) Joint ventures (continued)

Inter-company transactions, balances and unrealised gains on transactions between the group and its joint ventures are eliminated on consolidation. Unrealised losses are eliminated but considered an impairment indicator of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with policies adopted by the group.

d) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

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 financial statements are presented in Rands, which is the group's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions of a group entity are initially translated into its 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 subsequent translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are also taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

1.4 Revenue recognition

Revenue relating to long-term contracts are accounted for using the percentage of completion method and are measured at the fair value of the consideration received or receivable and include variations and claims; the stage of completion is measured by reference to the relationship of contract costs incurred or significant activity achieved to date for work performed relative to the estimated total costs or total significant activity of the contract. Property sales are recognised when risks and rewards of ownership are transferred. Revenue from purchased, manufactured or mined products is recognised upon delivery of products and customer acceptance. Revenue from performance of services, including operations and maintenance services, is generally recognised in the period when the services are actually provided and is measured based on contractual rates. All revenues are stated net of value-added taxes and trade discounts, if applicable. Intercompany revenues are eliminated on consolidation.

Other income, which is not included in revenue, earned by the group is recognised on the following basis:

- Interest income – as it accrues (taking into account the effective yield on the asset)
- Dividend income – when the shareholder's right to receive payment is established
- Investment property and investments in concessions – fair value increases or decreases during the year

1.5 Property, plant and equipment and investment property

Property, plant and equipment and investment property consist of the following categories:

a) Properties

Properties consist of the following:

- occupied property;
- investment property; and
- property development costs (disclosed as inventory).

The accounting for each category of properties is as follows:

- company occupied property is carried at cost less accumulated depreciation, other than land, which is not depreciated. Depreciation is calculated to write-off the cost of these properties over their expected useful lives on a straight-line basis; generally, buildings are depreciated over 50 years; gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in net profit;
- investment property, which is disclosed separately and is property held to generate independent cash flows through rental or capital appreciation, is carried at fair value with changes in fair value included in the income statement; and
- property development costs held as inventory, which is property held for development and resale, is valued at the lower of cost and net realisable value.

b) Mining assets and undeveloped mining resources

Mining assets, including mine development costs and mine plant facilities, are initially recorded at cost, whereafter they are measured at cost less accumulated amortisation, calculated on a units of production basis and impairment. Costs include pre-production expenditure incurred in the development of the mine and the present value of future decommissioning and rehabilitation costs. Interest on borrowings to specifically finance the establishment of mining assets is capitalised until it is substantially completed. Development costs incurred to evaluate and develop new resources, or to define existing resources, or to establish or expand productive capacity or to maintain production are capitalised. Mine development costs are capitalised to the extent they provide access to resources which have future economic benefit.

Stripping costs incurred during the production phase to remove waste are deferred and charged to the income statement on the basis of the average life-of-mine stripping ratio. The average stripping ratio is calculated as the number of tonnes of waste material removed per tonne of resource mined. The average life-of-mine ratio is revised annually in the light of additional knowledge and change in estimates. The cost of "excess stripping" is capitalised as mine development costs when the actual stripping ratio exceeds the average life-of-mine stripping ratio. Where the average life-of-mine stripping ratio exceeds the actual stripping ratio, the cost is charged to the income statement.

ACCOUNTING POLICIES (CONTINUED)
for the year ended 30 June 2007

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.5 Property, plant and equipment and investment property (continued)

b) Mining assets and undeveloped mining resources (continued)

Undeveloped mining resources are initially valued at the fair value of the resources obtained through acquisitions. The fair value of these properties is tested annually for impairment. When eventually mined, the undeveloped mining resources are amortised as above.

c) Capital work in progress

Property, plant and equipment under construction is stated at initial cost and is not depreciated. The cost of self-constructed assets includes expenditure on materials, direct labour, an allocated proportion of project overheads and related borrowing costs. Assets are transferred from capital work in progress to an appropriate category of property, plant and equipment when commissioned and ready for its intended use.

d) Factory plant

Factory plant, including capitalised leased assets, is stated at initial cost less subsequent accumulated depreciation and impairment. Depreciation is calculated to write off the cost of factory plant to its estimated residual value on a straight-line basis over its expected useful life. Where factory plant comprises major components with different useful lives, these components are accounted for and depreciated as separate items and residual values are re-assessed annually. The expected useful lives are generally between 5 and 15 years. The estimated useful lives and residual values are reviewed annually.

e) Mobile plant and vehicles

Mobile plant and vehicles, including capitalised leased assets, are stated at initial cost less subsequent accumulated depreciation and impairment. Where mobile plant and vehicles comprise major components with different useful lives, these components are accounted for and depreciated as separate items and residual values are re-assessed annually. Depreciation is calculated to write off the value of mobile plant and vehicles to their estimated residual values on a straight-line basis over their expected useful lives. The expected useful lives are generally 5 years. The estimated useful lives and residual values are reviewed annually.

f) Computer equipment, and software development costs

Computer equipment, including capitalised leased assets, is stated at initial cost less subsequent accumulated depreciation and impairment. Depreciation is calculated to write off the cost of these assets to their estimated residual values on a straight-line basis over their expected useful lives on a component basis. The expected useful lives are generally 3 years. The estimated useful lives and residual values are reviewed annually.

Software development costs that enhance and extend the benefits of computer software programmes are recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are depreciated using the straight-line method over their useful lives, not exceeding a period of 10 years.

g) Furniture, fittings and other items

Furniture, fittings and other items are stated at initial cost less subsequent accumulated depreciation and impairment. Depreciation is calculated to write off the cost of these assets to their estimated residual values on a straight-line basis over their expected useful lives on a component basis. The expected useful lives are generally 3 to 5 years. The estimated useful lives and residual values are reviewed annually.

h) Replacement and modification expenditure (relate to all categories)

Expenditure incurred to replace or modify a significant component of property, plant and equipment is capitalised and any remaining book value of the component replaced is written off immediately in the income statement. Other repair and maintenance expenditure is charged directly to the income statement as incurred.

1.6 Capitalisation of borrowing costs

Borrowing costs, incurred in respect of property developments, mining assets or capital work in progress, that require a substantial period to prepare assets for their intended use, are capitalised up to the date that the development of the asset is ready for its intended use. Other borrowing costs are recognised directly in the income statement when incurred.

1.7 Leased assets

Where assets are acquired under finance lease agreements that transfer to the group substantially all the risks and rewards of ownership, they are capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The capital element of the leasing commitment is disclosed under long-term liabilities. Lease rentals are treated as consisting of capital and interest elements, using the effective interest rate method.

1.8 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. Total rental obligations under operating leases are charged to the income statement on a straight-line basis over the period of the lease, irrespective of the payment terms.

1.9 Investments in service concessions

These investments consist of interests in service concessions over which the group has neither control nor significant influence. These investments are recognised as financial assets, initially recognised at fair value and subsequently measured at fair value with changes in fair value, including impairment, recognised in the income statement.

1.10 Impairment of long-term non-financial assets

Long-term non-financial assets are tested annually for impairment. 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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.11 Inventories

Materials, consumable stores, work in progress and finished goods are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. In general, cost is determined on a first-in-first-out basis. The cost of manufactured goods includes direct expenditure and an appropriate proportion of manufacturing overheads.

1.12 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 is treated as a single construction contract when the group of contracts is negotiated as a single package and the contracts are so interrelated that they are, in effect, part of a single project with an overall profit margin and are performed concurrently or in a continuous sequence.

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised using the percentage of completion method. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The group uses the "percentage of completion method" to determine the appropriate costs to recognise in a given period. The stage of completion is measured with reference to the contract costs or major activity incurred up to the balance sheet date as a percentage of total estimated costs or major activity for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion and are presented as contracts in progress.

The group also presents as contracts in progress 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 retention are included in trade and other receivables.

The group presents as a liability (excess billings over work done) the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

ACCOUNTING POLICIES (CONTINUED)
for the year ended 30 June 2007

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.13 Trade and other receivables

Trade and other receivables are recognised initially at fair value and are 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 group will not be able to collect all amounts due according to the original 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 (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision 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. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

1.14 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.15 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise bank balances and cash with original maturities of three months or less and also include bank overdrafts repayable on demand. Cash and cash equivalents are reflected at year-end bank statement balance. Where bank overdrafts and cash balances are with the same financial institution and right of set-off exists, they are netted off for disclosure purposes.

1.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Where the fair value of the borrowings have been hedged, and qualify for hedge accounting, then the gain or loss on the hedged item attributable to the hedged risk is recognised in the income statement.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1.17 Deferred taxation

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax. The principal temporary differences arise from depreciation on property, plant and equipment, various provisions, contracting allowances and tax losses carried forward. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred income tax assets can be utilised.

1.18 Environmental rehabilitation

Estimated long-term environmental obligations, comprising rehabilitation, mine and asbestos dump closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

The net present value of expected rehabilitation cost estimates are recognised and provided for in full in the financial statements. The estimates are reviewed annually and are discounted using rates that reflect inflation and the time value of money.

Annual changes in the provision consist of finance costs relating to the change in the present value of the provision and inflationary increases in the provision estimate, as well as changes in estimates. The present value of environmental disturbances created are capitalised to mining assets against an increase in the rehabilitation provision. The rehabilitation asset is amortised as noted in the group's accounting policy. Rehabilitation projects undertaken, included in the estimates, are charged to the provision as incurred.

1.19 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 embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

1.20 Employee benefits

The accounting policies relating to employee benefits can be categorised into five areas, as follows:

a) Pension obligations

The group participates in a group defined benefit plan, a number of group defined contribution plans and a number of multi-employer industry plans. The pension plans are funded by payments from employees and by relevant group companies, taking account of the recommendations of independent qualified actuaries. All plans and their assets are managed in separate trustee administered funds. The plans are governed by the Pensions Fund Act.

The group's pension accounting costs for the defined contribution plans and multi-employer industry plans are limited to the annually determined contributions. For the defined benefit plan, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries that carry out a full valuation of the plans annually. The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using appropriate interest rates. An asset is recognised to the extent that the group has control over such asset.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the income statement immediately. Past service costs are also recognised immediately in the income statement.

b) Post-employment obligations

One group company provides post-employment medical costs for certain of its retirees. The expected costs of these benefits are accrued over the period of employment using a methodology similar to that of defined benefit plans. A valuation of this obligation is carried out on a periodic basis by professionally qualified independent actuaries. The post-employment obligations are not funded.

c) Leave pay

Employee entitlements to annual leave are recognised when they accrue to employees. Full provision is made for the estimated liability for annual leave, as a result of services by employees, up to the balance sheet date.

d) Equity compensation benefits

Share options and appreciation rights are granted to employees in terms of the schemes detailed in note 20. The net cost of share options, issued after 7 November 2002, calculated as the difference between the fair value of such options at grant date and the price at which the options were granted (calculated at the 30-day volume weighted average price at grant date), are expensed over their vesting periods.

Options exercised are equity settled through a fresh issue of shares or through a repurchase and re-issue of shares by the group.

e) Profit sharing and bonus plans

A liability for employee benefits, in the form of profit sharing and bonus plans, is recognised in provisions when there is no realistic alternative but to settle the liability and if at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements; or
- past practice has created a valid expectation by employees that they will receive a bonus/profit sharing and amounts can be determined before the time of issuing the financial statements.

ACCOUNTING POLICIES (CONTINUED)
for the year ended 30 June 2007

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.21 Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents (as defined), short-term borrowings, investments, trade and other receivables, trade and other payables, non-current liabilities and derivative financial instruments. The particular recognition methods adopted are disclosed in the individual policy statements or notes associated with each item.

1.22 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continued use.

1.23 Stated capital

Ordinary shares are classified as equity. Issued share capital is stated in the statement of changes in equity at the amount of the proceeds received less directly attributable issue costs. Cost of share options issued after 7 November 2002 have been charged to stated capital as described in note 1.20 above.

AC503 – "Accounting for Black Economic Empowerment (BEE) transactions and IFRIC 8 – "Scope of IFRS 2", which were effective for all years beginning on or after 1 May 2006, concluded that the discount arising on the issue of shares to external BEE shareholders in terms of a BEE ownership transaction should be charged to the income statement if there are no performance related conditions. As a result, the R91 million discount arising from the group's external BEE ownership transaction, which was concluded on 29 September 2005, has been accounted for as of that date. The prior year's results have been restated accordingly. Refer to page 260 for the effect of the restatement on prior year results. There was no effect on taxation.

1.24 Dividends paid

Dividends paid are recognised when declared by the board of directors.

1.25 Earnings per share

a) Earnings per share is based on attributable profit for the year divided by the weighted average number of ordinary shares in issue during the year. Fully diluted earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on earnings per share.

b) Earnings per share from continuing operations is based on attributable profit for the year from continuing operations divided by the weighted average number of ordinary shares in issue during the year. Fully diluted earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on earnings per share.

1.26 Headline earnings per share

Headline earnings per share is based on the same calculation as in 1.25 above except that attributable profit specifically excludes items as set out in Circular 7/2002 "Interpretation of Statement of Investment Practice No 1: Headline Earnings" issued by the South African Institute of Chartered Accountants. Fully diluted headline earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on headline earnings per share.

1.27 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

a) hedges of the fair value of recognised fixed rate liabilities (fair value hedge);

b) hedges of a particular risk associated with a recognised fixed rate liability (fair value hedge) or a highly probable forecast transaction (cash flow hedge); or

c) hedges of a net investment in a foreign operation (net investment hedge).

The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, on whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 16. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The group applies fair value hedge accounting to hedge the fair value interest rate risk associated with fixed rate borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the ineffective portion is recognised in the income statement within other operating expenses – net. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the income statement within finance costs.

If the hedging relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to profit or loss over the period to maturity. (Pull to par.)

Derivatives at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within other operating expenses – net.

1.28 Segment information

Segment information is reported on both a business (primary) and geographical (secondary) basis. This approach is based on the manner in which segments are organised, risks and returns managed, as well as type of business. The basis of segmental reporting is set out on page 268.

1.29 Contingencies and commitments

Transactions are classified as contingent liabilities where the group's obligations depend on uncertain events and principally consist of contract specific third party obligations underwritten by banking institutions. Items are classified as commitments where the group commits itself to future transactions, particularly in the acquisition of property, plant and equipment.

1.30 Related party transactions

All subsidiaries, joint ventures and associated companies of the group are related parties. A list of the major subsidiaries, joint ventures and associated companies are included on pages 306 to 309 of this annual report. All transactions entered into with subsidiaries and associated companies were under terms no more favourable than those with third parties and have been eliminated in the consolidated group accounts. Director's and senior management emoluments as well as transactions with other related parties are set out in note 21. There were no other material contracts with related parties.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

2.1 Construction contract revenue recognition and profit taking

The group uses the percentage-of-completion method in accounting for its construction contracts. Use of the percentage-of-completion method requires the group to estimate the construction services and activities performed to date as a proportion of the total services and activities to be performed. In addition, judgements are required when recognising and measuring any variations or claims on each contract.

ACCOUNTING POLICIES (CONTINUED)
for the year ended 30 June 2007

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

2.2 Fair value of investment properties and investment in service concessions

The fair value of these items, which are not traded in an active market, is determined by using valuation techniques. The group uses a variety of methods, including discounted cash flow analysis and makes a variety of assumptions that are mainly based on market conditions existing at balance sheet date. (Refer notes 8 and 10 for valuation methodology and significant assumptions used.)

2.3 Valuation and amortisation of mining assets

The fair value of mining assets are generally determined utilising discounted future cash flows. Management also considers such factors as the quality of the individual resource body.

During the year under review, the group calculated fair value based on updated life-of-mine plans, an aggregate price of R6,54 per tonne.

2.4 Estimate of exposure and liabilities with regard to rehabilitation costs

Estimated long-term environmental obligations, comprising rehabilitation, mine and asbestos dump closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

A discount rate of 8.5% and an inflation rate of 6% were utilised in the calculation of the estimated net present value of certain of the rehabilitation liabilities. The remaining liability has been determined with reference to an external valuation.

2.5 Estimate of employee benefit liabilities

An updated actuarial valuation is carried out at the end of each financial year for the defined benefit plan and post-employment liabilities of the group. Key assumptions used to determine the net assets and liabilities of these obligations are set out in note 20.

2.6 Estimate of taxation

The group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.7 Fair value of share-based compensation

The fair value of employee share options and share appreciation rights granted are being determined using the Black-Scholes valuation model. The significant input into the model are: vesting period and conditions, risk free interest rate, volatility, price on date of grant and dividend yield. (Refer to note 20 for details on each of the share option schemes.)

2.8 Fair value of interest rate swaps

The fair value of the interest rate swaps described in note 16 is calculated based on the present value of the estimated future cash flows.

3. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Set out below are new accounting standards and interpretations that apply in future. None of these is expected to have a significant effect on the results of operations or financial position of the group.

Accounting Standard/Interpretation	Type	Effective date
IAS 1 P – Presentation of Financial Statements – Capital Disclosures	Amendment	Financial years commencing on or after 1 January 2007
IFRS 7 – Financial Instruments: Disclosures	New statement	Financial years commencing on or after 1 January 2007
IFRS 4 – Revised Implementation Guidance	Amendment	Financial years commencing on or after 1 January 2007
IFRS 8 – Operating Segments	New statement	Financial years commencing on or after 1 January 2009
IAS 23 – Borrowing Costs	Amendment	Financial years commencing on or after 1 January 2009
IFRIC Interpretation 11 on IFRS 2 – Group and Treasury Share Transactions	New Interpretation	Financial years commencing on or after 1 March 2007
IFRIC Interpretation 12 – Service Concession Arrangements	New Interpretation	Financial years commencing on or after 1 January 2008
IFRIC Interpretation 13 – Customer Loyalty Programmes	New Interpretation	Financial years commencing on or after 1 July 2008

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2007

(R'000)	Group 2007	Group 2006
3. OPERATING PROFIT		
Operating profit is stated after crediting:		
3.1 Profit on disposal of property, plant and equipment	**12 000**	–
and after charging:		
3.2 Foreign exchange losses/(gains) – net	**1 483**	(6 292)
3.3 Fair value losses on financial instruments		
Ineffectiveness on fair value hedge	**343**	–
3.4 Auditors' remuneration	**8 385**	5 923
Audit fees	**6 762**	3 335
Fees for other services	**1 623**	2 588
3.5 Depreciation and amortisation	**105 261**	70 874
Owner occupied land and buildings	**671**	418
Mining assets and undeveloped mining resources	**6 413**	–
Factory plant	**15 152**	14 134
Mobile plant and vehicles – purchased	**33 475**	18 135
Mobile plant and vehicles – leased	**14 176**	7 486
Computer equipment and software development costs – purchased	**10 631**	11 574
Computer equipment and software development costs – leased	**18 664**	15 653
Furniture, fittings and other items	**6 079**	3 474
3.6 Rentals under operating leases	**24 817**	23 420
Land and buildings	**19 531**	18 840
Other equipment	**5 286**	4 580
3.7 Remuneration other than to employees	**4 074**	2 705
Management services	**726**	396
Technical services	**3 348**	2 309
4. FINANCE COSTS – NET		
Interest received:		
Bank balances	**31 382**	4 324
Interest paid:		
Bank overdraft	**(15 055)**	(15 349)
Unsecured bond interest	**(25 917)**	–
Net interest on interest rate swap	**(1 789)**	–
Other borrowings	**(54 983)**	(26 956)
Total	**(66 362)**	(37 981)
Less: capitalised	**24 409**	7 652
Finance costs per income statement	**(41 953)**	(30 329)

Interest to the value of R24,4 million (2006: R7,6 million) was capitalised to developments in progress calculated at an average borrowing rate of 12,4% (2006: 8,7%).

(R'000)	Group 2007	2006
5. TAXATION		
South African normal taxation		
Current taxation	**(31 369)**	–
– current year	**(31 236)**	–
– prior year	**(133)**	–
Deferred taxation	**(21 974)**	137 755
– current year	**(21 974)**	137 755
Foreign taxation (including withholding tax)		
Current taxation	**(68 520)**	(200 509)
– current year	**(90 393)**	(111 201)
– prior year	**21 873**	(89 308)
Secondary taxation on companies (STC)	**(7 697)**	–
	(129 560)	(62 754)
Reconciliation of normal taxation rate	**%**	%
South African normal taxation rate	**29.0**	29.0
Adjusted for:		
– Tax at rates in lower tax jurisdictions	**(2.7)**	(3)
– Tax losses not accounted for as no tax relief is available	**12.1**	18.8
– Tax losses utilised and not accounted for in previous years	**–**	(56.3)
– Tax (over provided)/paid in respect of prior years	**(5.8)**	38.5
– STC on dividends	**2.1**	–
Effective rate of taxation	**34.7**	27.0
	R'000	R'000
Estimated taxation losses available for set-off against future taxable income	**253 528**	390 380
Potential taxation relief at current taxation rates	**73 523**	113 210

This depends on sufficient taxable income being earned in future by subsidiaries concerned. The potential tax losses have been fully accounted for in both years presented.

The company utilised STC credits carried forward of R5,6 million (2006: R43,4 million). No unutilised credits are available at 30 June 2007.

FINANCIAL STATEMENTS (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2007

(R'000)	Profit for the year R'000	Shares '000	Earnings per share (R)
6. EARNINGS PER SHARE			
6.1 Earnings per share – basic			
For the year ended 30 June 2007			
Shares outstanding 1 July 2006		73 918	
Weighted average number of shares issued during the year		6 754	
Income available to shareholders	**234 879**	**80 672**	**2,91**
For the year ended 30 June 2006			
Shares outstanding 1 July 2005		71 896	
Weighted average number of shares issued during the year		1 600	
Income available to shareholders	52 555	73 496	0,72

(R'000)	Group 2007	2006
6.2 Fully diluted earnings per share		
Profit for the year	**234 879**	52 555
Weighted average number of shares issued during the year (as per basic earnings per share calculation) ('000)	**80 672**	73 496
Adjusted for:		
– Inclusion of dilutive shares held by share trusts ('000)	**4 234**	1 217
– Inclusion of dilutive shares in terms of iLima Mvela transaction (refer to page 258) ('000)	**13 150**	6 190
Adjusted weighted average number of shares ('000)	**98 056**	80 903
Fully diluted earnings per share (R)	**2,40**	0,65
6.3 Earnings per share from continuing operations		
Profit after tax from continuing operations	**243 731**	78 219
Less: attributable to minority interest	**(7 723)**	(4 590)
Income available to shareholders from continuing operations	**236 008**	73 629
Weighted average number of shares ('000)	**80 672**	73 496
Earnings per share from continuing operations (R)	**2,93**	1,00
6.4 Fully diluted earnings per share from continuing operations		
Profit after tax from continuing operations	**243 731**	78 219
Less: attributable to minority interest	**(7 723)**	(4 590)
Income available to shareholders from continuing operations	**236 008**	73 629
Adjusted weighted average number of shares ('000)	**98 056**	80 903
Fully diluted earnings per share from continuing operations (R)	**2,41**	0,91

(R'000)	Group 2007	2006
6. EARNINGS PER SHARE (continued)		
6.5 Headline earnings per share		
Profit for the year	**234 879**	52 555
Adjusted for:		
– Fair value adjustment relating to investment property (after tax)	**(6 669)**	(16 850)
– Losses on disposal of discontinued operations	**–**	15 254
Headline earnings	**228 210**	50 959
Weighted average number of shares ('000)	**80 672**	73 496
Headline earnings per share (R)	**2,83**	0,69
6.6 Fully diluted headline earnings per share		
Headline earnings	**228 210**	50 959
Adjusted weighted average number of shares ('000)	**98 056**	80 903
Fully diluted headline earnings per share (R)	**2,33**	0,63
6.7 Headline earnings per share from continuing operations		
Income available to shareholders from continuing operations	**236 008**	73 629
Adjusted for headline items	**(6 669)**	(1 596)
Headline earnings from continuing operations	**229 339**	72 033
Weighted average number of shares ('000)	**80 672**	73 496
Headline earnings per share from continuing operations (R)	**2,84**	0,98
6.8 Fully diluted headline earnings per share from continuing operations		
Income available to shareholders from continuing operations	**236 008**	73 629
Adjusted for headline items	**(6 669)**	(1 596)
Headline earnings from continuing operations	**229 339**	72 033
Adjusted weighted average number of shares ('000)	**98 056**	80 903
Fully diluted headline earnings per share from continuing operations (R)	**2,34**	0,89

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2007

(R'000)	Group 2007	Group 2006
7. PROPERTY, PLANT AND EQUIPMENT		
Total property, plant and equipment		
Cost		
At the beginning of the year	**967 314**	813 151
Acquisition of subsidiary – Quarry Cats	**987 057**	–
Additions	**374 214**	263 379
Disposals	**(39 089)**	(109 216)
At the end of the year	**2 289 496**	967 314
Accumulated depreciation and amortisation		
At the beginning of the year	**(454 176)**	(415 054)
Current year charge	**(105 261)**	(70 874)
Disposals	**26 228**	31 752
At the end of the year	**(533 209)**	(454 176)
Net book value	**1 756 287**	513 138
Owner occupied land and buildings		
Cost		
At the beginning of the year	**35 022**	32 250
Acquisition of subsidiary – Quarry Cats	**10 755**	–
Additions	**7 142**	3 763
Disposals	**–**	(991)
At the end of the year	**52 919**	35 022
Accumulated depreciation		
At the beginning of the year	**(20 269)**	(20 144)
Current year charge	**(671)**	(418)
Disposals	**–**	293
At the end of the year	**20 940**	(20 269)
Net book value	**31 979**	14 753
A full list of the group's land and buildings is maintained at the registered office.		
Mining assets and undeveloped mining resources		
Cost		
At the beginning of the year	**–**	–
Acquisition of subsidiary – Quarry Cats	**821 104**	–
Additions	**–**	–
Disposals	**–**	–
At the end of the year	**821 104**	–
Accumulated amortisation		
At the beginning of the year	**–**	–
Current year charge	**(6 413)**	–
Disposals	**–**	–
At the end of the year	**(6 413)**	–
Net book value	**814 691**	–

(R'000)	Group 2007	Group 2006
7. PROPERTY, PLANT AND EQUIPMENT (continued)		
Capital work in progress		
Cost		
At the beginning of the year	**5 637**	33 313
Acquisition of subsidiary – Quarry Cats	**23 856**	–
Additions	**113 442**	20 889
Transfer to other items of plant and equipment	**(76 836)**	(48 565)
At the end of the year	**66 099**	5 637
Factory plant		
Cost		
At the beginning of the year	**192 114**	160 024
Additions	**5 352**	32 090
Disposals	**–**	–
At the end of the year	**197 466**	192 114
Accumulated depreciation		
At the beginning of the year	**(90 174)**	(76 040)
Current year charge	**(15 152)**	(14 134)
Disposals	**–**	–
At the end of the year	**(105 326)**	(90 174)
Net book value	**92 140**	101 940
Mobile plant and vehicles – purchased		
Cost		
At the beginning of the year	**357 874**	353 046
Acquisition of subsidiary – Quarry Cats	**60 648**	–
Additions	**267 254**	33 680
Transfers from leased assets	**114 723**	–
Disposals	**–**	(28 852)
At the end of the year	**800 499**	357 874
Accumulated depreciation		
At the beginning of the year	**(224 436)**	(207 630)
Current year charge	**(33 475)**	(18 135)
Transfers from leased assets	**(35 782)**	–
Disposals	**–**	1 329
At the end of the year	**(293 693)**	(224 436)
Net book value	**506 806**	133 438

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2007

	Group	
(R'000)	**2007**	2006
7. PROPERTY, PLANT AND EQUIPMENT (continued)		
Mobile plant and vehicles – leased		
Cost		
At the beginning of the year	**196 116**	106 388
Acquisition of subsidiary – Quarry Cats	**70 695**	–
Additions	**18 827**	89 728
Transfers to purchased assets	**(114 723)**	–
Disposals	**–**	–
At the end of the year	**170 915**	196 116
Accumulated depreciation		
At the beginning of the year	**(43 973)**	(36 487)
Current year charge	**(14 176)**	(7 486)
Transfers to purchased assets	**35 782**	–
Disposals	**–**	–
At the end of the year	**(22 368)**	(43 973)
Net book value	**148 548**	152 143
Computer equipment, software and development costs – purchased		
Cost		
At the beginning of the year	**61 572**	35 621
Additions	**14 133**	52 427
Disposals	**(2 957)**	(26 476)
At the end of the year	**72 748**	61 572
Accumulated depreciation		
At the beginning of the year	**(9 523)**	(24 574)
Current year charge	**(10 631)**	(11 574)
Disposals	**2 957**	26 625
At the end of the year	**(17 197)**	(9 523)
Net book value	**55 551**	52 049
Computer equipment, software and development costs – leased		
Cost		
At the beginning of the year	**85 540**	71 672
Additions	**18 547**	13 868
Disposals	**(35 764)**	–
At the end of the year	**68 323**	85 540
Accumulated depreciation		
At the beginning of the year	**(48 720)**	(33 067)
Current year charge	**(18 664)**	(15 653)
Disposals	**22 903**	–
At the end of the year	**(44 481)**	(48 720)
Net book value	**23 842**	36 820

(R'000)	Group 2007	2006
7. PROPERTY, PLANT AND EQUIPMENT (continued)		
Furniture, fittings and other items – purchased		
Cost		
At the beginning of the year	**33 439**	20 837
Additions	**6 353**	16 934
Disposals	**(368)**	(4 332)
At the end of the year	**39 424**	33 439
Accumulated depreciation		
At the beginning of the year	**(17 081)**	(17 109)
Current year charge	**(6 079)**	(3 474)
Disposals	**368**	3 502
At the end of the year	**(22 792)**	(17 081)
Net book value	**16 632**	16 358
8. INVESTMENT PROPERTY		
Fair value at the beginning of the year	**9 656**	111 552
Additions	**65 333**	2 614
Fair value adjustment	**9 393**	26 538
Disposal	**(4 596)**	(131 048)
Fair value at end of year	**79 786**	9 656

Investment properties held on the balance sheet consist of the following:

Name	Description	Cost	30 June 2007 R'000	30 June 2006 R'000
Peter Place	50% owner of lettable office park in Sandton	5 745	**9 580**	9 656
Sizwe Ntsaluba	100% owner of lettable office park in Sandton	44 176	**52 000**	–
Sandton Greenoaks	Vacant land in Sandton	18 206	**18 206**	–
		68 127	**79 786**	9 656

Valuations are performed to derive market values as defined by International Valuation Standards. Valuations include a review of title deed information, town planning conditions, locality and property improvements. Property vacancy rates in surrounding areas, realised yields on comparative sales as well as micro- and macro-economic conditions pertaining to commercial properties are considered.

Fair values on investment properties have been determined using the capitalisation of income method, whereby net income is capitalised at an appropriate capitalisation rate. Lease information incorporated into the valuations is considered market related. The determination of the capitalisation rate requires the consideration of a number of factors, including current benchmark rates, market transactions on comparable properties in similar areas, current interest rates, long term bond yields with adjustments for location and risk.

Investment property was valued by an independent valuator. The last valuations were performed in May and June 2007.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2007

(R'000)	Group 2007	Group 2006
9. INVESTMENT IN ASSOCIATES		
Unlisted associates		
Shares at cost	–	–
Group's share of retained profits	1 719	1 669
	1 719	1 669
10. INVESTMENT IN SERVICE CONCESSIONS		
At fair value	73 928	59 701

The investments consist of the group's interest in foreign toll road concessions.
Details of the investments at 30 June 2007 are as follows:

Name of road	Country	Kms	% interest	Concession period	Current status	2007	2006
M5	Hungary	157	3.5	25 years	Construction complete; operational	48 251	40 535
A1	Poland	90	15	30 years	Construction complete; operations to commence	25 677	19 166
						73 928	59 701

The Hungarian and Polish concessions are valued at fair value using discounted cash flow models based on traffic estimates, current and forecasted operating costs and using market related exchange rates, discount rates and inflation rates. In determining the appropriate discount rate, consideration is given to the stage of completion of the project lifecycle and to the nature of the tolling project (hard toll or availability scheme basis). The applicable risk free rate is then adjusted by market, country and project related risk premia in determining the applied discount rate.

(R'000)	Group 2007	Group 2006
11. DEFERRED TAXATION		
Balance at beginning of year	208 470	70 715
Credited to income statement	(21 974)	137 755
Balance at end of year	186 496	208 470
The closing balance deferred taxation asset is attributable to the following items:		
Capital allowances	(43 063)	(27 873)
Provisions	38 903	17 504
Contract allowances	117 583	92 848
Estimated tax losses (net of valuation allowances)	73 523	113 405
Other	–	12 586
	186 496	208 470

(R'000)	Group 2007	Group 2006
12. INVENTORIES		
Property developments in progress	**188 822**	168 908
Consumable stores	**25 000**	50 985
Manufacturing finished goods	**53 952**	30 695
Manufacturing work in progress	**43 297**	23 908
Manufacturing materials	**17 190**	21 772
	328 261	296 268
Inventory obsolescence (deducted from carrying value of inventories above)		
Balance at end of year	**1 617**	1 160
13. CONTRACTS IN PROGRESS		
Costs incurred plus profits recognised, less estimated losses relating to contracts in progress at year-end	**4 790 288**	10 854 874
Progress billings	**(3 878 843)**	(10 010 595)
	911 445	844 279
14. TRADE AND OTHER RECEIVABLES		
Accounts receivable include:		
– Contract debtors	**2 010 143**	1 582 019
– Trade debtors	**291 261**	143 891
– Retention debtors	**122 129**	71 722
– Other receivables	**159 578**	59 353
– Prepayments	**130 369**	48 787
– Amounts owing by joint venture partners	**1 898**	13 781
	2 715 378	1 919 555
The carrying value of accounts receivable approximates their fair value due to the short-term nature of these instruments. Refer to note 23 for details on credit, currency and interest rate risk.		
15. BORROWINGS		
15.1 Interest-bearing borrowings		
Unsecured bonds (note 15.2)	**815 690**	–
Secured loans bearing interest at rates ranging from 8% to 12.5% per annum	**141 712**	235 056
Unsecured loans bearing interest at rates ranging from 8% to 11% per annum	**7 364**	1 725
	964 766	236 781
Less: Current portion disclosed on face of balance sheet	**(62 291)**	(110 476)
	902 475	126 305
Secured loans are secured over:		
Mobile plant, vehicles and computer equipment with a net book value of	**148 548**	188 963

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2007

(R'000)	Group 2007	Group 2006
15. BORROWINGS (continued)		
15.1 Interest-bearing borrowings (continued)		
Repayable during the years ending 30 June		
2007	–	110 475
2008	**62 291**	55 789
2009	**32 762**	38 022
2010	**304 973**	30 405
2011	**26 779**	2 090
2012	**537 961**	–
	964 766	236 781

15.2 Unsecured bonds

The unsecured bonds, issued on 27 February 2007, comprise bonds issued under the BESA listed DMTN programme as follows:

- R300 million, three-year 9.05% fixed rate payable semi-annually
- R550 million, five-year, 9.20% fixed rate payable semi-annually
- The bonds are carried at fair value

15.3 Bank overdrafts

	Group 2007	Group 2006
Bank overdrafts	**41 774**	143 849

15.4 Fair value of borrowings

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount 2007	Carrying amount 2006	Fair value 2007	Fair value 2006
unsecured bonds	**808 668**	–	**808 668**	–
secured loans	**93 392**	124 580	**93 392**	124 580
unsecured loans	**415**	1 725	**415**	1 725
	902 475	126 305	**902 475**	126 305

15.5 Nedbank Limited loan agreement

During 2001, the group entered into a contract to construct residential houses for the use of employees of Anglo American Platinum Corporation Limited (Anglo Plats). This construction was financed by Nedbank Limited (Nedbank) in terms of a R484,5 million project finance facility. As the houses were completed they were leased by the group to a subsidiary of Anglo Plats and the capital portion of the project finance facility was transferred to a long-term interest-bearing liability with Nedbank Limited.

The houses may be purchased by Anglo Plats employees during the lease at an amount equal to at least the original capital amount. At the end of the lease term all houses may be put to Anglo Plats at an amount equal to the outstanding capital. All lease payments are guaranteed by both Anglo Plats and its subsidiary, Rustenburg Platinum Mines Limited.

15. BORROWINGS (continued)

15.6 Nedbank Limited loan agreement (continued)

An agreement was reached between the group and Nedbank whereby Nedbank acts as agent to collect all monies due to the group, including the sale of the houses.

The investment in the finance lease by the group of R484,5 million at 30 June 2007 and the amount due to Nedbank of R484,5 million at 30 June 2007 have thus been derecognised for disclosure purposes. This is in accordance with IAS 32 – "Financial Instruments – Presentation and Disclosure" as there is a legally enforceable right to derecognise the amounts and it is the group's intention to settle any amounts due to Nedbank on a net basis, or to sell the houses and settle the liability simultaneously.

	Group	
(R'000)	**2007**	2006
16. DERIVATIVE FINANCIAL INSTRUMENTS		
Total interest rate swaps – fair value hedges	**41 675**	–
Less non-current portion: Interest rate swaps – fair value hedges	**(41 675)**	–
Current portion: Interest rate swaps – fair value hedges	**–**	–
The ineffective portion recognised in profit or loss that arises from fair value hedges amounted to a loss of R343 123 (2006: Rnil).		
Further details of the interest rate swaps are shown in note 23.		
17. PROVISION FOR ENVIRONMENTAL REHABILITATION		
At 1 July	**16 729**	17 174
Charged to the income statement	**1 022**	445
Unwinding of discount	**1 420**	1 460
Used during the year/released from provisions	**(8 926)**	(2 350)
Purchased on acquisition of Quarry Cats	**20 000**	–
At 30 June	**30 245**	16 729
The environmental rehabilitation provision consists of R10,2 million (2006: R16,7 million) related to the final closing of asbestos waste dumps at Everite and R20,0 million (2006: Rnil) relating to the closure costs of the Ekurhuleni and Zimbiwa aggregate quarries. A guarantee of R10,9 million has been provided to the Department of Minerals and Energy for future rehabilitation relating to the quarries.		
18. TRADE AND OTHER PAYABLES		
Accounts payable include:		
– Excess billing over work done	**1 089 305**	1 216 690
– Accrued expenses	**1 396 817**	982 371
– Advance payments received	**505 180**	592 562
– Trade and other creditors	**305 145**	252 927
– Sub-contractor creditors	**189 573**	174 574
– Retention creditors	**169 191**	110 929
	3 655 211	3 330 053

The carrying value of accounts payable approximates their fair value due to the short-term nature of these instruments. Refer to note 23 for details on currency and interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2007

19. PROVISION FOR LIABILITIES AND CHARGES

	Contract provisions	Payroll provisions	Sundry provisions	Total
Balance at 30 June 2005	10 711	111 283	7 480	**129 474**
Charged to income statement	11 912	168 041	39 085	**219 038**
Provision utilised/reversed	(13 117)	(138 566)	(46 495)	**(198 178)**
Balance at 30 June 2006	9 506	140 758	70	**150 334**
Charged to income statement	75 076	196 090	34 640	**305 806**
Provision utilised/reversed	(18 433)	(166 920)	(33 628)	**(218 981)**
Balance at 30 June 2007	66 149	169 928	1 082	**237 159**

Contract provisions:
Contract provisions include amounts accrued for subcontractor estimated billings for which no certification has taken place.

Payroll provisions:
Payroll provisions consist of amounts accrued for leave pay and performance bonuses.

The carrying value of provisions approximates their fair value due to the short-term nature of these instruments. The provisions have been determined based on assessments and estimates by management. Actual results could differ from estimates and there is no certainty as to the timing of the cash flows relating to these provisions.

	Group	
(R'000)	**2007**	2006
20. EMPLOYEE BENEFITS		
20.1 Staff costs		
Wages and salaries	**1 306 294**	1 143 399
Pension costs – defined contribution plans (including industry plans)	**55 526**	49 197
Pension costs – defined benefit plan (income)/expense	**(44 007)**	(10 780)
Service cost	**9 142**	9 590
Interest cost	**64 135**	63 393
Return on plan assets	**(117 284)**	(83 763)
	1 317 813	1 181 816
Average number of persons employed by the group during the year:	**Number**	Number
Full-time	**5 885**	5 980
Part-time	**8 043**	4 254
	13 928	10 234
South Africa	**8 780**	6 784
Over-border	**5 148**	3 450
	13 928	10 234

(R'000)	Group 2007	2006

20. EMPLOYEE BENEFITS (continued)

20.2 Pension scheme

The latest actuarial valuation of the group's defined benefit plan was carried out in March 2007 and was considered by the actuaries to be in a sound financial condition.

A summary of the valuation is presented below:	R'000	R'000
Present value of funded obligations	(1 146 920)	(806 758)
Fair value of plan assets	1 267 600	1 113 913
Surplus	120 680	307 155

	%	%
The principal assumptions used for accounting purposes were as follows:		
Mortality tables	PA(90)	PA(90)
Discount rate	8.0	9.50
Expected return on assets	8.5	9.50
Future salary increases	6.0	6.75
Future pension increases	2.9	4.60

The legally required surplus apportionment exercise was carried out as at 29 February 2004. The results of the actuarial valuation at that date disclosed a surplus of approximately R47 million. In addition, the valuation disclosed that the group was required to pay an amount of approximately R6 million in terms of "improper use", which amount has been fully accounted for. The rules of the fund have been amended to provide that additional surplus arising after the surplus valuation date are for the account of the group as are any future deficits. This additional surplus arising of R46,5 million (2006: R15 million) has been credited to the income statement.

	2007	2006
20.3 Provision for employment obligations	22 227	18 635

The group's accrual for post-employment medical obligations of R22,2 million (2006: R18,6 million), is based on assumptions used by the independent actuaries which includes appropriate mortality tables, long-term estimates of increases in medical costs and appropriate discount rates. Key actuarial assumptions used were:

	2007	2006
Discount rate %	8.5	8.5
Mortality table	a(55)	a(55)
Future salary increases %	5.25	5.0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2007

20. EMPLOYEE BENEFITS (continued)

20.4 Employee Share Option Schemes

20.4.1 The Black Management Scheme (3.2% of enlarged share capital)

The purpose of the scheme is to give effect to one of the group's broad-based black economic empowerment objectives, by encouraging black employees within the group, that are employed at management level (being Peromnes Grade 8 and higher or the equivalent from time to time), to remain in the employment of the group and to promote the continued growth of the group by giving such employees, including future employees, an opportunity to acquire shares.

Group Five provided the Black Management Trust with a loan to enable the Black Management Trust to subscribe for 3 791 109 Group Five shares at a price of R16,03 per share. Annual interest on the loan equates to the lesser of dividends received from Group Five shares and the South African prime overdraft rate. Allocations, at the discretion of the board remuneration committee, are made from time to time to earmarked black managers that do not participate in the New Management Incentive Scheme.

The Black Management Trust will utilise all the dividends received on the shares to settle any expenses (ie audit fees and bank charges) and to service any outstanding funding obligations owed to Group Five. To the extent that surplus cash exists in the Black Management Trust, the trustees will be entitled to distribute the surplus cash to the beneficiaries.

The vesting of shares takes place on the following basis:
- on the 2nd anniversary of the date on which shares were allocated to the beneficiary, 50% of the shares will vest:
- on the 3rd anniversary of such date, so many additional shares as represent 25% of the shares, allocated to the beneficiary will vest; and
- on the 4th anniversary of such date, the balance of the shares will vest.

A person will cease to be a beneficiary upon:
- ceasing to be an employee of the company within the group, either at all or at least at a management level, other than as a result of retrenchment, unlawful dismissal, constructive dismissal by the employer, disablement, death or retirement in accordance with normal retirement policies of the group; or
- share ownership vesting occurring in respect of such beneficiary's allocated shares; or
- share ownership vesting no longer being available in terms of the scheme in respect of any of such beneficiary's allocated shares.

The initial beneficiaries have appointed two employee management trustees. In addition, an independent trustee has been appointed. The trustees will from time to time vote the allocated shares of a beneficiary in accordance with the directions of that beneficiary. Unallocated shares will be voted by the trustees as they consider to be in the best interests of future beneficiaries.

20.4.2 The Broad-based Scheme (0.5% of enlarged capital)

The beneficiaries of the Broad-based Scheme were all of the permanent employees employed by the group in its wholly owned subsidiaries, of all races according to a predetermined level (below Peromnes Grade 8) with a minimum of one year's service at 1 October 2005. More than 90% of the participants of the Broad-based Scheme were black. Staff joining Group Five after the allocation date do not participate in the Broad-based Scheme.

Group Five issued 575 000 Group Five shares equally to 3 969 employees at no consideration on 1 October 2005.

Beneficiaries of the Broad-based Scheme are to be paid the total dividends in respect of the shares held by them and will be entitled to exercise the voting rights in respect of the Group Five shares held by them. Participants may, however, not dispose of or encumber the Group Five shares held by them prior to the 5th anniversary of the date of issue of such Group Five shares awarded to them, and such shares are accordingly pledged to Group Five as security for such non-disposal and non-encumbrance obligations, until such 5th anniversary has elapsed. There are no other conditions attaching to participation in the Broad-based Scheme.

A minimum of two senior black managers have been selected by the beneficiaries of the Broad-based Scheme to administer the voting of the beneficiaries' shares in accordance with instructions received from each beneficiary in respect of their shares.

20. EMPLOYEE BENEFITS (continued)

20.4 Employee Share Option Schemes (continued)

20.4.3 New Management Incentive Scheme

During the year ended 30 June 2006, developments in the regulatory environment and best practice in local and global share schemes required a review of the Group Five Share Incentive Scheme. The board remuneration committee, with the assistance of independent advisors determined that the scheme in place at that date was no longer effective.

In line with global best practice and emerging South Africa practice, the board remuneration committee and the board of directors recommended the adoption of a scheme, with effect from 1 October 2005, based on equity-settled share appreciation rights (SAR). The New Management Incentive Scheme has the advantages of simpler mechanics, it optimises the tax position of the company and the employee and is easier to administer. The previous Group Five Share Incentive Scheme, which operates as an option scheme will remain in place for options granted under this scheme, until such time as these options are exercised or lapse.

Under this New Management Incentive Scheme employees of the group are awarded rights to receive shares in the company based on the value of these awards. Employees, as selected by the board remuneration committee, receive grants of SARs. These rights to receive shares equal to the value of the difference between the exercise price and the SAR grant price. The SAR grant price is calculated at the 30-day VWAP prior to the grant with no discount. After vesting, the SAR will become exercisable. Upon exercise by a beneficiary, the company will settle the value of the difference between the exercise price and the SAR grant price, by the delivery of Group Five shares. Group Five may withhold any amounts or make such arrangements as are necessary to meet any liability to taxation or any other liabilities in respect of the SAR grants. The arrangements may include the sale of shares on behalf of the beneficiaries and the use of the proceeds of the sale to meet such liability, or the reduction of the number of shares to which the beneficiaries would otherwise be entitled.

The intention of the New Management Incentive Scheme is to purchase Group Five shares in the market to settle the Scheme's benefits, so the New Management Incentive Scheme will not be as dilutive as normal share option schemes. The company will retain the right to issue new shares at its election, in order to mitigate against the risk of sudden fluctuations in the share price, which could be disruptive to the orderly trade of Group Five shares in the market. The company will be limited to issuing no more than 15% of the company's shares in settlement of benefits of all company share schemes over any ten-year period.

The New Management Incentive Scheme was introduced to replace the current Group Five Share Incentive Scheme over time. The sizing of the aggregate incentive schemes and their salient features, remain unaltered as set out in the table below:

	Previous scheme	New scheme
Maximum number of shares available to the Scheme	11 036 000*	11 036 000*
As a percentage of current shares issued	15%	15%
Maximum number of unexercised shares available to individuals	1 500 000	1 500 000
Discount to market value on date of option/SAR	15%	Nil**
Vesting period	2 years – 50% 3 years – 75% 4 years – 100%	2 years – 50% 3 years – 75% 4 years – 100%
Lapsing period	10 years	7 years

* At no time will the aggregate number of shares available to both schemes exceed 11 036 000

** Calculated at a 30-day VWAP prior to date of grant

20. EMPLOYEE BENEFITS (continued)

20.4 Employee Share Option Schemes (continued)

20.4.3 New Management Incentive Scheme (continued)

Share option activity during the year was as follows:

	New Management Incentive Scheme		Previous Share Option Scheme		Black Management Scheme		Broad-based Scheme	
	Number	Price R	Number	Price R	Number	Price R	Number	Price R
Balance at 30 June 2005	–	–	5 009 100	5,94	–	–	–	–
New shares granted and accepted	1 170 000	23,67	–	–	1 790 222	16,03	575	–
Shares paid for/lapsed	–	–	(2 042 700)	2,06	–	–	–	–
Balance as at 30 June 2006	1 170 000	23,67	2 966 400	8,61	1 790 222	16,03	575	–
New shares granted and accepted	3 225 000	30,21	–	–	–	–	–	–
Shared paid for/lapsed	(1 295 000)	30,02	(1 825 875)	6,95	(450 000)	16,03	–	–
Balance at 30 June 2007	3 100 000	27,93	1 140 525	9,44	1 340 000	16,03	575	–
Number of shares vested and exercisable at 30 June 2007	–	–	–	–	–	–	n/a	n/a

	Total R'000	R'000	R'000	R'000	R'000
Cost of share options – year ended 30 June 2006	11 131	894	2 671	1 146	6 420
Cost of share options – year ended 30 June 2007	9 721	7 414	743	1 564	–

The cost of share appreciation rights issued during the year ended 30 June 2007 were costed using a Black-Scholes option model and using the following factors:

• 30-day VWAP share price/exercise price R	18,56 – 42,12
• volatility	24% – 25%
• risk free interest rate	7,2% – 8,0%

(R'000)	Group 2007	Group 2006
21. RELATED PARTY TRANSACTIONS		
21.1 Directors' and senior management emoluments		
Executive directors (refer table on page 87 for individual details)		
For management services excluding incentives	**5 263**	3 694
Performance incentives	**10 444**	5 448
	15 707	9 142
Paid by subsidiaries	**(15 707)**	(9 142)
	–	–
Non-executive directors (refer table on page 87 for individual details)		
Directors' fees, other fees and expenses	**1 325**	1 382
Paid by subsidiaries	**(1 278)**	(1 382)
	47	–
Other senior management		
For management services	**7 457**	7 770
Performance incentives	**14 512**	7 866
Paid by subsidiaries	**(21 969)**	(15 636)
	–	–

21.2 Transactions with shareholder (enterprise development)

The construction industry together with the South African government realised, in the drafting of the Construction Charter, the distinct lack of capacity in the sector across levels and disciplines. The enterprise development section of the Charter was designed to correct this weakness arising from decades of under investment in capital projects as well as providing an opportunity to correct the imbalances of the past, particularly with regard to the participation of women.

Enterprise development must be clearly distinguished from joint ventures, which involve a sharing of risk and resource to achieve a common goal of making profit. Enterprise development, as defined in the Charter, is the development of majority black-owned enterprises through investment, mentoring, skills development and systems transfer.

In addition to various joint ventures, Group Five has entered into a formal signed agreement with iLima Group.

In terms of this agreement, the following arrangements have been put in place:

- Management and labour assistance and skills transfer:
  - two financial resources (including a senior financial manager) were seconded by Group Five to iLima Group for a period of eighteen months which ended on 31 December 2006;
  - the tendering and estimating management of Group Five Building have been made available to iLima Group in a review and consultation capacity; and
  - Group Five KwaZulu-Natal management have provided review and consultation support to certain of the Eastern Cape contracts of iLima Group as required.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2007

21. RELATED PARTY TRANSACTIONS (continued)

21.2 Transactions with shareholder (enterprise development) (continued)

- Establishment of administrative systems:
  - Group Five conducted a full review of the financial, payroll, information technology and site administration processes, policies and procedures and assisted in improving, formalising and implementing new processes, policies and procedures at iLima Group in the prior year; and
  - the Group Five financial and job costing system, namely JD Edwards has been fully implemented at iLima Group; the group continues to provide monthly information system support.
- Financial assistance:
  - Group Five's total direct costs relating to the above for 2007 amount to Rnil (2006: R511 937) for which no charge has been made to iLima Group;
  - Financial institution guarantees of R119 million have been issued from Group Five facilities on behalf of iLima Projects for current contracts;
  - Group Five has agreed to assist iLima Projects with plant and equipment required for its contracts, which will be charged at arm's length rates; and
  - In addition the group provided iLima Group (Pty) Ltd with a loan to fund working capital. An amount of R50 million is due to the group by iLima Group (Pty) Ltd as at 30 June 2007.

iLima Projects' one-year secured order book is R450 million (2006: R440 million) as at 30 June and its permanent staff complement is 643 (2006: 145).

(R'000)	Group 2007	Group 2006
22. COMMITMENTS AND CONTINGENCIES		
Fixed asset commitments		
Contracts placed	**2 967**	1 445
Capital expenditure approved by directors but not placed at 30 June	**231 618**	149 711
	234 585	151 156
The above expenditure will be funded from existing resources and facilities.		
Operating lease commitments		
The future minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	**22 032**	30 603
Later than 1 year and not later than 5 years	**83 167**	103 848
Later than 5 years	**52 801**	43 269
	158 000	177 720
Guarantees		
Total financial institution backed guarantees provided to third parties on behalf of subsidiary companies amounted to R2 375 million (2006: R1 977 million). The directors do not believe any exposure to loss is likely. Total facilities in this regard amount to R5 381 million (2006: R3 387 million).		
The issued guarantees have the following expiry dates:		
Not later than 1 year	**1 574**	853
Later than 1 year and not later than 5 years	**782**	1 094
Later than 5 years	**19**	30
	2 375	1 977

Other

The group is, from time to time, involved in various claims and legal proceedings arising in the ordinary course of business. The directors do not believe that adverse decisions in any pending proceedings or claims against the group will have a material adverse effect on the financial condition or future operations of the group.

23. FINANCIAL INSTRUMENTS

Introduction

The group has a risk management and central treasury function that manages the financial risks relating to the group's operations. The group's liquidity, credit, foreign currency and interest rate risks are continuously monitored. The group has developed a comprehensive risk management process to monitor and control these risks.

Risk profile

In the course of the group's business operations it is exposed to financial risks relating to liquidity, credit, foreign currency and interest rate risk. Risk management relating to each of these risks is detailed below.

Liquidity risk

The group manages liquidity risk by managing its working capital, capital expenditure and cash flows. The group finances its operations through a mixture of retained earnings and short and long-term bank funding. Adequate banking facilities and borrowing capacities are maintained.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 30 June 2007

23. FINANCIAL INSTRUMENTS (continued)

Credit risk

Financial instruments which potentially subject the group to concentrations of credit risk are primarily cash and cash equivalents as well as trade receivables. As regards cash and cash equivalents, the group deals primarily with major financial institutions in South Africa and over border.

The group's customers are concentrated primarily in South Africa but also exist in the rest of Africa, Dubai and Eastern Europe. The majority of the customers are concentrated in the industrial, resource, financial institution and public sectors. The group establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

Where appropriate, the group obtains appropriate collateral to mitigate risk. No single customer represents more than 10% of the group's total turnover.

Foreign currency risk

The group, through its foreign entities, conducts its business in various foreign currencies. As a result, it is subject to the transaction exposure that arises from foreign exchange rate movements between the dates that foreign currency transactions are recorded (foreign sales and purchases) and the dates they are consummated (cash receipts and cash disbursements in foreign currencies). The group may, from time to time, hedge its foreign currency exposure for either purchase or sale transactions through the use of foreign currency forward exchange contracts. Foreign currency denominated construction contracts entered into are primarily US Dollar-based in terms of revenue and cost and the group's results are exposed to the financial effects of the fluctuating Rand against the US Dollar. No foreign currency forward exchange contracts were entered into during the year.

Interest rate risk

The group is exposed to interest rate risk through its cash and cash equivalents and interest-bearing short and long-term liabilities. Short-term interest rate exposure is monitored and managed by corporate treasury and may be hedged from time to time through the use of financial instruments.

With the issuance of the fixed rate unsecured bonds as described in note 15.2, the group decided to enter into a fixed to floating interest rate swap to hedge the fair value of the fixed rate bond debt. Details of the swaps are:

	Interest rate swap no 1	Interest rate swap no 2
Notional amount (R million)	300	550
Start date	27 Feb 2007	27 Feb 2007
End date	26 Feb 2010	26 Feb 2012
Group Five pays	3-month JIBAR+ 52 basis points nacq (paid quarterly)	3-month JIBAR+ 93 basis points nacq (paid quarterly)
Group Five receives	9.05% nacs	9.20% nacs

(R'000)	Group 2007	Group 2006
24. PROFIT BEFORE WORKING CAPITAL CHANGES		
Profit before taxation	**373 291**	140 973
Adjustments for:		
Depreciation and amortisation	**105 261**	70 874
Fair value adjustments	**(23 620)**	(26 538)
Profit on disposal of fixed assets	**(12 000)**	–
Finance costs	**41 953**	30 329
Other	**2 310**	461
External BEE expense	**–**	91 000
	487 195	307 099
25. WORKING CAPITAL CHANGES		
Trade and other payables	**302 511**	1 691 838
Trade and other receivables	**(711 575)**	(905 631)
Provisions	**67 215**	40 860
Contracts in progress	**(67 166)**	(439 988)
Inventories	**16 738**	(89 019)
Post-employment obligations	**3 592**	(3 896)
	(388 685)	294 164
26. TAXATION PAID		
Taxation owing at the beginning of the year	**(56 955)**	(23 972)
Charge per the income statement	**(129 560)**	(62 754)
Movement in deferred taxation	**21 974**	(125 945)
Taxation owing at the end of the year	**55 224**	56 955
Total paid during the year	**(109 317)**	(155 716)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2007

27. ACQUISITION OF SUBSIDIARY – QUARRY CATS

With effect from 1 February 2007, the group acquired 100% of Quarry Cats for R810 million. The assets and liabilities as of 1 February 2007 arising from the acquisition are as follows:

	Fair value	Acquirer's carrying amount
Property, plant and equipment (refer note 7)	987 057	229 650
Inventories	2 316	2 316
Trade and other receivables	45 421	133 421
Cash and cash equivalents	18 857	18 857
Interest bearing borrowings including current portion	(183 327)	(251 345)
Provision for environmental rehabilitation	(20 000)	–
Trade and other payables	(27 402)	(27 402)
Provision for liabilities and changes	(13 127)	(37 178)
Net assets acquired	809 795	68 319
Purchase consideration settled in shares (calculated at the 30-day VWAP share price as at 16 February 2007)	(750 000)	
Share issue expenses	1 861	
Cash and cash equivalents acquired	(18 857)	
Cash outflow on acquisition	42 799	

There were no acquisitions for the year ended 30 June 2006

28. CASH AND CASH EQUIVALENTS AT END OF YEAR

Bank balances and cash	670 507	712 999
Bank overdrafts	(41 774)	(143 849)
Cash and cash equivalents at end of year	628 733	569 150

29. NON-CASH TRANSACTIONS (R'000) – CASH FLOW STATEMENT

Excluded from the cash flow statement are additions to fixed assets amounting to R310 948 (2006: R127 407) which were funded by finance leases.

(R'000)	Group 2007	2006
30. DISCONTINUED OPERATIONS		
During the year ended 30 June 2006, the group terminated its operations and maintenance business in India and disposed of its concession investment.		
In addition, it disposed of its 50% joint venture share in WSSA for R2 million and its 25% associate share in Group Five Saudi Pipe for $1 million.		
During the year ended 30 June 2007, the group concluded negotiations for the sale of its 100% interest in the Vaal Sanitaryware business and its 40% joint venture share in DPI Plastics for R107 million.		
The following information relates to the operations of the discontinued operations:		
Revenue	**72 893**	405 525
Cost of sales	**(71 694)**	(400 034)
Operating profit	**1 199**	5 491
Finance costs	**(2 328)**	(7 134)
Loss before taxation	**(1 129)**	(1 643)
Taxation	**–**	(4 639)
Loss after taxation	**(1 129)**	(6 282)
Loss on disposal of operations	**–**	(15 254)
Loss for the year from discontinued operations	**(1 129)**	(21 536)
Balance sheet relating to the discontinued operations:		
Non-current assets	**130 967**	211 390
Current assets	**33 000**	127 277
Non-current assets classified as held for sale	**163 967**	338 667
Interest-bearing borrowings	**–**	13 589
Current liabilities	**–**	134 696
Liabilities directly associated with non-current assets classified as held for sale	**–**	148 285
Net assets	**163 967**	190 382
Cash flows relating to discontinued operations are presented below:		
Net cash flows from discontinued operations		
Net cash outflow from operating activities	**(22 585)**	(21 536)
Net cash generated from/(utilised in) investing activities	**49 000**	(79 145)
Net funding from/(of) discontinued operations	**26 415**	(100 681)

As at 30 June 2007, the R131 million relates to the claim amount in India which is proceeding to arbitration and the R33 million relates to the final payment due in respect of the Vaal Sanitaryware and DPI Plastics disposal.

FINANCIAL STATEMENTS (CONTINUED)

ANNEXURE 1 – COMPANY FINANCIAL STATEMENTS
at 30 June 2007

(R'000)	Company 2007	2006
INCOME STATEMENT (refer notes that follow)		
Dividends received from subsidiary	**–**	–
Taxation	**–**	–
Net profit	**–**	–
BALANCE SHEET (refer notes that follow)		
Assets		
Investment in subsidiaries	**1 100 321**	306 395
Other investments	**500**	500
	1 100 821	306 895
Equity and liabilities		
Stated capital	**1 145 021**	296 142
(Accumulated losses)/distributable reserves	**(44 200)**	10 753
	1 100 821	306 895

STATEMENT OF CHANGES IN EQUITY

	Number of ordinary shares issued	Number of shares held by share trust	Net shares issued to public	Stated capital R'000	Distributable reserves R'000	Total shareholders' equity R'000
Balance at 30 June 2005	**73 573 023**	**(1 677 305)**	**71 895 718**	**287 803**	**49 387**	**337 190**
Issue of shares to share trust in terms of share scheme	828 100	(828 100)	–	–	–	–
Issue of shares from share trust	–	2 022 500	2 022 500	4 317	–	4 317
Issue of shares in terms of BEE ownership transaction	25 323 433	(25 323 433)	–	–	–	–
Costs related to BEE ownership transaction	–	–	–	83 891	–	83 891
Share option costs	–	–	–	11 131	–	11 131
Net profit	–	–	–	–	–	–
Dividends paid	–	–	–	–	(38 634)	(38 634)
Balance at 30 June 2006	**99 724 556**	**(25 806 338)**	**73 918 218**	**387 142**	**10 753**	**397 895**
Issue of shares to share trust in terms of share scheme	1 000 000	(1 000 000)	–	–	–	–
Issue of shares from share trust	–	1 273 386	1 273 386	(205)	–	(205)
Issue of shares to acquire Quarry Cats	17 229 497	–	17 229 497	750 000	–	750 000
Issue of shares in terms of BEE ownership scheme in lieu of dividends	492 848	(492 848)	–	–	–	–
Transaction costs relating to issue of shares	–	–	–	(1 637)	–	(1 637)
Share option costs	–	–	–	9 721	–	9 721
Net profit for the year	–	–	–	–	–	–
Dividends paid	–	–	–	–	(54 953)	(54 953)
Balance at 30 June 2007	**118 446 901**	**(26 025 8000)**	**92 421 101**	**1 145 021**	**(44 200)**	**1 100 821**

(R'000)	Company 2007	Company 2006
NOTES TO THE FINANCIAL STATEMENTS		
1. Principal accounting policies		
These financial statements should be read together with the group financial statements set out on pages 255 to 303. The accounting policies adopted are set out on page 269.		
2. Investment in subsidiaries		
Shares at cost	**411 232**	411 232
Amounts owing by/(to) subsidiaries	**689 089**	(104 837)
	1 100 321	306 395

The amounts owing by/to subsidiaries are interest free, denominated in Rands and are not subject to any repayment terms. A fair value is thus not determinable.

3. Taxation

No taxation has been provided as no income was earned.

4. Cash flow statement

No cash flow statement has been prepared as there was no flow of funds during the year. The dividends and directors' emoluments paid were funded by subsidiaries and the dividends received, interest received and the proceeds on issue of shares were received by subsidiaries.

FINANCIAL STATEMENTS (CONTINUED)

ANNEXURE 2 – INTEREST IN SUBSIDIARIES
at 30 June 2007

	Issued ordinary share capital		Percentage held		Shares at cost		Amounts owing by/(to) subsidiaries	
Direct	**2007 Shares**	2006 Shares	**2007 %**	2006 %	**2007 R'000**	2006 R'000	**2007 R'000**	2006 R'000
Group Five Construction (Proprietary) Limited	**1 000 000**	1 000 000	**100**	100	**14 177**	14 177	**609 108**	(184 818)
Group Five International Limited (Mauritius)	**1 000**	1 000	**100**	100	**27 985**	27 985	**–**	–
Everite Limited	**51 191 400**	51 191 400	**100**	100	**368 570**	368 570	**–**	–
Group Five Construction (UK) Limited	**100**	100	**100**	100	**500**	500	**79 981**	79 981
					411 232	411 232	**689 089**	(104 837)

PRINCIPAL SUBSIDIARIES Direct and Indirect

Cosmos Building Supplies (Proprietary) Limited
Everite (Proprietary) Limited*
Everite Pipes (Proprietary) Limited*
Group Five (Botswana) (Proprietary) Limited^
Group Five Building (Proprietary) Limited^
Group Five Civil Engineering (Proprietary) Limited^
Group Five Construction (Proprietary) Limited^
Group Five Construction (UK) Limited (Ghana, Malawi, Mauritius and Dubai)^
Group Five Contractors (Namibia) (Proprietary) Limited^
Group Five (DRC) SPRL^
Group Five Engineering Projects (Proprietary) Limited^
Group Five Housing (Proprietary) Limited^
Group Five Infrastructure Development Services (Proprietary) Limited˘
Group Five International Limited (Mauritius, Angola and Algeria)^
Group Five International (Proprietary) Limited (Tanzania branch)^
Group Five KwaZulu-Natal (Proprietary) Limited^
Group Five Plant & Equipment (Proprietary) Limited•
Group Five Property Developments (Proprietary) Limited†
Group Five (Zambia) (Proprietary) Limited^
Intertoll Holdings (Proprietary) Limited#
Quarry Cats (Proprietary) Limited

Nature of business

* Manufacture of building products
^ Construction activities
† Property developments
• Plant ownership and hire
Infrastructure concessions
˘ Infrastructural developments
Construction material supply

Unless specified, all companies are incorporated in South Africa and are all wholly-owned.

The group maintains a register of all subsidiaries available for inspection at the registered office of Group Five Limited.

The holding company's interest in the aggregate net profits earned by subsidiaries and joint ventures amounted to R242,6 million (2006: R57,1 million), respectively.

No part of the business of any subsidiary has been managed during the financial period by any third person.

ANNEXURE 3 – INTEREST IN JOINT VENTURES

at 30 June 2007

The total percentage holding by the group in the equity of each significant jointly controlled entity is as follows:

Joint venture	Country	Nature of business	Proportion of issued shares held (%)
Group Five – GCC Bank of Mauritius Joint Venture	Mauritius	Construction	50
Berg River Project Joint Venture	South Africa	Construction	24
G5 – Masinya Consortium Venture	South Africa	Construction	25
Group Five Pipe (Proprietary) Limited	South Africa	Pipe manufacturing	50
Motlhotlo Joint Venture	South Africa	Construction	50
Group Five – Makhosi Construction Fikile Construction (Joint Venture)	South Africa	Construction	40
Group Five GCC Four Seasons Hotel Joint Venture	Mauritius	Construction	50
CGI Joint Venture	Swaziland	Construction	40
Mpumalanga Pipeline Contractors Joint Venture	South Africa	Construction	25
VRESAP Civils Joint Venture	South Africa	Construction	40
Amakhulu Civils Joint Venture	South Africa	Construction	25
Group Five WBHO Pandev Joint Venture	South Africa	Construction	35

The group maintains a register of all its joint ventures for inspection at the registered office of Group Five Limited.

ANNEXURE 3 – INTEREST IN JOINT VENTURES (CONTINUED)

	Group	
(R'000)	**2007**	2006
at 30 June 2007		
Aggregate financial information:		
BALANCE SHEET		
Group's proportionate share of assets and liabilities:		
Assets		
Non-current assets	**3 811**	767
Current assets	**225 005**	174 433
	228 816	175 200
Equity and liabilities		
Shareholders' equity	**57 023**	25 129
Non-current liabilities	**390**	94
Current liabilities	**171 403**	149 977
	228 816	175 200
for the year ended 30 June 2007		
INCOME STATEMENT		
Group's proportionate share of income and expenditure:		
Revenue	**709 154**	270 682
Profit before taxation	**55 312**	7 494
Taxation	**–**	–
Profit after taxation	**55 312**	7 494
Dividends received	**–**	–
SUMMARISED CASH FLOW STATEMENT		
Cash flow from operating activities	**110 259**	(20 752)
Cash flow from investing activities	**(3 044)**	4 499
Cash flow from financing activities	**296**	94
Net increase/(decrease) in cash and cash equivalents	**107 511**	(16 159)

ANNEXURE 4 – INVESTMENT IN ASSOCIATES

The total percentage holding by the group in the equity of significant associates is as follows:

Associate	Country	Nature of business	Number of shares issued	Proportion of issued shares held (%)
Unlisted				
Metsi Water and Sanitation Company (Proprietary) Limited	South Africa	Water supply	2 250 ordinary shares of R1 each	15
Amanz' Abantu Services (Proprietary) Limited	South Africa	Water supply	100 ordinary shares of R1 each	25.5

(R'000)	Group 2007	Group 2006
at 30 June 2007		
Aggregate financial information: Unlisted		
BALANCE SHEET		
Group's share of assets and liabilities:		
Assets		
Non-current assets	**69**	23
Current assets	**3 153**	3 335
	3 222	3 358
Equity and liabilities		
Shareholders' interest	**1 641**	1 592
Non-current liabilities	**–**	–
Current liabilities	**1 581**	1 766
	3 222	3 358
for the year ended 30 June 2007		
INCOME STATEMENT		
Group's share of income and expenditure:		
Revenue	**4 611**	8 336
Profit before taxation	**–**	–
Taxation	**–**	–
Profit after taxation	**–**	–
Dividends received	**–**	–
SUMMARISED CASH FLOW STATEMENT		
Cash flow from operating activities	**(571)**	619
Cash flow from investing activities	**(46)**	27
Cash flow from financing activities	**–**	–
Net (decrease)/increase in cash and cash equivalents	**(617)**	646

ANNEXURE 5 – ANALYSIS OF SHAREHOLDERS

at 30 June 2007

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	2 985	57.70	1 411 066	1.19
1 001 – 10 000 shares	1 752	33.87	5 672 449	4.79
10 001 – 100 000 shares	325	6.28	11 038 207	9.32
100 001 – 1 000 000 shares	93	1.80	30 398 890	25.66
1 000 001 shares and over	18	0.35	69 926 289	59.04
	5 173	**100.00**	**118 446 901**	**100.00**
Distribution of shareholders				
Banks	56	1.08	15 664 148	13.22
Close Corporations	73	1.41	252 021	0.21
Empowerment Trusts	1	0.02	25 816 281	21.79
Endowment Funds	2	0.04	46 600	0.04
Individuals	3 958	76.51	8 582 039	7.25
Insurance Companies	7	0.14	3 682 042	3.11
Investment Companies	21	0.41	2 989 363	2.52
Medical Aid Schemes	4	0.08	7 100	0.01
Mutual Funds	174	3.36	28 572 930	24.12
Nominees and Trusts	567	10.96	5 888 317	4.97
Other Corporations	33	0.64	519 647	0.44
Pension Funds	113	2.18	13 085 161	11.05
Private Companies	118	2.28	3 589 595	3.03
Public Companies	45	0.87	9 542 138	8.06
Share Trust	1	0.02	209 519	0.18
	5 173	**100.00**	**118 446 901**	**100.00**

Public/non-public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	**6**	**0.12**	**26 317 300**	**22.22**
Directors of the company	1	0.02	30 000	0.02
Executive committee members of the company	3	0.06	261 500	0.22
Empowerment Trusts	1	0.02	25 816 281	21.80
Share Trust	1	0.02	209 519	0.18
Public shareholders	**5 167**	**99.88**	**92 129 601**	**77.78**
	5 173	**100.00**	**118 446 901**	**100.00**

Beneficial shareholders holding 5% or more	Number of shares	%
Group Five BEE ownership transaction participants	29 816 281	25.2
Public Investment Corporation	9 761 243	8.24
Liberty Group	8 691 987	7.34
JPMorgan Chase	6 356 848	5.37
STANLIB Funds	5 949 197	5.02

ANNEXURE 5 – ANALYSIS OF SHAREHOLDERS (CONTINUED)

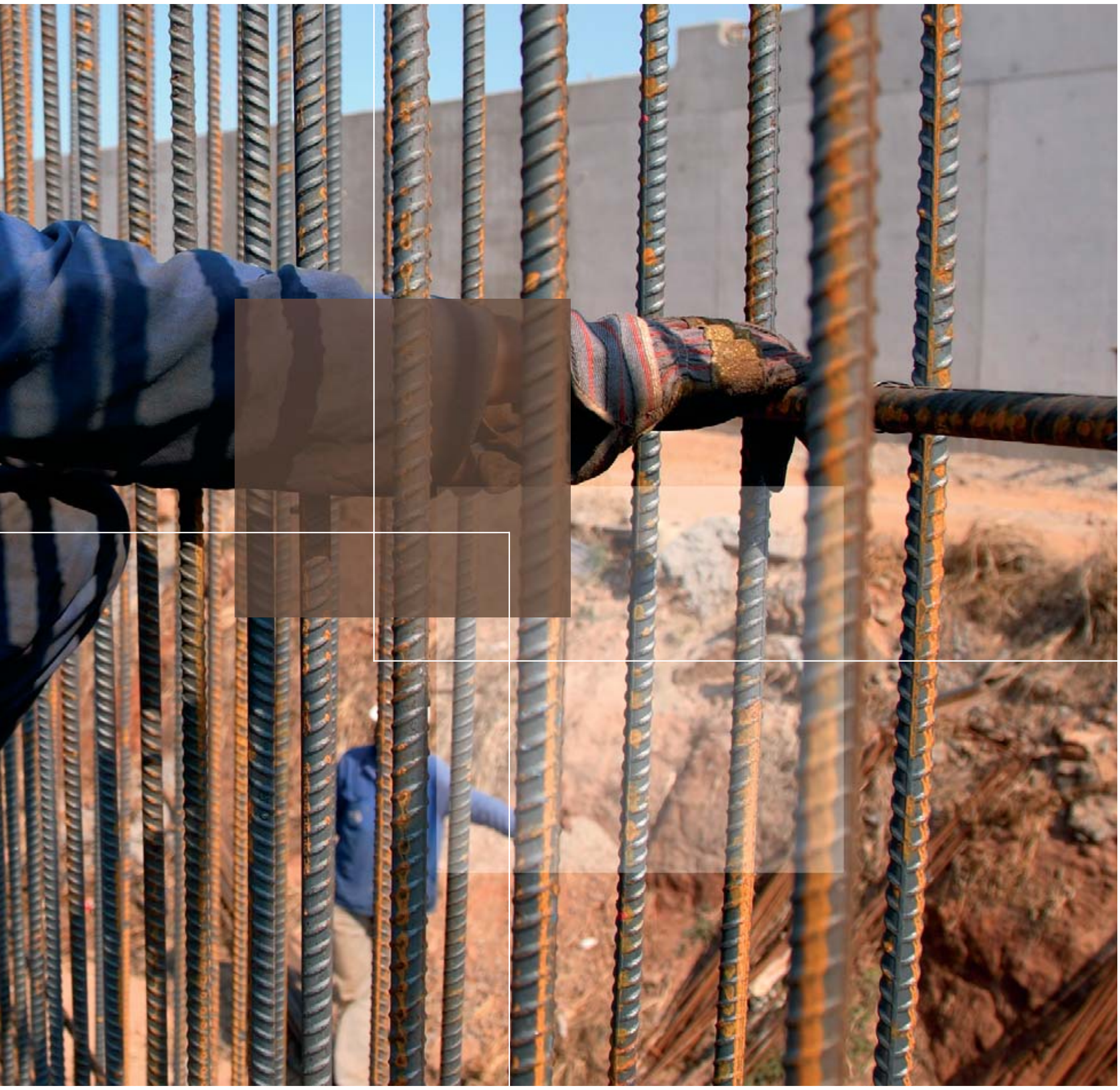
at 30 June 2007

	Number of shares	% of shareholding
Directors of the company		
D Paizes	30 000	0.02
	30 000	**0.02**
Executive committee members of the company		
AJ McJannet	21 000	0,02
JA Wallace	63 750	0.05
P le Sueur	176 750	0.15
	261 500	**0.22**

Rank	Name of shareholder	Shares	%
1	Group Five BEE Share Scheme Control Account	25 816 281	21.79
2	Public Investment Corporation	9 761 243	8.24
3	Liberty Group	8 691 987	7.34
4	JPMorgan Chase	6 356 848	5.37
5	STANLIB Funds	5 949 197	5.02
6	Old Mutual Group	5 275 173	4.45
7	Coronation	3 760 431	3.17
8	State Street Bank & Trust Co	2 510 502	2.12
9	Northern Trust	2 472 314	2.09
10	Ellerine Brothers	2 331 550	1.97
11	Eskom Pension & Provident Fund	2 070 994	1.75
12	Reb Nominees (Pty) Ltd	2 000 000	1.69
13	Investec	1 855 188	1.57
14	Sanlam	1 789 939	1.51
15	Peregrine	1 667 523	1.41
16	Oryx Investment Management	1 553 269	1.31
17	Standard Bank	1 044 804	0.88
18	Investment Solutions	1 010 805	0.85
19	Engineering Industries Pension Fund	727 545	0.61
20	Momentum	678 719	0.57
		87 324 312	**73.71**

GROUP FIVE

NOTICE OF AGM



NOTICE OF ANNUAL GENERAL MEETING
at 30 June 2007

GROUP FIVE LIMITED

(Registration number 1969/000032/06)
(Incorporated in the Republic of South Africa)
JSE code: GRF ISIN: ZAE000027405
("Group Five" or "the company")

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of the company will be held at the registered office of Group Five, 371 Rivonia Boulevard, Rivonia, on Tuesday, 16 October 2007 at 09h00, for the purpose of considering and if deemed fit, passing with or without modification, the following resolutions:

ORDINARY BUSINESS

1. To receive and consider the annual financial statements of the group for the year ended 30 June 2007, together with the directors' and independent auditors' reports.
2. To re-elect by separate resolution Kalaa Katema Mpinga and Stuart Grant Morris as directors of the company, who retire by rotation in terms of the company's articles of association.
3. Director's fees:

   3.1 to ratify the remuneration of non-executive directors for the year ended June 2007; and

   3.2 to approve the remuneration of non-executive directors for the year ended June 2008.
4. To re-appoint PricewaterhouseCoopers Inc. as independent auditors of the company.

SPECIAL BUSINESS

ORDINARY RESOLUTION NUMBER 1: Control of authorised but unissued shares

"**RESOLVED THAT** the authorised but unissued 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 of the company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors of the company may from time to time and in their discretion deem fit, subject to the provisions of the Companies Act (Act 61 of 1973) as amended ("the Act"), the Articles of Association of the company and the Listings Requirements of the JSE Limited ("JSE"), when applicable. This authority is restricted to 10% of the ordinary shares in issue as at 30 June 2007 and will remain in place until the next annual general meeting of Group Five ordinary shareholders."

ORDINARY RESOLUTION NUMBER 2: General authority to issue shares for cash

"**RESOLVED THAT** the directors of the company be and they are hereby authorised by way of a general authority, to issue the authorised but unissued shares in the capital of the company for cash, as and when they in their discretion deem fit, subject to the Act, the Articles of Association of the company, the JSE Listings Requirements, when applicable, and the following limitations, namely that:

- the equity 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 that are convertible into a class already in issue; [5.52 (a)]
- any such issue will only be made to "public shareholders" as defined in the JSE Listings Requirements and not related parties, unless the JSE otherwise agrees; [5.52 (b)]
- the number of shares issued for cash shall not in the aggregate in the current financial year exceed **10% (ten percent)** of the company's issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were shares in issue at the date of application; [5.52 (c) (i) and (iii)]
- this authority is valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given; [5.50 (b)]

- a paid press announcement giving full details, including the impact on the net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of shares in issue prior to the issue; and [11.22]
- in determining the price at which an issue of shares may be made in terms of this authority post the listing of the company, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the company [5.52 (d)]

This ordinary resolution is required, under the JSE Listings Requirements, to be passed by achieving a 75% majority of the votes cast in favour of such resolution by all members present or represented by proxy and entitled to vote, at the general meeting."

ORDINARY RESOLUTION NUMBER 3: Distribution to shareholders out of stated capital

"RESOLVED THAT, subject to compliance with the JSE Listings Requirements, the Act and specifically to the provisions of section 90 of the Act, and the Articles of Association of the company, the directors of Group Five be and are hereby authorised by way of general authority, to make a cash payment to Group Five shareholders out of stated capital as and when they in their opinion deem fit, provided that:

- this authority shall lapse on the earlier of the date of the next annual general meeting of the company or 15 months after the date on which this resolution is passed;
- the payment is made pro rata to all shareholders; and
- the payment shall not exceed 20% of the company's issued stated capital, including reserves but excluding minority interests, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of such financial year.

The directors, after considering the effect of the distribution out of stated capital, are of the opinion that if such distribution is implemented:

- the company and the group will be able to pay their debts in the ordinary course of business for a period of 12 months after the date of this notice;
- recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements, the assets of the company and the group will exceed the liabilities of the company and the group for a period of 12 months after the date of this notice;
- the ordinary capital and reserves of the company and the group will be adequate for the purposes of the business of the company and the group for a period of 12 months after the date of this notice;
- the working capital of the company and the group will be adequate for the purposes of the business of the company and the group for a period of 12 months after the date of this notice; and
- the company undertaking that it will not implement the distribution out of stated capital until the company's sponsor has provided written confirmation to the JSE regarding the adequacy of the company's working capital in accordance with Schedule 25 of the JSE Listings Requirements.

Rationale for the authority

The directors of Group Five intend to use the authority, if appropriate, to make a cash payment to shareholders out of stated capital should there be excess cash reserves available in the group.

Other disclosure required in terms of the JSE Listings Requirements is set out under Special Resolution Number 1.

SPECIAL RESOLUTION NUMBER 1: General authority to repurchase shares

"RESOLVED THAT, subject to compliance with the JSE Listings Requirements, the Act and the Articles of Association of the company, the directors of the company be and are hereby authorised in their discretion to procure that the company or subsidiaries of the company acquire by repurchase on the JSE ordinary shares issued by the company provided that:

- the number of ordinary shares acquired in any one financial year shall not exceed 20% of the ordinary shares in issue at the date on which this resolution is passed; [5.68]

- this 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; [5.72(a)]
- this authority shall lapse on the earlier of the date of the next annual general meeting of the company or 15 months after the date on which this resolution is passed; and [5.72(c)]
- the price paid per ordinary share may not be greater than 10% above the weighted average of the market value of the ordinary shares for the 5 business days immediately preceding the date on which a purchase is made. [5.72(d)]

The reason for and effect of this special resolution is to authorise the directors, if they deem it appropriate in the interests of the company, to procure that the company or subsidiaries of the company acquire or repurchase ordinary shares issued by the company subject to the restrictions contained in the above resolution.

At the present time, the directors have no specific intention with regard to the utilisation of this authority which will only be used if the circumstances are appropriate.

The directors, after considering the effect of a repurchase of up to 20% of the company's issued ordinary shares, are of the opinion that if such repurchase is implemented:

- the company and the group will be able to pay their debts in the ordinary course of business for a period of 12 months after the date of this notice; [5.69(c) (i)] [11.26(d) (i)]
- recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements, the assets of the company and the group will exceed the liabilities of the company and the group for a period of 12 months after the date of this notice; [5.69(c)(ii)] [11.26(d)(ii)]
- the ordinary capital and reserves of the company and the group will be adequate for the purposes of the business of the company and the group for a period of 12 months after the date of this notice; [5.69(c)(iii)] [11.26(d)(iii)]
- the working capital of the company and the group will be adequate for the purposes of the business of the company and the group for a period of 12 months after the date of this notice; [5.69(c) (iv)] [11.26(d) (iv)]
- after such repurchase the company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements; [5.69(g)]
- the company or the group will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; [5.72(g)]
- when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be made; [11.27]
- the company only appoints one agent to effect any repurchase(s) on its behalf; and [5.72(e)]
- the company undertaking that it will not enter the market to repurchase the company's securities until the company's sponsor has provided written confirmation to the JSE regarding the adequacy of the company's working capital in accordance with Schedule 25 of the JSE Listings Requirements.

Other disclosure in terms of Section 11.26 of the JSE Listings Requirements:

- directors (page 80); [7.B.1]
- major shareholders (page 310); [7.A.27]
- directors' interests in securities (page 312); and [7.B.20]
- share capital of the company (page 304) [7.B.4] [7.A.5]

Material changes

There have been no material changes in the affairs or financial position of Group Five and its subsidiaries since 30 June 2007. [11.26(b) (iii)]

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)
at 30 June 2007

Litigation statement
In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names are given on page 80 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group Five's financial position. [11.26(b) (vii)]

Directors' responsibility statement
The directors whose names appear on page 80 of the annual report collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this resolution and additional disclosure in terms of Section 11.26 of the JSE Listings Requirements pertaining thereto contains all information required by law and the JSE Listings Requirements. [11.26(b) (vi)]

Voting and proxies
A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy/proxies to attend, speak, and on a poll, vote in his/her stead. A proxy need not to be a member of the company.

A form of proxy is attached for the convenience of any certificated shareholder and own-name registered dematerialised shareholder who cannot attend the annual general meeting, but who wish to be represented thereat.

Certificated shareholders and dematerialised shareholders with own name registration

Shareholders wishing to attend the annual general meeting have to ensure beforehand with the transfer secretaries of the company that their shares are in fact registered in their own name. Should this not be the case and the shares are registered in another name or in the name of a nominee company, it is incumbent on shareholders attending the meeting to make the necessary arrangements with that party to be able to attend and vote in their capacity.

Dematerialised shareholders
Shareholders that have dematerialised their shares and who wish to attend the annual general meeting have to request their Central Securities Depository Participant ('CSDP') or broker to provide them with a Letter of Representation. Should shareholders who have dematerialised their ordinary shares wish to vote by proxy, they must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between the dematerialised shareholders and their CSDP or broker.

Proxies
The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below, by no later than 09h00 on Friday, 12 October 2007.

On a poll every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by the shareholder.

By order of the Board

NB Kekana
Company Secretary

8 August 2007

Registered office
Group Five Limited
371 Rivonia Boulevard
Rivonia
2128

PO Box 3951
Rivonia
2128

Transfer secretaries
Computershare Investor Services 2004 (Pty) Limited
Ground Floor, 70 Marshall Street
Johannesburg
2001

PO Box 61051
Marshalltown
2107

GROUP FIVE LIMITED

(Registration number 1969/000032/06)
(Incorporated in the Republic of South Africa)
JSE code: GRF ISIN: ZAE000027405
("Group Five" or "the company")

FORM OF PROXY

For use at the annual general meeting of the holders of ordinary shares in the company ('Group Five shareholders') to be held at the registered office of Group Five, 371 Rivonia Boulevard, Rivonia on Tuesday, 16 October 2007 ('the annual general meeting') at 09h00.

Group Five shareholders who have dematerialised their Group Five shares through a CSDP or broker must not complete this form of proxy and must provide their CSDP or broker with their voting instructions, except for Group Five shareholders who have elected own name registration in the sub-register through a CSDP or broker, which shareholders must complete this form of proxy and lodge it with the transfer secretaries.

Holders of dematerialised Group Five shares wishing to attend the annual general meeting must inform their CSDP or broker of such intention and request their CSDP/broker to issue them with the relevant authorisation to attend.

I/We ______________________________

of (address) ______________________________

being the registered holder/s of ordinary shares in the capital of the company, hereby appoint (see note 1):

1. ______________________________ or, failing him/her
2. ______________________________ or, failing him/her
3. ______________________________ or, failing him/her

the chairman of the annual general meeting

as my/our proxy to act for me/us at the annual general meeting for the purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s in accordance with the instructions/notes on the reverse side hereof.

Proposed ordinary/special resolutions	In favour	Against	Abstain
ORDINARY BUSINESS			
1. Resolution number 1 Receive and consider the annual financial statements for the year ended 30 June 2007			
2. Resolution number 2 To re-elect by separate resolution 2.1 KK Mpinga 2.2 SG Morris			
3. Resolution number 3 3.1 Ratify directors' fees for year ended 30 June 2007 3.2 Approve directors' fees for year ended 30 June 2008			
4. Resolution number 4 Re-appointment of auditors			
SPECIAL BUSINESS			
5. Ordinary resolution number 1 Control of authorised but unissued shares			
6. Ordinary resolution number 2 General authority to issue shares for cash			
7. Ordinary resolution number 3 Distribution to shareholders out of stated capital			
8. Special resolution number 1 General authority to stated capital			

A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, vote, speak and act in his stead. A proxy need not be a member of the company.

Signed at ______________________ on ______________________ 2007

Signature ______________________________

assisted by me (where applicable) ______________________________

(State capacity and full name).

Please use block letters.

Please read the notes on the reverse side hereof.

NOTES TO PROXY

1. This form of proxy must only be used by certificated ordinary shareholders or dematerialised ordinary shareholders who hold dematerialised ordinary shares with "own name" registrations.
2. Dematerialised ordinary shareholders are reminded that the onus is on them to communicate with their CSDP or broker.
3. A Group Five shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the spaces provided, with or without deleting 'the chairman of the general meeting', but any such deletion must be initialled by the Group Five shareholder concerned.
4. If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form, and whose name is not deleted, shall be regarded as the validly appointed proxy.
5. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.
6. In order to be effective, proxy forms must reach the registered office of the company or the company's transfer secretaries at least 48 hours before the time appointed for holding the meeting (excluding Saturdays, Sundays and public holidays).
7. Any alteration or correction made to this form of proxy must be initialled by the signatory/(ies).
8. If this proxy form is returned without any indication as to how the proxy should vote, the proxy will be entitled to vote or abstain from voting as he thinks fit.
9. The delivery of the duly completed proxy form shall not preclude any member or his duly authorised representative from attending the meeting, speaking and voting instead of such duly appointed proxy.
10. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company.
11. Where there are joint holders of any shares:
    - any one holder may sign this form of proxy; and
    - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

Registered office
371 Rivonia Boulevard
Rivonia
Sandton
2128

PO Box 3951
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2128

Transfer secretaries
Computershare Investor Services 2004 (Pty) Limited
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2001

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2107

GROUP FIVE

REFERENCE TOOLS

ABBREVIATIONS

For clarity and to prevent repetition throughout the report, outlined below are the definitions of the main abbreviations used in this report.

BEE	Black economic empowerment
BBBEE	Broad-based black economic empowerment
BER	Bureau for Economic Research
BOT	Build, Operate, Transfer
CBS	Corporate and business services
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COIDA	Compensation for Occupational Injuries and Diseases Act
CPI	Consumer Price Index
CRM	Customer relationship management
CSI	Corporate social investment
DCA	Department of Civil Aviation
DCCI	Dubai Chamber of Commerce and Industry
DEAT	Department of Environmental Affairs and Tourism
DIA	Dubai International Airport
DIFR	Disabling injury frequency rate
DME	Department of Minerals and Energy
DRC	Democratic Republic of the Congo
Dti	Department of Trade and Industry
DWAF	Department of Water Affairs and Forestry
EE	Employment equity
EIA	Environmental Impact Assessment
EMP	Environmental management plan
EPC	Engineering, procurement and construction
EPCM	Engineering, procurement and construction management
Everite	Everite Building Products
Exco	Executive committee
FAFR	First aid frequency rate
FDI	Foreign direct investment
Finco	Financial committee
GCC	Gulf Co-operation Council
GDFI	Gross Domestic Fixed Investment
GDP	Gross domestic product
GIBS	Gordon Institute of Business Science
GRI	Global Reporting Initiative
HR	Human Resources
IPMS	Integrated performance management system
IT	Information technology
JDE	JD Edwards (Oracle software solution)
Manco	Management committee
MD	Managing director
MEP	Mechanical, electrical and piping
MEIP	Mechanical, electrical, instrumentation and piping
MFR	Medical cases frequency rate
NEMA	National Environmental Management Act
Opsco	Operating committee
PFI	Private Finance Initiative
PPE	Personal protective equipment
PPI	Production Price Index
PPP	Public Private Partnerships
RUC	Road user charging contracts
SAFSEC	South African Federation of Civil Engineering Contractors
SANRAL	South African National Roads Agency
SAPREF	Shell and BP South African petroleum refineries
SAS	Site administration supervisor
SEIFSA	Steel and Engineering Industries Federation of South Africa
SENS	Stock exchange news service
SETA	Sectoral Education Training Authority
SHE	Safety, health and environment
SHEQ	Safety, health, environment and quality
SHREQ	Safety, health, risk, environment and quality
SMEP	Structural, mechanical, electrical and piping
SMEIP	Structural, mechanical, electrical, instrumentation and piping
The Construction Charter	The construction sector broad-based black economic empowerment charter
UAE	United Arab Emirates
UK	United Kingdom
UP	University of Pretoria
VBF	Gauteng Voluntary Bargaining Forum
VCT	Voluntary counselling and testing

REFERENCE TOOLS (CONTINUED)

GLOBAL REPORTING INITIATIVE INDEX

This year, Group Five's annual report complies to a larger extent than last year with the Global Reporting Initiative (GRI) guidelines. The table in this section contains references to the general GRI indices. No sector GRI indices have been developed by the GRI for companies operating within the construction industry.

The GRI encourages all organisations to start using its guidelines. An incremental approach is welcomed and has been confirmed to be part of both the organisation and GRI's learning process. The status reference indicates whether the benchmark has been addressed within the annual report.

	GRI benchmark	Status	Page numbers
1	**Vision and strategy**		
1.1	Vision and strategy for the group	✓ ✓	ST 14, MR 40 MR 38
	Contribution to sustainable development	✓	MR 151
1.2	Statement from the chief executive officer	✓	MR 100
2	**Profile**		
2.1	Name of reporting organisation	✓	Group Five Limited
2.2	Major products and or services, including brands	✓	ST 2, MR 36
2.3	Operational structure of the organisation	✓	ST 4
2.4	Description of major divisions, operating companies, subsidiaries and joint ventures	✓	ST 4, MR 220 Financial statements, 257
2.5	Countries in which organisation's operations are located	✓	ST 10
2.6	Nature of ownership; legal form	✓	Financial statements, 257
2.7	Nature of markets served	✓	ST 4, 10, MR 11
2.8	Scale of reporting organisations		
	number of employees	✓	ST 10, MR 100, 151
	products produced/services offered	✓	ST 2, MR 36
	net sales	✓	Financial statements, 257
	capitalisation by debt and equity	✓	Financial statements, 257
	value added	✓	MR 5, 151
	segmental reporting	✓	MR 2, financial statements 257
2.9	List of stakeholders	✓	MR 163, 257
2.10	Contact for the report	✓	Reporting strategy, IFC
2.11	Reporting period	✓	Financial year ending 30 June 2007
2.12	Date of most previous report	✓	Financial year ending 30 June 2006
2.13	Boundaries/Scope of the report	✓	Reporting strategy, IFC Contents page
2.14	Significant changes in size, structure, ownership, product/services since last report	✓	MR 112
2.15	Basis for reporting that could compromise comparability	✓	MR 110, Financial statements 257

MR = Main report
ST = Stakeholder toolkit

	GRI benchmark	Status	Page numbers
2.16	Explanations regarding the restatement of information	✓	Financial statements, 257
2.17	Decisions not to apply GRI principles or protocols	N/a	Reporting strategy, IFC
2.18	Criteria/definitions	✓	MR 323
2.19	Significant changes from previous years in measurement methods	N/a	
2.20	Policies and internal practices to enhance and provide assurance about the accuracy, completeness and internal reliability of the report	✓	MR 55, 78, Financial statements 257
2.21	Policies and current practices with regard to providing independent assurance for the report	✓	Financial statements 257
2.22	Additional information and reports on sustainability		ST 27, MR 151
3	**Governance structure and management systems**		
3.1	Governance structure of the organisation	✓	MR 78
3.2	Percentage of the board of directors that are independent, non-executive directors	✓	MR 78
3.3	Process for determining board member expertise regarding the provision of strategic direction	✓	MR 78
3.4	Board-level processes	✓	MR 78
3.5	Link between executive compensation and the achievement of objectives	×	MR 78
3.6	Organisational structure and key responsibilities with regard to social policies	✓	MR 78, 231
3.7	Mission and value statements and code of conduct	✓	SR 14, MR 40, 78
3.8	Mechanisms for shareholders to provide recommendations	✓	1, feedback@g5.co.za, Annual general meeting, Direct and indirect communication, media
3.9	Identification of major stakeholders	✓	MR 163, Financial statements 257
3.10	Stakeholder consultation	✓	MR 163
3.11	Stakeholder consultation information	✓	MR 163
3.12	Use of stakeholder consultation information	✓	MR 163
3.13	Precautionary approach	×	
3.14	Economic, environmental and social charters	✓	MR 151
3.15	Industry and business association memberships	✓	MR 163
3.16	Policies and or systems for managing upstream and downstream impacts	✓	MR 231
3.17	Approach to managing indirect impacts	✓	MR 231
3.18	Decisions regarding location and change in operations	✓	MR 38
3.19	Programmes and procedures pertaining to economic, environmental performance	✓	MR 151
3.20	Certification status	✓	MR 151
EC	**Economic performance indicators**		
	Core indicators – Customers		
EC1	Net sales	✓	Financial statements 257
EC2	Geographic breakdown of markets	✓	ST 10, MR 11
	Core indicators – Suppliers		
EC3	Cost of all goods, material and services purchased	✓	Financial statements 257
EC4	Percentage of contracts paid in accordance with agreed terms	✓	Financial statements 257

REFERENCE TOOLS (CONTINUED)

	GRI benchmark	Status	Page numbers
	Core indicators – Employees		
EC5	Total payroll and benefits	✓	Financial statements 257
	Core indicators – Providers of Capital		
EC6	Distributions to providers of capital	✓	Financial statements 257
EC7	Increase/decrease in retained earnings at end of period	✓	Financial statements 257
	Core indicators – Public Sector		
EC8	Taxes paid	✓	Financial statements 257
EC9	Subsidies received broken down by country/region	N/a	
EC10	Donations to community, civil society and other groups	✓	MR 151, 222
	Additional indicators – Suppliers		
EC11	Suppliers broken down by organisation and country	Addressed for BEE	MR 197
	Additional indicators – Public Sector		
EC12	Total spent on non-core business infrastructure spend	N/a	
	Indirect Economic Impacts		
EC13	Organisation's indirect economic impacts	✓	MR 5, 151
EN	**Environmental performance indicators**		
	Core indicators – Materials		
EN1	Total materials use other than water by type	✓	MR 231
EN2	Percentage of materials used that are wastes from sources external to the reporting organisation	✕	
	Core indicators – Energy		
EN3	Direct energy use segmented by primary source	✕	
EN4	Indirect energy use	✕	
	Core indicators – Water		
EN5	Total water use	✕	
	Core indicators – Biodiversity		
EN6	Location and size of land owned, leased or managed in biodiversity rich habitats	✕	
EN7	Description of major impacts on biodiversity associated with activities and or products and services in terrestrial, freshwater and marine environments	✓	MR 231
	Core indicators – Emissions, Effluents, and Waste		
EN8	Greenhouse gas emissions	✓	MR 231
EN9	Use and emissions of ozone-depleting substances	✓	MR 231
EN10	Nox, Sox and other significant emissions by type	✕	
EN11	Total amount of waste by type and destination	✕	
EN12	Significant discharges by type	✓	MR 231
EN13	Significant spills of chemicals, oils and fuels	✓	MR 231
	Core indicators – Products and Services		
EN14	Significant environmental impacts of principle products and services	✓	MR 231
EN15	Percentage of weight of products sold that is reclaimable	✕	
	Core indicators – Compliance		
EN16	Incidents of and fines for non compliance	✓	MR 231

	GRI benchmark	Status	Page numbers
	Additional indicators – Energy		
EN17	Initiatives to use renewable energy sources	✓	MR 231
EN18	Energy consumption footprint	✕	
EN19	Other indirect energy use	✕	
	Additional indicators – Water		
EN20	Water sources and related ecosystems	✕	
EN21	Annual withdrawals of ground and surface water	✕	
EN22	Total recycling and re-use of water	✕	
	Additional indicators – Biodiversity		
EN23	Total amount of land owned, leased or managed	✕	
EN24	Amount of impermeable surfaces	✕	
EN25	Impacts of activities and operations on protected and sensitive areas	✓	MR 231
EN26	Changes to natural habitats resulting from activities	✓	MR 231
EN27	Protecting and restoring native ecosystems	✓	MR 231
EN28	Number of IUCN list species	✕	
EN29	Business units with plans in and around protected or sensitive areas	✓	Partially addressed MR 231
	Additional indicators – Emissions, Effluents and Waste		
EN30	Other relevant indirect greenhouse emissions	✓	MR 231
EN31	Products, transport, imports or exports deemed hazardous	✓	MR 231
EN32	Water sources and related ecosystems significantly affected by discharges of water and run-off	✓	MR 231
	Additional indicators – Suppliers		
EN33	Performance of suppliers relative to environmental components	✓	MR 231
	Additional indicators – Transport		
EN34	Significant environmental impacts of transport used for logistical purposes	✕	
	Additional indicators – Overall		
EN35	Total environmental expenditure by type	✕	
LA	**Social performance indicators – Labour practices and decent work**		
	Core indicators – Employment		
LA1	Breakdown of workforce	✓	MR 172
LA2	Employment creation and average turnover	✓	MR 152, 172
	Core indicators – Labour/Management relations		
LA3	Trade union representations	✓	MR 195
LA4	Policy and procedures involving information, consulting and negotiation with employees over changes in the reporting organisations operations	✓	MR 172, 195
	Core indicators – Health and safety		
LA5	Occupational accidents and diseases	✓	MR 185, 231
LA6	Health and safety committees	✓	MR 78, 231
LA7	Injury, lost days and absentee rates	✓	MR 195, 231
LA8	HIV/Aids policies or programmes	✓	MR 185
	HIV/Aids policy	✓	MR 185
	Strategy for managing HIV/Aids	✓	MR 185
	Stakeholder involvement	✓	MR 185

REFERENCE TOOLS (CONTINUED)

	GRI benchmark	Status	Page numbers
	HIV/Aids prevalence rates	✓	MR 185
	HIV/Aids expenditure	✓	MR 185
	HIV/Aids awareness/education/training	✓	MR 185
	Voluntary counselling and testing	✓	MR 185
	HIV prevention interventions	✓	MR 185
	Programme to assist members who suffer from Aids	✓	MR 185
	Provision of anti-retrovirals	✓	MR 185
	Core indicators – Training and education		
LA9	Training per employee level, gender and ethnic spirit	✓	MR 172, 204
	Core indicators – Diversity and opportunity		
LA10	Equal opportunity policies or programmes and their monitoring	✓	MR 172, 200
LA11	Composition of senior management and corporate governance bodies	✓	ST 20, MR 78
	Additional indicators – Employment		
LA12	Employee benefits beyond those legally mandated	✓	MR 172
	Additional indicators – Labour/Management relations		
LA13	Provision for formal worker presentation in decision making	✓	MR 172
	Additional indicators – Health and safety		
LA14	Compliance with the ILO guidelines for occupational health management systems	✓	MR 231 (OHSAS)
LA15	Formal agreements with trade unions covering health and safety at work and proportion of workforce covered by such agreements	✓	Partially addressed MR 195
	Additional indicators – Training and education		
LA16	Programmes to support the continued employability of employees and to manage career endings	✓	MR 195
LA17	Policies and programmes for skills management	✓	MR 204
HR	**Social performance indicators – Human rights**		
	Core indicators – Strategy and management		
HR1	Policies, guidelines, corporate structure and procedures to deal with all aspects of human rights	✓	MR 172, 195, 200
HR2	Evidence of consideration of human right impacts as part of investment and procurement	✗	
HR3	Policies and procedures to evaluate and address human rights performance within the supply chain and contractors	✗	
	Core indicators – Non discrimination		
HR4	Global policy and procedures/programmes preventing all forms of discrimination in operations	✓	MR 172, 195, 200
	Core indicators – Freedom of association and collective bargaining		
HR5	Freedom of association policy	✓	MR 172, 195
	Core indicators – Child labour		
HR6	Child labour policy	✓	MR 195
	Core indicators – Forced and compulsory labour		
HR7	Forced and compulsory labour policy	✓	MR 195
	Additional indicators – Strategy and management		
HR8	Employee training on policies and practices concerning all aspects of human rights relevant to operations	✓	MR 172, 231

	GRI benchmark	Status	Page numbers
	Additional indicators – Disciplinary practices		
HR9	Appeal practices	✓	MR 195
HR10	Non-retaliation policy and employee grievance system	✓	MR 195
	Additional indicators – Security practices		
HR11	Human rights training for security personnel	N/a	Security outsourced
	Additional indicators – Indigenous rights		
HR12	Description of policies, guidelines and procedures to address the needs of indigenous people	✓	Partially addressed MR 163, 231
HR13	Description of jointly managed community grievance mechanisms/authority	✓	MR 163
HR14	Share of operating revenues from the area of operations that are redistributed to local communities	×	
SO	**Social Performance Indicators – Society**		
	Core indicators – Community		
SO1	Policies to manage impacts on communities	✓	Partially addressed, MR 163, 231
	Core indicators – Bribery and corruption		
SO2	Policy/procedures for addressing bribery and corruption	✓	MR 55, 78
	Core indicators – Political contributions		
SO3	Description of policy, procedures/management systems for managing political lobbying and contributions	✓	MR 55, 78
	Additional indicators – Community		
SO4	Awards received	✓	MR 159
	Additional indicators – Political contributions		
SO5	Money paid to political parties	N/a	
	Additional indicators – Competition and Pricing		
SO6	Court decisions regarding cases pertaining to anti-trust and monopoly regulations	N/a	
SO7	Policies/procedures for preventing anti-competitive behaviour	✓	MR 78
PR	**Social Performance Indicators – Product Responsibility**		
	Core indicators – Customer, health and safety		
PR1	Policy for preserving customer health and safety during use of products and services	✓	MR 231
	Core indicators – Products and services		
PR2	Policy/procedure related to product information and labelling	×	
	Core indicators – Respect for privacy		
PR3	Policy/procedure related to customer privacy	×	
	Additional indicators – Customer, health and safety		
PR4	Non compliance with customer health and safety regulations	✓	MR 231
PR5	Complaints upheld regarding the health and safety of products and services	×	
PR6	Voluntary code compliance, product labels, or awards with respect to social and or environmental responsibility	✓	MR 159, 231
	Additional indicators – Products and services		
PR7	Non compliance concerning product information and labelling	×	
PR8	Policies/procedures and mechanisms related to customer satisfaction	×	

REFERENCE TOOLS (CONTINUED)

	GRI benchmark	Status	Page numbers
	Additional indicators – Advertising		
PR9	Policies/procedures for adherence to standards and voluntary codes relating to advertising	×	
	Additional indicators – Respect for Privacy		
PR10	Breaches of advertising and marketing regulations	×	
PR11	Complaints regarding breaches of customer privacy	×	
	Additional indicators deemed relevant by the Group – Corporate Social Investment		
1	Social elements of CSI policy	✓	MR 222
2	Structure and relevant CSR responsibilities	✓	MR 222
	Additional indicators deemed relevant by the Group – Internal Social Performance		
1	Staff turnover	✓	MR 172
2	Remuneration of Group executive directors and Board of Directors	✓	MR 78
3	Ratio of male versus female	✓	MR 172
4	Employee profile per hierarchy level	✓	MR 200
	Additional indicators deemed relevant by the Group – Performance to Society		
1	Contributions to charitable causes, community investments and commercial sponsorships	✓	MR 222

GROUP FIVE

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