GROUP FIVE

structured ingenuity

Over the years, we have consistently aimed to provide stakeholders with the information they require from Group Five.

Previous feedback indicated that most readers would like an abbreviated Annual Review, which we produced for the first time last year.

This year, we only produced 800 detailed Annual Reports, which resulted in a saving of 675 000 sheets of paper.

The summarised Annual Review is available to stakeholders by contacting us at feedback@groupfive.co.za or + 27 11 806 0278.

During the year Group Five carried out a formal branding process to crystallise the group's strengths and what differentiates it in the market.

Following this process, a positioning statement "Structured Ingenuity" was developed.

The word "structured" clearly articulates Group Five's ability to deliver products and services according to a tested methodology.

The word "ingenuity" reflects the operational culture of the group and its ethos of meeting challenges and servicing clients.

Refer to page 214 for more information.

Group Five is a diversified construction services, materials and infrastructure investment group.

The group operates in **Africa, the Middle East and Eastern Europe**

We employ **14 050 people in 22 countries**

During the year, **we generated R12 billion of revenue**

This year, we celebrate **35 years as a listed entity**

What drives our business?

ECONOMIC DRIVERS

Group Five relies on the demand for **engineering and construction services,** as well as the material supply that supports gross fixed capital formation (GFCF)

We have a **clear strategy** of using our skills and understanding of markets to develop our value proposition aligned to the economic drivers in the territories in which we operate

The three primary drivers of regional economic activity, as outlined in the schematic on the right, are:

- Government public infrastructure investment
- Exploitation of natural resources and associated industrialisation
- Private sector investment in commercial, industrial, residential and leisure real estate (live, work, play)

Our strategy has been to align the Group Five business proposition with these key drivers, recognising that each segment has its own characteristics and set of business drivers.

The table below demonstrates the existing and potential market segments the group has been able to penetrate as a result of its ability to present a single or an integrated offer to customers.

Group Five business offering

Economic drivers				Construction Materials			Building and Housing		Civil Engineering				Engineering Projects			Manufacturing							Investments and Concessions	
				Aggregates	Concrete	Crushing services	Housing	Building	Civils	Roads and bridges	Pipelines	Earthworks	Electrical construction	Mechanical construction	Design and project management	Pipes	Building cladding	Tiles	Pre-cast construction components	Fabricated steel	Steel reinforcing and mesh	System housing	Property	Concessions
Economic drivers	Public infrastructure	Mining	Crushing and processes			■			■			■	■	■	■					■				■
			Surface mining	■	■	■	■	■	■		■	■	■	■	■	■	■	■		■	■			
			Underground mining	■	■		■	■	■			■					■	■						
		Electricity	Generation	■	■		■	■	■		■	■	■	■	■	■	■	■	■	■	■			■
			Transmission & distribution	■	■		■	■	■			■	■	■	■		■	■		■	■			
		Water	Storage	■	■				■		■	■	■	■	■						■			
	Exploitation of natural resources		Treatment	■	■				■		■	■	■	■	■	■			■		■			■
			Transport	■	■				■		■	■	■	■	■	■			■		■			■
		Heavy Industry	Multi-disciplinary construction	■	■		■	■	■		■	■	■	■	■	■	■	■	■	■	■		■	
		Oil and gas (energy)	Upstream	■	■				■		■	■	■	■	■					■	■			
			Downstream	■	■				■		■	■	■	■	■					■	■			
			Petrochemical	■	■				■		■	■	■	■	■					■	■			
		Healthcare	Real estate	■	■		■	■				■			■		■	■	■		■			■
	Live, work, play	Transport	Road	■	■				■	■		■	■		■					■	■			■
			Rail	■	■				■	■		■	■	■	■					■	■			■
			Air	■	■		■		■	■		■	■	■	■		■	■	■	■	■		■	■
		Leisure	Real estate	■	■		■	■							■		■	■	■	■	■		■	■
		Office	Real estate	■	■		■	■							■		■	■	■	■	■		■	■
		Home	Housing	■	■		■	■							■		■	■	■				■	

What is our strategy?

To reduce earnings volatility within the construction sector by capturing multiple margin streams across the infrastructure value chain.

We do this through:

- Increasing our capability to secure and execute larger multi-disciplinary contracts
- Increasing the contribution of manufacturing and construction materials to the product portfolio
- Developing, investing in, and operating concessions and property assets

STRATEGY AT WORK

The second phase of a high-rise building in Sandton, Gauteng, is a good example of delivering on our multi-disciplinary strategy. In the past, we would have enjoyed only the construction margin from this hard-fought-for tendered contract. This year we used Quarry Cats aggregate to make and supply Afrimix concrete, along with Barnes Reinforcing Industries' reinforcing and Group Five Steel formwork and scaffolding. The complex steel structures were manufactured by our structural steel entity. This contract was supported by our design and project management unit, D+PM.

For a detailed review of strategy, refer to page 152.

The F2009 performance was largely due to the group's ability to respond to the top end of the construction market with a **full suite of skills across civils, building, mechanical and electrical disciplines, supported by an integrated supply chain.**

DELIVERING ON OUR STRATEGY

During F2009, the strategy has further matured and has proven its resilience against tough markets. **The focus has been on implementing and executing the strategy through carefully selecting target contracts that deliver maximum value for Group Five across all its businesses.**

The breadth of business areas is now in place, with the focus during the year having been on extracting the synergies between our businesses.

HOW WILL WE KEEP OUR STRATEGY RELEVANT?

F2010 and F2011 will be the years of recovery in global markets. The group will therefore keep its presence in all its key markets, both per sector and per geography.

The group intends to keep a balance between sector and geographic expansion. In the short term, it will continue to optimise opportunities in the South African market, focused on public infrastructure development in the target sectors of power, transport, water and public infrastructure contracts to be delivered through the government's public private partnership (PPP) initiatives.

The financial engineering and operating models of most concessions or PPPs require an in-depth knowledge of structured project finance, debt and equity raising, engineering, design and construction contracts and operations and maintenance.

Group Five has a decade or more of experience in the PPP/concessions market, having invested in and/or operated contracts in South Africa, Hungary and Poland, as described in more detail on pages 65 – 68.

How are we structured?

Investments and Concessions

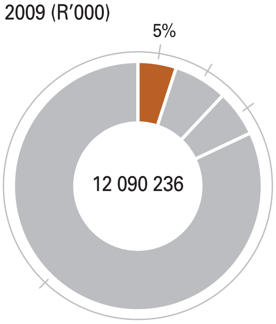
- Concessions business
- Toll road concession contract developments
- A-grade Group Five branded property assets generating development and investment returns

Higher returns from participating throughout the contract lifecycle – from development, financing and construction to operations.

Business drivers

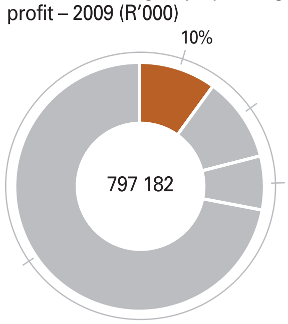
- Public sector infrastructure, especially PPPs where governments require development partners who can design, construct and manage assets and who are able to raise debt and provide equity, thus reducing the burden on national resources
  - These PPPs and concessions stretch across power, transport and real estate management
- Demand for private sector real estate in retail, commercial, leisure, office and residential sectors, driven by population growth and wealth creation

Contribution to group revenue – 2009 (R'000)



► **626 795** Investments and Concessions

Contribution to group operating profit – 2009 (R'000)



► **81 887** Investments and Concessions

Manufacturing

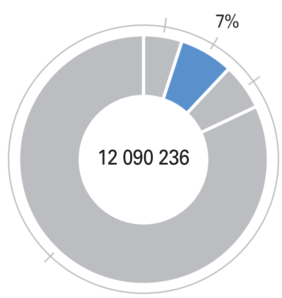
- Manufactures products used in the construction industry
  - Fibre cement exterior and interior walling, ceiling boards, roof tiles and pipes
  - Fibre cement-clad, steel-framed modular housing systems
  - Steel products, such as scaffolding, formwork and steel reinforcing for use in concrete structures
  - Fabricated steel structures
  - Large bore steel pipes

Creates low-cost entities that supply quality building materials.

Business drivers

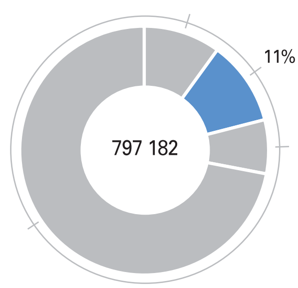
- Demand for regional infrastructure construction and building components
  - Large public and private sector structures
  - Government's low-cost housing drive, with modular housing solutions
  - Bulk water infrastructure cycle in Southern Africa
- Retail and wholesale merchant and DIY building market

Contribution to group revenue – 2009 (R'000)



► **816 132** Manufacturing

Contribution to group operating profit – 2009 (R'000)



► **85 964** Manufacturing

Construction Materials

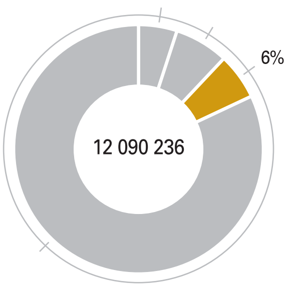
- Supplies high-specification materials used in the construction supply chain, including aggregates, readymix concrete and mining services

Key part of the group's diversification within the construction supply chain.

Business drivers

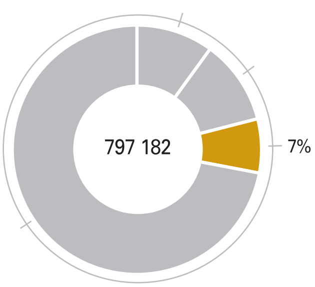
- Infrastructure development where the use of cement, concrete and tarmac surfaces are required
- Hard rock mining activities where mobile crushing plant is in demand

Contribution to group revenue – 2009 (R'000)



▶ **671 317** Construction Materials

Contribution to group operating profit – 2009 (R'000)



▶ **55 835** Construction Materials

Construction

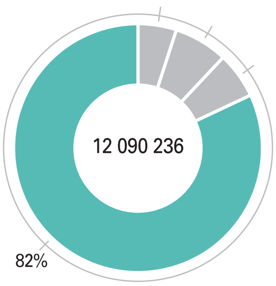
- Building and Housing
  - Large real estate and related infrastructure contracts
- Civil Engineering
  - Roads, ports, airports, pipelines and large structures
- Engineering Projects
  - Structural, mechanical, piping and electrical engineering and complete plant construction solutions

Foundation of the group and a market leader in multi-disciplinary construction works.

Business drivers

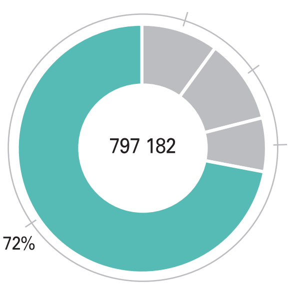
- Public and private gross fixed capital formation (GFCF) and investment in Africa, the Middle East and the Indian Ocean region
  - Public infrastructure in water, electricity, transport, healthcare, housing, education and administration
  - Mining and processing of mineral resources
  - Industrialisation and associated heavy industries
  - Power generation and transmission
  - Energy and related petrochemical industries

Contribution to group revenue – 2009 (R'000)



▶ **9 975 992** Construction

Contribution to group operating profit – 2009 (R'000)



▶ **573 496** Construction

Where do we operate?

The group's geographic strategy is based on operating in territories where we can effectively (without unduly increasing group risk):

- Mitigate cyclical and territorial downturns by deploying dynamic resources to areas that generate sustainable and attractive returns
- Exercise our controls, values and ethics
- Contribute to the group's goals of growth, returns and cash generation

We currently operate in Africa, Europe and the Middle East.

Region	Southern Africa	Central Africa	West Africa	East Africa	Middle East	Eastern Europe
Countries of operation	South Africa 1 Lesotho 2 Swaziland 3 Namibia 4 Botswana 5 Mozambique 6	Zambia 7 Angola 8 DRC 9	Nigeria 10 Ghana 11 Mali 12 Burkina Faso 13	Malawi 14 Madagascar 15 Mauritius 16 Tanzania 17	Dubai 18 Abu Dhabi 19 Jordan 20	Hungary 21 Poland 22
Segments operating within regions	Infrastructure Concessions Property Developments Manufacturing Construction Materials Building and Housing Civil Engineering Engineering Projects	Building and Housing Civil Engineering Engineering Projects	Civil Engineering Engineering Projects	Building and Housing Civil Engineering Engineering Projects	Civil Engineering Engineering Projects	Infrastructure Concessions
Turnover F2008	6 023	909	367	642	834	125
Turnover F2009	7 892	975	654	531	1 634	403
Turnover F2010(1)	7 305	509	182	65	580	n/a
Employees F2008	9 394	1 185	449	464	1 657	304
Employees F2009	10 353	366	573	430	1 922	406
Sector F2009 Construction works • Private: public • Power • Mining and industrial • Transport • Real estate • Oil and gas • Water and environment	 33%:67% 7% 6% 48% 26% 8% 5%	 99%:1% – 89% – – 11% –	 100%:0% 42% 58% – – – –	 86%:14% – 77% – 23% – –	 1%:99% 33% 1% 24% 42% – –	
Sector F2010(1) Construction works • Private: public • Power • Mining and industrial • Transport • Real estate • Oil and gas • Water and environment	 43%:57% 8% 6% 47% 22% 16% 1%	 29%:71% – 23% – 71% 6% –	 100%:0% 61% 39% – – – –	 100%:0% – 100% – – – –	 5%:95% 4% 41% 48% 7% – –	
Major contracts F2009(2)	Durban Harbour entrance widening – KwaZulu-Natal. Commenced 2007	Tenke Fungurume contract in DRC. Commenced 2007	Aba power contract. Open cycle gas turbine power plant. Commenced 2008	QMM Ilmenite contract in Madagascar. Commenced 2006 Completed	Amman Ring Road Phase I contract. Road construction in Jordan. Commenced 2006	
Major contracts F2010(1)(2)	Gauteng Freeway Improvement Project (GFIP) Package A & E. Commenced 2008	Building works in Lusaka, Zambia, Levy Junction. Commenced 2009	Rebuild contract at TSP plant, Obuasi, Ghana. Commenced 2009	Mining and industrial construction works at Kayelekera uranium mine. Commenced 2008	Power and industrial work on aluminium smelter for EMAL. Commenced 2009	

***(1)** Based on one-year forward looking secured order book – Construction only.* ***(2)** Key facts on selected secured contracts per region.*

What happened in our markets this year?

This spread provides the reader with summaries of the market dynamics in our key regions.

South Africa

from super cycle to slowdown

Until recently, the South African construction sector did not focus on public sector infrastructure spend, as the post-democracy economy was characterised by a boom in private investment into real estate and consumer spending and commodities.

The 2010 Soccer World Cup acted as an important catalyst to drive government to start spending on public infrastructure again.

63%

of the group's turnover was generated in our home market this year.

Unusually, this shift coincided with strong growth in two other key areas of consumer spending – private investment into real estate and global demand for minerals and energy resources – creating the recent construction super cycle.

Simply put: the three growth drivers (public infrastructure, private gross fixed capital formation and resource markets) ran concurrently from early 2006 through to 2008.

This super cycle came to an abrupt end in 2008 when the US sub-prime contagion spread across the globe. As US consumers stopped spending and its banking system stopped lending, the South African commodity cycle – on which the local economy is largely dependent – declined.

Unlike previous cycles, however, public spend continues to keep some momentum going in the sector, hopefully with enough scale and momentum until the private sector recovers.

Rest of Africa

slower growth as income from resources declined

Economic performance in Africa declined steeply in 2009 due to the global financial turmoil.

Demand for African exports fell and commodity prices declined. Tighter global credit and investor risk aversion reversed portfolio flows, deterred foreign direct investment (FDI) and made trade and project finance more costly.

21%

of the group turnover was generated in the rest of Africa.

Following half a decade of above 5% economic growth, the continent can expect 2.8% in 2009, with growth expected to rebound to 4.5% in 2010.

On a positive note, Africa is better positioned to weather the crisis than it was ten years ago. Many countries have experienced prudent macro-economic reforms in the past few years which have strengthened fiscal balances and reduced inflation to single-digit levels. Many countries also benefited from substantial debt relief, resulting in low debt service/export ratios in most countries.

Middle East

sharp downturn

The past year has seen very difficult trading conditions due to the worldwide economic downturn. This affected mainly Dubai with its enormous construction boom that have run since early 2000.

13%

of group turnover was generated in the Middle East.

The downturn affected the region through three channels:

- The sharp drop in oil prices, which is shrinking revenues for oil exporters, as well as import costs for oil importers
- The contraction in global demand, trade and related activity, which is lowering service related income and tourism
- The tightening of international credit markets and lower investor appetite for risk, which is affecting capital inflows, depressing local asset prices and reducing investment

Despite lower oil revenues, many Middle Eastern oil-exporting countries are expected to maintain the majority of their industrialisation and infrastructure spending programmes, which will stimulate global demand. Activity in areas outside Dubai remains high, including countries such as Abu Dhabi, Saudi Arabia and Qatar.

The external current account of the Middle East oil-exporting countries could record a deficit of $10 billion in 2009, compared to a surplus of $400 billion in 2008.

Europe

global credit crises spurs stimulus packages

3%

of group turnover was generated in Europe.

The financial crisis in Europe rapidly transformed into a crisis for the real economy during the fourth quarter of 2008.

However, although the outlook for Europe remains uncertain, signs have started to emerge that record low interest rates and stimulus measures are helping to pull the region out of a recession. For example, manufacturing and service industries contracted at the slowest pace in nine months during June 2009.

Eastern Europe was worst affected by the downturn, although there has been continued investment in infrastructure with stimulus funding. The European Central Bank, which cut its key interest rate to 1%, is lending banks money to get credit flowing, while governments have stepped up spending to boost the economy.

In this regard, the group's concessions business in Eastern Europe continued to flourish, with a number of new awards and opportunities in the pipeline.

Global growth is projected to re-emerge in 2010 and 2011.

The US intends to spend US$90 billion on infrastructure and China announced a very substantial US$586 billion two-year fiscal stimulus package in November 2008, which included investment in railways, the power grid, water conservation and rural infrastructure.

In the EU, Germany, Italy and France have allocated □23 billion, □17 billion and □12 billion, respectively, to infrastructure and housing sectors. The UK brought forward a more limited £3 billion of capital investments.

South Africa, in turn, has the world's third largest infrastructure programme that will in time provide a stimulus for private sector expansion when global economic activity recovers. The cycles ahead for construction, materials, concessions and infrastructure activity are therefore more positive.

**Sources: International Monetary Fund, SAIIA, Bank of America Merrill Lynch, Research.*

What happened in our markets this year? continued

This spread provides the reader with a synopsis of the group's past and current performance, as well as business drivers and focus areas by cluster.

Cluster/Segment Nature of operations	Revenue growth* F2004 – F2008 (%)	Operating profit* growth F2004 – F2008 (%)	Margin F2008 (%)	Drivers	Revenue growth F2008 – F2009 (%)	Operating profit growth F2008 – F2009 (%)	Margin F2009 (%)
Investments & Concessions	29	52	9		8	53	13
Infrastructure Concessions	21	50	9	International roads concessions – Hungary and Poland	62	159	15
Property Developments	58	79	9	Private real estate developments, including residential, commercial and retail	(61)	(90)	2
Manufacturing	12	23	10		47	53	11
Fibre-cement products				Private sector retail serviced through merchant markets			
Steel-related products				Supply to civil and private real estate sector			
Construction Materials	198	53	21		(3)	(61)	8
Aggregates				Private real estate			
Readymix				Private real estate			
Construction	22	66	5		41	49	6
Building & Housing	11	28	5		2	1	5
Building				Real estate building – mainly local operations, with some limited international focus			
Housing				Commodity-driven mine expansion, including mine housing – Local			
Civil Engineering	33	136	5		56	58	5
South Africa				Mining and industrial construction, with some public road building and water-related infrastructure			
Rest of Africa				Largely mining construction			
Middle East				Public infrastructure, mostly transport-related			
Engineering Projects	42	85	8		94	105	9
Mechanical and electrical engineering				International mining			
Energy, power, oil & gas				Largely international			

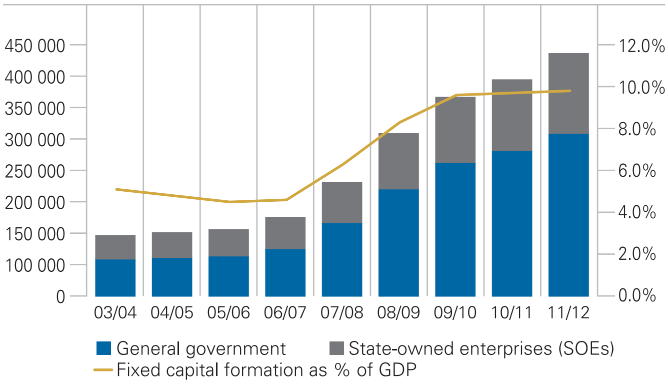
**Average growth per annum.*

Factors affecting performance in F2009	Actions taken	Drivers F2010	Focus F2010
• Further European toll road concessions come into operations • Credit crisis affects delivery of future PPPs throughout target markets	• Driving our experienced position to tap into strong tender opportunity currently seen in SA	• Local PPP market starting to evolve • CTROM work coming to market in the new year • Limited European concession opportunities due to credit environment	• Actively tender and pursue PPP market in South Africa and introduce other segments of the business to the PPP activities to extract blended return
• Limited private sector opportunities linked to group's interest • Private sector collapse – specifically in residential	• Continued exit from residential property developments	• Property development requirements linked to high potential sites • Previously acquired and support for social housing with banking partners	• Extract value from core investments to generate returns from multiple businesses from the group • Alignment with housing business unit • Focus on limited A-grade property investments
• Collapse of consumer markets	• Products addressing new public markets and reduced dependency on merchants	• Governments' low-cost housing drive with modular solutions, including temporary housing	• Cash collection and working capital structuring
• More than 50% drop in steel price	• Limited steel inventory and hedging strategies • Focus on low-cost operating structure and optimising volumes	• Supply into public infrastructure contracts linked to construction order books • Supply into structural steel system housing • Beginning of water cycle	• Natural hedging strategies • Focus on water cycle for Group Five Pipe
• Depressed private sector real estate markets	• Reduction in costs • Re-engineered business and consolidated activities	• SANRAL roads programme will generate substantial demand	• Tighter prices due to competition, although cost inflation has begun to moderate • Focus on higher specification contracts and excess capacity contracts – the group's specialisation • Continue to structure appropriately
• Decline in demand, as it is usually supported by buildings and sub-contractor market • Margin decrease through cost inflation	• Reduction in costs • Re-engineered business and consolidated activities	• SANRAL roads programme will generate substantial demand • Private sector markets will struggle to improve in short term	• Continue to structure appropriately
• Limited private sector opportunities • Limited liquidity and credit pressure	• Executing public building works	• Large infrastructure contracts with building components • International opportunities	• Pursuing international opportunities • Tender for multi-disciplinary contracts aligned to the full group's interests
• Limited private or public sector opportunities • Limited liquidity • Credit pressure	• Reposition business to address public markets, including affordable housing	• Governments' low-cost housing drive, with modular solutions, including low-cost BNG housing	• Cash collection and working capital structuring
• Decline in mining and industrial construction, offset by increase in infrastructure spend and 2010 contracts	• Focused on expansion of government infrastructure spend, particularly in transport, water and power	• Local infrastructure programme	• Margin maintenance • Cash maintenance • Grow technology skills
• Decline in mining due to depressed commodity markets and scarcity of funding	• Pulled resources back to execute SA public works programme	• Targeted resources and power contracts	• Utilise group multi-disciplinary capacity to secure mining and energy-related work in the private sector
• Collapse of Dubai property markets followed by government infrastructure cancellations. • Industrial and energy contracts in region still continuing	• Restructured within six weeks • Secured extension of existing contract scope, including addition of MEP work	• Continuing health of the industrialised territories in the region that have oil and gas revenues	• Territorial expansion • Tight control on existing contracts • Commercial close out of cancelled contracts
• Depressed commodity pricing • Limited credit availability • Slow contract awards within power market	• Expanded into MEP work within UAE where skills are required	• Return of commodity linked expansion contracts • UAE where MEIP expertise is required	• Expand operations with strategic partners in the Middle East
• Slow contract awards within power market	• Strategically positioned group in power and energy in prior years	• Energy and power needs within South Africa and the rest of Africa	• Focus on power and energy awards identified • Grow technology skills

What is happening in our main market of South Africa?

As 63% of the group's turnover is generated in South Africa where there is currently strong public infrastructure spend, in this section we outline further information around the growth in this market, as well as our view on the outlook for the currently subdued private sector.

Gross fixed capital formation by the public sector (R million)



Source: National Treasury Budget 2009.

INTRODUCTION

General government spend is focused on schools, public transport, housing, water and sanitation. State owned enterprise spending is growing at a faster rate, in particular in the power generation, transmission and distribution sectors, as well as in transport hubs, freight rail and pipelines.

The graph on the left illustrates historic and anticipated public infrastructure spend, broken down into general government and state-owned enterprise (SOE) spend. It also shows the increasing proportion of GFCF as a percentage of GDP.

Concerns over government's ability to finance the infrastructure spend have abated somewhat as global debt markets have improved and recent successful debt placings include SANRAL (the national roads agency) and Eskom (the national electricity provider). The government capacity for delivery, however, remains a concern with respect to the rate at which infrastructure can be delivered to the market.

The announced spend from the national government budget in the infrastructure sector amounts to R787 billion over the next three fiscal years. **R397 billion will be spent by state-owned enterprises on capital programmes.**

South African public infrastructure spend

R millions	Actual 2007/8	Revised estimate 2008/9	Medium term estimate 2009/10	2010/11	2011/12	MTEF Total
National departments	5 712	7 157	**8 024**	**8 641**	**12 867**	29 532
Provincial departments	29 395	34 664	**39 899**	**46 517**	**52 439**	138 855
Municipalities	30 736	46 093	**49 496**	**53 738**	**59 074**	162 308
Public private partnerships	3 857	7 633	**13 897**	**11 692**	**11 727**	37 316
Extra budgetary public entities	3 726	4 895	**6 971**	**7 509**	**8 112**	22 593
General government	73 426	100 442	**118 287**	**128 098**	**144 219**	390 604
State-owned enterprises (SOEs)	56 765	90 192	**119 585**	**131 335**	**145 842**	396 762
Total	130 191	190 634	**237 873**	**259 433**	**290 061**	787 367
% of GDP	6.3%	8.3%	**9.6%**	**9.7%**	**9.8%**	
GDP	2 067 884	2 304 111	**2 474 214**	**2 686 254**	**2 952 989**	

Source: National Treasury Budget 2009.

National Treasury predictions are for an average of 9.5% growth in government capital spending over the next three years. However, the timing around the roll out of the spend remains uncertain.

In the table below, we highlight contracts where Group Five may participate in both the public and private sector. Contracts included are limited to those that Group Five will actively pursue, and may therefore leave out smaller or non-construction related contracts that are included in the total infrastructure spend. The values recorded are also only the Group Five portion as would be reflected in our revenue. It reflects the pipeline view at 30 June 2009 and is not meant to represent the full budgeted pipeline the group would target for a specific financial year.

Group Five targeted construction tender pipeline

By sector (R'000s)	F2010	F2011	F2012	F2013	Total
Mining & industrial	5 118 980	7 065 404	3 728 450	565 332	**16 478 166**
Oil & gas	454 752	258 123	150 000	81 000	**943 875**
Power	2 376 876	5 375 526	6 032 068	2 450 000	**16 234 470**
Real estate	2 655 100	7 421 060	6 340 100	4 058 300	**20 474 560**
Transport	2 339 935	6 364 830	6 542 270	767 000	**16 014 035**
Water & environment	614 630	965 630	814 440	53 000	**2 447 700**
Total	13 560 273	27 450 573	23 607 328	7 974 632	**72 592 806**

What is happening in our main market of South Africa? continued

PUBLIC PRIVATE PARTNERSHIPS

Public private partnerships (PPPs) have been identified by the South African government as a means of delivering infrastructure contracts through the involvement of the private sector. A budgeted R38,9 billion has been allocated to PPPs over the next three years.

See the CEOs review on page 39 for a full list.

As at February 2009, 18 PPPs had been concluded in South Africa and 55 were in various stages of development.

PRIVATE SPEND

Private sector spend has been negatively impacted by the global financial crisis. This has been particularly pronounced in the real estate and mining sectors, both inside and outside South Africa where capital for new contracts all but dried up. For the group this was very evident in regions like the Democratic Republic of Congo and Zambia, where some contracts were shelved or cancelled.

We have recently seen a gradual recovery in the commodities market, which improved the outlook for private sector spending, in particular mining. Investment in the coal, gold, uranium, iron ore and bulk commodities have increased, with signs of a recovery in base metal commodities. The increased spend will improve government credit standing, as South Africa is seen as a commodity exporter.

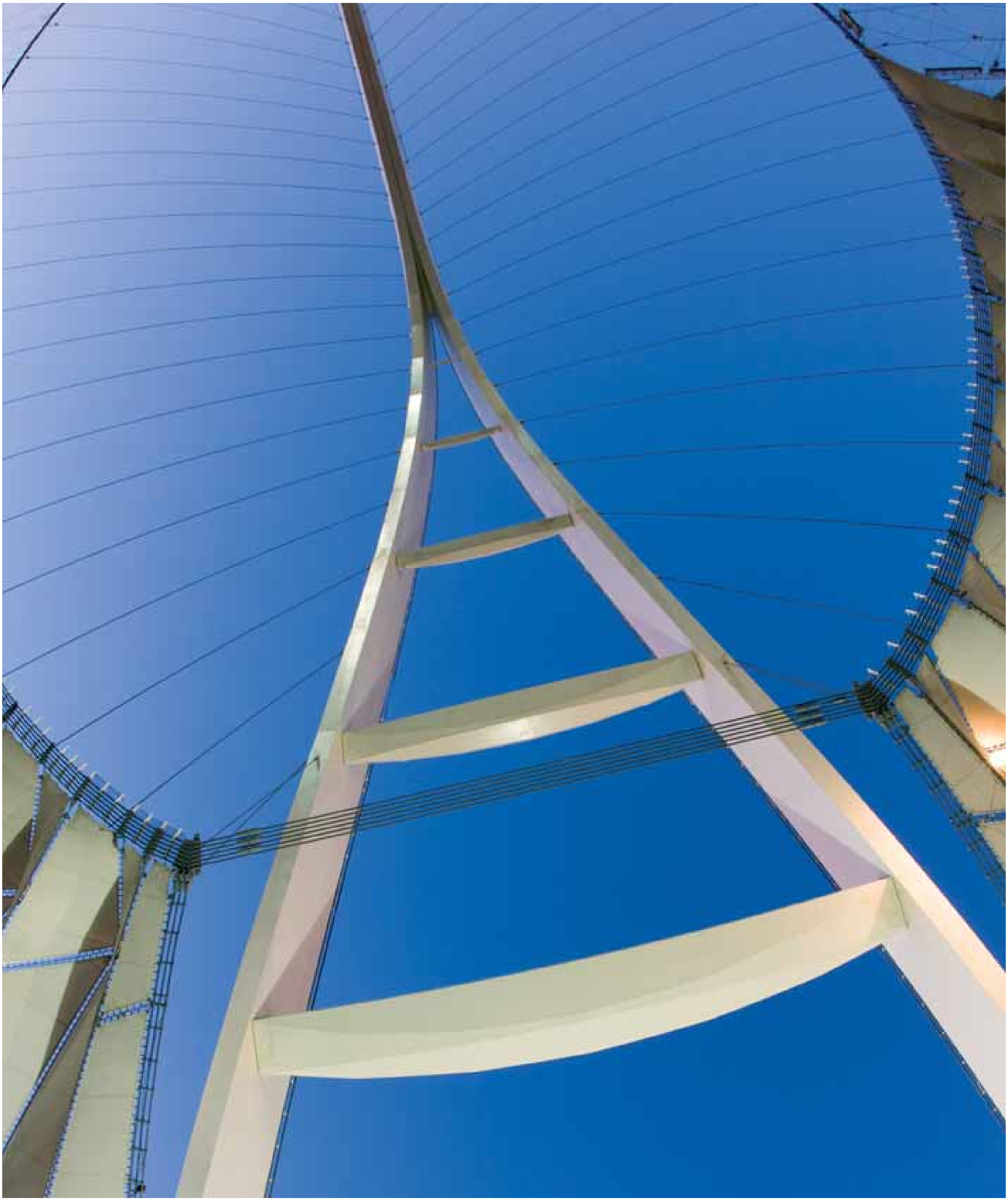
Private power opportunities have started to emerge as the regulatory environment slowly becomes conducive to private sector investment.

Certain portions of the R787 billion public spend would not be relevant to Group Five. As outlined in the table below, Group Five is targeting contracts representing around R30 billion of the R397 billion SOE portion of the total public spend.

Group Five targeted South African construction pipeline

This table outlines only the South African portion of the group's total construction pipeline, as outlined on page 15.

By sector (R'000s)	Private	Public	Total
Mining & industrial	6 662 839	2 743 003	**9 405 842**
Oil & gas	557 000	316 875	**873 875**
Power	1 055 420	2 779 281	**3 834 701**
Real estate	10 718 200	8 906 360	**19 624 560**
Transport	450 000	15 564 035	**16 014 035**
Water & environment	1 935 620	189 000	**2 124 620**
Total	21 379 079	30 498 554	**51 877 633**
South African target contracts – % private versus public	41	59	
South African targeted contracts as a % of group's total targeted construction contracts			**71**



How did we deliver in our markets?

During this year, we remained steadfastly focused on ensuring our strategy delivered in tough markets – the basis for making the group a good investment. In this report we outline to the reader how we performed against statements made in last year's report.

well positioned in targeted emerging markets

An established presence, through hard-won experience, in emerging markets allowed the group to protect earnings as a number of world markets went into recession

- **Africa:** Niched positioning in areas of group expertise, namely private sector mining, power and infrastructure development. Over 30 years of experience in this region provide lower risk access
  - During the year, this served us well, with revenue growth of 93.7% in Engineering Projects, the cluster most active in this region
- **South Africa:** During the year, we managed to increase our exposure to the growing markets, as demonstrated by 43.6% growth in Civil Engineering revenues from R2 billion to R3 billion
- **Eastern Europe:** Successful infrastructure investments resulted in more than 200% growth in Eastern European revenue
  - We also won two more concessions contracts during the year
- **Middle East:** Even as markets in Dubai declined, we maintained a profitable business through regional expansion outside Dubai

resilient business model

- **Profitable alliances**
  - Established with brands such as General Electric (USA), HMT (USA), Dredging International (Netherlands), Strabag (Austria), Bouygues (France), Structural Systems (Australia) and SpieCapag (France)
- **Experience and reputation in the key growth areas of power and concessions**
  - During the year, we increased the concessions portfolio value by 38% and we won R491 million worth of power construction contracts
  - Pre-qualified for R22,4 billion of new PPP work
- **Development and investment in property assets**
  - Acquired a 15% share in the Waterfall Development Company for R120 million
  - Invested R10,5 million in securing property development rights in locations associated with city business precincts and industrial parks
- **World-class risk management, IT and systems**
  - Loss-making contract rates below world norms
  - 100% site connectivity
- **Integrated business model that provides services from project finance through to execution**

A PROVEN STRATEGY

The statement made in last year's Annual Report that the group's strategy is flexible enough to adapt to changing circumstances was proven this year. Our entrenched position as an integrated construction services, materials and investment group allowed us to be nimble enough to adapt to the effects of the global economic crisis.

structure reduces earnings volatility

- **The group's diversified structure reduces earnings volatility within the infrastructure sector**
  - As global markets turned, the group shifted its focus to South African public infrastructure, with 63% revenue derived from SA
  - Switched markets from 65% in the public sector at the start of the year to 78% at the end of the year based on one year order book
  - **Our multi-year order book, even after major cancellations in Dubai, remains robust at R11,6 billion**
  - **The group's non-construction portfolio (Manufacturing, Construction Materials and Investments and Concessions) contributed 18% of group revenue**

captures multiple margin streams

- R3,4 billion of revenue generated in the year from contracts involving more than one business
- Internal utilisation of the group's Manufacturing and and Construction Materials products grew from R288 million in F2008 to R537 million in F2009

sustainable revenue and profit

- Compound average growth rate of 50% over the last eight years
- Even against the tough markets, the group grew F2009 earnings* by 25%
- Cash exceeds net operating profit
  - Generated R954 million in cash and R1,8 billion cash from operations

**Net profit % increase F2008 – F2009.*

Financial highlights

+36%

Revenue

Revenue increased by 36% from R8,9 billion to R12 billion.

+25%

Operating profit*

Operating profit increased by 25% from R636 million to R797 million.

The group posted an operating profit margin of 6.6%.

+52%

Cash and cash equivalents

Cash on hand increased by 52% from R1,8 billion to R2,8 billion.

+28%

Fully diluted earnings per share

Fully diluted earnings per share increased by 28% from R3,79 to R4,86.

+28%

Fully diluted headline earnings per share

Fully diluted headline earnings per share increased by 28% from R3,98 to R5,08.

+24%

Dividends per share

The final dividend of 72 cents per share brings the total dividend for the year to 130 cents. This is in line with the group's philosophy of staying within the range of four times covered based on earnings per share.

**Before fair value adjustments.*

Non-financial highlights

- An improvement in our key safety ratio, with disabling frequency rate decreasing from 0.50 to 0.39
- Successful implementation of an integrated quality management system
- Increase in training spend to R38 million, with around 9 000 people trained
- Group BEE rating increased to a Level 3
- A gradual shift in our employment equity profile, with 18% of senior management black
- Strong improvement in environmental systems, with no significant incidents during the year

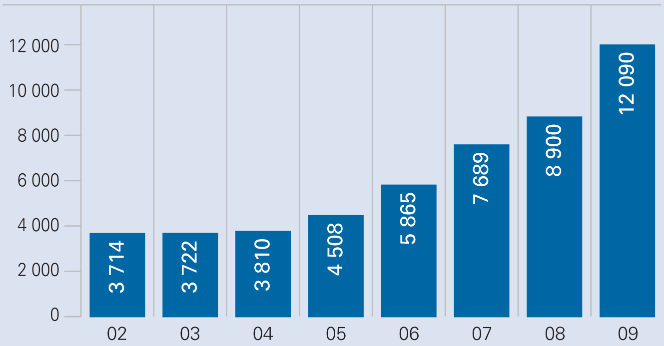
Disappointments during the year included:

- Five fatalities – see page 204
- The winding down of the iLima portion of our BEE transaction – see pages 54 and 268
- Construction Materials' performance – see page 94
- Contract cancellations in Dubai – see page 113

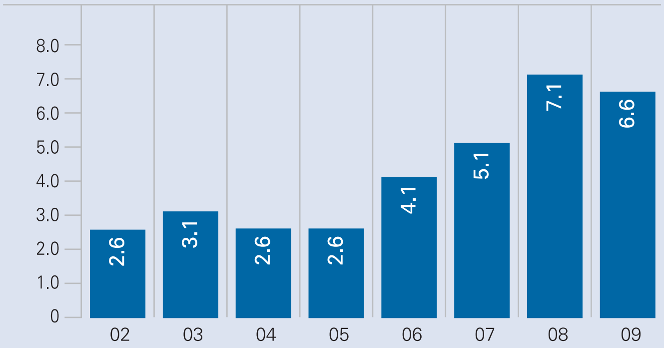
What is our track record?

R'000	2009	2008	2007
INCOME STATEMENT			
Revenue	**12 090 236**	8 899 578	7 689 168
Operating profit	**797 182**	635 660	391 624
Other income – net	**15 718**	111 464	23 620
Share of (loss)/profit from associates	**(69)**	140	–
Profit before finance costs and taxation	**812 831**	747 264	415 244
Finance costs	**(30 820)**	(81 727)	(41 953)
Profit before taxation	**782 011**	665 537	373 291
Taxation	**(224 567)**	(208 041)	(129 560)
Profit from continuing operations	**557 444**	457 496	243 731
BALANCE SHEET			
Interest of equity holders of parent	**2 373 477**	2 006 664	1 612 587
Minority interests	**34 366**	16 517	9 335
Total equity	**2 407 843**	2 023 181	1 621 922
Long term liabilities	**959 936**	1 172 949	996 622
Liabilities directly associated with non-current assets classified as held for sale	**–**	–	–
Current liabilities	**7 005 091**	6 053 616	4 269 230
Total liabilities	**7 965 027**	7 226 565	5 265 852
Long term assets	**2 839 542**	2 568 961	2 098 216
Non-current assets classified as held for sale	**81 170**	135 760	163 967
Current assets	**7 452 158**	6 545 025	4 625 591
Total assets	**10 372 870**	9 249 746	6 887 774

Total revenue (R million)

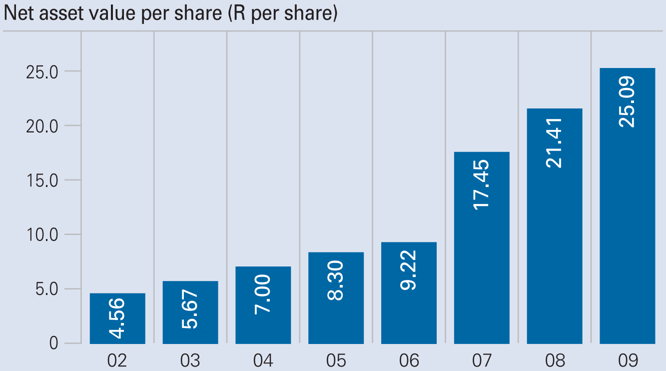


Operating profit margin (%)

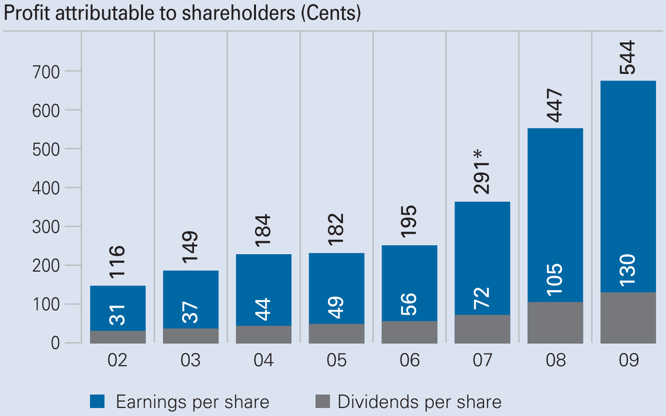


2006	2005	2004	2003	2002
5 864 721	4 508 285	3 809 917	3 721 935	3 714 006
240 799	115 686	97 951	115 162	94 832
(69 497)	44 032	49 552	14 970	17 513
–	–	–	–	–
171 302	159 718	147 503	130 132	112 345
(30 329)	(25 922)	(29 780)	(24 913)	(24 148)
140 973	133 796	117 723	105 219	88 197
(62 754)	(26 199)	(22 294)	(25 876)	(17 962)
78 219	107 597	95 429	79 343	70 235
681 257	596 912	479 618	380 582	303 243
1 762	4 306	11 447	9 899	5 949
683 019	601 218	491 065	390 481	309 192
161 669	148 634	139 927	91 277	92 097
148 285	118 205	121 673	66 971	88 032
3 911 429	1 983 247	1 591 731	1 502 223	1 736 891
4 221 383	2 250 086	1 853 331	1 660 471	1 917 020
792 634	675 667	588 973	476 942	420 511
338 667	249 442	244 507	205 839	185 356
3 773 101	1 926 195	1 510 916	1 368 171	1 620 345
4 904 402	2 851 304	2 344 396	2 050 952	2 226 212

Net asset value per share (R per share)



Profit attributable to shareholders (Cents)



*Before external BEE ownership expense.

What are our key measures?

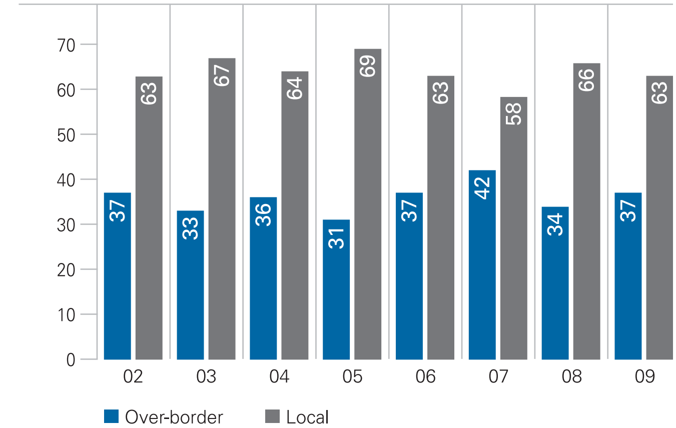
GROUP PERFORMANCE INDICATORS

R'000	**2009**	2008	2007	2006	2005
REVENUE					
Investments and Concessions	**626 795**	581 685	533 800	316 217	227 290
Infrastructure Concessions	**527 938**	326 554	226 016	189 247	132 517
Property Developments	**98 857**	255 131	307 784	126 970	94 773
Manufacturing	**816 132**	554 656	523 768	472 975	446 308
Construction Materials	**671 317**	689 220	231 081	–	–
Construction	**9 975 992**	7 074 017	6 400 519	5 075 529	3 834 687
Building and Housing	**2 899 773**	2 848 795	3 121 921	2 788 466	2 268 610
Civil Engineering	**4 633 259**	2 964 184	2 484 293	1 662 700	1 051 679
Engineering Projects	**2 442 960**	1 261 038	794 305	624 363	514 398
Total revenue	**12 090 236**	8 899 578	7 689 168	5 864 721	4 508 285
OPERATING PROFIT					
Investments and Concessions	**81 887**	53 482	43 091	37 530	17 378
Infrastructure Concessions	**79 636**	30 735	17 927	12 398	6 138
Property Developments	**2 251**	22 747	25 164	25 132	11 240
Manufacturing	**85 964**	56 211	66 519	60 205	36 157
Construction Materials	**55 835**	141 946	45 531	–	–
Construction	**573 496**	384 021	236 483	143 064	62 151
Building and Housing	**141 032**	140 294	84 276	78 903	44 158
Civil Engineering	**225 733**	142 857	105 037	50 169	(9 712)
Engineering Projects	**206 731**	100 870	47 170	13 992	27 705
Total operating profit	**797 182**	635 660	391 624	240 799	115 686
Overall operating profit margin (%)	**6.6**	7.1	5.1	4.1	2.6
Over-border revenue (%)	**37**	34	42	37	31
Cash generated – millions	**954**	1 195	60	391	111
SHAREHOLDER RETURNS					
Earnings per share (R)	**5,44**	4,47	2,91	0,72	1,82
Headline earnings per share (R)	**5,68**	4,70	2,83	0,69	1,43
Earnings per share (R) – before external BEE ownership expense	**5,44**	4,47	2,91	1,95*	1,82
Headline earnings per share (R) – before external BEE ownership expense	**5,68**	4,70	2,83	1,93*	1,43
Dividend per share (cents)		105,0	72,0	56,0	49,0
Net asset value per share (R)	**25,09**	21,41	17,45	9,22	8,30
MARKET INDICATORS					
Market price – high (R) per share	**58,25**	73,80	59,50	32,50	17,00
Market price – low (R) per share	**26,70**	42,00	27,26	15,20	10,00
Market price – year end (R) per share	**34,70**	44,90	54,40	28,75	15,39
Market capitalisation – year end (R'millions)	**4 167,2**	5 350,5	6 443,5	2 867,1	1 132,3
Value of shares traded (R'000)	**3 612 810**	5 462 078	3 124 034	1 373 898	536 994
Number traded ('000)	**92 297**	103 436	67 728	57 970	39 950

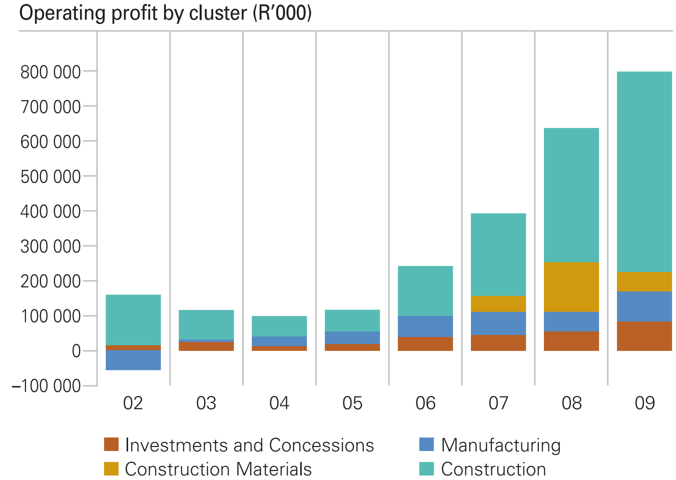
Before external BEE ownership expense.

2004	2003	2002
227 355	170 843	155 958
172 210	139 575	124 187
55 145	31 268	31 771
358 296	320 329	354 229
–	–	–
3 224 266	3 230 763	3 203 819
1 917 554	1 433 665	1 433 000
986 836	1 290 642	1 364 000
319 876	506 456	406 819
3 809 917	3 721 935	3 714 006
11 358	23 211	13 987
7 643	12 565	12 710
3 715	10 646	1 277
27 969	6 773	(63 973)
58 624	85 178	144 818
74 581	43 760	60 320
(36 087)	21 475	55 360
20 130	19 943	29 138
97 951	115 162	94 832
2.6	3.1	2.6
36	33	37
49	(52)	(87)
1,84	1,49	1,16
1,48	1,20	0,94
1,84	1,49	1,16
1,48	1,20	0,94
44,0	37,0	31,0
7,00	5,67	4,56
11,00	7,71	5,25
4,95	3,40	3,10
11,00	5,20	3,40
809,3	382,6	250,1
229 924	199 495	80 616
28 038	34 456	20 751

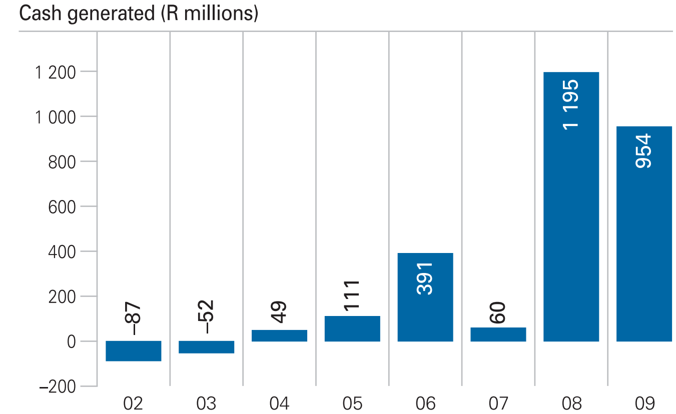
Total revenue – over-border versus local (%)



Operating profit by cluster (R'000)



Cash generated (R millions)



Who is our team?

Board of directors

01 02 03 04 05

06 07 08 09 10

01 / NOM
P (Philisiwe) Buthelezi (45)
Chairperson
BA Economics, MSC in Economics, MBA

02 / AC, RC
MR (Mike) Upton (54)*
CEO
BSc Electrical Engineering, Professional Engineer (Pr. Eng), Business Management Diploma

03
CMF (Cristina) Teixeira (36)*
CFO
BCom, Bcompt (Hons), CA(SA)

04 / AC
LE (Lindiwe) Bakoro (35)
Independent non-executive director
BCom Acc (Hons), CA(SA), HDip Tax

05 / AC, RC, NOM, SED
Baroness L (Lynda) Chalker of Wallasey (67)(A)
Independent non-executive director
Fellow of the Institute of Statisticians, Recipient of nine UK honorary degrees

06 / AC
Dr MSV (Mandla) Gantsho (46)
Non-executive director
PhD, MSc, BCom (Hons), CA(SA)

07 / RC
Dr JL (John) Job (64)
Independent non-executive director
BSc (Hons), PhD (Hons) in Physical Chemistry

08 / AC, RC, REM
SG (Stuart) Morris (63)
Independent non-executive director
BCom, CA(SA)

09 / AC, RC, NOM, SED
KK (Kalaa) Mpinga (48)(B)
Independent non-executive director
BSc Agricultural Economics, MSc International Agricultural Development

10 / RC, REM
Z (Zolani) Mtshotshisa (51)
Non-executive director
Masters Degree in Mass Communication, MSc (International Relations), PDip Human Resources Management, International Diploma in Journalism

Company secretary

11

11
N (Nonqaba) Katamzi (40)
Company secretary
BA Law, LLB, CIBM

**Executive committee member.*

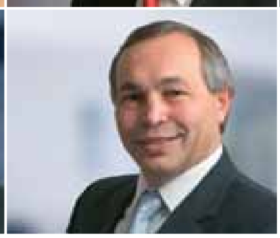
Executive committee

12 13 14 15 16









17 18

12 / SED

MJ (Junaid) Allie (39)
Group human resources and marketing director

BPharm

13

P (Paul) le Sueur (52)
Building and Housing and Middle East

BSc QS, MAQS, RQS, RICS,
MSc Building Management

14

AJ (Andrew) McJannet (46)
Civil Engineering (Local and Africa)

BSc Eng (Civil), BA (PPE), MA, Pr Eng, MSAICE

15 / RC

GD (Guy) Mottram (43)
Group risk officer

BCom, LLB

16

ECJ (Eric) Vemer (44)
Investments and Concessions

BSc Eng (Civil) (Hons), MBA

17 / SED

JA (John) Wallace (51)
Manufacturing and Construction Materials

BCom, Hons Programme in Advanced Marketing and Executive Management Programme

18

WI (Willie) Zeelie (47)
Engineering Projects: Energy and Design and Project Management

Higher National Diploma Electrical Engineering, Pr Tech Eng, SAIEE

RC / Risk committee SED / SED committee AC / Audit committee REM / Remuneration committee
NOM / Nominations committee A / British B / Congolese

Corporate · Investments and Concessions · Manufacturing · Construction Materials · Construction

Who is our team? continued

Management committee

19 20 21 22 23

24 25 26 27 28

19
C (Celia) Becker (36)
Group country risk director
BCom Acct (Hons), CA(SA), H Dip International Tax, MCom Taxation

20
C (Cedomir) Djordjevic (44)
Technical director: Manufacturing
BSc Mech Eng

21
RM (Richard) du Toit (46)
Human resources director – operations
BCom, Development Programme in Labour Relations, Advance Labour Law Programme

22 / SED
FH (Frank) Enslin (53)
Managing director: Housing
BSc (Building Science), PCM, FCIOB

23
ME (Malcolm) Farrell (45)
Group supply chain director
BCom, MBA

24
G (Greg) Heale (56)
Sales Director: Mining, Industrial, Oil and Gas, Infrastructure Developments
BSc, Eng (Mech), Cert (Mines and Works), MAP, ASQC (CSIR)

25
JW (Jon) Hillary (36)
Managing director: Property Developments
BCompt (Hons), CA(SA)

26
MGC (Guy) Hopkins (43)
General manager: Quarry Cats
NH Dip Civil Engineering

27
NM (Mark) Humphreys (42)
Managing director: Engineering Projects (Mining and Industrial)
Higher National Diploma Quantity Surveying

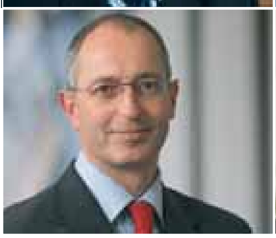
28
LMM (Loren) Jackson (39)
Group legal and compliance director
BA, LLB

Management committee

29 30 31 32 33





34 35 36

29

CJ (Craig) Jessop (42)
Managing director: KwaZulu-Natal

BSc Quantity Surveying, RQS

30 / SED

IM (Isabella) Makuta (44)
Group communications and corporate affairs director

BA, Post Grad. HR, MBA

31

BR (Bradley) Mansfield (36)
Group finance: operations director

BCompt (Hons), CA(SA)

32 / REM

SMO (Siegfried) Milbert (48)
Group quality systems director

BCom (Law), BAcc, CA(SA)

33

KD (Keith) Miller (57)
Area director: Building, Western Cape

BSc Civ Eng, Pr Eng, MSAICE

34

C (Chris) Riley (40)
Managing director: Plant and Steel

BSc Mechanical Engineering

35

JAE (Jurgen) Stragier (38)
Managing director: Everite

BSc (Aeronautical Engineering)

36

MP (Michael) van Rooyen (52)
Managing director: Building (National)

BSc, Building Management PCM, MCIOB

RC / Risk committee SED / SED committee AC / Audit committee REM / Remuneration committee
NOM / Nominations committee A / British B / Congolese

Corporate · Investments and Concessions · Manufacturing · Construction Materials · Construction

How is our team measured?

Each employee commences employment with the group with key performance areas (KPAs). Directors' performance against these KPAs are evaluated on an annual basis by employees' reporting heads. Non-executive directors are evaluated by comparing performance against their communicated duties, as well as through an independent evaluation by the Institute of Directors (IOD).

Below is an extract of the KPAs for our group's board of directors, executive committee and managing committee members.

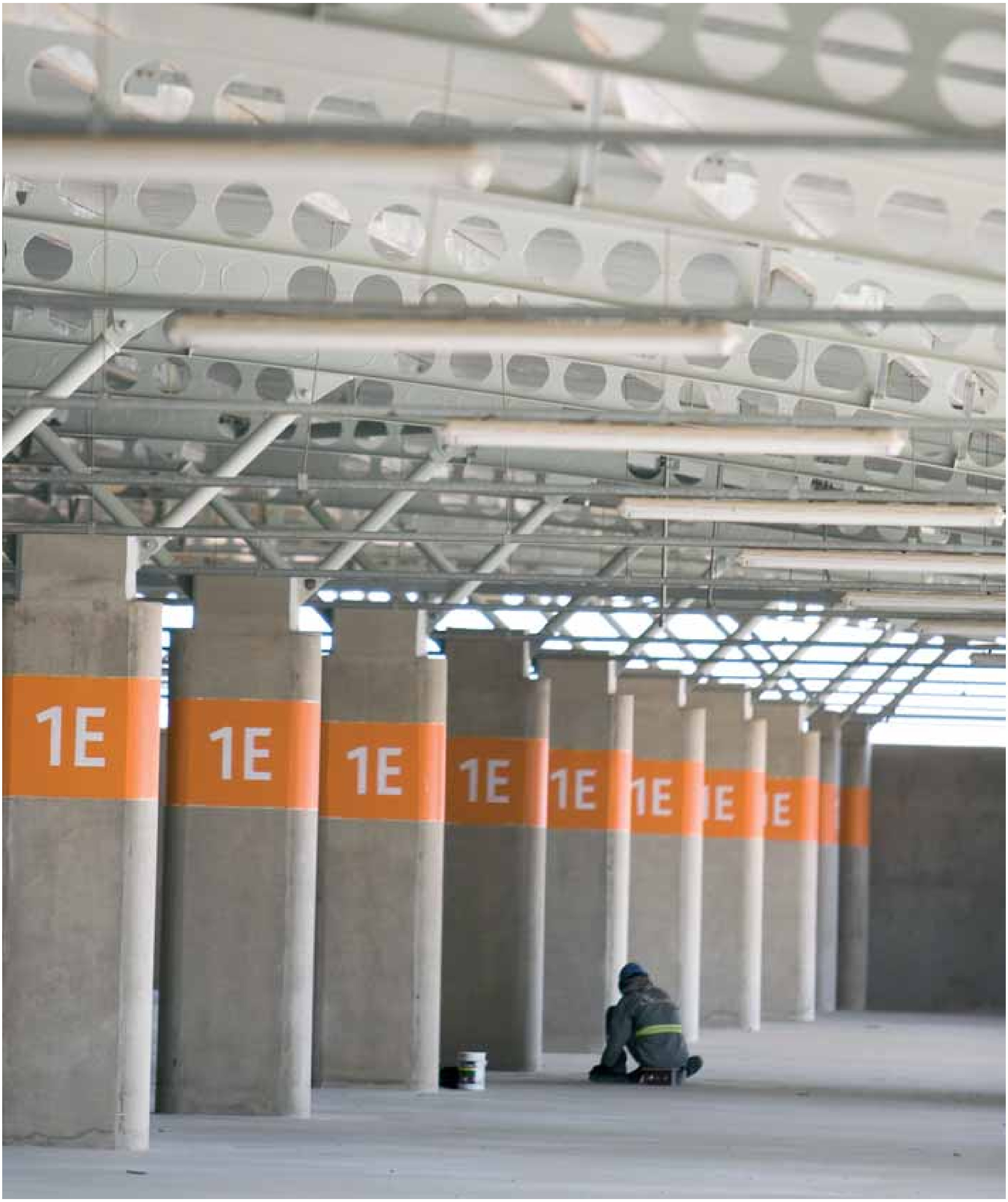
Details of directors' emoluments, as well as executive and managing committee remuneration, appears on page 184 to 187 of this report.

The team	KPA	Measures	Evaluated by
Chairperson	▶ Leadership ▶ Independence ▶ Integrity and governance ▶ Annual work plan for board, set out with objectives and goals ▶ Induction of directors ▶ Board and director appraisals ▶ Performance of CEO	▶ Focused and unified board ▶ No conflicts of interest ▶ Smooth functioning of the board ▶ Annual work plan delivery and improved complement of board ▶ Percentage of induction completed ▶ Percentage of appraisals completed ▶ Completion of CEO appraisal	Independent evaluation by Institute of Directors Shareholders through Annual General Meeting
Non-executive directors	▶ Skill, experience and technical knowledge in terms of strategy, performance, resources, transformation, standards of conduct and evaluation of performance ▶ Contribution to the board and sub-committees ▶ Offering sufficient time to Group Five	▶ Evaluation of board skills against business requirements ▶ Attendance at required meetings and contribution to meetings ▶ Amount of other commitments and results of annual board evaluation	Independent evaluation by Institute of Directors Shareholders through Annual General Meeting

The team	KPA	Measures	Evaluated by
CEO	▶ Effective leadership ▶ Group strategic development ▶ Together with CFO, to drive group financial performance ▶ Cash generation ▶ Safety within the group ▶ Ensuring effective client delivery ▶ Organisational development, succession and transformation ▶ Building capacity ▶ Effective compliance/ risk management ▶ Stakeholder communication and interaction ▶ Inter-company initiatives and group procurement	▶ Employee satisfaction survey ▶ Success of group strategy, indicated through results ▶ Achievement against group's EPS and budget growth ▶ Free cash flow ▶ Group DIFR and fatalities ▶ Strength of order book and repeat business ▶ Construction Charter scorecard rating ▶ % of permanent employees trained annually ▶ Audit report ▶ Customer, investor and board feedback ▶ Discretionary rating by reporting head	Chairperson and remuneration committee chairperson
CFO	▶ Leadership ▶ Group financial performance and position ▶ Cash generation ▶ Financial risk management ▶ Organisational development, succession and transformation ▶ External and internal compliance management ▶ Technology enhancement and development ▶ Stakeholder communication and interaction	▶ Employee satisfaction survey ▶ Actual versus targets – group's over-arching financial goals (refer page 45) ▶ Free cash flow ▶ Adherence to risk sub-committee financial mandate ▶ Construction Charter scorecard rating ▶ Compliance status and age of unresolved queries, internal audit report and quality review of non-conformances ▶ Extent of connectivity, integration, relevant and reliable management information ▶ Investor and financial institution feedback	CEO

How is our team measured? continued

The team	KPA	Measures	Evaluated by
Company secretary	▸ Ethics and governance	▸ Code of ethics maintenance and communication, effective management of Tip Offs line	Group risk officer
	▸ Compliance with laws and regulations	▸ Compliance exceptions, statutory and corporate status	
	▸ Directors' duties and induction	▸ % of directors trained/inducted and adherence to laws and requirements	
	▸ Adherence to the Companies Act and JSE Listings Requirements	▸ Status of adherence and discretionary rating by manager	
	▸ BEE scheme administration	▸ Effective administration of black management scheme and share appreciation rights scheme	
Executive committee members	▸ Leadership	▸ Employee satisfaction survey/group policy set within specialist area	CEO
	▸ Transformation	▸ Achievement of transformation targets and Construction Charter scorecard rating	
	▸ Service delivery to group	▸ Business unit satisfaction survey	
	▸ Inter-company and group initiatives	▸ Achieved roll out versus budgeted implementation plan	
	▸ Organisational development and succession	▸ Effectiveness of succession and development plans	
	▸ Technology/skills acquisition and development	▸ Enhanced business information	
	▸ Safety	▸ Group DIFR and fatalities	
	▸ Compliance and quality	▸ Audit reports	
	▸ Group strategic development in area of responsibility	▸ Discretionary rating by manager	
	▸ Teamwork	▸ Discretionary rating by manager	
	▸ Stakeholder relations	▸ Insurance, risk, human resources, team feedback	
Managing committee members	▸ Financial performance	▸ Achievement of financial performance indicators	Relevant executive committee member
	▸ Cash generation	▸ Ratio to group profit before tax	
	▸ Inter-company initiatives and group procurement	▸ Discretionary rating by manager based on performance	
	▸ Transformation	▸ Delivery against transformation targets and Construction Charter scorecard rating	
	▸ Individual performance assessment – additional KPA specific to area of focus	▸ Discretionary rating by manager based on performance	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Messages from
the team

Chairperson's review

BBBEE scorecard rating*

+78.8%

8-year compound average growth rate**

+50%

**Construction Sector Charter. **Earnings.*

The period under review was one of the most turbulent economic periods in recent memory. It is with considerable satisfaction, then, that I am able to comment on another strong set of results from Group Five.

robust results despite market turbulence

INTRODUCTION

A talented management team with a solutions-orientated group culture has seen Group Five adjust to very fluid market conditions to deliver on both operational and strategic levels. The positive results clearly demonstrate the group's agility and the success of its drive to achieve a diverse operational base able to support increased levels of inter-group integration, as is described in the CEO's report.

MACRO ECONOMIC CONTEXT

The first half of the year under review featured high growth for the group, accompanied by general capacity building. In stark contrast, the second half saw a dramatic downturn in global and local financial markets. This sparked a collapse of consumer markets globally and a slowing demand for resources in our markets. In many regions the global credit retraction slowed down the awarding of private sector contracts. The speed of the economic decline had differing impacts on Group Five's various areas of operation.

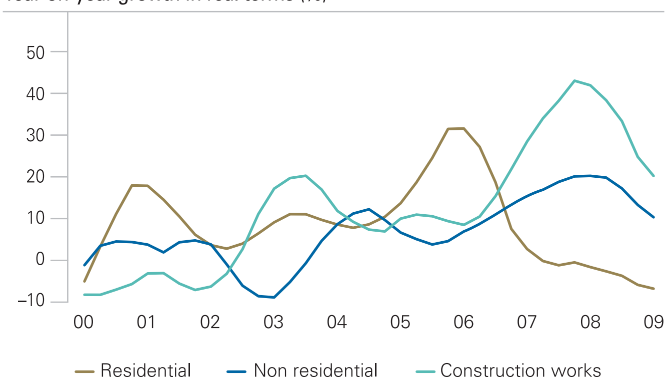
In South Africa, the country's public works programme played a key role in sustaining the construction sector, but the fall-off at mid-tier and smaller company levels has been dramatic. As a result, pressure on skills within the sector has been partially released, but competition has seen a marked increase. The country's high inflation levels came down as diesel and steel prices peaked, but high wage inflation expectations and elevated cement prices are still contributing to the cost of capital expansion. Significantly, the president's 2009 State of the Nation address reaffirmed South Africa's commitment to its infrastructure development programme. This programme is viewed by government as a key driver of economic growth and is clearly central to the country's strategy to deal with the global economic downturn.

In the rest of Africa, there has been a clear slowdown in resources activity. This, coupled with the scarcity and high cost of project financing, has temporarily slowed private infrastructure development. However, significant public infrastructure development programmes continue to be scheduled across sub-Saharan Africa. Despite the increasing cost of finance, many of these programmes are likely to continue, albeit possibly according to a revised roll out.

The Middle East experienced an implosion of the Dubai property bubble, resulting in large-scale contract cancellations and terminations. A recovery is not yet in sight in Dubai, but some

Chairperson's review continued

Year-on-year growth in real terms (%)



Source: SAFCEC.

public works and specialised industrial contracts – both Group Five focus areas – are continuing in the rest of the region.

In Eastern Europe, financially stressed economies continued to invest in infrastructure, allowing Group Five's business in this region to continue on a positive growth path.

DELIVERY THROUGH DIVERSITY

Group Five has for some years been following a diversification strategy designed to position the group to negotiate variable market conditions.

The group's nimbleness in trying circumstances can be ascribed, in large measure, to its ongoing focus on developing a culture at executive level that focuses on entrepreneurship, performance and accountability. Contract controls and strong management ability are now major drivers of success in the global construction sector, which means all players face the imperative of attracting and retaining the skills of highly-talented industry specialists and business people, and using this talent to outperform rivals in the market place. This is, obviously, an ongoing challenge, and one the group continues to pay attention to without compromising its strong focus on its strategy and transformation.

Group Five views its transformation agenda as central to achieving the diversity that supports its ability to operate across a wide range of geographies, markets and sectors, the achievement of sustainable growth over the long term and the delivery of high quality services to clients and business partners.

Our transformation journey has by no means ended. We still have a long way to go as an organisation, and as an industry, to build a strong, sustainable and capable multi-cultural and gender representative team, and to ensure that our skills base – at all organisational levels – reflects and harnesses South Africa's natural diversity. The group will thus continue to focus in the years ahead on making the construction industry an industry of choice for black professionals, and on ensuring that our internal transformation programme effectively supports our market position and broader business strategy.

CORPORATE GOVERNANCE

Group Five takes a strategic rather than regulatory view of its ability to meet guidelines and legal requirements. The Draft Report on Governance for South Africa and the Draft Code of Governance Principles (King III) will be finalised in F2010. The latest revision of the report continues to place emphasis on strong corporate governance and risk management through proactive company leadership that pays considered attention to ethical behaviour and sustainability – both internally and in respect of the group's relationships with key stakeholders and broader society.

The work carried out across governance, risk management, transformation and human resources at Group Five has been pivotal in avoiding a compliance-only mindset and plays a major role in driving a culture of ethical and sustainable behaviour in all of Group Five's day-to-day activities.

LOOKING FORWARD

Looking forward, Group Five will continue to focus on growth strategies and delivering on its commitments. This means ensuring the group is structurally lean and effective and able to operate successfully in variable conditions. Proven experience in dealing with challenging market conditions within the group's management team is crucial in this context.

Group Five's maturation as a business is clearly evident in the cross-business integration achieved over the period under review. This ability, in combination with the group's structural and geographic diversity, is likely to position Group Five well when it comes to continuing to maintain a strong order book.

While the market context looks likely to remain relatively uncertain over the medium term, the group's structure and strategic approach allows it to negotiate this uncertainty, and to continue to grow in its active market segments.

APPRECIATION

I would like to thank everyone in the group for the incredible effort they put in during the year under review. These have not been easy times, but it is nonetheless extremely rewarding to watch the group's talent and passion for doing positive business bearing such rewarding fruit. Thank you to the board members for your continued hard work and a special word of thanks to the CEO, the CFO and the rest of exco who continued to guide the business well.

P (Philisiwe) Buthelezi
Non-executive chairperson

6 August 2009

Chief executive officer's review

Revenue

+36%

FD HEPS*

+28%

**Fully diluted headline earnings per share.*

The year under review was characterised by the delivery of a credible performance that demonstrates the resilience of our strategy of diversification across the infrastructure value chain.

results demonstrate resilience of strategy

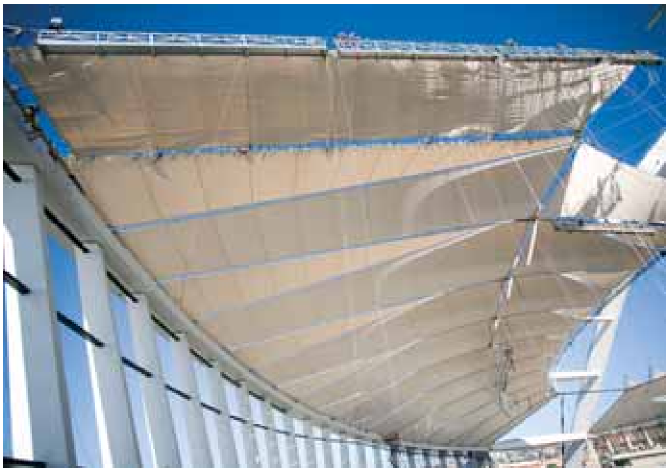
INTRODUCTION

The group pleasingly delivered 36% revenue and 25% operating profit growth during this year. This was mainly driven through exceptional growth in the Construction, Manufacturing and Infrastructure Concessions clusters, all of which have been well positioned to capture the peak of the private investment cycle and, subsequently, to benefit from the accelerated roll out of public works programmes. These businesses have also achieved a strong position in the African region's rapidly-expanding energy and power markets.

STRATEGY DELIVERING

The robust results were achieved despite the turbulence that was such a feature of our external markets. In negotiating these troubled times, Group Five's management stuck to the basics of maximising performance in each of our businesses and increasingly integrating our products and services into a single offering. This integration is the essence of our strategy and has positioned Group Five as a leading engineering and construction contractor in the delivery of large multi-disciplinary infrastructure contracts.

Chief executive officer's review continued



The benefits of this product and service diversification and integrated approach to large contracts, as well as our ability to navigate change, became very prominent during the year. After losing R4 billion of the Middle East order book due to the global financial crisis, we were able to switch markets and substantially increase our order book in the public sector in South Africa. We also successfully weathered the local decline in the real estate and mining sectors and the temporary, but dramatic, fall-off in profitability in the materials sector.

During the year, the group cut its fixed cost base through a reduction in expenses and the trimming of corporate and business overheads, as well as rationalising structures across some of the group's business areas. These initiatives were conducted in parallel with continuous improvement drives in terms of both quality and project management. The focus on contract execution and increased efficiencies enabled the group to grow its construction margin and cash position.

FOCUS ON SUSTAINABILITY

Our results would not have been possible without the remarkable efforts of our people who showed resilience and character under very challenging circumstances. We therefore maintained our strong commitment to the recruitment, development and retention of skilled people. The Group Five Academy and the Construction Skills Training Academy have grown from strength to strength and we are proud of the fact that they have become industry benchmarks, attracting interest and participation from all the group's businesses, as well as from business partners and customers. Refer to page 250 for more information.

The group further increased its management focus on safety in the year, with the group's disabling injury frequency rate (DIFR) improving to 0.39 (F2008: 0.50), achieved in the context of the group having worked a total of 63 million man hours, a 78% increase over the prior year.

However, and most unfortunately, the group suffered five fatalities, each of them a tragedy for the victims' families and colleagues. Three of these were motor vehicle accidents and not on-site incidents. However, the group considers any fatalities of employees as completely unacceptable. We continue to be committed to driving continuous improvement in our safety record and to strive for zero harm. Refer to page 202 for more information.

During the year, attention was therefore given to unify management's approach to sustainability, with a particular focus on improving safety and understanding our environmental responsibility and contribution to transforming South African society.

The group executive launched a programme of interaction, awareness training and accountability in terms of sustainability amongst Group Five's top 150 employees. To ensure pro-active implementation, senior employees' remuneration now includes a component aligned to these triple-bottom line measures.

The management culture in our group is also to provide some room for executive leaders to be more entrepreneurial in their approach to their businesses, whilst operating within the group's strategic framework and within strict authority levels and adherence to a common set of values, systems and measures.

> In line with a renewed focus on sustainability, this year the group aimed to present its annual report to stakeholders with more of a balance – not simply a collection of reporting areas, but rather integrating the business performance, the environment in which we operate and the drive for sustainability to give the reader some sense of the scope we believe leaders of business will be compelled to embrace in a rapidly changing world.

Investment in and focus on how we operate as a business has also been stepped up. This has taken shape through the roll out of an integrated quality or business management culture, featuring the adoption and implementation across the group of the latest ISO 9001:2008 and ISO 14001:2004 standards. Refer to page 144 for more information.

Industry initiatives for "green construction" have also been undertaken, with Group Five being a founding member of the Green Building Council of South Africa. Furthermore, the group rolled out programmes to raise awareness and ensure accountability for compliance with the Draft Report on Governance for South Africa and the Draft Code of Governance Principles (King III), as well as increased regulatory awareness and compliance. Refer to page 194 for more information.

Lastly, the group informed shareholders on 18 June 2009 that in spite of significant efforts over almost a year by the group's BEE and enterprise development partner, iLima, together with Group Five and other interested parties, the current turbulent financial markets exacerbated iLima's funding challenges and their refinancing initiatives failed. This resulted in the iLima portion of our BEE transaction unwinding.

Refer to the CFO's Review on page 45 for more information.

Even against this, as a result of our focus on the continuous improvement of the other aspects of BBBEE, our overall Construction Charter Scorecard rating improved to a level 3.

LOOKING FORWARD

The group looks forward to South Africa successfully hosting the 2010 Soccer World Cup, supported by world-class stadia and quality infrastructure proudly designed and built by local skills.

The South African government's public works programme in the areas of power generation, transport, water and housing will provide growth opportunities for the South African construction sector, if the delivery of this capital works programme is sustained.

At the same time, we believe that the outlook in southern Africa for private sector fixed investment has deteriorated and a recovery in private sector spending is likely to lag recovery in other global markets.

We remain positive on the outlook for public sector-funded contracts across the region, although delays in implementation are being experienced partly due to funding processes and decision-maker changes in government.

Although no consensus view exists, certain commentators are expecting the start of a private sector recovery in the second half of calendar 2010 and into 2011, possibly led by an earlier increase in certain resources demand, lower interest rates and easing of credit.

Opportunities also exist for the group to further broaden its territorial base outside South Africa, specifically in regions where it already enjoys operational experience, and to execute contracts with existing technology partners in power, energy and mining-related sectors.

Recent investment research started to outline a more positive view in terms of the South African construction sector due to:

- **Infrastructure packages and PPPs:** Stimulus packages and PPPs globally show evidence of a recovery in construction activity. South Africa has amongst the biggest stimulus packages in the world, which includes the third-biggest infrastructure spending programme
- **Risk appetite for debt is increasing:** There is an increase in appetite for debt globally. The South African government has recently successfully raised funds
- **Lower market risk premium:** There has been a significant decline in the market risk premium to 6.9% from its peak of 9.4%
- **Commodity prices likely to turn sooner:** South African construction companies are highly geared to commodity prices through their mining businesses. A sustained increase in prices in the medium term should lead to a recovery in construction company order books
- **Sector newsflow turning positive again:** The construction sector is highly reactive to newsflow. News such as the South African government re-considering nuclear power technology should help towards a sector re-rating

Source: Bank of America Merrill Lynch, Research.

Chief executive officer's review continued

In the year ahead, growth might be at lower levels than those achieved during the construction super cycle of F2007/8. However, the group's strong order book and its pipeline of opportunities support a positive outlook, with the dominant profile still being larger contracts in the public sector coming to the market in phases. In this regard, the next phase of awards is expected in the first half of F2010.

In sub-Saharan Africa, research by investment firm Frost & Sullivan estimates that about $563 billion worth of investment would be required over the next two decades in terms of electricity development alone to be in a position to match supply with demand and to support economic growth. The group is extremely well placed in the power sector, with significant experience in this sector in Africa. Refer to page 66 for more information.

The group has already secured 80% of total construction annual sales for F2010 and has a secured order book with line of sight into F2013. These factors have resulted in a positive management view in terms of Group Five's medium to long term sustainable performance. The group's competitive advantage in tendering for both local and international concessions and its variety of income streams provide valuable competitive advantages.

Looking ahead, management see sufficient opportunities in its current and targeted markets to be confident that F2010 will be another year of growth. In the short to medium term, however, the local construction industry is dependent on the South African government succeeding in its capital spending programme – timeously and efficiently rolling out the Eskom baseload power station build programme, the suite of PPP contracts and the road, rail, port and airport, housing and water infrastructure improvements.

Attention to safety, health and environmentally responsible behaviour has been escalated at Group Five as we mould our business for the future environment where a group's investment case and customer support are increasingly driven by a balance between financial performance, the attraction, training and retaining of people and how a company reduces its impact on the environment, in particular its carbon footprint.

The year under review tested the group's leadership, its people, clients and its business case. It is thus very rewarding to be able to confirm that we have used this challenging period productively, further investing in the group's long term sustainability and delivering another set of strong financial results.

In South Africa, the government has pledged to spend almost R40 billion on PPPs alone over the next four years. The table below highlights some of the contracts expected over the next few years:

Highlights of South African PPP contracts

Client	Details	Approximate value (Rm)	Group Five involvement
Serviced accommodation			
Department of Correctional Services	New correctional facilities	4 000	Bid submitted
Department of Environmental Affairs & Tourism	Serviced head office accommodation	850	Bid submitted
KwaZulu-Natal Provincial Treasury	Legislature complex	600	Bid submitted
Munitoria	Serviced head office accommodation	800	Bid submitted
KwaZulu-Natal Provincial Treasury	KwaZulu-Natal precinct	600	Bid submitted
Department of Land Affairs	Serviced head office accommodation	1 200	Tender expected H1 F2010
Greater St Lucia Wetlands Park Authority	Eco-tourism, Club Med JV	300	Tender expected H1 F2010
Department of Defence SA Navy	Training centre	500	Tender expected H1 F2010
Gauteng Department of Health	Upgrade of Chris Hani Baragwanath Hospital	7 000	Tender expected F2010
Department of Correctional Services	Serviced head office accommodation	1 000	Tender expected F2010
South African Police Service	Serviced head office accommodation	4 000	Tender expected F2010
Department of Defence	Various	4 000	Tender expected F2010
Gauteng Department of Public Transport, Roads & Works	Gauteng Kopanong precinct	1 000	Tender expected F2010
Total serviced accommodation		**25 850**	
Transport			
N1/N2 Toll Road	Road concession	6 000	Tender expected Q32009
Wild Coast Toll Road	Road concession	5 000	Tender expected 2010
Cape Town International Airport rail link	Light rail concession	2 000	Bid submitted
Total transport		**13 000**	
Total PPPs		**38 850**	

Source: Group Five and Credit Suisse Standard Securities, Equity Research.

APPRECIATION

I would like to most sincerely thank all our valued employees for their commitment and resilience during a tough year. The quality of your collective effort is, I believe, best reflected by the very strong group performance, especially when one considers the economic context in which it was achieved. Thank you also to the board for supporting management and contributing to our success in turning our strategy into tangible delivery.

MR (Mike) Upton
CEO

6 August 2009

Chief financial officer's review

Return on shareholders' equity

+23.5%

Cash generated from operations

R1,8 billion

another year of solid growth

The year under review was one of significant change. The group is therefore pleased to have delivered strong results in a period in which most of our markets experienced material repositioning. We continued to focus on delivering on our group goals and financial targets to add value to our shareholders.

HIGHLIGHTS OF THE YEAR

Revenue	36% increase to R12 billion
Margin	6.6%
Cash generated	R954 million
Net gearing	0%
Return on shareholders' equity	23.5%
CAGR	50% over eight years
Excellence in Corporate Reporting (Ernst & Young)	Rated Excellent for the 3rd year in a row and ranked 4th overall for best Annual Report
Reporting & Communications (Investment Analysts Society)	Received Best Reporting & Communications Award – Basic Industry and Manufacturing sector – third year running

Readers are requested to review this report along with the consolidated annual financial statements, which are presented on pages 295 to 373.

Chief financial officer's review continued

INTRODUCTION

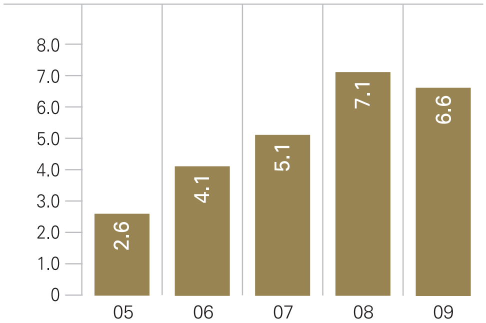
The group is pleased to announce another year of solid growth. Fully diluted earnings per share increased by 28% from R3,79 to R4,86 and fully diluted headline earnings per share increased by 28% from R3,98 to R5,08.

FINANCIAL STRATEGIES AND TARGETS

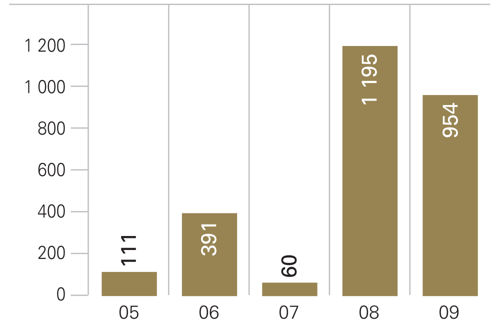
The key internal measures utilised by management to monitor financial performance are disclosed on page 24 of this report. In addition, the group has defined group goals that are designed to provide a dashboard to monitor the group's health, with a particular focus on sustainable shareholder returns. Refer to page 136 of this report. We continually monitor our performance against these targets. These targets are revised from time to time to take into account changes in the group's strategic outlook. The group's delivery against the four primary financial group goals is depicted below.

The key measures are further discussed within this report.

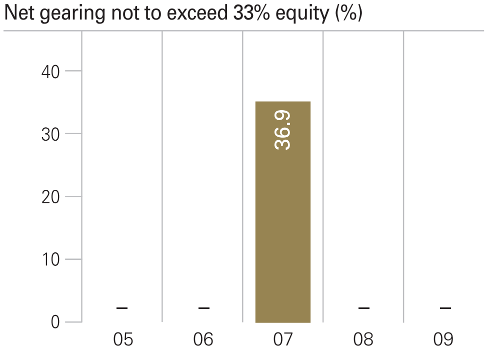
Overall operating margin (%)



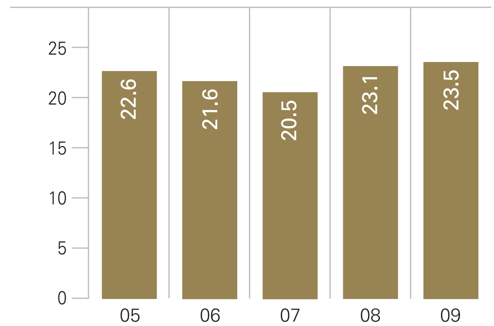
Cash generated (R million)



Net gearing not to exceed 33% equity (%)



Return on shareholders' funds of 25% in the medium term (%)



YEAR UNDER REVIEW

Overview

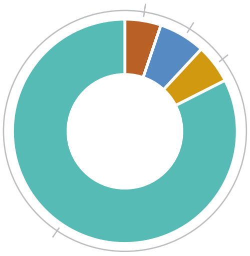
Group revenue increased by 36% from R8,9 billion to R12,1 billion, driven by an increase in revenue from most segments within the business.

Operating profit increased by 25% from R636 million to R797 million. Infrastructure Concessions and Engineering Projects reported especially pleasing increases in operating profit of 159% and 105% respectively. Civil Engineering also produced a strong result, with an operating profit increase of 58%. Construction Materials posted a disappointing result due to the difficult market and trading conditions.

The group's overall operating margin was 6.6% compared to 7.1% in the prior year. This decrease was largely as a result of the depressed Construction Materials' operating profit for the year, as all other clusters posted improved margins.

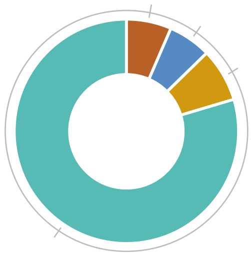
The group's segmental revenue and margin position for the current and prior financial year is depicted below:

Revenue by cluster 2009



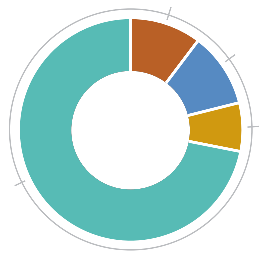
- **5.2%** Investments and Concessions
- **6.7%** Manufacturing
- **5.6%** Construction Materials
- **82.5%** Construction

Revenue by cluster 2008



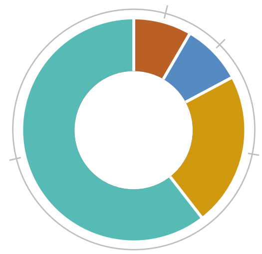
- **6.5%** Investments and Concessions
- **6.2%** Manufacturing
- **7.7%** Construction Materials
- **79.6%** Construction

Operating profit by cluster 2009



- **10.3%** Investments and Concessions
- **10.8%** Manufacturing
- **7.0%** Construction Materials
- **71.9%** Construction

Operating profit by cluster 2008



- **8.4%** Investments and Concessions
- **8.8%** Manufacturing
- **22.3%** Construction Materials
- **60.5%** Construction

Operating margin by cluster %	2009	2008
Investments and Concessions	**13.1%**	9.2%
Manufacturing	**10.5%**	10.1%
Construction Materials	**8.3%**	20.6%
Construction	**5.7%**	5.4%
Total	**6.6%**	7.1%

Further information on each cluster's operating performance for the year can be found on pages 64 to 128.

Fair value adjustments

Investment property, investment in service concessions and investment in property developments are defined as financial assets held at fair value, with fair value adjustments through profit and loss designated on initial recognition.

No fair value profit or loss was recognised in the current or prior year with respect to investment property. No fair value adjustment was recognised in respect of the investment in property developments. This is deemed prudent in light of current market conditions within the local property market.

A fair value adjustment of R16 million (2008: R111 million) was recognised with respect to investments in concessions. This consists of a downward fair value adjustment of R11,4 million on the M6 Motorway (Hungary) and an upward fair value adjustment of R27,1 million on the A1 Motorway (Poland). The downward adjustment is purely as a result of the translation of the investment held in Euros to South African Rand at closing rate at year end. Refer to note 12 on page 332 for further details. As operations have not commenced, the investment is carried at cost, demonstrating the group's conservative approach to earnings adjustments. The large fair value adjustment in the prior year was primarily as a result of the group's disposal of its interest in the M5 motorway in Hungary.

Pension accounting

An amount of R11,5 million pension fund deficit (2008: R22 million surplus) was recorded against income as a result of the actuarial valuation, dated March 2009, performed on the group's defined benefit pension fund. The pension fund is a closed fund. In terms of

Chief financial officer's review continued

the fund's rule amendment, additional surpluses and deficits arising after the legally required surplus valuation date are for the account of the group. The group's surplus apportionment exercise and rule amendment have been approved by the Financial Services Board (FSB). During the year, the group completed the outsourcing of its pensioners from the pension fund, thus the fund remains active with only 180 members. The R11,5 million decrease in operating profit was allocated to each reporting segment based on revenue generated.

Discontinued operations

During the year, an amount of R23 million was charged to the income statement as a result of a change in management's view on the valuation of the amounts outstanding in India. This balance, which was previously reflected under discontinued operations, continues to proceed to arbitration.

An amount of R31,7 million was received on 1 July 2008 as settlement on the final payment due in respect of the Vaal Sanitaryware and DPI Plastics disposals.

CASH FLOW

Operating activities

The group first applies its cash generated from operations to repay our debt and taxation commitments, followed by a return to our shareholders in the form of dividends. Remaining cash is used to fund capital investment programmes. This could be debt funded as the funding strategy is matched to asset type, adjusted for non-free cash flow.

The group generated R1,8 billion cash from operations during the year under review. This represents the sixth financial year of consecutive cash generation. This is partially as a result of continued working capital improvements, including an increase in excess billings over work performed. At year end, the group reported R1 billion in advance payments on hand (2008: R1,5 billion). Included in cash balances is an amount of R278 million held on behalf of joint venture partners. In addition, an amount of R294 million cash is held by joint venture partners on behalf of the group. This is therefore not reflected as cash, but as amounts owing by joint venture partners. This balance is convertible to cash, as required.

The Global Credit Rating agency (GCR) awarded the group a long term credit rating of A and a short term credit rating of A1.

The increase in under-certified work is partially attributable to the Middle East operations, as claims and certification of work performed on cancelled contracts await final resolution. The claim process for resolution has been fast-tracked by both the group and the client.

Financing activities

The cash effects of financing activities are due to the expansion, as explained in the debt and gearing review below.

Debt and gearing

The group is pleased to report a second year of 0% net gearing due to favourable bank and cash balances on hand. 33% net gearing remains the group's maximum target, as mandated by the board.

The group's short term and long term liabilities consist of unsecured domestic bonds, finance leases, property funding and limited bank overdrafts. The debt is mostly variable, linked to JIBAR or prime interest rates. The debt profile matches the assets being funded. Our operating performance has reduced the group's dependency on short term borrowing facilities.

As reported previously, in F2007 the group issued two senior unsecured bonds totalling R850 million. These bonds are repayable in February 2010 and February 2012 and were issued under an approved R1 billion listed debt management programme. The bullet

Capital expenditure by cluster R'000

Segment	Budget 2010	Actual 2009	Nature of 2009 spend % E*	R*	S*	Actual 2008
Investment and Concessions	**1 137**	36 603	92	8	–	20 937
Manufacturing	**15 539**	15 453	53	47	–	42 755
Construction Materials	**55 400**	139 118	49	33	18	213 973
Construction	**67 485**	238 337	42	15	43	171 676
Total	**139 561**	429 511	49	21	30	449 341

**E = Expansion, R = Replacement, S = Contract specific.*

Our strong track record provides a solid base to complete execution on currently awarded contracts. The strategic repositioning of the group, which we commenced a few years ago, ensures that we are well aligned to extract maximum opportunities from the growth sectors in the infrastructure environment.

repayments have been considered by management in the forward looking three-year cash and profit forecasts and various options are being considered. Refinancing of these bonds may be considered where opportunities for investment are identified.

The Global Credit Rating (GCR) agency awarded the group a long term credit rating of A and a short term credit rating of A1. In the previous year it was reported that the ratings were reaffirmed with a rating watch on net gearing as the net gearing realised was 34% at the time of review compared to the group's stated goal of 33%. In the current financial year, this rating watch was lifted.

During the earlier part of the financial year, the rising interest rates, as well as the continued capital restrictions on financial institutions, resulted in an increase in the cost of debt. During the second half of F2009, our capital investment programmes were reviewed and budgets reduced. Any increase in debt is as a result of a requirement in capital equipment to accommodate specific requirements on recently awarded construction and contract crushing contracts or replacement of capital equipment required within the Construction Materials cluster.

Investing activities

All existing capital investment projects are required to provide a targeted return in excess of current weighted average cost of capital (WACC), which is 12%. This rate of return is applied to all existing projects. New projects are assessed on WACC based on the cost of new capital. The central treasury funds all capital projects which are executed by wholly-owned subsidiaries. The central treasury funding requirements are raised from local debt markets and takes into account the group's self-imposed net gearing ratio of a maximum of 33%.

Chief financial officer's review continued

The group generated R1,8 billion cash from operations during the year under review. This represents the sixth year of cash generation. This is partially as a result of continued working capital improvements, including an increase in excess billings on work performed.

Acquisitions

During the year, the following cash investments (excluding capital expenditure which is discussed under debt and gearing) were made, either as an expansion to existing investments or a new business combination.

Cluster	Description	Initial cash outflow	Reference
Investment and Concessions	On 1 November 2008, the group acquired a 15% interest in the Waterfall Development Company (WDC). WDC indirectly, through its 22% investment in Atterbury Investment Holdings, holds the development rights for approximately 1,4 million square metres of a new, mainly commercial development to be built between Johannesburg and Midrand (the Waterfall Farm).	R120 million	Investment in property developments, note 13 page 334. Cash flow statement page 300.
Investments and Concessions	During the year, the group completed the A1 Phase I motorway equipment supply contract in Poland, leading to the commencement of operations. In addition, it achieved financial close of the A1 Phase II in Poland in June 2009. The group invested a further R35,7 million in the A1 via loan funding.	R35,7 million	Investment in service concessions, note 12 page 332. Cash flow statement page 300.
Investments and Concessions	Further share take-up via a rights issue in Jozi Power, a niche company focused on supplying between 1-10 megawatt standby power rental solutions to mining and industrial customers.	R2,9 million	Associates note 11 on page 331. Cash flow statement page 300.
Investments and Concessions	During the year, the group invested R3 million for 51% in an energy-efficiency business, Kayema Energy Solutions. Kayema deals in domestic and commercial solar water heaters and energy efficiency systems. The investment was made at fair value to the assets acquired.	R3 million	Subsidiaries acquired, note 33, page 362.
Construction Materials	With effect from 1 July 2008, the group acquired 100% of BGM. The investment is reflected at a fair value of R71 million and was funded by an initial consideration of R31 million, as well as by an exchange of assets of R12,6 million. The remainder of the funding is linked to the rate of tonnages of material extracted.	R31 million	Subsidiaries acquired, note 33, page 362.

There were no disposals in the current financial year.

FINANCIAL RISKS AND OPPORTUNITIES

Detailed disclosure of the group's financial risks and risk management procedures are provided on page 352.

Risk	F2008 focus	F2009 status	F2010 focus
Liquidity	▶ Cash management, especially within Construction as a result of the increase in size and tenure of contracts. Cash management by contract will remain a fundamental control measure	▶ Cash management remains strong, especially within Construction	▶ Contracts are evaluated at pre-bid and post award (life of contract) on cash generated ▶ Implementation of enhanced cash flow by contract dashboards are being implemented
	▶ Sufficient indirect funding facilities such as insurance and financial performance guarantees due to an increase in value of individual contract awards. This requires an increased level of guarantee facility requirements, as well as limitations by local financial institutions to be able to issue large facilities	▶ Increased guarantee facilities were negotiated to cater for the reduction in facilities from three providers ▶ An automated system of forecasting guarantee requirements based on future pipeline was implemented and is actively monitored against available facilities ▶ The group has sufficient facilities based on current work forecasted	▶ Discussions are currently taking place around opportunities available to the group to better structure the use of current facilities
			▶ Settlement of initial bond bullet payment in F2010 ▶ The bullet repayments have been considered by management in the forward looking three-year cash and profit forecasts. Refinancing of these bonds may be considered where opportunities for investment are identified
			▶ Enhancing system of forecasting, post investment approval, to provide an online real-time, three-year forecast update of financial performance, position and cash flows
Interest rate	▶ Exposure to floating interest rates	▶ A treasury risk policy was approved by the risk committee, which approves the balance between fixed and variable interest rates	▶ Opportunities to swop between fixed and variable interest rates are being investigated
Foreign exchange	▶ Ability to continue natural hedging on over-border contracts	▶ The group continues to be able to naturally hedge future cash flows. This is considered at the pre-bid stage in the contract lifecycle	▶ Current policy will be continued

Chief financial officer's review continued

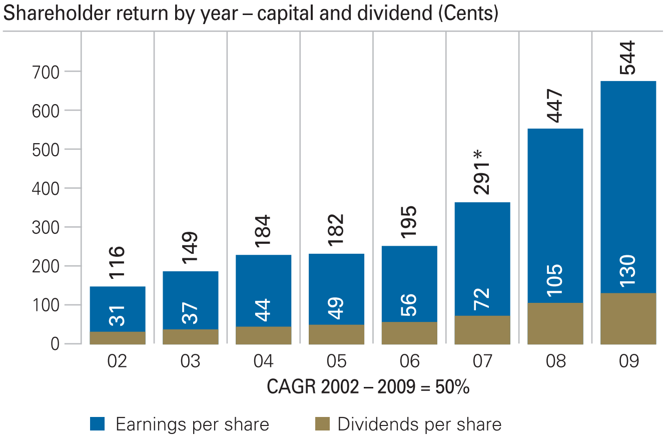
FINANCIAL RISKS AND OPPORTUNITIES continued

Risk	F2008 focus	F2009 status	F2010 focus
	▶ Hedging for large local contracts with multiple revenue streams	▶ The need for a hedging strategy in these scenarios is becoming increasingly important. During the year, specific foreign exchange contracts were entered into to hedge the group's position	▶ Hedging strategy and transactions will continue to be monitored by treasury
Compliance	▶ Continuous internal control evaluation and compliance with set policies and procedures	▶ All internal and external audit findings of the prior and current year were addressed ▶ Corporate and taxation compliance in all countries is monitored on a monthly basis ▶ An automated compliance database was developed and implemented	▶ Focus on compliance exceptions for quicker resolution and close out ▶ Continue introducing lessons learnt into policies and procedures

RETURN ON SHAREHOLDERS' EQUITY

The group is pleased to report a CAGR over eight years of 50%. The return on shareholders' equity is 23.5% (2008: 23.1%).

Shareholder return by year – capital and dividend (Cents)



Before external BEE ownership expense.

GROUP INITIATIVES

Shared Services

Shared Services provides financial and payroll support and has been in place since F2003. It operates as a stand-alone business unit and focuses on continuous improvement in quality, service and support. Activities are non-strategic, high-volume standardised processes resulting in reduced cycle times and error rates and ultimately reduced costs. Shared Services allows the business unit finance teams to focus on core processes. The shared services concept represents the best of breed between centralised and decentralised principles and improves segregation of duties.

Focus areas for the current year were:

- Benchmarking of the group's Shared Services function against global operations
- Revision of group service level agreements with all business units
- Review of Value Added Taxation
- Centralisation of all payrolls
- Enhanced management information dashboards
- Standardisation of procure to pay system

Information Technology

	2009	2008
Increase in technology users	**20%**	39%
Number of projects completed	**76**	72
Change in headcount	**–**	5%

Focus areas for the prior and the new year are as follows:

F2008 focus	F2009 focus	F2010 focus
▶ Alignment of systems and processes to support larger multi-disciplinary contracts	▶ Complete	▶ Continued focus on large contract awards
▶ Green computing – the study and practice of using computing resources effectively	▶ Ongoing	▶ Continued focus on using available technologies to reduce our carbon footprint
▶ Implementation of the group Customer Relationship Management Solution (CRM)	▶ First phase of the project has been completed and rolled out in the group	▶ A dedicated task team has been allocated to drive the total project. IT will enable the information and system requirements
		▶ Complete update to communications infrastructure: accommodating growth in applications and additional functionality
		▶ Extract additional value from business intelligence technologies
		▶ Develop systems that focus on control automation to assist in enhancing regulatory management

IT governance is dealt with in detail in the Draft Report on Governance for South Africa and the Draft Code of Governance Principles (King III)* for the first time. In line with King III, IT governance should focus on four key areas. Below is the group's gap analysis in this respect.

Information Technology: King III gap analysis

Focus area	Status
▶ Strategic alignment	▶ Alignment with the group's strategy has been achieved
▶ Value delivery	▶ Controls are in place to deliver value-enhancing projects that enable business growth and are aligned with operational plans. An example includes the evaluation of projects on a return on investment basis
▶ Risk management	▶ Robust systems and controls are in place to mitigate risks relating to disaster recovery, continuity of operations and the safeguarding of IT assets
▶ Resource management	▶ Regular assessments are undertaken to confirm that resources under management (people, infrastructure, information and applications) are being utilised effectively

**With acknowledgement: Institute of Directors in South Africa.*

Chief Financial Officer's review continued

ISSUED STATED CAPITAL AND SHARE TRADING

Share trading

The year under review has seen a decline in our JSE listed share trading activity (Share code: GRF), with levels returning to those of F2007. The decrease is to be expected with the severe global equity market decline during the year. 92 million shares (2008: 103 million) traded in the year, representing a value traded of approximately R3,6 billion (2008: R5,5 billion) at an average price of R39 per share (2008: R53). Our market capitalisation at year end was R4,2 billion (2008: R5,4 billion). The percentage of shares held by South African residents was 87%, largely unchanged from 86% in the prior year.

Future reduction in issued stated capital

During the year, shareholders were informed that the group's management was actively working with its BEE and enterprise development counterparty, iLima, to provide guidance in support of their refinancing initiatives. In spite of significant efforts by iLima, the group and other interested parties, the current adverse financial market conditions exacerbated iLima's funding challenges and their refinancing initiatives failed.

In addition, iLima has not fulfilled certain conditions and/or breached certain terms to which the original group BEE transaction was subject to. As a consequence, the BEE transaction, in so far as it relates to iLima, will unwind. This will result in the return of the group's shares held by iLima to the group. The issued stated capital of the group will reduce once the shares are returned and cancelled.

The group's direct and indirect exposure to iLima remains R172 million. The exposure will ultimately be recouped against the value of the shares held by iLima to be returned to the group. There was therefore no financial effect on the current and prior year's earnings of the group.

There was also no material effect on the basic weighted average number of shares in issue. However, the fully diluted weighted average number of shares in issue will reduce post year end on return of the shares as a result of the fact that no future dilution will be incurred relating to this transaction.

At year end, the fully diluted number of shares included an amount of 4,4 million dilution shares relating to the iLima Consortium.

EFFECT OF SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

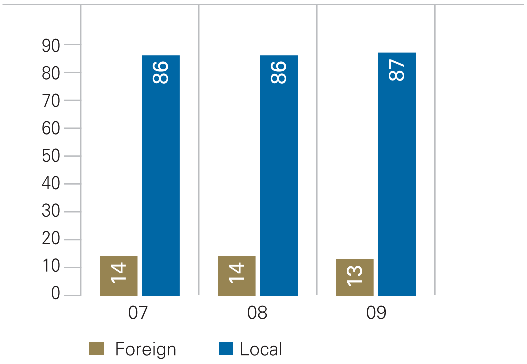
The group completed a technical review of all statements and interpretations that became effective for the period under review. The full list, as well as their effect on the reported results, is discussed on page 318.

Of significant impact in future reporting periods will be the accounting effect of the Discussion Paper on Revenue Recognition. This discussion paper proposes to replace IAS 18 – Revenue Recognition and IAS 11 – Construction Contracts. The possible effect on construction companies is as follows:

- Revenue will be recognised when control of the asset is transferred. This could significantly impact the accounting treatment for some construction contracts. Accounting based on percentage of completion will not be permitted. Where continuous transfer does not take place, revenue will be recognised at the end of the contract, when transfer happens
- Components of a construction contract will be separated more frequently. IAS 11 only allows separation if the components of the contract are separately negotiated. The proposed model requires performance obligations to be separated when the client is to receive assets at different times

The group reviewed the merits of the discussion paper, considered the effect on the group and submitted its view.

Foreign versus local shareholding (%)



CONCLUSION

We are pleased to have delivered strong results in a very challenging period. We will continue to focus on delivering on our financial goals and targets to add value to our shareholders, with additional focus on efficiencies and maximisation of returns.

APPRECIATION

I would like to acknowledge the quality performance and significant effort invested by both my financial and operational colleagues, as well as their teams. Their commitment has ensured that the group is able to produce solid results for our shareholders which are both credible and timeous.

I wish to extend my thanks to our CEO, the group exco and the board of directors for their support during my first year as CFO of the group.

CMF (Cristina) Teixeira
CFO

6 August 2009

Group risk officer's review

Profit-making contracts in F2009 up to

87%

% of group revenue generated from low risk countries*

82%

**Refer page 167, countries with a risk rating of <2.5.*

Risk management is crucial to Group Five's business success and contributes to management's ability to effectively guide the business through an ever-changing environment. All objectives set by management, whether strategic, operational or otherwise, are set after carefully considering the potential risks that might negatively impact on these objectives.

integrated risk management achieved

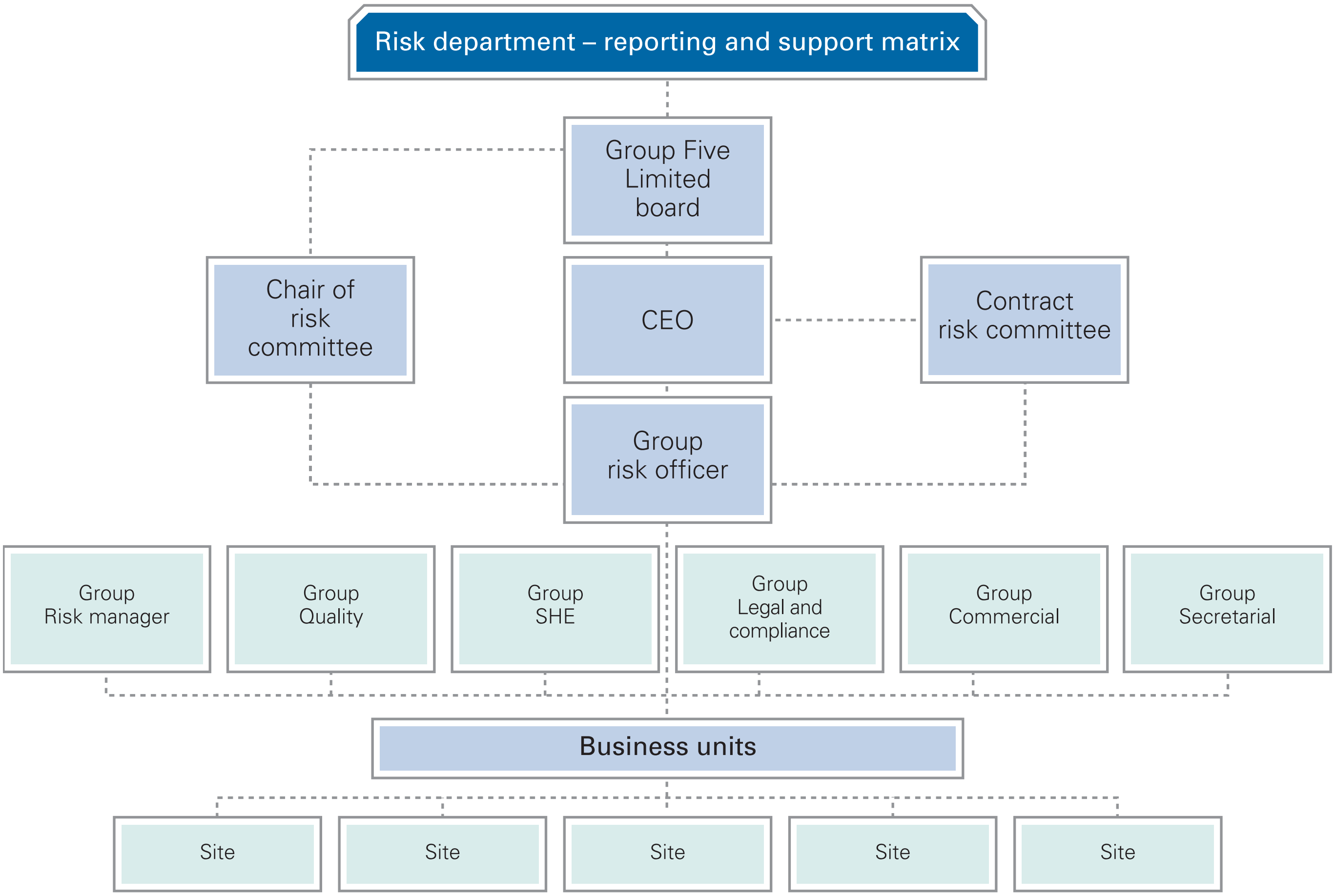
Risk management within Group Five aims to be holistic in nature. This year saw the integration of risk, quality, safety, health, environment, legal, compliance, commercial and secretarial under an over-arching structure, as the group moves towards integrated business management that supports sustainable business practice.

INTRODUCTION

All entities face uncertainty. Risk management enables management to effectively deal with uncertainty and the associated risks and opportunities flowing from these.

This report outlines all the key areas contained within the risk structure. For a detailed risk review, refer to page 157.

Below is an organogram depicting the group's restructuring of the focus areas to be included in the risk department.



RISK

Having formulated the contract and operational risk management framework, we will, in the year ahead, give renewed emphasis to the management of our strategic risk framework.

The draft code ISO 31000:2009 is due to be released later this year, and represents another step towards the integration of risk into the total business management systems. We will therefore include this standard in the group's suite of business systems.

The economic crisis has created new challenges for business in general and these will continue to be identified and managed in a time of uncertainty, volatility and change.

QUALITY

An all-encompassing quality management system is the cornerstone of any successful business and, as such, Group Five has committed itself not only to ISO standards, but to developing, where appropriate, its own standards and procedures that will differentiate it from competitors.

In the year ahead, we intend certifying all business units in terms of the new ISO 9001:2008 standards that will drive the group towards an integrated business management system.

We will also integrate the reporting of preventative and corrective action, as well as non-conformance, into the group's risk management system, STARS, to ensure more focused reporting of each area of operation. This will allow effective decision-making for continual improvement projects.

Refer to page 144 for more information.

Group risk officer's review continued

SAFETY, HEALTH AND ENVIRONMENT

The year under review delivered mixed fortunes. The tragic loss of five of our people hugely dampened what was otherwise a very productive year in the health and safety arena. Our people are our key resource and we will continually endeavour to achieve our goal of zero harm in the workplace.

In terms of the environment, the group enjoyed another successful year without experiencing a single reportable incident.

Going forward, we will focus on the implementation of a behaviour-based system, as well as giving continued attention to our incident reporting system, enabling us to implement corrective actions to better protect our people.

We will also implement a corporate environmental awareness programme and a formal environmental management plan to cover waste, water, energy and emissions. The group will focus on opportunities such as solar and wind energy generation.

> In the coming year, we plan to appoint an environmental specialist at group level to drive our initiatives.

All businesses will be required to achieve ISO 14001:2004 and OHSAS 18001:2007 certification in the year ahead.

Refer to pages 202 and 280 for more information.

LEGAL AND COMPLIANCE

We are keenly aware of the inherent risks posed by South Africa's stringently regulated environment. We are also cognisant of the fact that we operate in many countries around the world and need to be as vigilant in these regions as we are at home.

We have an established country risk department that has to date managed our compliance to statutory and taxation requirements.

In the current year we created a new compliance department headed by the group compliance director to ensure a more robust framework that identifies all applicable regulations locally and abroad and that extends beyond the compliance we have traditionally focused on. In-house training will ensure the correct levels of awareness and accountability throughout the group, leaving management with reasonable assurance that this exposure has been sufficiently addressed.

The group legal and compliance director is a qualified construction lawyer. She has the right to intervene when the group's legal position is deemed to be at risk.

Refer to page 194 for more information.

COMMERCIAL

To ensure there is a division of duties, the commercial and legal departments are split, each with an experienced and qualified professional leader. The group commercial director is responsible for the operational integrity of the standards through which the group contracts and conducts its commercial negotiations.

SECRETARIAL

The office of the group company secretary is responsible for driving and monitoring good corporate governance across the group.

Refer to page 174 for more information.

> The new Companies Act, together with King III, is due for release this year. The group conducted a gap analysis to ensure compliance.

APPRECIATION

Despite the challenges we faced this year, we took significant steps towards best practice across the risk management department. This was only possible through a dedicated and concerted effort from all members of the team, guided and supported by the board.

I would like to express my appreciation to all those involved. I eagerly await the challenges of the coming year.

Guy Mottram
Group risk officer

Human resources director's review

Revenue per employee – R'000

861

Profit per employee – R'000

38

The human resources (HR) function had a dynamic year, with the two halves of the financial year being significantly different due to the change in the economic landscape and the resulting human capital requirements.

ensuring agility against volatile markets

INTRODUCTION

Against a turbulent environment, we had to remain steadfast in ensuring that we live our corporate values and implement our employee value proposition.

Refer to page 220 for a detailed human resources report.

The three objectives for F2009 were:

- The implementation of a compelling employee value proposition that will ultimately lead to a group with the right skills to execute the company's strategy and vision
- To create a sustainable HR operating model and strategy for the group
- To implement and live the group values

DELIVERING ON STRATEGY

Implementing group values

In F2008 we re-energised the group around our values and vision. In F2009 we set out to continue the momentum gained, while also focusing on the key objectives that flowed from the Group Five business strategy and from an employee survey conducted during the year.

Employee value proposition

In the war for talent it is critical that we have the ability as a group to attract and retain talent.

Our employee value proposition rests on four pillars:

- Quality management and management systems
- Competitive recognition and rewards
- Continued employee development through the Group Five Academy
- Inter-group career development opportunities

Ensuring implementation

To ensure the sustainability of the initiatives undertaken in F2008 and F2009, we have aligned our line managers, especially senior managers, to the process and culture change initiatives. Furthermore, to drive implementation, a third of their remuneration is now based on the achievement of our transformation measures and objectives.

Operationalising the HR model

A key area of focus was operationalising the HR model and strategy. The HR function has traditionally focused on the transactional rather than the strategic. In F2009 we ensured that we were successful with the transactional aspect before making the transition to the more strategic.

We have seen some **early success.** These include:

- Rated twelfth by Magnet Communications as a company to work for in the Science and Engineering sector and second in the Construction sector
- Decreasing our employee turnover from 22% in F2008 to an average of 14% in F2009
- Increasing employee productivity
- A small, but critical, shift in our employment equity profile
- Greater success at retaining our black talent

To this end, we rolled out a number of initiatives that focus on the development of HR professionals.

The group currently has a **Level 3** black economic empowerment rating for our contracting entity Group Five Construction (Proprietary) Limited, with a particularly significant improvement in our skills training element.

SKILLS DEVELOPMENT AND TRANSFORMATION

During the year, the group continued to focus on further investing in the Group Five Academy, which led to almost 9 000 training interventions.

In addition, the group focused on the quality of its black economic transformation initiatives – both internally and externally.

On the employment equity front, we still have significant work to do both as a group and as an industry. However, during the year, we experienced a pleasing improvement in the overall racial composition of the group, including an increase in the number of black junior managers and a small increase at the senior manager level. Looking forward, the group will be focusing on ensuring the development of our black and female talent. This commitment is reflected in our training spend, with the F2009 spend on black employees of R20,2 million (F2008: R14,7 million).

During the year, we also reviewed our enterprise development strategy and our associated partners. This resulted in formalising development agreements with seven black enterprises. Our intention

Human resources director’s review continued

This year tested our ability to rapidly adapt to changes in the market place. In the first half of the year we were actively increasing our headcount in anticipation of continued high growth rates, while in the second half due to the global financial crisis we had to unfortunately repatriate 4 000 employees in Dubai and about 400 employees in Africa back to the Far East.

is to ultimately form joint ventures with these partners on large multi-disciplinary contracts. The primary focus of our enterprise development initiatives will focus on developing and sharing engineering and construction practices that enhance the contract execution capability of our development partners and their ability to joint venture with Group Five.

We will conduct an employee engagement survey every year to implement solutions that will improve our employee satisfaction scores.

APPRECIATION

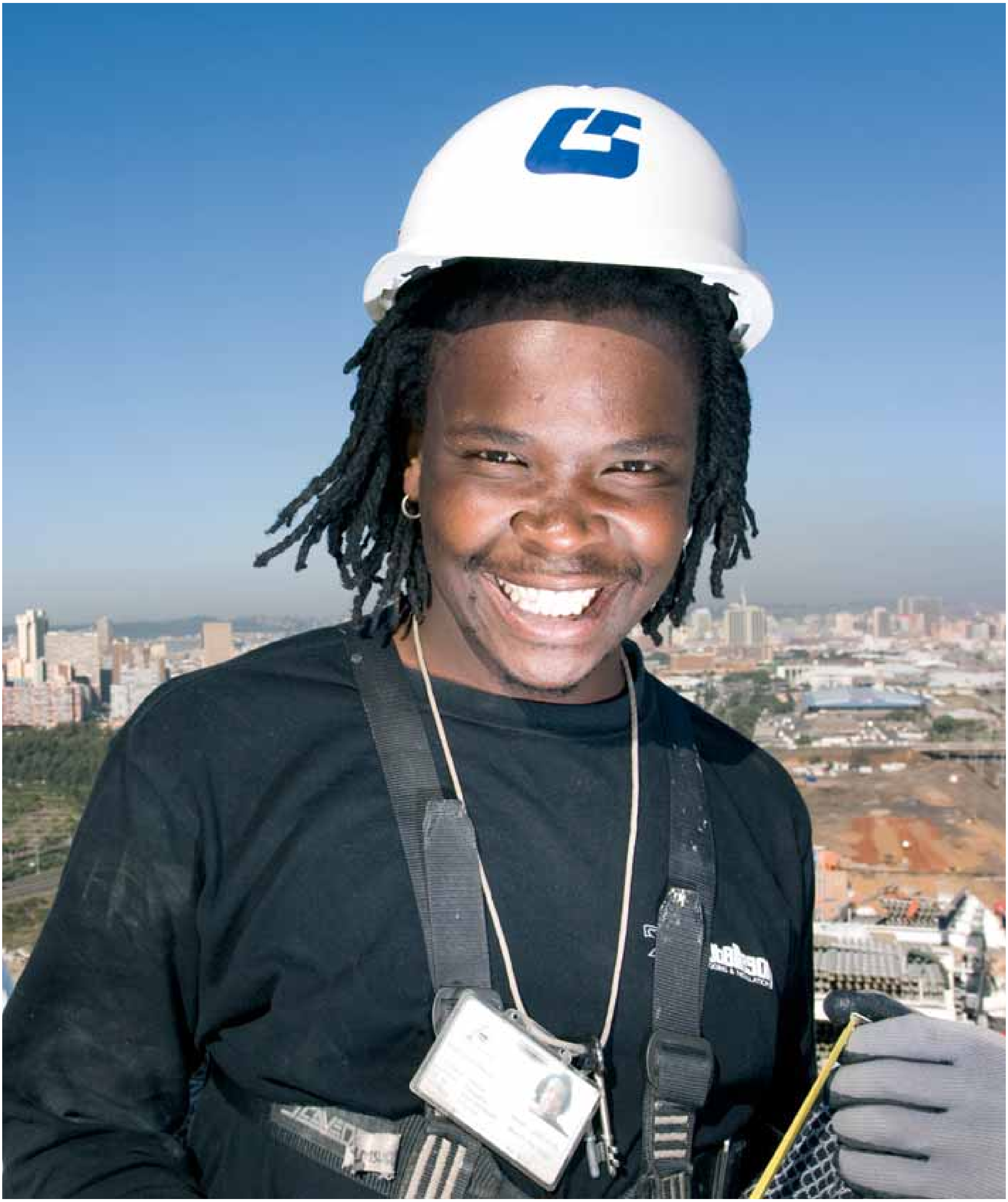
To all our employees, we have started a journey and a process of change that will not only make us a great organisation, but will also add value to our personal lives. Change is never easy and I thank each and every one of you who have worked hard to ensure sustainable change at Group Five.

Junaid Allie
Group human resources director

LOOKING FORWARD

During the coming year, we will focus on:

- Bedding down and living our employee value proposition
- Continued culture change based on our values
- Optimising our current transformation initiatives, in particular race and gender transformation at senior levels in the group
- Ongoing employee development
- Ensuring that our brand and what we stand for is well understood and valued by all stakeholders



Operational reviews

The group has structured its operations across four business clusters. When combined, these deliver multiple profit streams from a single contract.

CONTRIBUTION TO GROUP TURNOVER 5%

Investments & Concessions

- Infrastructure Concessions
- Property Developments

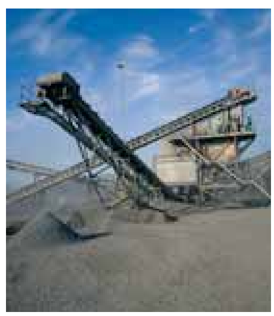
CONTRIBUTION TO GROUP TURNOVER 7%

Manufacturing

- Fibre Cement
- Steel

CONTRIBUTION TO GROUP TURNOVER 6%

Construction Materials



- Aggregates
- Readymix Concrete

CONTRIBUTION TO GROUP TURNOVER 82%

Construction

- Building and Housing
- Civil Engineering
- Engineering Projects

D+PM co-ordinates and packages total contract delivery offerings

IDS leads business development for large multi-disciplinary contracts

Infrastructure Development Services (IDS)

Infrastructure Development Services (IDS) houses the group's strategy unit and group business development activities. The costs of the group business development and infrastructure development services are recovered against contract overheads as they occur. This business unit therefore does not report stand-alone results.

The IDS team comprises industry and sector specialists who focus on large or multi-disciplinary contracts that require group resources, as well as those where there is an opportunity for an equity and operating position for the group.

MARKET DYNAMICS

As the South African government continues with its significant infrastructure investment programme, an increasing number of contracts are being considered under a concessions approach to allow funding through the private financial markets.

The past year has seen an increased number of PPPs and concessions launched in the South African market. Group Five was well positioned to take advantage of the upturn and, in most contracts, is now the lead member in the consortiums bidding for these opportunities.

For example, as the South African National Roads Agency (SANRAL) undertakes its own major investment and capital raising programmes, the adoption of the private public partnership (PPP) route takes on a higher priority to fund important new national roads.

The high demand for additional and replacement capacity in power, particularly in southern Africa, ensures that this sector is at the forefront of our targeted contract development arena.

In South Africa, both Eskom and the Department of Energy have implemented specific programmes to solicit the private sector to participate in new generation contracts through the independent power producer (IPP) model.

The PPP delivery model uses private sector efficiencies and can assist government in reducing their capital expenditure and funding requirements. It is therefore an essential delivery mechanism for Southern Africa to meet the targeted levels of investment and development of essential infrastructure.

The regulatory enablers for private sector participation in the power markets have improved significantly over the past year with the launch of NERSA's Renewable Energy Feed In Tariff (REFIT) subsidy and the imminent release of Eskom's multi-site base load IPP request for proposals (RFP).

Power infrastructure contracts are split in two main categories:

- Packaged government utility contracts – power plants and transmission lines
- Independent power producer (IPP) concessionary contracts – power plants only

Upon successful contract award, IDS hands over execution leadership to the Design and Project Management unit (D+PM), which was created in F2008. D+PM offers a single point of contact to the client, thereby eliminating the need for the client to employ duplicate resources. This business unit structurally falls under the group's Construction cluster. (Refer to page 103).

Infrastructure Development Services (IDS) continued

YEAR UNDER REVIEW

Operational overview

The market volatility experienced in the year under review brought the strategic benefits of the IDS function to the group into focus. This was proven by the group's success in securing a share of the public infrastructure programme awards – particularly those associated with public buildings, transport, power – and the group's pre-qualification for all the PPP contracts currently out to bid.

South Africa

PPP

The concessions contracts where final proposals are currently being evaluated include:

- New head office for the Department of Environmental Affairs and Tourism
- New legislature building for KwaZulu-Natal provincial government
- New municipal offices for the city of Tshwane
- Four new prisons to be built in Klerksdorp, Nigel, East London and Paarl
- New rail link from Cape Town International Airport to Cape Town CBD

In all of the above, the proposed concessions vary from 15 to 25 years. If successful, these contracts are therefore set to provide the group with secured construction and investment opportunities.

Transport concessions

Furthermore, the scheme development phase completion was achieved for the N1/N2 Winelands toll road contract which Group Five has developed as consortium leader in partnership with SANRAL.

- All regulatory and environmental approvals and processes have now been completed and the South African Minister of Transport has declared the government's intention to shortly implement this contract as a toll road

Power

Group Five's alignment to the power sector is focused around:

- Eskom's capacity expansion programme – public sector power contracts
- Capacity expansion programme in the rest of Africa – public private partnership (PPP) power contracts
- Independent power producer (IPP) programme – private sector power contracts, including:
  - Eskom base load IPP programme – South Africa
  - NERSA renewable energy programme – South Africa (solar, wind and small hydro)
  - Captive power contracts – South Africa
  - IPP contracts – Rest of Africa and Eastern Europe

Under the REFIT programme, Group Five is co-developing Africa's first large-scale concentrated solar thermal power plant (CSTP), which will be based in the Northern Cape in South Africa. CSTP technologies offer significant opportunities for local content, which is well within the group's capabilities.

Group Five has been pre-qualified on three IPP contracts

- Strategic base load power contract in Colenso (KwaZulu-Natal)
- Liquefied natural gas and anthracite fuelled plant in Richards Bay (KwaZulu-Natal)
- Eskom multi-site base load independent power project (IPP) programme

IDS was instrumental in establishing the Green Building Council of South Africa (GBCSA) that will dramatically alter the design of new buildings to meet environmental and sustainable guidelines through its Green Star Rating system.

The Green Star Rating system has been adopted by a number of government agencies for the design of their new offices. Through our early adoption, we have a competitive advantage in submitting designs for these PPP accommodation concessions.

Green Star Rated PPP bids have already been submitted for the new offices of the Department of Environmental Affairs and Tourism in Tshwane and the KwaZulu-Natal legislature.

Key positives	Key negatives
► Five concession bids submitted, five more under development ► Integrated multi-disciplinary business model put in place, with IDS aligned to Group Five D+PM ► Bid development costs maintained at reasonable level	► Global financial market turmoil leading to difficult contract finance and terms ► Ongoing government delays in timing of roll out of PPP contracts in South Africa ► A flood of concurrent bid activity followed by long adjudication delays, which makes resource planning difficult

Europe

In addition to the expansion of the group's interest in transport concessions in Eastern Europe, the group is developing a 120MW combined cycle gas turbine power plant in Eastern Europe with a local Bulgarian partner. If successful, this contract will mark Group Five's entry into the IPP arena in Europe. This new power plant makes use of some of the most efficient gas-fired technology available. When operational, it is likely to earn a substantial amount of carbon credits under EU legislation.

Group Five will continue to develop and invest in strategic power contracts in selected regions that qualify under various formal and bankable IPP programmes. Group Five Energy independently targets selected base load, renewable energy and captive power IPP contracts as an engineering, procurement and construction (EPC) contractor where project finance demands turnkey EPC solutions.

IDS provides several new revenue opportunities to the construction business units of Group Five.

Group Five is well positioned to take advantage of the PPP delivery mechanism now used for government office accommodation. Group Five has identified sound partners for these contracts, which will in turn further enhance our prospects.

In the **transport sector** Group Five has developed a number of opportunities in both rail and road concession contracts, including the N1/N2 Winelands contract in the Western Cape.

Within the **energy sector,** through a close alignment with Group Five's Design and Project Management (D+PM) and energy business units, IDS is able to develop fully integrated power infrastructure solutions that are based on international best practice in terms of conceptualisation, engineering and contract execution.

Infrastructure Development Services (IDS) continued

DELIVERING AGAINST OUR STRATEGY

During the year, the IDS team experienced the highest level of PPP bid activity seen for many years. This business unit finished the year with a very positive expectation of securing a meaningful concessions contract for Group Five. Bidding activity was particularly high in public sector buildings. We also saw several new opportunities in energy and transport as the year progressed.

While many opportunities have presented themselves for concession contracts elsewhere in Africa, the Middle East and Eastern Europe, the IDS team remained focused on our core South African market, with particular emphasis on concessions and energy-related contracts and large multi-year construction contracts.

During the year, the group took up a further share rights issue in its investment in a containerised mobile power rental business (Jozi Power). In addition it invested in an energy efficiency business (Kayema Energy) that deals in domestic and commercial solar water heaters and energy efficient systems that will complement our green building initiatives.

LOOKING FORWARD

Despite the challenges in the markets due to the continued global financial pressures and uncertainty, through the strength and experience of the IDS team and the identified opportunities in our core target markets, **the team is optimistic of securing significant new multi-disciplinary construction and concessions contracts for the group in the short term.**

Operational report > Investments and Concessions

operating profit up

53.1%

R million	F2009	F2008
Revenue	**627**	582
Operating profit	**82**	53
Operating margin (%)	**13**	9
Fair value profit	**16**	111
Employees (pax)	**877**	757

ERIC VEMER / Executive member

Investments and Concessions comprises Infrastructure Concessions and Property Developments. This cluster contributed 5.2% (2008: 6.5%) to group turnover and 10.3% (2008: 8.4%) to group operating profit.

Infrastructure Concessions houses the group's investments in infrastructure concessions, including operations and maintenance. It currently consists of transport concessions under the Intertoll brand. Intertoll has operations in Europe and Africa. However, the group is actively working on expanding its concessions portfolio to include public buildings and power concessions.

Property Developments develops, owns and services A-grade property assets in South Africa. It focuses on the commercial, industrial and retail markets and selected developments in the residential market. Returns are generated through a blend of property development fees, unit sales and annuity income returns achieved from a portfolio of targeted equity investments.

Operational report > Infrastructure Concessions

operating profit
up
159.1%

R million	F2009	F2008
Revenue	**528**	327
Operating profit	**80**	31
Operating margin (%)	**15**	9
Fair value profit	**16**	111
Investments	**186**	135
Employees (pax)	**867**	747

Infrastructure Concessions contributed 4.4% (2008: 3.7%) to group turnover and 10.0% (2008: 4.8%) to group operating profit.

This cluster currently comprises the motorway concessions business of Intertoll.

Intertoll Europe currently operates over 300 kilometres of motorways in Central and Eastern Europe. Investments in concessions exceeded R186 million at June 2009.

Intertoll Africa currently operates five contracts covering 1 000 kilometres of motorways in South Africa. Intertoll processes over 100 000 vehicles a day through the various South African plazas.

The future growth of this business lies in further growth of its traditional business, as well as expansion of its portfolio of asset classes.

Infrastructure Concessions continued

PROGRESS DURING THE YEAR

Find below how F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward.

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
Secure major contract in Eastern Europe outside existing market of Hungary/Poland.	Preferred bidder status on D1 Slovakia in April 2009.			Secure financial close of D1 Slovakia by end 2009. Pursue second contract outside the existing market.
Position for CTROM rollovers in South Africa and road user charging and concession contracts.	Won the N2 North Coast contract. Pre-qualified on Gauteng open road tolling contract.			Secure other SANRAL CTROM contracts and key technology alliances.
Achieve A1 Phase II financial close.	Achieved in June 2009.			Create strong consortium for next PPP contract in Poland.
Enter IPP market.	Secured pre-qualifications for Eskom's multi-site base load IPP programme.			Continue to broaden portfolio of concessions.

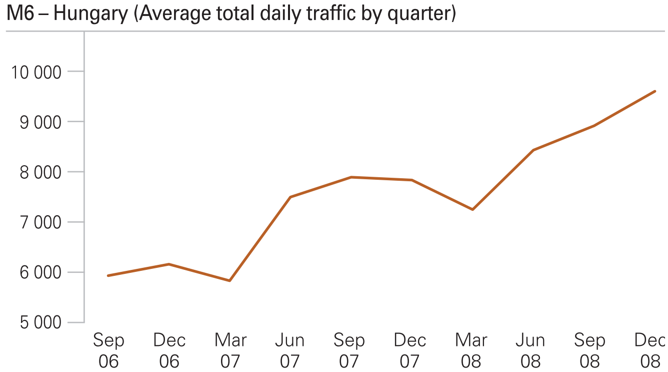
MARKET DYNAMICS

Intertoll Europe

The credit crisis has the potential to significantly impact the deliverability of PPP contracts throughout our target markets.

However, Intertoll Europe was able to close the M6 Phase III contract in Hungary in November 2007, as well as securing financing from international financial institutions for the second phase of the A1 (Poland) contract in the latter part of 2008 before the full effect of the market turmoil was felt in the Central and Eastern European region. These achievements have secured earnings growth for future years.

M6 – Hungary (Average total daily traffic by quarter)



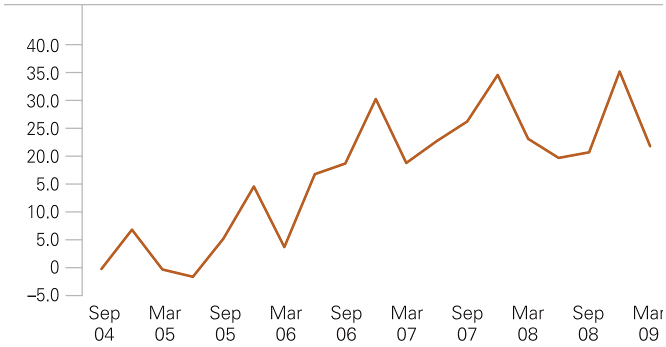
Intertoll Africa

In line with the decline in GDP growth, traffic volumes decreased in the second half of calendar 2008, and have continued on this declining trend through to June 2009.

The downturn in traffic volumes experienced during the year on roads operated by Intertoll Africa follows high traffic volume growth experienced over the prior years (refer to total traffic volume trend indicated in graph on the right).

However, SANRAL has commenced with an expanded road construction and tolling programme that will provide medium and long term growth opportunities for the group.

Total daily traffic – Intertoll N1 routes (South Africa)



MANAGING RISK

Risks	Mitigating actions
Strategic and tactical risk	► Budgets and business plan tested against main strategic risk scenarios
Operational risk	► Monthly reports include trading risk analysis to highlight areas for attention and assess risk of not achieving annual budget, including requirement for operational contingencies. The 2009 budget was exceeded
Risk pricing for competitiveness	► Intertoll's experience allows for a refined risk pricing model. This was implemented in Slovakia, resulting in a more competitive tender
Traffic risk	► Intertoll Europe routes are for the most part hedged against traffic risk ► F2009 has seen a decrease in traffic on Intertoll Africa routes. The sensitivity to this traffic change will be lowered in future contracts, resulting in further improved predictability of revenues
Exchange risk	► Payments on Eastern European contracts are Euro-indexed and local costs are paid through local currency receipts

- Intertoll recycles litter collected from the road, as well as composts grass and foliage cut on the road shoulders and median. It is investigating the reuse of de-icing grit in Europe
- Intertoll analyses which environmentally friendly/bio-degradable cleaning materials can be used in the cleaning of plaza lanes and buildings and how the impact on the environment can be minimised through containment and treatment of harmful run-off
- Noise levels are measured annually to ensure that employees do not work in areas were the allowable peaks are exceeded without effective protection
- Water quality tests are done regularly and water purification systems have been installed at all plazas with poor water quality

Infrastructure Concessions continued

Intertoll Europe's strong pipeline of contracts, secured in difficult financial markets, is a demonstration of the expertise of the team to deliver robust contracts, impressive results and to meet the challenges of the current market. The contracts provide Group Five with long term annuity income and the opportunity to invest in concessions assets for significant capital value appreciation over the long term.

YEAR UNDER REVIEW

Financial overview

The business enjoyed an excellent year, with Intertoll Europe achieving financial close on the A1 phase II contract in Poland and reaching commercial close on the D1 contract in Slovakia. Intertoll Africa was awarded the N2 North Coast contract, valid to 2017.

Revenue, which consists primarily of fees for the operations and maintenance of toll roads, increased by 61.7% from R326,5 million to R527,9 million.

The operating profit margin increased to 15.1% (2008: 9.4%), with operating profit improving by 159.1% to R79,6 million (2008: R30,7 million). The business also recorded a R15,7 million (2008: R111,4 million) fair value net increase relating to investments in its Eastern Europe concession businesses. The large fair value adjustment in the prior year was primarily as a result of the group's disposal of its interest in the M5 motorway.

Operational overview

Intertoll Europe

During the year, together with our partners, another 65 kilometres of tolled motorway was opened ahead of schedule in October 2008 on the A1 Phase I of the Poland contract.

Although a couple of difficult years are expected with liquidity availability and pricing to constrain the PPP market, Intertoll Europe has positioned itself well to ride out the recession by not only achieving financial close on A1 Phase II but also, together with its consortium partners, achieving preferred bidder status on the □3 billion D1 contract in Slovakia. This is the largest PPP motorway infrastructure contract ever in the Central and Eastern Europe region and we are optimistic that financial close can be achieved on this priority contract.

Apart from securing a sound order book of quality contracts, financial close on the Slovakian contract will also mark our entry in Euro zone countries outside our traditional home market of Hungary and Poland.

Intertoll Africa

Intertoll Africa was able to compensate for lower traffic volumes experienced on its managed routes over the past year through positive operational improvements. The business has pro-actively planned its positioning for new operations and maintenance work to be tendered by SANRAL. It was awarded the N2 North toll road contract in KwaZulu-Natal under an eight-year contract to 2017.

As the tolling market increasingly moves towards forms of electronic toll collection and road user charging solutions, the business has been establishing new technology and operational alliances that will position us favourably for this market. Furthermore, additional management team members have been recruited to increase the intellectual capacity and capability of the business.

In line with the major new road construction capital programme undertaken by the South African Roads Agency Limited (SANRAL), the operational opportunities associated with this capital works programme and targeted concession contracts are significant, including contracts such as the Gauteng Open Road Tolling (GORT) contract, with Intertoll Africa positioning itself to be an important player in these opportunities.

Intertoll Africa has successfully positioned itself for the South African Toll Road Operations and Maintenance contracts (CTROM) coming up for renewal in F2010. During the year, it was awarded the R661 million N2 North Coast toll road contract in KwaZulu-Natal, which is valid until 2017. A number of new bids, including the Gauteng open road tolling contract and the N1/N2 concession in the Western Cape, are imminent.

The two tables below depict the contracts in which the group has either an operational or equity interest.

Intertoll Europe

Name	Status	Country	Type	Kms	Duration	Equity	Carrying value F2009 R'm
M5	Operation	Hungary	Availability	157	2031	–	**–**
M6 (Phase I)	Operation	Hungary	Availability	59	2027	–	**–**
M6 (Phase III)	Open April 2010	Hungary	Availability	78	2037	10%	**92**
A1 (Phase I)	Operation	Poland	Tolled	90	2039	15%	**94**
A1 (Phase II)	Open March 2012	Poland	Tolled	61	2039		
							186

Intertoll Africa

Name	Status	Country	Type	Kms	Duration
N1 North	Operation	South Africa	CTROM	400	2010
N1 South	Operation	South Africa	CTROM	400	2010
N2 Tsitsikamma	Operation	South Africa	CTROM	40	2014
N2 North Coast	Operation	South Africa	CTROM	138	2017
N4 West Magalies	Operation	South Africa	CTROM	30	2010

Infrastructure Concessions continued

Key positives	Key negatives
Intertoll Europe ▶ Achieved financial close on the R12 billion A1 phase II contract in Poland ▶ Reached commercial close of the R36 billion D1 contract in Slovakia in April 2009, with financial close targeted by end 2009 ▶ Positive progress in line with roll out of the R12 billion M6 Phase III contract in Hungary ▶ Completed the A1 Phase I motorway equipment supply contract in Poland on time and on budget, leading to the opening of 65 kilometres of tolled motorway ahead of schedule in October 2008	▶ Failing to secure the M6 Phase II contract in Hungary, despite a very competitive price from both ourselves and our consortium partners ▶ Global financial market turmoil reducing availability and terms of project financing for our new contracts under development ▶ Difficult credit conditions in Hungary, combined with the poor state of global markets, led to the cancellation of the M3 Phase II motorway concessions contract
Intertoll Africa ▶ Pre-qualified for the Gauteng open road tolling contract with Autostrade per I'italia S.p.A and Q-Free ASA (Norway) ▶ Secured the R661 million contract for the operations and maintenance of the N2 North Coast toll road until 2017 ▶ Secured a one-year contract extension for the Magalies toll road in Gauteng ▶ Positioned for the N1/N2 Winelands highway concessions contract in the Western Cape	▶ Growth of traffic volumes on South African roads declined over the last year ▶ Standard of performance of our technology partners on CTROM contracts not acceptable yet

DELIVERING AGAINST OUR STRATEGY

Find below how we delivered against our strategy outlined in our F2008 Annual Report.

Strategy	Delivery
Position Intertoll as the toll motorway development, investment and operating partner of choice in our target geographies.	▶ Successfully closed Phase II of the A1 Poland contract ▶ Extended alliances with key partners for new contracts in Hungary, Slovakia and other targeted Eastern European markets ▶ Positioned with appropriate partners for key South African concession and road operating contracts
Expand our technological capability and alliances to include new revenue collection and tolling methodologies.	▶ Created strong alliances with leading international technology partners for the GORT contract in South Africa ▶ Expanded our internal technical development and operational resource capacity ▶ Timely implementation of tolling solution and motorway management system for the A1 Phase I contract in Poland
In the medium term, targeting to invest approximately 25% of group net assets in concessions and property assets from the current 12.9%.	▶ Overall concession investment portfolio increased in value by 38% to approximately 7.9% of group net assets

Infrastructure Concessions continued

LOOKING FORWARD

The financial markets are only expected to return to some degree of normality by F2011 at the earliest. Debt financing of PPP contracts will therefore remain difficult in respect of both availability and cost. However, this also provides the opportunity to develop and invest in contracts at higher base case returns.

The current financial markets require careful allocation of our available development and investment capital between the various contract opportunities identified within the investments and concessions market. The objective is therefore to align the balance between risk and reward and timing of various contract investment requirements to stay within our capital availability constraints.

Our overall guideline is to **invest approximately 25% of net group assets** in real estate and concession type opportunities.

The tolling environment across the world will face tougher markets for the next few years. Specific challenges for us are:

- Calendar 2009 is a review year for the operations and maintenance portion of the M5 contract in Hungary, a concession that Intertoll has operated since 1996 and its first major contract in Europe. Intertoll's equity ownership in the concession company was sold last year, which places us in a difficult position to renegotiate. To address this, detailed proposals are being prepared for the concessionaire's review
- A large percentage of the current portfolio of CTROM contracts in Intertoll Africa comes to an end in F2010. The business is therefore positioning itself to tender for the replacement contracts, with tendering expected to commence towards the end of calendar 2009. Intertoll Africa has already been successful in winning the N2 North Coast tender (KwaZulu-Natal)
- On the M6 Phase III contract in Hungary, Intertoll Europe has added the supply and installation of specialised equipment for tunnels to its equipment supply portfolio. This part is crucial as the opening date of the entire motorway depends on its completion

The overall outlook for Intertoll Europe and Africa remains positive, with the focus in the coming year on securing finance for the D1 Slovakia contract, on securing a role in the forthcoming electronic toll contracts in South Africa, Hungary and Poland and the new CTROM contracts and concessions being tendered in South Africa.

Despite the specific negative factors outlined above, Intertoll Europe has now built up an enviable portfolio of quality contracts, with several at an early stage of their lifecycles. The long lead times of our contracts mitigate against shorter term periods of slowdown in new contract development activity.

Operational report > Property Developments

operating profit
down

-90.1%

R million	F2009	F2008
Revenue	**99**	255
Operating profit	**2**	23
Operating margin (%)	**2**	9
Fair value profit	**–**	–
Developments in progress	**133**	156
Employees (pax)	**10**	10

Property Developments contributed 0.8% (2008: 2.9%) to group turnover and 0.3% (2008: 3.6%) to group operating profit.

Property Developments continued to divest of its residual residential assets and retained its focus on development and investment in large commercial, industrial and retail contracts in prime locations.

PROGRESS DURING THE YEAR

Find below how F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward.

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
Secure Waterfall Farm equity investment as a key property investment.	Waterfall Farm negotiation and contracts concluded and signed in November 2008.			Focus on development opportunities and leveraging construction and materials supply businesses within Waterfall estate.
Realign and restructure to focus on development of quality commercial, industrial and retail development opportunities.	The segment continued with this process.			Secure further opportunities in industrial and commercial sectors to enable top-structure development once markets return.
Exit residential property sector.		Ongoing action required to sell off remaining residential portfolio, whilst maximising returns.	Segment pursuing a variety of strategies to achieve this objective in a difficult market.	Ensure a full divestment of residential portfolio by 30 June 2010.

Property Developments continued

MARKET DYNAMICS

Property development as a sector is under severe strain, with growth opportunities having slowed in line with global and emerging market constraints.

The South African residential sector has seen a significant downturn over the last 12 months due to volatile interest and inflation indicators, which gave rise to investor scepticism and affordability issues. The changes to home loan and bond registration requirements provided a further catalyst to the sector slowdown, which resulted in a fundamental shift from outright asset purchase to short or medium term leasehold positioning.

Looking ahead, the current negative growth in housing indices is set to continue in the short term before any sustainable market correction can gain traction.

The impact on industrial and commercial property markets was less pronounced. However, equity investors in the retail sector are experiencing a substantial increase in bad debts and unpaid lease rentals from pressurised tenants.

Secured and approved contracts

Name	Province	Type	Estimated development duration
Waterfall Development	Gauteng	Mixed use	15 years
Sandton Development I	Gauteng	Commercial/Leisure	3 years
Sandton Development II	Gauteng	Commercial	3 years
Zambesi Retail	Pretoria	Retail	18 months
Gugulethu Retail	Western Cape	Retail	6 months
Secunda Industrial	Gauteng	Industrial	5 years

MANAGING RISK

Risks	Mitigating actions
Residential sector decline affects timing of income and cash delivery.	► Property Developments is already implementing a consolidated exit from the residential sector
Adverse market conditions (credit and liquidity pressure) impact lending terms and contract feasibility.	► Optimising current relationships to manage cash contribution requirements. Interest rate decline assisting in the short term
Delays in above-ground development results in slower development fee generation.	► Timing of above-ground development realigned to match market recovery. Short term pressure to achieve longer term sustainability
Higher vacancy and lower rental rates present challenges.	► Shift from line shop tenants to national tenants to enhance security. Match above-ground development with secured tenants
Partnership selection becomes critical in times of hardship.	► Stringent partner selection criteria identified. Will only partner with significant players

Property Developments continued

YEAR UNDER REVIEW

Financial overview

As expected, in the year under review, Property Developments' revenue decreased by 61.3% from R255,1 million to R98,9 million. Operating profit decreased to R2,3 million (2008: R22,7 million). No fair value adjustments on investment properties have been reported this year or in the prior year.

Operational overview

During the year under review, the realignment strategy for this segment continued. Results are accordingly in line with expectations, as new development and investment opportunities take time to realise. However, the base for future development is starting to take shape, with the segment positioning itself well across the selected sectors of the market.

Negotiations for the Waterfall Development Company in Gauteng were concluded in November 2008 for the investment of R120 million for a 15% stake in the company. This investment provides the group with the ability to gain valuable construction and material supply business over 1,4 million square metres of gross lettable area (GLA), whilst being able to realise capital growth in excess of our current cost of capital targets.

The acquisition of land and development rights in the centre of Sandton in Gauteng and ongoing negotiations for industrial opportunities provide the backbone to the rest of the targeted development base for the year under review.

KEY INDICATORS

- Prime interest rate hit a high in December 2008. Subsequent sharp decline of 400 basis points
- Vacancy rates escalated sharply in late 2008/early 2009
- Gearing ratios in respect of property finance shifted from 90:10 levels to 60:40 levels during the year

Key positives	Key negatives
▶ Concluded a 15% investment stake in the Waterfall Development Company for significant mixed-use opportunity ▶ Successfully sold 721 Rustenburg housing assets to Anglo Platinum ▶ Acquired Wedgewood land opportunity in the heart of Sandton as prime positioning for future above-ground development ▶ Progressed Gugulethu shopping development in line with timetable and within budget ▶ Continued to convert unsold residential assets to short term rental stock, given current market environment	▶ Slower residential sales in light of negative market impact ▶ Slowdown in above-ground development opportunities due to tighter financing and feasibility requirements ▶ Realignment of strategy and approach impacts short term, but will ensure longer term sustainability

DELIVERING AGAINST OUR STRATEGY

Find below how we delivered against our strategy outlined in our F2008 Annual Report.

Strategy	Delivery
To develop A-grade property opportunities that are aligned with the group's core group interests in Construction, Manufacturing and Construction Materials.	► The purchase of select prime land for bulk rezoning and future development was successfully achieved on conclusion of the Wedgewood complex buy out ► Current residential zoning is set to be converted into a mixture of commercial and retail rights, which in turn will create significant future GLA development and construction and material supply opportunities for the group
Investing in targeted contracts through equity secures annuity income and derives capital growth for the group.	► The Waterfall contract provides the strategic benefit of investing in an asset class that will provide substantial annuity fair valuation growth, as well as leveraging the group's construction and materials supply businesses over a 10 – 15 year contract roll out

The Gugulethu Square retail centre in the Western Cape is set to open in November 2009. This centre provides diversification from previous commercial developments and marks our entry into green design and development principles, as it is the first green-rated retail development in South Africa.

We expect cyclical improvements in the commercial and industrial sectors towards the second half of F2010, with the residential sector expected to remain depressed for a further period to F2011. Given this view, our strategy to divest of remaining residential assets to focus on prime land acquisition for future above-ground development remains on track and unchanged.

Property Developments continued

LOOKING FORWARD

The property development sector in South Africa remains depressed, given credit liquidity and appetite concerns. Above-ground developments during this period of uneasiness have to be very cautiously evaluated, as vacancies, tenant default and unfavourable finance terms are without doubt on the rise. Several development companies have already exited the market, with many on the brink of closure. Market indicators do provide a better outlook for the sector over time, although the timing of the upswing is unclear.

We anticipate an ongoing flat to slightly negative trend over the forthcoming financial year and into F2011, with a return to a strong financial performance thereafter.

The availability and cost of debt financing escalated dramatically over the past year and is likely to remain depressed for the next reporting period. Credit liquidity pressures and negative business confidence will continue to affect the property sector in the short to medium term. Gearing ratios are equally unfavourable in the current environment.

The strategy to exit the remaining residential assets has to be realised with a balanced view of returns versus associated holding cost risk. Decreased borrowing rates should assist in the immediate term.

The realignment of Property Developments is now virtually complete. The focus ahead will be on ensuring long term generation of returns and cash flows.

Operational report > Manufacturing

operating profit
up
52.9%

R million	F2009	F2008
Revenue	**816**	555
Operating profit	**86**	56
Operating margin (%)	**11**	10
PP&E*	**163**	293
Capital expenditure	**15**	43
Employees (pax)	**1 344**	833

**Property, plant and equipment and investment property.*

JOHN WALLACE / Executive member

INTRODUCTION

Manufacturing contributed 6.8% (2008: 6.2%) to group turnover and 10.8% (2008: 8.8%) to group operating profit.

Manufacturing comprises the two business units of Fibre Cement and Steel.

Fibre Cement consists of Everite, South Africa's largest manufacturer of fibre-cement roofing, cladding, building materials and pipes. It supplies into the building, low-cost and temporary housing sectors in southern Africa.

Steel comprises a 50% share in Barnes Reinforcing Industries, a 50% share in Group Five Pipe and the group's wholly-owned formwork and structural steel operations.

FIBRE CEMENT

Everite manufactures a significant range of commodity products at its recently expanded 20 million m^2 capacity production facility at Kliprivier, Gauteng. These are complemented by products that are supplied through a highly efficient supply chain to a fragmented market.

Manufacturing continued

STEEL

Barnes Reinforcing Industries (BRI) was formed in August 2007 to serve the growing requirement for steel reinforcing products within the local construction industry. Group Five's share of the joint venture with the Barnes family is 50%. The company manufactures rebar, weld mesh, binding wire and brick force.

Group Five Pipe is a manufacturer and supplier of large diameter spiral weld steel pipes. The business unit is influenced by the overall spend in public and private infrastructure developments. It supplies pipes for water pipelines and for industrial and commercial applications.

Formwork and Structural Steel have been incorporated into the steel segment to create a focused group of steel manufacturing assets that can be synergistically managed to best return. The greatest value comes from the units having similar markets and procurement synergies. The key products include formwork, access scaffolding and engineered steel products.

PROGRESS DURING THE YEAR

Find below how F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward.

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
De-link Everite from its reliance on the cyclical building merchant market.	Margin maintenance in poor economic times.			Development of advanced building technologies (ABT) as a stand-alone business unit to deliver modular building solutions.
Bring the new profiled production machine at Everite to international benchmarked standards of output.		Although volume achieved, some quality and product issues remain.	Improved engineering solutions. Ongoing training.	Further modify the production process to include coating applications in F2010.
Increase sales of Everite concrete roof tiles to enter higher-end market and complement existing product range.	Market secured.			Secure long term supply contracts.

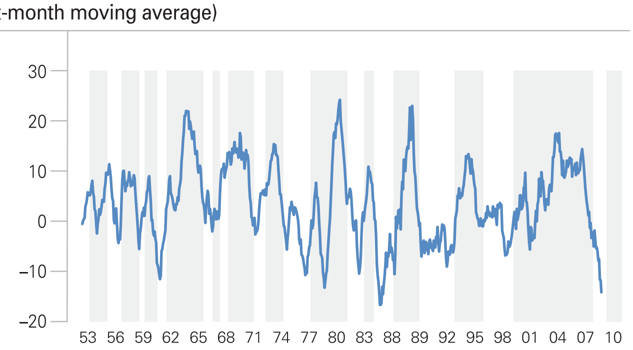
Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
Strengthen management team at Everite.	Recruited top team in finance, operations and sales.			Align structure to incorporate new modular housing division (ABT).
Grow reinforcing steel volumes to the installed plant capacity.	Achieved targeted return on investment.			Further develop installed capacity and geographic reach.
Achieve BEE charter scorecard targets.	Level 4 achieved.			Level 3 will be set as a target where feasible.
Reduce DIFR to achieve target per unit.		Group Five Pipe did not meet targets throughout the year.	Training and discipline. Workplace modification.	A further reduction in the target.
Grow fabricated steel volumes to installed plant capacity.	Optimised internal supply chain opportunities.			Structure appropriately for the market requirements.
Improve utilisation of our investment in formwork and scaffolding.	Improved return on assets.			Improved control of assets through better internal systems.

MARKET DYNAMICS

The economy has been challenging for manufacturing concerns in South Africa during the year under review. Statistics South Africa (Stats SA) recently reported that the basic iron and steel non-ferrous metal products and machinery sector had declined by 26.4% year on year. The overall activity in markets slowed significantly, as the joint effects of high inflation and squeezed liquidity affected overall spending appetite.

One measure of building activity is the movement in the consumption of cement, which is currently seeing the second largest contraction in 57 years. **The industry is shrinking at a rate of 10% year-on-year after eight years of strong growth.**

Cement sales annual: percentage change – 1952 to 2009
(six-month moving average)



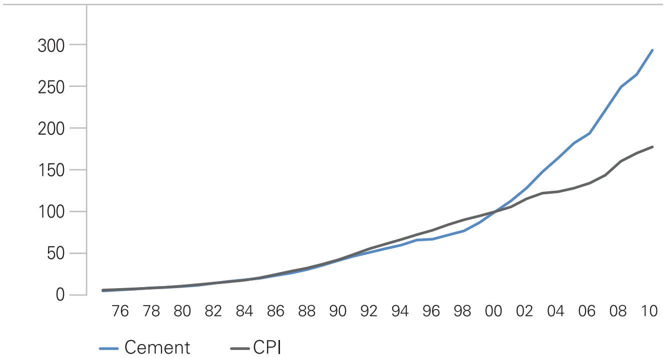
Source: SARB; SACPA; C & CI; MFA database.

Manufacturing continued

On the supply side, there has been an easing in the shortage of skills, although the inflationary pressures on general inputs, in particular power and fuel, led to input costs continuing to rise.

The cement price plays a significant role in Everite's ability to contain input costs and to maintain market share against non-cement bearing competing products. Since 1999 cement prices in South Africa have significantly outstripped CPI, as is demonstrated by the graph below:

CPI and cement prices (2000 = 100)



Source: Production Price Index; Statistics SA; MFA database.

The Rand is showing signs of relative strength, which lowers our imported input costs, but also increases the propensity of imports of competing products. Exports are also relatively unattractive at current exchange values.

During the year we:

- Reduced the amount of process water consumed through the development of a waste water recycling plant at Everite
- Continued to find uses for most waste streams at Everite to minimise scrap and optimise commercial returns from resultant technologies
- Incorporated power reduction technologies (phased machine controls) to minimise electricity consumption, as well as lowering peak demand
- Invested in continuous production plants at BRI to minimise waste and steel scrap generation
- Enforced environmental controls and checks at each unit with assistance from the relevant authorities

MANAGING RISK

Key risks	Mitigating actions
A volatile steel price impacts the steel unit's profitability due to stockholding levels and the need to immediately pass on new prices.	▶ Build hedges – either natural financial or physical – to remove exposure to stock write downs
Lack of key raw materials supply.	▶ Ensuring (where possible) at least two key suppliers of all strategic raw materials
Lack of supply of unique raw materials.	▶ Adapting processes to generic raw materials to reduce the risk of lack of supply
Poor safety and environmental management.	▶ Ensuring the highest levels of safety and environmental control within our business units
Exposure to debtor write offs as the recession deepens.	▶ Maintaining a high level of control on the servicing of credit sales in both the private and public sector
The risk of costly production processes standing due to the failure of Eskom to provide reliable power.	▶ Building standby electricity capacity to ensure strategic plant runs during the power outages
Earnings are highly leveraged by the state of the building merchant cycle.	▶ Increasing the public sector product and service offering to counter a private sector slowdown
Increased exposure to plant breakdowns and limited expansion possibilities due to ageing technology.	▶ Updating ageing equipment to ensure outputs and availability, as well as continually looking to attract appropriate technology partners

YEAR UNDER REVIEW

Financial overview

Manufacturing contributed 6.8% (2008: 6.2%) to group revenue. This cluster posted excellent results despite tough market conditions. As a results of improved performance from both Everite and Group Five Pipe, the operating profit increased from R56,2 million to R86,0 million and the operating profit margin increased to 10.5% (2008: 10.1%).

Operational overview

Fibre Cement

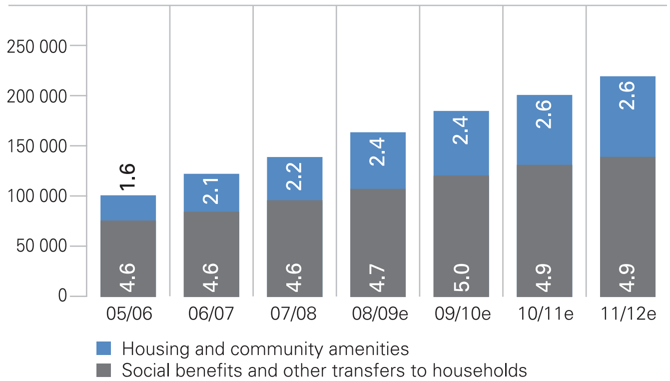
Everite grew volumes, revenue and earnings significantly in a depressed housing market. This was due to the early recognition of the need to partially de-couple Everite from the residential building cycle. This strategy has been successfully executed over the past two years and has seen Everite grow its presence in the public housing market, which continues to grow robustly. According to Stats SA, the government spend on low-income housing grew by 26% to R8,22 billion in 2008 (from R6,54 billion) and is projected to grow to R8,75 billion for 2009.

During the year, Everite focused on winning business back from competing materials such as steel and bricks. It also grew the product range to serve the government's drive to deliver low-cost housing units, as well as catering for relocations and disaster relief accommodation.

The Everite temporary relocation accommodation (TRA) unit has now become the product of choice for a number of government housing departments. The TRA is a demountable house used by authorities as temporary accommodation in the government's programme of replacing informal settlements with formal housing. These units can be erected rapidly by a semi-skilled team and dismantled into housing stock for later use. Each house consists of a steel frame, clad with Everite's fibre-cement products.

The graph below depicts government's planned expenditure, which reinforces Everite's strategy of increasing its presence in this market.

Actual and future estimated government expenditure on housing and social benefits as a percentage of GDP (R million)



Source: Treasury Department.

The non-asbestos fibre cement technology at Everite 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 constantly benchmarks itself against international best practice.

Manufacturing continued

We have progressed from a business that extracts a single return from product sales to one that obtains multiple value-adding margins from larger multi-disciplinary contracts – in essence, a far smarter business model.

Steel

BRI produced excellent results for the year under review. The business segment beat forecasts despite the steel price retracting by more than 50%, creating commercial exposure on existing stock holdings.

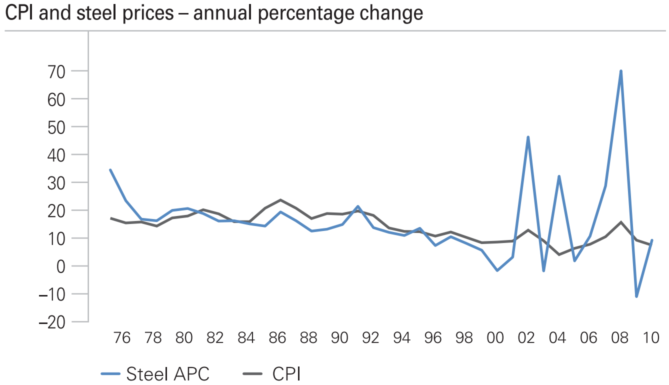
This performance was achieved due to management focusing on low-cost structures within the business, optimising volume throughput and naturally hedging the exposure of existing stock holdings against the falling steel price.

The year under review proved to be highly successful for Group Five Pipe. Due to the need for improved delivery of potable water and the maintenance of existing infrastructure within South Africa, an increasing number of tenders was awarded from various municipalities.

Large contracts included the Rand Water Vaal Dam to Zoekfontein pipeline, as well as the Rynfield to Rietvlei pipeline. This business unit surpassed both its forecasted and prior year's earnings through stringent cost control and management's ability to secure smaller supply contracts between the larger tender awards.

The Formwork and Structural Steel businesses both contributed positively this year, although Structural Steel is only in its first phase of development as a stand-alone supplier. As such, it had a small, yet positive, contribution. Both businesses will be strategically developed to optimise their size and contribution to the steel business unit in future years.

CPI and steel prices – annual percentage change



Source: SARB; Statistics SA; MFA database.

Key positives	Key negatives
Fibre Cement ▶ Strong trading results despite tough market conditions ▶ Increased the design and manufacture of modularised housing solutions, making it feasible to launch a new business entity focused on advanced building technologies (ABT) ▶ Supplied 1 687 temporary relief accommodation units to various government housing contracts ▶ Dramatically improved the operating performance of the newly commissioned profile production machine S7, providing sufficient output to support a growing government RDP housing market **Steel** ▶ Built BRI reinforcing steel volumes to the installed capacity of the plant in only the second year of the business' existence ▶ Successfully supplied complex fabricated steel sections to Group Five Buildings contracts (Nedcor building in Sandton and the steel sections for the Bus Rapid Transit (BRT) contract) ▶ Built and commissioned a new polyurethane coating line at Group Five Pipe	▶ The state of the general economy negatively impacted the local residential housing market, with industry estimates of up to 30% volume decline from last year ▶ The highly dynamic steel price has created exposures to existing stock holdings as the market aligns to the mills' published prices immediately

Manufacturing continued

DELIVERING AGAINST OUR STRATEGY

Find below how we delivered against our strategy outlined in our F2008 Annual Report.

Strategy	Delivery
To optimise value from the group's primary construction activities by creating manufacturing opportunities.	▶ Manufacturing businesses now supply both Group Five's internal requirements, as well as the greater construction industry – This allows us to create business units of sufficient size to optimise economies of scale
Investment in supply chain excellence unlocks significant value as we exercise our purchasing power and select manufacturing opportunities where scale allows the support of our construction activity.	▶ Within Steel we have effectively moved a large portion of our spend and margin from third party suppliers to an internal supply business unit ▶ We have also been able to mitigate the risk of dynamic price changes by offering the construction entities fixed prices for long term contracts. This has allowed the group to deliver enhanced margins through vertically integrated supply

The construction sector continues to be an attractive market for manufacturing companies supplying this sector. Although the residential housing sector is currently weak, the supply of manufactured materials into the multitude of roads contracts, airports, harbours, power-related contracts, mining and government housing contracts remains strong. It is in these areas that Group Five Manufacturing will continue to focus in the immediate future.

LOOKING FORWARD

Fibre Cement

The merchant markets where Everite trades are expected to remain depressed over the short term as the recession continues to negatively impact private housing demand. The level of building plans currently being passed is a measure of expected activity over the next 12-month period, as there is a lag between planning a structure and the cladding and roofing applications. Clearly, softening interest rates will eventually act as the catalyst for recovery in this sector in late calendar 2010 early 2011.

A focused unit has been created to seek opportunities for the manufacture of modular units and other advanced building technologies (ABT) that consume fibre cement. As such, our aim is to grow the overall market for Everite's product range. As payment terms in the government sector is often a concern, we engage with the highest decision makers in the local housing departments to ensure that documentation is expediently collated and that payments are made. We have maintained a positive cash flow in servicing the public sector during F2009.

We are **confident** that the effects of the depressed private housing sector will be negated by Everite's growing presence in the government's low cost and temporary relief housing markets. Based on this, we expect continued growth from this business unit in F2010.

Steel

If the state of the major construction companies' order books is a barometer, the local steel industry should continue to deliver acceptable returns in the short term.

The outlook for the steel segment remains **positive** on the back of the continued expansion of the infrastructure base in South Africa.

Group Five Pipe has a very healthy order book and should deliver another strong result next year. A new 3 500 m^2 factory is being built to complete the Rand Water contract for very large diameter pipes. We currently have a strong order book with most municipalities predicting a high workload for companies supplying this sector. Management have also proved its ability to secure sufficient work in the civil sector during periods of reduced activity in the major water contract arena.

The structural steel business will be further developed, with additional capacity planned during the new financial year.

Operational report > Construction Materials

operating profit **down**

-60.7%

R million	F2009	F2008
Revenue	**671**	689
Operating profit	**56**	142
Operating margin (%)	**8**	21
PP&E*	**1 502**	1 346
Capital expenditure	**139**	214
Employees (pax)	**862**	896

**Property, plant and equipment and investment property.*

JOHN WALLACE / Executive member

INTRODUCTION

This cluster contributed 5.6% (2008: 7.7%) to group turnover and 7.0% (2008: 22.3%) to group operating profit.

The Construction Materials cluster consists of businesses concerned with mining, crushing, slag milling, aggregates and powders and readymix concrete.

AGGREGATES

Quarry Cats owns and manages two commercial quarries that supply sand and stone. It also contract crushes material on behalf of clients within southern Africa.

Sky Sands markets unwashed and washed sand products for use in mortars or as fillers in cement and concrete applications, as well as with other binders such as bitumen.

READYMIX

Afrimix supplies a full range of structural and specialist concrete mixes. The company supplies its own concrete pumping service for its clients.

Bernoberg manufactures milled granulated blast furnace slag that is marketed in bulk to concrete manufacturers and cement blenders.

PROGRESS DURING THE YEAR

Find below how F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward.

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
To position the group as a significant player in the basic construction materials market in Gauteng.		Outcome offset by overall market decline.	Aggressive sales activity and cost reductions.	Restructure the cluster to fully realise synergies and reduce any structural duplication.
To use our knowledge and capacity in quarrying, crushing and mining to expand as a niche mining services contractor.	Awarded a significant crushing contract in Namibia, as well as extending existing contracts.			Continued focus in this area, as it somewhat mitigates our reliance on traditional commercial aggregates markets.
Further expand our wet batch plant footprint within Afrimix.	Commissioned third plant in Gauteng.			Consolidate existing footprint within the current market cycle.
Expand our commercial aggregate market by evaluating the viability of a stone quarry in the Vaal area.	Market penetration in the Vaal region achieved.			Cautiously grow presence in this new market.

Construction Materials continued

MARKET DYNAMICS

The economic recession led to an over-capacity in many sectors of the construction materials market. Although South Africa is spending on infrastructure due to the 2010 World Cup impetus and a backlog in transport and energy infrastructure, private sector building has remained extremely depressed. This market should recover in the medium term as confidence returns and the electricity networks adjust.

Product-specific market dynamics

Cement

The cement industry is experiencing a 10% decline in year-on-year demand. Margins were squeezed through input cost inflation over the past year, although this is moderating as energy prices (with the exception of electricity) are currently reducing. The industry has been sustained by ongoing demand from the owner builder market in rural areas, as well as the demand from major infrastructure contracts.

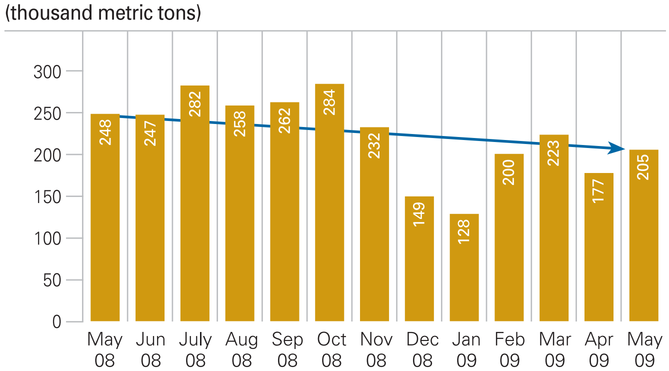
Commercial aggregates

Markets for aggregates are affected by local, as well as regional and national factors. For instance, in Cape Town there is a serious over-supply as construction and building activities have fallen by over 33%, whereas in Gauteng the Gauteng Freeway Improvement Project (GFIP) has somewhat replaced the fall in demand from building developers.

Readymix concrete

Volumes fell significantly in this sector as it is traditionally supported by building companies and sub-contractors such as flooring specialists. However, in Gauteng, volumes are increasingly coming through from transport contracts such as Gautrain, GFIP and the OR Tambo airport extensions. The graph below demonstrates a 17% volume decline from May 2008 to May 2009 in cement consumption by the readymix industry.

Cement consumed by the readymix industry
(thousand metric tons)



Source: Cement Sales Monitor.

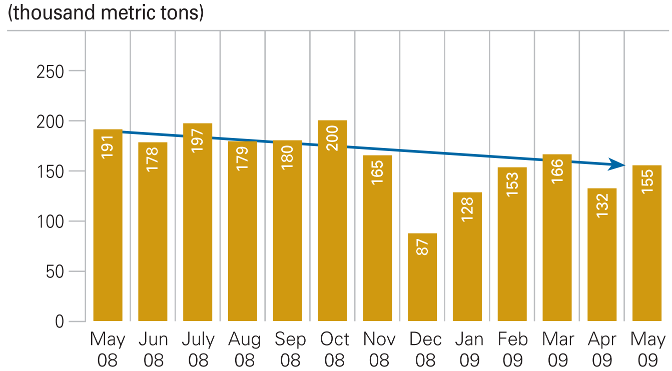
Commercial asphalt

This market, which is a large consumer of aggregates, declined significantly until the recent resurgence in road building and major road maintenance at national and provincial levels. Prospects in this sector should remain buoyant in the medium term, although a number of players have realised the opportunity in this sector, with new plants commissioned and the expansion of existing operations.

Pre-cast concrete products

These products are heavily reliant on the building sector, which is in serious decline at present, with many cement-based brick operations having closed down. Specialist manufacturers are experiencing the lowest volumes in years, except where particular infrastructure contracts are providing some impetus. This industry consumed 18% less cement from May 2008 to May 2009.

Cement consumed by the concrete product manufacturers
(thousand metric tons)



Source: Cement Sales Monitor.

Construction Materials is generally a higher-margin business that has proven that it can rapidly realign its cost base in times of cyclical downturns. This was unfortunately necessary during the financial year, as volumes contracted far quicker than originally anticipated.

MANAGING RISK

Key risks	Mitigating actions
Market downturn dramatically affecting business returns.	► Addressing costs and efficiencies to minimise exposure to the downturn ► Growing our presence as a strong and reliable supplier to Group Five construction contracts
A downturn so significant that business unit viability is brought into question.	► Mothballing units where volumes from the available market fall below a particular unit's breakeven position and supplying the reduced requirement from the nearest viable operation until the market activity returns
Mine closure due to non-compliance with current legislation regarding new order mining rights, safety and environmental control.	► Compliance with the Mining Act, as well as an increased awareness of safety standards and environmental controls
Market focus entirely on the cyclical private sector, which impacts on the sustainability of acceptable returns.	► Positioning effectively for the more active public infrastructure market to offset slowing activity in the private sector
Exposure to debtor write offs as the recession deepens.	► Maintaining a high level of control on the servicing of credit sales in both the private and public sector
The risk of costly production processes being halted due to the failure of Eskom to provide reliable power.	► Building standby electricity capacity to ensure strategic plant runs during the power outages
The aggregates and readymix industries are capital intensive industries.	► Reducing the capital expenditure cycle as market demand drops, without running assets beyond their commercial viability

Construction Materials continued

YEAR UNDER REVIEW

Financial overview

Construction Materials contributed 5.6% (2008: 7.7%) to group turnover. This segment experienced a particularly tough trading year, with volumes depressed by the current recessionary pressures in the majority of markets served.

Revenue remained relatively unchanged at R671 million (2008: R689 million). Operating profit decreased by 60.7% to R55,8 million (2008: R141,9 million). The overall operating profit margin decreased to 8.3% (2008: 20.6%).

Operational overview

Construction Materials experienced a particularly tough trading year, with volumes depressed by the current recessionary pressures in the majority of markets served. Severe summer rains also impacted on contract delivery and plant output.

Quarry Cats

The two commercial quarries at Ekurhuleni and Laezonia experienced significant reductions in volumes and turnover. Due to the relatively high fixed cost base of these quarries, margins were leveraged lower. Pricing came under pressure as the market for aggregates entered an over-supply position. Towards the end of the year, off-take showed signs of recovery as the large roads contracts started to draw aggregates.

A new contract mining opportunity in Namibia commenced during the financial year and three crushers were established at this mine.

Sky Sands

Volumes were poor in this sector as demand for both plaster and washed sands disappointed in line with the slowdown in the relevant sectors. To enable Group Five to supply commercial stone aggregate from the east, north and south of Johannesburg, a small stone crushing facility was established at Sky Sands.

Afrimix

A third new high-capacity, fully-automated, wet batch facility was commissioned at a key Johannesburg site to service major transport infrastructure contracts and strongly position the business unit to supply structural concrete to the latest European standards for long term durability (increasingly applied in the South African market).

Commodity readymix volumes remained subdued throughout the year and pricing was negatively impacted by excess installed market capacity and aggressive competitor pricing.

Deliveries to the GFIP started in earnest in the latter half of F2009. The high-specification material is drawn from the new wet batch facilities in Johannesburg.

Bernoberg

This small operation creates an entry point into the cement extender market, providing an input cost advantage to Afrimix and a platform for future growth in this arena. Bernoberg's new milling facility is located near the Arcelor Mittal Vanderbijl steelworks where the quenched blast furnace slag is sourced.

A second plant in KwaZulu-Natal is nearing commissioning. This plant will receive an allocation of blast furnace slag from Arcelor Mittal – Newcastle's works – and will serve the regional cement, readymix and pre-cast industry. This business creates an excellent point of entry into a market that is currently dominated by a large regional player. Although this market is currently in a depressed cycle, as only the second supplier of milled slag in the region, there is sufficient opportunity to penetrate this market.

- All laboratories are being upgraded to meet stringent ISO requirements in our drive to become a supplier of choice
- All mines have approved rehabilitation plans
- Air monitoring controls have been incorporated at Bernoberg to limit emissions
- Environmental controls and checks are enforced at each unit with assistance from relevant authorities

Key positives	Key negatives
▶ Grew market share (in a declining market) through quality service and due to the benefits of technology ▶ Commissioned a third wet batch readymix plant in Afrimix within the large Gauteng market to serve the Gauteng Freeway Improvement Project ▶ Built and commissioned a second slagment milling operation within Bernoberg to broaden the reach of our market ▶ Added value to our acquired companies through the application of group-wide systems and processes ▶ Developed a contract mining presence in Namibia, thereby extending our market reach further within southern Africa and reducing our reliance on the housing and building downturn	▶ The severity of the market downturn, with demand dropping, was more dramatically than anticipated ▶ The slow pick-up of certain infrastructure contracts, such as the Gauteng Freeway Improvement Project, which only started drawing material late in the financial year ▶ The rising cost of electricity – a major input cost to the majority of our operations

As financial market conditions tightened and the medium term market outlook deteriorated, the rate of capital expenditure in Construction Materials was appropriately curtailed to essential replacements. The expansionary bias of the cluster therefore changed during the year to one of consolidation, with a focus on internal efficiencies.

DELIVERING AGAINST OUR STRATEGY

Find below how we delivered against our strategy outlined in our F2008 Annual Report.

Strategy	Delivery
To position Group Five as a significant player in the basic construction materials market for concrete and aggregates in all forms (initially in Gauteng).	▶ Bedded down the new operations and delivered the full integrated construction materials suite of products to various targeted construction contracts ▶ Expanded our slagment milling operation to include KwaZulu-Natal and grew our contract mining activities to include Namibia
A core part of the group's strategy of diversification.	▶ This remains the case, as we develop multiple income streams around our core Construction cluster
Contributes to our goal of having a third of revenues derived from non-construction business and creating strategic opportunities for multiple revenue streams on large contracts.	▶ Due to the current severe contraction in building activity and the sharp decline in international commodity prices, this cluster is experiencing a sharp cyclical downturn in its markets ▶ However, the Gauteng infrastructure construction market is buoyant and this is partially offsetting the lower activity levels in the general building sector

Construction Materials continued

LOOKING FORWARD

The building materials and mining markets are cyclical in nature, which was well understood at the time the group embarked on the acquisition of its materials businesses. However, the depth, severity and timing of the current international financial crisis, combined with the local electricity supply problems, have created an unusual situation where both mining and building are simultaneously in a severe slump. This has created the necessity to re-engineer our Construction Materials cluster to carry us through until the building and mining markets experience a sustainable recovery.

During the short term, tighter prices are expected to continue due to more competition for fewer large contracts. Heavy cost inflation in the quarrying and crushing operations prior to the financial crisis started to moderate, as the diesel price, steel prices and imported parts prices cycled downwards.

The coal sector is set to expand substantially as the new Eskom power stations come on stream. This creates a medium term opportunity for mining and processing to target Eskom supply contracts.

The currently muted market conditions are anticipated to slowly return to more buoyant levels. In the short term, activity will focus on freeways, as well as other infrastructure contracts.

The tight technical specifications and high peak capacity requirements involved in these contracts are expected to favour larger suppliers such as Quarry Cats and Afrimix.

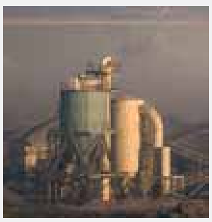
In the Gauteng construction materials market, the outlook is promising as the Gauteng roads programme Phase I, commissioned by the national roads authority SANRAL, gains momentum. This will generate substantial demand for aggregates and readymix concrete peaking throughout F2010. Thereafter, the second and third phases of this very large programme will continue.

On the mining services side, additional contract opportunities are anticipated in the Northern Cape and Namibia, resulting in further growth for Quarry Cats.

Specific focus areas:

- Bedding down changes arising from the business re-engineering process, which includes senior management changes
- Implementing improved management information systems
- Continuous improvement drive, incorporating ISO development, process efficiencies and sales co-ordination
- Consolidation of readymix operations to suit the lower market levels, while maintaining a full network of batching points
- Growing slag volumes in the KwaZulu-Natal region post the commissioning of the new milling plant
- Integrating marketing efforts and contract selection with Group Five Construction business units for maximum commercial advantage
- Investigating future potential growth opportunities to be well positioned for expansion when the markets recover
- Tight cash management and business controls

LOOKING FORWARD (continued)



Product specific prospects for each business unit are discussed in more detail below.

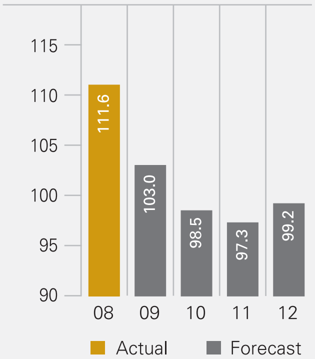
AGGREGATES

Quarry Cats and Sky Sands

The Aggregate and Sand Producers Association of South Africa (ASPASA) recently reported that they expect volumes to contract by 7.7% in 2009, with a recovery over the next three years.

Quarry Cats and Sky Sands will continue to appropriately structure for the market downturn and will emerge as far stronger and more efficient units when the traditional volumes start returning. In the interim, they will continue to hunt for material opportunities within the larger infrastructure contracts.

SA aggregate and sand volumes
(Million tons)



Source: ASPASA – June 2009.

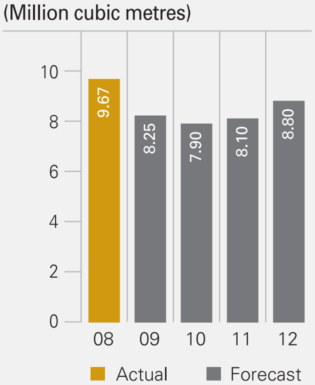
Some **recovery in performance** is anticipated for Construction Materials in F2010.

READYMIX

Afrimix and Bernoberg

The South African Readymix Association (SARMA) reported in its outlook for the industry that investment in the residential sector contracted for six consecutive quarters. The market will struggle to improve in the short term, given the high debt levels of consumers, as well as the negative effects of declining house and equity prices. Some improvement is predicted by late 2010 or early 2011 when an improvement in the overall household consumption growth, as well as an increase in business and investment confidence, could be expected.

SA readymix volumes
(Million cubic metres)



Source: SARMA – June 2009.

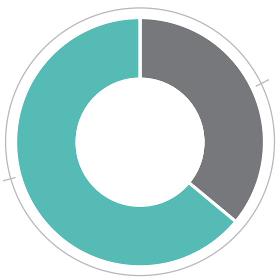
The **three wet batch plants** at Afrimix should supply to their installed capacity in F2010 as the Gauteng roads contracts require **large volumes** of highly specified readymix concrete. The additional regional capacity installed at Bernoberg will start generating **returns** in F2010.

Operational report > Construction

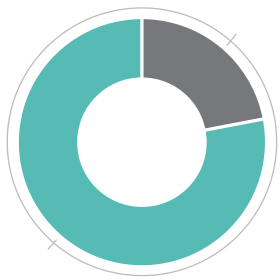
Construction is the largest cluster in the group. It includes the business segments of Building and Housing, Civil Engineering and Engineering Projects. During the year, it contributed 82.5% to group turnover and 71.9% to group operating profit.

Secured order book (R millions)	Total	Building and Housing	Civil Engineering	Engineering Projects
Year to 30 June 2008 (actual)	**7 074**	2 849	2 964	1 261
Percentage over-border	**40**	9	51	86
Year to 30 June 2009 (actual)	**9 976**	2 900	4 633	2 443
Percentage over-border	**41**	2	40	88
Year to 30 June 2010 (forecast)	**8 641**	3 495	4 225	921
Percentage over-border	**16**	10	14	51
Full order book (forecast)	**11 577**	4 570	5 951	1 056
Percentage over-border	**33**	19	39	57

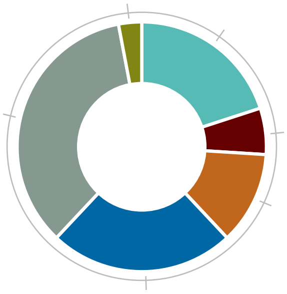
Construction – private vs public revenue 2009 – actual



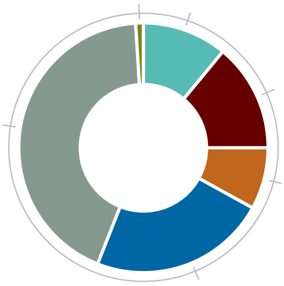
Construction – private vs public revenue 2010 – forecast



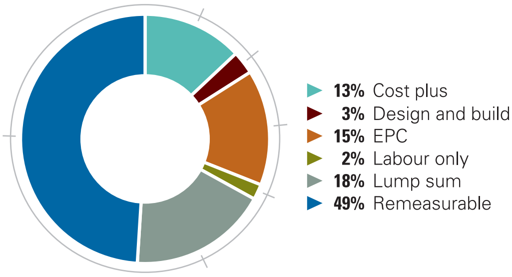
Construction – revenue by sector 2009 – actual



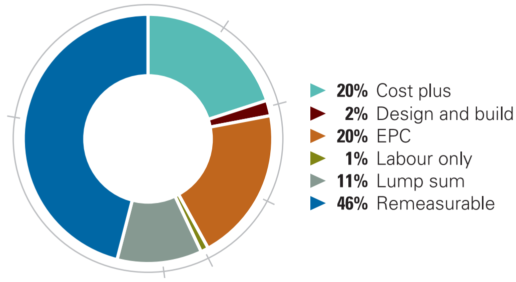
Construction – revenue by sector 2010 – forecast



Construction – revenue by contract type 2009 – actual



Construction – revenue by contract type 2010 – forecast



DESIGN AND PROJECT MANAGEMENT (D+PM)

During F2008, the group **created** a design and project management (D+PM) unit to head up the growing need to perform upfront engineering and scoping studies, as well as a design and **planning function** to support the execution of larger contracts.

The creation of D+PM followed the market moving to a higher percentage of contracts now being multi-disciplinary and large instead of the traditional, smaller building contracts. D+PM co-ordinates and packages a total group contract delivery, which allows us to provide a single point of contact for the client, eliminating the need to employ duplicate resources.

This has been well received in the market and the group has successfully bid, won and executed multi-disciplinary contracts with this strategy.

This year, we therefore comment on the D+PM unit before the individual executives cover their business areas.

D+PM's performance is spread across Construction, as it is currently a support unit. In time, this will grow into a separate reporting unit within Group Five.

During the year, D+PM focused on improving its engineering and project management skills to offer design and engineering work in support of the construction business segments at bid stage and during execution. Its design capacity is limited at present, but is growing with a healthy mix of experienced employees, as well as young engineers schooled in design and the management of design.

In the coming year, D+PM will continue to build capacity and design and project management expertise that support the group's progress in the power, transport, mass housing and PPP buildings markets.

From an innovation and environmental perspective, D+PM is in the unique position within Group Five to influence and manage contracts from "cradle to grave". It can therefore take a long term view on sustainability and environmental concerns. D+PM will increasingly focus on ensuring that contracts are designed to meet environmental compliance and construction sustainability targets, including during the lifecycle of the asset.

Operational report > Manufacturing

operating profit
up
52.9%

R million	F2009	F2008
Revenue	**816**	555
Operating profit	**86**	56
Operating margin (%)	**11**	10
PP&E*	**163**	293
Capital expenditure	**15**	43
Employees (pax)	**1 344**	833

**Property, plant and equipment and investment property.*

JOHN WALLACE / Executive member

INTRODUCTION

Manufacturing contributed 6.8% (2008: 6.2%) to group turnover and 10.8% (2008: 8.8%) to group operating profit.

Manufacturing comprises the two business units of Fibre Cement and Steel.

Fibre Cement consists of Everite, South Africa's largest manufacturer of fibre-cement roofing, cladding, building materials and pipes. It supplies into the building, low-cost and temporary housing sectors in southern Africa.

Steel comprises a 50% share in Barnes Reinforcing Industries, a 50% share in Group Five Pipe and the group's wholly-owned formwork and structural steel operations.

FIBRE CEMENT

Everite manufactures a significant range of commodity products at its recently expanded 20 million m^2 capacity production facility at Kliprivier, Gauteng. These are complemented by products that are supplied through a highly efficient supply chain to a fragmented market.

Manufacturing continued

STEEL

Barnes Reinforcing Industries (BRI) was formed in August 2007 to serve the growing requirement for steel reinforcing products within the local construction industry. Group Five's share of the joint venture with the Barnes family is 50%. The company manufactures rebar, weld mesh, binding wire and brick force.

Group Five Pipe is a manufacturer and supplier of large diameter spiral weld steel pipes. The business unit is influenced by the overall spend in public and private infrastructure developments. It supplies pipes for water pipelines and for industrial and commercial applications.

Formwork and Structural Steel have been incorporated into the steel segment to create a focused group of steel manufacturing assets that can be synergistically managed to best return. The greatest value comes from the units having similar markets and procurement synergies. The key products include formwork, access scaffolding and engineered steel products.

PROGRESS DURING THE YEAR

Find below how F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward.

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
De-link Everite from its reliance on the cyclical building merchant market.	Margin maintenance in poor economic times.			Development of advanced building technologies (ABT) as a stand-alone business unit to deliver modular building solutions.
Bring the new profiled production machine at Everite to international benchmarked standards of output.		Although volume achieved, some quality and product issues remain.	Improved engineering solutions. Ongoing training.	Further modify the production process to include coating applications in F2010.
Increase sales of Everite concrete roof tiles to enter higher-end market and complement existing product range.	Market secured.			Secure long term supply contracts.

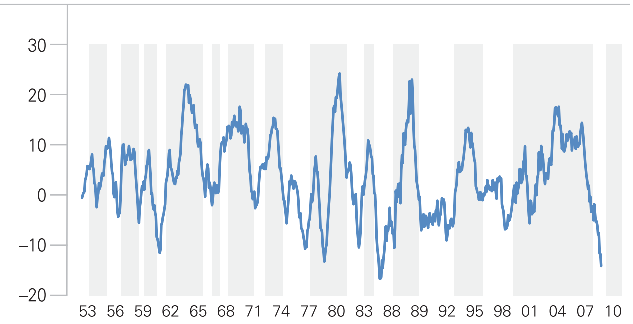
Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
Strengthen management team at Everite.	Recruited top team in finance, operations and sales.			Align structure to incorporate new modular housing division (ABT).
Grow reinforcing steel volumes to the installed plant capacity.	Achieved targeted return on investment.			Further develop installed capacity and geographic reach.
Achieve BEE charter scorecard targets.	Level 4 achieved.			Level 3 will be set as a target where feasible.
Reduce DIFR to achieve target per unit.		Group Five Pipe did not meet targets throughout the year.	Training and discipline. Workplace modification.	A further reduction in the target.
Grow fabricated steel volumes to installed plant capacity.	Optimised internal supply chain opportunities.			Structure appropriately for the market requirements.
Improve utilisation of our investment in formwork and scaffolding.	Improved return on assets.			Improved control of assets through better internal systems.

MARKET DYNAMICS

The economy has been challenging for manufacturing concerns in South Africa during the year under review. Statistics South Africa (Stats SA) recently reported that the basic iron and steel non-ferrous metal products and machinery sector had declined by 26.4% year on year. The overall activity in markets slowed significantly, as the joint effects of high inflation and squeezed liquidity affected overall spending appetite.

One measure of building activity is the movement in the consumption of cement, which is currently seeing the second largest contraction in 57 years. **The industry is shrinking at a rate of 10% year-on-year after eight years of strong growth.**

Cement sales annual: percentage change – 1952 to 2009 (six-month moving average)



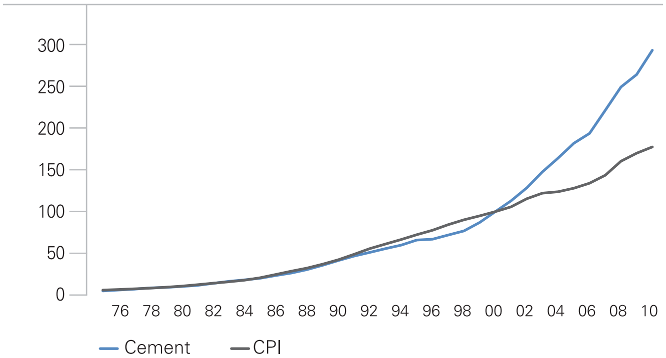
Source: SARB; SACPA; C & CI; MFA database.

Manufacturing continued

On the supply side, there has been an easing in the shortage of skills, although the inflationary pressures on general inputs, in particular power and fuel, led to input costs continuing to rise.

The cement price plays a significant role in Everite's ability to contain input costs and to maintain market share against non-cement bearing competing products. Since 1999 cement prices in South Africa have significantly outstripped CPI, as is demonstrated by the graph below:

CPI and cement prices (2000 = 100)



Source: Production Price Index; Statistics SA; MFA database.

The Rand is showing signs of relative strength, which lowers our imported input costs, but also increases the propensity of imports of competing products. Exports are also relatively unattractive at current exchange values.

During the year we:

- Reduced the amount of process water consumed through the development of a waste water recycling plant at Everite
- Continued to find uses for most waste streams at Everite to minimise scrap and optimise commercial returns from resultant technologies
- Incorporated power reduction technologies (phased machine controls) to minimise electricity consumption, as well as lowering peak demand
- Invested in continuous production plants at BRI to minimise waste and steel scrap generation
- Enforced environmental controls and checks at each unit with assistance from the relevant authorities

MANAGING RISK

Key risks	Mitigating actions
A volatile steel price impacts the steel unit's profitability due to stockholding levels and the need to immediately pass on new prices.	▶ Build hedges – either natural financial or physical – to remove exposure to stock write downs
Lack of key raw materials supply.	▶ Ensuring (where possible) at least two key suppliers of all strategic raw materials
Lack of supply of unique raw materials.	▶ Adapting processes to generic raw materials to reduce the risk of lack of supply
Poor safety and environmental management.	▶ Ensuring the highest levels of safety and environmental control within our business units
Exposure to debtor write offs as the recession deepens.	▶ Maintaining a high level of control on the servicing of credit sales in both the private and public sector
The risk of costly production processes standing due to the failure of Eskom to provide reliable power.	▶ Building standby electricity capacity to ensure strategic plant runs during the power outages
Earnings are highly leveraged by the state of the building merchant cycle.	▶ Increasing the public sector product and service offering to counter a private sector slowdown
Increased exposure to plant breakdowns and limited expansion possibilities due to ageing technology.	▶ Updating ageing equipment to ensure outputs and availability, as well as continually looking to attract appropriate technology partners

YEAR UNDER REVIEW

Financial overview

Manufacturing contributed 6.8% (2008: 6.2%) to group revenue. This cluster posted excellent results despite tough market conditions. As a results of improved performance from both Everite and Group Five Pipe, the operating profit increased from R56,2 million to R86,0 million and the operating profit margin increased to 10.5% (2008: 10.1%).

Operational overview

Fibre Cement

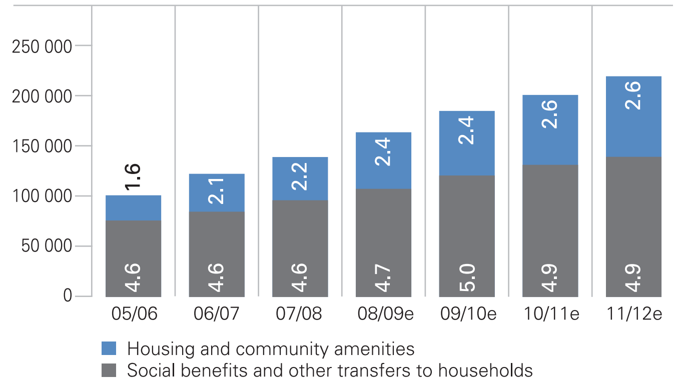
Everite grew volumes, revenue and earnings significantly in a depressed housing market. This was due to the early recognition of the need to partially de-couple Everite from the residential building cycle. This strategy has been successfully executed over the past two years and has seen Everite grow its presence in the public housing market, which continues to grow robustly. According to Stats SA, the government spend on low-income housing grew by 26% to R8,22 billion in 2008 (from R6,54 billion) and is projected to grow to R8,75 billion for 2009.

During the year, Everite focused on winning business back from competing materials such as steel and bricks. It also grew the product range to serve the government's drive to deliver low-cost housing units, as well as catering for relocations and disaster relief accommodation.

The Everite temporary relocation accommodation (TRA) unit has now become the product of choice for a number of government housing departments. The TRA is a demountable house used by authorities as temporary accommodation in the government's programme of replacing informal settlements with formal housing. These units can be erected rapidly by a semi-skilled team and dismantled into housing stock for later use. Each house consists of a steel frame, clad with Everite's fibre-cement products.

The graph below depicts government's planned expenditure, which reinforces Everite's strategy of increasing its presence in this market.

Actual and future estimated government expenditure on housing and social benefits as a percentage of GDP (R million)



Source: Treasury Department.

The non-asbestos fibre cement technology at Everite 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 constantly benchmarks itself against international best practice.

Manufacturing continued

We have progressed from a business that extracts a single return from product sales to one that obtains multiple value-adding margins from larger multi-disciplinary contracts – in essence, a far smarter business model.

Steel

BRI produced excellent results for the year under review. The business segment beat forecasts despite the steel price retracting by more than 50%, creating commercial exposure on existing stock holdings.

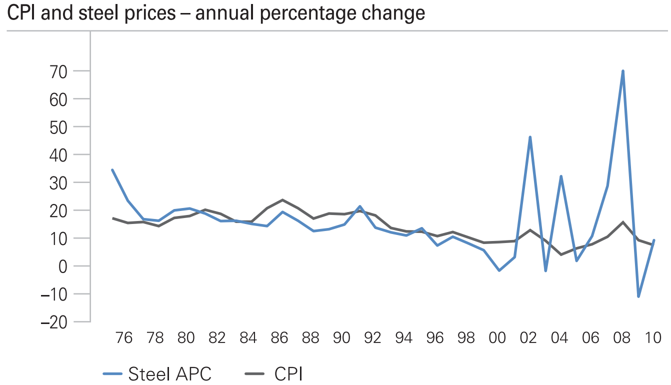
This performance was achieved due to management focusing on low-cost structures within the business, optimising volume throughput and naturally hedging the exposure of existing stock holdings against the falling steel price.

The year under review proved to be highly successful for Group Five Pipe. Due to the need for improved delivery of potable water and the maintenance of existing infrastructure within South Africa, an increasing number of tenders was awarded from various municipalities.

Large contracts included the Rand Water Vaal Dam to Zoekfontein pipeline, as well as the Rynfield to Rietvlei pipeline. This business unit surpassed both its forecasted and prior year's earnings through stringent cost control and management's ability to secure smaller supply contracts between the larger tender awards.

The Formwork and Structural Steel businesses both contributed positively this year, although Structural Steel is only in its first phase of development as a stand-alone supplier. As such, it had a small, yet positive, contribution. Both businesses will be strategically developed to optimise their size and contribution to the steel business unit in future years.

CPI and steel prices – annual percentage change



Source: SARB; Statistics SA; MFA database.

Key positives

Fibre Cement

- Strong trading results despite tough market conditions
- Increased the design and manufacture of modularised housing solutions, making it feasible to launch a new business entity focused on advanced building technologies (ABT)
- Supplied 1 687 temporary relief accommodation units to various government housing contracts
- Dramatically improved the operating performance of the newly commissioned profile production machine S7, providing sufficient output to support a growing government RDP housing market

Steel

- Built BRI reinforcing steel volumes to the installed capacity of the plant in only the second year of the business' existence
- Successfully supplied complex fabricated steel sections to Group Five Buildings contracts (Nedcor building in Sandton and the steel sections for the Bus Rapid Transit (BRT) contract)
- Built and commissioned a new polyurethane coating line at Group Five Pipe

Key negatives

- The state of the general economy negatively impacted the local residential housing market, with industry estimates of up to 30% volume decline from last year
- The highly dynamic steel price has created exposures to existing stock holdings as the market aligns to the mills' published prices immediately

Manufacturing continued

DELIVERING AGAINST OUR STRATEGY

Find below how we delivered against our strategy outlined in our F2008 Annual Report.

Strategy	Delivery
To optimise value from the group's primary construction activities by creating manufacturing opportunities.	▶ Manufacturing businesses now supply both Group Five's internal requirements, as well as the greater construction industry – This allows us to create business units of sufficient size to optimise economies of scale
Investment in supply chain excellence unlocks significant value as we exercise our purchasing power and select manufacturing opportunities where scale allows the support of our construction activity.	▶ Within Steel we have effectively moved a large portion of our spend and margin from third party suppliers to an internal supply business unit ▶ We have also been able to mitigate the risk of dynamic price changes by offering the construction entities fixed prices for long term contracts. This has allowed the group to deliver enhanced margins through vertically integrated supply

The construction sector continues to be an attractive market for manufacturing companies supplying this sector. Although the residential housing sector is currently weak, the supply of manufactured materials into the multitude of roads contracts, airports, harbours, power-related contracts, mining and government housing contracts remains strong. It is in these areas that Group Five Manufacturing will continue to focus in the immediate future.

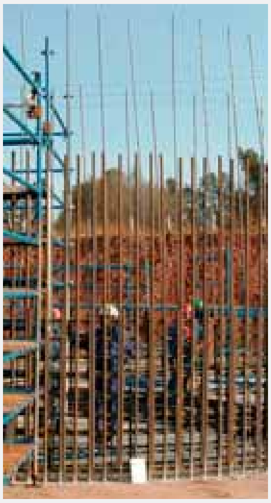
LOOKING FORWARD

Fibre Cement

The merchant markets where Everite trades are expected to remain depressed over the short term as the recession continues to negatively impact private housing demand. The level of building plans currently being passed is a measure of expected activity over the next 12-month period, as there is a lag between planning a structure and the cladding and roofing applications. Clearly, softening interest rates will eventually act as the catalyst for recovery in this sector in late calendar 2010 early 2011.

A focused unit has been created to seek opportunities for the manufacture of modular units and other advanced building technologies (ABT) that consume fibre cement. As such, our aim is to grow the overall market for Everite's product range. As payment terms in the government sector is often a concern, we engage with the highest decision makers in the local housing departments to ensure that documentation is expediently collated and that payments are made. We have maintained a positive cash flow in servicing the public sector during F2009.

We are **confident** that the effects of the depressed private housing sector will be negated by Everite's growing presence in the government's low cost and temporary relief housing markets. Based on this, we expect continued growth from this business unit in F2010.



Steel

If the state of the major construction companies' order books is a barometer, the local steel industry should continue to deliver acceptable returns in the short term.

The outlook for the steel segment remains **positive** on the back of the continued expansion of the infrastructure base in South Africa.

Group Five Pipe has a very healthy order book and should deliver another strong result next year. A new 3 500 m^2 factory is being built to complete the Rand Water contract for very large diameter pipes. We currently have a strong order book with most municipalities predicting a high workload for companies supplying this sector. Management have also proved its ability to secure sufficient work in the civil sector during periods of reduced activity in the major water contract arena.

The structural steel business will be further developed, with additional capacity planned during the new financial year.

Operational report > Construction Materials

operating profit
down

-60.7%

R million	F2009	F2008
Revenue	**671**	689
Operating profit	**56**	142
Operating margin (%)	**8**	21
PP&E*	**1 502**	1 346
Capital expenditure	**139**	214
Employees (pax)	**862**	896

**Property, plant and equipment and investment property.*

JOHN WALLACE / Executive member

INTRODUCTION

This cluster contributed 5.6% (2008: 7.7%) to group turnover and 7.0% (2008: 22.3%) to group operating profit.

The Construction Materials cluster consists of businesses concerned with mining, crushing, slag milling, aggregates and powders and readymix concrete.

AGGREGATES

Quarry Cats owns and manages two commercial quarries that supply sand and stone. It also contract crushes material on behalf of clients within southern Africa.

Sky Sands markets unwashed and washed sand products for use in mortars or as fillers in cement and concrete applications, as well as with other binders such as bitumen.

READYMIX

Afrimix supplies a full range of structural and specialist concrete mixes. The company supplies its own concrete pumping service for its clients.

Bernoberg manufactures milled granulated blast furnace slag that is marketed in bulk to concrete manufacturers and cement blenders.

PROGRESS DURING THE YEAR

Find below how F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward.

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
To position the group as a significant player in the basic construction materials market in Gauteng.		Outcome offset by overall market decline.	Aggressive sales activity and cost reductions.	Restructure the cluster to fully realise synergies and reduce any structural duplication.
To use our knowledge and capacity in quarrying, crushing and mining to expand as a niche mining services contractor.	Awarded a significant crushing contract in Namibia, as well as extending existing contracts.			Continued focus in this area, as it somewhat mitigates our reliance on traditional commercial aggregates markets.
Further expand our wet batch plant footprint within Afrimix.	Commissioned third plant in Gauteng.			Consolidate existing footprint within the current market cycle.
Expand our commercial aggregate market by evaluating the viability of a stone quarry in the Vaal area.	Market penetration in the Vaal region achieved.			Cautiously grow presence in this new market.

Construction Materials continued

MARKET DYNAMICS

The economic recession led to an over-capacity in many sectors of the construction materials market. Although South Africa is spending on infrastructure due to the 2010 World Cup impetus and a backlog in transport and energy infrastructure, private sector building has remained extremely depressed. This market should recover in the medium term as confidence returns and the electricity networks adjust.

Product-specific market dynamics

Cement

The cement industry is experiencing a 10% decline in year-on-year demand. Margins were squeezed through input cost inflation over the past year, although this is moderating as energy prices (with the exception of electricity) are currently reducing. The industry has been sustained by ongoing demand from the owner builder market in rural areas, as well as the demand from major infrastructure contracts.

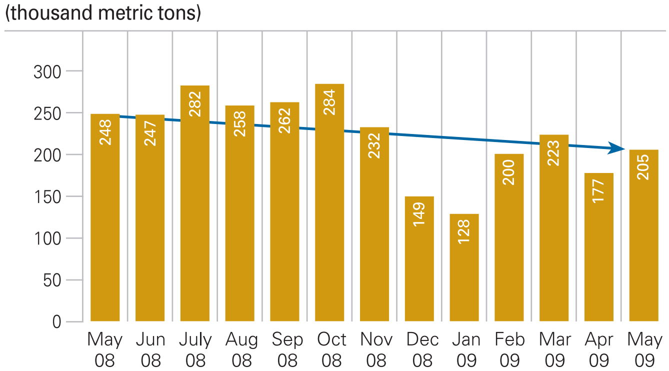
Commercial aggregates

Markets for aggregates are affected by local, as well as regional and national factors. For instance, in Cape Town there is a serious over-supply as construction and building activities have fallen by over 33%, whereas in Gauteng the Gauteng Freeway Improvement Project (GFIP) has somewhat replaced the fall in demand from building developers.

Readymix concrete

Volumes fell significantly in this sector as it is traditionally supported by building companies and sub-contractors such as flooring specialists. However, in Gauteng, volumes are increasingly coming through from transport contracts such as Gautrain, GFIP and the OR Tambo airport extensions. The graph below demonstrates a 17% volume decline from May 2008 to May 2009 in cement consumption by the readymix industry.

Cement consumed by the readymix industry
(thousand metric tons)



Source: Cement Sales Monitor.

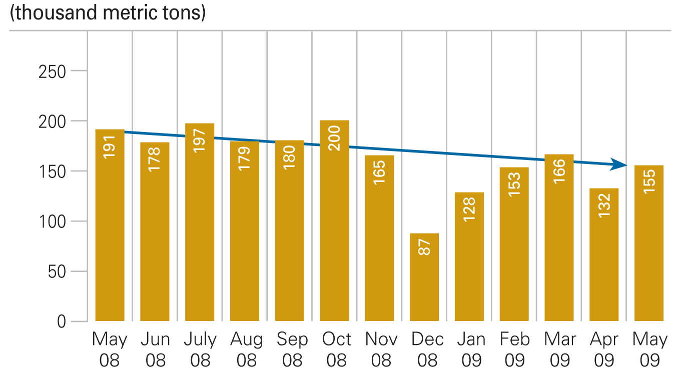
Commercial asphalt

This market, which is a large consumer of aggregates, declined significantly until the recent resurgence in road building and major road maintenance at national and provincial levels. Prospects in this sector should remain buoyant in the medium term, although a number of players have realised the opportunity in this sector, with new plants commissioned and the expansion of existing operations.

Pre-cast concrete products

These products are heavily reliant on the building sector, which is in serious decline at present, with many cement-based brick operations having closed down. Specialist manufacturers are experiencing the lowest volumes in years, except where particular infrastructure contracts are providing some impetus. This industry consumed 18% less cement from May 2008 to May 2009.

Cement consumed by the concrete product manufacturers
(thousand metric tons)



Source: Cement Sales Monitor.

Construction Materials is generally a higher-margin business that has proven that it can rapidly realign its cost base in times of cyclical downturns. This was unfortunately necessary during the financial year, as volumes contracted far quicker than originally anticipated.

MANAGING RISK

Key risks	Mitigating actions
Market downturn dramatically affecting business returns.	► Addressing costs and efficiencies to minimise exposure to the downturn ► Growing our presence as a strong and reliable supplier to Group Five construction contracts
A downturn so significant that business unit viability is brought into question.	► Mothballing units where volumes from the available market fall below a particular unit's breakeven position and supplying the reduced requirement from the nearest viable operation until the market activity returns
Mine closure due to non-compliance with current legislation regarding new order mining rights, safety and environmental control.	► Compliance with the Mining Act, as well as an increased awareness of safety standards and environmental controls
Market focus entirely on the cyclical private sector, which impacts on the sustainability of acceptable returns.	► Positioning effectively for the more active public infrastructure market to offset slowing activity in the private sector
Exposure to debtor write offs as the recession deepens.	► Maintaining a high level of control on the servicing of credit sales in both the private and public sector
The risk of costly production processes being halted due to the failure of Eskom to provide reliable power.	► Building standby electricity capacity to ensure strategic plant runs during the power outages
The aggregates and readymix industries are capital intensive industries.	► Reducing the capital expenditure cycle as market demand drops, without running assets beyond their commercial viability

Construction Materials continued

YEAR UNDER REVIEW

Financial overview

Construction Materials contributed 5.6% (2008: 7.7%) to group turnover. This segment experienced a particularly tough trading year, with volumes depressed by the current recessionary pressures in the majority of markets served.

Revenue remained relatively unchanged at R671 million (2008: R689 million). Operating profit decreased by 60.7% to R55,8 million (2008: R141,9 million). The overall operating profit margin decreased to 8.3% (2008: 20.6%).

Operational overview

Construction Materials experienced a particularly tough trading year, with volumes depressed by the current recessionary pressures in the majority of markets served. Severe summer rains also impacted on contract delivery and plant output.

Quarry Cats

The two commercial quarries at Ekurhuleni and Laezonia experienced significant reductions in volumes and turnover. Due to the relatively high fixed cost base of these quarries, margins were leveraged lower. Pricing came under pressure as the market for aggregates entered an over-supply position. Towards the end of the year, off-take showed signs of recovery as the large roads contracts started to draw aggregates.

A new contract mining opportunity in Namibia commenced during the financial year and three crushers were established at this mine.

Sky Sands

Volumes were poor in this sector as demand for both plaster and washed sands disappointed in line with the slowdown in the relevant sectors. To enable Group Five to supply commercial stone aggregate from the east, north and south of Johannesburg, a small stone crushing facility was established at Sky Sands.

Afrimix

A third new high-capacity, fully-automated, wet batch facility was commissioned at a key Johannesburg site to service major transport infrastructure contracts and strongly position the business unit to supply structural concrete to the latest European standards for long term durability (increasingly applied in the South African market).

Commodity readymix volumes remained subdued throughout the year and pricing was negatively impacted by excess installed market capacity and aggressive competitor pricing.

Deliveries to the GFIP started in earnest in the latter half of F2009. The high-specification material is drawn from the new wet batch facilities in Johannesburg.

Bernoberg

This small operation creates an entry point into the cement extender market, providing an input cost advantage to Afrimix and a platform for future growth in this arena. Bernoberg's new milling facility is located near the Arcelor Mittal Vanderbijl steelworks where the quenched blast furnace slag is sourced.

A second plant in KwaZulu-Natal is nearing commissioning. This plant will receive an allocation of blast furnace slag from Arcelor Mittal – Newcastle's works – and will serve the regional cement, readymix and pre-cast industry. This business creates an excellent point of entry into a market that is currently dominated by a large regional player. Although this market is currently in a depressed cycle, as only the second supplier of milled slag in the region, there is sufficient opportunity to penetrate this market.

- All laboratories are being upgraded to meet stringent ISO requirements in our drive to become a supplier of choice
- All mines have approved rehabilitation plans
- Air monitoring controls have been incorporated at Bernoberg to limit emissions
- Environmental controls and checks are enforced at each unit with assistance from relevant authorities

Key positives	Key negatives
▶ Grew market share (in a declining market) through quality service and due to the benefits of technology ▶ Commissioned a third wet batch readymix plant in Afrimix within the large Gauteng market to serve the Gauteng Freeway Improvement Project ▶ Built and commissioned a second slagment milling operation within Bernoberg to broaden the reach of our market ▶ Added value to our acquired companies through the application of group-wide systems and processes ▶ Developed a contract mining presence in Namibia, thereby extending our market reach further within southern Africa and reducing our reliance on the housing and building downturn	▶ The severity of the market downturn, with demand dropping, was more dramatically than anticipated ▶ The slow pick-up of certain infrastructure contracts, such as the Gauteng Freeway Improvement Project, which only started drawing material late in the financial year ▶ The rising cost of electricity – a major input cost to the majority of our operations

As financial market conditions tightened and the medium term market outlook deteriorated, the rate of capital expenditure in Construction Materials was appropriately curtailed to essential replacements. The expansionary bias of the cluster therefore changed during the year to one of consolidation, with a focus on internal efficiencies.

DELIVERING AGAINST OUR STRATEGY

Find below how we delivered against our strategy outlined in our F2008 Annual Report.

Strategy	Delivery
To position Group Five as a significant player in the basic construction materials market for concrete and aggregates in all forms (initially in Gauteng).	▶ Bedded down the new operations and delivered the full integrated construction materials suite of products to various targeted construction contracts ▶ Expanded our slagment milling operation to include KwaZulu-Natal and grew our contract mining activities to include Namibia
A core part of the group's strategy of diversification.	▶ This remains the case, as we develop multiple income streams around our core Construction cluster
Contributes to our goal of having a third of revenues derived from non-construction business and creating strategic opportunities for multiple revenue streams on large contracts.	▶ Due to the current severe contraction in building activity and the sharp decline in international commodity prices, this cluster is experiencing a sharp cyclical downturn in its markets ▶ However, the Gauteng infrastructure construction market is buoyant and this is partially offsetting the lower activity levels in the general building sector

Construction Materials continued

LOOKING FORWARD

The building materials and mining markets are cyclical in nature, which was well understood at the time the group embarked on the acquisition of its materials businesses. However, the depth, severity and timing of the current international financial crisis, combined with the local electricity supply problems, have created an unusual situation where both mining and building are simultaneously in a severe slump. This has created the necessity to re-engineer our Construction Materials cluster to carry us through until the building and mining markets experience a sustainable recovery.

During the short term, tighter prices are expected to continue due to more competition for fewer large contracts. Heavy cost inflation in the quarrying and crushing operations prior to the financial crisis started to moderate, as the diesel price, steel prices and imported parts prices cycled downwards.

The coal sector is set to expand substantially as the new Eskom power stations come on stream. This creates a medium term opportunity for mining and processing to target Eskom supply contracts.

The currently muted market conditions are anticipated to slowly return to more buoyant levels. In the short term, **activity will focus on freeways, as well as other infrastructure contracts.**

The tight technical specifications and high peak capacity requirements involved in these contracts are expected to favour larger suppliers such as Quarry Cats and Afrimix.

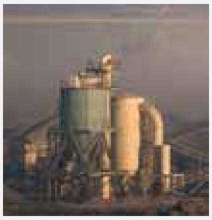
In the Gauteng construction materials market, the outlook is promising as the Gauteng roads programme Phase I, commissioned by the national roads authority SANRAL, gains momentum. This will generate substantial demand for aggregates and readymix concrete peaking throughout F2010. Thereafter, the second and third phases of this very large programme will continue.

On the mining services side, additional contract opportunities are anticipated in the Northern Cape and Namibia, resulting in further growth for Quarry Cats.

Specific focus areas:

- Bedding down changes arising from the business re-engineering process, which includes senior management changes
- Implementing improved management information systems
- Continuous improvement drive, incorporating ISO development, process efficiencies and sales co-ordination
- Consolidation of readymix operations to suit the lower market levels, while maintaining a full network of batching points
- Growing slag volumes in the KwaZulu-Natal region post the commissioning of the new milling plant
- Integrating marketing efforts and contract selection with Group Five Construction business units for maximum commercial advantage
- Investigating future potential growth opportunities to be well positioned for expansion when the markets recover
- Tight cash management and business controls

LOOKING FORWARD (continued)



Product specific prospects for each business unit are discussed in more detail below.

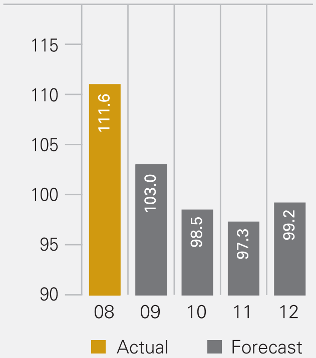
AGGREGATES

Quarry Cats and Sky Sands

The Aggregate and Sand Producers Association of South Africa (ASPASA) recently reported that they expect volumes to contract by 7.7% in 2009, with a recovery over the next three years.

Quarry Cats and Sky Sands will continue to appropriately structure for the market downturn and will emerge as far stronger and more efficient units when the traditional volumes start returning. In the interim, they will continue to hunt for material opportunities within the larger infrastructure contracts.

SA aggregate and sand volumes
(Million tons)



Source: ASPASA – June 2009.

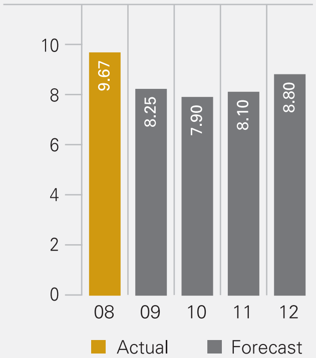
Some **recovery in performance** is anticipated for Construction Materials in F2010.

READYMIX

Afrimix and Bernoberg

The South African Readymix Association (SARMA) reported in its outlook for the industry that investment in the residential sector contracted for six consecutive quarters. The market will struggle to improve in the short term, given the high debt levels of consumers, as well as the negative effects of declining house and equity prices. Some improvement is predicted by late 2010 or early 2011 when an improvement in the overall household consumption growth, as well as an increase in business and investment confidence, could be expected.

SA readymix volumes
(Million cubic metres)



Source: SARMA – June 2009.

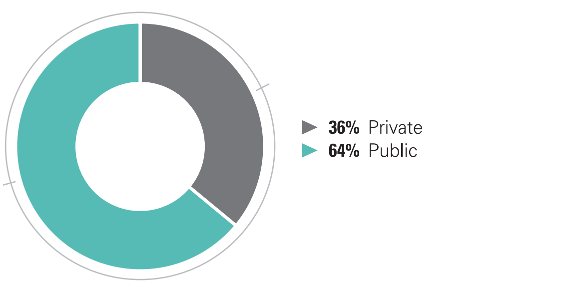
The **three wet batch plants** at Afrimix should supply to their installed capacity in F2010 as the Gauteng roads contracts require **large volumes** of highly specified readymix concrete. The additional regional capacity installed at Bernoberg will start generating **returns** in F2010.

Operational report > Construction

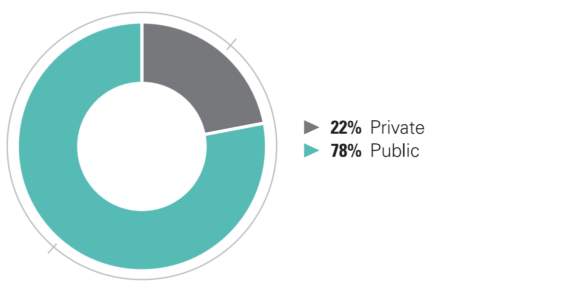
Construction is the largest cluster in the group. It includes the business segments of Building and Housing, Civil Engineering and Engineering Projects. During the year, it contributed 82.5% to group turnover and 71.9% to group operating profit.

Secured order book (R millions)	**Total**	Building and Housing	Civil Engineering	Engineering Projects
Year to 30 June 2008 (actual)	**7 074**	2 849	2 964	1 261
Percentage over-border	**40**	9	51	86
Year to 30 June 2009 (actual)	**9 976**	2 900	4 633	2 443
Percentage over-border	**41**	2	40	88
Year to 30 June 2010 (forecast)	**8 641**	3 495	4 225	921
Percentage over-border	**16**	10	14	51
Full order book (forecast)	**11 577**	4 570	5 951	1 056
Percentage over-border	**33**	19	39	57

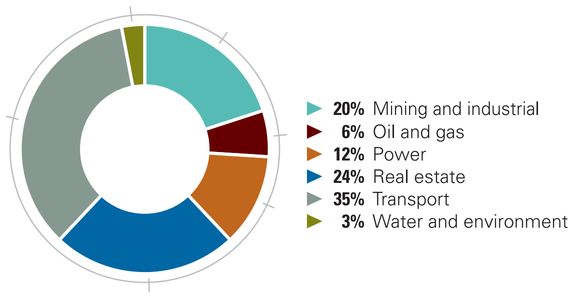
Construction – private vs public revenue 2009 – actual



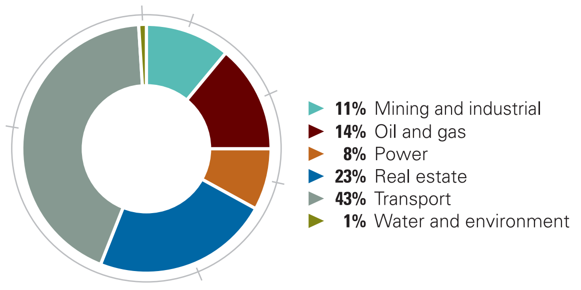
Construction – private vs public revenue 2010 – forecast



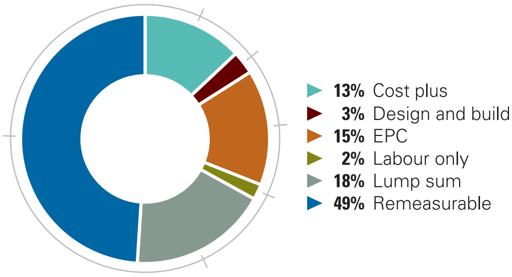
Construction – revenue by sector 2009 – actual



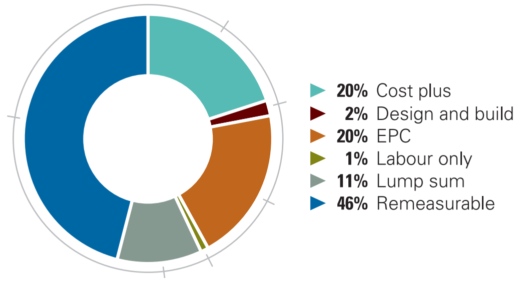
Construction – revenue by sector 2010 – forecast



Construction – revenue by contract type 2009 – actual



Construction – revenue by contract type 2010 – forecast



DESIGN AND PROJECT MANAGEMENT (D+PM)

During F2008, the group **created** a design and project management (D+PM) unit to head up the growing need to perform upfront engineering and scoping studies, as well as a design and **planning function** to support the execution of larger contracts.

The creation of D+PM followed the market moving to a higher percentage of contracts now being multi-disciplinary and large instead of the traditional, smaller building contracts. D+PM co-ordinates and packages a total group contract delivery, which allows us to provide a single point of contact for the client, eliminating the need to employ duplicate resources.

This has been well received in the market and the group has successfully bid, won and executed multi-disciplinary contracts with this strategy.

This year, we therefore comment on the D+PM unit before the individual executives cover their business areas.

D+PM's performance is spread across Construction, as it is currently a support unit. In time, this will grow into a separate reporting unit within Group Five.

During the year, D+PM focused on improving its engineering and project management skills to offer design and engineering work in support of the construction business segments at bid stage and during execution. Its design capacity is limited at present, but is growing with a healthy mix of experienced employees, as well as young engineers schooled in design and the management of design.

In the coming year, D+PM will continue to build capacity and design and project management expertise that support the group's progress in the power, transport, mass housing and PPP buildings markets.

From an innovation and environmental perspective, D+PM is in the unique position within Group Five to influence and manage contracts from "cradle to grave". It can therefore take a long term view on sustainability and environmental concerns. D+PM will increasingly focus on ensuring that contracts are designed to meet environmental compliance and construction sustainability targets, including during the lifecycle of the asset.

Operational report > Building and Housing

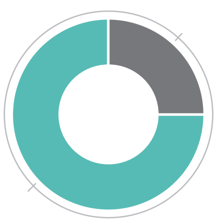
operating profit up 1%

R million	F2009	F2008
Revenue	**2 900**	2 849
Operating profit	**141**	140
Operating margin (%)	**5**	5
Current assets	**958**	1 043
1-year order book*	**3 495**	2 225
Employees (pax)	**2 080**	2 684

**F2010 secured order book.*

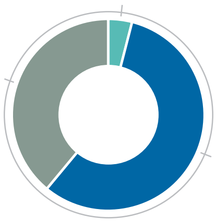
PAUL LE SUEUR / Executive member

Private vs public – revenue 2009 – actual



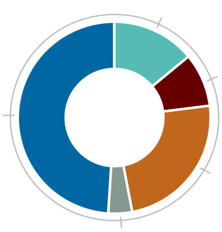
- **25%** Private
- **75%** Public

Revenue by sector 2009 – actual



- **4%** Mining and industrial
- **57%** Real estate
- **39%** Transport

Revenue by contract type 2009 – actual



- **14%** Cost plus
- **9%** Design and build
- **24%** EPC
- **4%** Lump sum
- **49%** Remeasurable

Building and Housing comprises the South African coastal construction units, the group's specialist large buildings business and its housing construction unit.

The cluster participates in various aspects of the construction sector, including public buildings and infrastructure, high-rise residential apartments and commercial offices, retail shopping centres, industrial premises, education and healthcare facilities and large-scale corporate and private/public sector housing developments in South Africa and the rest of Africa.

It is standard practice on all our contracts to protect both the site and surrounding environment, namely:

- Measuring the water quality to ensure there is no contamination
- Regularly measuring dust emissions and ensuring they are contained
- Preventing open fires on sites by providing proper cooking facilities or food service providers
- The protection of trees and replanting thereof
- Proper maintenance of equipment to avoid engine oil spillages

This segment contributed 24.0% (2008: 32.0%) to group turnover and 17.7% (2008: 22.1%) to group operating profit.

PROGRESS DURING THE YEAR

Find below how F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward.

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
Improve operational controls.	Improved contract delivery.			Integrate into product realisation section of quality management system.
Secure additional public sector infrastructure work.	A number of public sector contracts secured.			Target key sector contracts, including public buildings, power and housing infrastructure.
Secure PPP contracts.	Two major contracts secured, namely King Shaka International Airport and Department of Education Offices.			Further build our design and construct expertise to establish ourselves as a preferred bidder in respect of PPP contracts.
Rationalise overheads.	Overheads now correctly sized to the resource requirements and turnover of the business units.			Continue to monitor output of employees and further refine efficiencies.
Leveraging internal supply chain opportunities.	Improved synergies between Construction and Manufacturing.			Continue to improve communication and relationship. Making construction expertise available appropriate to supply chain.
Improve safety.		Not achieving DIFR of zero, although we have improved.	Increased awareness and behavioural-based training. Zero tolerance to non-compliance.	Continue to aggressively target a zero DIFR.
Improve employment equity statistics.		Improved statistics at junior and middle employee levels, but representation at senior level inadequate.	Improve the manpower planning and succession process for earlier identification of EE candidates and their development.	Extend our mentorship programme to all levels to support the development of EE candidates.
Breaking into the entry-level and affordable housing market.	Secured first contracts.			Ramp up capacity commensurate with clients' ability to unlock this programme.

Building and Housing continued

MARKET DYNAMICS

The private sector in South Africa experienced a significant slowdown in the second half of F2009 due to the lack of liquidity in the market negatively affecting sentiment, as well as the lack of development funding from the banking sector. The ratio of equity funding requirements relative to debt has therefore increased in favour of equity, resulting in contract postponements.

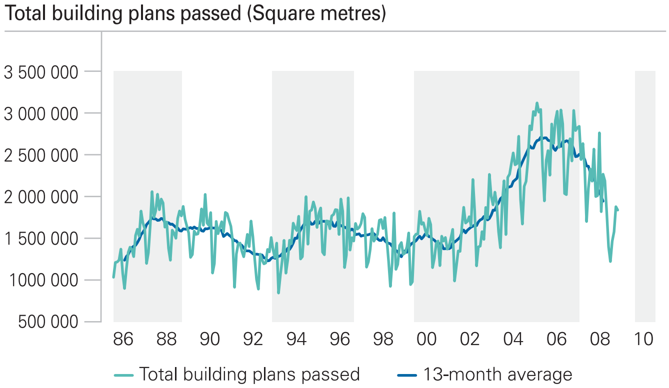
In the commercial market, the tenant demand for office space decreased, directly impacting upon the bankability of prospective contracts.

The retail market was also affected, especially in over-traded areas. However, some opportunities still exist in certain niche areas, especially outside the main cities.

The sectional title market was strongly impacted by the downturn, especially in the second home, holiday apartment and investment market due to a decrease in the demand for rental stock. The slowdown in mortgage bond lending by the banking sector also affected sales.

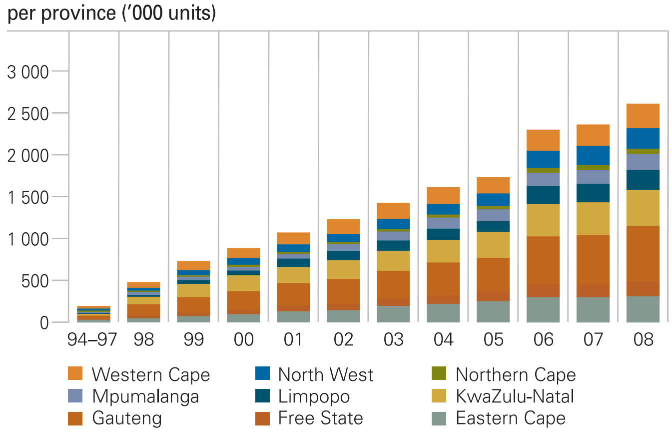
Public sector demand for the construction services offered by the segment is increasing and building-type contracts are becoming larger, whilst the demand for entry-level social housing programmes is growing. However, contract awards have been slow.

Total building plans passed (Square metres)



Source: Statistics SA; MFA database.

Low-cost houses completed/under construction as at March per province ('000 units)



Source: Department of Housing.

Group Five Building and Housing has been responsible for the group's lead role in the construction of the Moses Mabhida Soccer Stadium and for the building portion of the King Shaka International Airport in KwaZulu-Natal.

MANAGING RISK

Risks	Mitigating actions
Low margin returns.	▶ Diversification of client base and applying thorough bid risk process
Poor contract delivery.	▶ Ensuring the appropriate contract resourcing in conjunction with a high level of construction management processes. Adopting group contract lifecycle principles, ISO 9001:2008 and participating in more of Group Five Academy construction management programmes
Poor selection of over-border work.	▶ Detailed country selection criteria with sound corporate governance, treasury and risk practices in place
Labour strike action.	▶ Ensuring fair labour practices and constant communication with employees, as well as negotiating through industry bodies
Poor BBBEE scorecard rating.	▶ Continuous development of all aspects of the construction scorecard, particularly procurement, employment equity and skills development
Shortage of artisan skills.	▶ Internal training through our established training schools
Delayed public infrastructure contract awards.	▶ Further build capacity for focused international expansion

Building and Housing continued

YEAR UNDER REVIEW

Financial overview

Building and Housing revenue remained largely unchanged, increasing from R2 849 million (91% local) to R2 900 million (98% local). The segment reported similar operating profits to that of the prior year, with operating profit increasing from R140,2 million to R141,0 million, resulting in the overall operating margin percentage remaining at 4.9%. The secured one-year order book stands at R3,5 billion (90% local) (2008: R2,2 billion (100% local)) and the total secured order book at R4,6 billion (81% local).

Limited liquidity had a negative effect on both the private sector building and housing markets. The group has successfully hedged its exposure to this through the transfer of skills to the public sector infrastructure market and a redirected housing market strategy, with the one-year forward order book weighted 81% in favour of public works.

The South African government's PPP unit issued more contract bids in 2009 than the previous three years

- There are currently more new contracts in the pipeline on PPPs than the previous five years
- Certain government authorities' budget limits have resulted in a request for financing proposals to accompany technical proposals
- In South Africa, 30% of power generation capacity is planned for development by the private sector (IPPs)
- In the rest of Africa, this may be as high as 70%

Operational overview

The pro-active shift to the public sector allowed us to perform well relative to the slowdown. We also rationalised overheads to suit the current structure within each business unit, which resulted in cost efficiencies. The rightsizing of the business relative to the market was achieved with some retrenchments, non-essential cost cutting, as well as greater efficiency through improved co-ordination between departments in the business units.

We managed to reduce our exposure to the private sector sectional title market by redirecting our resources to the public sector breaking new ground (BNG) and temporary relief accommodation (TRA) mass housing market, where we are well positioned. We are especially well placed in the PPP market and have become strong in the field of design and construct.

Contracts secured include:

- Department of Education Offices, Pretoria
- King Shaka International Airport, KwaZulu-Natal

A number of other PPP/design and construct bids have been submitted and are awaiting adjudication:

- Department of Environmental Affairs offices, Pretoria
- New KwaZulu-Natal legislative offices, Pietermaritzburg
- Four new prisons – Paarl, Klerksdorp, Nigel and East London
- Munitoria Offices, Pretoria

During the year, we intentionally reduced our over-border exposure to repatriate certain key resources back to South Africa to deliver on the 2010 World Cup contracts. Going forward, we intend increasing our exposure in the rest of Africa and the Indian Ocean Islands.

KEY CONTRACTS DURING THE YEAR

Contract	Description	Location	F2009 revenue R million*	Total revenue reported to date R million*
King Shaka International Airport – construction works	Construction of international airport	KwaZulu-Natal	**487**	**618**
Moses Mabhida Soccer Stadium	Construction of 2010 soccer stadium	KwaZulu-Natal	**415**	**756**
University of Western Cape	Construction of Life Sciences building	Western Cape	**222**	**264**
Nedbank office	Construction of bank office building	Gauteng	**205**	**205**
BRT bus stations	Construction of bus rapid transport system	Gauteng	**204**	**204**

**Represents the group's share of turnover.*

Key positives	Key negatives
▶ Shifted from the private sector to the growing public sector ▶ Successfully redirected its housing market strategy to that of mass housing ▶ Secured two major PPP contracts, including King Shaka International Airport ▶ Expanded its geographic presence to Zambia	▶ The group's traditional markets of private sector and building and housing markets under pressure ▶ Operating margin just under the group's 5% target

During the year, considerable progress was made in terms of our BBBEE position to meet the requirements of public sector contracts.

DELIVERING AGAINST OUR STRATEGY

Find below how we have delivered against our strategy outlined in the F2008 Annual Report.

Strategy	Delivery
Positioning Group Five as the preferred contractor in the forthcoming major PPP contract opportunities, including prisons, hospitals and public sector buildings.	▶ We have multi-skilled our coastal businesses, especially in KwaZulu-Natal and the Western Cape, which enables the execution of broad-based multi-disciplinary public works contracts ▶ We have restructured the technical resourcing of our bidding, procurement and risk departments within the business units to position ourselves in the PPP market
Expanding our housing operations into the privately financed investment housing markets in selected African and Indian Ocean markets.	▶ This strategy has been implemented, with entry into Zambia
Utilising our size and capacity in Housing in conjunction with our property development expertise to position ourselves in the new entry-level, bank-financed housing market.	▶ After a number of years of upfront work in the new entry-level markets, we expect certain contracts to come to fruition in F2010
Providing temporary and permanent housing infrastructure to the planned new South African power station contracts.	▶ We are currently awaiting adjudication in respect of bids submitted on these contracts
Providing the required housing infrastructure relative to the mining expansion programme.	▶ Successfully secured a new contract for Kumba Resources and participating in a number of potential bid opportunities

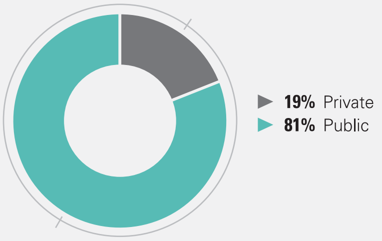
Building and Housing continued

LOOKING FORWARD

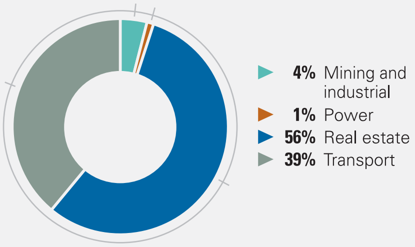
Despite a more competitive and temporarily weak private sector demand for building and housing, **the business prospects for the year ahead are nevertheless positive,** given the visibility of opportunities, some of which include:

- The successful delivery and completion of the 2010 Soccer World Cup infrastructure contracts
- Success in re-energising our over-border operations in selected countries
- Finalising the legal requirements on our own BNG housing developments
- Focus on securing PPP contracts in respect of pre-qualifications secured and bids submitted
- Participating in large multi-disciplinary national priority contracts
- Further enhancing our design and construct capabilities
- The start of the Waterfall Development construction portion where the group has an equity stake
- Leveraging our internal supply chain
- Leveraging the multi-disciplinary nature of the group in respect of turnkey contracts

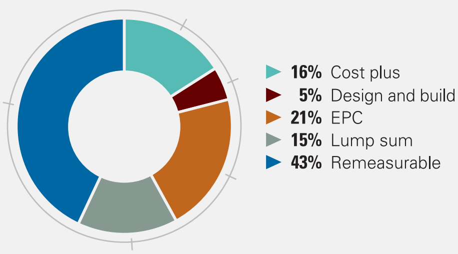
Private vs public – revenue 2010 – forecast



Revenue by sector 2010 – forecast



Revenue by contract type 2010 – forecast



Operational report > Civil Engineering

operating profit
up

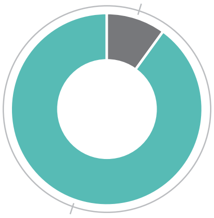
58.0%

R million	F2009	F2008
Revenue	**4 633**	2 964
Operating profit	**226**	143
Operating margin (%)	**5**	5
Current assets	**2 294**	2 437
1-year order book*	**4 225**	4 302
Employees (pax)	**6 560**	5 962

**F2010 secured order book.*

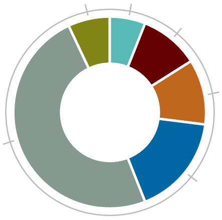
ANDREW MCJANNET / Executive member

Private vs public – revenue 2009 – actual



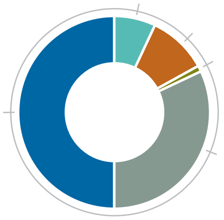
10% Private
90% Public

Revenue by sector 2009 – actual



6% Mining and industrial
10% Oil and gas
11% Power
17% Real estate
49% Transport
7% Water and environment

Revenue by contract type 2009 – actual



7% Cost plus
10% EPC
1% Labour only
32% Lump sum
50% Remeasurable

INTRODUCTION

This segment contributed 38.3% (2008: 33.3%) to group turnover and 28.3% (2008: 22.5%) to group operating profit.

Civil Engineering made an outstanding contribution to the group this year. The multi-disciplinary offering of the group was again highlighted through the successful co-operation between Civil Engineering and other Group Five business areas, enabling the group to offer turnkey solutions for infrastructure and industrial contracts to the market.

Civil Engineering is the cluster within Construction that undertakes a broad range of heavy civil, infrastructure, roads and earthworks contracts for both public and private clients, operating locally, in the rest of Africa, the Indian Ocean Islands and the Middle East.

The business has an established local and international footprint and is recognised as one of the leading South African firms in marine construction and water treatment structures. We have a large, competent and multi-skilled workforce that allows flexibility in the selection of contracts and an ability to easily adjust to the changing needs of the markets.

Civil Engineering continued

PROGRESS DURING THE YEAR

Find below how the F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward:

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
Sustain growth in three markets – South Africa, rest of Africa and Middle East.		Although growth in South Africa was strong, the Middle East was affected by global financial crisis. Mining sector in Africa declined in the period.	Right sized Middle East and broadened client base.	Establish new markets in the Middle East with strong technical offering. Bid for African contracts, as demand returns.
Enhance technology offering to ensure increased growth opportunities.	Created new businesses in concrete systems, petrochemical pipelines and submerged marine civils.			Strategy of technology enhancement to deliver additional revenue stream in F2010.
Secure a foothold in the power cycle.	Secured Eskom base load (Kusile) and Co-generation (Sasol) power plant contracts.			Continue to focus on maximising power sector contract awards.
Increase market share in the public sector.	F2009 revenue 90% aligned to the public sector.			Balance the portfolio to also include contracts outside the public sector by F2011.

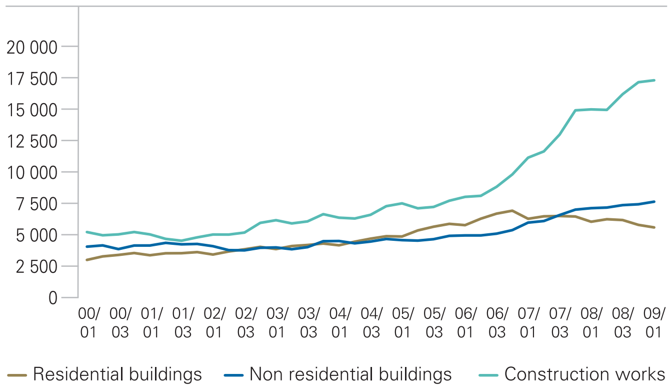
MARKET DYNAMICS

The financial crisis in the second quarter of the year resulted in market dynamics that could not have been predicted six months earlier, and which played out in very different ways in the three regions in which we operate.

South Africa and the rest of Africa

Civil Engineering activity in South Africa remained strong, although the mix of work between the public and private sectors continued to shift towards the public sector, as was anticipated. Overall, the market in South Africa is now substantially larger than it has ever been, as can be seen in the graphic of Civil Engineering turnover over the past four decades.

Construction related GFCF (2000 = 100) (R million)



Source: SAFCEC.

Infrastructure contracts currently being rolled out include conventional, coal-fired, and nuclear electricity power plants; road networks; railway expansion; commuter schemes; port and harbour developments; large pipelines; water and waste water treatment plants and water storage facilities.

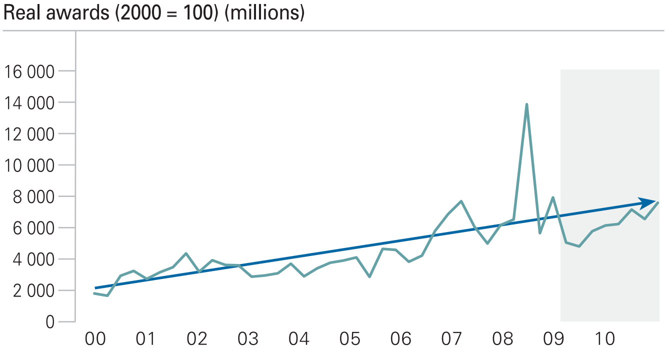
The fully integrated nature of the business means that the complete scope of Civil Engineering disciplines is contained within one business, distinguishing us from our peers in the sector.

As reported last year, activity in the private sector was expected to reduce due to concerns over electricity capacity, interest rates, a weakening Rand and rising input costs. These issues were exacerbated by the lack of availability of finance, tighter funding terms and investor reticence, coupled with falling commodity prices and reduced demand, which led to the suspension or cancellation of a number of contracts.

In the rest of Africa, the substantial investment in private mining infrastructure, which forms the major portion of the group's activity in these areas, declined due to the global market pressure.

However, when viewing South Africa and Africa together, the outlook remains positive and holds strong medium to long term opportunities.

Real awards (2000 = 100) (millions)



Source: SAFCEC.

Middle East

The past year saw very difficult trading conditions due to the worldwide economic downturn. This affected mainly Dubai with its enormous construction boom that has run since early 2000.

Certain large contracts were cancelled, suspended or curtailed due to a lack of financial resources. A number of the larger contracting companies, including Group Five, was affected by decisions taken to reduce expenditure.

Since the downturn, most of the construction companies turned their focus to Abu Dhabi where construction is still taking place on a steady basis. Group Five has managed to build up a diversified sector base which resulted in our contracts being split across airports, roads, infrastructure, real estate and industrial.

The markets in the rest of the UAE and in neighbouring Middle East countries contain multiple opportunities, and will be the object of the group's focus going forward.

All our clients are currently government related, both in Jordan and the UAE, as they account for more than 80% of the construction industry development within the Middle East.

Civil Engineering continued

MANAGING RISK

Risks	Mitigating actions
Contract overruns.	▶ Short term working programmes ▶ Monitor overall working programme against contractual programme ▶ Monitor information schedule ▶ Progressive handover
Inadequate early identification of contract risks/loss-making contracts.	▶ Tender risk reviews ▶ Site risk registers ▶ Site dashboards ▶ Variance reports
Loss of key employees in senior site management positions.	▶ Performance reviews/succession planning ▶ Training ▶ Mentorship programmes ▶ Incentive schemes
Inadequate quality and experience of required skills.	▶ Recruitment programmes ▶ Training and development ▶ Remuneration levels
Taking on specialised contracts, relying on partners' capabilities.	▶ Partner risk reviews ▶ Regular, detailed reporting
Increased industrial action.	▶ Participation in employer representative bodies ▶ Adherence to agreements
Inability to resource in line with the manpower plan.	▶ International recruitment ▶ Expanded local recruitment ▶ Training

- Group Five Construction LLC, the group's Middle East business, received the coveted Health and Safety Award at the fourth Annual Construction Week Awards for 2008. The Construction Week Awards aim to raise the profile of the construction industry within the region and to celebrate innovation and excellence in what is the most dynamic industry in the world
- The team also achieved a number of awards from the Emirates Aluminium (EMAL) Smelter contract. The contract has a total of 40 contractors with more than 14 000 employees on site. Group Five Construction LLC was the only civils contractor to receive a safety, health and environmental award during this ceremony
  - February 2009 – Third place
  - March 2009 – Second place
  - Overall first quarter 2009 – Best contractor

YEAR UNDER REVIEW

Financial overview

Civil Engineering revenue increased by 56.3% from R3,0 billion to R4,6 billion, while operating profit increased to R225,7 million from R142,9 million, resulting in the operating margin increasing to 4.9% (2008: 4.8%)

The secured one-year order book stands at R4,2 billion (86% local) (2008: R4,3 billion (60% local)) and the total secured order book at R6,0 billion (61% local).

The one-year forward order book is weighted 93% in favour of public works.

The 56.3% increase in revenue was in line with original expectations and was a significant achievement given the drop off in revenue in Dubai. It is also a reflection of the strong volumes of South African work secured. The substantial growth in the business has resulted in pressure for further plant and equipment. However, it has been possible to service the demand from our existing fleet due to the investment made in prior years and the availability of rental plant in the market.

Internationally, margins have remained strong, albeit on smaller volumes. Locally, margins have improved as the activity in the sector increased, with the resultant overall margin improvement despite the increased local weighting.

Significant contracts undertaken in the current year (with total revenue contributions for the period under review, as well as life-to-date) can be seen in the table included on page 116 of the report.

Operational overview

South Africa

In South Africa, the cluster enjoyed the benefits of participating in many of the current large public infrastructure contracts, including the civil works for the new Kusile coal-fired power station to be built for Eskom, the largest share of the Gauteng Freeway Improvement Project, as well as the new international airport and port extension contracts near Durban.

The South African portion of the cluster will continue to support the Construction Materials and Manufacturing businesses of the group, which will add to their orders for the year.

Mentorship and Training – Critical to the future success and long term sustainability of the business unit is the need for proper training and development of our employees. We have commenced with three mentorship programmes aimed at developing management, as well as securing professional qualifications for our engineers.

Civil Engineering continued

As the workload increased, we continued to build capacity locally at management, operational, skills and support service levels. Separately, we have worked with our internal supply chain companies to further improve synergies and our competitive edge. We have also, in joint venture with an Australian group, established a specialist company that focuses on pre-stressed systems, launched bridges, and high-rise slipform techniques. This was ideally timed, as we have secured a number of contracts which lend themselves to these applications.

Rest of Africa and Indian Ocean islands

In the rest of Africa and the Indian Ocean islands, many of the contracts we have been involved with coming to an end, with the next stage of contracts delayed due to investor cautiousness. As a result, many of our resources have returned to home base, where they have been a welcome addition to our local capacity as we take on the large amount of South African work. Activity has since recommenced in the mining sector in the rest of Africa, and we are in the process of preparing a number of bids, as well as pursuing several infrastructure contracts.

Middle East

In Dubai, we had one contract suspended and another cancelled, which significantly affected the secured order book. The management team responded well, taking immediate action to protect the revenue of all completed work, whilst at the same time minimising further expenditure. We also managed to repatriate foreign nationals employed on these contracts. The focus has since moved from Dubai to other areas of the Middle East. Activities in Abu Dhabi have progressed well and we have managed to secure a further six contracts there, as well as work in Jordan.

For example, our roads contract in Jordan has been progressing exceptionally well over the last 12 months, which saw the contract value increase by 64% from the original value. The contract is expected to be completed in March 2010.

KEY CONTRACTS DURING THE YEAR

Contract	Description	Location	F2009 revenue R million*	Total revenue reported to date R million*
Durban Harbour	Deepening and widening of Durban Harbour	KwaZulu-Natal	**642**	**1 007**
NMPP Pipeline	Multi-fuels oil and gas pipeline	Durban to Gauteng	**339**	**343**
N17 Link Road	Road construction	Gauteng	**204**	**244**
Koeberg Interchange	Road and bridge construction	Western Cape	**191**	**201**
Siyavaya highway construction	Road construction	Gauteng	**302**	**305**
VRESAP pipeline	Installation of water supply system for Sasol between Vaal and Secunda	Vaal to Secunda	**147**	**339**
DMO project	Infrastructure and civil construction	Mpumalanga	**111**	**117**
Taweelah Aluminium Smelter	Civil infrastructure for smelter and power station	Abu Dhabi	**570**	**591**
King Shaka International Airport – construction works	Construction of international airport	KwaZulu-Natal	**155**	**188**
DPF Accommodation	Construction of accommodation buildings	Dubai	**380**	**546**
3B Parallel Roads	Road construction	Dubai	**156**	**161**
470A and B Logistics City	Logistics and residential units construction	Dubai	**295**	**321**

**Represents the group's share of turnover.*

Key positives	Key negatives
▶ Record turnover in South Africa ▶ Improved South African margins ▶ Excellent cash flow ▶ Strong focus on mentorship and training	▶ Cancellation of two contracts in Dubai ▶ Delays in contract awards

DELIVERING AGAINST OUR STRATEGY

Find below how we have delivered against our strategy outlined in our F2008 Annual Report.

Strategy	Delivery
Sustain growth in three markets.	▶ Grew in South Africa, but not in Africa and Middle East
Optimise local opportunities.	▶ Successfully achieved
Focus on major Eskom contracts.	▶ Secured share of Kusile civil works
Balanced transport contracts portfolio.	▶ Successful, with portfolio including land, air and sea contracts
Oil and gas – pipelines locally.	▶ Secured stage II of the Transnet new multi-products pipeline (NMPP) contract
Maintain mining and industrial activity.	▶ Low at this stage due to global market pressure
Focus on larger contracts.	▶ Achieved
Develop international partnerships.	▶ Ongoing
Improve local profit margins.	▶ Successful
Grow through joint ventures with complementary businesses.	▶ Ongoing
Strict use of risk management processes.	▶ In place

The proper care of the environment has become a standard requirement on construction sites and is set to become a greater priority going forward. We have responded to this by employing specialists, by establishing the necessary management systems, and by obtaining our ISO 14001:2004 certification.

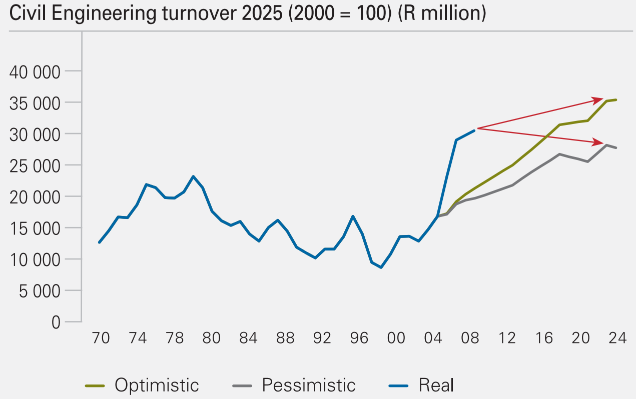
Civil Engineering continued

LOOKING FORWARD

The expansion in South Africa and the contraction in Dubai led to the change in the size and split of the future order book, which stands at R6,0 billion (2008: R9,2 billion), with the one-year order book standing at R4,2 billion (2008: R4,3 billion). The South African portion of the total order book stands at 61% (2008: 53%).

The size of the forward order book remains healthy compared to earlier years and is a reflection of a structural shift in the sector, with a move towards larger and longer term contracts.

Civil Engineering turnover 2025 (2000 = 100) (R million)



Source: SAFCEC.

LOOKING FORWARD (continued)

South Africa

Local expenditure will continue to be led by the public infrastructure spend (power, water, roads, ports and harbours) that will extend well beyond the key 2010 date, which is the end date for many of the current public contracts. Whilst funding restrictions are apparent and may limit some growth in this spending, we believe that the stated expenditure by the utilities companies should persist at levels similar to those currently being experienced. The impact of expenditure in the water sector is yet to be fully felt, and should manifest over the next two to three years.

Private expenditure will continue to be influenced by factors such as the availability of electricity, exchange rates, interest rates, levels of foreign direct investment, cost increases, availability of resources and materials, as well as by the more recent factors of commodity prices, investor reticence, and revised funding criteria.

We anticipate that this will continue to affect the mining and industrial sector for some time. However, we are now seeing enquiries being issued, which is an indication that the sector is beginning to recover. Electricity in itself will be a reason for private expenditure, as companies invest in captive power plants for their own supply, such as our Open Cycle Gas Turbine contract for Sasol.

Rest of Africa and Indian Ocean Islands

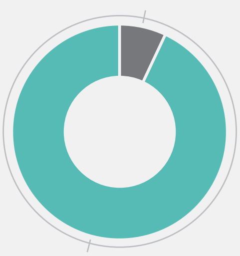
Internationally, activity in mining developments and expansions reduced, but will recover in a timeframe similar to that expected in South Africa. We have already seen new bids in Zambia, Namibia and Mozambique. We will also pursue appropriate infrastructure contracts in the rest of Africa and the Indian Ocean Islands if the contract conditions satisfy our risk criteria.

Middle East

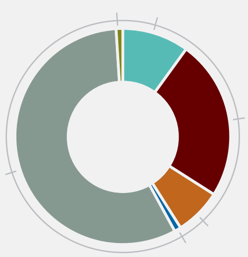
In the Middle East, whilst spending in Dubai is expected to remain at lower levels for some time, other areas of the Gulf Co-operation Council (GCC) are active and we have turned our attention there. With a number of enquiries and tenders currently happening, the focus over the next 12 months will mainly be on increasing the secured order book, broadening our position in other Middle East countries and further strengthening our relationship with key clients and partners.

The Middle East still offers significant opportunities aligned to Group Five's skills, experience and multi-disciplinary offering in the public works, energy, power and heavy industrial markets.

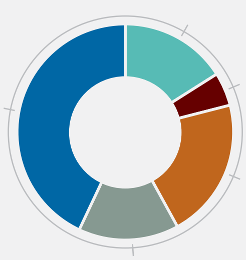
Private vs public – revenue 2010 – forecast



Revenue by sector 2010 – forecast



Revenue by contract type 2010 – forecast



Operational report > Engineering Projects

operating profit
up

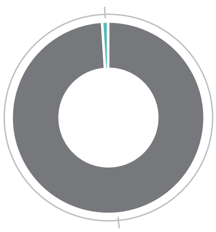
104.9%

R million	F2009	F2008
Revenue	**2 443**	1 261
Operating profit	**207**	101
Operating margin (%)	**9**	8
Current assets	**502**	493
1-year order book*	**921**	1 987
Employees (pax)	**2 327**	2 321

**F2010 secured order book.*

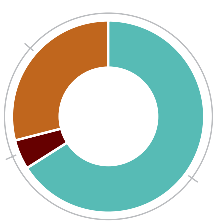
WILLIE ZEELIE / Executive member

Private vs public – revenue 2009 – actual



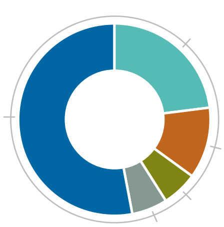
99% Private
1% Public

Revenue by sector 2009 – actual



66% Mining and industrial
0–5% Oil and gas
29% Power

Revenue by contract type 2009 – actual



23% Cost plus
12% EPC
6% Labour only
6% Lump sum
53% Remeasurable

INTRODUCTION

This cluster contributed 20.2% (2008: 14.2%) to group turnover and 25.9% (2008: 15.9%) to group operating profit.

Engineering Projects comprises businesses that undertake multi-disciplinary, technically complex plant building work that includes structural, mechanical, piping and electrical engineering and complete plant construction solutions.

Engineering Projects is a market leader in its field in Africa and is currently establishing a footprint in the Middle East. This cluster has two focused units: Projects (Mining and Industrial) and Energy. The cluster's offering includes:

	Projects (Mining and Industrial) Geographical split	Energy Sector split: oil & gas, power and electrical and instrumentation
Structural	■	
Mechanical	■	
Piping	■	
Electrical and instrumentation		■
Power		■
Maintenance services and shutdowns		■

The two businesses within Engineering Projects often combine to offer a one-stop service on contracts

Projects (Mining and Industrial)

Structural, mechanical and piping

- Total plant builders with specialist skills, including:
  - Fabrication, supply and installation of high and low pressure piping systems for the mining, industrial and petrochemical industries
  - Installation and commissioning of mechanical equipment, such as mills, crushers, furnaces, refrigeration plants, columns, towers and other associated heavy industrial equipment and installations
  - Supply and installation of structural steelwork and plate work for industrial plants, including conveying systems, plant buildings and tank farms

Energy

Power, electrical and instrumentation supply and installation

- Turnkey distillate power plants
- High and low voltage reticulation (overhead and underground)
- Complete installation of sub-stations
- Cable installation and cable racking
- Installation of power, control and instrumentation

Operations and maintenance services

- Planned plant maintenance and repairs
- Planning and management of major plant turnarounds
- Shutdown work in acid, pulp and paper, chemical and petrochemical plants

Engineering Projects **employs more than 2 300 people** in Africa and the Middle East.

Engineering Projects continued

PROGRESS DURING THE YEAR

Find below how F2008 objectives were addressed, as well as new challenges and how these will be addressed going forward.

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
Enter Middle East market for mechanical, electrical and piping erection.	First contract for smelter awarded to Group Five. Additional orders received on this contract.			Expand success to other clients in Middle East.
Expansion into new markets in Africa.	Successful contracts awarded in Malawi and Burkino Faso.			Increase presence in these countries with the securing of additional contracts.
Drive more meaningful alliances and expanding services and offering.	Clients have an understanding of Group Five's alliance model, which has led to the awarding of contracts.			Cement the Group Five strategy in delivering solutions to clients, especially African contracts where logistics, labour and the environment is challenging.
Secure power contracts in South Africa, expanding on power contract success in West Africa.	Power contracts have been secured in southern Africa in this period.			Focus on smaller IPPs to establish Group Five's position as a power solutions provider to small and medium entrepreneurs.
Expand oil and gas capabilities into construction and turnkey contracts.	New turnkey contracts were awarded to Group Five Oil and Gas. However, due to the market downturn, these contracts were cancelled.			Continued focus on turkey contract opportunities. This is a new market and brings additional revenue streams to the business.
Improve skills levels.	Ongoing training took place.			Key focus will be on the improvement of management and project management skills.

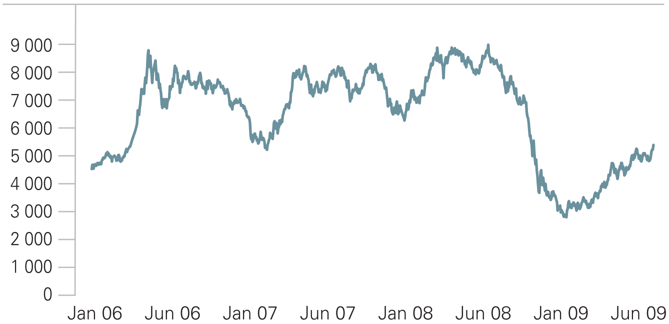
MARKET DYNAMICS

Projects (Mining and Industrial)
The global crisis had a major impact on sectors across the globe. Most commodity prices dropped, resulting in the majority of mining companies reviewing contracts. Projects therefore experienced some cancellation of contracts. However, these cancellations did not have a material impact on results due to continued contract growth, mainly in the mining sector in uranium, gold and the larger copper-cobalt contracts in central and west Africa.

Infrastructure, industrial and Eskom contracts in South Africa and neighbouring countries have seen an upturn, with enquiries from large original equipment manufacturers supporting the Eskom build programme.

Tendering activity therefore improved considerably in the last quarter of F2009, with numerous bids under adjudication.

Copper price ($/ton)



Source: Investec Securities Research.

Energy
Energy had a successful year despite a period that has seen project finance availability constrained. However, the oil and gas sectors continued to spend on maintaining compliance of existing refineries, which allowed our business to expand its offering in this market.

Africa's need for energy and power remains at an all-time high. However, some challenges face government, private entrepreneurs and developers in the delivery of contracts to the energy (oil and gas) and power markets. These challenges include:

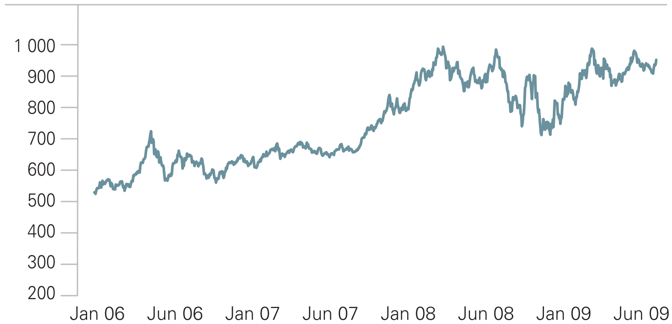
- Although West Africa and neighbouring countries have an abundance of oil and gas available, production and distribution is often hampered
- Energy and power contracts that were in the process of reaching financial closure have been delayed or postponed due to financial institutions reviewing their lending, as well as governments evaluating their contract needs
- The decline in the crude oil price has forced refineries and oil producing countries to reconsider investments and contracts in favour of life extension maintenance contracts

Delays on large-scale natural energy and power contracts have revived the drive by smaller boutique developers and captive power clients to develop innovative independent power projects in various countries.

Tendering activities in these sectors have therefore increased dramatically.

The Group Five team's experience in small to medium scale power contracts has ideally positioned us to assist developers in finding solutions for the development of these contracts.

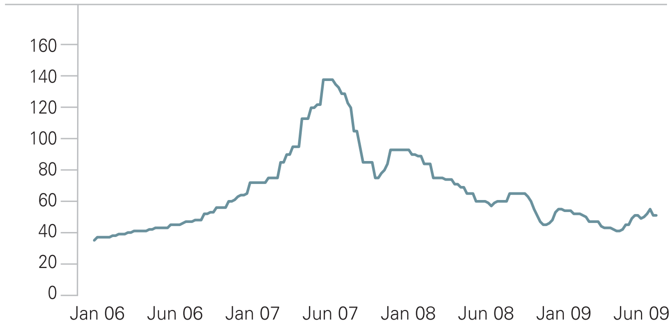
Gold price ($/oz)



Source: Investec Securities Research.

A multi-disciplinary offering, expert execution and solid experience in Africa and the Middle East have established a sound footing for total plant building contract execution. South African demands will result in the redirection of resources home to support local infrastructure, mining and industrial clients' requirements in the coming years.

Uranium price ($/lb)



Source: Investec Securities Research.

Engineering Projects continued

MANAGING RISK

Risks	Mitigation actions
Contract cancellations.	▶ Focus on growth of existing contracts, as well as the establishment of small contracts in new countries
Lack of succession planning for key employees.	▶ Specific resources and positions identified, mentorship and training programmes implemented
Duration of turnkey over-border contracts longer than normal, resulting in a challenge to maintain employee productivity and commitment.	▶ More vigorous rotation schedule, improved communication and focus on skills and management advancement programmes for site employees
Risk of tropical diseases, malaria, unhygienic conditions and STDs.	▶ Focused induction for all over-border employees, with ongoing training and education at site. Provision of preventative measures, prophylactics and medical support. Regular audits on site to monitor improvements and trends
Country compliance with respect to taxes, work permits, VAT and other statutory fees.	▶ Regular audits by country compliance management ensure correct policies and procedures are adhered to

YEAR UNDER REVIEW

Financial overview

Engineering Projects had an impressive year. Revenue increased by 93.7% from R1 261 million (14% local) to R2 443 million (12% local) and operating profit more than doubled from R100,9 million to R206,7 million, with operating profit margin percentage improving to 8.5% (2008: 8.0%).

The global crisis had a major impact on the mining sector in Africa and the world. Most commodity prices dropped, resulting in the majority of mining companies reviewing contracts. Uranium and gold are still in demand and new opportunities are presenting themselves in this sector. Tendering activity therefore improved noticeably in the last quarter of F2009, with new bids under adjudication. The oil and gas sectors continued to spend on maintaining compliance of existing refineries, which allowed us to expand our offering in this market. The secured one-year order book stands at R921 million (49% local) compared to 30 June 2008 when R1 987 million secured work (31% local) was reported. The total secured order book stands at R1 056 million (43% local) compared to 30 June 2008 when it was R1 993 million (31% local).

Group Five Engineering Projects has successfully gained its ISO 14001:2004 certification from Dekra GmbH. By attaining the ISO 14001:2004 certification, not only shows our commitment to the environment, but also position us to take advantage of contracts where this is an ever increasing requirement.

Power contracts constructed or under construction by the Energy business during the last five years totalled approximately 700MW.

Operational overview

Projects (Mining and Industrial)
During the year, Projects established itself in multiple new countries in Africa and the Middle East, such as Abu Dhabi. After a period of concentrating in the African region, the business unit re-entered the South African power and industrial market. This, coupled with Projects' strong alliances with mining clients and consultants, introduced new revenue streams from services, procurement and project management skills. Towards the first part of F2009, some copper and nickel contracts were postponed and hence not put out to market for award. However, these cancellations had no effect on the F2009 result, as the pipeline of existing orders with their natural growth in contract value was sufficient to sustain revenue, margins and our workforce.

Energy
During the year, Energy expanded its footprint in the southern African power market, with orders received for private power contracts in South Africa and Botswana. An increasing number of new private power contracts were tendered in South Africa, Africa and Eastern Europe. This positions Energy for continued growth in this sector.

The business unit's core maintenance and shutdown offering has a leading position in the refineries and industrial sectors. This business now has five evergreen core maintenance contracts in the Western Cape and KwaZulu-Natal. In addition to this, this unit is participating in maintenance turnarounds for three oil refineries in South Africa.

Energy experienced strong growth in all market sectors. Our solutions-based offering has been recognised by clients and suitably fits into our strategy for Power. Our footprint is expanding, with sites in west, southern and South Africa.

Research indicates that 30% of new power generation planned over the next ten years will be in private hands, with 15% of South Africa's generation planned to come from renewable sources, such as wind, solar or hydro.

Engineering Projects continued

KEY CONTRACTS DURING THE YEAR

Contract	Description	Location	F2009 revenue R million*	Total revenue reported to date R million*
Tenke Fungurume Mining	Erection of structural, mechanical, stainless steel tankage and heavy lifts	DRC	**400**	**575**
Kayelekera Uranium	Erection of piping, structural, mechanical, heavy lifts and electrical instrumentation	Malawi	**330**	**383**
Iduapriem	Piping, structural and mechanical erection and construction	Ghana	**160**	**194**
Kinsevere	Services, piping, structural, mechanical, electrical and instrumentation	DRC	**189**	**217**
Geometric Power	Engineering, balance of plant, civil, electrical and instrumentation. Erection of piping, structural, mechanical and heavy lifts	Nigeria	**277**	**396**

**Represents the group's share of turnover.*

Key positives	Key negatives
PROJECTS (MINING AND INDUSTRIAL)	
▸ Achieving full quality, safety and environmental certification ▸ Completion of the Kaylekera uranium mine in Malawi in record time ▸ Proven construction capability in the Middle East	▸ Cancellation of a copper and zinc mining contract in the DRC and Burkino Faso – However, both contracts have now been revived in a different form and are to be reissued in the first half of F2010
ENERGY	
▸ Breaking into southern Africa by securing three new power contracts ▸ The signing of a co-operation agreement with one of the leading designers and suppliers of products for large oil and fuel storage tanks ▸ Achieving full quality, safety and environmental certification ▸ Very strong safety and health record in Africa	▸ Postponement and cancellation of two mining contracts ▸ Delay in the award of power contracts due to financial institutions' lack of funding

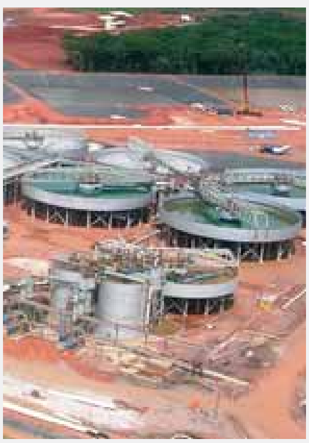
DELIVERING AGAINST OUR STRATEGY

Find below how we have delivered against our strategy outlined in the F2008 Annual Report.

Strategy	Delivery
Projects (Mining and Industrial)	
Expand existing mining construction footprint in Africa by: ▶ Offering junior and large miners a total solution to construction in Africa ▶ Building on our reputation of being the number one constructor for mining in Africa	▶ We expanded our footprint in new countries, as well as received orders from new clients and additional orders from existing clients
Expand existing industrial construction: ▶ Increase the mechanical, electrical and piping (MEP) business into the UAE following Group Five's civil success in Dubai, as well as our first successful MEP order in Abu Dhabi	▶ We won the contract for EMAL Smelter MEP work in Abu Dhabi
▶ Focusing on South African power contracts, in particular on Eskom's expansion contracts, such as Medupi and Bravo	▶ Orders have been received for the mechanical and piping installation of gas-fired General Electric turbines and the balance of plant for Sasol Secunda ▶ Eskom power contract awards have been delayed. We expect to see these enquiries in F2010
Energy	
The key strategic focus for the coming three years will be on strengthening the existing structure to continue with the business' dedicated revenue streams from different market and geographical sectors: ▶ Power unit focusing on small to medium-sized private and independent power projects (IPPs) in Africa ▶ Oil and gas will focus on securing more of the petrochemical and oil and gas contracts in South Africa and Mozambique	▶ In general, Energy met or exceeded its expectations for F2009, with power and oil and gas orders secured in different geographical sectors ▶ Power contracts were secured in Botswana and South Africa, with many other opportunities in the foreseeable future ▶ Oil and gas contracts were delayed due to the decline in the crude oil price. However, we saw an increase in maintenance and turnaround activity

Engineering Projects continued

LOOKING FORWARD



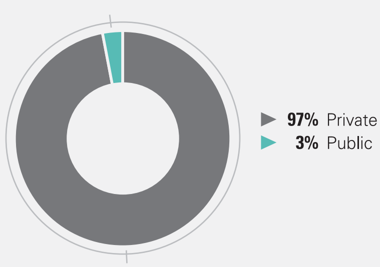
Projects continues to be the market leader in its field, delivering project management and construction services throughout Africa and the Middle East, with a strong pipeline for F2010.

Energy continues to make inroads into the power and oil and gas sectors within South Africa and the rest of Africa, with prospects opening up in the independent power market, renewable energy and international expansion.

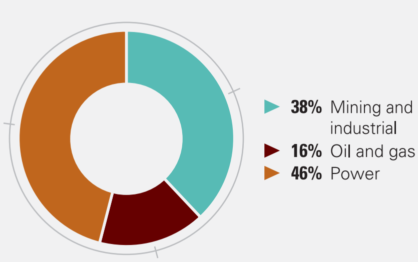
Engineering Projects' strategy will continue to focus on the mining, industrial, oil and gas and power sectors. The team will continue to provide professional engineering and construction services to existing clients, with an expansion into opportunities in the following geographical areas:

	Southern Africa	Central Africa	West Africa	East Africa	Middle East
Mining Gold, platinum, uranium, coal, copper, zinc, nickel and mineral sands	■	■	■	■	
Industrial Power, cement, smelters	■	■	■	■	■
Oil and gas Maintenance, turnarounds and construction contracts	■		■		
Power Independent gas, diesel and coal-fired power contracts	■	■	■	■	■
Power Renewable power contracts	■				

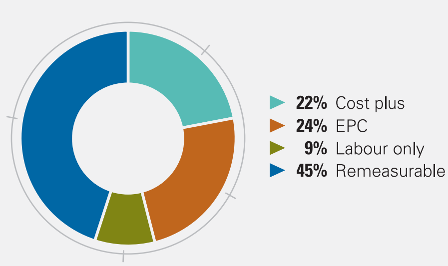
Private vs public – revenue 2010 – forecast



Revenue by sector 2010 – forecast



Revenue by contract type 2010 – forecast



people
planet
performance

The group aimed to further improve its sustainability reporting this year, with more detailed information around the key aspects of the business, as well as the triple bottom line measures of people, planet and performance.

Group Five is committed to adding value in a consistent and responsible manner to ensure growth and sustainability in all our businesses.

We have been reporting in line with the Global Reporting Initiatives (GRI) for the last few years. Refer to page 384 for our compliance disclosure.

The report is structured around the following key areas:

Message from the CEO

Sustainability can be a very abstract business term, and is often viewed as a so-called "non-core" area of business. The concept of total quality management is also often incorrectly regarded as applying only to the quality of an activity or product.

These views contradict the fundamental fact that the ability of a business to operate in a disciplined and sustainable fashion over the long term is central to its ability to maintain a competitive advantage in both buoyant and challenging market conditions.

At Group Five, the approach to sustainability and a total quality management system is one and the same and gives us a core strategic approach in terms of guiding how we work as a group.

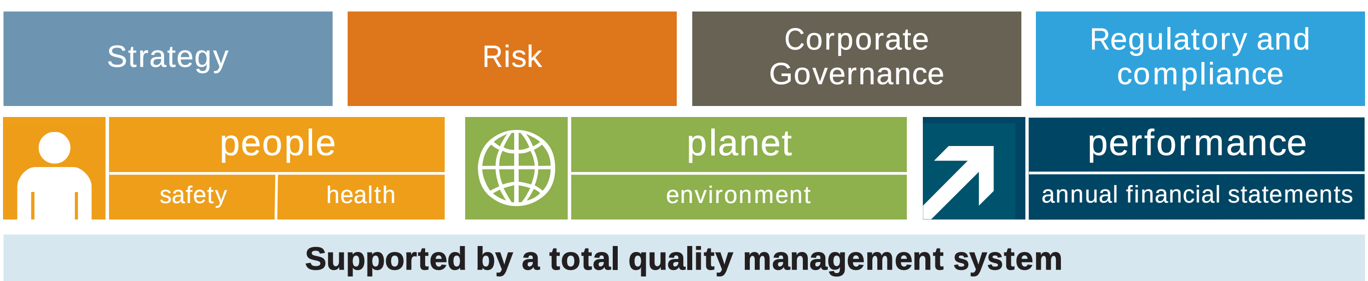
Within this strategic context, and to embed sustainable performance, Group Five is implementing a total quality management culture that will underpin every aspect of our operations and reinforce the centrality of sustainability to the business. The concept of a triple bottom line management culture, guided by disciplined behaviour through a quality management system, is the essence of what we are striving to achieve.

By placing quality management at the heart of our operations, Group Five has created a mechanism through which it is able to bind together often seemingly disparate business components.

As the schematic below illustrates, the group's centralised quality system effectively binds risk management to corporate governance and to health and safety components, and vice versa. In addition, the structural centralisation of quality management ensures that important elements that are difficult to quantify and measure are fully integrated into the group's strategic decision-making and its measurement processes.

This year, the sustainability section of the report is structured along the aspects outlined in this schematic:

SUSTAINABLE BUSINESS MODEL



Message from the CEO continued

Group Five is committed to meeting the guidelines of measurement tools such as the Global Reporting Index (GRI).

Group Five uses structures such as the GRI as a way to track its success in driving sustainability. Consequently, this year we have sought to return to the GRI's clear guidelines of reporting around the triple bottom line measures of People, Planet and Performance.

As always, we welcome feedback on both our report and our operations. Contact us on feedback@groupfive.co.za or +27 (11) 806 0278.

Mike Upton
CEO

ISO CERTIFICATION

Supporting our initiatives and performance goals is the over-arching drive to further improve our sustainability. The executive team has therefore adopted the most modern thinking in total business management discipline, encompassed in the suite of standards of the International Standards Organisation (ISO).

ISO is the world's largest developer and publisher of International Standards. ISO is a non-governmental organisation that forms a bridge between the public and private sectors and enables a consensus to be reached on solutions that meet both the requirements of business and the broader needs of society.

The group has made great strides in certifying business units with the different ISO standards and will continue to drive the balance of performance, people and environment using the ISO framework.

Measuring performance

The group focuses on tracking its performance. We believe this supports our quality management philosophy, as it ensures consistency in terms of delivery and continuous measurement throughout all processes.

This section outlines external awards received, as well as key scorecards in terms of performance.

The group views external awards as a recognition of our focus on improving the way we operate. These are some recent awards.

COMPANY AWARDS

JSE LIMITED TOP 10 COMPANIES

- Ranked 4th

JSE LIMITED TOP 100 COMPANIES: EXCELLENCE IN CORPORATE REPORTING

- Rated as excellent

ERNST & YOUNG: EXCELLENCE IN CORPORATE REPORTING

- The F2008 annual report received an excellent ranking and fourth place

THE INVESTMENT ANALYSTS SOCIETY

- Award for the best reporting and communications in the Basic Industry and Manufacturing sector of the JSE Limited (third year running)

JSE LIMITED SRI INDEX

- Best performer

DEKRA ETHICS AWARD

- Award for outstanding social commitment: Excellent ranking and fourth place

INDUSTRY AWARDS

CONCRETE SOCIETY OF SOUTH AFRICA: FULTON AWARDS

- Civil Engineering: Berg River Dam: Winner
- Moses Mabhida Soccer Stadium: Unique design aspects: Winner
- Moses Mabhida Soccer Stadium: Construction technique: Commendation

SAPOA: GOOD MERIT AWARD

- One Sandton Place: 2nd place

CONCRETE SOCIETY OF SA

KwaZulu-Natal branch: Concrete achiever of the year

- Julio Cerqueira (Construction manager: Moses Mabhida Soccer Stadium)

CONCRETE MANUFACTURERS ASSOCIATION

Regional award of excellence in the innovative products category

- The Group Five/WBHO/Pandev joint venture for the Moses Mabhida Soccer Stadium

CONSTRUCTION WORLD

- Civil Engineering and Building: Best contracts
- Moses Mabhida Soccer Stadium: Winner
- Western freeway, Durban: 2nd Place
- Durban harbour: Highly commended
- Berg River Dam: Public private partnerships: Winner
- LUSIP dams, Swaziland: Afrisam innovation award for sustainable construction: highly commended

EHS EMAL PERFORMANCE AWARDS

Group Five Construction LLC (Dubai):

- February 2009 – third best contractor
- March 2009 – second best contractor
- Overall first quarter 2009 – second best contractor

FNB TOP BUSINESS PORTFOLIO: CONSTRUCTION SECTOR

- Group Five KwaZulu-Natal (second year running)

HEALTH AND SAFETY AWARDS

- Group Five Construction LLC (Middle East)
  - Health and safety award at the fourth annual Gulf States construction conference
- Group Five Civil Engineering
  - Sasol technology: service provider safety recognition
- Durban harbour
  - Client award – 500 000 lost-time injury free hours
  - Client award – 250 000 lost-time injury free hours
- QMM Ilmenite: Client award – safety shield, chief executive award
- Koeberg Interchange: certificate for general work

MBA SAFETY AWARDS

- Pearl Breeze: The Pearls of Umhlanga joint venture: Apartment building category
- The Sappi Amakhulu civils joint venture: Industrial civil category
- Group Five for the Pearls of Umhlanga and Liviero for the Standard Bank office: Supreme builder of the year: joint winners
- Moses Mabhida Soccer Stadium: Award of Merit
- Occupational health and safety regional awards
  - Hulamin Phase II: Winner
  - King Shaka Airport, KwaZulu-Natal: 2nd place

Measuring performance continued

The group's over-arching measures include:

GROUP SCORECARD	Achieved F2009	Goal F2010
People		
Employee turnover (permanent employees) – %	14	10
Employee satisfaction rating – %	64	>70
% of employees trained per annum – %	60.5	65
Average training spend per employee	R2 690	R3 000
Construction Charter BBBEE score – %	78.8	70
Disabling injury frequency rate (DIFR)	0.39	0
OHSAS 18001:2007 certification across group – %	85	100
Planet		
Water usage per employee	120 kilolitres	110 kilolitres
Electricity usage per employee	62 megajoules	55 megajoules
Carbon footprint per employee	70 tonnes	60 tonnes
Environmental incidents	0	0
ISO 14001:2004 certification across group – %	40	100
Performance		
Revenue per employee – R'000	861	Increase
Net profit per employee – R'000	38	Increase
Geographical diversification (revenue from over-border operations) – %	37	≥33
Secured order book (construction budget secured in order book at start of financial year) – %	80	66 of budget
Return on shareholders' equity – %	23.5	25 medium term
Fully diluted headline earnings per share – % growth	27.6	±20% growth per annum
Product diversification – (operating profit from non-construction businesses) – %	28.1	>33
Net gearing – %	0	≤ 33 of equity
Cash generated from operations – R million	1 799	cash generative
Overall operating margin – %	6.6	6 – 8 medium term

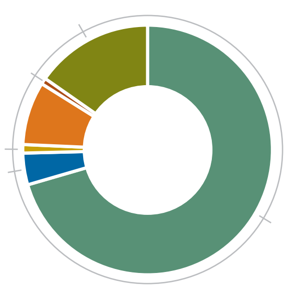
ECONOMIC VALUE ADDED

Sustainability indicator	F2009[1] %	F2009[1] (R'000)	F2009[2] %	F2009[2] (R'000)	F2008[2] %	F2008[2] (R'000)
Revenue		**13 171 036**		**12 090 236**		8 899 578
Less: purchased cost of goods and services		**(10 283 276)**		**(9 353 973)**		(6 774 391)
Value added	**99.5**	**2 887 760**	**99.4**	**2 736 263**	95.0	2 125 187
Other income	**0.5**	**15 649**	**0.6**	**15 649**	5.0	111 464
Wealth created	**100**	**2 903 409**	**100**	**2 751 912**	100	2 236 651
Employees	**51.4**	**1 494 815**	**70.5**	**1 939 081**	66.6	1 489 527
Providers of equity	**3.8**	**111 830**	**4.1**	**111 830**	3.6	81 553
Providers of funding	**1.1**	**30 820**	**1.1**	**30 820**	3.7	81 727
Government	**28.3**	**820 330**	**8.2**	**224 567**	9.3	208 041
Funding of discontinued operations	**0.8**	**22 890**	**0.8**	**22 890**	1.3	28 207
Reinvested in the group	**14.6**	**422 724**	**15.3**	**422 724**	15.5	347 596
Wealth distribution	**100**	**2 903 409**	**100**	**2 751 912**	100	2 236 651
Number of employees		**14 050**		**14 050**		13 453
Wealth created per employee (R)		**206 648**		**195 866**		166 257
Weighted average number of shares		**94 670**		**94 670**		93 545
Wealth created per share (R)		**30,67**		**29,07**		23,91

(1) Value added statement depicting distribution to government, including all taxes.

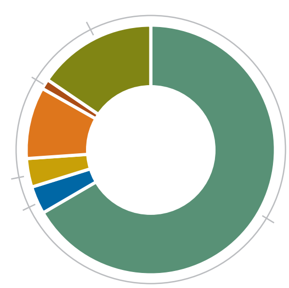
(2) Value added statement depicting distribution to government, including direct taxes.

Distribution of wealth created – 2009



- **70.5%** Employees (including tax)
- **4.1%** Providers of equity
- **1.1%** Providers of funding
- **8.2%** Government – direct taxes
- **0.8%** Funding of discontinued operations
- **15.3%** Reinvested in the group

Distribution of wealth created – 2008



- **66.6%** Employees (including tax)
- **3.6%** Providers of equity
- **3.7%** Providers of funding
- **9.3%** Government – direct taxes
- **1.3%** Funding of discontinued operations
- **15.5%** Reinvested in the group

Measuring performance continued

JSE LIMITED SOCIALLY RESPONSIBLE INVESTMENT INDEX (SRI) SCORECARD

The JSE Limited rates companies annually in terms of sustainability measures. Our ratings are listed below:

	F2008	F2007
Overall result	**Best performer**	Best performer

The JSE only provides an overall result, not a breakdown.

The group is one of **only 23 companies voted as best performers.**

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The group monitors its performance by primary reporting segment (as defined in the annual financial statements page 306) in accordance with the guidelines, rules and targets of the Construction Sector Charter.

A self-assessment of all entities is completed on a monthly basis. This ensures that the company data is audited on an annual basis by an external BBBEE verification agency. The results for the group are listed below.

BBBEE SCORECARD (GROUP FIVE LIMITED)

This is the second year that the listed entity was audited in respect of its South African operations.

			Construction Charter scorecard	
Core components	BBBEE elements	Weighting points	**F2009 %(1)**	F2008 %(2)
Direct empowerment	Ownership	25	**19.68**	17.79
	Management control	10	**6.97**	3.25
Human resource empowerment	Employment equity	10	**5.51**	2.06
	Skills development	15	**11.29**	5.53
Indirect empowerment	Preferential procurement	20	**15.31**	12.15
	Enterprise development	15	**15**	15.00
	Socio-economic development	5	**5**	5.00
Total		100	**78.76**	60.78
Empowerment level			**3**	5

(1) Reviewed, but not audited, by BEEVER verification agency for the year ended 30 June 2009.

(2) As audited by BEEVER verification agency for the year ended 30 June 2008.

BBBEE SCORECARD (GROUP FIVE CONSTRUCTION (PROPRIETARY) LIMITED)

F2009 was the third time that a formal audit was conducted on Group Five Construction (Proprietary) Limited, our largest South African construction entity.

		Construction Charter Scorecard			
Core components	BBBEE elements	Weighting %	**F2009 %(1)**	F2008 %(2)	F2007 %
Direct empowerment	Ownership	25	**19.68**	18.86	16.64
Human resource empowerment	Management control	10	**2.78**	3.79	4.23
	Employment equity	10	**5.48**	4.11	3.72
	Skills development	15	**11.26**	10.22	11.34
Indirect empowerment	Preferential procurement	20	**13.96**	9.93	3.89
	Enterprise development	15	**15**	15.00	15.00
	Socio-economic development	5	**5**	5.00	5.00
Total		100	**73.16**	66.91	59.82
Empowerment level			**4**	4	5

(1) Reviewed, but not audited, by BEEVER verification agency for the year ended 30 June 2009.

(2) As audited by BEEVER verification agency for the year ended 30 June 2008.

Measuring performance continued

EMPLOYMENT EQUITY SCORECARD

Sustainability indicator	F2009	F2008	F2007	F2006
Total employee headcount (all employees)	**14 050**	13 455	13 928	10 234
Number of unionised employees	**1 752**	1 006	1 786	2 540
% of permanent employees on medical schemes %	**40.2**	49.3	45	38
% of employees over-border %	**26.4**	30.69	40.0	33.7
% of black employees within the South African permanent workforce %	**78.4**	77.7	66.7	72.1
% of black employees in Peromnes grades 1 to 3 (executive and senior management) %	**9.5**	5.26	0.02	6.7
Number of black male bursary students	**129**	106	71	57
As a % of total bursary students %	**50**	59	47.7	50.4
Number of black female bursary students	**50**	23	34	12
As a % of total bursary students %	**19.4**	18.2	22.8	10.6

During the year, we saw a **pleasing improvement in the racial composition** of the group, especially **amongst junior management**, with a small increase in black representation at senior management level.

SKILLS DEVELOPMENT

Sustainability indicator	F2009	F2008	F2007	F2006
a) Annual value spent on training and development programmes	**R37,8 million**	R23,2 million	R18,6 million	R10,1 million
i) Total number of employees trained*	**8 933**	5 780	6 010	5 806
ii) Total number of employees trained – semi-skilled and unskilled employees (Peromnes grades 12 to 19)	**3 729**	2 922	3 432	3 260
b) Annual value incurred on bursary expenditure	**R9,3 million**	R6,8 million	R6,5 million	R4,1 million
i) Number of bursary students	**258**	178	149	113
ii) Number of female bursary students	**55**	27	37	15
c) Annual value spent on learnerships and apprenticeships	**R3,6 million**	R3,7 million	R3,1 million	
i) Learners on learnerships and apprenticeships programmes	**231**	175	161	Established
ii) Unemployed learners registered on learnerships and apprenticeships programmes	**149**	45	94	
d) Number of students on the Group Five Programme for Management Development (PMD) in partnership with the Gordon Institute of Business Sciences (GIBS)	**25**	17	20	Established in 2007
e) Total annual training spend – black employees	**R20,2 million**	R14,7 million	R14,2 million	R6,7 million

**Excludes learnerships and students, as not full-time employees.*

The group's **training spend increased by 63%**, from R23,2 million to R37,8 million. **The spend on black employees increased by 37%.**

PREFERENTIAL PROCUREMENT SCORECARD (GROUP FIVE LIMITED)

Weighted empowerment level per level per dti Codes of Good Practice	F2009(1) R million (verified)	F2008(2) R million (verified)	Weight per dti Procurement Recognition Table	Preferential Procurement Expenditure F2009 R million
Level 1	**352 061 886**	23,8	135%	**475 283 546**
Level 2	**76 339 932**	111,2	125%	**95 424 914**
Level 3	**227 144 778**	96,9	110%	**249 859 256**
Level 4	**729 486 389**	514,3	100%	**729 486 389**
Level 5	**329 293 963**	246,5	80%	**263 435 170**
Level 6	**502 894 195**	346,2	60%	**301 736 517**
Level 7	**145 602 973**	201,5	50%	**72 801 486**
Level 8	**144 297 751**	28,6	10%	**14 429 775**
Total	**2 507 121 866**	1 569,0		**2 202 457 054**

(1) Reviewed, but not audited, by BEEVER verification agency for the year ended 30 June 2009.

(2) As audited by BEEVER verification agency for the year ended 30 June 2008.

During the year, the group managed to increase its procurement from entities that have verified empowerment certificates to 49% from 40% last year.

Measuring performance continued

ENTERPRISE DEVELOPMENT SCORECARD

Sustainability indicator	F2009(1)	F2008(2)	F2007	F2006
Annual value of total direct costs incurred by the group	**–**	–	–	512 937
Value of funding provided by the group Total capital due to the group as at 30 June	**R97 million**	R60 million	R50 million	R14 million
Financial institution guarantees issued from the group's facilities as at 30 June	**R75 million**	R141 million	R119 million	R250 million
Number of black-owned entities with which the group is engaging in significant joint venture partnerships	**22**	25	10	4
Number of formal enterprise development partnerships	**8**	2	1	1
Total value of contracts being executed with black-owned joint venture partners*	**R8,6 billion**	R13,5 billion	R4,1 billion	R838 million

(1) Reviewed, but not audited, by BEEVER verification agency for the year ended 30 June 2009.

(2) As audited by BEEVER verification agency for the year ended 30 June 2008.

**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 black-owned companies.*

Group Five increased its number of formal enterprise development partnerships from two last year to eight this year.

SOCIO-ECONOMIC DEVELOPMENT (SED) SCORECARD

Sustainability indicator	F2009	F2008	F2007	F2006
Targeted SED spend as a % of SA operations' net profit after tax	**1**	1	n/a*	n/a*
Actual SED spend as a % of SA operations' net profit after tax	**1.16**	2.5	n/a*	n/a*
Total annual spend on SED programmes	**R4,5 million**	R3,1 million	R2,7 million	R1,4 million
Number of unemployed people trained as part of the People at the Gate programme	**265**	117	68	203
% of unemployed people securing positions after training	**100**	89	100	91
Number of charities benefiting from the group's SED programmes	**30**	20	14	10

**In line with the dti Codes of Good Practice, the target has now been set as a percentage of net profit after tax and not payroll.*

During the year, **the spend on SED increased from R3,1 million to R4,5 million.** The group exceeded the Construction Sector Charter requirements of 1% of net profit after tax.

Driving Quality

Strategy	Risk	Corporate Governance	Regulatory and compliance

people		planet	performance
safety	health	environment	annual financial statements

Supported by a total quality management system

INTRODUCTION

Over the last few years, the group realised that significant benefits could be achieved if it adopted a unified approach to its quality management systems, as well as raising the standards of quality processes and procedures.

In F2008, Group Five therefore reassessed the status of formal quality processes within the group. The evaluation indicated that discrepancies existed within business units across the group as to the standards implemented and the systems used.

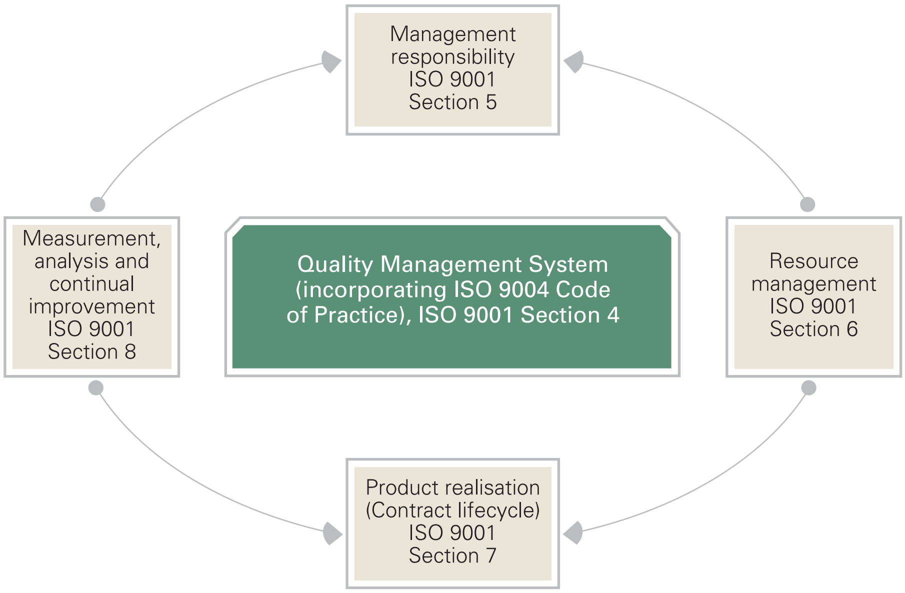
To address this, the group implemented ISO 9001:2000 standards, which provides a framework around the effective implementation of a quality management system, with continual improvement being the driving force to enhance performance and client satisfaction. The group is currently moving to ISO 9001:2008.

PROGRESS DURING THE YEAR

Find below how F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward.

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
Achieve ISO 9001:2008 certification.	Timetable for pre-audit and final certification set.			See page 147.
Standardise quality assurance system on construction contracts and implement contract lifecycle.	Implementation rolling out. Expected to be complete by the second quarter of F2010.			See page 147.
Incorporate quality systems to ensure a SHEQ system.	One business unit achieved certification for an integrated system.			Balance of business units will continue, with implementation expected by end of F2010.
Various continuous improvement projects.	Improved processes in the Manufacturing cluster.			Embark on a programme with the Civils business unit to implement formwork control procedures at sites.

Group quality management system



The benefits of implementing a quality management system primarily relate to two areas:

- A system of standardisation that allows for an enhanced ability to execute larger multi-disciplinary contracts, which are becoming increasingly prevalent in the group's construction order book. It also allows our workforce to become more mobile between business units, allowing the group to maximise opportunities in an ever-changing environment by having a workforce that delivers on a common quality system
- A uniform standard that allows improved measurement of the performance of sites and business units

A FOCUSED TEAM

The Group Five quality team consists of three people at the group's corporate office. They are responsible for ensuring a uniform approach to ISO 9001 implementation across the group. Each business unit has a quality team that ensures group standards are uniformly adopted and implemented. The framework allows business units a certain amount of flexibility to ensure the group standard is implemented in a manner that best suits their specific requirements without compromising the group standard.

In addition to this, the team also assists with improvement projects identified by the executive committee that often necessitate co-operation across various business units. All initiatives are reviewed and prioritised in conjunction with business unit managing directors to ensure focus on the most critical areas with the best returns.

ISO 9001 standards were successfully implemented in a number of business units. For example, in the Building and Housing and Engineering Projects business units, this reduced the cost of rework and waste, which played a role in these units improving margins during the year.

Driving Quality continued

Quality risk reporting

Controllable risk within the group's management systems is identified as preventive. The quality department in each business unit ensures regular reporting of preventive actions through the implementation of five key processes:

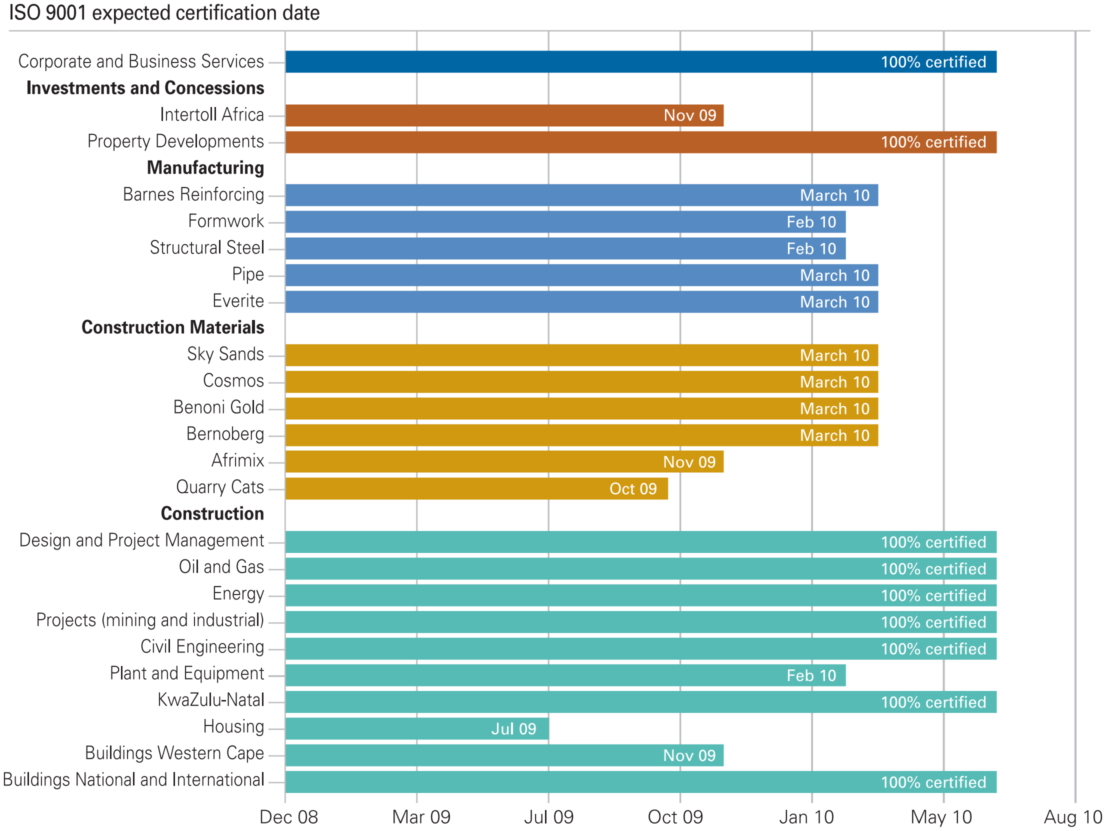
- The identification of risk
- The recording and prioritising of the identified risk
- The identification of preventive actions
- The assignment and monitoring of preventive action requests
- The closure of preventive actions

It is the intention to integrate reporting of preventive action, corrective action and non-conformance into the group's risk management system, STARS, to ensure more focused reporting for each area of operation. This will allow factual decision-making for sustained improvement projects.

ISO 9001 CERTIFICATION STATUS

All business units are expected to achieve ISO 9001 certification. The chart below indicates the current status in terms of both ISO 9001:2000 and ISO 9001:2008 certification. ISO 9001:2008 will become the standard to be adopted by the group by the end of F2010.

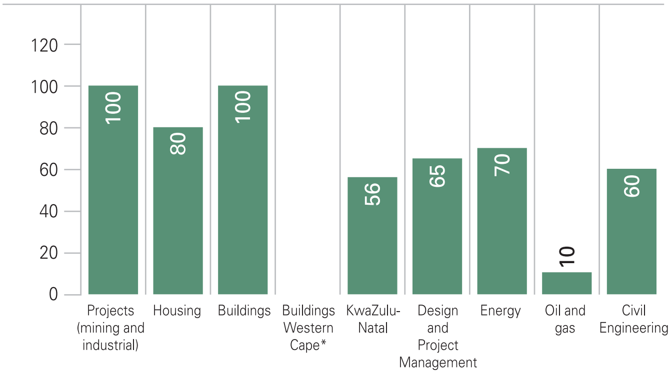
ISO 9001 expected certification date



CONTRACT LIFECYCLE IMPLEMENTATION STATUS

An integral part of our quality drive in our largest business, the Construction cluster, is the implementation of a contract lifecycle that is used to comply with product realisation section 7 of ISO 9001. This forms the backbone of our ability to consistently deliver contracts on time, within budget and within specification.

Implementation status (% complete)



*Due to commence 1st quarter 2010.

The group implemented a uniform contract lifecycle across all its Construction business units to continuously improve delivery on contracts – from initiation to close-out.

The lifecycle is a component of the ISO 9001:2008 standard, which all business units are expected to comply with by end F2010.

LOOKING FORWARD

Key objectives F2010	Key actions	Proposed timing
Complete ISO certifications for all business units.	Implementation in the remaining business units.	F2010
Ensure transition from ISO 9001:2000 to ISO 9001:2008 in all business units.	Set timetable for pre-audit and final certification.	F2010
Create cluster audit teams.	Set up audit schedule using business unit quality managers and information sharing model.	Starting F2010
Electronic reporting of non-conformance and preventive and corrective action.	Integrate reporting into the group's risk management system.	F2010
Continual improvement.	Identify areas where a paradigm shift in the business methodology will create a step change in shareholder value across all business units.	Ongoing
Ensure all business units set and achieve quality objectives.	Standardised monthly and quarterly reporting outlining business unit objectives and attainable values.	F2010

Ensuring a relevant strategy – evolution of our strategy

BUSINESS RESILIENCE

The group's history, since listing 35 years ago, illustrates the cycles in construction and the group's resilience in several extremely volatile markets. As can be seen from the group's evolution, we have consistently followed a strategy of building product and geographic diversification to ensure a balanced portfolio of businesses that provide a higher blended margin.

The group's history also indicates that we have been involved in many of the areas relevant to the current market, such as mining, power, mass housing, water, commercial real estate and construction materials.

Where copy is placed in inverted commas, it refers to a direct extract from the group's Annual Reports.

Group Five Engineering, an amalgamation of five companies, lists on the JSE.
At the time the group was one of the largest construction companies in South Africa.

"Group Five Engineering Limited is an investment holding company that derives dividend income from subsidiary companies principally engaged in civil engineering construction."

Profit after tax – R4,6 million

1974

1975

In line with its **"flexible strategy"**, the group shifts from the public sector infrastructure that is under pressure to other growth sectors. The group acquires a company with a focus on road and highway building.

A subsidiary company, Group Five Projects, is formed to focus on structural, mechanical, electrical and instrumentation contracts, allowing the group to offer a more "complete multi-disciplined site service".

1977

1978

In line with the group's "policy of increasing its geographical coverage" and the decline in the amount of work in South Africa, the African operations increase.

The group acquires three property companies.

The group forms a building company and further explores a strategy of "expanding into industries compatible with its existing operations to counter the cyclical fluctuations in civil engineering contracting". The group also creates an industrial division as a "vehicle for diversification".

Net income of R5,4 million.

1980

1981

The group's strategy around offering multiple disciplines on contracts starts to bear fruit, with Group Five Projects completing its first major multi-disciplined project management contract for the mining industry – including design, management and all aspects of site construction.

Net income of R7,2 million.

1983

Darling & Hodgson foils an asset stripping bid for Group Five. This results in the group becoming the largest civil engineering construction company in South Africa. The group now has three focused divisions: Construction, Projects and Industrial and Group Services.

Turnover is disclosed for the first time – R437 million.

60% of civil engineering spend comes from government and quasi-government contracts.

Group Five Building is formed by consolidating five existing companies. The group starts to review businesses not core to its operations.

Turnover of R498,5 million against very tough markets, with South Africa entering a recession.

1985

1987

1987 is a watershed year for the group, with a controlling stake bought by management and SM Goldstein Limited. The industrial interests are now disposed of and Group Five Homes is created to focus on the shortage in middle market housing.

Turnover breaks through the R1 billion mark.

Group Five enters the construction materials market through the acquisition of a stake in Natural Stone Quarries.

1989

1990

The group acquires a formwork manufacturing and scaffolding business and a reinforcing business that supplies cut and bent steel reinforcement.

The group creates an industrial division "to provide a balance to the group's construction activities… by developing vertically integrated manufacturing facilities to service and supply the building and construction industry."

1992

The group acquires a stake in Everite that eventually becomes the Manufacturing cluster.

1993

Several restructuring and efficiency programmes are implemented against the worst market conditions in a decade. Building, Civils and Roads business units consolidated into the Construction business.

Turnover reaches R1,5 billion.

The group starts to outline infrastructure and concessions such as toll roads and water and sanitation management as focus growth areas. Its Roads business unit starts to explore build, operate and transfer contracts.

1996

1997

The group takes full control of Everite. 10% of Construction revenues come from outside South Africa. A multi-skilled infrastructure team is established to offer "packaged solutions" to clients.

Ensuring a relevant strategy – evolution of our strategy continued

The group acquires Intertoll, "allowing entry into offshore tolling markets and to maximise synergies between the construction of roads and their operations and maintenance".

1998

1999

All construction businesses rebrands under the Group Five brand.

2000

The group is structured around three main divisions – Construction, Manufacturing and Operations and Maintenance.

"A leading South African company operating in the construction sector, providing infrastructural solutions, products and services to the building, construction, engineering, operations and maintenance markets."

GROUP FIVE structured ingenuity

The group's pyramid shareholding structure is collapsed. The group operates in 15 countries, with 28% of total turnover generated outside South Africa.

The group adds Infrastructural Development Services to its offering.

Revenue breaks through R3 billion to R3,2 billion.

2001

2002

37% of revenue generated outside South Africa.

"A comprehensive skills base enables Group Five to deliver solutions across the full value chain."

2003

Over-border operations contribute 33% to revenue. The group secures work in the Middle East and opens an office in Dubai.

Revenue breaks through R4 billion, with compound operating profit growth of 55% achieved since focused restructuring started in 2000.

2004

The group defines itself as a "provider of integrated infrastructural solutions" and "broad-based" during its 30-year anniversary year.

The group's BEE transaction is finalised, resulting in direct black ownership of 26.1% of Group Five, with immediate voting and economic rights.

2005

2006

Attractive returns are realised from integrated businesses outside of the pure construction activities, with **revenue reaching R5,9 billion.**

The group's in-house corporate university, the Group Five Academy, is created.

Large multi-disciplinary engineering contracts, infrastructure PPPs and new opportunities in building materials and housing are identified as growth areas. The Power Projects business unit is created in Engineering Projects.

"To ensure a healthy balance in the business mix and the risk profile of the group's earnings, we pursue longer term contracts in IDS' operations and maintenance business, continuous production revenues from Manufacturing and annuity-type revenue streams from concessions or property investments."

2007

2007 marks the end of a seven-year journey during which major changes were implemented to ensure business sustainability.

During the seven years, the group unravelled its pyramid structure, moved to a more direct managed company with greater centralisation, ensured effective geographical diversification and implemented industry and geographic diversification.

Construction Materials is established, resulting in the securing of additional margin-enhancing capacity in the infrastructure value chain.

Revenue up to R7,7 billion.

2008

"The group has a two-dimensional strategy of product and geographic diversification towards a balanced portfolio of businesses that provide a higher blended margin superior to that of a purely South African construction business."

The group's strategy is aimed at reducing volatility within the infrastructure sector and capturing multiple margin streams across the construction value chain and increasing sustainable revenue and profit.

Revenue reaches almost R9 billion.

2009

During 2009, the strategy further matures and once again proves its resilience against tough markets. The focus has been on implementing and executing the strategy through carefully selecting target contracts that deliver the maximum value for Group Five across all its businesses.

The breadth of business areas is now in place. The focus has been on extracting the synergies between business areas.

"During the year, the group moved even closer to being an integrated construction services, materials and concessions group."

Revenue reaches R12 billion.

Ensuring a relevant strategy – strategic review

The F2008 Annual Report provided detailed information on the group's strategy. We have therefore not repeated it, but focused this year on outlining to the reader how our strategy delivered against volatile markets.

OUR STRATEGY:

TO REDUCE EARNINGS VOLATILITY WITHIN THE CONSTRUCTION SECTOR BY CAPTURING MULTIPLE MARGIN STREAMS ACROSS THE INFRASTRUCTURE VALUE CHAIN.

WE DO THIS THROUGH:

- Increasing our capability to secure and execute larger multi-disciplinary contracts
- Increasing the contribution of manufacturing and construction materials to the product portfolio
- Developing, investing in, and operating concessions and property assets

Following 35 years of business resilience, the group continues to hone its strategy to ensure it remains relevant.

DELIVERY OF STRATEGY

In the year under review, the emphasis was on delivery of our strategy. Following the achievement of margin improvement last year, this year we focused on revenue growth within set profit margins and clear targets in terms of contract type, sector and geographic spread. In line with this we achieved 36% revenue growth.

Furthermore, the group has consistently maintained its earnings momentum, with 50% compound earnings per share growth over the last eight years – a clear testimony to the successful evolution of the group's strategy.

The flexibility and resilience inherent in the group's strategy has been more than adequately demonstrated by our ability to weather the challenges resulting from the global economic meltdown in a very short time.

> The F2009 performance was in part due to the group's ability to respond to the top end of the construction market with a full suite of skills across civils, building, mechanical and electrical disciplines.

DELIVERING ON LARGE CONTRACTS

During the previous year, the group established the Design and Project Management (D+PM) unit. D+PM focuses on the successful delivery of large turnkey and multi-disciplinary construction contracts. It provides professional expertise in three major and essential aspects: project management, engineering design services and technical advisory services from bid to contract completion.

D+PM has the ability to bid, manage and lead the execution of multi-disciplinary contracts using products and services from all segments within Group Five.

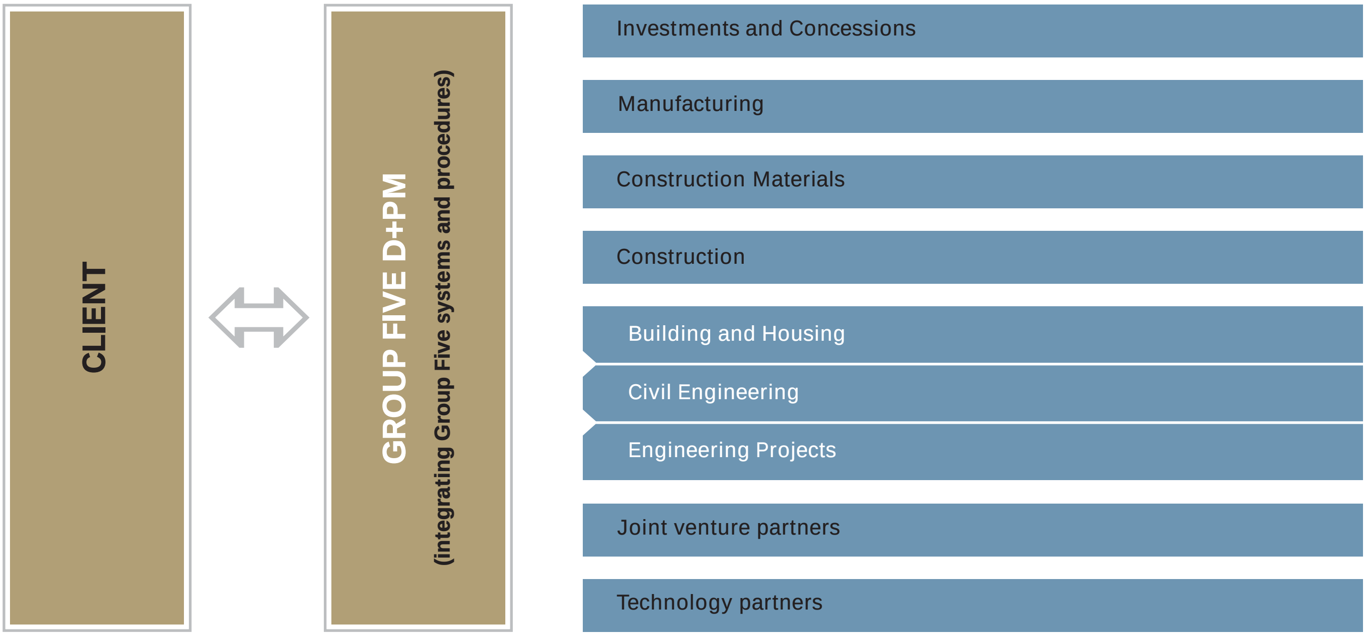
This business assisted the group during the last year to establish itself in the engineering, procurement and construction (EPC), or turnkey market for selected sectors. These include transport, oil and gas, real estate, mining and power.

Examples of the contribution D+PM made during the year include:

- The specialist design of formwork, pre-cast concrete structures and temporary works used in the Moses Mabhida Soccer Stadium
- The design and construction of the 180MW IBOM power plant in Nigeria
- Sasol Secunda's 200MW gas-fired power plant
- Various civil engineering and building works

Ensuring a relevant strategy continued

Managing multi-level relationships



HONING THE STRATEGY FOR THE FUTURE

Looking forward, F2010 and F2011 will be the years of recovery in global markets. The group will therefore keep our presence in all our key markets, both per sector and per geography.

The group intends to keep a balance between sector and geographic expansion. In the short term, it will continue to optimise opportunities in the South African market.

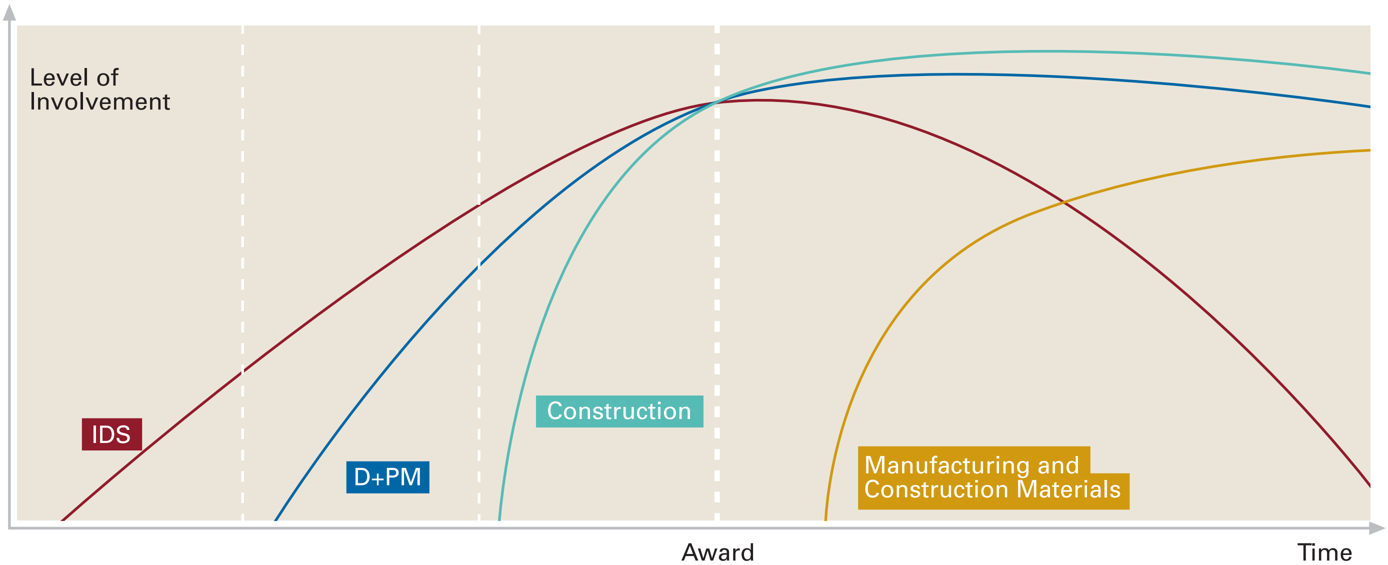
In South Africa, the group will focus on the public infrastructure development in the target sectors of power, transport, water and public infrastructure contracts to be delivered through the government's public private partnership (PPP) initiatives.

The financial engineering and operating models of most concessions or PPPs require an in-depth knowledge of structured project finance, debt and equity raising, engineering, design and construction contracts and operations and maintenance knowledge.

In this regard, Group Five has a decade or more of experience in the PPP/concessions market, having invested in and/or operated contracts in South Africa, Hungary and Poland, as described in more detail on pages 65 to 78.

Below we depict the sequence of involvement by the group's business clusters in large contracts.

INTEGRATED OFFERING



CONCEPT	PRE-FEASIBILITY	FEASIBILITY AND CONTRACT	IMPLEMENTATION

- Infrastructure Development Services
- Group Five Design and Project Management
- Construction
- Manufacturing and Construction Materials

The group indicated last year that its focus would be on optimising the business it had created to drive the value inherent in the synergies of its portfolio through the pursuit of larger, multi-disciplinary, multi-year contracts in the key sectors of resources, oil and gas, power, water and public infrastructure. This has been achieved.

Public works

The group's successful track record in PPPs and working with international partners gives us the capacity to participate or lead concessions and PPP contracts in sectors such as transport, power, public facilities and healthcare.

We are thus well positioned to work with and support government's drive to engage in partnerships with business in the delivery of infrastructure.

At the time of writing, the pipeline of concessions-type contracts placed South Africa in the top three global markets. Competing for a share of this work will be a key focus in the year ahead.

Power

Specific strategic initiatives are progressing well to further develop the group's power sector business, including the development of, investment in and construction of independent power plants, including those utilising renewable energy resources.

Minerals and energy resources

The recovery in the minerals, resources and energy markets in the years ahead will again benefit the group's positioning as a leading African mining constructor. Over the last five years, the group has executed R9.8 billion of mining construction works in the region, across ten countries in gold, copper, cobalt, diamonds, zinc, uranium, iron ore and coal. Although this market has recently been weak, it will pick up as commodity prices recover. Some commodities are likely to recover sooner than others.

Ensuring a relevant strategy continued

The group will address growing mining markets, which we believe will be gold, uranium, iron ore and coal.

International footprint

The group will continue to develop opportunities regionally, in the Middle East and Eastern Europe in those territories with industrialisation strategies and infrastructure requirements that match the skills of the group and its partners.

In the Middle East, after the collapse of the Dubai market and the cancellation of around R4 billion of contracts, we reviewed our strategy. The contracts that were terminated during F2009 all fall within the public sector. Going forward, more focus will be given to roads, infrastructure and industrial sectors, as this is where we expect the market to recover in the next 12 months.

Our clients are currently government and quasi-government, both in Jordan and the UAE. They account for more than 80% of the construction industry development within the Middle East. A revised strategy for the next 12 months will see us diversify further into stable regions in the Middle East.

Business portfolio

In parallel with the strategy of leveraging the group's construction skills to cover all disciplines, the group's strategy of building its non-construction portfolio will continue to ensure longer term wealth creation and value extraction from the infrastructure supply chain.

The group has a stated strategy of investing in initiatives that create long term value and higher returns.

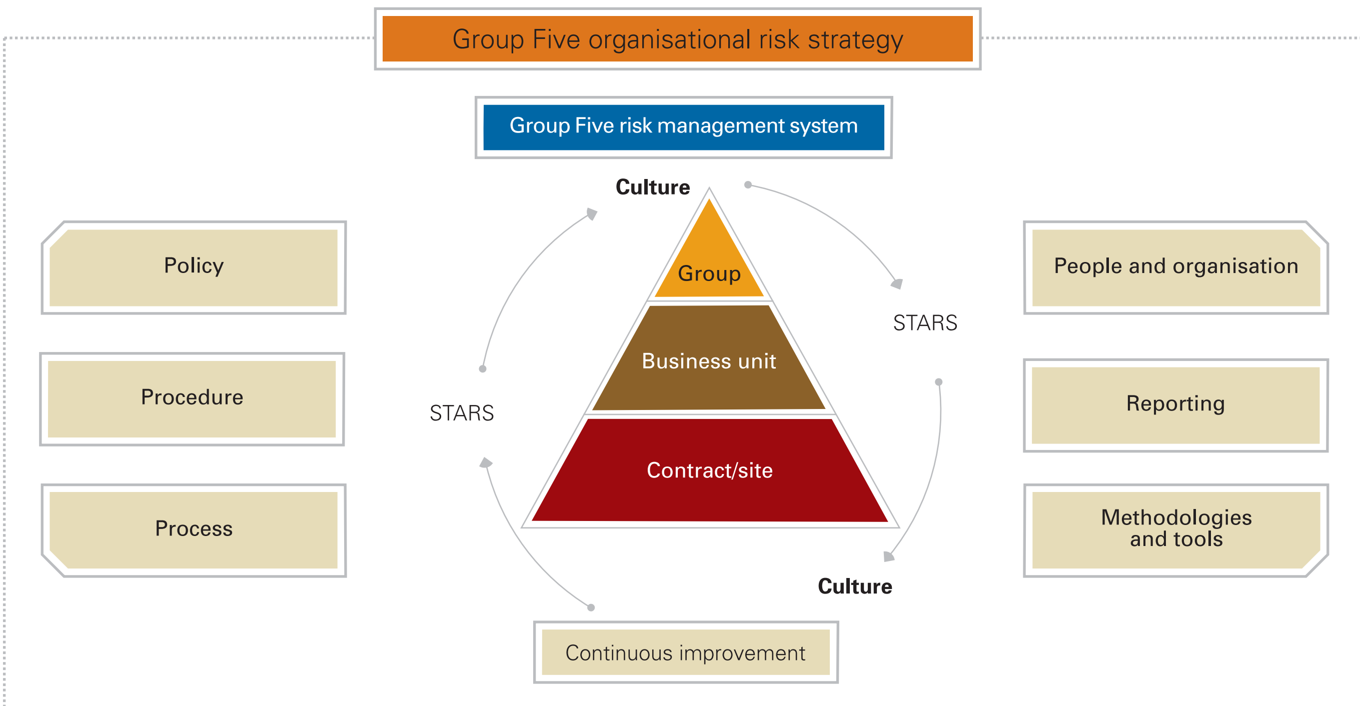
This involves taking equity positions in concessions, particularly in the transport, energy and infrastructure areas and real estate sectors where the full spectrum of the Group Five offering can be applied.

The group will continue to build its manufacturing base in its areas of competence in support of construction works, as well as further investing in systems housing products. The use of in house manufacturing materials has already significantly increased from R288 million to R537 million in the last year.

The group's Construction Materials cluster was rationalised for efficiency and will continue to be a strategic leg of the group's portfolio. With the resurgence of roads contracts, this business is well placed to feed materials into these core contracts.

Managing risk

The group's risk management framework covers strategic, operational and contract-specific risk. The group's approach to risk remains focused on the management of risk rather than total elimination. The management team constantly considers the balance between risk and reward to ensure the optimisation of performance from each business unit.



The diagram above illustrates that the Group Five risk management system is a key component of the group's organisational strategy. It also depicts the different elements within the system. The group's risk and opportunity management tool (STARS), together with the risk culture, ensures that risks and opportunities are identified at a group, business unit and contract/site level.

Managing risk continued

PROGRESS DURING THE YEAR

Find below how F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward.

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
Implement Engineering & Construction Risk Institute best practice.	Each module has been customised to Group Five requirements.			Integrate into Group Five contract lifecycle.
Implement STARS risk register.		Although one version was implemented, system not fast enough and errors in report writing.	Move system server to South Africa. Solve report writing issues.	Upgrade to Version 2.
Upgrade risk identification tool.	Upgrade complete.			Continuous improvement.
Develop post-mortem/lessons learnt.	Introduced post-mortem/close-out reports to all contracts.			This is currently done manually. An automated system is required, which will be developed within our IT system.
Track loss makers.		Although a high-level review is available, access to more data is required.	Extraction of information from financial model currently being prepared.	Track monthly.
Separate quality from health, safety and environment to ensure requisite focus and attention.	Created separate safety function with qualified employees.			Recruitment of further employees. Integrate systems.
Highlight commercial awareness within the group.	Established a commercial awareness forum.			Ongoing.
				Develop reports, graphs and heat maps that indicate risk trends by contract, as well as geographical area.
				Develop a tool that allows management and the board to identify, track and review key strategic risks facing the group.

RISK MANAGEMENT: KING III READINESS – GAP ANALYSIS

In line with the release of the Draft Report on Governance for South Africa and the Draft Code of Governance Principles (King III), we have assessed the current status of our risk management framework and processes against the code to determine our readiness to comply.

King III principles**	Status	Comment
Risk management is inseparable from the company's strategic and business processes.	Complete on operational level Work in progress* on strategic and contract level	► Risk management is discussed at each business unit and group board meeting ► Risks are identified and recorded in a risk register by each business unit ► A strategic risk register is required to identify and manage strategic risks more pro-actively. Certain business units maintain contract risk registers
Responsibility for risk management		
The management should be responsible for the implementation of the risk management process.	Complete	► Risk policy states this
Risk management should be practised by all employees in their day-to-day activities.	Work in progress	► More awareness and training is required to achieve this across all businesses
The board should be responsible for the process of risk management.	Complete	► The risk committee is aware of its responsibility
The board should approve the company's chosen risk philosophy.	Complete	► The risk philosophy has been approved by the board
The board should adopt a risk management plan.	Work in progress	► The board risk committee is aware of and approves all group risk initiatives ► Feedback on progress is given at the risk committee meetings and the board is updated at its quarterly meetings
The board may delegate the responsibility for risk management to a risk committee.	Complete	► The risk committee is in place
Risk assessment		
Risk assessments should be performed on an ongoing basis.	Complete at operational level Work in progress at contract level	► Risk assessments are performed on an ongoing basis and reported on a quarterly basis ► Contract risk registers are in the process of being implemented

**Work in progress = In the process of implementing a system.*

***With acknowledgement: Institute of Directors in South Africa.*

Managing risk continued

King III principles**	Status	Comment
Risk identification		
Risk identification should be directed in the context of the company's purpose.	Work in progress	▶ Risks are identified as strategic, operational or contract risks
Risk quantification and response		
The board should ensure that key risks are quantified and are responded to appropriately.	Complete	▶ The group's internal risk management system, STARS, ensures that all risks are quantified and action plans implemented for each risk
Assurance of the risk management process		
Internal audit should provide independent assurance of the risk management process.	Work in progress	▶ Internal audit reviews the business unit risk register as part of their audit scope ▶ Once the audit approach is changed to risk-based auditing, the quality of reporting of risks captured in the risk registers will improve
Disclosure		
The board should report on the effectiveness of risk management.	Complete	▶ The risk committee provides feedback to the board
Key risks facing the modern company		
The board should ensure that the company's reputational risk is protected.		▶ Focus area for new financial year
The board should determine the extent to which risks relating to sustainability are addressed and reported on.		▶ Focus area for new financial year
The board should ensure that IT is aligned with business objectives and sustainability.		▶ Focus area for new financial year
The board should consider unknown risks as part of the qualitative and quantitative risk assessment process.		▶ Focus area for new financial year

**Work in progress = In the process of implementing a system.*

***With acknowledgement: Institute of Directors in South Africa.*

STRATEGIC RISKS

Strategic risks are the most dynamic, uncertain and inter-related. They therefore have to be managed as complex processes rather than isolated events.

KEY STRATEGIC RISKS

Risk	Actions taken
The economic slowdown.	▶ The group's established strategy of product and geographic diversity buffered the impact. (Refer to pages 12, 18, 35 and 39)
Default of a BEE partner.	▶ During the year, our BEE shareholder iLima defaulted. This portion of our BEE transaction is therefore unwinding. However, we are ensuring an orderly unwind process
Economic downturn in Dubai.	▶ The group quickly shifted to other growth markets, replaced these orders and restructured business units
Non-performance in Construction Materials.	▶ Management team changed to focus on turnaround; restructuring implemented
Lack of specialised skills.	▶ Training and development. (Refer to Human Resources Review on page 220)
Incidence of fraud and corruption.	▶ A new fraud policy and procedure was launched ▶ The risk department is tasked with investigation and, together with management, decides on the corrective action to be implemented. (Refer to page 170)
Isolated compliance.	▶ A compliance manager and director were appointed and a new compliance framework was launched. (Refer to page 194)
Slow transformation.	▶ Improvements were made during the year. Remains a focus area going forward. (Refer to pages 244 – 248)
Unpredictable performance and delivery.	▶ Appointment of a group quality director to drive an integrated quality model. (Refer to page 144)
The construction and manufacturing industry by its nature exposes the group to safety and environmental issues.	▶ Strong actions have been taken to address this. (Refer to page 202)
Volatile commodity prices.	▶ Long term supply agreements enable the group to better predict its input costs

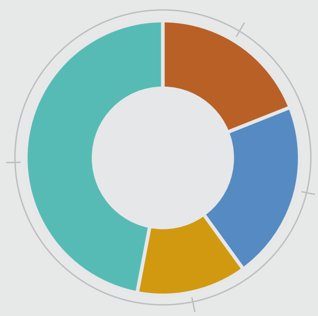
Managing risk continued

OPERATIONAL RISKS

Operational risks are specific to the individual business units and can vary greatly across segments. The group's internal STARS risk register tracks these risks. Risks are consolidated by type, size and likelihood.

The following graph depicts the operational risk profile of the group's four business clusters:

Consolidated operational risk profile



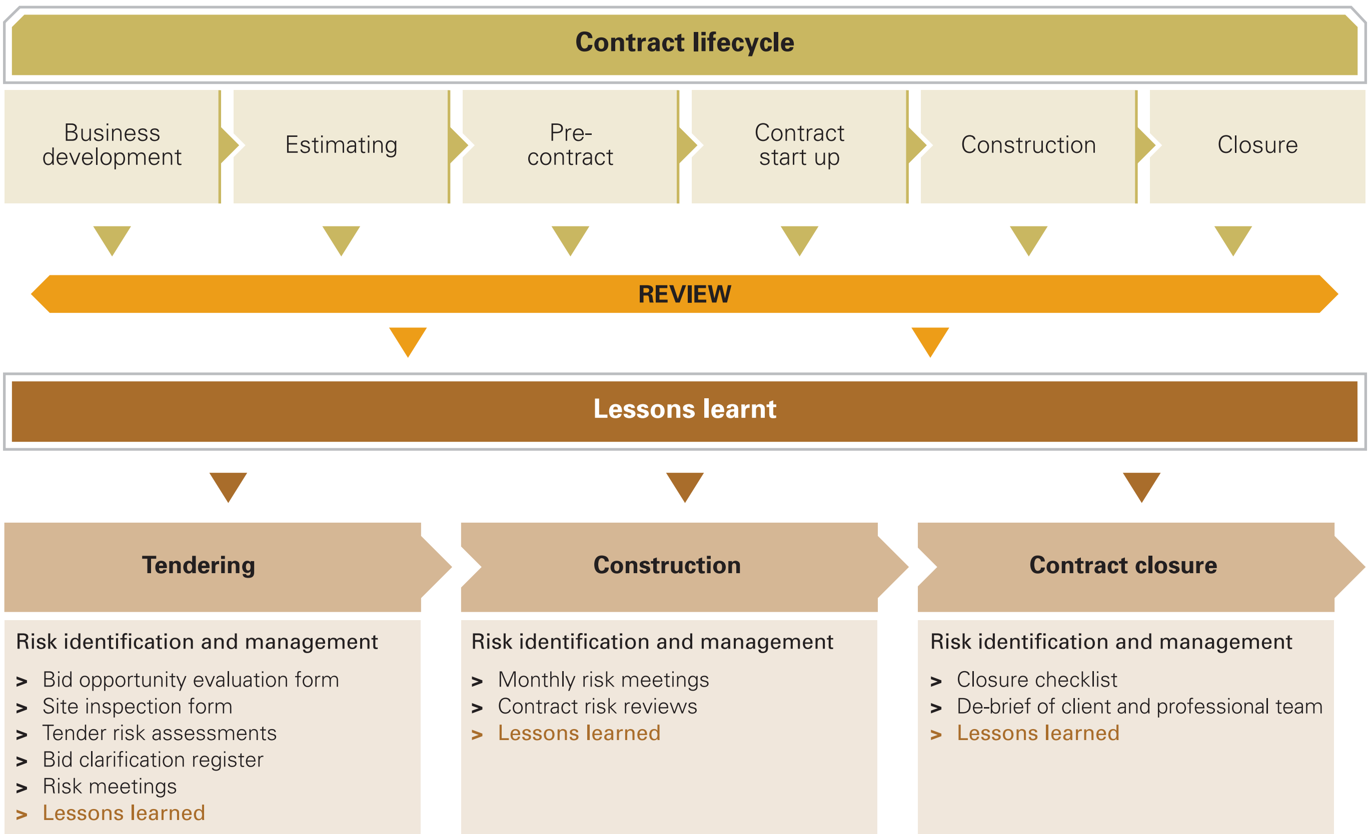
KEY OPERATIONAL RISKS

Risks	Actions taken
Safety risks relating to employees, sub-contractors and third parties.	▶ Continued to implement and maintain safety standards. (Refer to page 202)
Ineffective environmental management.	▶ Implemented environmental plans. (Refer to page 280)
Poor sub-contractor management.	▶ Sub-contractor selection and appointment procedures ▶ Managed sub-contractor performance and quality ▶ Managed sub-contractor payments
Weak production controls and maintenance of equipment and mobile plant.	▶ Implemented policies and procedures ▶ Monitored non-compliance ▶ Ongoing training and mentoring
Failure to meet BBBEE and employment equity requirements, resulting in reputational risk and loss of potential work.	▶ Continued to implement the group's detailed BBBEE plan. (Refer to pages 242 – 278)
Cancellation of contracts within the mining sector, particularly in Africa.	▶ Secured work in South Africa and other geographical areas
Economic downturn in the private building sector market.	▶ Penetrated new markets in the public sector
Exposure to exchange rate fluctuations and price escalation.	▶ Review of group's financial risk policies and procedures and appointment of a group treasurer

CONTRACT RISKS

The majority of risks resides in our Construction business units, which constitute 82% of group turnover. As a result, the group focus is biased towards this cluster, ensuring that all risks are identified and mitigated, where possible.

The key processes are:



TENDERING

During the tendering phase, two major issues are taken into account. The first focuses on the nature of the contract and the specific risks that arise from that particular type of contract. For example, a basic construction contract based on a proven cost plus agreed profit margin will generally rate far less risky than a complex power generation plant tendered on a lump sum turnkey basis where most of the risk resides with the contractor. However, generally, the higher risk contracts command a higher margin.

The second component is that of geography. For example, South Africa is considered to be a low-risk environment compared to, for instance, the DRC.

With these criteria in mind, we are able to produce a risk profile of current and future work and therefore manage a balanced portfolio.

Managing risk continued

CONTRACT CLOSURE

Although the initial identification of risk is crucial, it is also vital that each contract is reviewed at completion stage to capture the lessons learnt.

This assessment is developed within the group's contract lifecycle as the data gathered enables management to better address future opportunities.

The table below indicates the nature of contractual terms of the one-year order book, confirming that the largest portion of our revenue is negotiated on remeasurable terms, in line with the group's risk policy.

Current one-year order book by contract type and geography.

	Design & Build	EPC	Labour Only	Lump Sum	Re-measurable	Cost Plus	Total
West Africa	–	89	–	–	93	–	182
Central Africa	–	–	–	364	130	15	509
Eastern Africa	–	–	–	–	64	2	66
Middle East	–	–	–	377	203	–	580
Southern Africa	183	1 664	104	178	3 429	1 746	7 304
	183	**1 753**	**104**	**919**	**3 919**	**1 763**	**8 641**

The objective of initiatives such as the group's post-mortem review and the larger contract risk lifecycle process is to enhance the performance of a contract, not only in terms of its profitability, but importantly, to ensure zero harm to both our people and the environment in which we operate. Although this section has focused mostly on our bottom line performance, a detailed analysis of safety, health and environmental management can be found on pages 202 and 280.

A summary of the top risks facing contracts are listed below:

KEY CONTRACT RISKS

Risks	Actions taken
Contract overruns due to poor programming at tender stage.	▶ Incorporate lessons learnt in terms of programming into the estimating phase of the contract lifecycle – Estimators and operational employees work closely together to develop the programme ▶ Only reliable suppliers are used to mitigate delays
Poor quality leading to unnecessary rework and wastage.	▶ The implementation of ISO standards across the group ▶ The enforcement of the contract lifecycle
Lack of proper understanding and management of commercial terms and conditions of contracts.	▶ The group has a commercial awareness forum in place that seeks to educate and drive awareness of all key commercial risks ▶ External legal/commercial experts are used to advise the group at the start of a bid
Late and incorrect information supplied by the client.	▶ The group proactively assists clients with precise and timeous requests for information by compiling an information schedule ▶ Terms and conditions within contracts are reviewed to include penalties for the late submission of information
Increased industrial action on sites running up to 2010.	▶ The group will continue to engage through industry bodies with the unions
Inadequate identification of contract risks and appropriate mitigation strategies.	▶ Risk management within the contract risk lifecycle ensures key risks are identified and appropriate mitigation strategies implemented ▶ Dashboards are designed to help identify contracts that are undergoing stress at an early stage to ensure early corrective action
Inaccurate bid price – either productivity related or actual cost of input material and resources.	▶ Lessons learnt in terms of pricing are incorporated into the estimating phase of the contract lifecycle ▶ Estimators and operational employees are involved in pricing the contract during the estimating phase of the contract lifecycle
Adverse weather that results in delays.	▶ Qualifications are included within the bid
Material price escalation.	▶ Supply chain procurement strategies, including early buying, to lock in lower prices

Managing risk continued

RISKS RELATING TO CONTRACTS IN AFRICA

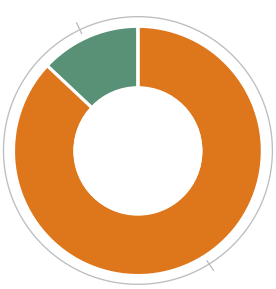
Risks	Actions taken
Foreign country currency fluctuation, exchange control regulations and transfer pricing issues.	▶ Forward cover protection/hedging of costs for currency risk exposures ▶ Entering into multiple currency split contracts, eliminating the risk on forex ▶ Prior Reserve Bank approvals for the issuing of financial instruments, including bonds and guarantees to a non-South African client ▶ Complying with transfer pricing policy
Economic stability of third world countries.	▶ Only local expenses are charged in local currency
Disease and health situations.	▶ Proactive preventative and precautionary measures. See page 232
Availability and cost of local artisans.	▶ Service level agreements in place to remain competitive in terms of labour and to ensure high levels of efficiencies
Uncertainty in the legal and regulatory systems in certain countries.	▶ Appointment of full-time country compliance managers. They are based in the relevant countries
Availability, cost and quality of tools, consumables and materials in local countries.	▶ Effective pre-planning and factoring lead times into the contract programme
Logistical challenges.	▶ A dedicated Group Five logistics team is in place before the start of any contract

LOSS-MAKER RATIO

The table depicts the comparison of our profit-making versus loss-making contracts.

In a recent survey commissioned by the Engineering & Construction Risk Institute it was found that the industry average of loss-making contracts was around 25%. Our results are therefore pleasing, but not yet acceptable as our goal is to ultimately have a zero loss-maker record. We believe that our risk management systems, together with various group initiatives as highlighted in this report, will assist us in achieving this goal.

Profit- versus loss-making contracts



▶ **87%** Value of profit-making contracts
▶ **13%** Value of loss-making contracts

COUNTRY RISK MANAGEMENT

A country risk database is available to the group and contains:

- Links to websites with country information
- Links to risk filters and procedures
- Country risk analysis

The data enables management to better assess opportunities presented to the group and also forms part of the risk profiling exercise, as discussed earlier in this report.

The key areas of assessment of a country's risk profile include political, economic, legal, tax, operational and security considerations. Each aspect is scored out of five and an average is allocated to each country based on the six indicators.

The group utilises risk rating information to determine and implement appropriate mitigation strategies. For example, in the DRC (which has a maximum tax risk rating of 5.00/5.00), a dedicated country compliance manager, based in the DRC, was appointed to manage regulatory requirements, including taxation compliance on a day-to-day basis. In addition, an external auditing firm has been appointed on a monthly retainer to assist with any tax and related issues that may arise.

In Nigeria (which has a very high security risk rating of 4.50/5.00), full-time security guards have been appointed at the group's site.

The main purpose of the country risk management function is to:

- Determine the compliance status of each of the group's entities per country
- Address issues identified as part of the review
- Monitor compliance on an ongoing basis
- Be involved in the pre-contracting phase of contracts with specific reference to structuring
- Execute specific special projects
- Assess legal terms of contracts
- Collate and make available accurate, up-to-date information regarding doing business in relevant countries to identify risk areas. This enables the group and business units to make informed decisions and to ensure that all relevant parties are aware of compliance requirements
- Provide regular reviews of implementation and compliance

A table depicting the countries where the group has operated in, together with their respective risk ratings as at 30 June 2009 is set out below.

Country	Overall	Political	Economic	Legal	Tax	Operational	Security
Angola	3.50	3.50	3.75	3.25	3.50	3.50	3.25
Botswana	2.29	2.00	3.00	2.25	2.00	2.00	1.50
Bulgaria	2.49	2.25	2.75	2.50	2.00	2.75	2.75
Burkina Faso	3.51	3.50	3.75	3.25	3.50	3.75	3.00
DRC	4.46	4.00	4.50	4.50	5.00	4.50	4.50
Ghana	2.85	2.75	3.50	2.50	2.50	3.00	2.00
Hungary	2.29	2.25	2.75	2.00	2.00	2.00	2.25
Jordan	2.41	2.50	2.50	2.50	2.00	2.25	2.50
Lesotho	3.06	3.50	3.50	2.50	2.50	2.75	2.50
Madagascar	3.65	4.00	4.00	3.00	3.00	3.50	3.75
Malawi	3.32	3.75	3.50	3.00	3.00	3.50	2.25
Mali	3.37	2.75	3.75	3.50	3.50	3.50	3.25
Mauritius	1.89	2.00	2.25	2.00	1.00	2.00	1.25
Mozambique	3.38	3.25	4.00	3.25	2.50	3.50	3.25
Namibia	2.57	2.50	3.25	2.00	2.50	2.50	1.50
Nigeria	3.97	3.75	3.75	4.25	4.00	4.00	4.50
Poland	2.06	2.00	2.25	1.75	2.00	2.00	2.25
South Africa	2.42	2.50	2.75	2.00	1.50	2.00	3.25
Swaziland	3.26	3.75	3.50	3.25	3.00	2.50	2.25
Tanzania	3.36	3.00	3.50	3.50	3.50	3.75	3.00
United Arab Emirates	2.09	2.00	2.25	2.50	1.00	2.50	2.00
Zambia	3.24	2.75	4.00	3.00	2.75	3.50	3.00

Managing risk continued

INSURANCE

Considering the inherent risks for a large multi-disciplinary group such as Group Five, the management deem it prudent to transfer certain appropriate risks to reputable insurance organisations.

In line with sound risk management, Group Five only looks to our insurers for protection against losses which are, for the most part, catastrophic in nature.

In the year under review, the group experienced a dramatic increase in claims, as depicted below, with large claims being experienced under liability, crime, plant and motor claims that far exceed the premiums paid.

The plant claims for the F2009 period escalated dramatically due to the increase in contracts that require a large amount of heavy equipment. Large losses were incurred on our marine civils contracts due to extreme weather conditions over the past year, which caused several large pieces of equipment to be washed away. These were anticipated and the insurance excesses were included in the price of those particular contracts.

Motor claims have shown an increase through theft and hijacking. These incidents took place at a number of our sites. Improved security measures have been put in place across the group. However, due to the work Group Five is currently performing, the plant and equipment used is generally larger and has become more expensive, which in turn means that the values of insurance claims are higher.

Fidelity claims have also risen sharply as a result of increased fraud cases suffered by the group due to the current economic conditions. Further information on the nature of these events and the actions taken by the group follows on page 170.

Group Five claims

Class of insurance	F2009	F2008	F2007
Assets	**1 088 572**	2 495 518	1 013 937
Plant	**8 198 298**	863 093	4 854 954
Motor	**4 283 240**	3 431 502	2 143 380
Fidelity guarantee	**5 675 359**	1 398 068	–
Contract works	**–**	103 226	769 027
Liability (excluding professional indemnity)	**1 682 527**	113 678	524 559
Professional indemnity	**–**	–	–
Total	**20 927 996**	8 405 085	9 305 85

Group Five is proud of their record on third party liability claims. The low claims estimates reflect the group's efforts to protect the neighbouring environments during construction contracts. To date, the group has had no environmental claims.

FINANCIAL RISKS

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

Financial risks are defined as the volatility relating to unexpected outcomes as a result of exposure to the change in the value of financial assets and financial liabilities. The four major areas of financial risk currently affecting Group Five are:

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

Refer to the CFO's review on page 45 for further information.

INFORMATION TECHNOLOGY

There has been no material change in F2009 to the IT risk framework depicted in last year's Annual Report.

Disaster recovery

The group implemented a new disaster recovery system during the year. The fundamental difference between the old disaster recovery solution and the new one pertains to the communication network over which all business data flows. The previous solution did not cater for multiple failure points. Should a disaster occur at the main server hub, all sites would be affected. With the new solution, multiple failure points are catered for. This means that the communications network at each location operates independently from other locations.

CoBit

CoBit is a set of best practices for IT management that was adopted by Group Five during the course of F2008. This is now firmly entrenched within the IT operating environment. CoBit is a framework used as a guide to assist management in deciding on the level of risk to accept, the most appropriate control practices and the path to follow when it is necessary to improve the level of control.

By adopting the CoBit framework, a number of key requirements listed in the upcoming King III have already been addressed. See CFO's review on page 45 for a gap analysis.

A full review of the group's disaster recovery solution was conducted in F2009. The outcome of the review indicated that a more robust and flexible solution was needed to support the ever-increasing demands placed on IT by the business operations. A new solution was developed and implemented.

Managing risk continued

The group's fraud prevention framework consists of three elements:

Fraud prevention framework

Create and maintain a culture of honesty and high ethics

- Tone at the top
- Code of ethics
- Fraud policy
- Fraud reporting and investigation procedure
- Employee hiring and promoting
- Training
- Fraud tip-offs anonymous line
- Fraud response plan

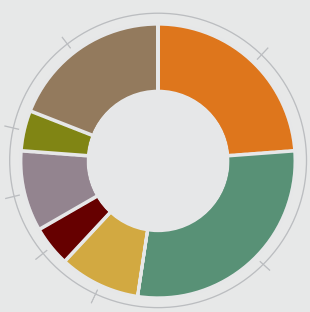
Evaluate risk of fraud and implement controls

- Fraud risk assessment
- Identifying, measuring and mitigating risks

Appropriate monitoring process

- Audit committee
- Risk committee
- Executive committee

Nature of incidents reported – 2009



- **5** Fraud
- **6** Theft
- **2** Concern
- **1** Misuse of company money
- **2** Conflicts of interest
- **1** Non-compliance to laws and regulations
- **4** Bribery

COMPANY ETHICS

The Prevention of Fraud and Corruption Policy

The Prevention of Fraud and Corruption Policy and Fraud Reporting and Investigation Procedures were launched in the year under review to emphasise the duty that employees have to report fraud and other irregularities, as well as the procedures available to do so.

Tip-Offs Anonymous

The group operates an ethics hotline (Tip-Offs Anonymous), which is managed in partnership with an external service provider. Whistleblowers may call in with anonymous tip-offs that are relayed to the risk department for investigation. The hotline acts as a tool to combat unacceptable behaviour and enforces the group's approach of zero tolerance. Informants enjoy the legal protection offered by the Protected Disclosures Act.

With the global economic downturn, we have noticed a rise in fraud. In the year under review, a total of 21 incidents were reported to management using various reporting mechanisms. It is pleasing to see the growing confidence that employees have in the system and management. We believe this is due to a clear correlation between the incidents reported by an employee and the action taken by management. Disciplinary action, taken following an incident reported, is published across the group.

Whistle-blowing statistics (through Tip-Offs line)

Report category	Report received
Alleged fraud	3
Alleged theft	2
Concern	2
Fraud	1
Unethical behaviour	1
Total	9

Incident reporting channels – 2009

All incidents reported are logged and investigated to determine their validity. Once the issue is brought to the attention of exco and an investigation completed, appropriate action is taken by management.

The following table sets out the actions taken by management to address the 21 incidents reported during the year:

Nature of the allegation	Number of incidents	Management action	Outcome
Fraud	5	▶ 1 incident investigated, resulting in a disciplinary hearing ▶ 1 incident investigated ▶ 3 incidents currently being investigated	▶ One employee found guilty and dismissed ▶ The allegations were invalid ▶ Outcome unknown at this point
Theft	6	▶ 3 incidents investigated, resulting in disciplinary hearings ▶ 2 incidents investigated ▶ 1 incident investigated and controls implemented before the event occurred	▶ Six employees found guilty and dismissed ▶ The allegations were invalid ▶ Theft was prevented due to a proactive response to a tip off
Concern ▶ Breach of confidentiality and favouritism ▶ Reporting structure	2	▶ Both incidents investigated	▶ One allegation was invalid ▶ One outcome unknown at this point
Misuse of company money	1	▶ 1 incident investigated	▶ One employee dismissed and money recovered
Conflict of interest	2	▶ 1 incident currently being investigated ▶ 1 incident investigated	▶ Outcome unknown at this point ▶ The allegations were invalid
Non-compliance with laws and regulations	1	▶ Pro-active response to tip off	▶ Addressed with authorities before the event occurred
Bribery	4	▶ All incidents investigated	▶ Three employees found guilty and dismissed ▶ One employee resigned before the disciplinary hearing

Managing risk continued

The Prevention of Fraud and Corruption Policy and the Fraud Reporting and Investigation Procedures were re-launched during the year to emphasise to Group Five employees that they have an obligation to report crimes and to remind them of the methods available to report fraud and/or other irregularities.

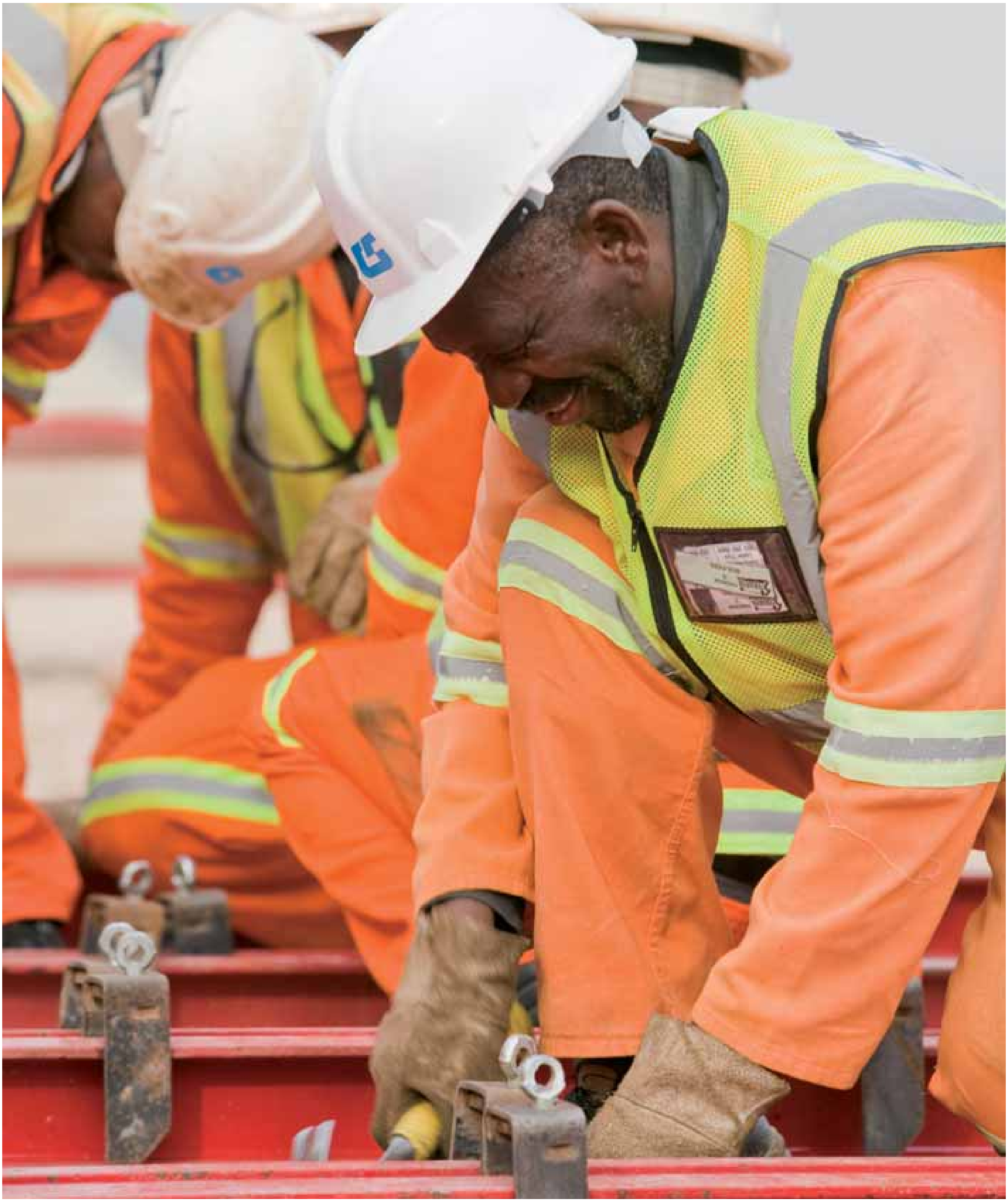
Despite an increase in fraud, a number of **potential incidents were avoided through proactive tip offs and action taken by the risk department** in conjunction with other departments and business units.

LOOKING FORWARD

Risk management is crucial to Group Five's business success and will always contribute to management's ability to effectively guide the business through an ever-changing environment. All objectives set by management, be they strategic, operational or otherwise, are set after due and proper consideration of the potential risks that might negatively impact the outcome of such objectives.

Now that we have established our enterprise risk management framework and have adopted our system, management's focus will be on extracting and analysing data obtained from this source. Management have historically dedicated much of their time to contract/operational risk, which posed the most immediate threat to the group. Having established satisfactory control over this area of business, renewed focus will once again be given to strategic issues such as the impact of the economic slowdown, increased competition, reputational risk and the like.

Going forward, with the aid of the systems we have implemented, management will be in a position to even better understand the risk profile of the group and will therefore be able to further improve our ability to deliver sustainable results.



Corporate governance review

PROGRESS DURING THE YEAR

Find below how F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward.

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
Need for independent non-executive directors with relevant engineering, technical and financial knowledge.	LE Bakoro (providing financial expertise) and JL Job (providing technical expertise) were appointed.			
Need to review the composition, commitment and workings of certain board committees.	Improved during year under review with new appointments.			With the advent of the Companies Act No.71 of 2008, it will be necessary to review the terms of reference of board committees to ensure full compliance with the Act.
Need for in-depth orientation of non-executive directors in the business and operations of the group.	The chairperson of the board and various non-executive directors visited sites during the year. In addition, the board of directors meets with the exco at least bi-annually to review and approve strategic direction.			Need to further improve operational knowledge of the board.
Need for a clear succession plan for the board.		Although board was strengthened, a formal plan was not implemented.	Formalise succession plan.	Ensure all board members have succession plans in place.
				Need to review board charter and terms of reference for board committees in line with King III.

"The success of companies in the 21st century is bound up with three inter-dependent sub-systems – the natural environment, the social and political system and the global economy. Global companies play a role in all three and they need all three to flourish."

– Draft Report on Governance for South Africa and the Draft Code of Governance Principles (King III).

INTRODUCTION

A new era in corporate governance is currently being created with the promulgation of the Companies Act No.71 of 2008 and the release of the Draft Report on Governance for South Africa and the Draft Code of Governance Principles (King III).

In addition to encouraging entrepreneurship and high standards of corporate governance, the new Companies Act seeks to balance the rights and obligations of shareholders and directors and also encourages the efficient and responsible management of a company. In the maintenance and enhancement of its good governance standards, the group continuously reviews current and emerging trends, both locally and internationally.

In the year under review:

- Two additional independent non-executive directors were appointed
- Board committees were strengthened with additional appointments
- A manco member responsible for the group's socio-economic development, under the guidance of the group's SED committee, was appointed
- The internal audit charter was updated and approved

THE BOARD

The group is led and controlled by a unitary board of directors (the board), comprising two executive directors and eight non-executive directors. Six non-executive directors are independent. The responsibility of all directors is clearly divided to ensure a balance of power and authority to prevent unfettered powers of decision-making.

The board is guided by the letter and spirit of the values expressed in King II and the JSE Listings Requirements. It is the policy of the board to actively review and enhance the group's systems of control and governance on a continuous basis to ensure that the group is managed ethically and within prudently determined risk parameters. The board is therefore confident that the group is well positioned to ensure adherence to the new recommendations within the draft King III. Changes are also being implemented to ensure full compliance with the recently promulgated Companies Act No.71 of 2008.

Appointments to the board are considered by the board as a whole. This involves evaluating the existing balance of skills and experience and a continuous process of assessing the needs of the group. Non-executive directors are required to devote sufficient time to the affairs of the group. While no limitations are imposed by the board charter, or otherwise, on the number of other appointments directors can hold, approval must be obtained prior to acceptance of additional commitments that may affect the time directors can devote to the group.

An annual evaluation is conducted to assess the effectiveness of the board and the individual contributions of directors. These reviews aim to evaluate the delivery of the board in terms of duties and responsibilities, with a view to continuously improve the manner in which the group is governed. The findings of the most recent evaluation were discussed by the board and resulted in the implementation of various improvements. The board is committed to undertaking continuous evaluations in the year ahead.

The board and executive committee (exco) work together in mapping the strategy of the group. The board and exco meet at least twice a year to formulate and agree on strategy around the group's areas of focus and growth. Exco members are given the opportunity to present the various business units' strategies to the board, specifically where significant transactions are concerned.

The non-executive directors derive no benefit from the group other than their fees and emoluments as proposed by the board through the remuneration committee (remco) and approved by shareholders at the group's annual general meeting.

A profile of each director is included on page 188 of this report.

The chairperson

It is the role of the chairperson to ensure that the board remains efficient, focused and operates as a unit. Ms Philisiwe Buthelezi is the group's independent non-executive chairperson. She provides overall leadership to the board without limiting the principle of collective responsibility for board decisions. The chairperson is also responsible for the annual appraisal of the CEO's performance. Group Five remains the only company in the top five companies in our sector with a black female chairperson.

Non-executive directors

The group's non-executive directors are individuals of high calibre and credibility that contribute significantly to the board's deliberations and discussions. They have the necessary skill and experience to bring judgement to bear, independent of management on issues

Corporate governance review continued

of strategy, performance, transformation, diversity and employment equity.

The non-executive directors are P Buthelezi, LE Bakoro, L Chalker, MSV Gantsho, JL Job, SG Morris, KK Mpinga and Z Mtshotshisa. Other than Messrs Gantsho and Mtshotshisa, all non-executive directors are independent. WV Mavimbela resigned on 17 June 2009.

The chief executive officer

The chief executive officer, Mr Mike Upton, is responsible for formulating and recommending strategies and policies to the board. The CEO is also required to ensure the implementation of the strategy when it has been approved by the board. The CEO is accordingly held accountable to the board and provides regular reports during board meetings and at other times, when required.

Board meeting attendance

	Aug 08 (quarterly meeting)	Sept 08 (special meeting)	Nov 08 (quarterly meeting)	Feb 09 (quarterly meeting)	March 09 (special meeting)	May 09 (quarterly meeting)	May 09 (special meeting)
P Buthelezi	√	√	√	√	√	√	√
MR Upton	√	√	√	√	√	√	√
CMF Teixeira	√	√	√	√	√	√	√
LE Bakoro†	–	–	*	√	√	√	*
L Chalker	√	√	√	√	#	√	#
MSV Gantsho	√	#	√	√	√	*	√
JL Job†	–	–	*	√	*	√	√
WV Mavimbela**	√	√	√	√	√	√	√
SG Morris	√	√	√	√	√	√	√
Z Mtshotshisa•	–	–	–	–	–	–	–
KK Mpinga	#	√	√	*	√	√	√

**Apologies. #per teleconference. †Appointed 01 November 2008. **resigned 17 June 2009. •appointed 18 June 2009.*

The company secretary

Following the resignation of Ms Nosisa Kekana as company secretary, Ms Nonqaba Katamzi was appointed as company secretary with effect from 1 January 2009.

The company secretary is responsible for ensuring that board procedures are in compliance with statutory and regulatory requirements. The company secretary also provides guidance to directors on governance and fiduciary responsibilities. It is the duty of the company secretary to ensure that new directors receive proper induction in terms of their duties and responsibilities. During induction and with the assistance of the group's corporate sponsors, special emphasis is given to the JSE Listings Requirements.

The company secretary supports the CEO to ensure continuity in terms of actions required from management and those that need board approval. The company secretary is responsible for ensuring that directors are informed of any new legislation that affects them in carrying out their obligations. All directors have access to the services of the company secretary in terms of the affairs of the company and their roles and responsibilities. The company secretary is the secretary of all the board committees. In the coming year, a core focus will be on appraising directors of their duties and responsibilities flowing from the enactment of the Companies Act No.71 of 2008 and the completion of the King III Report.

The company secretary also administers the company's employee share schemes and co-ordinates with the company's transfer secretaries on issues pertaining to the overall administration of the company's register of shareholders.

BOARD COMMITTEES

The board has five standing committees through which it operates. Each director is a member of one or more of these committees. Each committee has formally determined terms of reference in which the scope of authority and reporting procedures are clearly defined. The board committees and their chairpersons are:

- Audit committee – SG Morris
- Risk committee – KK Mpinga
- Remuneration committee – SG Morris
- Socio-economic development committee – L Chalker
- Nominations committee – P Buthelezi

The chairpersons of all the committees are independent non-executive directors.

The audit committee

The audit committee ensures the transparency and integrity of the group's financial reporting. The committee reviews the draft financial statements prior to publication and reviews these statements with management and external auditors. The committee constantly considers legal, risk, regulatory and ethical matters that have a financial impact on the group and has as a standing items on the agenda – "Internal audit, external audit, accounting standards, legislation, information technology and compliance."

The audit committee has its own terms of reference, approved by the board, to assist the members of the committee to understand their roles and to enable them to add value in discharging their duties. The terms of reference are reviewed annually and, if necessary, amended to meet market, regulatory and statutory requirements. The forthcoming review will accordingly focus on ensuring compliance with the requirements of the Companies Act No.71 of 2008 and King III. The audit committee has satisfied its responsibilities under its term of reference for the period under review.

The members of the audit committee are SG Morris (chairperson), LE Bakoro, L Chalker, MSV Gantsho, KK Mpinga and MR Upton.

The board increased the number of audit committee meetings from three a year to quarterly meetings to be held before the formal board meetings. This is in line with the stringent measures imposed on the audit committee by the recent development in regulatory and statutory requirements.

Except for MR Upton, all members are non-executive directors.

The chairperson of the audit committee is required to give a report to the board.

Apart from the roles set out above, the audit committee's function is to:
- Oversee shareholder reporting: financial reporting and interim results
- Recommend the appointment of the external auditors to the board
- Review the scope of work of external auditors and approve non-audit work to be carried out by the auditors
- Agree the external audit fees
- If necessary, hold meetings with external auditors independent of management
- Review the internal auditors (its capabilities, resources, scope of work and findings)
- Review internal financial controls
- Oversee the risk management process, including:
  - Information Technology
  - Fraud
  - Compliance

The head of internal audit reports to the chairperson of the audit committee and to the CFO on day-to-day matters. He is also invited to attend audit committee meetings to give a report on internal audit findings. The internal audit charter was approved by the board on recommendation from the audit committee. The audit committee is satisfied with the appropriateness of the expertise and experience of the CFO. In addition, the audit committee is satisfied that the external auditors are independent of the company.

Audit committee meeting attendance

	Aug 08	Feb 09	May 09
SG Morris (chairperson)	√	√	√
LE Bakoro•	–	√	√
L Chalker	√	√	√
MSV Gantsho	*	√	*
JL Job•†	–	√	√
KK Mpinga	*	*	√
CMF Teixeira†	√	√	√
MR Upton	√	√	√

**Apologies. †By invitation. •Appointed 01 November 2008.*

Refer to regulatory and compliance review on page 194, annual financial statements on page 298 and risk review on page 157 for further details on areas contained within the audit committee charter.

The risk committee

The management of risk remains an integral component of the group's strategic and business processes. The processes adopted by the group for the assessment, identification and quantification of risk are endorsed by the board.

Whilst the board remains ultimately responsible for managing risk, the mandate of the risk committee is to ensure and oversee the appropriate response to risk and reporting to the board on the effectiveness of risk management.

The members of the risk committee are KK Mpinga (chairperson), L Chalker, JL Job, SG Morris, Z Mtshotshisa, MR Upton and GD Mottram.

Over and above the quarterly meetings, the risk committee meets as and when required to discuss and consider contracts with a value in excess of R500 million.

The committee has the following responsibilities:

- To review the group's business risks, including, but not limited to, safeguarding its assets and revenues and ensuring compliance with the numerous statutory laws and regulations affecting it

Corporate governance review continued

- To provide a policy, framework and methodology for the group to identify, analyse and manage risk
- To provide assurance to the board that the risk management policy and strategy set by the board is operating effectively
- To evaluate whether management is setting appropriate controls by communicating the importance of risk management and ensuring that all employees have an understanding of their roles and responsibilities
- To review the effectiveness of compliance with all laws and regulations
- To ensure that management act on any incidents of fraud (including taking disciplinary action)

The group risk officer is a member of the committee. He presents a comprehensive report on all risk issues at each meeting. In its management of risk, the group aims to achieve a balance between risk and reward, giving full and due consideration to the legitimate expectations of stakeholders within the context of sustainable development.

The group's risk management system, STARS, has been upgraded to facilitate the team's prompt identification and assessment of all risks throughout the group. It further provides the group with a formal approach to identify, record and rank risks on a strategic, operational and contract level, as well as track and review risks on an ongoing basis in a systematic manner.

Risk committee meeting attendance

	Aug 08	Nov 08	**Feb 09**	**Mar 09**	**May 09 (ad hoc)**
KK Mpinga (chairperson)	#	√	*	√	*
L Chalker	#	√	√	√	√
JL Job•	–	√	*	√	√
WV Mavimbela†	*	*	√	√	√
SG Morris	√	√	√	√	*
Z Mtshotshisa••	–	–	–	–	–
MR Upton	*	√	√	√	√
GD Mottram	√	√	√	√	√

**Apologies. #Per teleconference.*
•Appointed 01 November 2008. †Resigned 17 June 2009. ••Appointed 18 June 2009.

Refer to risk review on page 157 for further information on areas contained within the risk committee charter.

The remuneration committee

The remuneration committee consists of two non-executive directors, SG Morris (chairperson) and Z Mtshotshisa. MR Upton and the human resources director attend the committee meetings by invitation. WV Mavimbela resigned on 17 June 2009 and Z Mtshotshisa was appointed on 18 June 2009. MR Upton is recused from all discussions relating to the CEO's remuneration package.

The committee has the following duties:

- To oversee the implementation of the remuneration policy of the group
- To annually review and approve the remuneration packages for executive directors and determine and approve annual bonuses, performance-based incentives and share incentive schemes
- To review the ongoing appropriateness and relevance of the executive remuneration policy and other executive benefit programmes
- To review and approve the proposed remuneration of senior employees, such as exco and manco
- To approve management's recommendations in terms of the average annual increase per employee
- To evaluate and approve the awarding of additional benefits in terms of the group's share incentive scheme
- To make recommendations to the board on the remuneration of non-executive directors

Remuneration committee meeting attendance

	Sept 08	Oct 08	Nov 08	**Feb 09 (ad hoc)**
SG Morris (chairperson)	√	√	√	√
WV Mavimbela†	√	√	*	√
Z Mtshotshisa••	–	–	–	–
MR Upton#	√	√	√	√
MJ Allie#	√	√	√	√
R du Toit#	√	√	√	√

**Apologies. # By invitation. + Resigned 17 June 2009.*
••Appointed 18 June 2009.

The socio-economic development committee (SED)

The SED committee comprises two independent non-executive directors, L Chalker and KK Mpinga, as well as members of management that represent the various business units.

The committee has the following duties:

- To provide strategic direction in terms of SED
- To formulate and implement a SED policy for the group
- To centralise reporting and approve SED spend, projects and initiatives
- To evaluate the effectiveness of SED interventions

The measurement and reporting of SED projects is done quarterly by the business unit representatives. The chairperson of the committee submits a quarterly report to the board. For a more detailed report on the group's SED initiatives during the year under review, please refer to page 272 of this report.

SED committee meeting attendance

	Aug 08	Nov 08	Feb 09	May 09
L Chalker (chairperson)	√	√	√	√
KK Mpinga	*	*	*	√
MJ Allie	√	√	√	√
JA Wallace	√	√	√	√
N Sukdeo	√	√	√	*
FH Enslin	*	√	√	√
J Doorasamy	*	*	*	*
S O'Donoghue	*	√	√	√
G Hopkins†	√	√	*	–
I Makuta•	√	√	√	√
NJH Tlou**	–	–	–	√

**Apologies. •Appointed 05 August 2008. **Appointed 21 May 2009. †Resigned 21 May 2009.*

The nomination committee

The nominations committee is responsible for identifying and evaluating candidates that are considered for appointment as directors. This committee meets only when required to consider appointments to the board. P Buthelezi, L Chalker and KK Mpinga are members of the committee.

Nomination committee meeting attendance

One meeting was held during the year. Following the board's review of the annual evaluation report, the committee met to consider and approve the appointment of two independent non-executive directors. The appointments of LE Bakoro and JL Job were subsequently ratified in a quarterly board meeting.

The group has a formal **code of ethics** governing the group's business practices, as well as expected conduct towards customers, employees, business partners, suppliers, communities and the environment. The group received the **2009 DEKRA Ethics Award,** an international accolade awarded by DEKRA Certification GmbH (Germany) in recognition of "the group's exemplary treatment of its employees and its exceptional social commitment".

Corporate governance review continued

CORPORATE GOVERNANCE: KING III READINESS – GAP ANALYSIS

In line with the release of the Draft Report on Governance for South Africa and the Draft Code of Governance Principles (King III), we have assessed the current status of our corporate governance framework and processes against the code to determine our readiness to comply.

King III principles*	Status	Comment
Role and function of the board		
The board should appoint the chief executive officer and establish a framework for the delegation of authority and a succession plan.	Compliant	► Succession planning receiving ongoing focus
The board should define its own levels of materiality, reserving specific powers and delegating other matters to management.	Compliant	► The board approves all strategic investment decisions ► Defined levels of authority for contract approvals are in place ► Clear mandate of responsibility is set by the board
The board should ensure that the company makes full and timely disclosure of material matters concerning the company.	Compliant	► The board has a history of communicating material matters to the market
The board should ensure that internal and external disputes are resolved effectively, expeditiously and efficiently.	Compliant	► All internal and external issues have to date been adequately addressed ► The process is being formalised
Composition of the board		
The board should be led by an independent non-executive chairman who should be appointed by the board on an annual basis.	Partially compliant	► Although the chairperson is an independent non-executive director, her formal re-appointment on an annual basis will be documented as part of the board charter
There should be a nominations committee to select board members and to oversee a formal succession plan for the board, CEO and certain senior management appointments.	Partially compliant	► The nominations committee considers the performance of the board members and the remuneration committee considers the performance of senior management ► Succession planning remains a focus area for the group
The chairperson should meet with individual directors once a year regarding evaluation of their performance.	Partially compliant	► The chairperson meets with the CEO annually to discuss and evaluate his performance. Meeting formally with the rest of directors will considered
The CEO should not be a member of the remuneration, audit or nomination committees, but should attend by invitation.	Partially compliant	► The CEO is not a member of the remuneration or nominations committees and attends by invitation ► His membership of the audit committee will be addressed through a review of board committees
Director development		
Training and development of directors should be conducted through a formal process.	Compliant	► Directors go on site visits ► Strategy sessions between the board and senior management are in place ► A formalised orientation plan is being developed

CORPORATE GOVERNANCE: KING III READINESS – GAP ANALYSIS

King III principles*	Status	Comment
Company secretary		
The board should be assisted by a competent company secretary who should keep board charters up to date.	Compliant	▶ The board believes its company secretary is competent ▶ Current board charters are being reviewed in light of the changes to King III and the Companies Act
Performance assessment		
The performance of the board, its committees and individual directors should be evaluated annually, preferably independently.	Partially compliant	▶ The board reviews its complement on an annual basis ▶ The CEO and CFO are evaluated, but formalised performance appraisals for the remainder of the board members are required
The board should state in the integrated report that the appraisals of the board and its committees have been conducted.	Partially compliant	▶ The board reviews its complement on an annual basis, but formal appraisals are currently not executed
Directors' contribution and reporting to the board should be measured against their duties. The nomination of a director at the AGM should not be an automatic process and should only occur after the proper evaluation of the performance and attendance of the director in question.	Partially compliant	▶ Refer above
Should a deficiency in a director's performance be identified, a plan should be developed and implemented to address this.	Partially compliant	▶ Refer above
Board committees		
All members of the remuneration committee should be non-executive directors, with the majority independent.	Partially compliant	▶ Although all members of the remuneration committee are non-executives, there are only two members, one of whom is independent. This will be addressed in the new charter
Remuneration of directors		
The company’s policy of remuneration should be approved by shareholders in a general meeting.	Partially compliant	▶ Shareholders are requested to approve non-executive directors’ remuneration formally at an annual general meeting (AGM). However, shareholders are not currently requested to approve the group’s remuneration policy. This will be addressed in the new charter
Audit committees		
The nomination committee (where there is one) should present suitable candidates for election as audit committee members to shareholders at the AGM.	Partially compliant	▶ The nominations committee does consider candidates for the audit committee ▶ These candidates are not presented formally to shareholders for approval. This will be addressed in the new charter

Corporate governance review continued

CORPORATE GOVERNANCE: KING III READINESS – GAP ANALYSIS

King III principles*	Status	Comment
Membership and resources of the audit committee		
Audit committee members should be suitably skilled and experienced independent non-executive directors.	Compliant	► The board believes that its audit committee is adequately skilled ► Qualifications and experience are not formally documented, although considered by the nominations committee
The audit committee should be led by an independent non-executive director. There should be one meeting a year where the external and internal auditors attend without the management.	Compliant	► The chairperson is an independent non-executive director ► Regular meetings with the internal and external auditors and the chairperson of the committee take place and some meetings are held without management
Responsibilities of the audit committee		
The audit committee should consider and recommend to the board the need to engage an external assurance provider to provide assurance in terms of the sustainability reporting to stakeholders.	Partially compliant	► The audit committee is responsible for the approval of all financial stakeholder reporting, including the annual report, preliminary releases and SENS announcements ► The committee considers the effectiveness of the consultants used via the approval of decisions made. A formal evaluation of the assurance providers is not performed
Managing stakeholder relationships		
Transparent and effective communication should be in place with reasons provided for refusal of information.	Compliant	► There are no known refusals of information during the year

**With acknowledgement: Institute of Directors in South Africa.*

Corporate governance review – Remuneration review

Non-executive directors' emoluments

It is the board's view that the final approval of non-executive remuneration lies with the shareholders. During the year under review, the non-executive directors' fees (including services and expenses, where applicable) were as follows:

Details of emoluments paid for the year ended June 2009:

NON-EXECUTIVE DIRECTORS

Fees, services and expenses	Fees 30 June 2009 R'000	Expenses 30 June 2009 R'000	**Total 30 June 2009 (R'000)**	Fees 30 June 2008 R'000	Expenses 30 June 2008 R'000	Total 30 June 2008 (R'000)
P Buthelezi	696	13	**709**	400	–	400
D Paizes••	–	–	**–**	100	–	100
L Chalker**	308	433	**741**	242	51	293
SG Morris	486	–	**486**	281	–	281
KK Mpinga	306	–	**306**	218	–	218
WV Mavimbela†	59	–	**59**	149	–	149
MSV Gantsho**	194	115	**309**	118	–	118
LE Bakoro•	136	–	**136**	–	–	–
JL Job•	137	–	**137**	–	–	–
Z Mtshotshisa*	–	–	**–**	–	–	–
Total	2 322	561	**2 883**	1 508	51	1 559

*•Appointed in November 2008. †Resigned June 2009. *Appointed June 2009. ••Retired October 2007. **International director expenses relate to air travel and accommodation for attendance at board meeting.*

NON-EXECUTIVE DIRECTORS' PROPOSED FEES F2010, SUBJECT TO SHAREHOLDER APPROVAL

Position	Fees
Main board – chairperson	R640 000 per annum
Main board – non-executive director	R160 000 per annum
Audit committee – chairperson	R160 000 per annum
Audit committee – member/attendance	R20 000 per meeting
Remuneration/risk/nomination and SED committee – chairperson	R80 000 per annum
Remuneration/risk/nomination and SED committee – member/attendance	R14 000 per meeting
Extraordinary services	R2 300 per hour

The group's integrated approach to remuneration is divided into guaranteed pay/total cost to company, short term incentives/annual bonus and long term incentives/share options.

EXECUTIVE DIRECTORS

	Salaries (R'000)		Performance and equity incentives (R'000)		Total (R'000)	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008	**30 June 2009**	30 June 2008
MR Upton	**2 655**	2 705	**6 537**	2 874	**9 192**	5 579
MH Lomas••	**–**	–	**–**	7 979	**–**	7 979
CMF Teixeira*	**1 529**	108	**1 688**	–	**3 217**	108
PS O'Flaherty†	**–**	–	**–**	3 832	**–**	3 832
	4 184	2 813	**8 225**	14 685	**12 409**	17 498

*••Retired in March 2007. *Appointed in June 2008. †Resigned in June 2007.*

In the interest of full disclosure, the group provides a summary of emoluments paid to senior management of the group, defined as the executive committee (exco) members and the managing committee (manco) members.

EXECUTIVE COMMITTEE MEMBERS (EXCLUDING CEO AND CFO)

	Salaries (R'000)		Performance and equity incentives (R'000)		Total (R'000)	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008	**30 June 2009**	30 June 2008
Total earnings	**11 396**	11 675	**20 146**	11 630	**31 542**	23 305

Exco members' earnings are included from the date of appointment to exco. Represents earnings relating to exco members present at year end only.

MANAGEMENT COMMITTEE MEMBERS (EXCLUDING EXCO, CEO AND CFO)

	Salaries (R'000)		Performance and equity incentives (R'000)		Total (R'000)	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008	**30 June 2009**	30 June 2008
Total earnings	**20 498**	19 494	**21 227**	16 829	**41 725**	36 323

Manco members' earnings are included from the date of appointment to manco. Represents earnings relating to manco members present at year end only.

Corporate governance review – Remuneration review continued

DETAILS OF EXECUTIVE DIRECTORS' SHARE OPTIONS AND SHARE APPRECIATION RIGHTS

Name of director	Options granted and accepted Opening balance	Options granted during the year	Strike price	Options exercised and paid	Options lapsed	Total options granted and accepted Closing balance	Strike price	Options vested Closing balance
2009								
MR Upton	**75 000**	**–**	**12,55**	**(75 000)**	**–**	**–**	**–**	**–**
	400 000	**–**	**30,44**	**–**	**–**	**400 000**	**30,44**	**200 000**
	71 000	**–**	**54,81**	**–**	**–**	**71 000**	**54,81**	**–**
	100 000	**–**	**50,20**	**–**	**–**	**100 000**	**50,20**	**–**
	–	**166 000**	**28,63**	**–**	**–**	**166 000**	**28,63**	**–**
CMF Teixeira	**25 000**	**–**	**24,77**	**–**	**–**	**25 000**	**24,77**	**18 750**
	25 000	**–**	**54,81**	**–**	**–**	**25 000**	**54,81**	**–**
	25 000	**–**	**50,80**	**–**	**–**	**25 000**	**50,80**	**–**
	–	**200 000**	**43,00**	**–**	**–**	**200 000**	**43,00**	**–**
	–	**72 000**	**28,63**	**–**	**–**	**72 000**	**28,63**	**–**
	721 000	**438 000**		**(75 000)**		**1 084 000**		

Name of director	Options granted and accepted Opening balance	Options granted during the year	Strike price	Options exercised and paid	Options lapsed	Total options granted and accepted Closing balance	Strike price	Options vested Closing balance
2008								
MR Upton	35 000	–	4,42	(35 000)	–	–	–	–
	150 000	–	4,42	(150 000)	–	–	–	–
	75 000	–	12,55	–	–	75 000	12,55	75 000
	400 000	–	30,44	–	–	400 000	30,44	–
	–	71 000	54,81	–	–	71 000	54,81	–
	–	100 000	50,20	–	–	100 000	50,20	–
CMF Teixeira	25 000	–	24,77	–	–	25 000	24,77	–
	–	25 000	54,81	–	–	25 000	54,81	–
	–	25 000	50,20	–	–	25 000	50,80	–
PS O'Flaherty	81 250	–	5,95	(81 250)	–	–	–	–
	766 250	221 000		(266 250)		721 000		

In the interest of full disclosure, the group provides a summary of share options and share appreciation rights issued to senior management of the group, defined as the executive committee (exco) members and managing committee (manco) members.

DETAILS OF SHARE OPTIONS AND SHARE APPRECIATION RIGHTS ISSUED TO EXCO (EXCLUDING CEO AND CFO)

Options granted and accepted Opening balance	Options granted during the year	Strike price	Options exercised and paid	Options lapsed	Total options granted and accepted Closing balance	Strike price	Options vested Closing balance
18 750	–	14,28	(18 750)	–	–	–	–
126 250	–	12,55	(31 250)	–	95 000	12,55	95 000
37 500	–	18,56	–	–	37 500	18,56	18 750
100 000	–	24,77	(62 500)	(12 500)	25 000	24,77	12 500
1 400 000	–	30,44	(200 000)	–	1 200 000	30,44	500 000
367 000	–	54,81	–	(100 000)	267 000	54,81	–
582 000	–	50,20	–	(100 000)	482 000	50,20	–
150 000	–	51,00	–	–	150 000	51,00	–
–	572 000	28,63	–	–	572 000	28,63	–
2 781 500	572 000		(312 500)	(212 500)	2 828 500		

DETAILS OF SHARE OPTIONS AND SHARE APPRECIATION RIGHTS ISSUED TO MANCO (EXCLUDING EXCO, CEO AND CFO)

Options granted and accepted Opening balance	Options granted during the year	Strike price	Options exercised and paid	Options lapsed	Total options granted and accepted Closing balance	Strike price	Options vested Closing balance
25 000	–	10,20	(25 000)	–	–	–	–
56 250	–	12,55	(18 750)	(25 000)	12 500	12,55	12 500
50 000	–	12,28	–	–	50 000	12,28	50 000
75 000	–	18,56	(56 250)	–	18 750	18,56	–
37 500	–	20,00	(18 750)	–	18 750	20,00	–
25 000	–	20,25	–	–	25 000	20,25	18 750
325 000	–	24,77	(62 500)	–	262 500	24,77	162 500
25 000	–	26,39	–	–	25 000	26,39	18 750
75 000	–	31,87	–	–	75 000	31,87	37 500
296 000	–	54,81	–	(29 000)	267 000	54,81	–
402 000	–	50,20	–	(25 000)	377 000	50,20	–
–	32 300	16,03	–	–	32 300	16,03	–
–	100 000	33,63	–	–	100 000	33,63	–
–	692 000	28,63	–	–	692 000	28,63	–
1 391 750	824 300		(181 250)	(79 000)	1 955 800		

Board of directors

SUMMARISED CVs

Over the next few pages we provide information about the experience of our board members, as well as our senior management team.

Chairperson:

P (Philisiwe) Buthelezi (45)
Independent non-executive director and chairperson

- BA Economics, MSC in Economics (University of Paris, Sorbonne), MBA (UK)
- Appointed July 2007 as non-executive director
- Appointed as chairperson with effect from October 2007
- CEO of the National Empowerment Fund (NEF), tasked with promoting and facilitating economic equality and transformation
- Philisiwe started her career in London with the investment bank, Banque Nationale de Paris (BNP-Paribas) in 1991
- In 1992, she 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). From 1997 – 2002 she was the regional director of Europe for the dti

Sub-committees:
- Nominations committee (Chairperson)

Executive directors:

MR (Mike) Upton (54)
Executive director and chief executive officer

- BSc Electrical Engineering, Professional Engineer (Pr. Eng)
- Business Management Diploma (Newcastle, UK)
- Joined 2002
- Appointed to the board and as CEO in 2007
- Mike has seven years' experience at Group Five in multi-disciplinary construction, plant engineering and business repositioning, with the last four years as exco member and executive director
- Before that, Mike was with NEI, Rolls Royce and ABB where he gained over 20 years' experience in manufacturing, engineering, commercial and marketing and international construction and services
- He has been operating at an exco and board level since 1994

Sub-committees:
- Audit committee and risk committee

CMF (Cristina) Teixeira (36)
Executive director and chief financial officer

- BCom, BCompt (Hons), CA(SA)
- Joined 2002
- Appointed to the board and as CFO in 2008
- Cristina completed her articles in 1997 with Coopers & Lybrand and was at PricewaterhouseCoopers until 2002 where she was a senior audit manager in the energy and mining group
- In 2008 she completed the Advanced Management Programme at INSEAD (France)
- During her seven years at Group Five, she has clearly demonstrated her ability to manage the group's complex and demanding financial environment, both locally and in the group's international operations in Africa, the Middle East and Eastern Europe
- Cristina has a thorough understanding of the group's external environment with respect to investors, analysts, financiers, insurers and other stakeholders. Under her guidance, the group has won a number of awards for reporting and disclosure over the past few years, including the 2007, 2008 and 2009 Investment Analysts Society (IAS) award for reporting and communications

Sub-committees:
- Audit committee (by invitation)

Non-executive directors:

LE (Lindiwe) Bakoro (35)
Independent non-executive director

- BCom, H Dip in Tax Law, Post-graduate diploma in Accounting, CA(SA)
- Appointed 2008
- Lindiwe has extensive merchant banking experience in Project and Infrastructure Finance gained while working at Rand Merchant Bank. She is now an independent project financier specialising in financial advisory and debt and equity arranging for infrastructure-related transactions
- She currently serves as a director and a member of the audit committee at Imperial Bank and Sea Harvest. She is also a member of the risk and capital and director affairs committee at Imperial Bank
- She is a member of the investment committee of the National Empowerment Fund (NEF)

Sub-committees:
- Audit committee

Baroness L (Lynda) Chalker of Wallasey (67)*
Independent non-executive director

- Fellow of the Institute of Statisticians
- Recipient of nine honorary degrees
- Appointed 2001
- Independent advisor to the World Bank
- UK member of parliament for Wallasey between 1974 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 a number of listed and unlisted foreign companies

Sub-committees:
- Audit committee, risk committee, nominations committee, socio-economic development committee (chairperson)

Dr MSV (Mandla) Gantsho (46)
Non-executive director

- Ph.D (UP), MPhil.(UP), MSc (GWU-USA), BCom (Hons) (UCT), CA(SA)
- Appointed 2006
- Dr Gantsho is Vice President at the African Development Bank responsible for infrastructure, private sector and regional integration
- Before African Bank, he was CEO and MD of the Development Bank of southern Africa and held senior positions at Transnet Limited and Engen Ltd (formerly Mobil Oil)
- He is a non-executive director of other companies, including Sasol Limited

Sub-committees:
- Audit committee

Dr JL (John) Job (64)
Independent non-executive director

- BSc (Hons) and a PhD (Hons) in Physical Chemistry
- Appointed 2008
- Experienced industry senior executive, particularly in the chemical and forest products industries, both in South Africa and internationally
- He was CEO of Sentrachem Limited from 1991 – 1998
- He was an executive director of Sappi Ltd until his retirement in 2005, after which he served as a non-executive director on Sappi's board until 2006
- He was Chairman of Global Forest Products from 2005 to 2007
- Dr Job has experience in large capital projects and business strategy

Sub-committees:
- Risk committee

SG (Stuart) Morris (63)
Independent non-executive director

- BCom, CA(SA)
- Appointed 2005
- Practised at KPMG South Africa for over 30 years, ultimately as CEO of the local operation. He was also 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
- He is a non-executive director and chairperson of the audit committees of City Lodge Holdings, Hudaco Industries, Mwana Africa plc and Zurich Insurance Company (South Africa) and chairperson of the Sasol Pension Fund and the Wits Donald Gordon Medical Centre

Sub-committees:
- Audit committee (chairperson), risk committee, remuneration committee (chairperson)

KK (Kalaa) Mpinga (48)†
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 Corporation in 1991
- In 1995, he joined the new mining business of Anglo American, responsible for exploration and the acquisition of resources in Africa
- He was appointed as an alternate director of Anglo American Corporation of South Africa in 1997
- He left Anglo American in December 2001 to pursue business opportunities in mining. He established Mwana Africa Holdings in 2003. The company has since listed on AIM

Sub-committees:
- Audit committee, risk committee (chairperson), nominations committee, socio-economic development committee

**British.* †*Congolese.*

Board of directors and company secretary

Z (Zolani) Mtshotshisa (51)
Non-executive director

- Masters Degree in Mass Communication (Karl Marx University), MSc (International Relations) (Univ. of Zimbabwe), P. Dip Human Resources Management (RAU), International Diploma in Journalism (Budapest)
- Appointed 2009
- Group Executive: corporate and public affairs at Mvelaphanda Group
- He joined Mvelaphanda Holdings in 2003 and Mvelaphanda Group in 2004
- Prior to that, he was the director of communications at the Johannesburg Metropolitan Council and the CEO of Saccawu Investment Holdings
- He is also the non-executive chairman of various group companies, including TFMC and Royal Sechaba

Sub-committees:
- Risk committee and remuneration committee

N (Nonqaba) Katamzi (40)
Company secretary

- BA Law, LLB, CIBM
- Appointed 2009
- Served and completed articles of clerkship with the Government of Swaziland in the Attorney General's Chambers
- Admitted as an attorney in the High Court of Swaziland in 2005
- Relocated to Cape Town in March 2006 and employed as legal advisor in the Western Cape Enforcement Centre with SARS
- Appointed as group company secretary to Sekunjalo Investments Limited in Cape Town from September 2007 until 2008

Executive committee

MJ (Junaid) Allie (39)
Group human resources and marketing director

- B Pharm (UCT)
- Joined 2007
- Appointed to exco in 2007
- Prior to joining Group Five, he was with Eskom as general manager: HR, responsible for the group HR strategy
- Before that, Junaid headed up the HR function in the Middle East for Lilly Pharmaceuticals
- At Group Five, Junaid's focus is on group transformation, the human resources strategy and group marketing
- Junaid has more than ten years' experience in HR

Sub-committees:
- Socio-economic development committee, remuneration committee by invitation

P (Paul) le Sueur (52)
Building and Housing and Middle East

- BSc QS, MAQS, RQS, RICS, MSc Building Management
- Joined 1984
- Appointed to exco in 2004
- Served on the Inter-Ministerial Task Committee responsible for the formation of the Construction Industry Development Board
- Was a member of the Faculty of Engineering and Built Environment board at the University of the Witwatersrand
- Paul has almost 30 years' experience in the construction sector and has developed the group's Building and Housing operations, including regional operations in East Africa, KwaZulu-Natal and Western Cape
- His portfolio was recently expanded to include the Middle East operations

Executive committee

AJ (Andrew) McJannet (46)
Civil Engineering: (Local and Africa)

- BSc Eng (Civil), BA (PPE), MA (Oxon), Pr Eng, MSAICE
- Joined 1987
- Appointed to exco in 2007
- He was the MD of Civil Engineering from 2002 until 2005 when his portfolio was expanded to include Civils, Mining and Industrial and Roads and Earthworks
- The combined business now operates in South Africa and most of sub-Saharan Africa

GD (Guy) Mottram (43)
Group risk officer

- BCom, LLB
- Joined 2001
- Appointed to exco in 2005
- His focus area is group risk management. He is also responsible for group legal, commercial, compliance, SHEQ and secretarial
- Guy has more than ten years' experience in his field

Sub-committees:
- Risk committee

ECJ (Eric) Vemer (44)
Investments and Concessions

- BSc Eng (Civil) (Hons), MBA
- Joined 2005
- Appointed to exco in 2005
- Was MD of Infrastructure Development Services and Deputy MD of Intertoll before becoming head of Investments and Concessions in April 2007
- Focus areas are Intertoll, large infrastructure projects, PPPs, concessions, business development and group M&A, including investments
- Prior to joining Group Five, Eric was with HSBC Bank plc as head of Specialised Finance and Advisory for sub-Saharan Africa. He served on the exco of HSBC Investment Services (Africa) (Pty) Ltd

JA (John) Wallace (51)
Manufacturing and Construction Materials

- BCom, Honours Programme in Advanced Marketing and Executive Management Programme
- Joined 2002
- Appointed to exco in 2004
- Led the turnaround of Everite
- Prior to joining Group Five, he was managing director of several organisations involved with plastic packaging, chemicals and related fields where he repositioned and turned around poorly performing entities
- John has around 20 years' experience in strategy and the turnarounds of businesses
- John's portfolio was recently expanded to also include Construction Materials

Sub-committees:
- Socio-economic development committee

WI (Willie) Zeelie (47)
Engineering Projects: Energy and Design and Project Management

- Higher National Diploma Electrical Engineering, Pr Tech Eng, SAIEE
- Joined 2003
- Appointed to exco in 2008
- Before joining Group Five, Willie spent 20 years in executive roles in the power industry with groups such as Alstom, Eskom, Reyrolle and ABB
- He established Power Systems in 2005 and Group Five Energy in January 2007, which now incorporates power, oil and gas, industrial services and electrical instrumentation contracts

Management committee

C (Celia) Becker – *Group country risk director*
Before joining the group, Celia was an associate director at PricewaterhouseCoopers Inc. specialising in international taxation. Celia focuses on over-border country risk, contract risk and transaction structuring for the group.

C (Cedomir) Djordjevic – *Technical director: Manufacturing*
Cedomir is a turnaround specialist with 20 years' experience in manufacturing. He has operated as works director, business development director and managing director within the Manufacturing cluster and Steel segment.

RM (Richard) du Toit – *Human resources director: operations*
Richard is responsible for remuneration, recruitment, employee relations, employee development, enterprise development and expatriate management. He has over 18 years' experience with the group.

FH (Frank) Enslin – *Managing director: Housing*
Frank has over 30 years' experience within the building markets. He is responsible for developing the entry-level housing market. His is a member of the socio-economic development committee.

ME (Malcolm) Farrell – *Group supply chain director*
Malcolm has over 10 years' experience in executing supply chain strategies within the mining and resources sector. He has been responsible for establishing supply chain management within the group.

G (Greg) Heale – *Sales director: Infrastructure Development Services*
Greg has over 30 years' experience in engineering, project management and construction and is currently focusing on securing multi-disciplinary mining, industrial and oil and gas contracts.

JW (Jon) Hillary – *Managing director: Property Developments*
Jon has a broad range of experience within the group. He commenced his employment with Group Five as the financial director of Intertoll, part of the Investments and Concessions cluster. He is currently the managing director of Property Developments.

MGC (Guy) Hopkins – *General manager: Quarry Cats*
Guy has over 20 years' experience in the civils sector and was the general manager of Plant and Equipment for the last five years. During the current financial year, Guy joined the Construction Materials team.

NM (Mark) Humphreys – *Managing director: Engineering Projects (Mining and Industrial)*
During the last financial year, Mark established the mechanical, electrical and piping business unit in the Middle East. Mark has a successful track record in operating construction contracts in Africa and his role is to continue international expansion, as well as positioning the group for contracts within South Africa.

LMM (Loren) Jackson – *Group legal and compliance director*
Before joining the group, Loren was a partner specialising in building engineering and construction law and general commercial litigation. Loren is currently responsible for group legal and compliance issues, with particular focus on further enhancing compliance processes within the group.

CJ (Craig) Jessop – *Managing director: KwaZulu-Natal*
Craig has over 10 years' experience in construction and has grown the KwaZulu-Natal business significantly in the last few years as the managing director.

IM (Isabella) Makuta – *Group communications and corporate affairs director*
Isabella was appointed in 2008 as Corporate Affairs and Communications director, with special responsibility for government liaison. Isabella is a member of the socio-economic development committee. Before joining Group Five, Isabella was an executive at Murray & Roberts.

BR (Brad) Mansfield – *Group finance: operations director*
In Brad's seven years with the group, he gained extensive experience operating as a financial manager within a number of Construction business units, as well as more recently as a financial director within Construction Materials. Brad also heads up the IT department, as well as working within the finance department as group finance operations director.

SMO (Siegfried) Milbert – *Group quality systems director*
Siegfried worked within a number of business units since joining the group. He was managing director of Everite and Cosmos he is currently the quality director for the group.

KD (Keith) Miller – *Area director: Building, Western Cape*
Keith has 30 years' experience in civils and building and his focus is to grow the Western Cape business through its civil engineering arm.

C (Chris) Riley – *Managing director: Plant and Steel*
Chris gained significant experience in the steel industry in the late 1990s and has filled general management and managing director roles, both locally and over border.

JAE (Jurgen) Stragier – *Managing director: Everite*
Jurgen has operated as the managing director of Everite for the past three years. He has been responsible for new product development and product expansion into related building materials.

MP (Michael) van Rooyen – *Managing director: Building, (National)*
Michael has over 23 years' experience within the building markets. He is responsible for ensuring that Building is positioned to take advantage of the new opportunities within the public sector.

Regulatory and compliance review

PROGRESS DURING THE YEAR

Find below how F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward.

Key objectives F2009	Key delivery	Key non-performance	Actions to address non performance
The formal appointment of an overall group compliance director.	Achieved. In addition, a group compliance manager was appointed to assist the compliance director.		
The appointment of compliance champions at both group and business unit level for each cluster of the business.	Achieved.		
Annual compliance certificates to be signed by managing directors of business units.	Achieved.		
Training of employees in respect of compliance issues through the Group Five Academy.	Training of employees included competition law seminars and training on the duties of directors. This is ongoing.		
Formal adoption of a group competition law policy and commencement of roll out of compulsory competition law seminars.	Achieved.		
Conducting independent, external legal environmental and legal health and safety audits.		Although environmental audit was completed, the health and safety audit was commenced, but not completed.	To be finalised by September 2009.
Launch and roll out the commercial awareness forum to raise internal knowledge around the key legal, commercial and compliance issues facing the group.	Achieved. Quarterly sessions are being held throughout the group.		
Electronic availability of the compliance framework and integration/linking of the compliance framework to the STARS system.	Compliance framework was electronically loaded.		
Developing tool kits to assist sub-contractors with compliance and the carrying out of compliance audits on sub-contractors.	SHE compliance audits on sub-contractors were conducted.		

INTRODUCTION

Compliance, within the broader context of the group, can be defined as compliance with both the externally-generated regulatory framework (ie laws, regulations, rules, guidelines and codes of conduct generated by any external source), as well as internally-generated regulatory frameworks (ie the group's internal policies and procedures), with which individuals and companies within the group (and individuals or companies for whom the group are legally or contractually liable, such as sub-contractors) are required to comply.

The legal and compliance department focuses on compliance with the external regulatory framework. Given the substantial framework with which the group is required to comply, the diverse nature of the group's business activities, the many countries in which the group operates and the group's changing employee base, ensuring effective compliance is undoubtedly challenging.

Given the serious consequences associated with non-compliance, (potential loss of life, the payment of penalties and fines, incarceration and significant financial loss, the importance of compliance has been recognised by both the board and exco.

> Whilst various compliance initiatives in respect of the applicable external regulatory framework have been implemented by the group over a number of years, the need to more formally identify, document, drive and co-ordinate all compliance initiatives at a group level was identified by exco.

As reported during the last financial year, the need to appoint a group compliance director was confirmed. The group legal director's responsibilities were therefore expanded to include the group compliance function. A summary of the activities identified as required from this role can be found below. These initiatives are ongoing and will continue to receive focus in the new financial year.

- Identifying and appointing a group of select individuals who are responsible for driving compliance at group and business unit level
- Dividing the activities of the group as a whole into sectors which ideally have an equivalent line function within a business unit
- Identifying and documenting the externally generated regulatory framework (ie the applicable compliance matrix) with which individuals and companies within the group (and individuals or companies for whom the group are legally or contractually liable, are required to comply)
- Identifying and documenting the compliance initiatives that are currently taking place across the group
- Conducting a gap analysis by evaluating the various compliance initiatives that are currently taking place across the group against the applicable compliance matrix
- Identifying (with the respective group and business unit compliance champions) the level of roll out required
- Preparation of summaries and checklists in respect of the most critical pieces of legislation, rules and standards in respect of each sector
- Electronic loading of information and integrating it into the internal risk management system, STARS
- Preparation of compliance certificates to be signed off by business unit champions and managing directors
- Integration of the compliance matrix into the ISO quality management system
- Development, in conjunction with internal audit, of a compliance audit
- Roll-out of a group compliance matrix and compliance initiatives through:
  - One-on-one meetings with the CEO, exco members and managing directors of the business units
  - Presentations at the Manufacturing and Construction operating committee meetings
  - The commercial awareness forum
  - The Group Five Academy

The compliance team's initial focus will be on identifying the external regulatory framework applicable within South Africa and then, with the assistance of the group and business unit compliance champions, documenting and comparing the group's current compliance initiatives against the external regulatory framework.

The compliance team's focus will then shift to identifying the external regulatory frameworks applicable to the different countries in which Group Five operates. With the assistance of the group country risk director, as well as compliance champions, the group's current international compliance initiatives will be documented and compared against those external regulatory frameworks.

Regulatory and compliance review continued

COMPLIANCE: KING III READINESS – GAP ANALYSIS

In line with the release of the Draft Report on Governance for South Africa and the Draft Code of Governance Principles (King III), we have assessed the current status of our compliance framework and processes against the code to determine our readiness to comply.

King III principles*	Status	Comment
Companies must comply with applicable laws and regulations		
Companies must comply with the law and regulations (Acts promulgated by Parliament, sub-ordinate legislation and applicable binding industry requirements, such as JSE Listings Requirements). Exceptions permitted in law and shortcomings in the law should be handled in a responsible manner.	Action has commenced – ongoing activity	▶ Given the diversity of the group and the wide spectrum of laws and regulations directly and indirectly applicable, both locally and internationally, ensuring compliance with the applicable external regulatory frameworks is an ongoing challenge. The group believes that the formal identification and documentation of the applicable local and international compliance matrixes is a crucial step in ensuring effective compliance. Significant progress has been made in this regard
Companies should consider adherence to applicable rules and standards		
Companies should consider if adherence to applicable non-binding rules and standards achieves good governance, and should adhere to them if that would result in best practice. Companies should disclose the applicable non-binding rules and standards to which they adhere to on a voluntary basis.	Action has commenced – ongoing activity	▶ The group's local and international compliance matrixes will cover both applicable laws and regulations and applicable non-binding rules and standards ▶ It is the group's intention to disclose all the applicable non-binding rules and standards to which it adheres on a voluntary basis once these have been formally identified and documented
The board and each individual director should be aware of the laws, regulations, rules and standards applicable to the company		
The board has a duty to identify the laws, regulations and non-binding rules and standards applicable to the company.	Action has commenced – ongoing activity	▶ Operationally the board has entrusted execution of this obligation to the compliance team under the responsibility of group risk. They have made significant progress in identifying and documenting the compliance matrixes applicable to the group ▶ The board retains ultimate accountability
The board should ensure processes are in place to be timeously informed of relevant laws, rules and standards, including changes, as part of their induction, risk management processes and continuing education.	Action has commenced – ongoing activity	▶ The group legal and compliance director currently updates the board through quarterly reports submitted to the group risk officer who reports on compliance to the audit committee and risk committee ▶ To bring the group into full compliance with King III, from the new financial year the group legal and compliance director will submit quarterly compliance reports to the chairpersons of the audit and the risk committees

COMPLIANCE: KING III READINESS – GAP ANALYSIS

King III principles*	Status	Comment
Directors should sufficiently familiarise themselves with the content of applicable laws and regulations, as well as those non-binding rules and standards the company has voluntarily elected to abide by, to ensure that they have sufficient understanding of the applicable content and effect of such laws, regulations, rules and standards on the company and its business.	Action has commenced – ongoing activity	▶ The group's compliance team is formally identifying and documenting local and international compliance matrixes. These will consist of the key pieces of legislation, regulations, rules and standards applicable to the group in respect of each sector ▶ These compliance matrixes will be made available to the board and the rest of the group ▶ A commercial awareness forum has also been launched
The board is responsible for the company's compliance with laws and regulations and should ensure that the company implements an effective compliance framework and processes		
One of the important responsibilities of the board is to assess the company's compliance with all laws and regulations and applicable non-binding rules and standards which the company has decided to abide by.	Action has commenced – ongoing activity	▶ Once the applicable compliance matrixes and training have been completed, it will be possible to carry out comprehensive compliance audits on the various business units and to report to the board ▶ The compliance audits will supplement the internal audits already taking place
Compliance with laws and regulations should be proactively managed by companies and compliance should be a standing item on the agenda of the board, even if this responsibility is delegated to a separate committee or function within the organisational structure.	Action has commenced – ongoing activity	▶ Compliance is currently a standing item on the agenda of the board audit sub-committee
The extent of reliance placed by the board on these delegated committees or functions depends on the board's assessment of the competence of the committee or function.	Action has commenced – ongoing activity	▶ The board has confidence that the compliance function is skilled and competent. Additional resource requirements are being assessed
A company's policy of compliance should be developed by management and approved by the board. Management should be responsible for implementing this policy and reporting to the board regarding compliance.	Action has commenced – ongoing activity	▶ The compliance team has been entrusted with compiling the group's compliance policies. These policies will be approved by the board
A company's procedures and control framework should incorporate procedures and controls to ensure compliance with laws and regulations and applicable non-binding rules and standards.	Action has commenced – ongoing activity	▶ The group's procedures and control framework are continuously supplemented to ensure compliance
Specific codes of practice should be drafted and adopted by the company to entrench a culture of compliance and employees should be encouraged to understand and implement these codes.	Action has commenced – ongoing activity	▶ The formation of codes of practice is ongoing at the group
The development of a compliance culture should be encouraged, using relevant tools and techniques, including key performance indicators relevant to compliance.	Action has commenced – ongoing activity	▶ The group is striving to develop a compliance culture through various tools and techniques. For example, compliance with the dti Codes of Good Practice has already been included as a key performance indicator in respect of the various business units

Regulatory and compliance review continued

COMPLIANCE: KING III READINESS – GAP ANALYSIS

King III principles*	Status	Comment
Compliance should form part of the risk management process		
Compliance risk can be described as the risk of damage, arising from non-adherence to the law and regulations, to the company's business mode, objectives, reputation, financial soundness, stakeholder relationships or sustainability.	Actioned	▶ The group has adopted the draft King III definition of compliance risk
The risk of non-compliance should be identified and addressed through the company's risk management processes.	Action has commenced – ongoing activity	▶ The risk of non-compliance is being identified and addressed through the risk management processes. Ensuring compliance with the Competition Act, as well as environmental, health and safety legislation has been identified as the group's most pressing priorities from a risk perspective
As part of the broader risk management framework, a compliance function, which should be sufficiently independent, provides assistance to the board and the management in complying with laws and regulations, and applicable non-binding rules and standards.	Action has commenced – ongoing activity	▶ The group compliance function has been allocated to the group legal and compliance team. The board retains responsibility for this function ▶ The group legal and compliance director currently updates the board through quarterly reports submitted to the group risk officer ▶ To ensure sufficient independence and bring the group into full compliance with King III, from the new financial year, the group legal and compliance director will submit quarterly compliance reports to the chairpersons of the audit and risk committees
The head of the compliance function should be an experienced person who should interact regularly on strategic matters with the board and executive management. The board should support the independence of the compliance officer and should give proper attention to the reports from the compliance function.	Action has commenced – ongoing activity	▶ The group legal and compliance director practised for several years as a commercial litigation lawyer with a focus on building, engineering and construction law. She interacts with the executive management on a daily basis on various strategic and compliance matters ▶ From the new financial year the group legal and compliance director will submit quarterly compliance reports to the chairpersons of the audit and risk committees
The compliance function should have adequate resources to discharge its responsibilities.	Action has commenced – ongoing activity	▶ Resource requirements are being assessed

With acknowledgement: Institute of directors in Southern Africa.

GROUP COMPETITION LAW POLICY

In April 2008, the Competition Act was identified by management as one of the most important Acts applicable to the group from a compliance perspective. This is due to:

- The impact on the group from either deliberate or inadvertent non-compliance with its provisions
- The large numbers of employees who could potentially infringe the provisions of the Competition Act

A gap in compliance was identified last year in respect of this Act, as the group did not have a formal group competition law policy. Furthermore, there was a low level of awareness amongst the group's employees of the provisions of the Act and no formal training had or was taking place in respect of the provisions of the Act.

As reported in the F2008 Annual Report, in response to the above, a comprehensive group competition law policy was drafted. The policy was approved and implemented in the year under review. The policy provides for zero tolerance towards infringements of the Competition Act.

It is now compulsory for all employees of Peromnes Grade 8 and above (ie middle management and above) and any other employee identified by a managing director of a business unit in consultation with the group legal and compliance director, to attend an inhouse seminar on the provisions of the Competition Act and the group competition law policy.

In terms of the policy, the seminars are being presented by the group legal and compliance department in conjunction with the Group Five Academy. All affected employees are expected to have attended a compulsory seminar by 1 December 2009. As from January 2010, competition law seminars will form part of the Group Five Academy's annual training and development programme and will be run on a quarterly basis.

Current attendance at competition law seminars:

Board of Directors	100%
P Buthelezi [Chairperson]	√
MR Upton	√
CMF Teixeira	√
LE Bakoro	√
L Chalker	√
MSV Gantsho	√
JL Job	√
WV Mavimbela	(Resigned 17-06-2009)
SG Morris	√
KK Mpinga	√
Z Mtshotshisa	√
Company secretary	**100%**
N Katamzi	√
Exco	**100%**
MJ Allie	√
AJ McJannet	√
GD Mottram	√
P le Sueur	√
ECJ Vemer	√
JA Wallace	√
WI Zeelie	√

Manco	100%
C Becker	√
C Djordjevic	√
RM Du Toit	√
FH Enslin	√
ME Farrell	√
G Heale	√
JW Hillary	√
MGC Hopkins	√
NM Humphreys	√
LMM Jackson	√
CJ Jessop	√
IM Makuta	√
BR Mansfield	√
SMO Milbert	√
KD Miller	√
C Riley	√
JAE Stragier	√
MP Van Rooyen	√
Additional employees	**464**

464 additional employees have so far attended the compulsory seminars.

Regulatory and compliance review continued

KEY STATUTORY AND REGULATORY DEVELOPMENTS

Development	Comment
Draft Report on Governance for South Africa and the Draft Code of Governance Principles (King III)	▶ King III will become effective on 1 March 2010
BBBEE Draft Construction Sector Charter	▶ A draft Construction Sector Charter was issued for public comment in terms of section 9(5) of the Broad-Based Black Economic Empowerment Act No 53 of 2003 (BBBEE Act) on 5 December 2008 ▶ The final Construction Sector Charter was gazetted and came into effect as a sector code on black economic empowerment in terms of the BBBEE Act on 5 June 2009 ▶ The group was audited in line with the new codes in July 2009
New Companies Act No 71 of 2008	▶ The group is proactively preparing for the implementation of the new Companies Act, which was approved by Parliament and assented to by the President, but not as yet gazetted. This Act is expected to come into effect in mid 2010

Given the serious consequences associated with non-compliance, (potential loss of life, the payment of penalties and fines, incarceration and significant financial loss) the importance of compliance has been recognised by both the board and exco.

LOOKING FORWARD

Key objectives for F2010

- Include quarterly compulsory competition law seminars in the annual training and development programme of the Group Five Academy on an ongoing basis from January 2010
- Complete the health and safety audit by September 2009
- Complete the health and safety compliance matrix
- Complete the integration of the compliance framework with the group's risk system
- Complete and roll out of SHE compliance tool kits for sub-contractors
- Continue with the formal identification and documentation of the applicable external regulatory frameworks, both locally and internationally
- Continue with the gap analysis in respect of the group's current compliance initiatives compared to the applicable regulatory frameworks, and to assist in closing those gaps
- Complete the evaluation of the group's level of compliance with the Draft Report on Governance for South Africa and the Draft Code of Governance Principles (King III)

Safety, health and environmental (SHE) management review

INTRODUCTION

Group Five's updated SHE policy, signed on 1 September 2008 by the CEO, clearly states that the group aspires to zero harm in terms of people, host communities and the environment. The group undertakes, wherever it operates, to develop, implement and maintain management systems for sustainable development.

We have a number of standards and policies that govern our approach to sustainable development. These include our SHE policy, SHE management standards and a guide to business conduct.

Although the group operates in countries with differing governance standards, we enforce a standard approach to SHE and will not compromise our standards of conduct when operating in countries with lower requirements.

Group Five strives for zero harm in respect of its impact on people and the environment.

This year, the group significantly expanded its reporting on environmental issues relevant to its business. The reader can therefore find a full environment-specific section on page 280.

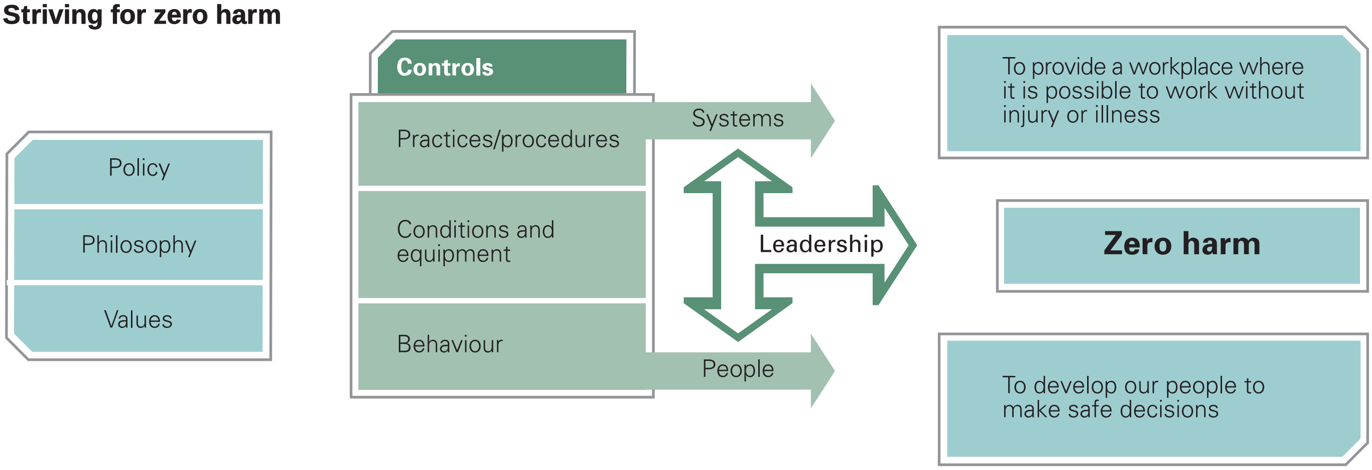
PROGRESS DURING THE YEAR

Find below how F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward.

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
Improve employee disabling injury frequency rate by 15%.	DIFR improved by 22%.			Maintain system and reduce DIFR to zero.
Achieve 100% OHSAS 18001:2007 compliance in each business unit.		Only 85% of business units currently certificated.	Monitor and maintain plan to certify all business units.	Obtain 100% certification and maintain certifications.
Achieve 100% ISO 14001:2004 in each business unit.		Only 50% of business units are ISO 14001:2004 certified.	Monitor and maintain plan to certify all business units.	All business units to be 100% ISO 14001:2004 certified.
Ensuring legal compliance.		Only environmental audit was conducted.	Conduct a full safety and health legal audit.	Consider the recommendations and compile corrective actions.
Sub-contractor management.	Approved and implemented sub-contractor management procedures.			Maintain sub-contractor management programme.
Implement supervision programme (SHE tool kit).		SHE tool kit developed, but not implemented.	Implement SHE tool kit.	Make training on SHE tool kit compulsory for all managers.
Develop an energy conservation programme.	Developed a programme that includes actions to minimise the use of electricity.			Minimise carbon footprint.

The schematic outlines the aspects involved in the group's zero home approach.

Striving for zero harm



Highlights:

- Employee disabling injury frequency rate (DIFR) improved from 0.50 to 0.39
- All business units now comply with the Group Five integrated SHE management system
- The group retained integrated certification on OHSAS 18001:2007
- 85% (2008: 80%) of all business units now have OHSAS 18001:2007 certification
- 50% (2008: 0%) of all business units now have ISO 14001:2004 certification

SAFETY

During the year, the group continued to improve its focused safety programmes. Our Stop for Safety campaign implemented last year continued to be rolled out through the group. Pleasingly, our DIFR improved from 0.50 to 0.39. The sub-contractor DIFR is still high at 1.02, but is a great improvement from 1.39 last year and 1.53 in F2007.

However, we are extremely sad to report that we experienced five fatalities. Two were caused by falls from heights, although safety measures were in place, and three were caused by motor vehicle accidents, which were not on-site incidents. The group considers any fatalities of employees as unacceptable and will strive to eliminate all fatalities to meet our objective of zero harm.

Safety, health and environmental (SHE) management review continued

FATALITIES

Date of incident	Business cluster/segment	Nature of incident	Action to be taken
24 November 2008	Civil Engineering (two fatalities)	Motor vehicle accident (MVA)	Implement behaviour-based programme
15 January 2009	Building and Housing (one fatality)	Working at heights (WAH)	Implement behaviour-based programme
26 January 2009	Intertoll Africa (one fatality)	Motor vehicle accident (MVA)	Implement behaviour-based programme
17 February 2009	Building and Housing (one fatality)	Working at heights (WAH)	Implement behaviour-based programme

Zero harm policy

It is Group Five's aim to achieve zero harm to people and the environment in which the group operates.

To achieve this, the group focuses on providing a workplace where it is possible to work free of harm and developing our people to make safe decisions. A focused "Stop for Safety" campaign was rolled out to all business units.

Employees were 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 anyone from committing an unsafe act
- You have the right to refuse to commit an unsafe act
- Every person has the right to stop all unsafe acts and conditions if they believe, in good faith, the job is unsafe

In seeking to achieve zero harm, we have learnt that:

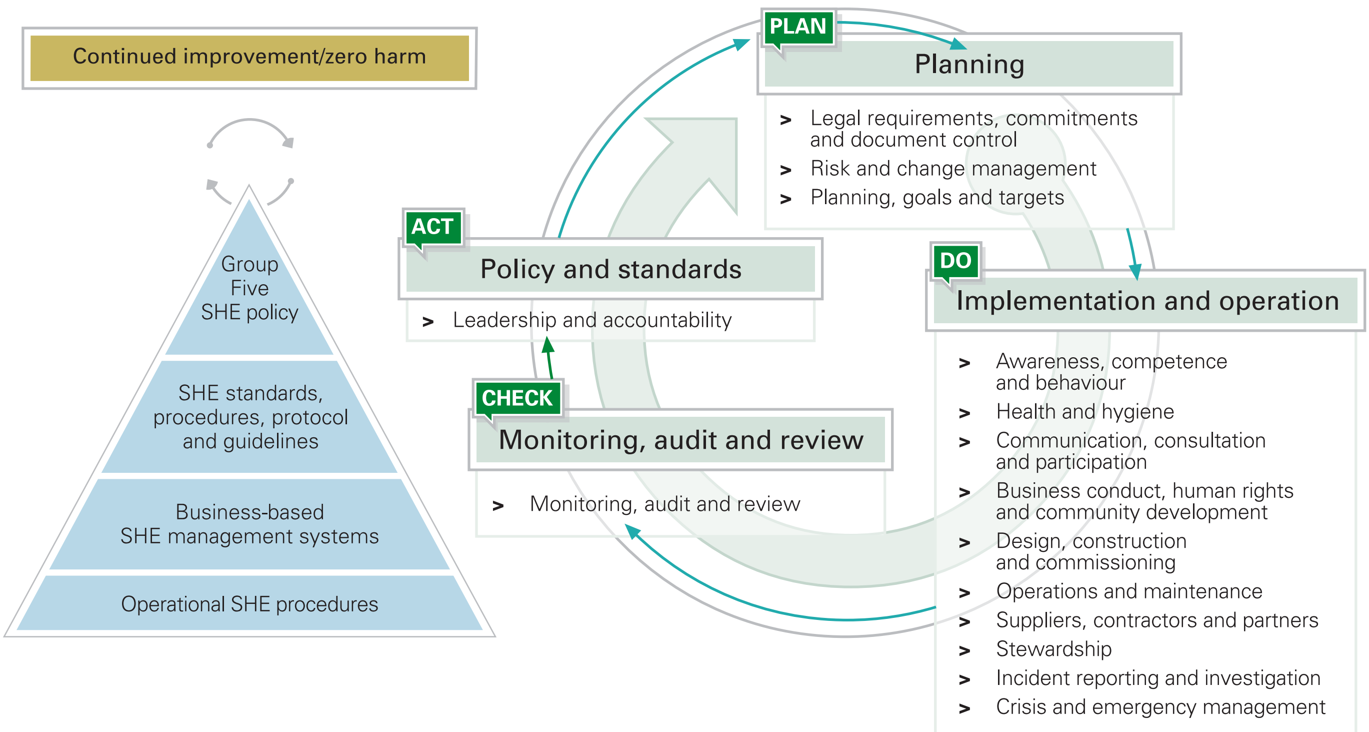
- Low injury rates do not mean low fatality rates – we therefore do not allow a sense of complacency from low injury rates
- Injury reduction programmes alone will not prevent fatalities – a complementary, focused effort is required
- Our fatalities often have similar underlying causes
- Our ability to take heed of the signals from near miss events is crucial in our efforts to eliminate fatalities
- Leadership visibility is vital – our current safety initiatives rely heavily on leadership involvement to deliver improved performance
- Effective sub-contractor management is essential
- Hazard identification and risk awareness are crucial elements to success
- The group is committed to zero harm and will shut down operations until they are made safe
- Managers, supervisors or contractors that put profit or production before people are not aligned with the leadership of Group Five

SHE MANAGEMENT SYSTEM

Group Five's SHE system was developed along the PLAN-DO-CHECK-ACT methodology.

Group standards and policies were set, which cover all operational aspects and activities that have the potential to affect SHE, either positively or negatively. Our SHE policy, Guide to Business Conduct and SHE Management Standards are compulsory at all Group Five sites and within all operations.

Below is a diagrammatical representation of this methodology:



SHE MANAGEMENT TOOL KIT

The group has implemented a practical and user-friendly tool kit to clarify all SHE policies and objectives and to provide the user with the tools needed to gain the necessary co-operation from his/her employees to achieve our target of zero harm.

The adherence to our SHE policy, Guide to Business Conduct and SHE management standards are compulsory on all Group Five sites and within operations. Our guidelines and tool kits provide businesses with guidance to effectively implement these standards and procedures.

Fundamental to achieving zero harm is our ability to take the lessons learnt from the past and to apply them as corrective interventions before similar underlying causes manifest as more serious incidents.

When a safety, health or environmental incident occurs, an alert is distributed across the group that provides a summary of the event/s, lessons and links to further information. It also acts as a catalyst for tool box talks that help to foster greater awareness by everyone in the workplace.

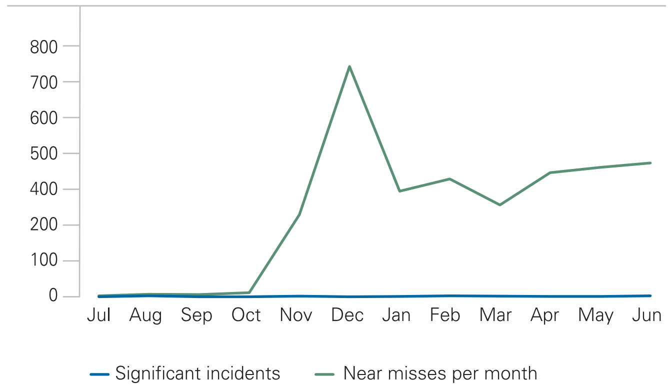
Safety, health and environmental (SHE) management review continued

NEAR MISS INCIDENTS

To ensure we learn from incidents before they lead to serious events, we continued to encourage the reporting of near miss and significant incidents (ie a close call event or an event which nearly became a serious incident).

The increase, as seen in the graph, is reflective of an improving culture of reporting incidents, which enables us to identify potential causes of injuries and to implement corrective actions and training interventions.

Group Five significant incidents and near misses



Examples of near misses are listed below:

Minor incidents	More high-level incidents
A survey assistant was placing insulation tape on a steel peg for levelling purposes. When he pulled on the tape, the tape broke and nearly cut his finger. **Corrective actions** • Discussed the use of damaged equipment with the team	A contractor nearly fell due to protruding bolts and angle lines above ground level. **Corrective actions** • Barricaded the area • Grinded off all protruding bolts and irons • Improved housekeeping
A contractor used an impact wrench to remove bolts and nearly cut his finger. **Corrective actions** • Educating the contractor on the use of the correct equipment	While fitting screens, a contractor's finger was nearly amputated by a rotex. **Corrective actions** • Educating the contractor on safe working procedures

SAFETY

SAFETY INDICATORS

Measurement	F2009	F2008	F2007	F2006	F2005
DIFR (employees)	**0.39**	0.50	0.64	0.85	0.89
DIFR (sub-contractors)	**1.02**	1.39	1.53	1.76	1.96

OCCUPATIONAL HEALTH

Managing occupational health has and will continue to be a key component of Group Five's zero harm policy across the group.

As part of the action plans implemented during the year, a review was performed on all aspects of occupational health. Based on the evaluation, the group is planning to appoint a group occupational health co-ordinator who will integrate and manage the group's occupational health and wellness initiatives. It is envisaged that by doing this, considerable improvements will be achieved.

The following programmes are currently in place to assist employees to maintain good health.

Health risk assessments and medical surveillance programmes

The group familiarises itself with potential health hazards, including the occupational exposure levels and surrounding environmental conditions on all sites. In accordance with the Occupational Health and Safety Act (No. 85 of 1993), occupational health management includes a programme of periodic examinations.

These include:

- Clinical examinations
- Appropriate medical tests for employees that are exposed to potential health hazards

Routine medical examinations provided to employees by the group include:

- Pre-employment examinations
- Periodic examinations
- Transfer medical examinations
- Exit medical examinations
- Special medical examinations (including return to duty medicals)
- Expatriate employee and dependants' examinations
- Post-deployment medical examinations
- Executive medical examinations

Policy development

During F2010, we will review our employee wellness and occupational health policies and procedures to ensure ongoing compliance with the applicable legislation.

Main occupational health issues

The key occupational issues within Group Five include:

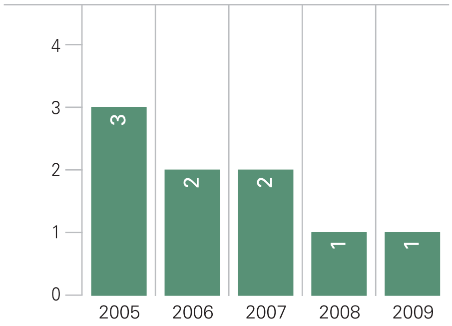
Health issue	Caused by	Risk level	Action to mitigate
Noise-induced hearing loss	Heavy machinery and manufacturing environment (noise higher than 85db).	Moderate	All employees wear personal protective equipment.
Lung disease	Carcinogens, diesel exhaust fumes, particles from earthmoving equipment and vehicles, welding fumes and dust.	Moderate	Medical surveillance programme in place.
Asbestosis	Legacy exposure to asbestos.	Moderate	Medical surveillance programme in place.

Noise-induced hearing loss

Measurement of noise-induced hearing loss within Group Five is based on the US Occupational Safety and Health Administration Standards, which are amongst the most stringent in the world. These aim to detect noise-induced hearing loss at the earliest stage.

We have focused strongly on applying these standards at all operations. We have therefore seen a slight reduction in employees' noise exposure against the baseline study year of F2005, which we believe indicates that we are detecting cases at an early stage. This should assist in further preventing deterioration of hearing.

Number of noise-induced hearing loss cases



**Cases refer to hearing loss of more than 30%.*

Safety, health and environmental (SHE) management review continued

Lung disease

Over the last few years, we have continuously investigated ways to reduce the incidents of lung disease. Our diesel particle initiative, which focuses on reducing exposure to diesel exhaust fumes, continues to deliver improvements in our Construction Materials cluster where the potential for exposure is highest. We are also working with sites to promote the benefits of pro-active vehicle maintenance programmes as a mechanism to assist in controlling emissions.

The presence of uranium in mining operations in Construction Materials poses specific challenges associated with radiation safety. Radiation protection is an integral part of all stages of work. Employees are monitored to ensure compliance with international and national guidance levels and government regulations.

Asbestosis

Although the group's operations have been asbestos-free for seven years, employees who were previously exposed to asbestos are encouraged to return for medical examinations on an annual basis at the various clinics countrywide. Those with signs of asbestos-related illness are referred to the Compensation Commissioner in terms of the Compensation for Occupational Injuries and Diseases Act (COIDA). Although the group was released from any further legal liability arising from asbestos in terms of a Constitutional Court Ruling, we continue to voluntarily supplement the pensions paid to affected employees.

The company also remains committed to carrying out screenings for all current and past employees.

SHE PERFORMANCE

Find below an indication of the group's main actions in terms of SHE initiatives and the current progress in the form of an internal scorecard.

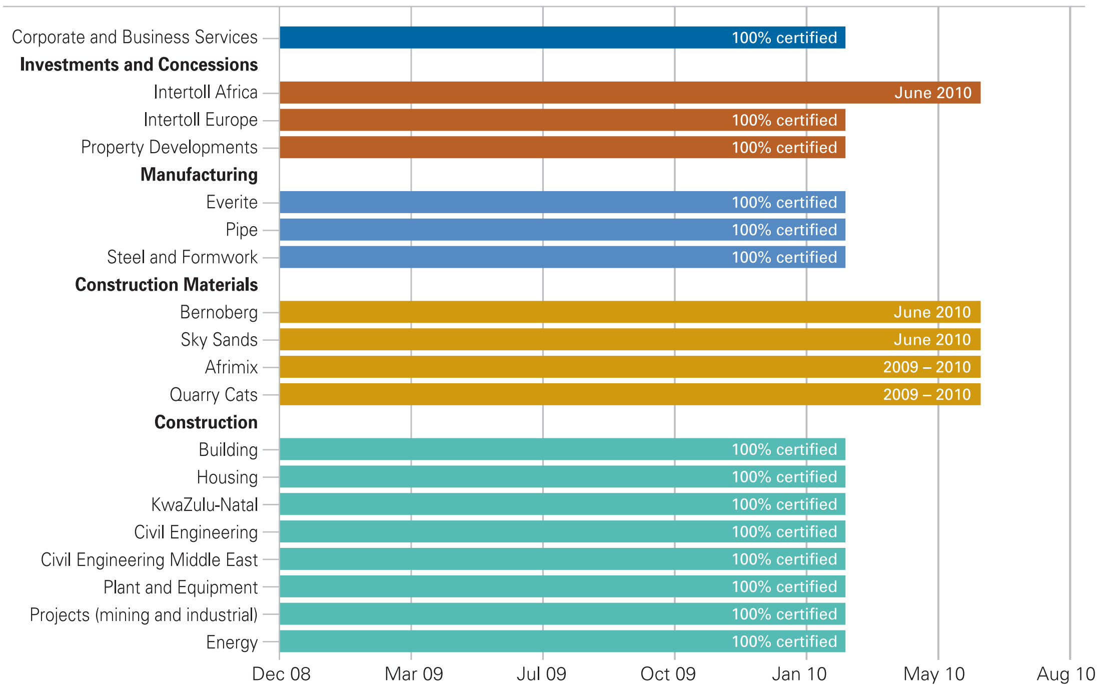
SHE scorecard

Sustainability indicator	F2009	F2008
% of businesses with OHSAS 18001:2007 certification	**85**	80
Total number of businesses with OHSAS 18001:2007 certification	**14**	13
Employee disabling injury frequency rate (DIFR)	**0.39**	0.50
% of businesses with ISO 14001:2004 certifications	**37**	0
Total energy/electricity consumed in the year – (Megajoules)*	**871 272**	108 909
Total water consumed in the year – (Kilolitres)	**1 689 251**	1 334 404
General waste disposed – (Tonnes)	**197 465**	175 319

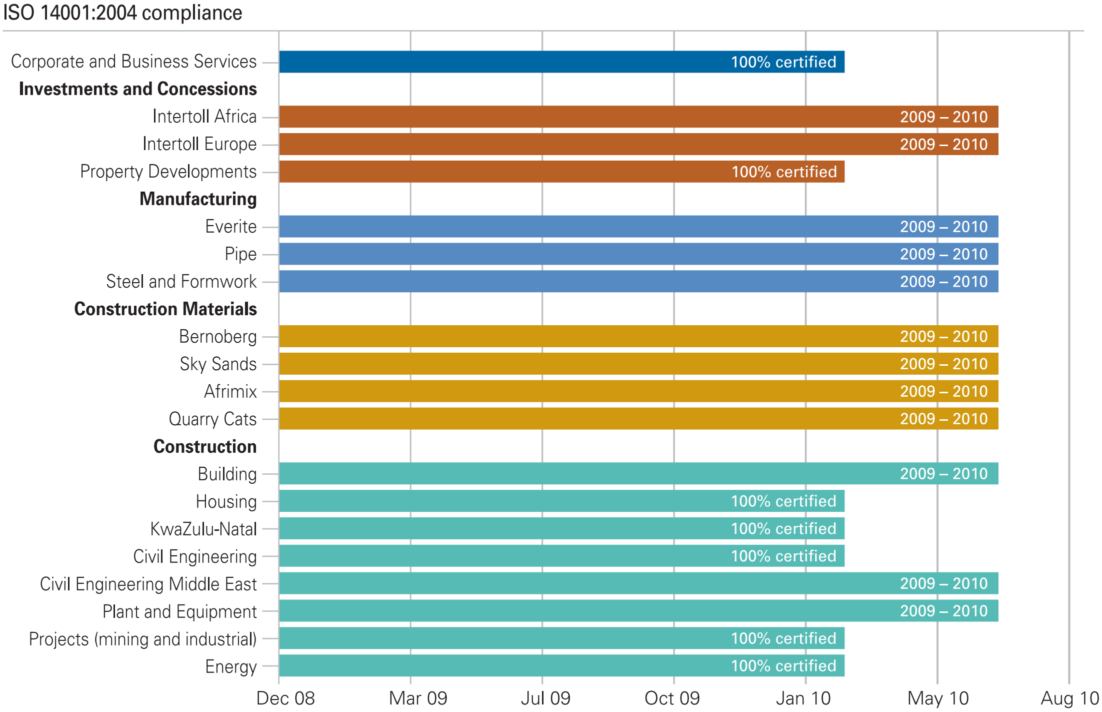
**Improved reporting systems this year.*

OHSAS 18001:2007 AND ISO 14001:2004 COMPLIANCE

OHSAS 18001:2007 compliance



ISO 14001:2004 compliance



Safety, health and environmental (SHE) management review continued

CUMULATIVE SAFETY STATISTICS*

Clusters and business units	Cumulative from June 2008 to May 2009										
	Man hours	First aid	FAFR	Non-lost-time injury	MFR	Lost-time Injury	Occ Dis	Fatal	Current employee DIFR	Env. inc.	Site insp.
Corporate and Business Services	360 529	–	–	–	–	–	–	–	–	–	–
INVESTMENTS AND CONCESSIONS											
Intertoll	925 745	4	0.86	5	1.08	5	–	1	1.30	–	48
Property Developments	22 252	–	–	–	–	–	–	–	–	–	166
CLUSTER TOTAL	**947 997**	**4**	**0.84**	**5**	**1.05**	**5**	**–**	**1**	**1.27**	**–**	**214**
MANUFACTURING											
Everite	2 025 714	28	2.76	4	0.39	4	–	–	0.39	–	58
Pipe	2 893 553	40	2.76	10	0.69	5	21	–	0.35	9	184
Steel and Formwork	166 300	–	–	–	–	2	–	–	–	–	–
CLUSTER TOTAL	**5 085 567**	**68**	**2.67**	**14**	**0.55**	**11**	**21**	**–**	**0.43**	**18**	**242**
CONSTRUCTION MATERIALS											
All sites	19 698 310	142	1.44	98	1.00	40	5	–	0.41	43	1 054
CLUSTER TOTAL	**19 698 310**	**142**	**1.44**	**98**	**1.00**	**40**	**5**	**–**	**0.41**	**43**	**1 054**
CONSTRUCTION											
Building	623 317	46	14.76	5	1.60	–	–	–	–	9	118
Housing	1 629 930	107	13.13	5	0.61	2	–	1	0.37	15	138
KwaZulu-Natal	4 635 448	111	4.79	37	1.60	11	–	1	0.52	11	138
Civil Engineering	6 615 959	69	2.09	32	0.97	12	1	1	0.39	9	122
Civil Engineering (Middle East)	14 784 079	331	4.48	52	0.70	9	2	1	0.14	31	119
Plant and Equipment	1 124 296	9	1.60	15	2.67	13	–	–	2.31	9	37
Engineering Projects	7 206 331	106	2.94	54	1.50	12	103	–	0.33	9	705
Energy	1 169 480	22	3.76	7	1.20	3	–	–	0.51	9	72
CLUSTER TOTAL	**37 788 840**	**801**	**4.24**	**207**	**1.10**	**62**	**106**	**4**	**0.35**	**102**	**1 449**
GROUP TOTAL	**63 881 243**	**1 015**	**3.18**	**324**	**1.01**	**118**	**132**	**5**	**0.39**	**163**	**2 959**

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
Site insp. – Site inspections

The DIFR represents the total number of fatalities and injuries resulting in lost time per 200 000 man hours worked.

**Excluding sub-contractors.*

Going forward, we have targeted a **50% reduction** in current DIFR by June 2010. Although our current rates benchmark well against the performance of industry-relevant players, in light of the fatalities experienced during the year, our goal remains zero harm.

ENVIRONMENT

The group's environmental focus is centred on:

- Continuously identifying and assessing occupational and environmental hazards with a view to implementing measures to mitigate or control these elements
- Establishing ongoing communications and training programmes to increase individual awareness levels of environmental issues, responsibilities and accountabilities
- Promoting responsible actions to exercise care in conserving the natural environment. Where unavoidable disturbances are made, rehabilitation is undertaken to ecological standards specified by landowners and legislation as a minimum

LOOKING FORWARD

The key SHE initiatives for the short and medium term are:

Goal	Actions to achieve this
Safety	
▶ No fatalities	▶ Drive the Stop for Safety campaign in all business units
▶ Implement behaviour-based safety system	▶ Implement peer-on-peer system in all business units
▶ Improve reporting of potential incidents by 20%	▶ Implement awareness training around effective reporting
▶ All sites to obtain/maintain ISO14001:2004, ISO 9001:2008 and OHSAS18001:2007	▶ Prevent major issues in certification audits
▶ Assessment by multi-disciplinary site team	▶ All sites to complete self-assessments
▶ Aim to complete more than 85% of actions for high-level incidents before due dates	▶ Corrective action plans in place and up to date
Health	
▶ Reduce number of people exposed to occupational disease	▶ Implementation of health surveillance programme
▶ Fit for Work; Fit for Life guidelines implementation	▶ All sites to implement fatigue management guidelines
Environment	
▶ Refer to page 280	

people

This section takes the reader through how Group Five interacts with people.

Stakeholder engagement

Since listing 35 years ago, **Group Five has established a strong brand, a culture of partnering and a reputation for disciplined delivery and differentiation.**

The executive team looked to celebrate this milestone year with a focus on renewal and rejuvenation of the Group Five brand to update its message to stakeholders.

During an interactive and consultative process, covering both internal and external input, there were two recurring themes in terms of the analysis of what the Group Five brand stands for:

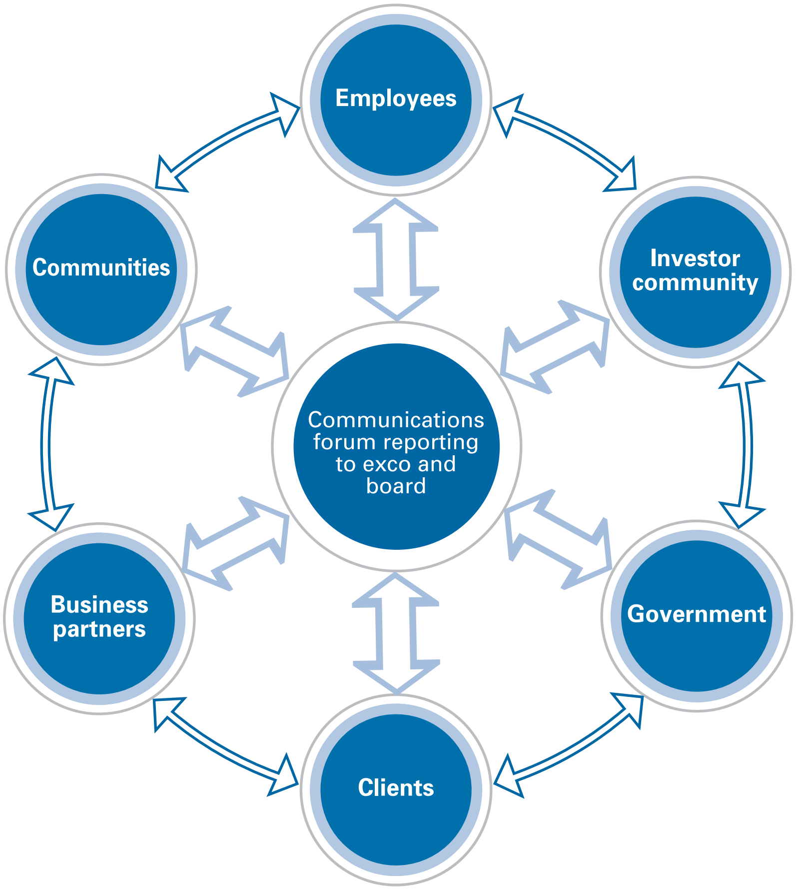
1. **Structure –** This is associated with everything Group Five does – the actual structure of a building or a bridge, as well as a structured approach to our business, how we ensure performance and how we execute our contracts. It also refers to planning, reliability, sturdiness and trust

2. **Ingenuity –** The word engineer originates from the Latin “ingeniare”, meaning “to contrive, design, invent”. It is the same source as the word “ingenious”. We believe this is strongly reflective of our agility in adapting to our often fast-changing environment, proven through our consistent growth over the past few years

Group Five therefore identifies strongly with the attributes embodied in the phrase “Structured Ingenuity”.

During the coming year, the values embodied in our rejuvenated brand proposition will be communicated throughout the group to ensure these are understood and embraced by employees in their daily interactions with stakeholders.

The group's stakeholder communications are driven by a senior internal team reporting through a communications forum to exco and the board.



The group's main stakeholders are:

- Employees
- Investor community (including shareholders, investors, analysts and media)
- Government
- Clients
- Business partners (including suppliers and sub-contractors)
- Communities

Stakeholder engagement continued

Employees

An employee engagement survey was carried out in September 2008. The survey highlighted communications as a key area of improvement needed within the group, with particular attention required around information sharing between business units.

To improve our internal communications, the group restructured its communications team and developed an internal communications programme with the following key aims:

– Proactively use targeted communications tools to assist in building a positive Group Five image and reputation amongst all employees

– Mobilise employees around Group Five's brand, vision and values

– Create a common understanding amongst all employees about Group Five's strategy, operating model, business plan and group initiatives

– Profile the CEO and top leadership with employees

– Encourage two-way communication between employees and management on all levels

Investor community, including shareholders, investors, analysts and media

The investor community plays a major role in shaping market perceptions of Group Five. The group therefore takes a very pro-active and transparent approach to these stakeholders. Our commitment to quality interaction has been reflected in the number of media and investor days the group hosted throughout the year, as well as the level of disclosure seen in our annual reports.

- Group Five places emphasis on regular and transparent disclosure. Price sensitive announcements are made through SENS, and in general the group looks to ensure that sufficient and factual information is made available to the investor community on a regular basis

> Group Five is one of only a few listed groups to publish its annual report on the day that its final results are published, demonstrating the strength of its financial systems, its management teams and the importance the group places on meeting the information needs of stakeholders.

- Group Five is one of only a few listed companies to announce investor interactions – such as site visits and investor management days – on the JSE Limited's news service, SENS. All interested parties are able to view the information disclosed at these events on the group's website
- Group Five focuses on ensuring that its results, particularly its operating margins and order book, are easily comparable to listed peers in the construction sector. The group also benchmarks actual performance against objectives, as well as delivery against strategy
- Group Five offers access to its executive team so that investors may address question areas directly to exco members

Government

In March 2009 the group commissioned public sector engagement research in South Africa to identify areas of weakness and opportunity in its public sector engagement framework. Based on the findings of the research, a formally controlled and co-ordinated engagement process was developed. Key points of engagement between the group and public and government bodies on national and provincial levels will be actively developed by Group Five to ensure awareness and recognition of the company's business model and general profile.

The core aims of the group's public sector engagement strategy are:

- To affirm Group Five's active support for South Africa's economic and social transformation
- To build public sector awareness of the group as a South African-based professional group able to play an active role in the provision of building, infrastructure and engineering solutions
- To develop and grow specific communications channels that will facilitate increased levels of communication between Group Five and the public sector
- To provide consulting services to government in the areas of our expertise

Clients
Ongoing and effective engagement with clients is central to Group Five's market position, the strength of its order book and the value it delivers to shareholders. A key challenge facing the group is therefore meeting the information needs of its diverse range of clients on an ongoing basis.

The group's annual strategy and budgeting process includes formal market, sector, client and contract analysis. Clients are ranked according to size, geography and sector. While the group regards all its clients as key, both the board and exco members are tasked to interact with larger or highly strategic clients, either informally or through selected arrangements. Key accounts also receive Group Five engagement at multiple levels – from site level to CEO.

During the coming year, the group will be rolling out a refocused customer relationship management system.

Communications with clients take place through:

- Corporate magazines
- Media releases
- Brochures and electronic media
- Advertising in industry and business media
- Hospitality events, such as sporting and social occasions
- Annual client function
- Site visits

Business partners, including suppliers and sub-contractors
Group Five's business partners, suppliers and sub-contractors have a direct bearing on the group's performance in the market. In addition, this stakeholder group is a significant perception influencer in all markets in which the group operates. Group Five therefore aims to ensure that it communicates effectively, regularly and in a factual manner with all of its business partners.

The most regular interaction between Group Five and its suppliers is at an operational level, dealing with problems, challenges, opportunities and solutions on a day-to-day basis, typically at site contract planning and execution level.

A further example of interaction is ad-hoc workshops with key suppliers/sub-contractors to discuss specific objectives such as broad-based black economic empowerment requirements and the group's expectations of its supplier base. Group Five's approach to supply chain management has been to maximise local content and thus procure from local suppliers in the countries we operate in, with special attention being paid to small and micro enterprises.

On a more formal basis, Group Five is implementing an annual supplier day, with this year's event scheduled to take place in September 2009. The top suppliers and sub-contractors to the group will be invited to participate in an interactive session where the group's performance will be presented, examples of good and bad supplier relationships will be discussed, as well as specific aspects of the Construction Charter targets and broad based black economic empowerment will be addressed.

This year, **Group Five scored a "hat trick"** by winning its category of the IAS awards for the third year running, a significant achievement that highlights the effort the group puts into ensuring it has easily accessible and transparent communication channels in place.

Communities
Group Five has a direct responsibility to the communities within which it operates.

We have established community forums and information centres for most of our contracts to extend information and opportunities to local people and small enterprises. We often participate in provincial or national social programmes in addition to local community activities. For example, on Eskom's Kusile contract, through the community forums, Group Five has been able to extend business opportunities to local small and micro enterprises, as well as identifying social needs in the surrounding areas.

The group also, where possible, hires in labour from the local community.

Although implementation varies according to the local context, our community programmes aim to:

- Address priority needs identified by the communities
- Incorporate capacity building
- Communicate its purpose and operate transparently
- Be based on collaboration and participation with partners and community members
- Involve employees in their delivery
- Focus on initiatives that will be sustainable beyond the life of the contract

Stakeholder engagement continued

The group belongs to a range of institutes and associations in terms of its engagement with external audiences. Find the main ones below.

Institutes and associations	
American Society for Training and Development (ASTD)	South African Bitumen Association (SABITA)
Association of Certified Professional Accountants (ACPA)	South African Board for Personnel Practice (SABPP)
Building Industry Federation of South Africa (BIFSA)	South African Council for the Project and Construction Management Profession (SACPCMP)
Business Unity South Africa (BUSA)	South African Council for the Quantity Surveying Profession (SACQSP)
Chartered Institute of Building (CIOB)	South African Institute of Architects (SAIA)
Chartered Institute of Management Accountants (CIMA)	South African Federation of Civil Engineering Contractors (SAFCEC)
Concrete Society of South Africa (CSSA)	South African Institute of Chartered Accountants (SAICA)
Construction Industry Development Board (CIDB)	South African Institute of Civil Engineers (SAICE)
Engineering and Construction Risk Institute (ECRI)	South African Institute of Electrical Engineers (SAIEE)
Engineering Council of South Africa (ECSA)	South African Institute of Steel Construction (SAISC)
Green Building Council of South Africa (GBCSA)	South African Institute of Welding (SAIW)
Institute of Chartered Accountants of Scotland (ICAS)	South African Light Steel Frame Building Association (SASFA)
Institute of Directors in South Africa (IOD)	South African Property Owners Association (SAPOA)
Institute of People Management (IPM)	Southern African Steel Framing Association (SASFA)
International Project Finance Association (IPFA)	Steel and Engineering Industries Federation of South Africa (SEIFSA)
Master Builders Association (MBA)	The Black Management Forum (BMF)
Member of the Institute of Civil Engineers (MICE)	South African Readymix Concrete Association (SARMA)
Royal Institute of Chartered Surveyors (RICS)	Timber Frame Builders Association (TFBA)
South African Association of Quantity Surveyors (SAAQS)	Water Institute of South Africa (WISA)

Human Resources (HR) Management

PROGRESS DURING THE YEAR

Find below how F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward.

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
Focus on succession planning and career path development.	High level successor analysis conducted and an executive development programme put in place for identified candidates.			Manpower planning process to be updated. Stronger focus on employee development.
Full implementation of IT platform to allow focus on strategic HR initiatives.	Integrated HR dashboard and standardised reporting introduced. Training administration system developed and rolled out across the group.			Analysis of data to ensure strategic decision-making.
Build capacity of HR practitioners to focus on transformation and change.		Transformation agenda not yet receiving the priority it deserves in all business units.	Directors to be evaluated on their business unit's performance against the group's transformation targets. Review of impediments at underperforming business units.	Drive the group's transformation agenda, with a specific focus on development of black talent.
Implementation of the Group Five employee resourcing strategy.	E-based recruitment platform redesigned. Recruitment specialists appointed in business units.			Targeted recruitment of the top talent required to build sustainable core capacity.
Review and implement reward practices to ensure we sustain and enhance our competitive positioning.	Market positioning reviewed and agreed with remuneration committee. Directors' incentive scheme modified. Remuneration practices and policy enhanced.			Significant enhancement of compensation management tool to ensure competitiveness.
Improving performance management.	Increased priority level at exco and manco. Business unit implementation significantly improved and the associated importance of performance management created.			Roll out of an improved performance management template and performance management skills training. Continued focus on improving the accuracy and completeness of data.

INTRODUCTION

The HR function experienced significant change over the last few years. This has included the transformation of the function from offering mainly administrative support to being a key participant in the development and implementation of the group's vision.

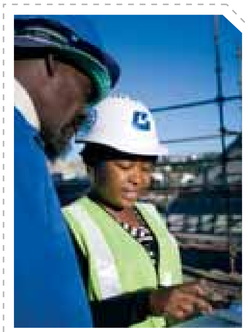
Key HR initiatives during the last three years have included the roll out of the Group Five Academy, the transformation of the corporate HR leadership team in terms of gender, racial composition and skills levels, the implementation of an integrated IT-based HR support structure and the modernisation and revamping of our remuneration systems and structure.

During the year, the HR team focused on three key objectives:

- The implementation of a compelling employee value proposition that will lead to a diverse group with the right skills at the right time to execute the company's strategy and vision
- Bedding down the transactional aspect of HR management before transitioning to the more strategic
- Implementing and living the company values

Compelling employee value proposition that drives shareholder value

Quality management	▶ Efficient and effective management systems
Development	▶ Group Five Academy
Recognition and reward	▶ Competitive total reward ▶ Employee recognition/ disciplines
Development opportunities	▶ Multiple business units ▶ Local and international opportunities



Competent and engaged employees

Efficient contract execution

An organisational culture underpinned by the company corporate values

Throughout this report, the term "employee value proposition" or "EVP" is used to refer to the set of attributes the labour market and our employees believe to be the value they derive from being employed at Group Five. The above diagram depicts the flow from the establishment of an employee value proposition (based on researched policies and initiatives) to the achievement of superior business results (achieved through efficient and consistent delivery).

Human Resources (HR) Management continued

IMPLEMENTING OUR EMPLOYEE VALUE PROPOSITION

Our employee value proposition is based on the belief that employees do not leave organisations, but managers. Furthermore, employees are increasingly selective and critical of the companies they work for. The Group Five employee value proposition is therefore focused on offering an attractive career to employees and is centred around:

- The quality of our management and management systems
- Ensuring continuous development of our employees through the group's inhouse university, the Group Five Academy
- Recognising and competitively rewarding employees
- Offering a wide range of job opportunities within the group

To effectively implement this in a culturally and geographically diverse group requires an approach that integrates the HR function, the associated administrative support services and, very critically, our line managers.

However, having a defined employee value proposition will not be achievable without a conducive culture in which employees can thrive.

In F2008 we therefore started the journey of creating a group culture aligned to the values of People, Excellence, Transformation, Client focus, Integrity, Innovation and Performance (PETCIIP). In F2009 we focused on entrenching these values and outlining what behaviour we expect from employees and leaders. In F2010 we will measure our success in terms of living our values.

Highlights during the period under review:

- Improved our position as an employer of choice for professionals from 30th to 12th in the Science and Engineering sector*
- Appointment of the first black female director to the group's management committee
- Successful recruitment drives in Portugal, London and the Philippines
- The introduction of the I-Talent recruitment system, which enhances the group's ability to mine the database of available applicants and reduces reliance on recruitment agencies
- Introduction of the Targeted Selection™ recruitment methodology across the group, which significantly improved our selection process
- Improved our data quality and use of the information system

**Magnet Communications Survey.*

Group Five values and expected leadership and employee behaviour:

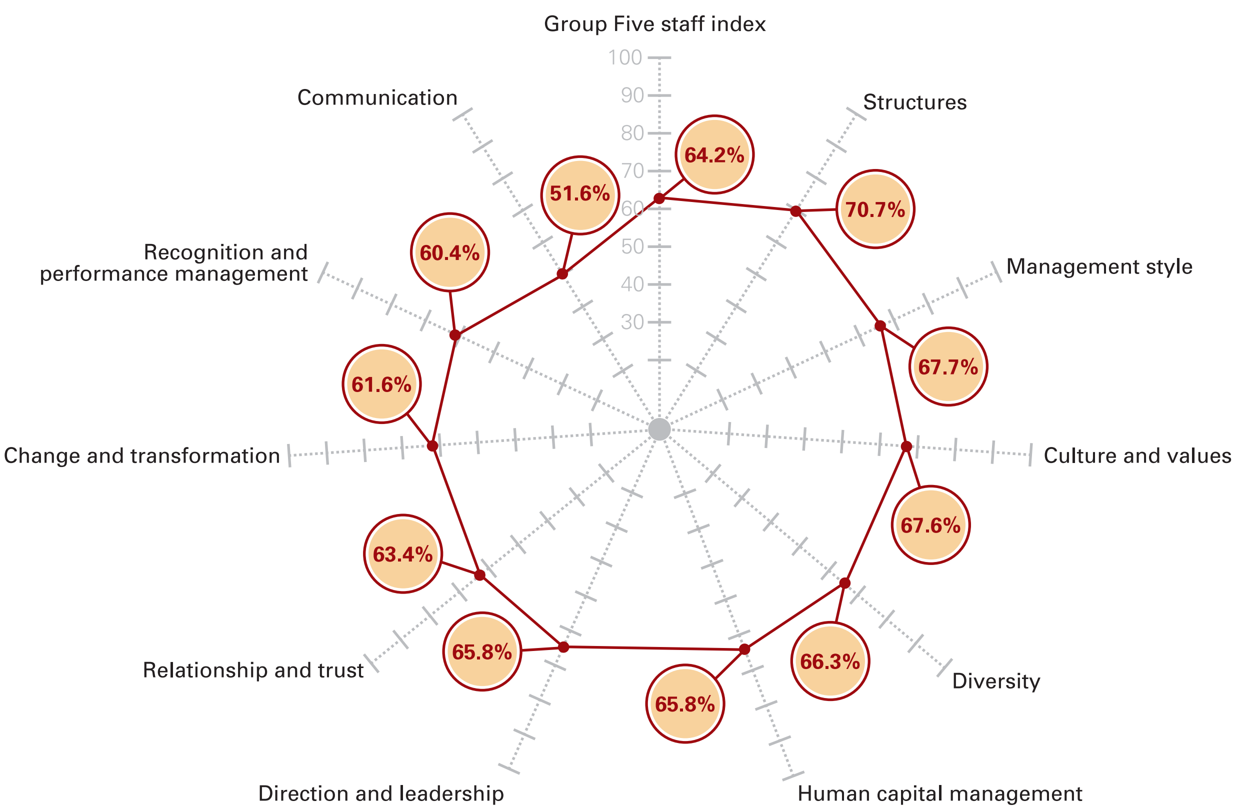
Value	Leadership behaviour	Employee behaviour
People	▶ Develop and train people ▶ Engage and communicate with people ▶ Respect people ▶ Encourage teamwork	▶ Respect people ▶ Encourage teamwork
Excellence	▶ Set world-class standards ▶ Provide professionalism at all times ▶ Demand and deliver the best	▶ Demand and deliver the best
Transformation	▶ Create an enabling environment ▶ Be role models – walk the talk ▶ Embrace change and diversity	▶ Embrace change and diversity
Client focus	▶ Understand and deliver on clients' expectations	▶ Understand and deliver on clients' expectations
Integrity	▶ Be consistent and fair ▶ Be open and honest ▶ Strictly adhere to code of conduct (zero tolerance/punish transgressors)	▶ Be open and honest ▶ Strictly adhere to the corporate code of conduct (zero tolerance/punish transgressors)
Innovation	▶ Create a learning environment ▶ Encourage new ideas ▶ Invest and continuously improve	▶ Invest and continuously improve
Performance	▶ Actively manage and deliver performance ▶ Set and achieve targets	▶ Achieve targets

During the year, we achieved the following in terms of increased employee engagement and efficiency:

	F2009	F2008	F2007
Employee engagement score*	**64%**	–	–
Employee turnover (permanent)	**14%**	22%	28%
Revenue per employee – R'000	**R861**	R662	R552
Net profit per employee – R'000	**R38**	R32	R17
Vacancy factor	**6%**	11.7%	11.9%
Performance management sessions conducted	**53%**	46%	45%
Man hours worked	**63 881 243**	39 169 334	28 704 916
Black economic empowerment score (Construction Charter Scorecard)	**78.8%**	65.6%	65%
Employer of Choice Award**	**12**	30	n/a

**This year, the first formal employee feedback was conducted.*
***Based on an independent 2008 study published by Magnet Communications which evaluates how professionals perceive organisations when they are making career choices.*

Measuring success
To measure the success of establishing a viable employee value proposition and to test the level of employee engagement in the group, we launched the first of what will now be an annual employee survey. The spider diagram below represents the percentage of participants that responded positively under each of the main headings. For example, 70.7% of respondents viewed the group structures as favourable. The overall average approval rating received was 64.2%. This is a pleasing result, considering that this was our first attempt to evaluate the perceptions of our employees.



Human Resources (HR) Management continued

While there is room for improvement in most areas, the key areas highlighted by this survey are outlined in the table.

Focus area	Issues raised	Response
Communications	▶ Lack of communications in general ▶ Poor information sharing ▶ Quality and mediums of communications not effective	▶ Group policy on communications reviewed and implemented ▶ Communications forum established and intranet upgraded ▶ Internal magazine and newsletters refreshed
Reward, recognition and performance management	▶ Poor quality of performance management ▶ Perceived remuneration mismatches ▶ Lack of feedback on performance and development	▶ Group performance management policy implemented ▶ Performance management training intervention to be rolled out ▶ Coaching and mentoring to be offered to more employees
Human capital management	▶ Personal development planning ▶ Succession planning ▶ Talent management	▶ Performance management training and organisational development intervention to be rolled out
Change and transformation	▶ Lack of trust in teams ▶ Lack of appreciation for differences	▶ Diversity management programme piloted in F2009 to be rolled out in F2010

Summary of further actions taken to address the feedback:

- A specific initiative was launched to engage employees on areas requiring improvements and to develop action plans to address these issues
- Sensitivity training was conducted at exco and manco levels
- The directors' incentive scheme was amended to be more focused on individual performance and strategic implementation, as well as closer alignment with the group's transformation priorities
- The introduction of a more frequent and improved rewards system for long service employees
- The implementation of group personal accident cover to all employees in the group
- The introduction of mandatory training programmes for managers to improve our manager quality and leadership capability

OPERATIONALISING THE HR FUNCTION

Our second area of focus during the year was operationalising the HR function. This process involved the professionalisation of HR employees and ensuring the use and efficiency of our HR information systems.

HR and payroll

During the year, the HR employee data management was separated from the Payroll Shared Services environment. This move was critical to ensure segregation of duties between the administrative and the financial aspects of human resource management. Administration and data management will now be managed and owned by the business units, with the corporate HR operational team providing strategy, policy and assurance.

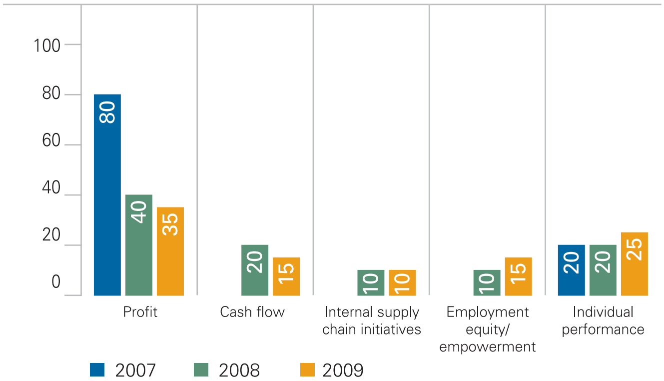
Offering best-fit HR practices

Outside of training, a number of other initiatives were undertaken to enhance the quality of our transactional HR practices. These are detailed below:

Amendment of the senior management incentive scheme

During F2008, the ratio between performance and profit in the group directors' incentive scheme was reviewed and weighted heavily towards individual performance and contribution to the group's strategic transformation priorities. The move in the weighting of the different components in the bonus scheme is reflected below:

Amendment to senior management incentive scheme (%)



Increased focus on performance management

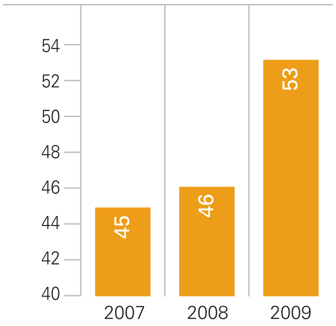
The group continues to focus on ensuring that all employees receive timeous input on expectations and required performance. To date our strategy in this regard has focused on four core elements:

- Training managers to engage employees in dialogue
- Clarifying the role of the employee and manager in the performance management cycle
- Providing tools to assist in the process of performance management
- Enhanced reporting and monitoring of performance management interventions

During F2009, we rolled out the Situational Leadership II™ programme with a view to improve the quality of manager and employee interaction. During the coming year, we intend to roll out a specific training intervention to enhance the ability of our managers to carry out the annual performance appraisal sessions.

The diagram below indicates the increase in formal performance management sessions over the last three years. It is our objective to ensure that at least 80% of employees have formal appraisals once a year and have personal development plans tailored to their and the group's needs.

Formal performance management sessions completed (%)



Human Resources (HR) Management continued

Policy review

During the year, all HR policies and procedures were reviewed to ensure they are relevant, competitive and legally compliant. In the process, all HR policies were converted to the ISO 9001:2008 format and standards.

The following table outlines key indicators of our success in the implementation of our HR transactional competence:

	F2009	F2008	F2007
Employees managed on Kronos	**11 936**	10 002	7 089
Number of HR professionals trained	**615**	247	162
Headcount 30 June	**14 050**	13 453	13 928

Support systems and services

We provide best-fit IT support systems and solutions to our business unit HR functions to ensure increased efficiency in administration, integrity of processes and enhanced HR services to both our managers and employees.

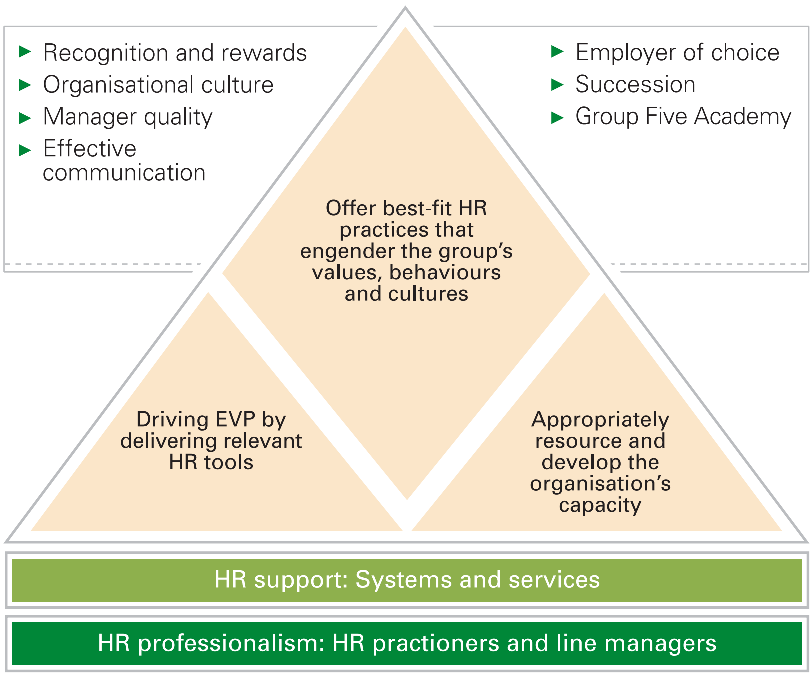
Delivery in terms of enhancements to the HR information management systems in the group during the year under review included:

- People Soft leave administration – Modification and upgrade of the leave administration module, including enhanced reporting capability. This assists us in managing the risk of extra leave days that require funding. It will also assist us to ensure that employees take leave and thus reduce the risk of fatigue and possible accidents at work
- People Soft training administration module – Student and learnership administration. This assists us in tracking our spend on learners, our return on investment and progress made in terms of professional qualifications
- The development and roll out of an HR reporting dashboard and business intelligence reporting. This allows us to rapidly identify areas of concern and enable HR and line managers to monitor progress on a daily basis, allowing for quick decisions and corrective action
- The introduction and roll out of an electronic recruitment management system. This enables Group Five to build a database of potential candidates and limits the need to use recruitment agencies. It also improves our turnaround time to fill vacancies
- The sourcing and introduction of the Kroll background checking candidate referencing system/service as a standard requirement in all business units. This process enhances our ability to recruit the right candidates
- The sourcing and implementation of an electronic compensation management tool kit (ECMT). This will ensure that we can – in real time – compare our salary position with the market and quickly adjust, if required, to ensure competitiveness

STRUCTURED FOR DELIVERY

Delivery model

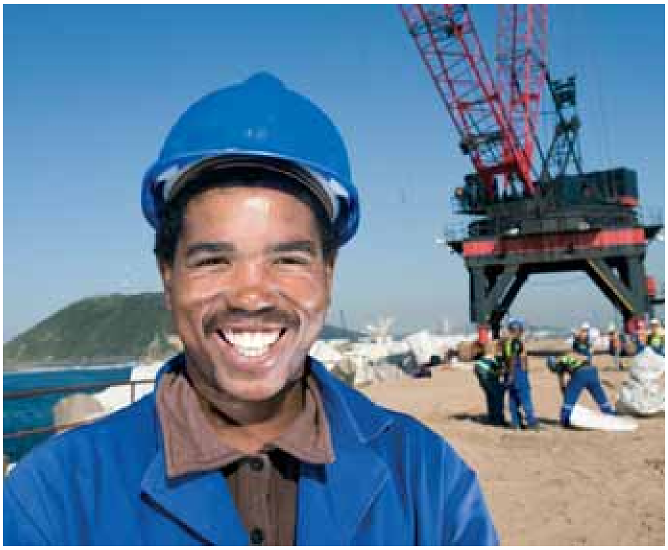
The group adopted an integrated operational delivery model that creates the capacity to allow the appropriate levels of focus on each of the elements of our overall HR model. This model is depicted in the diagram below:



Delivery model focus areas

Key focus areas	Details
HR professionalism	▸ Structure the function to effectively respond to the needs of the group ▸ Create a talented and capable delivery team ▸ In-source key skills and expertise, where required ▸ Ensure that management are both equipped and of quality to effect the enhancement of the employee value proposition
HR support systems	▸ Provide best practice systems to support and facilitate an effective partnership with line management and support to our employees
Offering best-fit HR practices	▸ Ensure that our policies and practices enhance the development of our employee value proposition, while maintaining appropriate levels of governance
Appropriately resource and develop organisational capacity	▸ Ensure that we adequately anticipate our human resource requirements at all levels ▸ Create the capacity to recruit, develop and retain the appropriate skills required to ensure delivery of the group's strategy
Employee value proposition	▸ Create a culture and working environment that is attractive to all employees

Human Resources (HR) Management continued



APPROPRIATELY RESOURCING THE GROUP

The group's talent acquisition strategy was described in detail in the F2008 Annual Report and is depicted below as a reminder to the reader.

Birth	▶ On-site skills training ▶ Learnerships, both unemployed and employed ▶ Technical college programme ▶ University bursary programme ▶ Graduate recruitment programme
Buy	▶ Local and international alliances with recruitment agencies ▶ Obtaining and using corporate work permits for South Africa and the countries we operate in ▶ Active involvement in international recruitment initiatives, such as: – Homecoming Revolution – Careers in Africa ▶ Building our inhouse recruitment capability
Build	▶ Focused artisan and technical skills development initiatives ▶ Management development through The Academy ▶ Executive development programmes
Bind	▶ Continually assessing and evaluating our employee value proposition to ensure that we retain employees ▶ Share options ▶ Black management share scheme ▶ Structured payment of bonuses to directors
Borrow	▶ Borrowing skills through smart partnerships, both locally and abroad – This takes the form of both technical assistance agreements, where required, and specialist sub-contractor arrangements and joint ventures

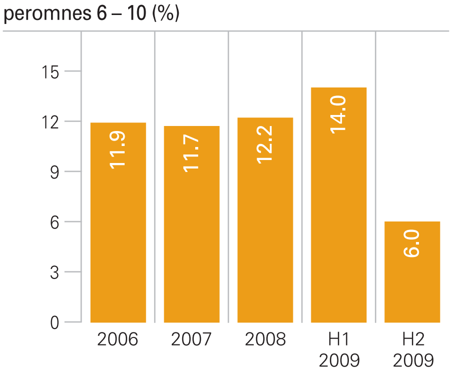
The current reprieve in respect of the need for massive recruitment drives due to the global market pressures has created a **strategic opportunity for us to focus our attention on more targeted recruitment of talent, both locally and internationally.** This will entail targeting skilled individuals to enhance the talent pool in the group.

The group made significant strides towards meeting its resource requirements in the first half of the year. However, in the second half of the year, the focus shifted to that of restructuring our employee complement in Dubai and rest of Africa.

While the group continues to see the sourcing of the correct skills and calibre of employees as a strategic priority, the percentage of vacancies dropped dramatically in the second half of the year to 6% against 14% in the first half, mainly due to the repatriation of a number of South Africans who had been deployed on our contracts abroad and movement of employees within the South African operations.

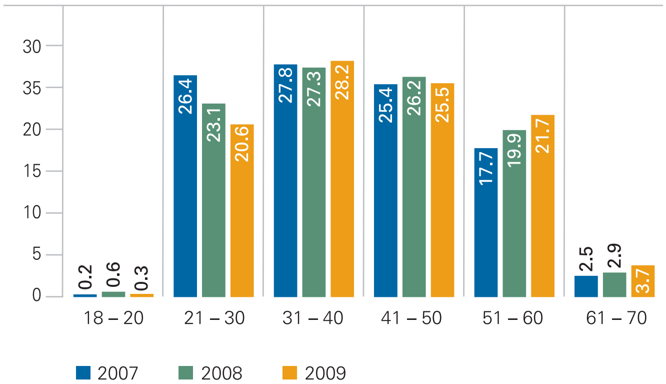
The graph below depicts a year-on-year comparison of the vacancies existing in the group in the key operational levels required to deliver on the current secured order book. These vacancies are in Peromnes grades 6-10 (contacts director through to experienced first line supervision). As can be seen from this, we managed to keep pace with our growth by ensuring we keep our vacancies at a minimum.

Year-on-year comparison of vacancies – peromnes 6 – 10 (%)



EMPLOYEE PROFILE

South African permanent workforce age profile 2007 – 2009 (%)

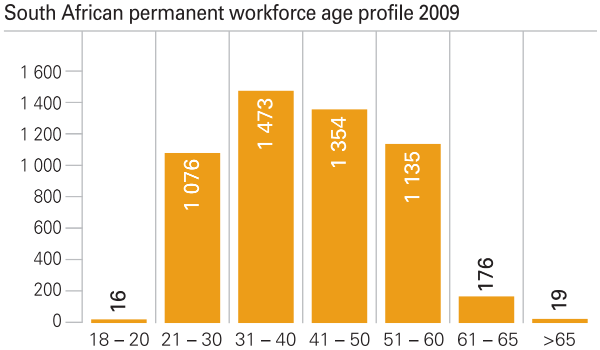


Excluding limited duration workers.

The above graph for the last three years indicates that on average our workforce is getting younger. In line with industry trends, experienced employees available for recruitment have declined. To address this, we:

- Accelerated the development of key skills through exposure to development opportunities offered by the Group Five Academy
- Increased the focus on the retention of key skills

South African permanent workforce age profile 2009



Excluding limited duration workers.

Human Resources (HR) Management continued

LOOKING FORWARD

The focus areas going forward will include:

- Bedding down and living our employee value proposition
- Continued culture change based on our values
- Race and gender transformation at senior levels in the group
- Ongoing employee development

Bedding down our employee value proposition

By doing this, we will retain and attract top talent. We will focus on:

- Continuing to enhance our HR support systems
- Integrating resource planning and further enhancing our performance in the area of performance management
- Increasing participation in our employee survey and evaluating the success of our F2009 initiatives
- Fast-tracking employees in terms of employment equity and empowerment
- Enhanced talent acquisition strategy

Culture change, race and gender transformation

To date, the focus has been on creating a conducive environment for all current and future employees based on a core set of group values. Our values are by nature transformative and will assist us in creating a more racially and gender diverse group.

Transformation at middle and senior management level requires significant focus.

To achieve this, we will focus on:

- Identifying key positions that will be filled by black candidates
- Creating a strong pipeline of talent, both internally and externally
- Formalising a group succession plan with a race and gender bias and implementing it
- Ensuring that we create a conducive environment for a diverse group
- Better accommodating employees with disabilities in the workplace

Ongoing employee development

We will continue to focus on ensuring that we foster a learning environment through the programmes delivered by the Group Five Academy, together with an enhanced focus on a performance-based culture. For more information, refer to page 250.

Employee wellness

PROGRESS DURING THE YEAR

Find below how F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward.

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
Achieve 100% participation in our executive health assessments.		98% participation.	Improved communication on the importance of participation.	Meet 100% participation and achieve a reduction in the number of high risk cases.
Review the wellness programme.	The offering of additional services to our members, including case management, was implemented.			Continue improving wellness programmes.
Increase awareness of employee wellbeing with both management and employees.	Introduced an employee medical surveillance protocol. Implemented employee wellness days.			Implement the medical surveillance protocol. Increase the number of wellness days and the number of participants.
Prevent malaria and ensure that the group policy is strictly adhered to. Continue to educate expatriate employees.		The increase in malaria cases is a concern, indicating that prevention is not being driven.	Medicals are now routinely performed and our awareness campaign was reinforced.	Reduce the number of malaria cases and implement a zero tolerance to infections.
Availability of resources to do voluntary counselling and testing. Track test results, especially those of temporary workers and sub-contractors.		Slow roll out.	A new service provider was appointed to manage statistics and provide management with the associated reports.	Implement an accredited peer educator training programme. Report regularly on HIV and AIDS prevalence in the group.
Train temporary contract workers as wellness educators to take what they have learnt into their communities on completion of contracts.		Slow roll out.	External service provider will now provide accredited training to our peer educators.	Increase the number of trained peer educators. Ensure that employees make informed decisions about medical insurance cover.

INTRODUCTION

Research indicates a strong correlation between employee wellness and employee productivity. During this financial year, significant progress was made in creating awareness amongst our employees about health and wellbeing. However, this is far from complete.

IMPROVEMENTS IMPLEMENTED

During the year, new health insurance intermediaries were appointed and a group-wide education campaign, around the benefits offered by our medical insurance provider was completed to assist employees in making the correct choices in terms of benefits.

The group also introduced a standard risk-based medical surveillance programme. This involved reviewing all relevant health and safety legislation, identification of roles and positions that require an annual occupation-specific medical review, as well as positions that have a high risk of occupational disease.

This programme will roll out standardised health policies over the next four to five years. The priority will be on occupations that have occupation-related medical surveillance requirements, such as crane operators, as well as occupations that have a high risk of occupational disease, such as jack-hammer operators.

Refer to the Safety, Health and Environmental report on page 202 for information around occupational diseases.

WELLNESS PROGRAMMES

Lifecycle of the group's wellness programme

Pre-employment medical → Risk or occupation-based routine medicals → Wellness days → VCT and ACT → Case management → Exit medicals

Pre-employment and exit medicals

All employees – including existing employees – will have an employment medical over the next four to five years. The aim is to have a baseline evaluation of employees' wellbeing, ideally at the time they are hired. Should the employee require occupation-specific evaluations throughout their employment, these will be conducted timeously. All employees leaving the organisation will also have an exit medical.

Employee wellness continued

Occupation-specific medical surveillance

Employees in the following occupations have annual medical evaluations:

- Crane operators
- Heavy-duty truck drivers
- Manufacturing employees
- Plant yard personnel

Occupation-specific medicals are conducted annually to ensure that our employees are medically fit to carry out the tasks requested of them in a safe and healthy manner. We ensure that employees are issued with the appropriate protective equipment, which includes clothing, hard hats, gloves, dust masks and footwear.

Refer to the SHE report on page 202 for more information.

Wellness days

During the year, the group introduced formal employee wellness days. These days address employee wellbeing in a holistic manner compared to perpetuating the stigma associated with HIV and Aids. The wellness days include basic medical surveillance, which includes blood glucose and cholesterol measurements, BMI (body mass index), lifestyle risk assessments and HIV tests.

18% of our employees on medical aid formed part of a sample group. The group ranged from support staff to executives.

The research found:

- The majority of employees do less than three exercise sessions (of at least 20 minutes) per week
- The majority of employees have a body mass index that fell outside the acceptable range, indicating they are either underweight or overweight
- Several employees presented chronic conditions, such as high blood pressure or high cholesterol

Wellness days are the first step in creating awareness amongst our employees of the lifestyle choices they make. Based on the current profile, we will be ensuring that we conduct more employee education on wellbeing and healthy lifestyle choices through an active communication campaign. The coming year's wellness days will evaluate the improvements and aim to make clinical screening tests available, where possible.

VCT and ACT

Our HIV and Aids programmes and associated peer educator programmes were also reviewed to ensure that these programmes are impactful, wide-reaching and limit the stigma associated with HIV and Aids. During the year, the group introduced a new service provider.

A new approach based on the "ACT" principle of "Awareness, Counsel and Test" will be implemented. With this approach, employees receive awareness training on HIV and Aids, with the counselling and testing becoming voluntary. Previously, the awareness training was also voluntary, which often prevented us from educating employees.

> The fact that a large portion of our workforce is contract-based and migrant makes tracking the success of our health initiatives difficult. However, during the year, we contracted with a medical surveillance organisation in South Africa that has facilities throughout the country.

> Currently, 12% of group employees are HIV positive or are living with Aids. The figure was 14.6% in 2007.

With the new HIV and Aids programme and the associated case management programme, we are expecting the prevalence rates to further decrease.

HIV/AIDS PREVALENCE RATES

F2009	F2007
12%	14.6%

The group does VCT testing every two years.

Executive wellbeing and case management

Executive wellbeing is focused on ensuring a healthy senior management team. During this financial year, the programme and the service provider were reviewed to ensure that we maintain an appropriate standard of medical evaluation.

In F2008 the group introduced a case management programme to assist those that present with three or more medical risks that require monitoring and follow-up. During this year, 98% of top management participated in the programme. The programme is also available to the executives' partners to ensure a holistic approach to wellbeing.

HIV/AIDS SCORECARD

Sustainability indicator (1)	F2009	F2007
Number of sites where voluntary counselling and testing (VCT) was conducted	**30**	51
HIV/Aids prevalence rate amongst employees tested	**12%**	14.6%
Number of peer educators trained during the year	**13**	24
Total number of trained peer educators	**150**	159
Annual value of investment on HIV/Aids prevention, treatment and VCT (funded by the group)	**R1,2 million**	R1,3 million

(1) In F2008 the group amended its programme to conduct VCT testing every second year. Testing was thus not conducted in F2008.

COUNSELLING SERVICES

Counselling services are readily available to all employees on a needs basis and is provided by an external service provider or through our medical insurance provider. Counselling services around HIV and AIDS are made available when conducting VCT or ACT programmes.

EXPATRIATE PROGRAMME

Expatriate employees with medical problems pose a significant risk to themselves and to the group. To address this, we conduct medical assessments for employees that will be working outside of South Africa. The aim of this is to create a baseline medical assessment and to counsel the employee on medical and lifestyle issues, should the employee present with health risks.

This year, we conducted 550 expatriate medical examinations. The most common conditions identified were hypertension, diabetes, tuberculosis and Hepatitis B. During the year, we declined 15 applications based on medical reasons. These employees were offered alternative positions in South Africa.

We conducted four medical evacuations in F2009 from our operations due to appendicitis, gastric ulceration, cardiac arrest and malaria. Medical evacuations are performed on an emergency basis only. We are confident that we have the appropriate means in place to manage any potential life threatening situation.

MALARIA

Malaria is one of the main employee wellness challenges faced by the group.

During the year, 125 malaria infections (F2008: 86) were reported. All these cases were in Engineering Projects as it is the segment with an order book most exposed to the rest of Africa. This is an unacceptable increase. Based on this, the group launched an educational campaign to ensure that employees are aware of the risks and take the appropriate precautions.

We have historically adopted a passive approach to managing infections, allocating the responsibility to prevent infections to the employees. We made the following available:

- Bed nets
- Self test kits
- Clothes and bed linen that are washed in malaria repellents
- Prophylactic treatment
- Ongoing education
- Compliance inspections by safety managers
- Site-based clinics or in-country medical support
- Para-medical staff where medical assistance is not readily available

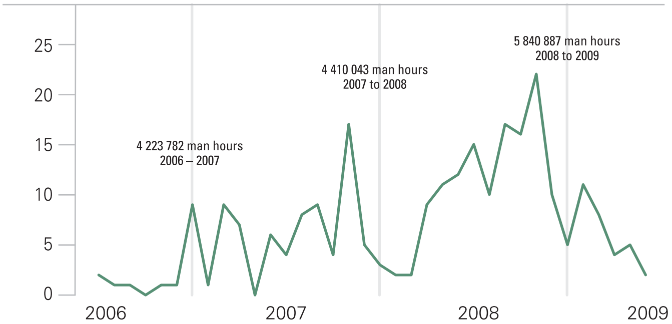
Preventative malaria measures:

- Employees attend tool box educational talks on a regular basis
- Employees are briefed at the travel clinic about the seriousness of malaria and preventative measures that should be taken
- Employees are issued with repellents, prophylaxes and mosquito nets
- On sites where we are permitted to, we carry out our own fogging operations and preventative spraying operations
- Employees are encouraged to wear long sleeve shirts and trousers when on site. This will be accepted as policy from now on. Malawi sites experienced a zero infection rate as a result of implementing a long sleeve shirt and trouser policy
- The vast majority of cases are treated on site and addressed within two to three days

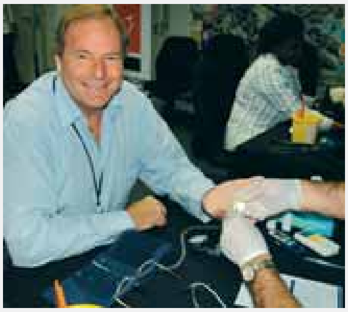
Employee wellness continued

On the right we outline the malaria trends for Engineering Projects. Some of the cases reported were not malaria, but flu. However, if an employee presents with flu-like symptoms on site, it is recorded and treated as malaria to ensure pro-activity.

Malaria cases July 2006 to June 2009



LOOKING FORWARD



We have made significant strides in ensuring we create awareness amongst our employees about wellness and lifestyle choices. Looking forward, to ensure the continued improvement of our programme, we will be focusing on the following:

- **Roll out of medical surveillance programmes**
  - These programmes will better inform us of occupational hazards and allow us to proactively prevent these
- **Increase the number of wellness days**
  - This will focus on employee education and lifestyle profiles
- **Implement the enhanced HIV and Aids programme**
  - This should result in a better understanding of HIV and Aids, including early diagnosis and treatment
- **Target 100% participation in executive medicals**
  - Reiterate the importance of medicals amongst our senior employees
- **Decrease the number of malaria cases**
  - This will be done through education and prevention strategies

Employee relations

PROGRESS DURING THE YEAR

Find below how F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward:

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
To proactively engage with the unions and national forums to minimise the impact of industrial action on key infrastructure contracts.	We participated in industry bodies to find common ground with the unions represented on the major 2010 contracts.			To continue to actively participate in representative forums.
To proactively engage with our employees on all major contracts.	The group experienced a significant drop in man hours lost due to industrial action.			To take an active role in the industry negotiations to ensure the process represents our interests.

INTRODUCTION

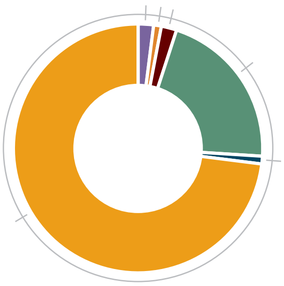
Our philosophy of involvement and constructive engagement with organised labour paid dividends during the year under review. This was proven through the a significant drop in the number of man hours lost due to unprotected strike action. However, post year end unions embarked on a national strike protected under the Labour Relations Act. Approximately 80% of our employees in the civil sector participated in this strike. Fortunately in almost every instance the strike was conducted peacefully and damage to property was minimal.

The strike culminated in a settlement of a 12% increase in basic wages across the board.

WORKER PARTICIPATION AND TRADE UNION RELATIONS

While the level of union representation remained relatively low, the National Union of Mineworkers (NUM) continued to be the most significant union across the group. Its membership amongst permanent workers increased from 18% to 21% during the year.

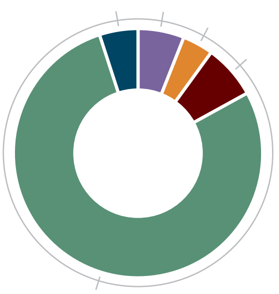
Union representation
(As a percentage of total South African permanent employees)



- **2%** BCAWU – Building Construction and Allied Workers Union
- **1%** CEIWU – Construction and Engineering Industrial Workers Union
- **2%** BWAWUSA – Building Wood and Allied Workers Union of South Africa
- **21%** NUM – National Union of Mineworkers
- **1%** NUMSA – National Union of Metalworkers
- **73%** Not unionised

The group continues to operate within the framework provided by the Labour Relations Act in respect of the granting of organisational rights and the recognition of unions that are significantly represented at our sites. In this context, eight new site-based recognition agreements were entered into during the course of the year. We continue to encourage worker representative forums at those sites and at those business units where unions are not yet represented.

Proportional union representation
(As a percentage of total South African permanent employees)

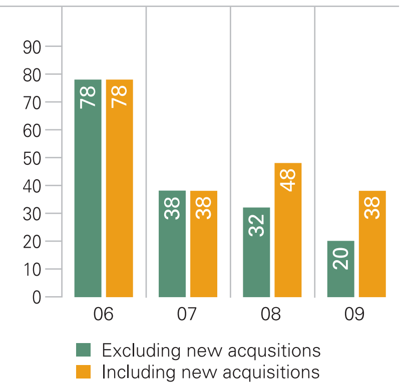


- **6%** BCAWU – Building Construction and Allied Workers Union
- **4%** CEIWU – Construction and Engineering Industrial Workers Union
- **7%** BWAWUSA – Building Wood and Allied Workers Union of South Africa
- **78%** NUM – National Union of Mineworkers
- **5%** NUMSA – National Union of Metalworkers

DISPUTE RESOLUTION

During the year, the need to enforce greater levels of discipline, as well as the group's values and norms of corporate governance, resulted in a number of dismissals within some of the businesses acquired during the previous financial year. Notwithstanding this, we saw a pleasing overall reduction in the number of CCMA referrals to 38 this year (F2008: 48).

CCMA referals (Number of employees)



CHILD AND FORCED LABOUR POLICY

We recognise 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 in all of our operations.

We also recognise the rights of all citizens to freely associate with any form of organisation, structure or practice. We therefore reject all forms of forced labour. The principles related to freedom of association are clearly set out in the group's employee relations policy.

The group is committed to:

- Fair and transparent engagement with organised labour
- Improvement in the quality of employee/manager relations through ongoing training of our managers in the interpretation and implementation of our employee relations policy and procedures
- Focusing on implementing a culture that embodies the company's core values at all levels
- Ensuring that we comply with both the spirit and the letter of the law within all the countries/regions in which we operate

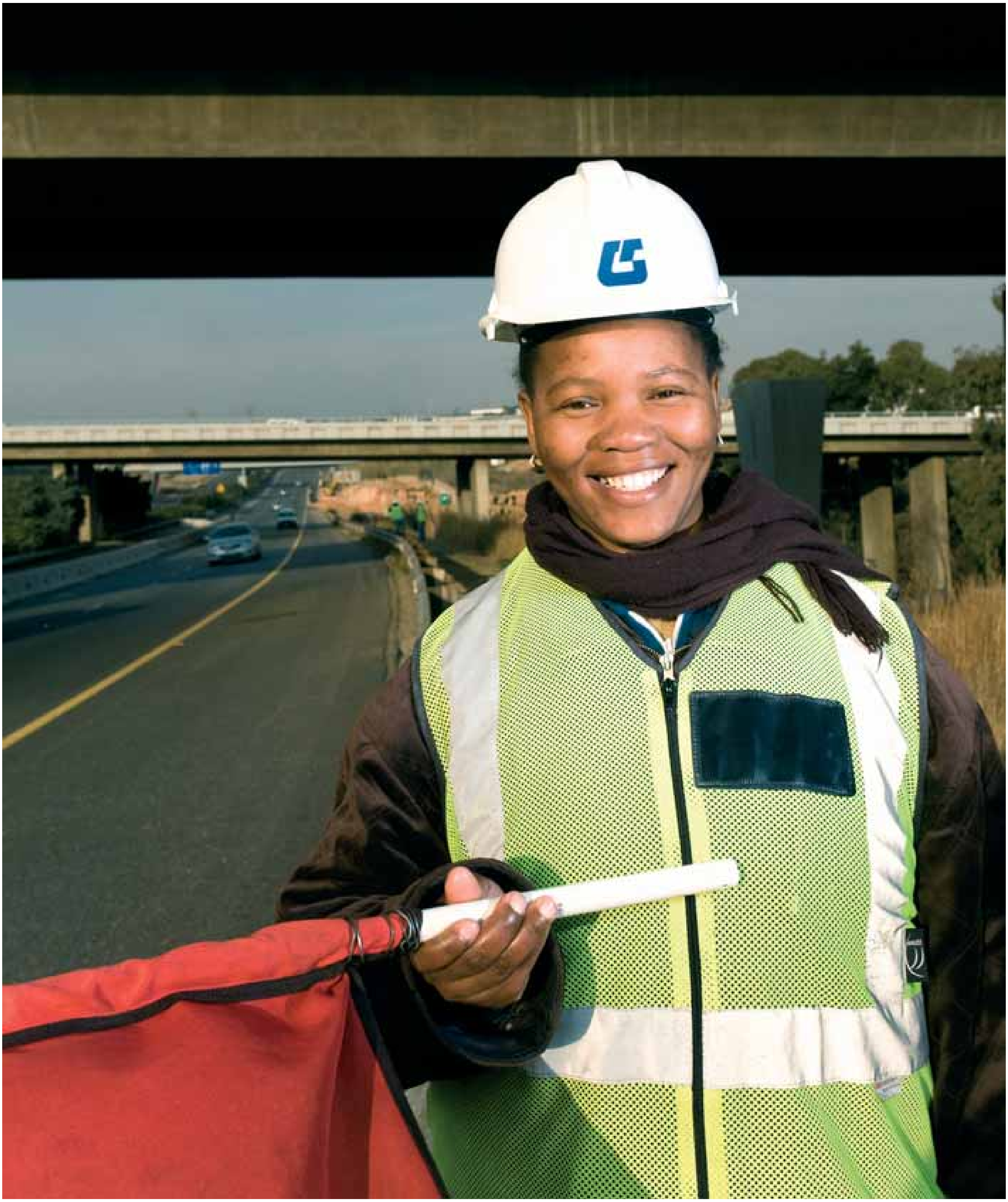
Employee relations continued

LOOKING FORWARD

The group will continue to pro-actively engage with unions, both at a group and industry level.

Issues that were raised during the strike action in July have been referred to a task team. Special attention will be given to the consolidation of the whole industry under one umbrella body and addressing the use of limited duration contracts of employment and labour brokers.

As a group we welcome constructive engagement between ourselves and employee representatives. We remain committed to working closely with all relevant parties.



Transformation

This section takes the reader through key information around the aspects of the Construction Charter scorecard:

- Ownership
- Management
- Employment equity
- Skills development/human capital development
- Preferential procurement
- Enterprise development
- Socio-economic development

BEEVER (BEE Verification (Proprietary) Limited was officially accredited by the South African National Accreditation System (SANAS) on 01 April 2009 in terms of SANAS R47-02 requirements.

The Construction Charter was published as the sector code in terms of section 9(1) of the BBBEE Act 53 of 2003 on 5th June 2009. The 2009 audit therefore assessed the group against the Construction Charter, resulting in the following empowerment ratings:

- Group Five Limited – Level 3
- Group Five Construction (Proprietary) Limited, the group's main local construction entity – Level 4

Both ratings were renewed, but not audited by the time of going to print.

Ownership

Group Five's broad-based black empowerment (BBBEE) ownership transaction was approved by shareholders in F2006. The transaction consisted of three components, which together represented 26.1% of the enlarged issued share capital of the group. The components consisted of an employee scheme, a black management share scheme and the iLima-Mvela ownership transaction.

Employee scheme
This scheme benefited permanent employees, both black and white, that did not participate in the black management scheme. At the time, 3 969 employees were eligible. Around 90% were black employees. The allocation was made through a once-off issue of shares at no consideration and without vesting rights. The shares will be held in trust until the anniversary date in October 2010.

Black management scheme
This scheme was created for the benefit of black senior managers of the group. The purpose of the scheme was to give effect to Group Five's broad-based empowerment objectives and to encourage black employees at management level to remain at Group Five. For F2009, 156 employees benefited from this scheme, which is 60 employees more than the previous year. All shares in trust need to be issued by F2011.

The iLima Mvela consortium
The 21.6% of the ownership structure was equally split between the iLima Consortium and Mvelaphanda Group Limited.

As announced through SENS in June 2009, the iLima Consortium portion of the BEE ownership transaction will unwind during F2010 and the group's shares held by the iLima Consortium will be returned to Group Five. This followed nearly a year of actively working with iLima to provide guidance in terms of refinancing initiatives relating to their construction contracts and other business. In spite of significant effort by iLima, Group Five and other interested parties, the turbulent markets exacerbated their funding challenges and their refinancing initiatives failed. In addition, iLima did not fulfil certain conditions and/or breached certain terms of the original Group Five BBBEE transaction.

The potential unwinding of the iLima Consortium element of the Group Five BEE transaction does not impact Group Five's other BEE partners, Mvelaphanda Group Limited, or the Group Five BEE management and employee schemes.

As a result of the group's focus on continuous improvement of its BBBEE scorecard and transformation, the Construction Sector Charter rating increased.

Our aim for F2010 is to ensure that Group Five remains its Level 3 Construction Sector Charter rating, with a particular focus on developing our enterprise development partners, our black management control element and preferential procurement.

GROUP FIVE OWNERSHIP STATUS

	Total as at June 2009#	
	Number of shares	**Shareholding**
Employee schemes	**3 446 209**	**2.9%**
Broad-based scheme	**575 000**	**0.5%**
Black management scheme	**2 871 209**	**2.4%**
The participants jointly (iLima Mvela Transaction)	**22 031 918**	**18.4%**
iLima Mvelaphanda	**11 015 959** **11 015 959**	**9.2%** **9.2%**
Total	**25 478 127**	**21.2%**

#This represents the total number of shares held by participants of the Group Five BBBEE ownership transaction and does not represent the total black shareholding in the group. It also does not include shares held by associated companies to the participant.

Transformation continued

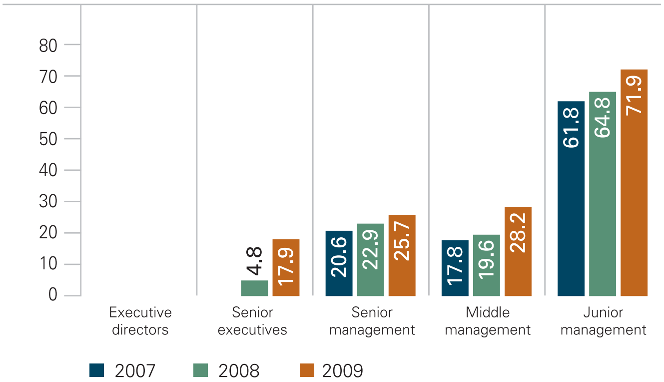
Management

Under the instruction and guidance of the chairperson of the Group Five board, a board review was conducted by the Institute of Directors. The review recommended that the board should be increased by two additional members. The following board members were therefore appointed to meet the skills set required – Dr JL Job and Ms LE Bakoro. Summarised CVs can be found on page 188.

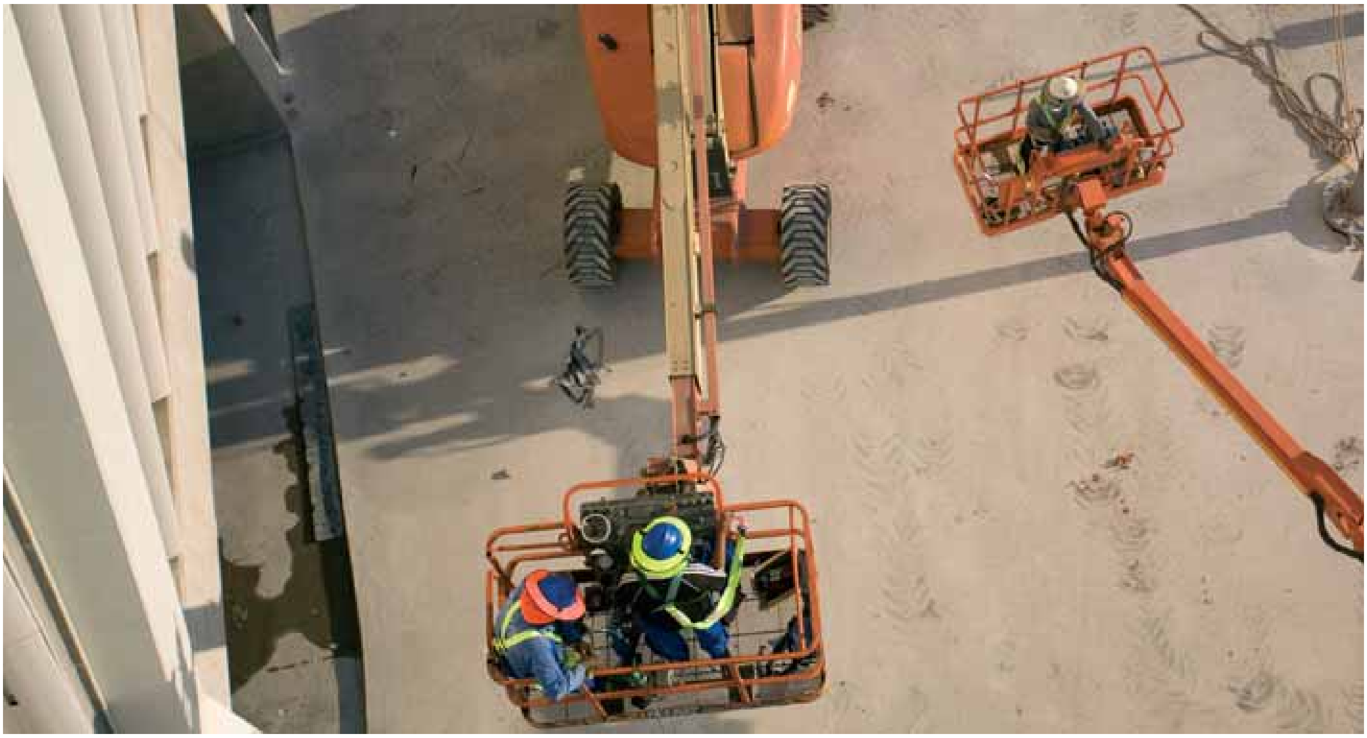
The board of ten members now has four female board members. Two of these are black females. Four board members are black South Africans.

The new Construction Sector Charter Codes allow all management in direct control of a business or heads of major functions not represented on the main board to be included in the senior management element of the scorecard. We are currently far short of the four-year target of 25% black executive members and 40% over seven years.

Profile of black management (%)



18% of the group's senior management level is black and 5% black females. We therefore still have significant work to do in identifying and attracting black and female talent.



Transformation continued

Employment equity

PROGRESS DURING THE YEAR

Find below how the F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward.

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
Increase the development of internal black candidates into senior positions without compromising the group and candidate sustainability.		Although improvements have been seen, senior levels are still not representative enough.	Formalise succession plans.	Improve senior management transformation.
Maximise our equity profile.	Salary structures made more competitive and certain business units introduced mentorship programmes.			Develop and promote from within.
Attract and retain black candidates in a very competitive market.		Although retention strategies have been implemented, a number of skilled equity candidates left the group during the year.	Shifting the group's culture to be more inclusive.	Profile the group as an employer of choice for black candidates.

INTRODUCTION

Group Five is committed to promoting equity and diversity throughout the group.

APPROACH

Our aim is to meet or exceed the expectations of the black economic empowerment codes and associated sector charter targets. We also ensure that we conform to the employment equity legislation and all the associated labour laws. Our approach to employment equity is therefore based on the following principles:

- Build a culture that is based on our values
- Develop and promote from within the group
- Strive to achieve our employee value proposition of
  - Quality management
  - Continuous development
  - Competitive recognition and rewards
  - Development opportunities
- Ensure compliance to legislation

Our strategy of developing and promoting from within – although often a slow process – is starting to show results. However, we need to increase the rate of recruiting black senior employees

COMPARISON OF GROUP EE PROFILE FOR 2008 AND 2009

Below is a summary of the group EE profile with reference to all our South African employees.

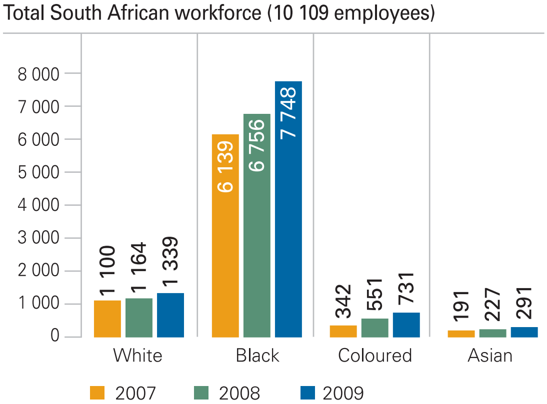
The table reflects our performance over the past three years. Progress has been steady, especially in light of the fact that we experienced the most severe skills shortage the country has seen in years, as well as competing with other industries such as banking and consulting for the same pool of skills, specifically engineers. Furthermore, the number of new appointments in the second half of the F2009 financial year decreased sharply due to the global financial crisis.

NUMBER OF PERMANENT SOUTH AFRICAN EMPLOYEES BY RACE

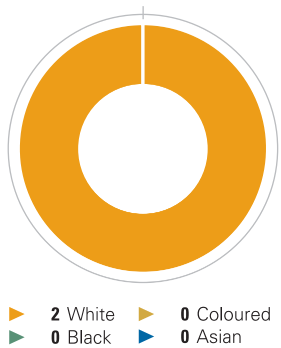
	WHITE			BLACK			COLOURED			ASIAN			TOTAL		
	F2009	F2008	F2007	**F2009**	F2008	F2007	**F2009**	F2008	F2007	**F2009**	F2008	F2007	**F2009**	F2008	F2007
Executive board Peromnes (+1)	**2**	2	2		–	–	–	–	–	–	–	–	**2**	2	2
Senior (1 – 3)	**19**	16	17	**2**	1	1	–	–	–	–	–	–	**21**	17	18
Middle (4 – 6)	**121**	100	117	**7**	6	4	**6**	8	4	**8**	11	12	**142**	125	137
Specialist/skilled (7 – 12)	**1 074**	930	896	**1 269**	1 057	942	**432**	317	166	**232**	184	145	**3 007**	2 488	2 149
Semi-skilled (13 – 16)	**115**	108	60	**3 281**	2 981	2 719	**113**	169	73	**40**	29	29	**3 549**	3 287	2 881
Lower skilled (17 – 19)	**8**	8	8	**3 189**	2 711	2 473	**180**	57	99	**11**	3	5	**3 388**	2 779	2 585
Total	**1 339**	1 164	1 100	**7 748**	6 756	6 139	**731**	551	342	**291**	227	191	**10 109**	8 698	7 772

All levels in brackets relate to Peromnes grades.

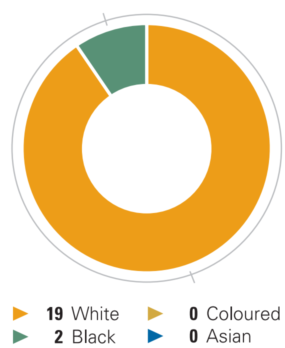
Total South African workforce (10 109 employees)



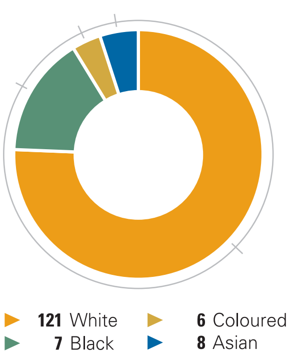
Executive (board)
(Peromnes 1+)



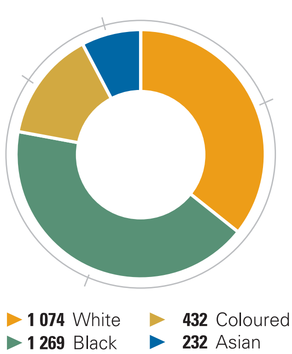
Senior management
(Peromnes 1 – 3)



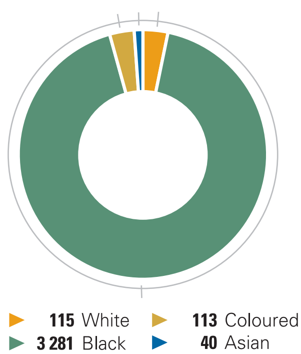
Middle management
(Peromnes 4 – 6)



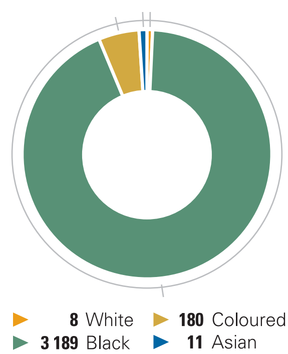
Specialist/Skilled
(Peromnes 7 – 12)



Semi skilled
(Peromnes 13 – 16)



Lower skilled
(Peromnes 17 – 19)



Transformation continued

Employment equity

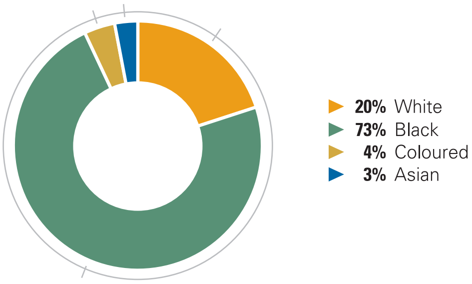
DELIVERY

Although we have a way to go to meet a number of the targets as set out in the revised Construction Sector Charter Codes, we are pleased to report that we have exceeded the target set for junior management and technically qualified employees.

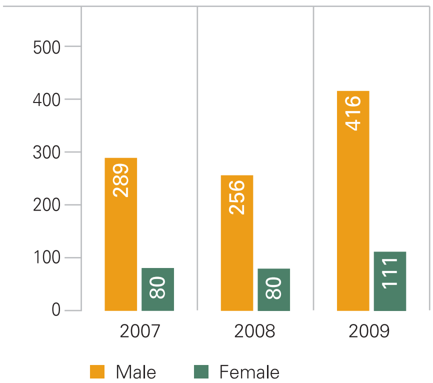
We are confident that the trend in the other categories is moving in the right direction and that employees who have been promoted or appointed are sufficiently skilled and competent to be successful. We will continue to strive towards reaching the targets set in the other areas while ensuring that we produce quality employees with sustainable careers in the group.

In line with our principles of developing and promoting from within and identifying talent early, our intake of black bursary students **increased** significantly. F2009 has seen an additional **86** students. Of the 179 black students, **50** of the students are **females** (F2008: 21).

Employees promoted in 2009



Promotions by gender 2007 – 2009

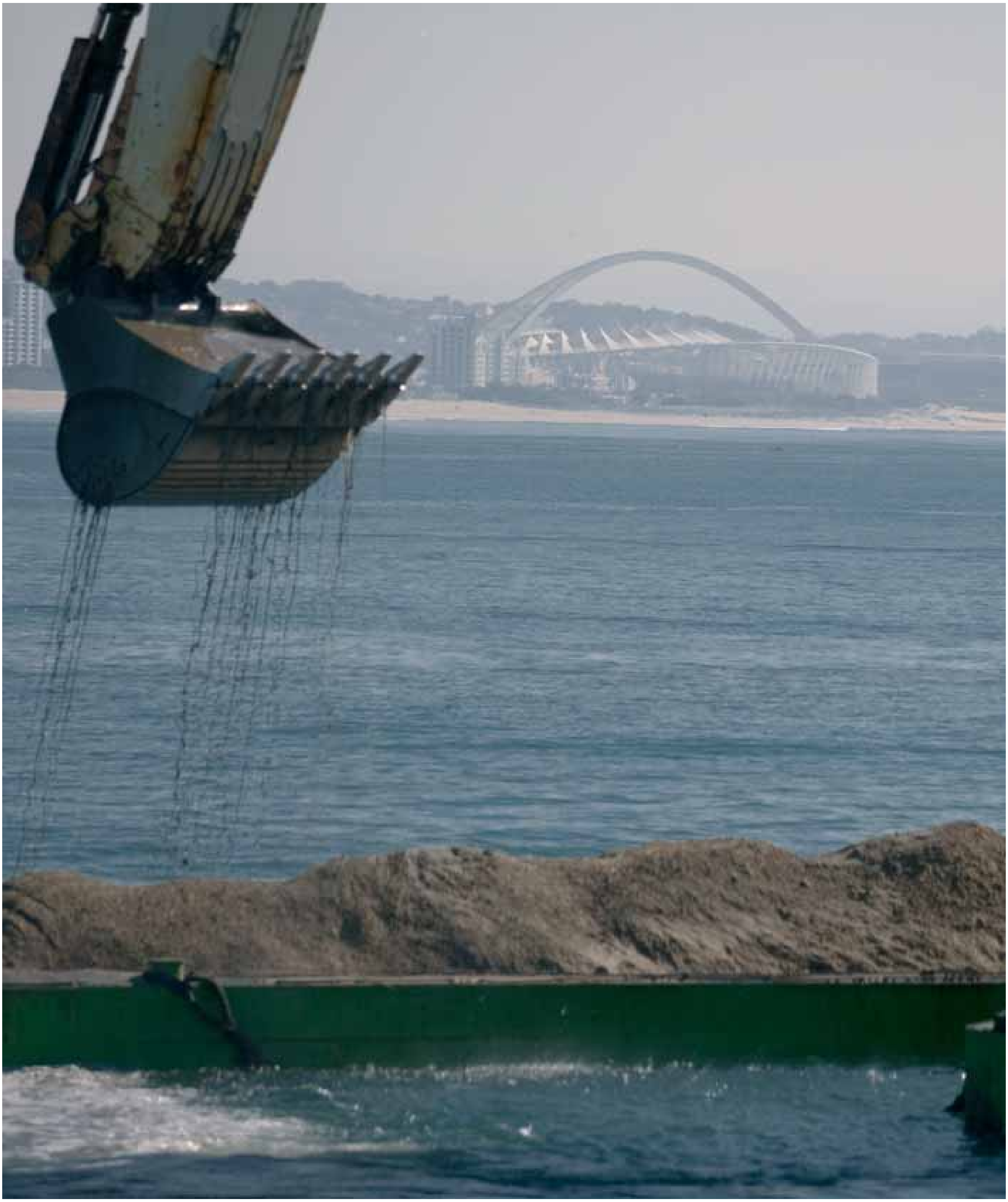


LOOKING FORWARD

The group will focus on:

- Rapidly developing our current black skills base to fulfil the roles at senior and executive level without compromising the sustainability of both the group and the employee
- Appointment of external skilled black and female senior and middle managers
- Ensuring that the group continues to grow to create job opportunities
- Creating an enabling environment for all employees to maximise their potential, thereby increasing capacity

During the coming year, we will formalise our succession plans at a business unit level. This will give us a clear view of our ability to achieve the expected equity targets. We will continue to promote Group Five as an employer of choice, as well as the construction and engineering sectors as an attractive sector to all talented resources.



Transformation continued

Skills development/human capital development

PROGRESS DURING THE YEAR

Find below how F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward.

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
Accurate and timeous reporting of all human capital development.		Delay in integrating into online learning system.	Implementation of an integrated learning system.	Ensure rigorous maintenance of the system.
Implementation of an e-learning platform.	Pilot of first module completed.			Embed the e-learning platform in the group.
Mapping of key training and development processes.		Mapping needs to be more widely shared to facilitate common management of processes.	Collaboration with training and development forum and making documentation available on intranet.	Alignment of actions across the group.
Creation of a junior management development programme.	Four programmes were rolled out.			Roll out the programme throughout the group.
Engagement of an in-house facilitator.		More intensive roll out of Situational Leadership and Targeted Selection needed.	Communication with management to ensure understanding of the critical nature of these workshops.	Reach all levels of management with key programmes.

INTRODUCTION

Over the last few years, learning and development has been a priority for the group. To ensure an integrated approach to human capital development, an inhouse corporate university, The Academy, was established in 2006.

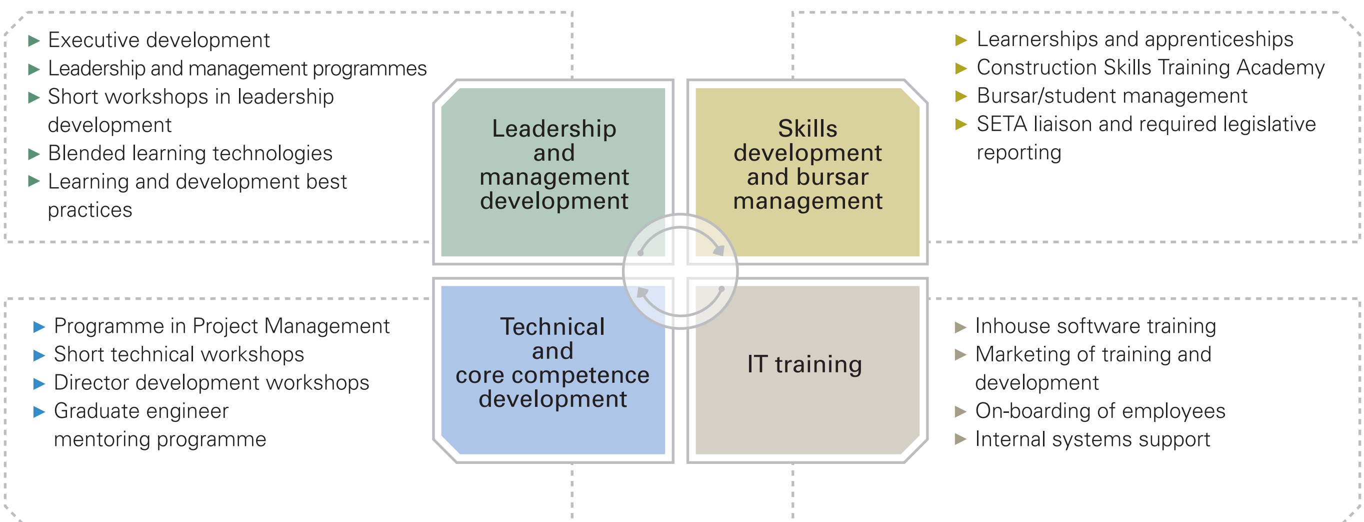
The focus areas of The Academy are:

- To embed the group's values and culture through our learning interventions
- To provide learning that is forward-thinking
- Learning initiatives that directly support the group's strategy and that are customised to meet business unit needs

The model reflects the four core functional areas of the Academy. These are:

- Leadership and management development
- Skills development and bursar management
- Technical and core competence development
- IT training

Academy model



The financial spend over the past three years indicates a steady development in most areas. During this year, improved systems and a strong cost saving drive throughout the group resulted in delivering more effective training.

Transformation continued

To meet business needs, there is a close relationship with the group's senior management, as well as with the training and development officers in business units. The training and development achievements of the group are the result of a collaborative approach.

The categories in the table below are discussed in the sections that follow.

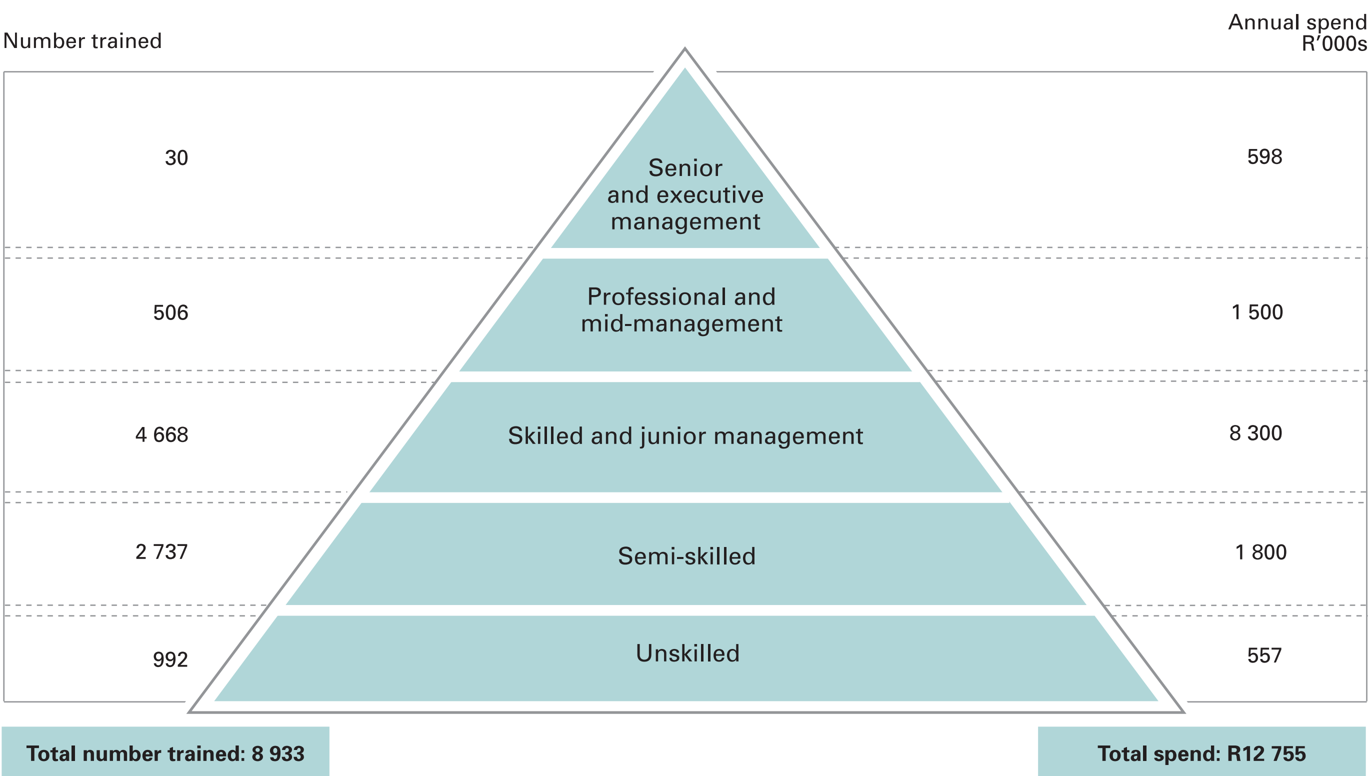
Total annual spend on development of people:

Categories R million	**F2009**	F2008	F2007
Leadership and management development	**4,2**	2,2	2,6
Learnerships and apprenticeships	**3,6**	3,7	3,1
Skills development and bursar/student management	**9,3**	6,8	6,5
Technical and professional competence development	**8,5**	10,5	6,4
Training support costs (facilities, materials etc)*	**12,2**	–	–
Total	**37,8**	**23,2**	**18,6**

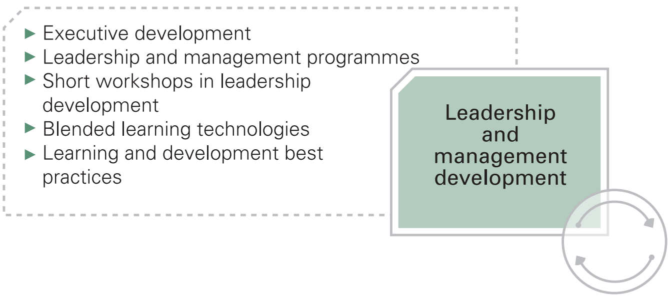
**Included in other categories in F2007 and F2008.*

These figures represent total training and development spend in the group inclusive of students and learnerships. A view across occupational categories is reflected in the diagram below, showing spend for employees only.

Spend on employees (excluding learnerships and bursar/student management)



LEADERSHIP AND MANAGEMENT DEVELOPMENT



The group believes in developing and promoting from within. This was the initial rationale for The Academy and has contributed to creating a culture of development and learning, an essential element for sustainable leadership and our employee value proposition.

Leadership and management development is aimed at both growing the individual and offering a benefit to the group.

Strategic objectives: Leadership and management development	
Link to the group values	▶ Courses are customised to support company values and to align behaviour and operational intent within the group
Meeting business needs	▶ Operational best practice requirements are supported by developing leadership and management skills.
Competence development	▶ Development of personal skills and competence, which underpins organisational development
Networking	▶ Interaction in classrooms aids the building of support structures and relationships to engender a common understanding of leadership and management standards
Change behaviour	▶ Encourage the implementation of new skills and behaviour practices through an action-learning approach

How we delivered: Leadership and management development

Categories	**F2009 R'm**	F2008 R'm	F2007 R'm
Annual spend	**4,2**	2,2	2,6
Students on Programme for Management Development (NQF 6)	**25**	17	20
Students on Group Five Building Business Basics Programme (NQF 4)	**99**	–	–
Situational leadership workshops	**87**	44	–

Transformation continued

Executive development

The focus on senior executive development continued, with programmes run at quality local and international business schools. This is augmented with executive coaching.

Leadership and management programmes

The third intake of the *Programme for Management Development (PMD)* with 25 students continued the consistent development at middle to senior level, resulting in benefits extending beyond the classroom to improve cross-business communication and collaboration. Work-based projects that are required to make a significant business impact is an important aspect of the group learning. The PMD is increasingly supported by exco and is seen as an incubator for innovation and learning in the group.

This year saw the roll out of our junior management programme. Four groups started the *Building Business Basics Programme* and a further three groups will start shortly.

Short workshops in leadership development

The need to develop and nurture a common leadership culture has been identified. Amongst other initiatives, a group-wide roll out of situational leadership commenced at the most senior levels and is currently being expanded to incorporate middle level employees and those on development programmes.

Blended learning technologies

With the increasing number of younger professionals entering the business, a review of the required learning methodologies was undertaken. The research indicated a requirement for an e-learning platform. Full piloting of an introductory learning unit has taken place, with very positive feedback.

Learning and development best practices

The Academy tracks new developments and incorporates relevant elements of best practice to ensure programmes remain leading edge.

SKILLS DEVELOPMENT AND BURSAR MANAGEMENT

Skills development and bursar management

- Learnerships and apprenticeships
- Construction Skills Training Academy
- Bursar/student management
- SETA liaison and required legislative reporting

Learnerships and apprenticeships

Learnerships play a key role in developing unemployed people and are focused on entry-level skills.

Strategic objectives: Learnerships and apprenticeships	
Scarce and critical skills	▶ Build skills in areas typically lacking in the industry and thus impacting on quality and productivity
Employment opportunities	▶ Provide training and workplace experience
Contribute to sector	▶ Build and improve a pool of skills to contribute to higher standards

How we delivered: Learnerships and apprenticeships

Categories	**F2009 R'm**	F2008 R'm	F2007 R'm
Annual spend on learnerships and apprenticeships	**3,6**	3,7	3,1
Learners on learnerships and apprenticeships	**231**	175	161
Unemployed learners registered on learnerships	**149**	45	94

Areas given particular priority in terms of learnerships include construction supervision, heavy fabrication and the trades of bricklaying and carpentry (shuttering). An outline of learnerships is included in the table below, with details around gender and race.

Learnerships – race and gender

Categories	NQF level	Black male	Black female	White male	White female	Employed	Unem-ployed	**Total**	**R'000 Spend**
Junior management	4	4	5	3	–	12	–	12	–
Construction supervision	4	93	6	–	–	44	55	99	999,5
Autotronics	3	8	7	–	–	–	15	15	77,5
Heavy fabrication	3	20	8	–	–	–	28	28	168,5
Road workers	3	5	–	–	–	–	5	5	27
Bricklaying	3	16	8	–	–	–	24	24	194
Plastering	3	8	2	–	–	–	10	10	171
Carpentry	3	16	2	–	–	6	12	18	235
Total		170	38	3	–	62	149	211	1 873

A total of 211 learners were on learnerships during the course of the financial year. A total of 38 black females were on the programme, with the majority taking part in the bricklaying and heavy fabrication learnerships.

Apprenticeships – race and gender

Categories	Black male	Black Female	White male	White Female	Employed	Unem-ployed	**Total**	**R'000 Spend**
Millwright	1	–	1	–	2	–	2	37
Diesel mechanic	1	–	–	–	1	–	1	23
Fitter and turner	1	–	2	–	3	–	3	219
Electrician	1	–	–	–	1	–	1	106
Boilermaker	1	–	–	–	1	–	1	23
Mechanic	8	–	–	–	8	–	8	996
Auto electrician	1	–	–	–	1	–	1	122
Electrician	2	–	–	–	2	–	2	127
Mechanical	1	–	–	–	1	–	1	77
Total	17	–	3	–	20	–	20	1 730

A total of 17 black males have commenced on an apprenticeship with the group, with the majority qualifying for technical skills, such as mechanics. The total spend on apprenticeships was just over R1,7 million for the year.

Transformation continued

Construction Skills Training Academy (CSTA)
In a public private partnership with the Development Bank of Southern Africa, Group Five established a skills training centre in Johannesburg to act as a developer of skills for the construction industry.

Role of the CSTA

- To have a direct impact on individual skills capacity of both the employed and unemployed
- To be the vehicle to co-ordinate the improvement of functional skills
- To provide support for business and sector performance

Programmes

An important component of the development of supervisors and future junior management is exposure to practical learning. Focus is placed on basic technical skills in bricklaying, plastering and shuttering, with special emphasis on site safety, interpretation of drawings and setting out.

Programmes and learning interventions offered during the reporting period:

- Boot camp – 63 tertiary bursar students
- Summer school – 30 tertiary bursar students
- Supervisory learnerships – 48 learners
- Community skills programmes – 42 learners
- Trade exposure – 101 learners

Learning material development

A range of skills programmes was developed in conjunction with the business units. These programmes were registered with the Construction SETA (CETA). The functional areas include bricklaying, plastering and shuttering.

The Academy prints significant amounts of training material. During the year, two changes were introduced:

- Where possible, learning material is printed on both sides to save paper and costs
- Printing is done in black and white to save on ink and costs
- Electronic media is used for meetings to replace paper

Bursar/student management
The provision of bursaries to students provides a valuable pipeline of new skills to the group. Business unit involvement and commitment is core to the process and workplace exposure forms part of the student education. The group is moving towards a closer evaluation of student needs to secure the most appropriately talented individuals.

Strategic objectives: Bursar/student management	
Grow a pipeline of skills	► Nurture talent through providing bursaries
Ensure a quick start	► Provide workplace exposure and facilitate understanding of the industry
Align to our culture	► Activities and events provide exposure to the Group Five culture and the opportunity to network

How we delivered: Bursar/student management

Categories	F2009 R'm	F2008 R'm	F2007 R'm
Annual bursary expenditure	**9,3**	6,8	6,5
Bursary students	**258**	178	149
Female bursary students	**58**	27	37

A total of 42 students graduated at the end of 2008 and started working at the group in January 2009. This coincided with the recruitment of a further 86 students from all the key universities across the country.

A breakdown of the various disciplines, as well as equity, is depicted in the table below. An ongoing challenge is the low number of female candidates entering studies in the industry. Strategies going forward will include the commencement of the recruiting process earlier, with a medium term plan that includes involvement at school level.

Bursaries – race and gender

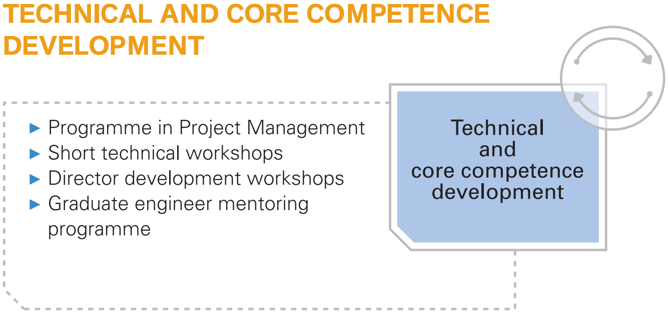
Qualification code	Black female	White female	Female total	Black male	White male	Male total	Total
Btech Construction Management	2	–	**2**	10	8	**18**	**20**
Btech Building	1	–	**1**	3	1	**4**	**5**
Btech Civil Engineering	4	–	**4**	5	2	**7**	**11**
Btech Quantity Surveying	6	–	**6**	15	3	**18**	**24**
Dip Building Management	–	1	**1**	8	5	**13**	**14**
Dip Building Science	3	–	**3**	6	2	**8**	**11**
Dip Construction Management	–	–	**–**	1	1	**2**	**2**
Dip Civil Engineering	13	–	**13**	41	14	**55**	**68**
Bsc Civil Engineering	5	3	**8**	18	17	**35**	**43**
Bsc Quantity Surveying	8	1	**9**	11	9	**20**	**29**
Bsc Electrical Engineering	1	–	**1**	1	–	**1**	**2**
Bsc Construction Management	2	–	**2**	1	7	**8**	**10**
Dip Quantity Surveying	2	–	**2**	3	2	**5**	**7**
Bsc Property Development	2	–	**2**	2	–	**2**	**4**
Bsc Mechanical Engineering	–	–	**–**	2	–	**2**	**2**
Higher Diploma in Quantity Surveying	–	–	**–**	1	1	**2**	**2**
Certificate in Civil Engineering	–	–	**–**	1	–	**1**	**1**
Btech Mechanical Engineering	1	–	**1**	–	–	**–**	**1**
Dip Mechanical Engineering	–	–	**–**	–	2	**2**	**2**
Total	50	5	**55**	129	74	**203**	**258**

SETA liaison and required legislative reporting

Regular communication with the relevant SETAs takes place to ensure compliance with requirements and the monitoring of skills initiatives in the sectors in which the group operates.

Transformation continued

TECHNICAL AND CORE COMPETENCE DEVELOPMENT



Technical and core competence development is focused on continuously improving employee skills at all levels to deliver construction solutions that are on time, to specification and within budget. Focus has been placed on graduate development programmes, project management skills, as well as legal and contractual expertise.

Input from our senior management is fundamental to many of these programmes and a considerable contribution of their time and energy is dedicated in a number of different areas. This includes mentorship, input in terms of material content and contribution to programme customisation. This ensures relevant learning with a significant cost saving on external interventions.

Strategic objectives: Technical and core competence development	
Alignment with values	▶ Group values are embedded in customised courses
Skilled professionals	▶ Encourage the continual improvement of technical and professional proficiency
Talent retention	▶ Ensure we have the right people in the right positions and that they are continually challenged to develop
Organisational growth	▶ Provide a base of expertise to meet the higher standards and complexity required by contracts
Blended learning	▶ Use new technologies to facilitate access to learning and information for remote sites

How we delivered: Technical and core competence development

Categories	**F2009 R'm**	F2008 R'm
Annual spend	**8,5**	10,5
Students on Programme for Project Management (NQF 6)	**56**	22
Employees participating in Graduate Engineer Mentoring Programme	**37**	–
Employees on developmental workshops and conferences (inhouse and external)	**8 776**	4 047

**Most of these programmes are new, with data not available for more than two years.*

A total of R8,5 million was spent on the development of core competence and skills within the group. A continued focus will be on the utilisation of internal skills for training. This ensures:

- Workplace-specific learning
- Ongoing access to and monitoring by inhouse expertise
- Direct impacts on systems and processes
- A significant reduction on training spend

The Group Five Academy offers a number of workshops and programmes that are approved by the Engineering Council of South Africa (ECSA).

Technical and core competence programmes and workshops – race and gender

Categories	Black female	Black male	**Black Total**	White female	White male	**White total**	**Total**
Programme in Project Management	2	25	**27**	8	21	**29**	**56**
Graduate Engineer Mentoring	–	19	**19**	–	18	**18**	**37**
Workshops, training courses and conferences	1 521	4 490	**6 011**	798	1 967	**2 765**	**8 776**

Programme in Project Management
This formal tertiary certificate programme is customised for the construction sector, as well as to the specific requirements of the group. The increase in project management students from 22 to 56 in the last year reflects the success of this programme.

Technical workshops
The focus of technical workshops is on the improvement of core competence and skills, which are fundamental to operate in the sector. Programmes are increasingly supported by internal trainers.

Director development workshops
These workshops are short interventions at director level that focus on good governance, legal responsibilities and competition law.

Graduate engineer mentoring programme
The intention of this programme is to provide support from both external and internal mentors to acquire professional registration with relevant bodies. There are additional support initiatives at business unit level, such as monthly sessions that focus on sharing best practice and expertise of senior management in several functional areas. The impact of this programme will be increasingly clear within the business in the future.

SHE training
To achieve zero harm to people, host communities and the environment; training, awareness creation and transparent business practices are of paramount importance. Over the past year, there has been an increased focus on safety training within the group. A total of 1 999 people were trained within the group in South Africa.

The Group Five Academy, in collaboration with service providers, presented a number of programmes:

- SHEQ representative programme that enables participants to explain and document structured workplace inspection observations and findings
- The hazard identification and risk assessment (HIRA) programme that allows participants to assess occupational safety, health and environmental hazards and participate in baseline and continuous multi-disciplinary HIRA activities
- The incident investigation programme that enables participants to fulfil legal compliance requirements and participate in or lead an incident investigation procedure in the workplace
- Introduction to environmental awareness that looks at the environment and the effects that individuals and companies have on the environment
- Environmental awareness, legal overview and ISO 14001:2004 that focus on environmental responsibilities of management, as well as liabilities. This programme also includes an introduction to the ISO 14001:2004 standard

Over-border training involved 2 679 people.

Transformation continued

IT TRAINING

IT training

- Inhouse software training
- Marketing of training and development
- On-boarding of employees
Internal systems support

A total of 891 people were trained in this category during the year, using inhouse IT programmes.

STRATEGIC OBJECTIVES

The inhouse provision of just-in-time IT training to support competent achievement of work-based tasks is necessary to maintain efficient systems.

Software training
Group-wide IT training is managed centrally from The Academy.

Marketing of training and development
Extensive marketing of The Academy is done both internally and externally.

On-boarding of employees (induction)
Induction is seen as a process rather than an event. This philosophy is supported through a 90-day checklist for both the new recruit and the relevant business unit. Information needs are also provided in electronic format, which gives access to detailed information on the entire group.

A total of 323 people attended induction at business unit and corporate level during the period under review.

Internal systems support
Internal Academy administrative support is largely managed by
the IT software training team, providing a consistent and consolidated approach, facilitating both quality management and auditing.

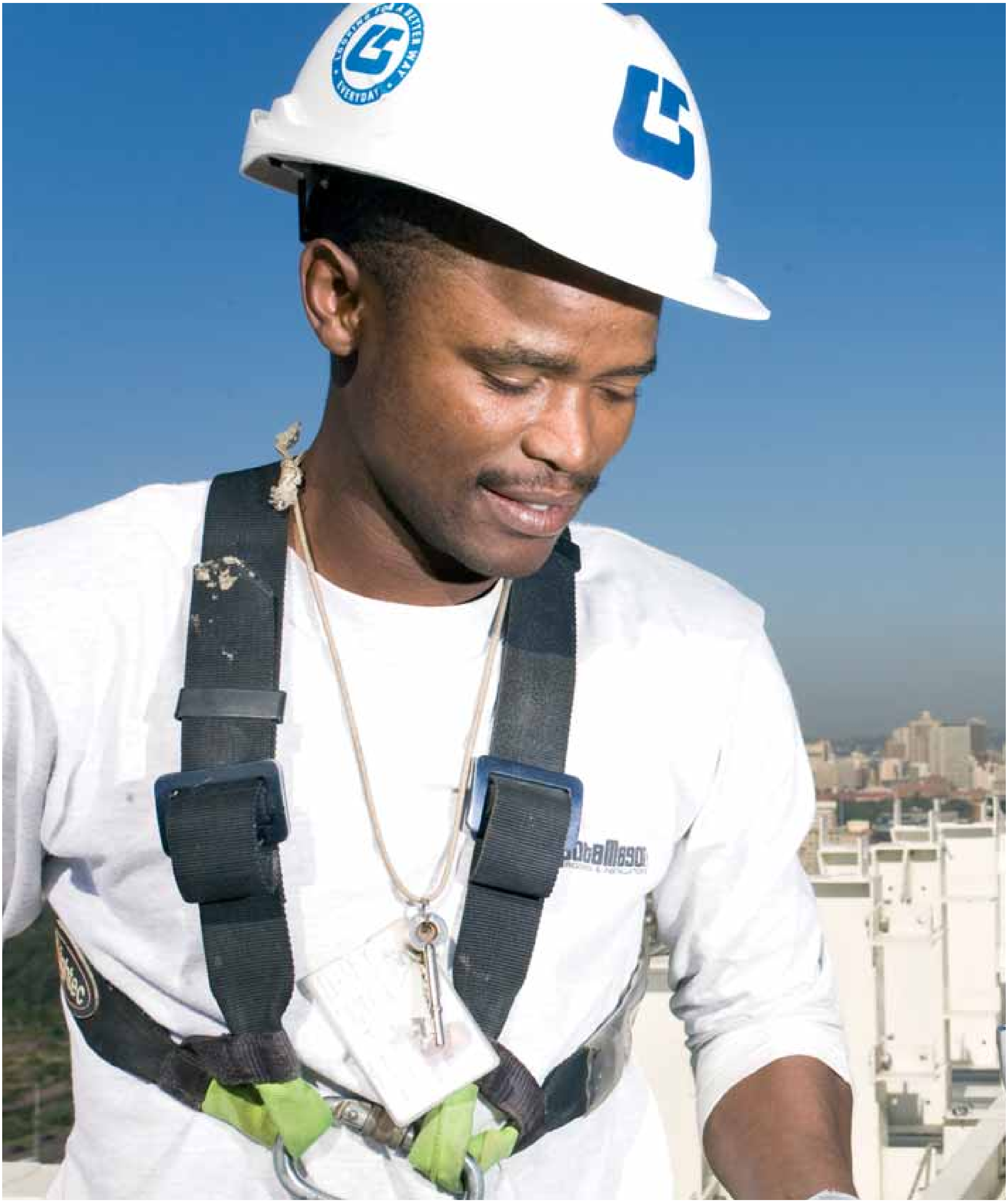
Introduction of e-learning:

The Academy now has an e-learning capability. The intention is to limit the time out of the work environment, as well as reducing travel to a central classroom environment. E-learning is also paperless.

LOOKING FORWARD

The Academy was established within the group as a key aspect of talent development and retention, as well as a mechanism for facilitating the development of skills and competence at all levels.

The priorities going forward will include the improvement of Academy support systems, growing the base of core programmes and responding to business needs.



Preferential Procurement

INTRODUCTION

During the year, the group managed to increase its procurement from entities that have verified empowerment certificates to 49% from 40% last year.

This was achieved through the following interventions:

- Current suppliers continued to work on their empowerment status and provided scorecards, improving on their previously reported position
- Current suppliers who have not previously provided an empowerment certificate had concluded an empowerment audit and were able to provide a verified empowerment certificate
- New suppliers with good empowerment credentials were identified and utilised

EMPOWERMENT LEVELS

In terms of the dti Codes of Good Practice, an enterprise is assessed on its contribution towards the seven elements of empowerment. The highest possible contribution level is level one for entities obtaining a score of 100, while the lowest recognition level is level eight for entities that score between 30 and 39. A status of "non – compliant contributor" (Level 9) is assigned to an enterprise scoring less than 30 points.

Empowerment level	Score	Preferential procurement recognition weighting
Level 1	100 points	135%
Level 2	85 to 99 points	125%
Level 3	75 to 84 points	110%
Level 4	65 to 74 points	100%
Level 5	55 to 64 points	80%
Level 6	45 to 54 points	60%
Level 7	40 to 44 points	50%
Level 8	30 to 39 points	10%
Level 9	00 to 29 points	0%

Transformation continued

The group's current procurement profile is:

Empowerment level	F2009 (Verified) R million	F2008 (Verified) R million	F2007 (Not Verified) R million	Procurement recognition weighting	Weighted preferential procurement F2009
Level 1	**352 061 886**	23.8	0.1	135%	**475 283 546**
Level 2	**76 339 932**	111.2	5.5	125%	**95 424 914**
Level 3	**227 144 778**	96.9	50.4	110%	**249 859 256**
Level 4	**729 486 389**	514.3	80.0	100%	**729 486 389**
Level 5	**329 293 963**	246.5	65.0	80%	**263 435 170**
Level 6	**502 894 195**	346.2	140.6	60%	**301 736 517**
Level 7	**145 602 973**	201.5	435.6	50%	**72 801 486**
Level 8	**144 297 751**	28.6	323.2	10%	**14 429 755**
Total	**2 507 121 866**	1 569.0	1 100.4		**2 202 457 054**

At least 8% of total expenditure is procured through approximately 456 small and micro enterprises (SMEs)

King Shaka International Airport has an aggressive empowerment target of 70% BBBEE procurement by completion of the contract in April 2010. This target is ahead of the Construction Sector Charter targets, but forecasts and appointments to date still demonstrate that the team is well on track to achieve this.

LOOKING FORWARD

The objectives in terms of preferential procurement during F2010 will be:

- To continue to encourage approved vendors that have not yet completed an independent assessment of BBBEE to provide an empowerment rating certificate
- To communicate the importance of empowerment to key vendors and to encourage vendors that do not have an empowerment strategy in place to develop and implement such a strategy
- To develop a database of small and micro enterprises, as well as black-owned and black female owned enterprises that could be considered as possible vendors to the group

Transformation continued

Enterprise Development

INTRODUCTION

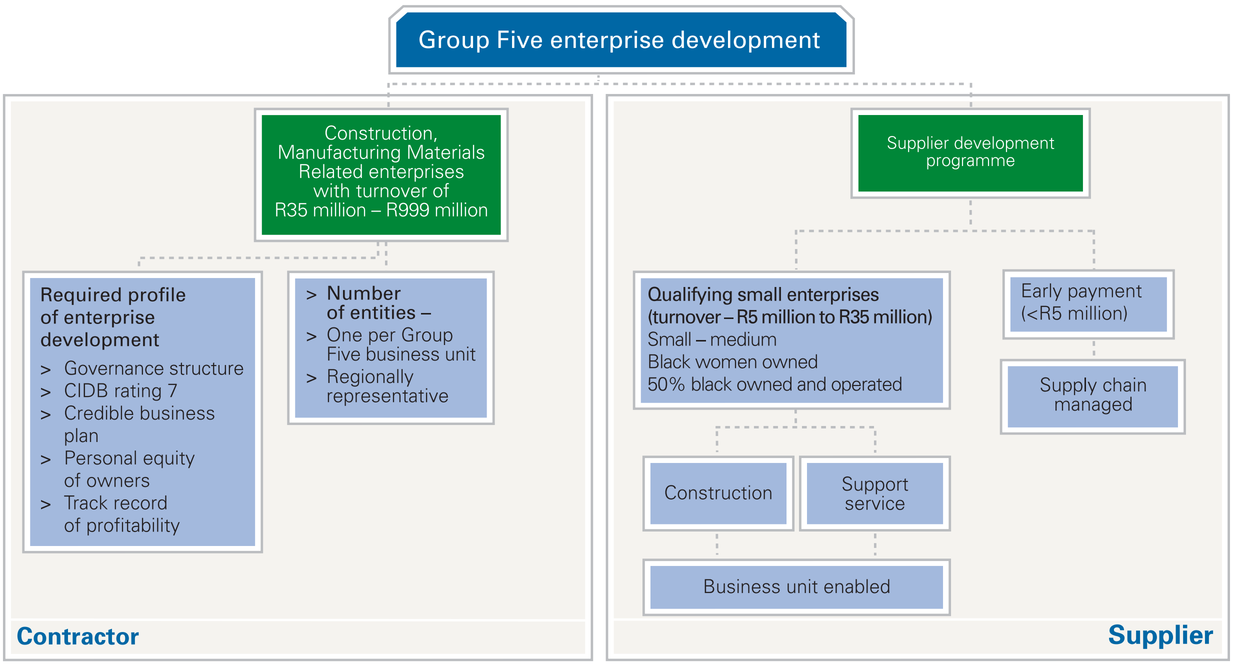
The group has embraced enterprise development with a view to:

- Develop black construction companies wishing to expand their businesses
- Increase its capacity to deliver on contracts with reduced joint ventures with other major industry competitors in favour of a more vigorous enterprise development strategy

We are currently working towards building strong working relationships and an execution capability with key black-owned enterprises able to execute multi-disciplinary contracts.

The group believes that by entering into a number of enterprise development agreements with carefully selected groups, we can improve our strategic position in the market significantly, while making a meaningful contribution to capacity building in the industries in which we operate.

To achieve the above, the group has adopted an integrated approach to enterprise development, focusing on both contractor and supplier development. Our strategy in this regard is depicted below:



The above diagram illustrates our two-dimensional approach to enterprise development, namely development of black construction enterprises and supplier development.

In terms of our strategy of developing significant black owned construction entities that will ultimately become joint venture partners on our larger construction projects, we have adopted a set of minimum criteria for qualification as an enterprise development partner. Selection is based on an assessment of the current size and future potential of the entity with our aspiration level being a CIDB rating of a minimum of 6PE, with both market and actual potential to reach a minimum of a CIDB 7 level in the short to medium term.

To enhance our preferential procurement capacity, we have launched a programme to develop our black-owned supplier base. This programme is designed to allow qualifying small enterprises improved access to the market through facilitation of their legal compliance and BEE status verification, as well as early payment terms for entities with an annual turnover of less than R5 million. The focus of our supplier development programme will be on small micro enterprises (SMEs) and black woman-owned (BWOs) entities.

ENSURING SUCCESS

Each managing director in the group has been tasked with identifying at least one qualifying business with either the capacity or the potential to be developed into successful enterprise development partners.

To drive this process, during the year, the HR director of operations was appointed as the group's enterprise development champion.

Progress in this regard during the year include:

- The development and adoption of a broad-based enterprise development strategy
- The development of a comprehensive tool kit to assist business units in the process of entering into and managing an enterprise development relationship
- The adoption of an integrated approach which focuses on:
  - The development of primary enterprise development relationships with established empowered entities
  - The development of smaller qualifying supplier entities through the introduction of a supplier development programme. This includes assisting these entities to enter the formal sector through preferential payment terms, CIDB registration, tax compliance and verified BEE rating

The success of this approach is demonstrated through the number of new enterprise development relationships entered into during the year, as reflected in the table below.

Enterprise development	Tax clearance certificate	Business unit	Black ownership	Women ownership	CIDB Level
Fully compliant agreements					
UMSO Construction (Pty) Ltd	Yes	Civil Engineering	89%	–	7PE
Pan African Development (Pty) Ltd	Yes	Building and Housing: Kwa-Zulu Natal	100%	–	6GB-PE (7 Pending)
BL Williams (Pty) Ltd	Yes	Building and Housing: Western Cape	100%	–	6GB-PE (7 Pending)
Name withheld at request of ED partner	Yes	Building and Housing: Building	100%	29%	7GB
Inkanyeli Projects (Pty) Ltd	Yes	Building and Housing: Housing	74%	19%	6GB-PE
Enzani Technologies (Pty) Ltd	Yes	Engineering projects: Energy	100%	67%	5EE PE
Siyakhula Engineering (CC)	Yes	Investment and concessions: Intertoll Africa	100%	–	Pending
iLima Projects (Pty) Ltd		Corporate	100%		9PE

Transformation continued

LOOKING FORWARD

A huge disappointment to the group at the end of the financial year was the announcement of the unwinding of the BEE ownership portion with one of our BEE partners, iLima consortium. At the time of the BEE transaction in F2006, we also entered into an enterprise agreement with iLima. In accordance with the agreement, Group Five periodically advanced technical and administrative guidance. The group has also provided bond and guarantee support, including working capital loans to iLima in relation to construction contracts.

We entered into this enterprise development agreement in the spirit of empowering a successful black-owned company and are therefore disappointed about its unwinding.

Based on this experience, we have learnt that thorough due diligence is critical. It is also important to agree on a strict project plan with milestones that both parties adhere to.

Find below the lessons we have learnt from the failure of this partnership that will be applied in future relationships:

Lessons learnt

- The ability to secure a growing order must be matched with the ability to grow the execution capacity and supporting systems to deliver. In this respect, in spite of Group Five's deployment of resources, there was insufficient attention paid or resources available in the enterprise in these areas
- Size, capacity and experience are crucial. Where these are in doubt, joint venture opportunities between the sponsor and enterprise being developed should be the rule to avoid over-trading. In this case, the enterprise chose smaller partners with whom to team up with, thus increasing the risk
- Mentoring of key individuals in the enterprise should be formalised with a more rigorous competence and capacity testing before assuming skills have been transferred. This does rely on a willingness to be mentored
- Where financial assistance is provided, an uncompromising reporting regime, together with risk identification, mitigation and remedial actions, must be formalised with early warning measures to enable the sponsor to step in where required. In this case, these measures were not adequate
- Fomalised corporatisation is a pre-requisite for successful enterprise development, and where this culture is absent, it would indicate that the partner selection criteria is insufficient

OTHER JOINT VENTURES

In addition to the enterprise development partners, although not specifically qualifying for enterprise development in terms of the Construction Sector Charter, Group Five has entered into a number of joint venture contracts with black owned companies.

Details of significant active contracts in the current year are set out below.

Discipline	Name of partner/ development entity	Contract/ development	Effective partner % holding in venture	Total value of contract (100%) R'000	Commence-ment date of contract
Construction	Makhosi Construction (Pty) Ltd	Head office accommodation for the Department of Education	30%	**367 623**	Apr-07
Construction	Fikile Construction (Pty) Ltd	Head office accommodation for the Department of Education	30%	**367 623**	Apr-07
Construction	Enza Construction (Pty) Ltd	Phase 1 – Bus Rapid Transit System	30%	**695 771**	Oct-08
Construction	Edwin (Pty) Ltd Pan African Development (Pty) Ltd Izinyoni Trading 238 (Pty) Ltd	Ilembe Civils joint venture for King Shaka International Airport (KSIA)	30%	**1 555 476**	Jul-07
Construction	PG Mvundla Engineering (Pty) Ltd Skhona Disabled Empowerment Forum (Pty) Ltd DLDMIC Construction (Pty) Ltd	Ilembe Building joint venture for King Shaka International Airport (KSIA)	31%	**2 461 391**	Jul-07
Construction	NW Civils	PSTs	17%	**27 161**	Jul-08
Construction	NW Civils	Northern Waste Waster	17%	**160 000**	Jun-06
Construction	BL Williams Construction Company (Pty) Ltd	Alterations and additions to PetroSA head office	50%	**70 754**	Jan-09
Construction	Bosasa Operations (Pty) Ltd	Replace existing temporary prison with a permanent structure and facility for 1 000 inmates	10%	**251 693**	Nov-08
Manufacturing	Motshwauwa Manufacturing (Pty) Ltd	Manufacture and supply of pallets	51%	**10 680**	Jan-06 N/A

Transformation continued

Discipline	Name of partner/ development entity	Contract/ development	Effective partner % holding in venture	Total value of contract (100%) R'000	Commencement date of contract
Investments and Concessions (Property Developments)	Secunda Business Park Development (Pty) Ltd	Secunda business park	15%	**80 000**	April 2008
Investments and Concessions (Property Developments)	Westside Trading 600 (Pty) Ltd	Gugulethu Square	25%	**305 000**	January 2008
Investments and Concessions (Property Developments)	Group Five AP Developments (Pty) Ltd	Eagle Ridge Retirement Estate Phase III	26%	**30 000**	January 2008
Investments and Concessions (Property Developments)	Kuvula Trade 12 (Pty) Ltd	Tygerview Knightsbridge The Beacon, St Pauls	13%	**259 600**	January 2008
Investments and Concessions (Property Developments)	G5 AP Investments (Pty) Ltd	Coachmans Crossing Office Park	26%	**3 980**	October 2008
Investments and Concessions (Property Developments)	MRX 92 Investment Holdings (Pty) Ltd	114 West	13%	**850 000**	January 2008
Investments and Concessions (Property Developments)	Group Five Montagu Developments (Pty) Ltd	Decor on Zambesi	13%	**65 000**	January 2008
Investments and Concessions (Property Developments)	Waterfall Development Company (Pty) Ltd	Waterfall City	85%	**800 000**	November 2008
Investments and Concessions (Property Developments)	RFC Developments (Pty) Ltd	The Core	13%	**196 000**	January 2008

Transformation continued

Socio-economic development (SED)

INTRODUCTION

Group Five focuses on job creation, human resource development, poverty relief and the general upliftment of disadvantaged communities. During the year, we increased our support to communities, particularly those in the geographical areas we have not invested in previously. In line with the Construction Codes, the group annually spends at least 1% of net profit after tax on community projects and non-profit organisations.

PROGRESS DURING THE YEAR

Find below how F2009 objectives were addressed, as well as new challenges and how these will be addressed going forward:

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
Further training and development of learners graduating from the Group Five People at the Gate programme to become sub-contractors.		Although over 300 people trained, nobody moved to sub-contractor level.	A service provider has been identified and assessed and learning material has been reviewed. The Transnet new multi-purpose pipeline contract has been identified as a pilot contract.	Implement the sub-contractor development programme.
Increase the involvement of our business units and employee participation.	All our business units have identified and supported community interventions, with a strong focus on employee participation.			Ensure that the business units remain focused on the group objectives when selecting their SED beneficiaries.
Encourage management participation in SED initiatives.	Partnerships have been created with a number of charities. Senior employees have been identified to serve on the industry FET* committees.			Ensure visible management support of the initiatives, which will include profiling of the programmes we run.
Ensure that construction skills are transferred to FET* lecturers. Co-ordinate the allocation of learners at participating companies for practical experience.		Insufficient time allowed for skills transfer.	A budget has been allocated towards a number of skills development initiatives. Learners that participate in the FET college initiatives are now provided with workplace experience.	Increase the number of workplace mentors and mentorship programmes.

*FET: Further Education and Training.

STRATEGY

During the year, Group Five's SED programme was repositioned to a more integrated and focused approach – one based on a thorough needs assessment of identified beneficiaries.

There are multiple positive outcomes from this approach:

- Team development
  Our teams engage outside the workplace and are encouraged to make a positive difference in the beneficiaries' lives.
- Extension of the group's profile
  The group's footprint is broadened in multiple communities through its social engagement.
- Empowered communities
  Communities benefit from the support through skills and knowledge transfer, as well as material, financial and emotional support.

The group focuses on three key areas:

- Education – mathematics, science and technology and environment education (for learners and educators)
- Social programmes – HIV/Aids victims' support and care, disaster relief and donations to the vulnerable in society
- Economic development projects – empowerment and long term independence of women, the youth and black people

Group Five encourages employees to actively participate in community projects and to assist in the plight of the less privileged and the most vulnerable in society. We encourage employees to engage in volunteer work in their communities and enable them to share their time, knowledge and skills.

Transformation continued

EDUCATION AND TRAINING

The largest part of our social development programme is focused on education. We support a variety of school and tertiary education programmes and teacher training initiatives.

Examples of our initiatives include:

TRAC mobile laboratories

TRAC South Africa is a national, non-profit organisation that supports science and technology education in South African secondary schools. The TRAC programme was first introduced to South Africa from the USA in 1994. The programme seeks to enable and encourage learners to enter into careers in science, engineering and technology. In particular, the programme focuses on providing equipment, syllabus content, vocational guidance and a variety of other material to communities where resources are limited.

Group Five, in partnership with TRAC South Africa, is sponsoring a mobile laboratory to support a minimum of 15 schools in Bushbuckridge in Mpumalanga at a value of R1,5 million.

The Dinaledi Schools Programme

The Dinaledi schools are dedicated to maths and science and focus on increasing the number of learners passing high-level mathematics and science in Grade 12.

The purpose of the Adopt-A-Dinaledi-School project is the following:

- Promote quality teaching and learning
- Increase participation and outstanding performance, especially in mathematics and science
- Mobilise resources for effective teaching and learning
- Co-ordinate private sector support and ensure equitable distribution and sustainability of assistance

Successful matriculants from the adopted schools will be earmarked for the company’s bursary scheme and learnerships.

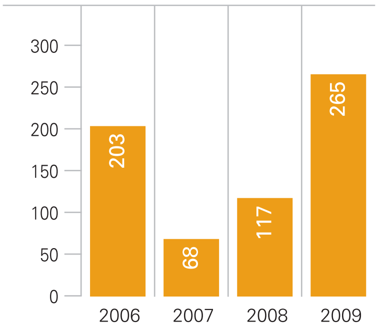
Group Five adopted five Dinaledi schools over a five-year period. During this period, over 500 learners between Grades 10 and 12 will be assisted. Furthermore, educators will be assisted with managerial and maths and science education skills. Resource centres, physical science and computer laboratories will be renovated.

The People at the Gate Programme

Unemployment remains one of the biggest challenges in South Africa, particularly in marginalised communities where people lack the critical skills necessary to access job opportunities. Through our People at the Gate programme we provide SETA-accredited, construction-related training to the unemployed to assist them to find work, either within our group or with other construction companies.

The graph below shows the number of people trained since 2006.

Number of people trained



The Construction Industry Further Education and Training (FET) Initiative

Five leading construction companies, Group Five, Basil Read, Murray and Roberts, WBHO and Grinaker LTA, formed a partnership with the National Business Initiative (NBI) and the Department of Education in F2009. In terms of this partnership, two colleges have been adopted to roll out learnerships to feed the skills pipeline in the industry.

The aim is to develop the selected colleges into centres of excellence in terms of training to build an expanded, high-quality skills base to meet the needs of the industry and the country through:

- Supporting the revision of the curriculum to ensure relevance
- Supporting the two colleges to ensure that approximately 1 000 graduates are ready to achieve a trade or supervisory level qualification by the end of 2012

Number of learners in industry training programme (Group Five contribution)

270 2008 (R413 111)
252 2009 (R414 170)

SOCIAL PROGRAMMES

The group's focus areas in terms of social support include:

- Community development through:
  - Support for major diseases likes HIV/Aids
  - Grants to children's homes and orphanages
  - Disaster relief
  - Support to vulnerable groups, including cause-related initiatives

Group Five actively supports several HIV/Aids homes, hospices, old age homes and disabled people through donations in the form of food, clothing, money and time spent by our employees.

During the year, we assisted victims of xenophobia in various locations in Johannesburg through the provision of temporary building units.

Group Five employees also continue to be part of the fight against cancer, and participated in the annual national Shavathon initiative.

ECONOMIC DEVELOPMENT PROJECTS

Group Five believes that true empowerment results in sustainable transformation, job creation and economic value. Our approach in this regard includes a careful assessment of local communities' needs in consultation with the relevant local authorities and members of the community to identify priority areas for support. Once the need is identified, champions within our employee base act as mentors to transfer skills to the local community over the period of our support.

Transformation continued

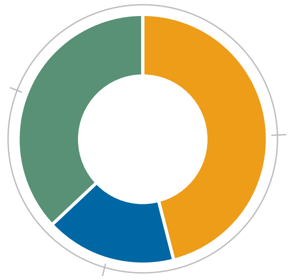
Building of an eco village
Group Five's contribution of R100 000 towards the construction of a village for employees of the Global White Lion Protection Trust in the Greater Timbavati served to ensure homes, as well as safety, to the employees of the Trust and their families.

The village was constructed using "green" building methods, and as far as possible, incorporating self-sustainable principles in terms of energy consumption, waste management and re-use, water requirements, food production and thermal insulation. Built predominantly by the Trust's employees as part of a dedicated skills transfer programme, the village is a model for similar projects in the rural Maruleng municipality, which has been declared a presidential poverty node.

The graph below is a breakdown of our spend:

Other key objectives for the year ahead to ensure an outcomes-based

SED spend breakdown



- **46%** Development spend
- **17%** Economic spend
- **37%** Social spend

SED SPEND BY BUSINESS UNIT	Spend R'000
CORPORATE	**1 697**
INVESTMENTS AND CONCESSIONS	**107**
Intertoll	101
Property Developments	6
MANUFACTURING	**158**
Everite	158
CONSTRUCTION MATERIALS	**532**
Quarry Cats	508
Sky Sands	22
Afrimix	2
CONSTRUCTION	**2 015**
Building and Housing: National	230
Building and Housing: Western Cape	100
Building and Housing: KwaZulu-Natal	337
Housing	107
Civil Engineering	505
Plant and Equipment	274
Engineering Projects	381
Engineering Projects: Energy	81
Total	**4 509 938**

F2009 SOCIAL PROGRAMME BENEFICIARIES

South African social beneficiaries

Gauteng

- Action for Blind and Disabled Children
- Beverly Hills High School
- Forest Town School Foundation
- Impilo Project
- Ithembelihle Secondary School
- Johannesburg Child Welfare Society
- Mokopane Abused Women and Children Centre
- Molimo Moholo School for the Disabled
- Nazareth House
- Saartjie Baartman Centre for Women and Children
- Sekolo Ka Borogo
- St Joseph's Care and Support Trust
- Tholuthando Children's Home
- Thusanang HIV/Aids relief projects
- University of Johannesburg Women's Programme
- University of Witwatersrand – Upgrading of Faculty of Architecture and Civil Engineering Laboratories
- Wicked Food Earth Programme
- Zimeleni School for the Handicapped

Free State

- Navalsig High School

KwaZulu-Natal

- Boys and Girls Town
- Child-headed Households
- Community Chest
- Edendale Technical High School
- George Campbell College
- Qoqisizwe High School
- Reach for a Dream
- Toluthando Orphanage

Western Cape

- Artehusa Daycare Centre
- White Lion Eco Village

Mpumalanga

- Bonginsimbi High School

Over-border social beneficiaries

Country	Contract	Beneficiary
Nigeria	ABA Power Station	Peace Sisters Outreach Ministries
Ghana	TSP Ghana	Adullam Orphanage
DRC	Kayelekera Mine	Community hall and clinic
DRC	DRC Regional Office	Katanga School Fund
DRC	KOV Dewatering	Kolwezi training school
DRC	Syama Gold Mine	Fourou maternity clinic
DRC	Ruashi II	Operation Smile
DRC	Tenke	Operation Smile

Transformation continued

LOOKING FORWARD

As we move into the new financial year, we intend to accelerate the implementation of our focused strategy and to ensure that our programmes reach additional rural communities. We plan to work closely with provincial and local government structures to enable more targeted interventions aligned with the regional integrated development plans (IDPs).

SED programme are outlined below.

F2010 Key objectives	Focus actions
Closer alignment with the group's core business.	▶ Programmes to focus on: – Maths and science – Enhancement of Group Five's business – Proximity to Group Five contracts – Geographic spread
Compliance with the requirement of the Construction Charter.	▶ Effective approval systems in terms of SED spend ▶ Improved record keeping of beneficiary documentation for audit purposes
Budget allocation in line with the Construction Charter.	▶ Split budget allocation between corporate and business units to meet overall group target of 1% of net profit after tax
SED strategies with defined benefits to the business.	▶ Alignment to the group's skills needs
SED approach integrated throughout the business.	▶ SED champions to be appointed from each business unit and represented on the SED committee of the Group Five board
Employees to manage formalised SED programmes.	▶ Employee involvement to be increased
Working partnerships with local communities and non-profit organisations.	▶ Further needs assessments to be done based on provincial, integrated development plans/municipal plans
Increased communication around SED.	▶ Tools and forums created for stakeholder communication
Measurement of SED results against output-based objectives and SED indicators/formal reporting.	▶ Reporting mechanisms to be reviewed and standardised
External verification of SED results.	▶ Implementation of checklist for verification

planet

This year we have significantly improved our disclosure regarding our impact on the environment. Outside of the principles outlined in the SHE report on page 202, in this report the reader can find more information on how the group interacts with the environment.

Environmental review

Over the last year we experienced year-on-year improvements in environmental performance against most of our targets in land management, energy and water efficiency, greenhouse gas emissions and waste reduction. We have a mature system to actively manage environmental impacts from operation to closure and rehabilitation. Going forward, our target for the new financial year is to further reduce energy use and greenhouse gas emissions, as well as improving our water recycling and land rehabilitation rates.

PROGRESS DURING THE YEAR

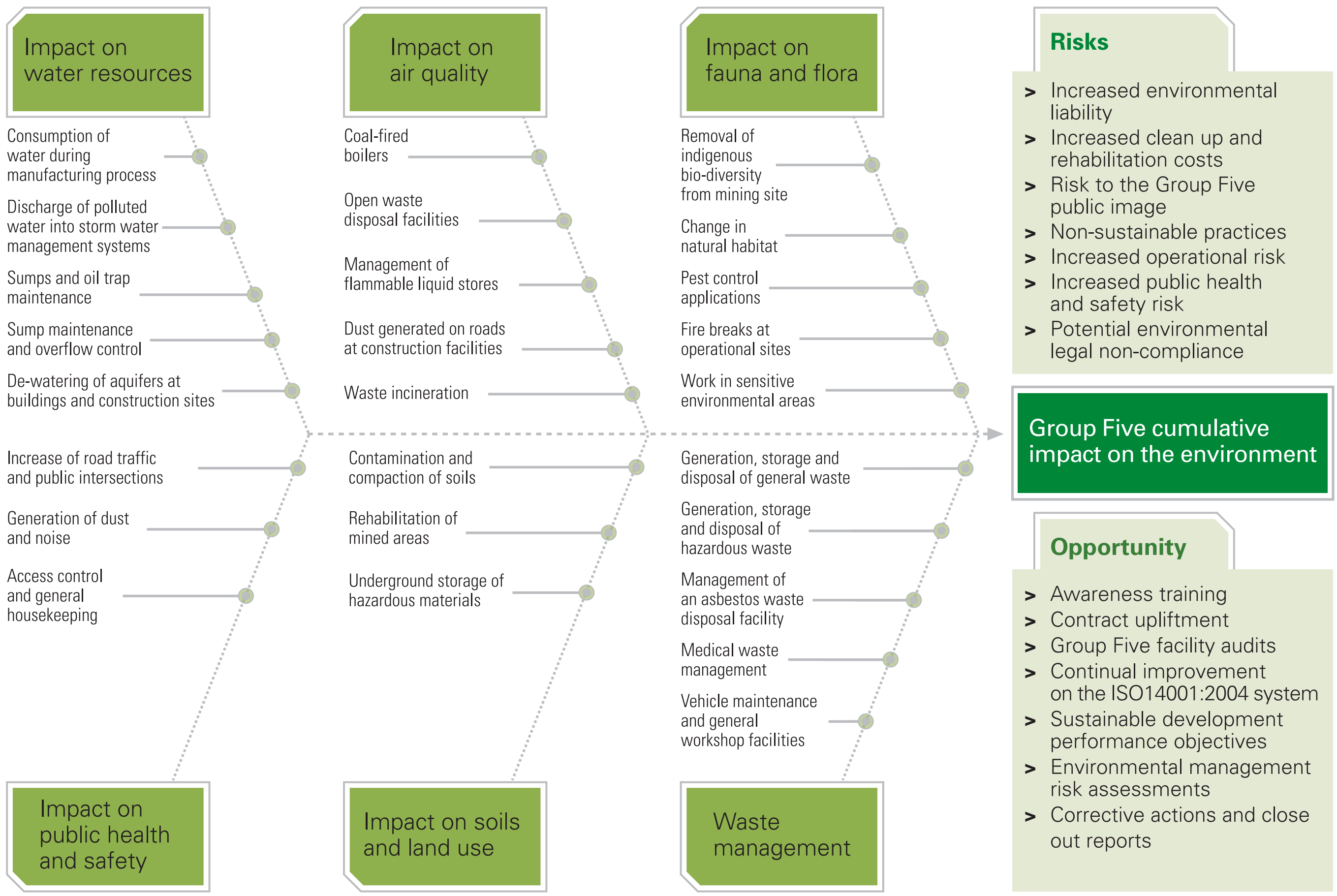
In the F2008 Annual Report, the group outlined areas that required attention in terms of the environment. Find below how these were addressed, as well as new challenges and how these will be addressed going forward:

Key objectives F2009	Key delivery	Key non-performance	Actions to address non-performance	Key objectives F2010
Implement ISO14001:2004.		Only six business units obtained ISO 14001:2004 certification.	Fast-track implementation.	All business units to be ISO14001:2004 certified.
Implement resource plans (water, air, waste, electricity) in our business units.		Only six business units implemented resource plans.	Monitor, review and assist business units to implement resource plans.	All business units to have resource plans in place.
No prosecutions or environmental fines.	No prosecutions or environmental fines during the year.			Continue to ensure no prosecutions or environmental fines.

Environmental review continued

Group Five recognises that impacts from our activities have the potential to cause environmental harm. We therefore use a risk-based approach in the management of our operations, activities, services and products, with the objective of ensuring that environmental impacts are neither serious, nor long lasting.

Group Five potential environmental impacts



During F2009, a formal environmental legal compliance audit (ELCA) was conducted on 11 South African business units. The audit found overall good compliance.

ENVIRONMENTAL AUDIT

To address the issues raised through the report, a prioritisation model has been created to systematically correct the areas of non-conformance. See below:

Non-compliant activities	High-level compliance objective
Re-fuelling	▶ Ensure that operational procedures are adequate and that proper oil/diesel/fuel spill procedures are followed. All contractors and employees working in the area to be trained
Batch plants, setting pond	▶ Extra attention be given to on-site water balance to show quality and quantity of water used, re-used and discharged. Consideration to be given to a general water use licence application
Use of hazardous substances	▶ Employees and contractors working with hazardous materials need to be trained. Procedures and records in place to track, dispose and store hazardous materials
Flammable liquid storage	▶ All storage facilities need to be bundled and clearly marked. Emergency planning needs to be in place at these sites and employees on duty trained
Vehicle maintenance	▶ The operational procedures should be adjusted to ensure that oil spillages, waste disposal and general hydrocarbon spillages are totally mitigated on operational sites
Mining (GN 702)	▶ Mining authorisation should be obtained, adequate environmental monitoring and measurement should be taking place and annual rehabilitation provisions determined and provided for
Cradle to grave: waste disposal	▶ Waste should be classified into general or hazardous waste and records to be kept of the classification. Storage and disposal must be followed in accordance with zero pollution principles
Water use	▶ All water use on operational sites should be identified and monitored. Awareness campaigns should support improved water use. Water use license applications should be considered
Blasting	▶ Blasting should consider public health and safety. Nitric pollution should be minimised and areas cleared of explosives after blasts
Environmental impact assessments	▶ Environmental impact assessments should be recorded by operational management and the requirements implemented and monitored

It is estimated that buildings consume 40-50% of the world's energy through their construction and ongoing operation. Green buildings reduce the consumption of energy to less than half of a conventional building, with similar reductions in potable water usage, runoff to sewer and solid waste.

Group Five is at the forefront of not only the construction, but also of the design and development of green buildings.

Environmental review continued

IMPROVING DELIVERY

To address areas of non-compliance, as well as to support the development and implementation of the group's environmental management system, during the year, the group appointed an external environmental company and created an internal "green committee". An environmental specialist was also appointed by the group on a permanent basis. His responsibilities include:

- Achieving and maintaining ISO 14001:2004 accreditation
- Informing management and employees of all relevant environmental guidelines, aligning site and group goals and enforcing and implementing continuous improvement on environmental issues
- Providing advice on environmental issues and the scheduling and managing of environmental audits
- Insisting on environmental incidence investigations and managing environmental management review meetings

With the increased global focus on climate change and environmentally friendly operations, stakeholders are increasing their requirements and commitment towards the environment. Governments and international institutions are moving towards enforcing non-negotiable terms and compliance measures for all areas of operations.

The group's environmental committee comprises champions from each division, a manco member, acting as co-ordinator and Willie Zeelie, the managing director of Engineering Projects: Energy, the exco representative.

The committee follows a systematic approach to implement green initiatives throughout the group.

The integrated strategy will be rolled out throughout the business via policies and procedures within each cluster. The strategy will address:

- Environmental compliance (e.g. ISO 14000:2004 carbon disclosure reports and other regulatory requirements)
- Initiatives for energy conservation, efficient utilisation of resources, etc
- Innovation in construction (e.g. green building and renewable energy solutions)

We are in the process of implementing full compliance to ISO 14001:2004. This is expected to be achieved by the end of F2010 across the group.

Water and waste consumption

	F2009	F2008
Total water consumed in the year – (Kilolitres)	**1 689 251**	1 334 404
General waste disposed – (Tonnes)	**197 465**	175 319

**Improved reporting systems this year.*

A number of objectives have been established and are being implemented across all business units. These include:

- Monthly monitoring and reporting of significant environmental incidents
- Developing and implementing environmental management plans (water, ground, waste, electricity and emission management)
  - These plans are due for implementation subsequent to obtaining ISO 14001:2004 accreditation
- Developing closure plans for all mining entities in the group in line with the requirements of the Mine Health and Safety Act and the Department of Minerals and Energy
- Implementing environmental awareness plans
- Site-based annual reporting in respect of water and electricity consumption, ground management and emissions

SUSTAINABLE CONSTRUCTION PRACTICES

Group Five is a founding member of the newly formed Green Building Council of South Africa (GBCSA), a non-profit organisation that encourages South Africans to design energy-efficient buildings.

The council uses the Green Star Rating Tool, with buildings given star ratings according to their sustainability and efficiency. Group Five was integral in the development of the Green Star rating. A member of our Buildings business unit has also been selected to serve on the second technical working group. The working group consists of 25 members selected from more than 80 applications.

GBCSA aims to lead the transformation of the South African property industry to ensure that all buildings are designed, built and operated in an environmentally sustainable way.

GBCSA addresses excess energy consumption and the related CO_2 emissions from burning carbon fuels, pollution of air, water and land; the depletion of natural resources and the disposal of waste. GBCSA also addresses issues facing local authorities, such as electricity shortages, water shortages, the lack of solid waste disposal sites, transportation issues and many others.

The group constructed the new Nedbank building in Sandton, which will be one of the first green star-rated buildings to be completed in South Africa.

Group Five is also tendering for a number of government office concessions with the building designs ranging from 4-5 star-rated buildings. This puts Group Five at the forefront of not only the construction of green buildings, but also of the design and development of green building contracts.

A Green Committee was established in 2009 with the objective to:

- Design and implement an integrated strategy to contribute towards preserving the environment
- Proactively comply with carbon disclosure requirements and guidelines to reduce the group's carbon footprint
- Co-ordinate the group's environmental efforts
- Agree on the group's external positioning around environmental initiatives and to actively build on this brand

Environmental review continued

RENEWABLE ENERGY

Group Five is actively pursuing opportunities in the renewable energy sector in southern Africa.

The group's strategy is to:

- Establish a global understanding of renewable energy and its fit with the group's core competencies and objectives
- Keep track of and help shape regulatory policy on the implementation of renewable energy in the region
- Align with key renewable energy stakeholders and partnerships
- Develop specific renewable energy EPC skills within the group through its stakeholder relationships
- Develop and invest in selected renewable energy IPP contracts, with exposure to earning and trading carbon certificates
- Streamline the group's core focus on selected power contracts through active engagement in the group's business approvals committee and risk review processes

Renewable energy team

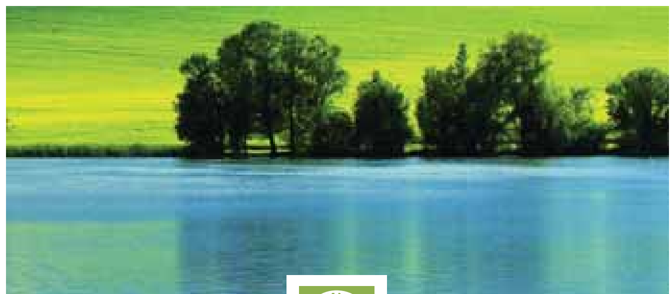
On the back of the enabling regulatory environment in South Africa, Group Five has established a dedicated team to focus on renewable energy and energy efficiency.

Group Five's Infrastructure Development Services cluster is leading the development of the first large-scale Concentrated Solar Thermal Power (CSP) plant in South Africa. This will be a build, own and operate contract for a period of 25 years with a plant life expectancy of 50 years.

The initial phase of the contract, to be commissioned in 2012/13, will save approximately 400 000 tons of CO^2 per annum by displacing coal-fired power. On the completion of the contract in 2016/17, the CO^2 saving will increase to 1,6 million tons per annum. Toxic emissions from fossil power plants will also be reduced proportionately.

The group will draw on its experience in turnkey EPC delivery of gas turbine contracts. The specific technical know-how is being developed through the engineering and original equipment manufacturer (OEM) relationships Group Five has established in the renewable energy sector.

Group Five's Energy and D+PM business units are gearing up to offer engineering, procurement and construction (EPC) support to dedicated renewable energy technologies. Our key focus is on concentrated solar thermal power, wind energy and small hydro power plants to be built in South Africa.



During the year, Group Five made a strategic investment in a dedicated solar water heating and energy efficiency development company. This has prepared the group to participate in a national energy efficiency programme based on clean renewable energies, which include the implementation of solar water heating in commercial sectors.

CARBON DISCLOSURE

The Carbon Disclosure Project (CDP), on behalf of global institutional investors, has challenged the world's largest companies since 2000 to measure and report on their carbon emissions, and to demonstrate how the long term value and cost of climate change has been factored into their investment decisions and growth plans.

In South Africa, the Top 100 companies on the JSE Limited have been involved in the CDP for three years. Although Group Five is not one of the Top 100 companies based on market cap, we offered to voluntarily submit our CDP report. This was welcomed, especially in light of the limited participation by construction companies during 2008.

Using the ISO 14064-1 (2006) principles and requirements throughout the group, data was collected on:

- Electricity consumption
- Diesel and petrol consumption
- LPG consumption at the Manufacturing business unit Everite
- Business travel, such as flights and claimed kilometres
- Transportation emissions

GROUP CARBON FOOTPRINT

An initial carbon footprint has been completed this year to provide the group with a starting point for emission reduction activities. As more is known about the carbon footprint of the group, specific activities can be implemented to reduce the footprint.

Direct fuel-related emissions for F2009

Emission source	Quantity	Emission factor	Ton CO_2 equivalent
Diesel	8 903 834 ,	2.69kg CO_2 per ,	23 951

Indirect energy emissions for F2009

Indirect emission source	Quantity	Emission factor	Ton CO_2 equivalent
Electricity	871 272 000kWh	1.04kg CO_2/kWh2	906 123

Cement is one of the most emission-intense products (measured per ton CO_2/US$ of product). Should a carbon tax be introduced, this would result in an increase in the price of cement. Although Group Five would be able to pass this on to clients, it would probably result in significant design changes using new materials and design. As a founding member of the Green Building Council of South Africa, Group Five is actively involved in evaluating different construction solutions.

Environmental review continued

Indirect emissions for F2009

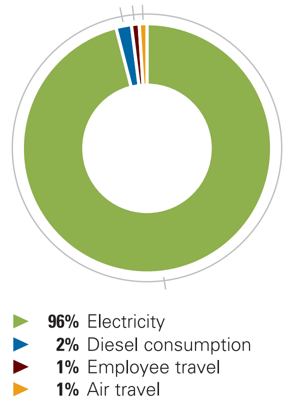
Indirect emission source	Quantity	Ton CO_2 equivalent
International flights	4 814 flights	4 517
Domestic flights	4 270 flights	951
Claimed employee kilometres	28 487 434 km	8 429
Total		13 897

The overall contributors to Group Five's greenhouse gas (GHG) emissions footprint are presented in the table below:

Overall GHG contributors for F2009

Emission source	Tons CO_2 equivalent	% of Total
Electricity	906 123	96.0
Diesel consumption	23 951	2.5
Employee travel	8 429	0.9
Air travel	5 468	0.6
Total	943 971	100

Group Five carbon footprint



Group Five is involved with the Johannesburg council of the Clinton Climate Initiative. The initiative is a non-profit organisation that supplies expertise, management and finance for environmental programmes. Group Five is looking at re-use and recycling projects for building waste, which represents 60% of all waste dumped at landfills in South Africa.

The group's three main contributors to greenhouse gas emissions are electricity, diesel consumption and employee travel.

As can be seen from the findings, Group Five's biggest focus should be on reducing electricity consumption by:

- Energy efficient projects specific to the group
- Energy efficient lighting
- Other initiatives, such as minimising building lighting at night etc

The group should also explore the use of hybrid and fuel efficient vehicles.

CLIMATE CHANGE

Introduction

There is currently no specific climate change legislation in most of the countries that Group Five operates in. Hungary and Poland are part of the European Union Emission Trading Scheme and as such are exposed to the regulatory requirements of the scheme.

Given concerns about climate change, it is likely that legislation specifically aimed at addressing climate change will be introduced in the various countries in which the group operates.

63% of the Group Five turnover is currently generated in South Africa. South African climate change policy and direction is therefore discussed below.

South Africa is in the process of developing air quality regulations that include greenhouse gas (GHG) targets. The Minister of Environmental Affairs and Tourism has announced that South Africa will commit to emission reduction in one form or another. Parliament is also considering South Africa's response to climate change in the form of long term mitigation scenarios.

Group Five is exposed to physical risks from climate change. These take the form of extreme weather events, increased rainfall in some areas, higher temperatures and droughts in others and the spread of tropical diseases.

Many of Group Five's business activities, such as construction, take place outdoors and weather events therefore affect its operations. Climate change will result in extreme weather events occurring more frequently. Changes in the rainy season and increased flooding can affect surrounding communities and therefore the workforce from these communities, causing delays on contracts.

Increased rainfall

Increased rainfall will also impact contract completion times. Group Five has noticed this in Cape Town which had an unusually wet summer. Earthworks can be adversely affected due to erosion caused by rain, particularly heavy rain. In addition, work cannot be executed on high scaffolding and buildings due to slippery steel, which creates a safety concern. Cement setting times are also adversely affected by wet conditions and soil cannot be compacted enough to build roads when it is waterlogged.

Provisions are made in Group Five contracts to counter the effects of delays from increased rainfall.

Higher temperatures and droughts

Heat waves could influence employee fatigue. Group Five has experience in operating in high temperatures such as the UAE. In Dubai, Group Five workers break from 12:00 to 13:30, and break for liquid intake every 30 minutes.

Using this established policy, Group Five will be able to adapt to climate change-related heat waves and continue safe construction in other areas even when temperatures increase.

Spreading of disease

It is also necessary to consider increased health risks in terms of climate change, especially malaria and yellow fever. An increase in diseases will increase the costs of doing business in affected regions.

The group has entrenched programmes in terms of managing diseases on all its sites.

The group's consumption over a year: F2009

- 90-95% of the group's electricity is consumed in South Africa
- The total cost of electricity was R192 million for the year. The group does not purchase heat, steam or cooling
- The cost of fuel was R62 million
- We purchased 871 272 MWh electricity from Eskom, the South African electricity provider
- 8 903 834 litres of diesel was consumed. This resulted in 23 951 tons CO_2 equivalent
- Based on Group Five's employees, the total CO_2/employee was 70 tonnes

Environmental review continued

LOOKING FORWARD

The group has implemented the following multi-tiered approach to ensure continuous improvement in terms of environmental management:

- A compliance body driving policies and procedures through the group – ISO certification, measurements, policies and procedures
- A green committee representing all businesses. The aim is to unify various initiatives already in place and share best practice between different business clusters. For example, emission reductions is one aspect of sustainability that the Group Five Green Committee is addressing
- Each business unit has its own environmental targets and initiatives

During the coming year, we will specifically focus on:

Goals	Actions to achieve this
Zero high-level environmental incidents.	▶ Ongoing education
The implementation of corporate environmental awareness programmes at all business units.	▶ In the process of rolling out
The implementation of environmental management plans (water, waste, energy and emissions).	▶ Environmental management plans to be in place before due dates
Ensuring closure compliance.	▶ All sites (if applicable) to conduct closure risk reviews and to have an up to date closure risk register in place
Implementing a management plan for hazardous and non-hazardous waste.	▶ Implementing a waste management plan for all business units
Improving the classification of waste.	▶ Standardising the group waste classification
Further water savings through: – The identification and reclamation of reusable or recyclable process streams. – The identification of leading practices.	▶ Implementing a waste management plan for all business units


B202
B180
B19

GROUP FIVE
structured ingenuity

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Fax: +27 11 803 5829
Email: info@groupfive.co.za

www.groupfive.co.za

performance

Statement of responsibility by the board of directors

for the year ended 30 june 2009

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 295 to 373 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 294.

The financial statements were approved by the board of directors on 6 August 2009 and are signed on its behalf by:

P (Philisiwe) Buthelezi
Chairperson
6 August 2009

MR (Mike) Upton
Chief Executive Officer
6 August 2009

CMF (Cristina) Teixeira
Chief Financial Officer
6 August 2009

Statement of compliance by the company secretary

for the year ended 30 june 2009

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 2009, and all such returns are true, correct and up-to-date.

N Katamzi
6 August 2009

Independent auditor's report

for the year ended 30 june 2009

TO THE MEMBERS OF GROUP FIVE LIMITED AND ITS SUBSIDIARIES

We have audited the annual financial statements and group annual financial statements of Group Five Limited and its subsidiaries, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 June 2009, 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 295 to 373.

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 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 2009 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc
Director: FJ Lombard
Registered Auditor
Sunninghill

6 August 2009

Directors' report

for the year ended 30 june 2009

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. The group operates in South Africa, rest of Africa, Middle East and Eastern Europe. The company has its primary listing on the JSE Securities Exchange.

GROUP RESULTS

The financial statements on pages 298 to 301 set out fully the financial position, results of operation and cash flows for the group for the financial year ended 30 June 2009. Segmental information as approved by the directors relating to the business of the group is set out on pages 302 to 306.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The interest in subsidiaries, joint ventures and associated companies, are set out on pages 367 to 370 of this annual report. The group had previously ceased all operations in India and concluded the disposal of its Vaal Sanitaryware operations and its 40% joint venture interest in DPI Holdings (Pty) Ltd in prior years.

In terms of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the results and financial position of these operations are accounted for as discontinued operations and reflected as "Non-current Assets held for sale".

In the prior year, with effect from 9 July 2007, the group acquired 100% of Sky Sands (Pty) Ltd (Sky Sands) for R134 million.

The group acquired 100% of Bernoberg Millings (Pty) Ltd (Bernoberg) for R32 million with effect from 1 October 2007.

In addition the group invested in a 33% associate share of Jozi Power Limited. This investment amounted to R7 million.

With effect from 1 July 2007, the group established a 49%/51% joint venture, Group Five Construction LLC, with its partner Al Naboodah Construction Group LLC in Dubai when it converted its sponsorship arrangement into a joint venture structure.

With effect from 1 July 2008, the group acquired 100% of BGM. The investment is reflected at a fair value of R71 million and was funded by an initial consideration of R31 million as well as by an exchange of assets of R12,6 million. The remainder of the funding is linked to the rate of tonnages of material extracted.

During the year the group invested R3 million for 51% in an energy efficiency business, Kayema Energy Solutions, that deals in domestic and commercial solar water heaters and energy efficiency systems. The investment was made at fair value to the assets acquired.

On 1 November 2008 the group acquired a 15% interest in the Waterfall Development Company (WDC) for R120 million. WDC indirectly, through its 22% investment in Atterbury Investment Holdings, holds the development rights for approximately 1,4 million square metres of a new, mainly commercial development to be built between Johannesburg and Midrand (the Waterfall Farm).

In the period under review the company's interest in aggregate after tax profits and losses in subsidiaries is disclosed on page 367.

There has been no major change in the nature of the fixed assets of the company and its subsidiaries nor has there been any change in policy relating to the use of fixed assets. Neither the business nor part thereof has been managed by any third party during the year.

SHARE CAPITAL

The movements in share capital for the year under review are summarised in the statement of changes in equity on page 301 of this report.

The authorised and issued share capital is as follows:

AUTHORISED:
150 000 000 ordinary shares of no par value.

ISSUED:
120 093 047 ordinary shares of no par value (2008: 119 165 241). All shares have been fully paid up.

On 8 July 2008, 185 032 shares at a price of R52.56 and on 15 October 2008, 233 950 shares at a price of R55.90 were issued, in terms of the group's BEE external ownership transactions, whereby shares are issued in lieu of dividends. In addition an amount of 508 824 shares were issued during the year in terms of the provisions of the company's share incentive schemes.

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 25 478 127 (2008: 25 419 493) are held as treasury stock and in trust, in addition, 878 (2008: 5 330) were held by the share incentive trust at 30 June 2009.

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 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

Directors' report continued

for the year ended 30 june 2009

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 is 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.

CAPITAL EXPENDITURE

Details on capital expenditure by business are set out on page 305 of this report.

RELATED PARTY TRANSACTIONS

In prior years it was reported that the group entered into a formal enterprise development arrangements with iLima. The iLima Group is the majority shareholder of the iLima Consortium which is one of the group's BEE ownership transaction shareholders.

Group Five had previously made available to iLima R141 million worth of bonds and guarantees to allow them to grow their order book and iLima leased various items required on some of their contracts from Group Five's plant business for which rentals were charged at market related rates.

Direct financial assistance has been provided to iLima Group (Pty) Ltd. The total capital amount outstanding on loans due by iLima Group (Pty) Ltd to the group as at 30 June 2009 amounts to R97 million.

The total indirect financial assistance provided to iLima, in the form of bonds and guarantees, which remain in issue, amounts to R75 million.

iLima has for some time experienced operational and funding difficulties that have been further exacerbated by lack of delivery capacity of its client base and by the current state of the markets. Group Five was actively working with iLima to provide guidance in support of their refinancing initiatives. In spite of significant efforts by iLima, Group Five and other interested parties these refinancing initiatives have by the date of this report failed.

BEE OWNERSHIP TRANSACTION	as at September 2005			as at 30 June 2009[(2)]	
	Number of shares	Transaction value[(1)] R'000	Shareholding (post issue of new shares)	Number of shares still held as treasury stock or in trust	Shareholding
Employee schemes	**4 366 109**	**69 989**	**4.5%**	**3 446 209**	**2.8%**
Broad-based scheme (refer note 23.4.2)	575 000	9 217	0.6%	575 000	0.4%
Black management scheme (refer note 23.4.1)	3 791 109	60 772	3.9%	2 871 209	2.4%
The Participants jointly (iLima Mvela Transaction)	**20 957 324**	**335 946**	**21.6%**	**22 031 918**	**18.4%**
iLima	10 478 662	167 973	10.8%	11 015 959	9.2%
Mvelaphanda	10 478 662	167 973	10.8%	11 015 959	9.2%
Total	**25 323 433**	**405 935**	**26.1%**	**25 478 127**	**21.2%**

(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.
(2) This reflects shareholding per treasury shares and in trust at 30 June 2009 thus prior to the return of the group's shares held by iLima Consortium.

In addition, iLima has not fulfilled certain conditions and/or breached certain terms to which the original Group Five BEE transaction was subject. As a consequence, the Group Five BEE transaction, in so far as it relates to iLima, will unwind. This will result in the return of the Group Five's shares held by iLima to Group Five post year end.

Group Five's direct and indirect exposure to iLima remains R172 million as mentioned above. From an accounting perspective the exposure will ultimately be recouped against the value of the shares held by iLima to be returned to Group Five.

SHAREHOLDER SPREAD

Details of shareholder categories are set out on page 371 of this report.

DIVIDENDS

On 6 August 2009, the directors declared a final dividend of 72 cents per ordinary share (2008: 60 cents). This brings the total dividend for the year to 130 cents (2008: 105 cents). In order to comply with the requirements of STRATE the relevant details are:

Event	Date
Last day to trade (cum-dividend)	Friday, 25 September 2009
Shares to commence trading (ex-dividend)	Monday, 28 September 2009
Record date (date shareholders recorded in books)	Friday, 2 October 2009
Payment date	Monday, 5 October 2009

No share certificates may be dematerialised or rematerialised between Monday, 28 September 2009 and Friday, 2 October 2009, both dates inclusive.

The Company has adopted an approximate four times basic earnings per share dividend cover policy. This policy is subject to review on a semi-annual basis, prior to dividend declaration, as distributions will be influenced by business growth, acquisition activity, or movements in earnings as a result of fair value accounting adjustments.

DIRECTORS AND SECRETARY

The names and brief curricula vita of the directors appear on page 188 of this report and further information on the directors, including their interest in the shares of the Company and share-based remuneration schemes are provided on page 372 and 186 of this report. No contracts in which the directors share an interest were entered into.

Ms LE Bakoro and Dr JL Job were appointed to the Board on 1 November 2008. Mr WV Mavimbela resigned from the Board on 17 June 2009, following his appointment as Director-General in the Office of the Presidency. He was replaced by Mr Z Mtshotshisa who was appointed on 18 June 2009.

In terms of the company's Articles of Association, LE Bakoro, Dr JL Job, Mr Z Mtshotshisa and P Buthelezi retire by rotation. Being eligible, they offer themselves for re-election.

DIRECTORS' SHAREHOLDINGS

At 30 June 2009, the number of ordinary shares held beneficially and non-beneficially by the current directors was 160 000 and 1 000 respectively (2008: 85 000 and 1 000 respectively). There has been no material change in their holdings between the year end and the date of this report.

BORROWING POWERS

In terms of the Articles of Association, the company has unlimited borrowing powers.

GOING CONCERN

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going-concern basis. The Board is not aware of any new material changes that may adversely impact the Group. The Board is not aware of any material non-compliance with statutory or regulatory requirements. The board is not aware of any pending changes in legislation in any of the major countries in which it operates that may affect the group.

CORPORATE GOVERNANCE

Full details on the group's corporate governance polices and procedures are set out in the corporate governance report on pages 174.

SHARE OPTION SCHEMES

Details of the group's share options schemes is set out on page 346.

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, 9.2% fixed rate per annum

The bonds were issued under an approved R1 billion BESA listed DMTN programme. The GFC1 bullet payment is due in February 2010. 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. The rating has been renewed during the year under review.

AUDITORS

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

ANNUAL GENERAL MEETING

The AGM will be held at 09h00 on Wednesday 14 October 2009. Refer to pages 375 to 378 of these annual financial statements for further details of the ordinary and special business for consideration at this meeting.

DOMICILE, COUNTRY OF INCORPORATION AND REGISTERED OFFICE

The company is incorporated in the Republic of South Africa, its domicile and registered offices are 371 Rivonia Boulevard, Rivonia, 2128.

Group income statement

for the year ended 30 june 2009

(R'000)	Notes	GROUP 2009	GROUP 2008
Construction revenue		**9 975 992**	7 074 017
Invoiced value of goods and services supplied		**2 015 387**	1 570 430
– existing operations		**1 991 227**	1 485 251
– acquisitions		**24 160**	85 179
Property sales and development fees		**98 857**	255 131
Revenue		**12 090 236**	8 899 578
Cost of material		**1 503 157**	1 156 898
Cost of subcontractors		**5 730 600**	3 689 135
Direct payroll costs	23.1	**1 939 081**	1 489 527
Other staff costs		**237 248**	214 827
Depreciation	4.11; 8	**258 370**	150 791
Plant costs		**981 095**	905 611
Manufacturing distribution costs		**103 153**	84 708
Site administration costs		**519 017**	280 721
Other administration costs		**21 333**	291 700
Total operating expenses		**11 293 054**	8 263 918
Operating profit before fair value adjustments		**797 182**	635 660
Fair value adjustment relating to investment properties		**–**	–
Fair value adjustment relating to investment in service concessions		**15 718**	111 464
Share of (loss)/profit from associates		**(69)**	140
Operating profit	4	**812 831**	747 264
Finance costs – net	5	**(30 820)**	(81 727)
Finance income		**137 173**	57 915
Finance costs		**(167 993)**	(139 642)
Profit before taxation		**782 011**	665 537
Taxation	6	**(224 567)**	(208 041)
Profit after taxation from continuing operations		**557 444**	457 496
Loss for the year from discontinued operations		**(22 890)**	(28 207)
Profit for the year		**534 554**	429 289
Allocated as follows:			
Equity shareholders of Group Five Limited		**514 733**	418 507
Minority interest		**19 821**	10 782
		534 554	429 289
Earnings per share – basic (Rand)	7.1	**5,44**	4,47
Fully diluted earnings per share (Rand)	7.2	**4,86**	3,79
Earnings per share from continuing operations (Rand)	7.3	**5,68**	4,78
Fully diluted earnings per share from continuing operations (Rand)	7.4	**5,08**	4,04
Dividends per share (cents) – based on the years to which they relate		**130,0**	105,0
Dividends per share (cents) – based on the years paid		**118,0**	87,0

Group balance sheet

at 30 june 2009

(R'000)	Notes	GROUP 2009	2008
ASSETS			
Non-current assets			
Property, plant and equipment	8	**2 432 466**	2 237 767
Investment property	9	**12 371**	18 817
Goodwill	10	**24 859**	24 859
Investment in associates	11	**15 210**	13 436
Investment in service concessions	12	**186 482**	135 070
Investment in property developments	13	**120 000**	–
Derivative financial instruments	19.1	**1 630**	15 023
Deferred taxation	14	**46 524**	123 989
Total non-current assets		**2 839 542**	2 568 961
Current assets			
Inventories	15	**507 641**	453 876
Contracts in progress	16	**745 337**	578 683
Derivative financial instruments	19.1	**2 049**	15 781
Trade and other receivables	17	**3 399 085**	3 660 872
Cash and cash equivalents	30	**2 798 046**	1 835 813
Total current assets		**7 452 158**	6 545 025
Non-current assets classified as held for sale	34	**81 170**	135 760
Total assets		**10 372 870**	9 249 746
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Stated capital		**1 218 133**	1 176 217
Retained earnings		**1 229 280**	826 377
Other components of equity		**(73 936)**	4 070
		2 373 477	2 006 664
Minority interest		**34 366**	16 517
Total equity		**2 407 843**	2 023 181
Non-current liabilities			
Interest-bearing borrowings	18.1	**897 867**	1 023 737
Derivative financial instruments	19.2	**85**	84 830
Provision for employment obligations	23.3	**21 434**	21 483
Provision for environmental rehabilitation	20	**40 550**	42 899
Total non-current liabilities		**959 936**	1 172 949
Current liabilities			
Excess billings over work done		**1 799 677**	969 912
Trade and other payables	21	**4 552 918**	4 638 032
Derivative financial instruments	19.2	**764**	15 724
Provision for liabilities and charges	22	**61 433**	40 848
Current taxation payable		**74 452**	39 349
Current portion of long-term interest bearing borrowings	18.1	**417 669**	150 927
Short-term borrowings		**78 556**	187 225
Bank overdrafts	30	**19 622**	11 599
Total current liabilities		**7 005 091**	6 053 616
Total liabilities		**7 965 027**	7 226 565
Total equity and liabilities		**10 372 870**	9 249 746

Group cash flow statement

for the year ended 30 june 2009

(R'000)	Notes	GROUP 2009	2008
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before working capital changes	27	**1 117 273**	760 830
Working capital changes	28	**682 226**	1 056 424
Cash generated from operations		**1 799 499**	1 817 254
Finance income		**137 173**	57 915
Finance costs		**(167 993)**	(139 642)
Taxation paid	29	**(110 364)**	(194 254)
Dividends paid		**(111 830)**	(81 533)
Cash effects of operating activities		**1 546 485**	1 459 740
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(262 665)**	(144 604)
Acquisition of investment property and service concessions		**(38 854)**	(24 740)
Acquisition of investment in property developments		**(120 000)**	–
Changes in associates/minorities		**(5 287)**	(8 251)
Acquisition of subsidiaries, net of cash acquired	33	**(30 925)**	(166 569)
Proceeds on disposal of property, plant and equipment		**43 227**	1 488
Proceeds on disposal of investment property		**9 580**	70 566
Proceeds on disposal of investments and service concessions		**–**	133 732
Cash effects of investing activities		**(404 924)**	(138 378)
CASH FLOW FROM FINANCING ACTIVITIES			
Long and short term borrowings raised		**167 487**	187 225
Long and short term borrowings repaid		**(395 885)**	(326 831)
Proceeds from share options		**9 347**	13 725
Cash effects of financing activities		**(219 051)**	(125 881)
Cash generated from discontinued operations	34	**31 700**	–
Net increase in cash and cash equivalents		**954 210**	1 195 481
Cash and cash equivalents at beginning of year		**1 824 214**	628 733
Cash and cash equivalents at end of year	30	**2 778 424**	1 824 214

Group statement of changes in equity

for the year ended 30 june 2009

	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 share-holders' equity R'000
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**
Issue of shares to share trust in terms of share scheme	555 128	(555 128)	–	–	–	–	–	–
Issue of shares from share trust	–	1 319 317	1 319 317	13 725	–	–	–	13 725
Issue of shares in terms of BEE ownership scheme in lieu of dividends	163 212	(163 212)	–	–	–	–	–	–
Share option costs	–	–	–	17 471	–	–	–	17 471
Translation differences arising from foreign operations	–	–	–	–	25 907	–	–	25 907
Net profit for the year	–	–	–	–	–	418 507	10 782	429 289
Distribution to minorities	–	–	–	–	–	–	(3 600)	(3 600)
Dividends paid	–	–	–	–	–	(81 533)	–	(81 533)
Balance at 30 June 2008	**119 165 241**	**(25 424 823)**	**93 740 418**	**1 176 217**	**4 070**	**826 377**	**16 517**	**2 023 181**
Issue of shares to share trust in terms of share scheme	508 824	(508 824)	–	–	–	–	–	–
Issue of shares from share trust	–	873 624	873 624	9 347	–	–	–	9 347
Issue of shares in terms of BEE ownership scheme in lieu of dividends	418 982	(418 982)	–	–	–	–	–	–
Share option costs	–	–	–	32 569	–	–	–	32 569
Translation differences arising from foreign operations	–	–	–	–	(78 006)	–	–	(78 006)
Net profit for the year	–	–	–	–	–	514 733	19 821	534 554
Distribution to minorities	–	–	–	–	–	–	(1 972)	(1 972)
Dividends paid	–	–	–	–	–	(111 830)	–	(111 830)
Balance at 30 June 2009	**120 093 047**	**(25 479 005)**	**94 614 042**	**1 218 133**	**(73 936)**	**1 229 280**	**34 366**	**2 407 843**

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.

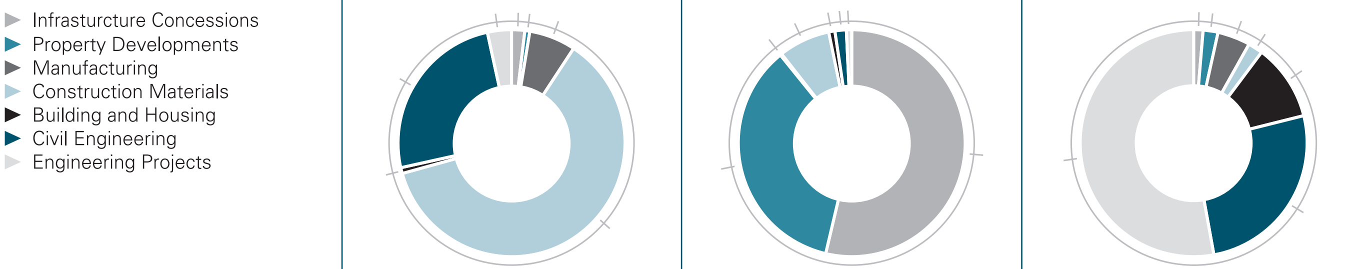
The group issues equity-settled share-based incentives to certain employees. Equity-settled payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period.

Group segmental analysis

for the year ended 30 june 2009

For reporting purposes, the group is organised on a worldwide basis into seven major reporting segments as set out below.

BALANCE SHEET



Business (R'000)	Property, plant and equipment and investment property 2009	2008	Other non-current assets (excluding non-current assets classified as held for sale) 2009	2008	Current assets 2009	2008
Investments and Concessions	**63 062**	47 146	**310 453**	146 539	**304 255**	283 351
Infrastructure Concessions	**45 985**	25 175	**187 030**	142 179	**119 360**	106 183
Property Developments	**17 077**	21 971	**123 423**	4 360	**184 895**	177 168
Manufacturing	**163 098**	292 929	**847**	–	**411 592**	289 718
Construction Materials	**1 501 974**	1 346 070	**25 556**	24 859	**184 649**	162 257
Construction	**716 703**	570 439	**11 325**	16 990	**3 753 616**	3 973 886
Building and Housing	**20 771**	68 911	**3 009**	7 512	**957 745**	1 043 014
Civil Engineering	**612 249**	441 494	**5 781**	9 478	**2 294 040**	2 437 036
Engineering Projects	**83 683**	60 034	**2 535**	–	**501 831**	493 836
Total	**2 444 837**	2 256 584	**348 181**	188 388	**4 654 112**	4 709 212

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 F2009 values only.

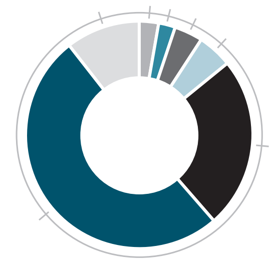
BALANCE SHEET

Total assets
(excluding non-current assets
classified as held for sale)

Non-current liabilities

Current liabilities

Total liabilities



2009	2008	2009	2008	2009	2008	2009	2008
677 770	477 036	**23 676**	73 267	**379 488**	316 521	**403 164**	389 788
352 375	273 537	**17 987**	48 248	**198 917**	180 152	**216 904**	228 400
325 395	203 499	**5 689**	25 019	**180 571**	136 369	**186 260**	161 388
575 537	582 647	**82 159**	101 434	**236 625**	142 784	**318 784**	244 218
1 712 179	1 533 186	**216 274**	171 087	**176 306**	130 082	**392 580**	301 169
4 481 644	4 561 315	**637 827**	827 161	**6 118 598**	5 413 281	**6 756 425**	6 240 442
981 525	1 119 437	**136 778**	279 361	**1 785 771**	1 742 408	**1 922 549**	2 021 769
2 912 070	2 888 008	**385 852**	424 139	**3 617 507**	3 006 216	**4 003 359**	3 430 355
588 049	553 870	**115 197**	123 661	**715 320**	664 657	**830 517**	788 318
7 447 130	7 154 184	**959 936**	1 172 949	**6 911 017**	6 002 668	**7 870 953**	7 175 617

Group segmental analysis continued

for the year ended 30 june 2009

For reporting purposes, the group is organised on a worldwide basis into seven major reporting segments as set out below.

- Infrasturcture Concessions
- Property Developments
- Manufacturing
- Construction Materials
- Building and Housing
- Civil Engineering
- Engineering Projects

INCOME STATEMENT

Revenue

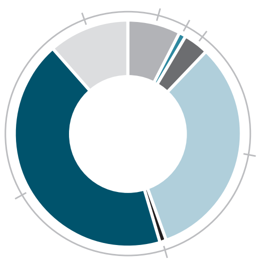
Operating profit before fair value adjustments

	INCOME STATEMENT			
	Revenue		Operating profit before fair value adjustments	
Business (R'000)	**2009**	2008	**2009**	2008
Investments and Concessions	**626 795**	581 685	**81 887**	53 482
Infrastructure Concessions	**527 938**	326 554	**79 636**	30 735
Property Developments	**98 857**	255 131	**2 251**	22 747
Manufacturing	**816 132**	554 656	**85 964**	56 211
Construction Materials	**671 317**	689 220	**55 835**	141 946
Construction	**9 975 992**	7 074 017	**573 496**	384 021
Building and Housing	**2 899 773**	2 848 795	**141 032**	140 294
Civil Engineering	**4 633 259**	2 964 184	**225 733**	142 857
Engineering Projects	**2 442 960**	1 261 038	**206 731**	100 870
Total	**12 090 236**	8 899 578	**797 182**	635 660

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 F2009 values only.

CASH FLOW

Depreciation	Capital expenditure	Number of employees
		

2009	2008	2009	2008	2009	2008
12 218	6 404	**36 603**	20 937	**877**	757
11 868	5 336	**32 514**	19 722	**867**	747
350	1 068	**4 089**	1 215	**10**	10
25 762	20 786	**15 453**	42 755	**1 344**	833
56 956	32 555	**139 118**	213 973	**862**	896
163 434	91 046	**238 337**	171 676	**10 967**	10 967
35 416	23 551	**3 869**	13 052	**2 080**	2 684
105 011	56 691	**185 065**	116 596	**6 560**	5 962
23 007	10 804	**49 403**	42 028	**2 327**	2 321
258 370	150 791	**429 511**	449 341	**14 050**	13 453

Group segmental analysis continued

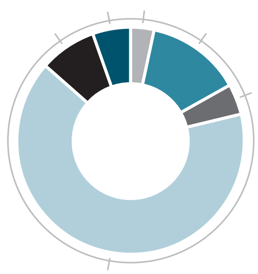
for the year ended 30 june 2009

For reporting purposes, the group is organised on a worldwide basis into seven major reporting segments as set out below.

- Eastern Europe
- Middle East
- Eastern Africa
- Southern Africa
- Central Africa
- Western Africa

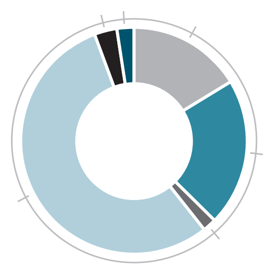
INCOME STATEMENT

Revenue



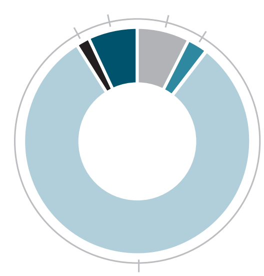
BALANCE SHEET

Total assets (excluding non-current assets classified as held for sale)



CASH FLOW

Capital expenditure



Business (R'000)	INCOME STATEMENT 2009	INCOME STATEMENT 2008	BALANCE SHEET 2009	BALANCE SHEET 2008	CASH FLOW 2009	CASH FLOW 2008
Eastern Europe	**402 962**	124 743	**1 212 110**	225 943	**32 346**	18 238
Middle East	**1 634 121**	833 626	**1 570 773**	1 317 023	**12 413**	2 879
East Africa	**531 434**	642 479	**147 301**	563 962	**271**	–
Southern Africa	**7 892 236**	6 022 170	**4 096 614**	4 639 469	**346 097**	401 462
Central Africa	**975 085**	909 360	**237 903**	178 520	**8 170**	6 676
West Africa	**654 398**	367 200	**182 429**	229 267	**30 214**	20 086
Total	**12 090 236**	8 899 578	**7 447 130**	7 154 184	**429 511**	449 341

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 F2009 values only.

Accounting policies

for the year ended 30 june 2009

1. PRINCIPAL ACCOUNTING POLICIES

These consolidated and company financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board, the JSE Listings Requirements and the Companies Act of South Africa and are consistent with those of the previous year.

The financial statements are prepared on the historical cost basis except that, as set out in the accounting policies below, certain items, including derivatives, investment in service concessions and investment property are stated at fair value. The financial statements are prepared on a going concern basis. Set out below are the principal accounting policies used consistently throughout the group. Investments in subsidiaries are carried at cost in the company financial statements. To assist with improved disclosure some comparatives have been restated.

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 BASIS OF CONSOLIDATION

a) Business combinations

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. The fair values of the identifiable assets and liabilities are determined by reference to the market values of those or similar items or by discounting expected future cash flows using market participation assumptions.

b) 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.

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.

c) 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.

d) 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.

Inter-company transactions, balances and unrealised gains on transactions between the group and its joint ventures are eliminated on consolidation. Unrealised losses are eliminated and are also 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.

Accounting policies continued
for the year ended 30 june 2009

1. PRINCIPAL ACCOUNTING POLICIES continued

1.1 BASIS OF CONSOLIDATION continued

e) 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. The total carrying value of associates is evaluated annually for impairment.

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.

1.2 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 group has seven principal reportable primary segments and six principal geographical segments. Its primary segments are differentiated by the activities that each undertakes and the products that they manufacture. The basis of segmental reporting is set out on page 306.

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 Rand, 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.

Where appropriate, in order to minimise its exposure to foreign exchange risks the group enters into forward exchange contracts.

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. Inter-company 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
- The by-product revenue received from the sale of gold as a result of the processing of sand is not regarded as significant and revenue is credited against cost of sales, when the significant risks and rewards of ownership of the products are transferred to the buyer

1.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment 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

Mine development costs, are initially recorded at cost, whereafter they are measured at cost less accumulated depreciation, calculated on a units of production basis based on estimated proven reserves. 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. Mine assets and mine plant facilities are amortised using the lesser of their useful life or units of production method based on proven reserves.

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.

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. Mineral rights are depreciated using the units of production method based on proved mineral reserves. Dumps are depreciated over the period of treatment.

Accounting policies continued

for the year ended 30 june 2009

1. PRINCIPAL ACCOUNTING POLICIES continued

1.5 PROPERTY, PLANT AND EQUIPMENT continued

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 five 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 five 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 three 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. These include purchased software and the direct costs associated with the customisation and installation thereof. Computer software development costs recognised as assets are depreciated using the straight-line method over their useful lives, not exceeding a period of ten 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 three to five 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.

i) Gains and losses

Gains and losses on disposals are determined by comparing the proceeds with the carrying value and are recognised within the income statement as appropriate.

1.6 INVESTMENT PROPERTY

Investment property 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.

1.7 GOODWILL

Goodwill represents the excess cost of an acquisition over the fair value of the group’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition. For the purpose of impairment testing, goodwill is allocated to each of the group’s cash generating units expected to benefit from the synergies of the combination. Goodwill is allocated to the group’s cash generating units identified according to country of operation and business segment.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. The carrying amount of goodwill is included in computing the gains and losses on the disposal of an entity. Impairment tests are conducted annually on goodwill based on future discounted cash flows and other appropriate methods.

1.8 IMPAIRMENT OF LONG TERM NON-FINANCIAL ASSETS

Long term non-financial assets are tested biannually 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.

1.9 FINANCIAL ASSETS

The group classifies its financial assets in the following categories; at fair value through profit and loss or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets held for trading or those designated as fair value through profit and loss on initial recognition. These assets are reflected in current and non-current assets respectively. Derivatives are classified as held for trading unless they are designated as hedges. Financial assets carried at fair value through profit and loss are initially recognised at fair value and subsequently carried at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit and loss category are presented in the income statement in the period in which they arise. The method for estimation of fair value is described within the accounting policy for each financial asset and within the disclosure on judgements and estimates.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables include trade and other receivables and cash and cash equivalents in the balance sheet. Loans and receivables are initially recognised at fair value, plus transaction costs, and subsequently carried at amortised cost using the effective interest rate method.

1.10 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 financial assets designated at fair value through profit and loss. They are initially recognised at fair value and subsequently measured at fair value with changes in fair value, recognised in the income statement.

1.11 INVESTMENTS IN PROPERTY DEVELOPMENTS

These investments consist of interest in property development entities over which the group has neither control nor significant influence. These investments are financial assets designated at fair value through profit and loss. They are initially recognised at fair value and subsequently measured at fair value with changes in fair value, recognised in the income statement.

1.12 FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include cash and cash equivalents (as defined), short term borrowings, investments in service concessions, investment in property development, trade and other receivables, trade and other payables, interest bearing borrowings and derivative financial instruments. The particular recognition methods adopted are disclosed in the individual policy statements or notes associated with each item.

1.13 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).

Accounting policies continued

for the year ended 30 june 2009

1. PRINCIPAL ACCOUNTING POLICIES continued

1.13 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES continued

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 19. 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.

1.14 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 and includes expenditure incurred in acquiring, manufacturing and transporting the inventory to its present location. The cost of manufactured goods includes direct expenditure and an appropriate proportion of manufacturing overheads. Provision is made for obsolete and slow moving inventory.

Costs that are incurred in or benefit the construction materials process, are accumulated as stockpiles and consist of sand finished product. Stockpiles are verified via monthly surveys of estimated tonnes and are valued based on cost of production per tonne. Net realisable value tests are performed annually and represent the estimated future sales price of the product, based on prevailing prices, less estimated costs to completion and sale.

Property development costs held as inventory, which is property held for development and resale, are valued at the lower of cost and net realisable value.

1.15 CONSTRUCTION CONTRACTS

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology, and functions, or their ultimate purpose or use.

A group of contracts 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).

1.16 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.

1.17 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.

1.18 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.

1.19 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 1.24.d.

1.20 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.

1.21 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.

1.22 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. The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of these borrowings. Other borrowing costs are recognised directly in the income statement when incurred.

1.23 TAXATION

The taxation expense represents the sum of the current taxation payable (local and international), deferred taxation and Secondary Taxation on Companies.

The current taxation payable is based on the taxable income for the year. Taxable income differs from net income as reported in the income statement because it includes items of income and expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The group's liability for current taxation uses relevant rates that have been enacted or subsequently enacted by the balance sheet date.

Accounting policies continued

for the year ended 30 june 2009

1. PRINCIPAL ACCOUNTING POLICIES continued

1.23 TAXATION continued

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences which arise from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding taxation basis used in the computation of taxable income. Deferred taxation liabilities are recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. The carrying value of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow part of the asset to be recovered.

Current enacted taxation rates are used to determine deferred income taxation. The principal temporary differences arise from depreciation on property, plant and equipment, various provisions, contracting allowances and taxation losses carried forward.

Secondary Taxation on Companies is recognised as part of the taxation charge in the income statement when the related dividend is declared.

1.24 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 Pension Funds Act.

a.i Pension obligations – defined contribution plans

The group's pension accounting costs for the defined contribution plans and multi-employer industry plans are limited to the annually determined contributions.

a.ii Pension obligations – defined benefit plans

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. The limit on the amount of pension fund surplus that can be recognised has been considered.

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 23.4.3. 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 on a straight-line basis. The fair value of the share options is measured using the Black-Scholes pricing model. These share options are not subsequently revalued.

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 capable of being reliably estimated; 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.

1.25 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.

1.26 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.

1.27 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.

Leased assets are depreciated over the shorter of their useful lives or lease term. The interest amount is charged to the income statement and the capital elements reduce the liability.

1.28 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.

1.29 DIVIDENDS PAID

Dividends paid are recognised when declared by the board of directors.

1.30 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.

1.31 HEADLINE EARNINGS PER SHARE

Headline earnings per share is based on the same calculation as in 1.30 above except that attributable profit specifically excludes items as set out in Circular 8/2007 "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.

Accounting policies continued

for the year ended 30 june 2009

1. PRINCIPAL ACCOUNTING POLICIES continued

1.32 CONTINGENCIES AND COMMITMENTS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. Contingencies 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.

1.33 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 367 to 370 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 24.1. There were no other material contracts with related parties.

1.34 DISCONTINUED OPERATIONS

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. 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 below.

2.1 ESTIMATES MADE IN DETERMINING CHANGES IN ESTIMATED USEFUL LIVES AND RESIDUAL VALUE OF MOBILE PLANT AND EQUIPMENT AND COMPUTER EQUIPMENT

The group maintains a large fleet of mobile plant and equipment and computer equipment. Annual evaluations on estimated useful lives and residual values are performed. These are conducted with reference to external valuations and confirmations supporting the reasonableness on estimates made.

2.2 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.

All mining assets are amortised using the units of production method. The calculation of the units-of-production rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production. This would generally arise when there are significant changes in any of the factors or assumptions used in estimating reserves. Stockpile valuations are subject to the accuracy of survey assessments performed.

2.3 ESTIMATES REGARDING IMPAIRMENT OF GOODWILL

The group continually assesses the recoverability of any goodwill carried on the balance sheet as part of acquisitions. This requires an estimation of the value in use of the cash generating unit to which the goodwill is allocated. Expected cash flows used to determine the value of goodwill are inherently uncertain and could change over time. They are affected by a number of factors including estimates of costs to produce inventory, future capital expenditure and product markets. The carrying amount of goodwill in the consolidated annual financial statements at 30 June 2009 was R24,8 million (2008: R24,8 million).

2.4 ESTIMATE REGARDING THE RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

The fair value of the interest rate swaps described in note 19.1 is calculated based on the present value of the estimated future cash flows.

Details of the assumptions made and sensitivity analyses of these assumptions are provided in note 26.4.

2.5 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 note 12 and 13 for valuation methodology and significant assumptions used.)

2.6 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.

2.7 ESTIMATE OF LEVEL OF PROVISION REQUIRED FOR OBSOLETE STOCK AND DOUBTFUL DEBTS

The group estimates the level of provision required for obsolete stock and doubtful debts on an ongoing basis based on historical experience as well as other specific relevant factors. A comparison between provision and actual loss incurred is performed to assess reasonableness of provisioning methodology. (Refer to note 17 for additional disclosure.)

2.8 ESTIMATE OF TAXATION

The group is subject to income tax in numerous jurisdictions. Judgement is required in determining the worldwide provision for income taxes. Corporate and deferred taxation calculations have been determined on the basis of prior year assessed computation methodologies adjusted for changes in taxation legislation in the year. No significant new transactions have been entered into in the year which require specific additional estimates or judgements to be made.

The group recognises the net future benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of the deferred income tax assets requires the group to make estimates related to expectations if future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred taxation assets recorded at the balance sheet date could be impacted. Additionally future changes in taxation laws in the jurisdictions in which the group operates could limit the ability of the group to obtain taxation deductions in future periods. Deferred taxation assets are only raised in jurisdictions where there is significant certainty on the probability that legislation on the use of the assets will remain unchanged. In addition, assets are only raised in jurisdictions where the group has secured signed future contracts or orders sufficient to utilise these losses.

2.9 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 23.3.

Where valuations are not performed at year end, a review of key assumptions used in the most recent valuation are performed at reporting date to ensure that no material changes in assumptions has occurred, valuations are performed annually.

2.10 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 inputs into the model are: vesting period and conditions, risk free interest rate, volatility, price on date of grant and dividend yield. (Refer to note 23.4 for details on each of the share option schemes.)

2.11 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.

Accounting policies continued

for the year ended 30 june 2009

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued

2.11 ESTIMATE OF EXPOSURE AND LIABILITIES WITH REGARD TO REHABILITATION COSTS continued

Actual costs incurred in future periods could differ from estimates. Additionally, future changes to environmental laws and regulations, life of asset and discount rates could affect the carrying amount of their provisions.

A discount rate of 12% and an inflation rate of 8% 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.

2.12 ESTIMATES MADE OF CONTINGENT LIABILITIES

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. Disclosure is made in note 25 of the contingent liabilities that the group is exposed to.

As a global company, the group is exposed to legal risks. The outcome of any pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a lawsuit could result in additional costs that are not covered, either wholly or partly, and that could influence the business and results of operations.

3. ADOPTION OF NEW ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS continued

The group and company have adopted the following statements and interpretations:

Accounting Standard/Interpretation	Type	Description
IFRIC Interpretation 12 – Service Concession Arrangements	New Interpretation	The new interpretation is applicable to the group. It sets out general principles on recognising and measuring the obligations and related rights in service concession arrangements. In principle the operator can construct or upgrade infrastructure (ie provide construction or upgrade services) used to provide a public service and/or operate and maintain that infrastructure (the operation services) for a specified period of time. The interpretation guides that operation services should be accounted for in terms of IAS 11 while provision of construction or upgrade services will result in a consideration which must be accounted for as either financial assets or intangible asset. This statement does not impact on the reported results of the group.
IFRIC Interpretation 13 – Customer Loyalty Programme	New Interpretation	This interpretation had no effect on the group.
IFRIC Interpretation 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	New Interpretation	IFRIC Interpretation 14 provides guidance on how to assess the limit in IAS 19 on the amount of pension fund surplus that can be recognised as an asset, specifically in respect of statutory or contractual minimum funding requirements. The interpretation's requirements have been considered and applied in determining the pension fund surplus calculated as part of the fund's statutory actuarial valuation as at 31 March 2009. (Refer to note 23.2 on page 342.)

3. ADOPTION OF NEW ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS continued

At the date of issue of these financial statements, the following standards and interpretations were in issue but not effective yet:

Accounting Standard/Interpretation	**Type**	**Effective date**
IAS 1 – Presentation of Financial Statements	Amendment	Financial years commencing on or after 1 January 2009.
IAS 23 – Borrowing Costs	Amendment	Financial years commencing on or after 1 January 2009.
IAS 27 – Consolidated and Separate Financial Statements	Amendment	Financial years commencing on or after 1 July 2009.
IAS 32 and IAS 1 – Financial Instruments Presentation Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	Amendment	Financial years commencing on or after 1 January 2009.
IFRS 1 and IAS 27 – First Time Adoption of International Standards and Consolidated and Separate Financial Statements – Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate	Amendment	Financial years commencing on or after 1 July 2009.
IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items	Amendment	Financial years commencing on or after 1 July 2009.
IFRS 1 – First-time Adoption of International Financial Reporting Standards	Revised	Financial years commencing on or after 1 July 2009.
IFRS 2 – Share Based Payments – Vesting Conditions and Cancellations	Amendment	Financial years commencing on or after 1 January 2009.
IFRS 2 – Share Based Payments – Group Cash-settled Share-based Payment Transactions	Amendment	Effective for financial years commencing on or after 1 January 2010.
IFRS 3 – Business Combinations	Amendment	Financial years commencing on or after 1 July 2009.
IFRS 7 – Financial Instruments: Disclosures – Improving disclosures about Financial Instruments	Amendment	Financial years commencing on or after 1 January 2009.

Accounting policies continued

for the year ended 30 june 2009

3. ADOPTION OF NEW ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS continued

At the date of issue of these financial statements, the following standards and interpretations were in issue but not effective yet:

Accounting Standard/Interpretation	Type	Effective date
IFRS 8 – Operating Segments	New Statement	Financial years commencing on or after 1 January 2009.
IFRIC 9 and IAS 39 – Embedded Derivatives	New Interpretation	Financial years commencing on or after 30 June 2009.
IFRIC 15 – Agreements for the construction of Real Estate	New Interpretation	Financial years commencing on or after 1 January 2009.
IFRIC 16 – Hedges of a net investment in a foreign operation	New Interpretation	Financial years commencing on or after 1 October 2008.
IFRIC 17 – Distribution of Non-cash Assets	New Interpretation	Financial years commencing on or after 1 July 2009.
IFRIC 18 – Transfer of Assets from Customers	New Interpretation	Financial years commencing on or after 1 July 2009.
Improvements Projects	Improvements to IFRS	Financial years commencing on or after 1 January 2009 and 1 January 2010.

IAS 1 (Revised): PRESENTATION OF FINANCIAL STATEMENTS

The changes made to IAS 1 are to require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners separately from 'non-owner' changes. The revisions include changes in the titles of some of the financial statements to reflect their function more clearly.

IAS 1 (Amendment): PRESENTATION OF FINANCIAL STATEMENTS and IAS 32: FINANCIAL INSTRUMENTS: PRESENTATION – PUTTABLE FINANCIAL INSTRUMENTS AND OBLIGATIONS ARISING ON LIQUIDATION

The amendments require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions: a) puttable financial instruments (for example, some shares issued by co-operative entities); b) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation (for example, some partnership interests and some shares issued by limited life entities). Additional disclosures are required about the instruments affected by the amendments.

IAS 23 (Revised): BORROWING COSTS

The main change from the previous version of IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

IAS 27 (Revised): CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.

IAS 39 (Amendment): FINANCIAL INSTRUMENTS; RECOGNITION AND MEASUREMENT – ELIGIBLE HEDGED ITEMS

The amendment clarifies how the existing principles underlying hedge accounting should be applied in the designation of: a one-sided risk in a hedged item; and inflation in a financial hedged item.

IFRS 1 (Revised): FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS
IFRS 1 has been amended many times since it was first issued to accommodate first-time adoption requirements resulting from new or amended IFRS. As a result the text became increasingly complex. IFRS 1 has been restructured to make it easier to understand, and to allow it to accommodate more easily any future changes that might be necessary.

IFRS 1 (Amendment): FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS AND IAS 27(AMENDMENT): CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS – COST OF AN INVESTMENT IN A SUBSIDIARY, JOINTLY CONTROLLED ENTITY OR ASSOCIATE:
When an entity adopts IFRS for the first-time, an exemption is added to IFRS 1 that will allow investments in subsidiaries, jointly controlled entities and associates to be measured at cost in accordance with IAS 27 or deemed cost (being the fair value determined in accordance with IAS 39 at the date of transition; or the previous GAAP carrying amount). Dividends received from subsidiaries, jointly controlled entities and associates will be recognised in profit and loss in the separate financial statements when the entities right to receive dividends is established (ie, there is no longer a need to distinguish between dividends declared from pre-acquisition and post-acquisition profits). IAS 36: Impairment of Assets was consequentially amended to include the following additional impairment indicators: the carrying amount of the investment in a subsidiary, jointly controlled entity or associate, in the separate financial statements exceeds the carrying amount of the investee's net assets in the consolidated financial statements; and the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity or associate in the period the dividend is declared.

IFRS 2 (Amendment): SHARE BASED PAYMENTS – VESTING CONDITIONS AND CANCELLATIONS
The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

IFRS 2 (Amendment): SHARE BASED PAYMENTS – GROUP CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS
The amendment clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendment provides guidance on how to account for group share-based payment schemes in entities separate financial statements. The amendment incorporates guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2 – Group and Treasury Share Transactions. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11.

IFRS 3 (Revised): BUSINESS COMBINATIONS
The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.

IFRS 8: OPERATING SEGMENTS
IFRS 8 requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. The Standard sets out requirements for disclosure of information about the entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The disclosure should enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

IFRS 7: FINANCIAL INSTRUMENTS: DISCLOSURES – IMPROVING DISCLOSURES ABOUT FINANCIAL INSTRUMENTS
The disclosures introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk. This is aimed at ensuring that the information disclosed enables users of an entity's financial statements to evaluate the nature and extent of liquidity risk arising from financial instruments and how the entity manages that risk.

IFRIC 9 and IAS 39 (Amendment): EMBEDDED DERIVATIVES
The amendment results in a mandatory assessment of any embedded derivatives following reclassification of a financial asset out of the fair value through profit or loss category. The assessment will not have taken place at initial recognition, as the entire asset was accounted for at fair value. The amendment is necessary to ensure that, following a reclassification from the fair value category, entities apply the requirements for separation of an embedded derivative that is not closely related to the host contract. The assessment should be made on the basis of the circumstances that existed when the entity first became a party to the contract. In addition, if the fair value of the embedded derivative that would have to be separated cannot be reliably measured, the hybrid financial asset in its entirety should remain in the fair value through profit or loss category.

Accounting policies continued

for the year ended 30 june 2009

3. ADOPTION OF NEW ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS continued

IFRIC 15: AGREEMENTS FOR THE CONSTRUCTION OF REAL ESTATE

The IFRIC was issued to address diversity in accounting for real estate sales. Some entities recognise revenue when risks and rewards in the real estate are transferred in accordance with IAS 18: Revenue and others recognise revenue as the real estate is developed in accordance with IAS 11: Construction Contracts. The interpretation clarifies which standard should be applied to particular transactions. The guidance is not limited to real estate sales but can be applied by analogy in other circumstances to determine whether a transaction is accounted for as a sale of a good (IAS 18) or a construction contract (IAS 11).

IFRIC 16: HEDGES OF A NET INVESTMENT IN A FOREIGN OPERATION

This interpretation addresses three issues: the nature of the hedged risk and amount of the hedged item for which a hedging relationship may be designated; where in a group the hedging instrument can be held; and what amounts should be reclassified from equity to profit and loss as reclassification adjustments on disposal of the foreign operation.

IFRIC 17: DISTRIBUTION OF NON-CASH ASSETS

This interpretation claries that: (1) A dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (2) An entity should measure the dividend payable at the fair value of the net assets to be distributed; and (3) An entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit and loss. The interpretation also requires an entity to provide additional disclosure if the net assets being held for distribution to owners meet the definition of a discontinued operation. The interpretation does not apply to common control transactions.

IFRIC 18: TRANSFERS OF ASSETS FROM CUSTOMERS

This interpretation applies to agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer which must be used only to acquire or construct the item of property, plant and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). The interpretation clarifies: (1) the circumstances in which the definition of an asset is met; (2) the recognition of the asset and the measurement of its cost on initial recognition; (3) the identification of the separately identifiable services (one or more services in exchange for the transferred asset); (4) the recognition of revenue; and (5) the accounting for transfers of cash from customers.

IMPROVEMENTS

Improvements to IFRS is a collection of amendments to International Financial Reporting Standards (IFRS). These amendments are the result of conclusions the Board reached on proposals made in its annual improvements project. Unless otherwise specified, the amendments are effective for annual accounting periods beginning on or after 1 January 2009 and 1 January 2010 respectively, although entities are permitted to adopt them earlier.

The directors believe that none of the new or revised statements and revised interpretations will have a significant effect on the group's accounting policies.

DISCUSSION PAPER

Of significant effect in future reporting periods is the accounting effect of Discussion Paper on Revenue Recognition. This discussion paper proposes to replace IAS 18 – Revenue Recognition and IAS 11 – Construction Contracts. The possible effect on construction companies is as follows:

1. Revenue will be recognised when control of the asset is transferred. This could significantly impact the accounting treatment of some construction contracts. Accounting based on percentage of completion will not be permitted. Where continuous transfer does not take place revenue will be recognised at the end of the contract, when transfer happens.

2. Components of a construction contract will be separated more frequently. IAS 11 only allows separation if the components of the contract are separately negotiated. The proposed model requires performance obligations to be separated where the customer is to receive assets at different times.

The group has reviewed the merits of the discussion paper as well as considered the effect on the group and submitted its view.

Notes to the financial statements

for the year ended 30 june 2009

		GROUP	
(R'000)	Notes	**2009**	2008
4. OPERATING PROFIT			
Operating profit is stated after crediting:			
4.1 PROFIT ON DISPOSAL OF INVESTMENT PROPERTY		**–**	9 597
4.2 FOREIGN EXCHANGE GAINS – NET		**7 133**	–
4.3 FAIR VALUE GAINS ON FINANCIAL INSTRUMENTS			
Forward exchange contracts		**–**	15 080
4.4 FAIR VALUE GAINS ON FINANCIAL INSTRUMENTS			
Ineffectiveness on fair value hedge		**795**	–
and after charging:			
4.5 LOSS ON DISPOSAL OF INVESTMENT PROPERTY		**26**	–
4.6 LOSSES ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		**–**	–
4.7 FOREIGN EXCHANGE LOSSES – NET[(1)]		**–**	26 345
4.8 FAIR VALUE LOSSES ON FINANCIAL INSTRUMENTS			
Foreword exchange contract		**15 929**	–
4.9 FAIR VALUE LOSSES ON FINANCIAL INSTRUMENTS			–
Ineffectiveness on fair value hedge		**–**	750
4.10 AUDITORS' REMUNERATION		**11 755**	9 712
Audit fees		**8 253**	7 871
Fees for other services		**3 502**	1 841
4.11 DEPRECIATION		**258 370**	150 791
Owner occupied land and buildings		**2 856**	992
Mining assets and undeveloped mining resources		**19 735**	18 395
Factory plant		**39 629**	24 733
Mobile plant and vehicles – purchased		**132 337**	43 590
Mobile plant and vehicles – leased		**15 057**	15 950
Computer equipment and software development costs – purchased		**20 935**	13 886
Computer equipment and software development costs – leased		**16 783**	20 683
Furniture, fittings and other items		**11 038**	12 562
4.12 RENTALS UNDER OPERATING LEASES		**37 750**	31 613
Land and buildings		**35 261**	24 411
Other equipment		**2 489**	7 202
4.13 REMUNERATION OTHER THAN TO EMPLOYEES		**4 269**	8 053
Management services		**1 405**	600
Technical services		**2 864**	7 453
4.14 STAFF COSTS including retirement, benefit contributions (see note 23.1)			
4.15 DIRECTORS EMOLUMENTS (see note 24.1)			
4.16 NON-EXECUTIVE DIRECTORS' FEES (see note 24.1)			

(1) Included in the R26,3 million of net foreign exchange losses in F2008 is an amount of R18,8 million resulting from the restatement of a liability of which the corresponding foreign exchange gain is included in fair value adjustments.

Notes to the financial statements continued

for the year ended 30 june 2009

(R'000)	GROUP 2009	GROUP 2008
5. FINANCE COSTS – NET		
Interest received:		
Bank balances	**137 173**	57 915
Interest paid:		
Bank overdraft	**(7 571)**	(4 380)
Unsecured bond interest	**(77 750)**	(77 750)
Net interest on interest rate swap	**(24 501)**	(19 354)
Other borrowings	**(64 460)**	(56 973)
Total	**(37 109)**	(100 542)
Less: capitalised	**6 289**	18 815
Finance costs per income statement	**(30 820)**	(81 727)
Interest to the value of R6,3 million (2008: R18,8 million) was capitalised to developments in progress calculated at an average borrowing rate of 11% (2008: 14%).		
6. TAXATION		
South African normal taxation		
Current taxation	**(43 353)**	(27 937)
– current year	**(39 380)**	(21 172)
– prior year	**(3 973)**	(6 765)
Deferred taxation	**(79 100)**	(29 662)
– change in taxation rate	**–**	(6 431)
– current year	**(79 100)**	(23 231)
Share of associate's taxation	**–**	(73)
Foreign taxation (including withholding tax)		
Current taxation	**(89 331)**	(141 238)
– current year	**(75 703)**	(152 309)
– prior year	**(13 628)**	11 071
Secondary Taxation on Companies (STC)	**(12 783)**	(9 131)
	(224 567)	(208 041)

Reconciliation of normal taxation rate	%	%
South African normal taxation rate	**28.0**	28.0
Adjusted for:		
– Tax at rates in lower tax jurisdictions	**(6.8)**	(2.0)
– Deferred tax assets not raised	**2.5**	2.6
– Tax under/(over) provided in respect of prior years	**2.3**	(0.7)
– STC on dividends	**1.6**	1.4
– Permanent differences	**1.1**	1.0
– Corporate taxation rate adjustment	**–**	1.0
Effective rate of taxation	**28.7**	31.3

(R'000)	GROUP 2009	GROUP 2008
6. TAXATION continued		
Estimated taxation losses available for set-off against future taxable income	**140 513**	180 821
Potential taxation relief at current taxation rates	**22 633**	50 630
The deferred tax assets depend on sufficient taxable income being earned in future by subsidiaries concerned.		
Unutilised STC credits available at 30 June 2009, R1,0 million. None were available at 30 June 2008.		
7. EARNINGS PER SHARE		
7.1 EARNINGS PER SHARE – BASIC		
Profit for the year – income attributable to shareholders	**514 733**	418 507
Shares outstanding 1 July	**93 740**	92 421
Weighted average number of shares issued during the year	**930**	1 124
Weighted average number at end of year	**94 670**	93 545
Earnings per share (R)	**5,44**	4,47
7.2 FULLY DILUTED EARNINGS PER SHARE		
Profit for the year – income attributable to shareholders	**514 733**	418 507
Weighted average number of shares issued during the year (as per basic earnings per share calculation) ('000)	**94 670**	93 545
Adjusted for:		
– Inclusion of dilutive shares held by share trusts ('000)	**1 961**	3 167
– Inclusion of dilutive shares in terms of iLima Mvela Transaction (refer to page 295) ('000) See note below.	**9 173**	13 815
Adjusted weighted average number of shares ('000)	**105 804**	110 527
Fully diluted earnings per share (R)	**4,86**	3,79
7.3 EARNINGS PER SHARE FROM CONTINUING OPERATIONS		
Profit after tax from continuing operations	**557 444**	457 496
Less: attributable to minority interest	**(19 821)**	(10 782)
Income available to shareholders from continuing operations	**537 623**	446 714
Weighted average number of shares ('000)	**94 670**	93 545
Earnings per share from continuing operations (R)	**5,68**	4,78
7.4 FULLY DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS		
Profit after tax from continuing operations	**557 444**	457 496
Less: attributable to minority interest	**(19 821)**	(10 782)
Income available to shareholders from continuing operations	**537 623**	446 714
Adjusted weighted average number of shares ('000)	**105 804**	110 527
Fully diluted earnings per share from continuing operations (R)	**5,08**	4,04

Notes to the financial statements continued

for the year ended 30 june 2009

	GROUP			
	Gross Pre-tax	Net	Gross Pre-tax	Net
7. EARNINGS PER SHARE continued				
7.5 HEADLINE EARNINGS PER SHARE				
Profit for the year		**514 733**		418 507
Adjusted for:	**22 916**	**22 909**	18 610	20 879
– Disposal of property, plant and equipment and investment property	**26**	**19**	(9 597)	(7 328)
– Losses on disposal of discontinued operations	**22 890**	**22 890**	28 207	28 207
Headline earnings		**537 642**		439 386
Weighted average number of shares ('000)		**94 670**		93 545
Headline earnings per share (R)		**5,68**		4,70
7.6 FULLY DILUTED HEADLINE EARNINGS PER SHARE				
Headline earnings		**537 642**		439 386
Adjusted weighted average number of shares ('000)		**105 804**		110 527
Fully diluted headline earnings per share (R)		**5,08**		3,98
7.7 HEADLINE EARNINGS PER SHARE FROM CONTINUING OPERATIONS				
Income available to shareholders from continuing operations		**537 623**		446 714
Adjusted for headline items		**19**		(7 328)
Headline earnings from continuing operations		**537 642**		439 386
Weighted average number of shares ('000)		**94 670**		93 545
Headline earnings per share from continuing operations (R)		**5,68**		4,70
7.8 FULLY DILUTED HEADLINE EARNINGS PER SHARE FROM CONTINUING OPERATIONS				
Income available to shareholders from continuing operations		**537 623**		446 714
Adjusted for headline items		**19**		(7 328)
Headline earnings from continuing operations		**537 642**		439 386
Adjusted weighted average number of shares ('000)		**105 804**		110 527
Fully diluted headline earnings per share from continuing operations (R)		**5,08**		3,98

The fully diluted shares reported include the dilutionary effect of the shares held by the iLima Consortium as these shares were held by the Consortium at year end. As reported on page 296, the BEE transaction, in so far as it relates to the iLima Consortium, will unwind and this will result in the return of the group's shares back to the group post year end. Thus post year end the fully diluted number of shares reported will reduce. Included in the reported dilution is an amount of 4,4 million shares relating to iLima Consortium.

	GROUP 2009	GROUP 2008
(R'000)	**2009**	2008
8. PROPERTY, PLANT AND EQUIPMENT		
Total property, plant and equipment		
Cost		
At the beginning of the year	**2 829 591**	2 289 496
Acquisition of subsidiary	**79 385**	194 318
Additions	**429 511**	449 341
Disposals	**(122 570)**	(103 564)
At the end of the year	**3 215 917**	2 829 591
Accumulated depreciation		
At the beginning of the year	**(591 824)**	(533 209)
Current year charge	**(258 370)**	(150 791)
Disposals	**66 743**	92 176
At the end of the year	**(783 451)**	(591 824)
Net book value	**2 432 466**	2 237 767
Owner occupied land and buildings		
Cost		
At the beginning of the year	**83 837**	52 919
Additions	**16 264**	23 078
Transfers	**6 341**	7 840
Disposals	**(4 131)**	–
At the end of the year	**102 311**	83 837
Accumulated depreciation		
At the beginning of the year	**(21 932)**	(20 940)
Current year charge	**(2 856)**	(992)
Disposals	**1 337**	–
At the end of the year	**(23 451)**	(21 932)
Net book value	**78 860**	61 905
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	**980 250**	821 104
Acquisition of subsidiary	**72 215**	159 146
At the end of the year	**1 052 465**	980 250
Accumulated depreciation		
At the beginning of the year	**(24 808)**	(6 413)
Current year charge	**(19 735)**	(18 395)
At the end of the year	**(44 543)**	(24 808)
Net book value	**1 007 922**	955 442

Notes to the financial statements continued

for the year ended 30 june 2009

(R'000)	GROUP 2009	2008
8. PROPERTY, PLANT AND EQUIPMENT continued		
Capital work in progress		
Cost		
At the beginning of the year	**59 960**	66 099
Additions	**50 423**	90 023
Transfers	**(75 829)**	(96 162)
At the end of the year	**34 554**	59 960
Factory plant		
Cost		
At the beginning of the year	**291 345**	197 466
Additions	**62 909**	23 538
Transfers	**85 653**	70 341
Disposals	**(3 850)**	–
At the end of the year	**436 057**	291 345
Accumulated depreciation		
At the beginning of the year	**(130 059)**	(105 326)
Current year charge	**(39 629)**	(24 733)
Disposals	**783**	–
At the end of the year	**(168 905)**	(130 059)
Net book value	**267 152**	161 286
Mobile plant and vehicles – purchased		
Cost		
At the beginning of the year	**917 986**	800 499
Acquisition of subsidiary	**7 170**	35 172
Additions	**160 231**	121 611
Transfers	**(592)**	–
Disposals	**(94 311)**	(39 296)
At the end of the year	**990 484**	917 986
Accumulated depreciation		
At the beginning of the year	**(302 363)**	(293 693)
Current year charge	**(132 337)**	(43 590)
Disposals	**51 063**	34 920
At the end of the year	**(383 637)**	(302 363)
Net book value	**606 847**	615 623

	GROUP	
(R'000)	**2009**	2008
8. PROPERTY, PLANT AND EQUIPMENT continued		
Mobile plant and vehicles – leased		
Cost		
At the beginning of the year	**290 720**	170 915
Additions	**113 201**	138 059
Transfers	**(23 608)**	–
Disposals	**(6 197)**	(18 254)
At the end of the year	**374 116**	290 720
Accumulated depreciation		
At the beginning of the year	**(20 064)**	(22 368)
Current year charge	**(15 057)**	(15 950)
Disposals	**1 812**	18 254
At the end of the year	**(33 309)**	(20 064)
Net book value	**340 807**	270 656
Computer equipment, software and development costs – purchased		
Cost		
At the beginning of the year	**91 207**	72 748
Additions	**10 927**	3 422
Transfers	**6 775**	17 981
Disposals	**(232)**	(2 944)
At the end of the year	**108 677**	91 207
Accumulated depreciation		
At the beginning of the year	**(29 402)**	(17 197)
Current year charge	**(20 935)**	(13 886)
Disposals	**97**	1 681
At the end of the year	**(50 240)**	(29 402)
Net book value	**58 437**	61 805
Computer equipment, software and development costs – leased		
Cost		
At the beginning of the year	**59 446**	68 323
Additions	**4 984**	31 168
Disposals	**(4 734)**	(40 045)
At the end of the year	**59 696**	59 446
Accumulated depreciation		
At the beginning of the year	**(30 581)**	(44 481)
Current year charge	**(16 783)**	(20 683)
Disposals	**2 817**	34 583
At the end of the year	**(44 547)**	(30 581)
Net book value	**15 149**	28 865

Notes to the financial statements continued

for the year ended 30 june 2009

(R'000)	GROUP 2009	GROUP 2008
8. PROPERTY, PLANT AND EQUIPMENT continued		
Furniture, fittings and other items – purchased		
Cost		
At the beginning of the year	**54 841**	39 424
Additions	**10 572**	18 442
Transfers	**1 260**	
Disposals	**(9 115)**	(3 025)
At the end of the year	**57 558**	54 841
Accumulated depreciation		
At the beginning of the year	**(32 616)**	(22 792)
Current year charge	**(11 038)**	(12 562)
Disposals	**8 834**	2 738
At the end of the year	**(34 820)**	(32 616)
Net book value	**22 738**	22 225
Refer to note 18.4 for details on the total carrying amount of assets encumbered.		
9. INVESTMENT PROPERTY		
Fair value at the beginning of the year	**18 817**	79 786
Additions	**3 160**	–
Fair value adjustment	**–**	–
Disposal	**(9 606)**	(60 969)
Fair value at end of year	**12 371**	18 817

Investment properties held on the balance sheet consist of the following:

30 June

Name	Description	Initial Cost	2009 R'000	2008 R'000
Peter Place	50% owner of lettable office park in Sandton	5 745	**–**	9 580
Coachmans crossing	50% owner of units in lettable office park in Bryanston	1 990	**1 990**	–
Sandton Greenoaks	25% owner of vacant land in Sandton	10 381	**10 381**	9 237
		18 116	**12 371**	18 817

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 July 2007. Internal valuations have been performed by management at 30 June 2009 and no adjustment was deemed required.

9. INVESTMENT PROPERTY continued

A sensitivity analysis has been performed to monitor the effect of changes in vacancy and capitalisation rates on the fair value of investment properties.

The analysis below depicts the effect on profit before taxation assuming changes in vacancy and capitalisation rates on an investment property.

Description (as assessed at 30 June 2009)	Increase/(decrease) in fair value and hence profit before taxation as assessed at 30 June 2009 (R'000)
18.8% increase in vacancy factor	(65)
18.8% decrease in vacancy factor	65
6.8% increase in capitalisation factor	(255)
6.8% decrease in capitalisation factor	255

(R'000)	GROUP 2009	GROUP 2008
10. GOODWILL		
10.1 NET BOOK VALUE		
– At the beginning of the year	**24 859**	–
– Additions arising on acquisitions	**–**	24 859
Balance at the end of the year	**24 859**	24 859
10.2 COST	**24 859**	24 859
Accumulated impairment	**–**	–
Balance at the end of the year	**24 859**	24 859
10.3 PER SEGMENT		
– Construction materials	**24 859**	24 859
There is no unallocated goodwill		
Impairment tests are conducted biannually on goodwill based on calculations of the cash-generating unit to which the goodwill belongs.		
11. INVESTMENT IN ASSOCIATES		
Unlisted associates		
Shares at cost	**13 493**	10 610
Loan to associates	**–**	1 040
Group's share of retained profits	**1 717**	1 786
	15 210	13 436

The summarised financial information of the group's share in the assets and liabilities, income and expenditure and cash flows are reflected in Annexure 4 on page 370.

Notes to the financial statements continued

for the year ended 30 june 2009

	GROUP	
(R'000)	**2009**	2008
12. INVESTMENT IN SERVICE CONCESSIONS		
At fair value	**186 482**	135 070

The investments consist of the group's interest in foreign toll road concessions.

Details of the investments at 30 June 2009 are as follows:

Name of road	Country	Km	% interest	Concession period	Current status	2009	2008
A1 (Phase II)	Poland	61	15	30 years	Construction in progress; operations expected to commence March 2012		
A1 (Phase I)	Poland	90	15	30 years	Operational	**94 286**	31 505
M6 (Phase III)	Hungary	78	10	28 years	Construction in progress; operations expected to commence April 2010	**92 196**	103 565
						186 482	135 070

	2009	2008
The movement in investment in service concessions may be summarised as follows:		
Opening balance at the beginning of the year	**135 070**	73 928
Additions	**–**	77 443
Loans	**35 694**	5 967
Fair value adjustments through profit and loss	**15 718**	111 464
Disposals	**–**	(133 732)
Closing balance at the end of the year	**186 482**	135 070
The investments in concessions are denominated in the following currencies:		
Hungarian Florent	**92 196**	103 565
Polish Zloty	**94 286**	31 505
Closing balance at the end of the year	**186 482**	135 070

12. INVESTMENT IN SERVICE CONCESSIONS continued

In the prior year the group sold its 3.5% equity interest in the M5 motorway concession for R133,8 million and acquired a 10% equity interest in the M6 Phase III motorway concession, both in Hungary for R77 million.

During the current year the group completed the A1 Phase 1 motorway equipment supply contract in Poland leading to the commencement of operations. In addition, it achieved financial close of the A1 Phase 2 in Poland in June 2009. The group invested a further R 35,7 million in the A1 via loan funding.

Investments in service concessions are made in targeted long term infrastructure projects where the group also has a development, construction and/or operating position. The successful execution of the group's responsibilities in such projects contributes to reducing the project risks so adding value to the project. Such investments typically take the form of equity and subordinated shareholder loans in geared special purpose vehicles formed to undertake the project, such that reductions in the project risk have a leveraged effect on the value of the investment.

The group values its investments in service concessions at fair value at the time of investing or of making an irrevocable commitment to invest. Fair values are determined using the discounted cash flow method of valuation using anticipated future cash flows, based on traffic estimates, current and forecasted operating costs and using market-related exchange rates and inflation rates. These are discounted at appropriate discount rates that take into account the relevant market and project risks. Potential refinancing gains are not taken into account.

In determining the appropriate discount rate, consideration is given to the stage of completion of the project lifecycle and to the nature of the project (hard toll or availability scheme basis). The applicable risk free rate is adjusted by market and project-specific risk premia in determining the applied discount rate. Market risk premia are determined with reference to the comparative term government bond yield of the country in which the infrastructure asset is located, and market liquidity. Project risk premia are sector and project specific, and decrease over time when the various design, construction, mobilisation, operations and maintenance, project revenue and project counterparty risks are successfully dealt with or are proven to be mitigated, or when their effects are known with certainty.

Fair values of investments in projects still under construction are considered to be the cost of the investment. Fair values of investments in projects where the effects of significant unmitigated project risks cannot be estimated with certainty (such as traffic risk on certain toll road concessions during early operating periods) are determined using the discounted cash flow method at appropriately high start-up phase risk premia. Where investments in service concessions are denominated in a currency other than Rand, the investments are translated at year end spot rates.

The investment in the M6 phase III project in Hungary is valued at cost, as the project is still under construction. The downward fair value adjustment arises solely as a result of the revaluation of the Euro-denominated investment to South African Rand at year end. The M6 Phase III concession company's revenue is derived from an availability payment scheme so the risk of changes in traffic volumes is not assumed by the concession company.

The investment in the A1 phase 1 road project in Poland is valued using the discounted cash flow method as operations have commenced.

A basic sensitivity analysis, calculating the effect on investment valuation from differing traffic volumes from the base case, on the fair value of investment in this service concession, was performed at 30 June 2009.

The effect, when forecasting traffic at a level 5% below the financial model base case, was a decrease in value of R17 million.

Similarly, every 1% change in the discount rate used in the discounted cash flow basis of valuation results in a decrease or increase in the valuation of approximately R8 million.

Notes to the financial statements continued

for the year ended 30 june 2009

	GROUP	
(R'000)	**2009**	2008
13. INVESTMENT IN PROPERTY DEVELOPMENTS		
At fair value	**120 000**	–

The investments consist of the group's interest in local property development companies.

Details of the investments at 30 June 2009 are as follows:

Name	Country	% interest	**2009**	2008
Waterfall Development Company	South Africa	15%	**120 000**	–
			120 000	–

	2009	2008
The movement in investment in property developments may be summarised as follows:		
Opening balance at the beginning of the year	**–**	–
Additions	**120 000**	–
Loans	**–**	–
Fair value adjustments through profit and loss	**–**	–
Disposals	**–**	–
Closing balance at the end of the year	**120 000**	–
The investments in property development is denominated in the following currency		
South African Rand	**120 000**	–
Closing balance at the end of the year	**120 000**	–

On 1 November 2008 the group acquired a 15% interest in the Waterfall Development Company (WDC) for R120 million. WDC indirectly, through its 22% investment in Atterbury Investment Holdings, holds the development rights for approximately 1,4 million square metres of a new, mainly commercial development to be built between Johannesburg and Midrand (the Waterfall Farm). This investment could result in opportunities for the group for construction and materials supply to the development. The project development scope is targeted to roll out over the next 12 to 15 years, with an overall project value estimated at some R25 billion. It is expected to secure investment income for the group, as well as construction opportunities.

Investments in property developments are made in targeted long term developments where the group also has a construction and supply position. Such investments typically take the form of equity. The group values its investment in property developments at the time of investing or making an irrevocable commitment to invest.

The investment in property developments is valued at fair value using the valuation performed by the directors of its underlying investment in Atterbury Investment Holdings Limited. The calculation of the price per share is based on criteria relating to the actual performance of the company during the affected financial period, its assets and liabilities and by further applying evaluation criteria with respect to the assets and revenue based on a consistent methodology in accordance with IFRS. The criteria includes statistical information available in respect of the transactions that occur in the company's shares, which are freely traded over each period. The investment property portfolio of Atterbury Investment Holdings are assessed by independent valuators applying the opportunity cash flow method, which is a combination of the capitalisation and discount approaches to property valuations. It includes the assumption that the investment properties are fully let, consideration of market norm operating costs, inclusion of perpetual vacancy factors and short term vacancy provisions on specific assets and the application of market norm capitalisation rates.

A sensitivity analysis has been performed to monitor the effect of changes in the estimated share value as at 30 June 2009. An increase in share price of 6% has the effect of increasing the carrying fair value and hence profit before taxation for the group by R7,7 million. A decrease of 9% has the effect of decreasing the carrying fair value and hence the profit before taxation for the group by R 10,6 million.

(R'000)	GROUP 2009	GROUP 2008
14. DEFERRED TAXATION		
Deferred taxation asset	**57 302**	135 497
Deferred taxation liability	**(10 778)**	(11 508)
Net deferred taxation asset at year end	**46 524**	123 989
Balance at beginning of year	**123 989**	186 496
Arising from acquisitions	**1 635**	(32 845)
Corporate taxation rate adjustment	**–**	(6 431)
Charge to the income statement	**(79 100)**	(23 231)
Balance at end of year	**46 524**	123 989
The closing balance deferred taxation asset is attributable to the following items:		
Capital allowances	**(66 750)**	(58 636)
Provisions	**65 251**	36 354
Contract allowances	**11 678**	95 641
Estimated tax losses (net of valuation allowances)	**36 345**	50 630
	46 524	123 989
15. INVENTORIES		
Property developments in progress	**133 017**	155 576
Materials on site	**164 404**	127 529
Consumable stores	**33 124**	40 417
Manufacturing finished goods	**102 840**	75 053
Manufacturing work in progress	**4 513**	10 588
Manufacturing materials	**69 743**	44 713
	507 641	453 876
Inventory obsolescence (deducted from carrying value of inventories above)		
Balance at end of year	**3 498**	2 180
No inventories are encumbered	**–**	–
16. CONTRACTS IN PROGRESS		
Costs incurred plus profits recognised, less estimated losses relating to contracts in progress at year end	**10 719 948**	8 109 926
Progress billings	**(9 974 611)**	(7 531 243)
	745 337	578 683

Notes to the financial statements continued

for the year ended 30 june 2009

(R'000)	GROUP 2009	GROUP 2008
17. TRADE AND OTHER RECEIVABLES		
Trade and other receivables include:		
Financial instruments		
– Contract debtors	**2 124 449**	2 727 340
– *Less* provision for impairment of contract debtors	**(19 753)**	(3 246)
– Trade debtors	**435 024**	353 084
– *Less* provision for impairment of trade debtors	**(11 757)**	(7 396)
– Retention debtors	**217 866**	163 070
– Other receivables	**451 948**	215 296
– Amounts owing by joint venture partners	**37 763**	–
Total financial instruments included in trade and other receivables	**3 235 540**	3 448 148
Non-financial instruments		
– Prepayments	**163 545**	212 724
Total non-financial instruments included in trade and other receivables	**163 545**	212 724
	3 399 085	3 660 872

The carrying value of the financial instruments approximates their fair value due to the short term nature of these instruments. (Refer to note 26 for details on credit, currency and interest-rate risk.)

All trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost. No contract and trade debtors are encumbered.

Included in the group's trade and contract debtors balance are debtors with a carrying amount of R487 million (2008: R170 million) which are past due at the reporting date for which the group has not provided as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The group does not hold collateral over these balances.

(R'000)	GROUP 2009	GROUP 2008
Analysis of the age of financial assets that are past due but not impaired		
1 month past due	**50 483**	29 377
2 month past due	**64 872**	16 719
3 month past due	**39 486**	19 323
4 month and greater past due	**332 470**	104 625
Total	**487 311**	170 044
Reconciliation of the provision for impairment of trade receivables		
Opening balance	**10 642**	7 519
Charges against the provision	**21 738**	3 803
Bad debts written off	**(870)**	(680)
Closing balance	**31 510**	10 642

(R'000)	GROUP 2009	GROUP 2008
17. TRADE AND OTHER RECEIVABLES continued		
Analysis of impaired trade receivables		
Included in the provision for impairment of trade receivables are individually impaired trade receivables with a balance of R44,6 million (2008: R11,2 million). The impairment recognised represents the difference between the carrying value of these trade receivables and the present value of any expected collections. All impairment amounts incurred during the year are charged to the income statement and recorded with operating costs.		
Gross value of trade receivables that have been individually impaired	**44 640**	11 244
Less: impairment loss against these trade receivables	**(31 510)**	(10 642)
	13 130	602
Ageing of gross value of trade receivables that have been individually impaired		
1 month past due	**5 794**	481
2 months past due	**3 444**	847
3 months past due	**560**	5 186
4 months and greater past due	**34 842**	4 730
	44 640	11 244
Carrying amount per currency		
The carrying amounts of the group's trade and other receivables are denominated in the following currencies:		
South African Rand	**1 955 774**	2 013 520
US Dollars	**169 083**	359 174
United Arab Emirates Dirham/Jordanian Dinar	**938 546**	952 461
Other	**335 682**	335 717
	3 399 085	3 660 872
18. BORROWINGS		
18.1 INTEREST-BEARING BORROWINGS		
Unsecured bonds (note 18.3)	**860 712**	775 248
Secured loans bearing interest at rates ranging from 8.25% to 15.75% per annum	**399 995**	321 370
Unsecured loans bearing interest at rates ranging from 10% to 11% per annum	**54 829**	78 046
	1 315 536	1 174 664
Less: current portion disclosed on face of balance sheet	**(417 669)**	(150 927)
	897 867	1 023 737

Notes to the financial statements continued

for the year ended 30 june 2009

	GROUP	
(R'000)	**2009**	2008
18. BORROWINGS continued		
18.1 INTEREST-BEARING BORROWINGS continued		
Repayable during the years ending 30 June		
2009	**–**	150 927
2010	**417 669**	360 685
2011	**96 404**	65 078
2012	**627 872**	529 509
2013	**103 359**	68 465
2014	**70 232**	–
	1 315 536	1 174 664

18.2 FAIR VALUE OF BORROWINGS

The carrying amount of current borrowings is a reasonable approximation of the fair value. The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2009	2008	**2009**	2008
Unsecured bonds	**551 652**	766 263	**551 652**	766 263
Secured loans	**311 380**	236 045	**311 380**	236 045
Unsecured loans	**34 835**	21 429	**34 835**	21 429
	897 867	1 023 737	**897 867**	1 023 737

18.3 UNSECURED BONDS

The unsecured bonds, issued on 27 February 2007, comprise bonds issued under the BESA-listed Domestic Medium Term Note (DMTN) programme as follows:

- R300 million, three-year 9.05% fixed interest rate payable semi-annually
- R550 million, five-year, 9.20% fixed interest rate payable semi-annually

(R'000)	F2009	F2008

18. BORROWINGS continued

18.4 SECURED LOANS

(R'000)	F2009	F2008
Secured loans are secured over:		
Mobile plant, vehicles and computer equipment with a net book value of	**355 956**	318 945

(R'000)	Less than one year	Between one and five years	Total
2009			
Minimum lease payments	**118 086**	**364 694**	**482 780**
Lease finance charges	**(29 471)**	**(53 314)**	**(82 785)**
	88 615	**311 380**	**399 995**
2008			
Minimum lease payments	117 413	297 405	414 818
Lease finance charges	(32 177)	(61 361)	(93 538)
	85 236	236 044	321 280

18.5 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 R514 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.

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 and the amount due to Nedbank have always been derecognised for disclosure purposes. This is in accordance with IAS 33 – "Financial Instruments – Presentation and Disclosure" as there is a legally enforceable right to set off the amounts and it was always 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. During the current year these houses were sold to Anglo Plats and the liability settled.

Notes to the financial statements continued

for the year ended 30 june 2009

	GROUP			
	Assets	**Liabilities**	Assets	Liabilities
(R'000)	**2009**		2008	
19. DERIVATIVE FINANCIAL INSTRUMENTS				
19.1 DERIVATIVES DESIGNATED AS A HEDGE				
Total interest rate swaps – fair value hedges	**3 679**	**–**	–	84 830
Less: non-current portion: interest rate swaps – fair value hedges	**(1 630)**	**–**	–	(84 830)
Current portion: Interest rate swaps – fair value hedges	**2 049**	**–**	–	–
The ineffective portion recognised in profit or loss that arises from fair value hedges amounted to a gain of R795k (2008: (R750k loss)).				
19.2 DERIVATIVES CLASSIFIED AS HELD FOR TRADING WITH FAIR VALUE THROUGH PROFIT AND LOSS				
Total forward foreign exchange contracts – held for trading	**–**	**849**	30 804	15 724
Less: non-current portion: forward foreign exchange contracts – held for trading	**–**	**(85)**	(15 023)	–
Current portion: forward foreign exchange contracts – held for trading	**–**	**764**	15 781	15 724

	GROUP	
(R'000)	**2009**	2008
20. PROVISION FOR ENVIRONMENTAL REHABILITATION		
At 1 July	**42 899**	30 245
Charged to the income statement	**–**	1 847
Unwinding of discount	**3 318**	2 567
Used during the year/released from provisions	**(13 717)**	(6 760)
Purchased on acquisition	**8 050**	15 000
At 30 June	**40 550**	42 899

The environmental rehabilitation provision consists of R6,4 million (2008: R7,9 million) related to the final closing of asbestos waste dumps at Everite and R34 million (2008: R35 million) relating to the closure costs of the Ekurhuleni, Zimbiwa aggregate quarries, Sky Sands and BGM quarry. A discount rate of 12% and on average an inflation rate of 8% were used in the calculation of the estimated net present value of certain of the rehabilitation liabilities.

(R'000)	GROUP 2009	GROUP 2008
21. TRADE AND OTHER PAYABLES		
Trade and other payables include:		
Financial instruments		
– Accrued expenses	**2 059 927**	1 695 968
– Trade and other creditors	**871 270**	607 128
– Sub-contractor creditors	**396 330**	404 198
– Retention creditors	**200 509**	195 387
– Amounts owing to joint venture partners	**–**	187 781
Total financial instruments included in trade and other payables	**3 528 036**	3 090 462
Non-financial instruments		
– Advance payments received	**1 024 882**	1 547 570
Total non-financial instruments included in trade and other payables	**1 024 882**	1 547 570
	4 552 918	4 638 032

The carrying value of the financial instruments approximates their fair value due to the short term nature of there instruments. (Refer to note 26 for details on currency and interest rate risk.)

	Contract provisions	Sundry provisions	Total
22. PROVISION FOR LIABILITIES AND CHARGES			
Balance at 30 June 2007	66 149	1 082	67 231
Charged to income statement	35 882	22 048	57 930
Provision utilised	(75 992)	(8 321)	(84 313)
Balance at 30 June 2008	26 039	14 809	40 848
Charged to income statement	**12 143**	**14 706**	**26 849**
Provision utilised	**(830)**	**(5 434)**	**(6 264)**
Balance at 30 June 2009	**37 352**	**24 081**	**61 433**

Contract provisions:
Contract provisions include amounts accrued for sub-contractor estimated billings for which no certification has taken place.

Sundry provisions:
Sundry provisions consist mainly of amounts accrued for costs incurred during contract maintenance periods.

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.

Notes to the financial statements continued

for the year ended 30 june 2009

(R'000)	GROUP 2009	GROUP 2008
23. EMPLOYEE BENEFITS		
23.1 STAFF COSTS		
Wages, salaries and bonuses	**1 823 976**	1 418 386
Cost of share options	**32 569**	17 471
Pension costs – defined contribution plans (including industry plans)	**86 348**	68 384
Pension costs – defined benefit plan (income)/expense	**(3 812)**	(14 714)
Service cost	**10 803**	10 088
Interest cost	**106 225**	89 624
Return on plan assets	**(120 840)**	(114 426)
	1 939 081	1 489 527
Average number of persons employed by the group during the year:	**Number**	Number
Full-time	**8 722**	7 306
Part-time	**5 328**	6 147
	14 050	13 453
South Africa	**10 279**	8 829
Over-border	**3 771**	4 624
	14 050	13 453

(R'000)	GROUP 2009	GROUP 2008
23.2 PENSION SCHEME		
The latest actuarial valuation of the group's defined benefit plan was carried out in March 2009 and was considered by the actuaries to be in a sound financial condition.		
23.2(i) A summary of the valuation is presented below:		
Present value of funded obligations	**(1 197 994)**	(1 179 823)
Fair value of plan assets	**1 270 940**	1 279 479
Surplus	**72 946**	99 656
	%	%
The principal assumptions used for accounting purposes were as follows:		
Mortality tables	**PA(90)**	PA(90)
Discount rate	**8.85**	9.25
Expected return on assets	**9.6**	9.7
Future salary increases(1)	**7.25**	7.75
Future pension increases	**3.7**	4.0

(1) Salary increases at 7.75 p.a. but an increase of 10% for first year.

23. EMPLOYEE BENEFITS continued

23.2 PENSION SCHEME

23.2(i) A summary of the valuation is presented below:

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. A deficit of R11,5 million realised in the current year has been charged to the income statement. During the prior year a surplus of R22,9 million was credited to the income statement.

The difference in asset recognised in the prior year compared to the value of R99 million is due to the application of IAS 19 para 58 limit. As the rule amendment has been approved, the company is required to recognise the full asset in the current year.

IFRIC Interpretation 14 provides guidance on how to assess the limit in IAS 19 on the amount of pension fund surplus that can be recognised as an asset, specifically in respect of statutory or contractual minimum funding requirements. The interpretation's requirements have been considered and applied in determining the pension fund surplus calculated as part of the Fund's statutory actuarial valuation.

The trustees decided to outsource the Fund's pensioners with effect from 1 March 2009. The entire assets in the Fund attributable to pensioners as at 31 March 2009 will be utilised in this regard. The Section 14 transfer application awaits approval from the Financial Services Board. Until then both the assets and liabilities will remain within the Pension Fund.

The Fund's overall investment return for the year ending 31 March 2009 was approximately 5% per annum. This return is significantly higher than the average retirement fund return over the same period of approximately -16.2%. This is due to the hedging of the Funds assets until early November 2008 in preparation for the outsourcing and retaining the balance of the assets in cash until January 2009 when the Fund began reinvesting into a balanced fund portfolio.

Notes to the financial statements continued

for the year ended 30 june 2009

(R'000)	GROUP 2009	GROUP 2008
23. EMPLOYEE BENEFITS continued		
23.2(ii) A reconciliation of the opening and closing balances of plan assets		
Opening value: 1 April	**1 279 479**	1 267 600
– Employee contributions	**4 508**	4 712
– Company contributions	**6 118**	6 513
– Benefit payments	**(76 825)**	(66 136)
– Expected returns (9.7% (2008: 8.5%) per annum)	**120 840**	105 337
– Expenses	**(2 799)**	(2 944)
– Actuarial loss for the year[1]	**(60 381)**	(35 603)
Closing value: 30 March	**1 270 940**	1 279 479
(1) An actuarial loss arose during the year mainly due to the actual investment return of 4.6%, 2008: 5.3% being lower than the expected investment return of 9.7% (2008: 8.5%)		
23.2(iii) Reconciliation of the opening and closing balances of defined benefit obligations		
Projected benefit obligation (PBO): 1 April	**1 179 823**	1 146 920
– Service cost	**10 803**	10 088
– Employee contributions	**4 508**	4 712
– Benefit payments	**(76 825)**	(66 136)
– Interest cost 9.25% per annum (2008: 8.0%)	**106 225**	89 624
– Expenses	**(2 799)**	(2 944)
– Actuarial loss for the year	**(23 741)**	(2 441)
Projected benefit obligation (PBO): 30 March	**1 197 994**	1 179 823
23.2(iv) Plan assets and defined benefit obligation by category		
Assets		
– Market value	**1 270 940**	1 279 479
Active member liabilities:		
– Active members	**284 087**	263 412
Pensioner liabilities:		
– Pensioners	**650 794**	613 668
– Notional Pensioner Account	**179 319**	206 725
	830 113	820 393
SAE surplus (surplus as at 29 February 2004 to be apportioned)	**83 794**	96 018
Total liabilities	**1 197 994**	1 179 823
Surplus	**72 946**	99 656
Funding level	**106.1%**	108.4%

(R'000)	GROUP 2009	GROUP 2008
23. EMPLOYEE BENEFITS continued		
23.2 PENSION SCHEME continued		
23.2(v) Net periodic pension cost		
Service cost (net of employee contribution)	**10 803**	10 088
Interest cost	**106 225**	89 624
Expected return on assets	**(120 840)**	(105 337)
Recognition of actuarial loss	**36 640**	33 162
Change in paragraph 58 limit	**(15 241)**	–
Net periodic pension cost	**17 587**	27 537
23.2(vi) Balance sheet disclosure		
Projected benefit obligation (PBO)	**1 197 994**	1 179 823
Market value of assets: 31 March	**1 270 940**	1 279 479
Status of fund: over funding	**(72 946)**	(99 656)
Assets	**(72 946)**	(99 656)
Paragraph 58 limit	**(72 946)**	(84 415)
Unrecognised due to paragraph 58 limit	**–**	(15 241)
Asset recognised	**(72 946)**	(84 415)
Recognised asset: 1 April	**(84 415)**	(61 516)
Net periodic pension cost	**17 587**	27 537
Company contributions	**(6 118)**	(6 513)
Change in paragraph 58 unrecognised liability	**–**	(43 923)
Recognised asset: 31 March	**(72 946)**	(84 415)
23.3 PROVISION FOR EMPLOYMENT OBLIGATIONS	**21 434**	21 483
The group's accrual for post-employment medical obligations of R21,4 million (2008: R21,5 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:		
Discount rate %	**9.00**	9.25
Mortality table	**PA (90)**	PA(90)
Future salary increases %	**7.50**	7.75

Notes to the financial statements continued

for the year ended 30 june 2009

23. EMPLOYEE BENEFITS continued

23.4 EMPLOYEE SHARE OPTION SCHEMES

23.4.1 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, 33.3% of the shares will vest;
- on the 3rd anniversary of such date, so many additional shares as represent 33.3% 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.

23.4.2 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.

23. EMPLOYEE BENEFITS continued

23.4 EMPLOYEE SHARE OPTION SCHEMES continued

23.4.3 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, are 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 – 33.3% 3 years – 66.6% 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.*

Notes to the financial statements continued

for the year ended 30 june 2009

23. EMPLOYEE BENEFITS continued

23.4 EMPLOYEE SHARE OPTION SCHEMES continued

23.4.3 New Management Incentive Scheme continued

Share option activity during the year was as follows:

	New Management Incentive Scheme Number	New Management Incentive Scheme Price R	Previous Share Option Scheme Number	Previous Share Option Scheme Price R	Black Management Scheme Number	Black Management Scheme Price R	Broad-based Scheme Number	Broad-based Scheme Price R
Balance at 30 June 2007	3 100 000	27,93	1 140 525	9,44	1 340 000	16,03	575 000	–
New shares granted and accepted	3 169 000	52,07	–	–	1 098 000	16,03	–	–
Shares paid for/lapsed	(426 200)	31,73	(638 875)	7,95	(817 000)	16,03	–	–
Balance at 30 June 2008	5 842 800	40,75	501 650	11,29	1 621 000	16,03	575 000	–
New shares granted and accepted	3 481 000	30,08	–	–	696 900	16,03	–	–
Shared paid for/lapsed	(960 700)	37,46	(306 650)	10,51	(516 500)	16,03	–	–
Balance at 30 June 2009	8 363 100	36,68	195 000	12,51	1 801 400	16,03	575 000	–
Number of shares vested and exercisable at 30 June 2009	–	–	170 000	–	–	–	n/a	n/a

	Total R'000	R'000	R'000	R'000	R'000
Cost of share options – year ended 30 June 2008	17 471	14 773	193	2 505	–
Cost of share options – year ended 30 June 2009	32 569	20 774	–	11 795	–

The cost of share appreciation rights issued during the year ended 30 June 2008 were costed using a Black-Scholes option model and using the following factors:

• 30-day VWAP share price/exercise price R	18,56 – 54,81
• volatility	24% – 34%
• risk free interest rate	7.2% – 9.2%

(R'000)	GROUP 2009	GROUP 2008
24. RELATED PARTY TRANSACTIONS		
24.1 DIRECTORS' AND SENIOR MANAGEMENT EMOLUMENTS		
Executive directors (refer table on page 185 for individual details)		
For management services, excluding incentives	**4 184**	2 814
Performance incentives	**8 225**	14 685
	12 409	17 499
Paid by subsidiaries	**(12 409)**	(17 499)
	–	–
Non-executive directors (refer table on page 184 for individual details)		
Directors' fees, other fees and expenses	**2 883**	1 559
Paid by subsidiaries	**(2 883)**	(1 559)
	–	–
Executive committee members (exco) (excluding executive directors)		
For management services	**11 396**	11 675
Performance incentives	**20 146**	11 630
Paid by subsidiaries	**(31 542)**	(23 305)
	–	–
Management committee members (manco) (excluding exco members)		
For management services	**20 498**	19 494
Performance incentives	**21 227**	16 829
Paid by subsidiaries	**(41 725)**	(36 323)
	–	–

Notes to the financial statements continued

for the year ended 30 june 2009

24. RELATED PARTY TRANSACTIONS continued

24.2 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 Project support

- Group Five has directly assisted and worked with iLima on a number of their contracts, and in certain instances has undertaken some of the required works when requested to do so by iLima.
- Group Five has in prior years provided tendering and contractual support on a required basis.
- Group Five had previously made available to iLima R141 million worth of bonds and guarantees to allow them to grow their order book.
- iLima leased various items required on some of their contracts from Group Five's plant business for which rentals were charged at market related rates.
- Group Five had assisted iLima in procuring materials.
- Direct financial assistance has been provided to iLima Group (Pty) Ltd. The total capital amount outstanding on loans due by iLima Group (Pty) Ltd to the group as at 30 June 2009 amounts to R97 million.
- The total indirect financial assistance provided to iLima, in the form of bonds and guarantees, which remain in issue, amounts to R75 million.

iLima has for some time experienced operational and funding difficulties that have been further exacerbated by lack of delivery capacity of its client base and by the current state of the markets. Group Five was actively working with iLima to provide guidance in support of their refinancing initiatives. In spite of significant efforts by iLima, Group Five and other interested parties, these refinancing initiatives have by the date of this report failed.

In addition, iLima has not fulfilled certain conditions and/or breached certain terms to which the original Group Five BEE transaction was subject. As a consequence, the Group Five BEE transaction, in so far as it relates to iLima, will unwind. This will result in the return of the Group Five's shares held by iLima to Group Five post year end.

Group Five's direct and indirect exposure to iLima remains R172 million as mentioned above. From an accounting perspective the exposure will ultimately be recouped against the value of the shares held by iLima to be returned to Group Five.

(R'000)	GROUP 2009	GROUP 2008
25. COMMITMENTS AND CONTINGENCIES		
Fixed asset commitments		
Contracts placed	**4 000**	33 383
Capital expenditure approved by directors but not placed at 30 June	**135 561**	268 261
	139 561	301 644
The above expenditure will be funded from existing resources and facilities. There are no fixed asset commitments relating to joint ventures		
Operating lease commitments		
The future minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	**35 514**	34 794
Later than 1 year and not later than 5 years	**84 601**	96 839
Later than 5 years	**13 607**	41 261
	133 722	172 894

(R millions)	2009	2008
Guarantees		
Total financial institution-backed guarantees provided to third parties on behalf of subsidiary companies amounted to R6 268 million (2008: R6 428 million). The directors do not believe any exposure to loss is likely. Total facilities in this regard amount to R9 488 million (2008: R9 055 million).		
The issued guarantees have the following expiry dates:		
Not later than 1 year	**2 632**	4 485
Later than 1 year and not later than 5 years	**3 487**	1 926
Later than 5 years	**149**	17
	6 268	6 428

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.

Notes to the financial statements continued

for the year ended 30 june 2009

26. FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include cash and cash equivalents (as defined), short term borrowings, investments in service concessions, trade and other receivables, trade and other payables, interest bearing borrowings and derivative financial instruments.

26.1 FINANCIAL RISK MANAGEMENT OBJECTIVES

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, price and interest rate risk are continuously monitored. The group has developed a comprehensive risk management process to facilitate, control and monitor these risks. This process includes formal documentation of policies, including limits, controls and reporting structures. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group makes use of derivative financial instruments to hedge certain risk exposures in certain circumstances.

In the course of the group's business operations it is exposed to financial risk relating to liquidity, credit, foreign currency, price and interest rate risk. Risk management relating to each of this risk is detailed below.

Controlling risk in the group

The Executive Committee (exco) and the Management Committee (manco) are responsible for risk management activities within the group. Exco meets monthly to review market trends and develop strategies. Treasury is responsible for monitoring currency, interest rate and liquidity risk under the policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close-co-operation with the group's operating business units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investments in excess liquidity.

26.2 CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest bearing borrowings less cash and cash equivalents. Total equity is as shown in the consolidated balance sheet.

During 2009 the group's strategy, which remain unchanged, is to maintain the gearing ratio within 33%. The gearing ratio at 30 June 2009 and 2008 was as follows:

	GROUP	
	2009	2008
Total interest bearing borrowings including overdrafts	**1 410 035**	1 458 318
Less: cash on hand	**(2 798 046)**	(1 835 813)
Net debt	**(1 388 011)**	(377 495)
Total equity	**2 373 477**	2 006 664
Gearing ratio	**–**	–

26. FINANCIAL INSTRUMENTS continued

26.3 CATEGORIES OF FINANCIAL INSTRUMENTS

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

30 June 2009	Note	Loans and receivables	Financial assets at fair value through profit and loss designated as such	Financial assets at fair value through profit and loss held for trading	Derivatives used for hedging	Total
Assets as per the balance sheet						
Investment in service concessions	12	–	186 482	–	–	186 482
Investment in property developments	13	–	120 000	–	–	120 000
Derivative financial instruments – financial assets held for trading	19.2	–	–	–	–	–
Derivative financial instruments – designated as a hedge	19.1	–	–	–	3 679	3 679
Trade and other receivables	17	3 235 540	–	–	–	3 235 540
Cash and cash equivalents	30	2 798 046	–	–	–	2 798 046
		6 033 586	306 482	–	3 679	6 343 747

		Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss held for trading	Derivatives hedging	used for Total
Liabilities as per balance sheet					
Interest bearing borrowings	18.1	897 867	–	–	897 867
Derivative financial instruments – financial liabilities held for trading	19.2	–	849	–	849
Derivative financial instruments – designated as a hedge	19.1	–	–	–	–
Excess billings over work done		1 799 677	–	–	1 799 677
Trade and other payables	21	3 528 036	–	–	3 528 036
Current portion of long term interest bearing borrowings	18.1	417 669	–	–	417 669
Short term borrowings		78 556	–	–	78 556
Bank overdrafts	30	19 622	–	–	19 622
		6 741 427	849	–	6 742 276

Notes to the financial statements continued

for the year ended 30 june 2009

26. FINANCIAL INSTRUMENTS continued

26.3 CATEGORIES OF FINANCIAL INSTRUMENTS continued

30 June 2008	Note	Loans and receivables	Financial assets at fair value through profit and loss designated as such	Financial assets at fair value through profit and loss held for trading	Derivatives used for hedging	Total
Assets as per the balance sheet						
Investment in service concessions	12	–	135 070	–	–	135 070
Derivative financial instruments – financial assets held for trading	19.2	–	–	30 804	–	30 804
Derivative financial instruments – designated as a hedge	19.1		–	–	–	–
Trade and other receivables	17	3 448 148	–	–	–	3 448 148
Cash and cash equivalents	30	1 835 813	–	–	–	1 835 813
		5 283 961	135 070	30 804	–	5 449 835

	Note	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss held for trading	Derivatives used for hedging	Total
Liabilities as per balance sheet					
Interest bearing borrowings	18.1	1 023 737	–	–	1 023 737
Derivative financial instruments – financial liabilities held for trading	19.2	–	15 724	–	15 724
Derivative financial instruments – designated as a hedge	19.1	–	–	84 830	84 830
Excess billings over work done		969 912	–	–	969 912
Trade and other payables	21	3 090 462	–	–	3 090 462
Current portion of long term interest bearing borrowings	18.1	150 927	–	–	150 927
Short term borrowings		187 225	–	–	187 225
Bank overdrafts	30	11 599	–	–	11 599
		5 433 862	15 724	84 830	5 534 416

26. FINANCIAL INSTRUMENTS continued

26.4 FINANCIAL RISK FACTORS

Market risk

Foreign exchange risk

The group, through foreign entities, conducts 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 exposures for either purchase or sale transactions through the use of foreign currency forward exchange contracts. Foreign dominated construction contracts entered into are primarily US Dollar-based in terms of revenue and cost. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through settling of liabilities in the relevant currencies. One foreign currency forward exchange contracts was entered into during the current year.

The carrying amount of the group's foreign currency denominated monetary assets and liabilities at balance sheet date is as follows:

30 June 2009	Note	South African Rand	US Dollar	UAE Dirham/ Jordanian Dinar	Other	Total
Assets as per the balance sheet						
Investment in service concessions – financial assets designated as fair value through profit and loss	12	–	–	–	186 482	186 482
Investment in property developments financial assets designated as fair value through profit and loss	13	120 000	–	–	–	120 000
Derivative financial instruments – financial assets held for trading	19.2	–	–	–	–	–
Derivative financial instruments – designated as a hedge	19.1	3 679	–	–	–	3 679
Trade and other receivables	17	1 941 472	81 141	877 263	335 664	3 235 540
Cash and cash equivalents	30	2 214 392	293 704	128 772	161 178	2 798 046
		4 279 543	374 845	1 006 035	683 324	6 343 747
Liabilities as per the balance sheet						
Interest bearing borrowings	18.1	897 867	–	–	–	897 867
Derivative financial instruments – financial liabilities held for trading	19.2	849	–	–	–	849
Derivative financial instruments – designated as a hedge	19.1	–	–	–	–	–
Excess billings over work performed		1 693 608	27 747	13 220	65 102	1 799 677
Trade and other payables	21	2 757 215	–	644 644	126 177	3 528 036
Current portion of long term interest bearing borrowings	18.1	398 187	–	–	19 482	417 669
Short term borrowings		78 556	–	–	–	78 556
Bank overdrafts	30	–	–	–	19 622	19 622
		5 826 282	27 747	657 864	230 383	6 742 276

Notes to the financial statements continued

for the year ended 30 june 2009

26. FINANCIAL INSTRUMENTS continued

26.4 FINANCIAL RISK FACTORS continued

30 June 2008	Note	South African Rand	US Dollar	UAE Dirham Jordanian Dinar	Other	Total
Assets as per the balance sheet						
Investment in service concessions – financial assets designated as fair value through profit and loss	12	–	–	–	135 070	135 070
Derivative financial instruments – financial assets held for trading	19.2	30 804	–	–	–	30 804
Derivative financial instruments – designated as a hedge	19.1	–	–	–	–	–
Trade and other receivables	17	1 986 581	306 433	832 133	323 001	3 448 148
Cash and cash equivalents	30	1 233 937	110 713	284 098	207 065	1 835 813
		3 251 322	417 146	1 116 231	665 136	5 449 835
Liabilities as per the balance sheet						
Interest bearing borrowings	18.1	1 002 328	–	–	21 409	1 023 737
Derivative financial instruments – financial liabilities held for trading	19.2	15 724	–	–	–	15 724
Derivative financial instruments – designated as a hedge	19.1	84 830	–	–	–	84 830
Excess billings over work performed		839 359	76 233	–	54 320	969 912
Trade and other payables	21	2 340 937	170 273	382 975	196 277	3 090 462
Current portion of long term interest bearing borrowings	18.1	94 617	–	–	56 310	150 927
Short term borrowings		187 225	–	–	–	187 225
Bank overdrafts	30	–	–	–	11 599	11 599
		4 565 020	246 506	382 975	339 915	5 534 416

26. FINANCIAL INSTRUMENTS continued

26.4 FINANCIAL RISK FACTORS continued

Sensitivity analyses have been performed to monitor the financial effect of changes in foreign exchange rates. The analysis below depicts the effect on profit before taxation should the exchange rate strengthen or weaken by 10% based on the assets and liabilities at reporting date. The exchange rates applicable to the group's primary functional currencies at the current and previous reporting year end is as follows:

	F2009	F2008
ZAR: USD	**8.11**	7.96
ZAR: AED	**2.21**	2.19

As at 30 June 2009	Change in exchange rate	Weakening in functional currency resulting in an increase/(decrease) in profit before taxation (R'000)	Strengthening in functional currency resulting in an increase/(decrease) in profit before taxation (R'000)
Net movement		**22 913**	**(22 913)**
Current Assets			
Denominated: functional currency		**202 696**	**(202 696)**
ZAR: USD	10%	**41 902**	**(41 902)**
ZAR: UAE	10%	**111 108**	**(111 108)**
ZAR: OTHER	10%	**49 686**	**(49 686)**
Current Liabilities			
Denominated: functional currency		**(179 783)**	**179 783**
ZAR: USD	10%	**(2 775)**	**2 775**
ZAR: UAE	10%	**(134 712)**	**134 712**
ZAR: OTHER	10%	**(42 296)**	**42 296**
As at 30 June 2008			
Net movement		11 989	(11 989)
Current Assets			
Denominated: functional currency		223 763	(223 763)
ZAR: USD	10%	46 989	(46 989)
ZAR: UAE	10%	123 656	(123 656)
ZAR: OTHER	10%	53 118	(53 118)
Current Liabilities			
Denominated: functional currency		(211 774)	211 774
ZAR: USD	10%	(40 702)	40 702
ZAR: UAE	10%	(118 073)	118 073
ZAR: OTHER	10%	(52 999)	52 999

Notes to the financial statements continued

for the year ended 30 june 2009

26. FINANCIAL INSTRUMENTS continued

26.4 FINANCIAL RISK FACTORS continued

Cash flow and fair value interest rate risk

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 18, 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

A sensitivity analysis has been performed to monitor the effect of changes in interest rates.

The analysis below depicts the effect on profit before taxation assuming changes in interest rates

Description As assessed at 30 June 2009	Decrease in rate resulting in an increase in profit before taxation (R'000)		Increase in rate resulting in a decrease in profit before taxation (R'000)	
	2009	2008	**2009**	2008
Assuming a 1% movement in JIBAR Rate	**8 500**	8 500	**(8 500)**	(8 500)
Assuming a 1% movement in South African Prime Borrowing Interest Rate	**4 000**	3 200	**(4 000)**	(3 200)

Credit risk

Credit risk is the risk of suffering financial loss should any of the group's counterparties fail to fulfil their contractual obligations.

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 a provision for impairment based upon factors surrounding the credit risk of specific customers, historical trends and other information.

For trade debtors, estimates are determined with reference to past default experience. Before accepting new trade debtors, use is made of local external credit agencies, where necessary to assess the potential customers credit quality. Credit limits are defined by trade debtor and are regularly reviewed.

26. FINANCIAL INSTRUMENTS continued

26.4 FINANCIAL RISK FACTORS continued

Credit risk (continued)

In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and geographically diverse. Accordingly, the directors believe that there is no further credit provision required in excess of the allowed provision for impairment of trade receivable. Management does not expect a loss from fully performing financial assets.

Where appropriate, the group obtains appropriate collateral to mitigate risk. The group did not hold any collateral at 30 June 2009 or 30 June 2008. No single customer balance included in trade and other debtors represents more than 2.5% of total debtors or 1% of total revenue (excluding Middle East debtors balances awaiting claim resolution on cancelled contracts).

The carrying amount of the financial assets represents the group's maximum exposure to credit risk without taking into consideration any collateral provided. The maximum exposure to credit risk in respect of guarantees issued is the maximum amount the group may need to pay under the guarantees, refer to note 25.

The group has the following amounts due from top 5 debtors:

	Number of customers	Value Rm	% of trade and other receivables	% of total revenue
2009	5	R467,8	13.9	3.9
2008	5	R291,2	8.0	3.3

Although debt outstanding at year end from the top five customers as a percentage of revenue remains relatively unchanged year on year, the value as a percentage of trade and other receivables has increased from 8% to 13.9%. This is as a result of a decrease in trade and other receivables balances on hand by 8% as well as an increase in the amounts due in the Middle East due to cancelled contracts. Excluding the debt from the Middle East the top five debtors outstanding at year end, as a percentage of total trade and other receivables, was 10.1%

The group has the following credit risk per geographical segment:

Region	**2009**	2008
Central Africa	**153 329**	119 446
East Africa	**142 296**	544 273
Eastern Europe	**91 836**	66 759
Middle East	**999 005**	978 099
Southern Africa	**1 894 972**	1 796 753
West Africa	**117 647**	155 542
Total trade and other receivables	**3 399 085**	3 660 872

Central Africa: Zambia, Angola, DRC

East Africa: Malawi, Madagascar, Mauritius, Tanzania

Eastern Europe: Hungary, Poland

Middle East: Dubai, Abu Dhabi, Jordan

Southern Africa: South Africa, Lesotho, Swaziland, Namibia, Botswana, Mozambique

West Africa: Nigeria, Ghana, Mali, Burkina Faso

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The group does not hold any collateral as security.

Notes to the financial statements continued

for the year ended 30 june 2009

26. FINANCIAL INSTRUMENTS continued

26.4 FINANCIAL RISK FACTORS continued

Liquidity risk

Liquidity risk is the risk that the group will be unable to meet a financial commitment in any location or currency. The following table details the group's remaining contractual maturities for its financial liabilities.

30 June 2009	Note	Within 1 – 6 months	Within 7 – 12 months	Within 1 – 2 years	Within 2 – 5 years	Greater than 5 years	Total
Interest bearing borrowings	18.1	–	–	96 404	801 463	–	897 867
Derivative financial instruments – financial liabilities held for trading	19.2	764	–	85	–	–	849
Derivative financial instruments – designated as a hedge	19.1	–	–	–	–	–	–
Excess billing over work performed		1 326 376	473 301	–	–	–	1 799 677
Trade and other payables	21	3 334 148	1 218 770	–	–	–	4 552 918
Current portion of long term interest bearing borrowings	18.1	103 927	313 742	–	–	–	417 669
Short term borrowings		–	78 556	–	–	–	78 556
Bank overdrafts	30	19 622	–	–	–	–	19 622
		4 784 837	2 084 369	96 489	801 463	–	7 767 158

30 June 2008		Within 1 – 6 months	Within 7 – 12 months	Within 1 – 2 years	Within 2 – 5 years	Greater than 5 years	Total
Interest bearing borrowings	18.1	–	–	360 685	663 052	–	1 023 737
Derivative financial instruments – financial liabilities held for trading	19.2	7 862	7 862	–	–	–	15 724
Derivative financial instruments – designated as a hedge	19.1	–	–	19 123	65 707	–	84 830
Excess billing over work performed		169 735	800 177	–	–	–	969 912
Trade and other payables	21	3 554 733	1 083 299	–	–	–	4 638 032
Current portion of long term interest bearing borrowings	18.1	106 458	44 469	–	–	–	150 927
Short term borrowings		37 792	149 433	–	–	–	187 225
Bank overdrafts	30	11 599	–	–	–	–	11 599
		3 888 179	2 085 240	379 808	728 759	–	7 081 986

MANAGING OF LIQUIDITY RISK

The group manages liquidity risk by managing its working capital, capital expenditure and cash flows. In addition, detailed cash flow forecasts are regularly prepared and reviewed by Treasury. The cash needs of the group are managed according to its requirements. 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.

(R'000)	GROUP 2009	GROUP 2008
27. PROFIT BEFORE WORKING CAPITAL CHANGES		
Profit before taxation	**782 011**	665 537
Adjustments for:		
Depreciation and amortisation	**258 370**	150 791
Fair value adjustments	**(15 718)**	(111 464)
Loss/(profit) on disposal of property, plant and equipment and investment property	**26**	(9 597)
Share options	**32 569**	17 471
Finance costs	**30 820**	81 727
Fair value loss/(profit) on forward exchange contracts and fair value hedge	**15 134**	(14 330)
Loss/(profit) from associates	**69**	(140)
Movement in provisions	**13 992**	(19 165)
	1 117 273	760 830
28. WORKING CAPITAL CHANGES		
Trade and other payables	**667 541**	1 781 184
Trade and other receivables	**292 261**	(979 297)
Contracts in progress	**(186 524)**	413 737
Inventories	**(91 052)**	(159 200)
	682 226	1 056 424
29. TAXATION PAID		
Taxation owing at the beginning of the year	**(39 349)**	(55 224)
Charge per the income statement	**(224 567)**	(208 041)
Movement in deferred taxation	**79 100**	29 662
Taxation owing at the end of the year	**74 452**	39 349
Total paid during the year	**(110 364)**	(194 254)
30. CASH AND CASH EQUIVALENTS AT END OF YEAR		
Bank balances and cash	**2 798 046**	1 835 813
Bank overdrafts	**(19 622)**	(11 599)
Cash and cash equivalents at end of year	**2 778 424**	1 824 214
31. NON-CASH TRANSACTIONS (R'000) – CASH FLOW STATEMENT		
Excluded from the cash flow statement are additions to fixed assets amounting to R167 million (2008: R305 million) which were funded by finance leases.		
32. CATEGORISATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents held by the group	**1 377 493**	890 673
Cash and cash equivalents held in incorporated and unincorporated joint ventures	**1 400 931**	933 541
	2 778 424	1 824 214

Notes to the financial statements continued

for the year ended 30 june 2009

(R'000)	GROUP 2009	GROUP 2008
33. ACQUISITION OF SUBSIDIARIES		
Construction Materials – Sky Sands	**–**	134 490
Construction Materials – Bernoberg Millings	**–**	32 079
Construction Materials – BGM	**30 925**	–
	30 925	166 569

With effect from 1 July 2008, the group acquired 100% of BGM. The investment is reflected at a fair value of R71,2 million and was funded by an initial consideration of R31 million as well as by an exchange of assets of R12,6 million. The remainder of the funding is linked to the rate of tonnages of material extracted.

F2009	Fair value	Acquiree's carrying amount
Property, plant and equipment (refer note 8)	**79 385**	**5 969**
Trade and other receivables	**6 235**	**6 235**
Cash and cash equivalents	**(918)**	**(918)**
Provision for environmental rehabilitation	**(8 050)**	**–**
Trade and other payables	**(7 079)**	**(3 377)**
Deferred taxation	**1 635**	**17 432**
Net assets acquired	**71 208**	**25 341**
Purchase consideration to be settled	**(28 601)**	
Exchange of asset	**(12 600)**	
Cash and cash equivalents acquired	**918**	
Cash outflow on acquisition	**30 925**	

During the year the group invested R3 million for 51% in an energy efficiency business, Kayema Energy Solutions, that deals in domestic and commercial solar water heaters and energy efficiency systems. The investment was made at fair value to the assets acquired.

33. ACQUISITION OF SUBSIDIARIES continued

With effect from 1 July 2007, the group acquired 100% of Sky Sands for R134 million and Bernoberg Millings with effect from 1 October 2007 for R32 million. The assets and liabilities as at acquisition date, as well as the provisional purchase price allocation in terms of IFRS 3, arising from the acquisitions are as follows:

F2008	Fair value	Acquiree's carrying amount
Property, plant and equipment and goodwill (refer note 8 and 10)	219 177	38 593
Inventories	628	628
Trade and other receivables	10 298	20 040
Cash and cash equivalents	(4 260)	(4 260)
Interest-bearing borrowings, including current portion	(11 204)	(3 862)
Provision for environmental rehabilitation	(15 000)	–
Trade and other payables	(3 868)	(2 970)
Deferred taxation	(32 844)	–
Provision for liabilities and changes	(618)	(23 079)
Net assets acquired	162 309	25 090
Cash and cash equivalents acquired	(4 260)	
Cash outflow on acquisition	166 569	

Notes to the financial statements continued

for the year ended 30 june 2009

(R'000)	GROUP 2009	GROUP 2008
34. 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.		
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	**–**	–
Cost of sales	**–**	–
Operating profit	**–**	–
Finance costs	**–**	–
Loss before taxation	**–**	–
Taxation	**–**	–
Loss after taxation	**–**	–
Loss on disposal of operations	**(22 890)**	(28 207)
Loss for the year from discontinued operations	**(22 890)**	(28 207)
Balance sheet relating to the discontinued operations:		
Non-current assets	**81 170**	104 060
Current assets	**–**	31 700
Non-current assets classified as held for sale	**81 170**	135 760
Interest-bearing borrowings	**–**	–
Current liabilities	**–**	–
Liabilities directly associated with non-current assets classified as held for sale	**–**	–
Net assets	**81 170**	135 760
Cash flows relating to discontinued operations are presented below:		
Net cash flows from discontinued operations		
Net cash outflow from operating activities	**–**	–
Net cash generated from investing activities	**31 700**	–
Net funding from discontinued operations	**31 700**	–

As at 30 June 2009, the R81 million (2008: R104 million) relates to an amount outstanding in India which continues to proceed to arbitration.

During the current year an amount of R23 million has been charged to the income statement being the discount calculation on the claim to reporting date. An amount of R32 million was received on 1 July 2008 in settlement of the final payment due in respect of the Vaal Sanitaryware and DPI Plastics disposal and reflected under current assets in the prior year.

Annexure 1 – Company financial statements

at 30 june 2009

	COMPANY	
(R'000)	2009	2008
INCOME STATEMENT (Refer notes that follow)		
Dividends received from subsidiary	**6 000**	–
Taxation	**–**	–
Net profit	**6 000**	–
BALANCE SHEET (Refer notes that follow)		
Assets		
Investment in subsidiaries	**986 570**	1 050 484
Other investments	**–**	–
	986 570	1 050 484
Equity and liabilities		
Stated capital	**1 218 133**	1 176 217
Accumulated losses	**(231 563)**	(125 733)
	986 570	1 050 484

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 2007	**118 446 901**	**(26 025 800)**	**92 421 101**	**1 145 021**	**(44 200)**	**1 100 821**
Issue of shares to share trust in terms of share scheme	555 128	(555 128)	–	–	–	–
Issue of shares from share trust	–	1 319 317	1 319 317	13 725	–	13 725
Issue of shares in terms of BEE	–	–	–	–	–	–
ownership scheme in lieu of dividends	163 212	(163 212)	–	–	–	–
Share option costs	–	–	–	17 471	–	17 471
Net profit for the year	–	–	–	–	–	–
Dividends paid	–	–	–	–	(81 533)	(81 533)
Balance at 30 June 2008	**119 165 241**	**(25 424 823)**	**93 740 418**	**1 176 217**	**(125 733)**	**1 050 484**
Issue of shares to share trust in terms of share scheme	508 824	(508 824)	–	–	–	–
Issue of shares from share trust	–	873 624	873 624	9 347	–	9 347
Issue of shares in terms of BEE ownership scheme in lieu of dividends	418 982	(418 982)	–	–	–	–
Share option costs	–	–	–	32 569	–	32 569
Net profit for the year	–	–	–	–	6 000	6 000
Dividends paid	–	–	–	–	(111 830)	(111 830)
Balance at 30 June 2009	**120 093 047**	**(25 479 005)**	**94 614 042**	**1 218 133**	**(231 563)**	**986 570**

The group issues equity-settled share-based incentives to certain employees. Equity-settled payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period.

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Annexure 1 – Company financial statements continued

at 30 june 2009

(R'000)	COMPANY 2009	2008
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 295 to 373. The accounting policies adopted are set out on page 307.		
2. INVESTMENT IN SUBSIDIARIES		
Shares at cost	**382 747**	382 747
Amounts owing by subsidiaries	**603 823**	667 737
	986 570	1 050 484

The amounts owing by subsidiaries are interest free, denominated in Rand and are not subject to any repayment terms. A fair value is thus not determinable. The investments in subsidiaries are carried at cost.

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.

5. CONTINGENCIES

The company provides financial institution backed guarantees to third parties. Refer to page 351 for details on guarantees issued.

Annexure 2 – Interest in subsidiaries

at 30 june 2009

	Issued ordinary share capital		Percentage held		Shares at cost		Amounts owing by subsidiaries	
DIRECT SUBSIDIARIES	**2009 Shares**	2008 Shares	**2009 %**	2008 %	**2009 R'000**	2008 R'000	**2009 R'000**	2008 R'000
Group Five Construction (Proprietary) Limited	**1 000 000**	1 000 000	**100**	100	**14 177**	14 177	**603 823**	667 737
Everite Limited	**51 191 400**	51 191 400	**100**	100	**368 570**	368 570	**–**	–
					382 747	382 747	**603 823**	667 737

PRINCIPAL SUBSIDIARIES DIRECT AND INDIRECT

Afrimix Ready Mixed Concrete (Proprietary) Limited◊ $
Bernoberg Millings (Proprietary) Limited◊
BGM Company Limited◊
Cosmos Building Supplies (Proprietary) Limited◊
Everite (Proprietary) Limited*
Everite Pipes (Proprietary) Limited*
Group Five (Botswana) (Proprietary) Limited^
Group Five Building (Proprietary) Limited^ @
Group Five Burkina Faso (SARL)^
Group Five Civil Engineering (Proprietary) Limited^ @
Group Five Construction Limited (Malawi)^
Group Five Construction (Proprietary) Limited^
Group Five Construction (UK) Limited (Mauritius, Dubai and Jordan)^
Group Five Contractors (Namibia) (Proprietary) Limited^
Group Five Design and Project Management (Proprietary) Limited^ @
Group Five (DRC) SPRL^
Group Five Energy (Proprietary) Limited^ @
Group Five Housing (Proprietary) Limited^ @
Group Five Infrastructure Developments (Proprietary) Limited∅ @
Group Five International Limited (Mauritius, Angola, Algeria, Madagascar, Mali and Swaziland)^
Group Five International (Proprietary) Limited (Tanzania branch)^
Intertoll Holdings (Proprietary) Limited#
Group Five KwaZulu-Natal (Proprietary) Limited^ @
Group Five Mauritius Limited^
Group Five Oil & Gas (Proprietary) Limited^
Group Five Plant & Equipment (Proprietary) Limited• @
Group Five Power Projects Limited (Nigeria)^
Group Five Projects (Proprietary) Limited^ @
Group Five Property Developments (Proprietary) Limited† @
Group Five Western Cape (Proprietary) Limited^ @
Group Five (Zambia) (Proprietary) Limited^ @
Kayema Energy Solutions (Proprietary) Limited∅
Sky Sands (Proprietary) Limited◊ $
Quarry Cats (Proprietary) Limited◊ $

NATURE OF BUSINESS

* Manufacture of building products
† Property developments
# Infrastructure concessions
◊ Construction material supply
@ Acting as an agent for Group Five Construction (Proprietary) Limited
^ Construction activities
• Plant ownership and hire
∅ Infrastructural developments
$ A division of Group Five Construction (Proprietary) Limited

– 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 R534,6 million (2008: R429,3 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 2009

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 (%)
Amakhulu Civils Joint Venture	South Africa	Construction	25
Barnes Reinforcing Industries (Proprietary) Limited	South Africa	Steel supply	50
CGI Joint Venture	Swaziland	Construction	40
Group Five Construction LCC (Dubai)	UAE	Construction	49
Group Five – GCC Four Seasons Hotel Joint Venture	Mauritius	Construction	50
Group Five – Makhosi Construction Fikile Construction Joint Venture	South Africa	Construction	40
Group Five Motlekar (Proprietary) Limited	South Africa	Construction	51
Group Five Pipe (Proprietary) Limited	South Africa	Pipe manufacturing	50
Group Five WBHO Pandev Joint Venture	South Africa	Construction	35
Group Five WBHO Joint Venture – Hulett Aluminium	South Africa	Construction	50
iLembe Airport Construction Services (Proprietary) Limited	South Africa	Construction	28.5
iLembe Buildings Joint Venture	South Africa	Construction	35
iLembe Civil Construction Joint Venture	South Africa	Construction	35
iLembe EPC Joint Venture	South Africa	Construction	38.5
Kusile Civils Joint Venture	South Africa	Construction	25
Siyavaya Highway Construction Joint Venture	South Africa	Construction	50
Spiecapag Group Five Joint Venture	South Africa	Construction	38.5
SSL Structural Systems (Africa) (Proprietary) Limited	South Africa	Construction	50
Vresap Civils Joint Venture	South Africa	Construction	40

The group maintains a register of all its joint ventures for inspection at the registered office of Group Five Limited.

(R'000)	GROUP 2009	GROUP 2008
AGGREGATE FINANCIAL INFORMATION:		
as at 30 June 2009		
BALANCE SHEET		
Group's proportionate share of assets and liabilities:		
Assets		
Non-current assets	**59 650**	18 117
Current assets	**4 030 800**	2 674 161
	4 090 450	2 692 278
EQUITY AND LIABILITIES		
Shareholders' equity	**527 880**	293 114
Non-current liabilities	**1 904**	21
Current liabilities	**3 560 666**	2 399 143
	4 090 450	2 692 278
for the year ended 30 June		
INCOME STATEMENT		
Group's proportionate share of income and expenditure:		
Revenue	**4 559 389**	2 407 782
Profit before taxation	**480 741**	268 402
Taxation	**(119 161)**	(56 996)
Profit after taxation	**361 580**	211 406
Dividends received	**147 031**	–
SUMMARISED CASH FLOW STATEMENT		
Cash flow from operating activities	**430 571**	813 720
Cash flow from investing activities	**(41 533)**	(14 306)
Cash flow from financing activities	**1 883**	(369)
Net increase in cash and cash equivalents	**390 921**	799 045

There are no contingent liabilities that the group is aware of that require disclosure.

Annexure 4 – Investment in associates

at 30 june 2009

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 (%)	Carrying value R'000
Unlisted					
Amanz' Abantu Services (Proprietary) Limited	South Africa	Water supply	100 ordinary shares of R1 each	25.5	901
Jozi Power Limited	South Africa	Power supply	3 720 000 shares of USD 1	34.2	10 917
Metsi Water and Sanitation Company (Proprietary) Limited	South Africa	Water supply	2 250 ordinary shares of R1 each	15*	72
RFC Developments (Pty) Ltd	South Africa	Property development	100 ordinary shares of R1 each	14*	3 320
					15 210

**The investments are equity accounted as the group has the power to participate in the financial and operating policy decisions of the investee.*

(R'000)	GROUP 2009	GROUP 2008
at 30 June		
AGGREGATE FINANCIAL INFORMATION: UNLISTED		
BALANCE SHEET		
Group's share of assets and liabilities:		
Assets		
Non-current assets	**40 586**	27 563
Current assets	**4 558**	12 559
	45 144	40 122
Equity and liabilities		
Shareholders' interest	**15 984**	13 170
Non-current liabilities	**24 157**	23 315
Current liabilities	**5 003**	3 637
	45 144	40 122
for the year ended 30 June		
INCOME STATEMENT		
Group's share of income and expenditure:		
Revenue	**8 317**	7 395
(Loss)/profit before taxation	**(69)**	140
Taxation	**–**	(73)
(Loss)/profit after taxation	**(69)**	67
Dividends received	**–**	–
SUMMARISED CASH FLOW STATEMENT		
Cash flow from operating activities	**5 401**	(1 136)
Cash flow from investing activities	**(12 439)**	(3 359)
Cash flow from financing activities	**2 895**	11 650
Net increase in cash and cash equivalents	**(4 143)**	7 155

There are no contingent liabilities that the group is aware of that require disclosure.

Annexure 5 – Analysis of shareholders

at 30 june 2009

1. Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	2 825	62.31	1 147 884	0.96
1 001 – 10 000 shares	1 249	27.54	4 045 022	3.37
10 001 – 100 000 shares	317	6.99	11 170 412	9.30
100 001 – 1 000 000 shares	121	2.67	36 418 463	30.33
1 000 001 shares and over	22	0.49	67 311 266	56.05
Totals	**4 534**	**100.00**	**120 093 047**	**100.00**

2. Distribution of shareholders	Number of shareholders	%	Number of shares	%
Banks	45	0.99	3 608 969	3.01
Close Corporations	63	1.39	189 584	0.16
Empowerment Trusts	4	0.09	25 478 127	21.22
Endowment Funds	44	0.97	858 325	0.71
Individuals	3 427	75.58	6 093 990	5.07
Insurance Companies	37	0.82	8 775 200	7.31
Investment Companies	26	0.57	5 312 838	4.42
Medical Schemes	7	0.15	301 521	0.25
Mutual Funds	142	3.13	29 125 337	24.25
Nominees and Trusts	439	9.68	2 152 278	1.79
Other Corporations	25	0.55	22 968	0.02
Private Companies	94	2.07	4 816 138	4.01
Public Companies	6	0.13	70 263	0.06
Retirement Funds	175	3.86	33 286 631	27.72
Share Trust	1	0.02	878	0.00
Totals	**4 534**	**100.00**	**120 093 047**	**100.00**

Annexure 5 – Analysis of shareholders continued

at 30 june 2009

3. Non-Public and Public Shareholders	Number of shareholders	%	Number of shares	%
Non-Public Shareholders	**21**	**0.46**	**27 951 499**	**23.27**
Directors of the company	2	0.04	161 000	0.13
Executive committee members of the company	5	0.11	211 780	0.18
Management committee members of the company	8	0.18	99 714	0.08
Empowerment Trusts	4	0.09	25 478 127	21.22
Share Trusts	1	0.02	878	0.00
Associate Empowerment Holdings	1	0.02	2 000 000	1.67
Public Shareholders	4 513	99.54	92 141 548	76.73
Totals	**4 534**	**100.00**	**120 093 047**	**100.00**

4. Beneficial shareholders holding 5% or more	Number of shares	%
Group Five BEE ownership transaction participants	27 478 127	22.88
Coronation Fund Managers	11 526 486	9.60
Public Investment Corporation	9 551 154	7.95
Totals	**48 555 767**	**40.43**

5. Directors of the company	No of Shares	% of shareholding
MR Upton	160 000	0.13
CMF Teixeira	1 000	0.00
Totals	**161 000**	**0.13**

6. Executive committee members of the company		
P le Sueur	89 982	0.08
GD Mottram	20 000	0.02
AJ McJannet	11 817	0.01
JA Wallace	65 000	0.05
WI Zeelie	24 981	0.02
Totals	**211 780**	**0.18**

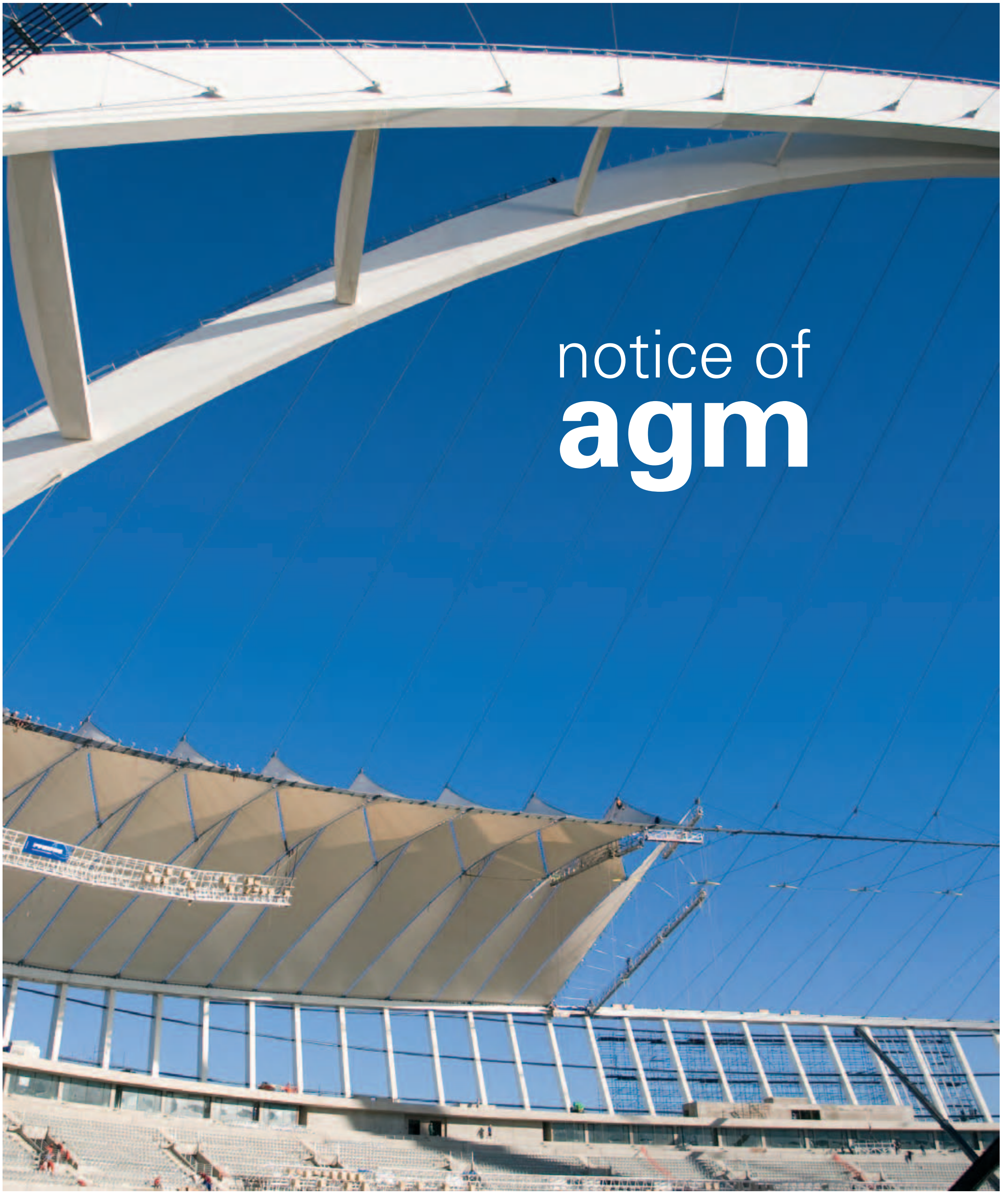
7. Management committee members of the company		
RM du Toit	27 000	0.02
FH Enslin	17 000	0.01
NM Humphreys	7 000	0.01
CA Jessop	2 750	0.00
MGC Hopkins	6 591	0.01
SMO Milbert	12 500	0.01
KD Miller	6 101	0.01
MP van Rooyen	20 772	0.02
Totals	**99 714**	**0.09**

8. Top twenty beneficial shareholders by size

Rank	Name of shareholder	Shares	%
1	Group Five BEE Share Scheme Control Account	25 478 127	21.22
2	Coronation Fund Managers	11 526 486	9.60
3	Public Investment Corporation	9 551 154	7.95
4	Old Mutual	4 962 198	4.13
5	Rand Merchant Bank	4 727 141	3.93
6	Investment Solutions	4 394 728	3.66
7	Liberty Group	3 259 039	2.71
8	Eskom Pension & Provident Fund	2 659 702	2.21
9	Metal & Engineering Industries	2 438 988	2.03
10	Momentum	2 305 413	1.92
11	Investec	2 290 795	1.91
12	Mines Pension Fund	2 197 114	1.83
13	Ellerine Brothers	2 144 991	1.79
14	Mvelaphanda Holdings	2 000 000	1.67
15	Sanlam	1 752 262	1.46
16	Mineworkers Provident Fund	1 606 954	1.34
17	Credit Suisse	1 408 300	1.17
18	Namibian Government Institutions Pension Fund	1 331 398	1.11
19	Telkom Retirement Fund	1 129 353	0.94
20	Dimensional Fund Advisors	1 094 398	0.91
	Totals	**88 258 541**	**73.49**

9. Top ten countries based on beneficial shareholders

Rank	Name of shareholder	Shares	%
1	South Africa	104 796 732	87.26
2	Namibia	2 229 373	1.86
3	USA	1 829 652	1.52
4	Luxembourg	1 348 100	1.12
5	UK	484 968	0.40
6	Channel Islands	340 000	0.28
7	Swaziland	320 055	0.27
8	Netherlands	305 723	0.25
9	Norway	200 687	0.17
10	Switzerland	177 480	0.15
	Totals	**112 032 770**	**93.28**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Notice of annual general meeting

at 30 june 2009

GROUP FIVE LIMITED

(Registration number 1969/000032/06)
(Incorporated in the Republic of South Africa)
Share code: GRF ISIN Code: 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 Wednesday 14 October 2009 at 09:00, 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 2009, together with the directors' and independent auditors' reports.

2. To re-elect by separate resolution Lindiwe Evarista Bakoro;

3. To re-elect by separate resolution John Leonard Job;

3. To re-elect by separate resolution Zolani Mtshotshisa;

4. To re-elect by separate resolution Philisiwe Buthelezi;

   as directors of the company, who retire by rotation in terms of the company's Articles of Association and who offer themselves for re-election. A brief CV in respect of each director standing for re-election appears on page 188 of this annual report.

5. Director's fees:

   5.1 To ratify the remuneration of non-executive directors for the year ended June 2009 (refer to page 184 of annual report).

   5.2 To approve the remuneration of non-executive directors for the year ended June 2010 (refer to page 184 of annual report).

6. To re-appoint PricewaterhouseCoopers Inc. as independent auditors of the company for the ensuing year.

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 at 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 2009 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;
- 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;
- the number of shares issued for cash shall not in the aggregate in the current financial year exceed 10% (ten per cent) 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;
- 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;
- 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
- 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.

Notice of annual general meeting continued
at 30 june 2009

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 at 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;
- 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;
- 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
- 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.

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;
- 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;
- after such repurchase the company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements;
- the company or the group will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless the company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant prohibited period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement released on SENS prior to the commencement of the prohibited period;
- 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;
- the company only appoints one agent to effect any repurchase(s) on its behalf; and
- 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 Listing Requirements:

- directors (page 188);
- major shareholders (page 371);
- directors' interests in securities (page 371); and
- share capital of the company (page 298)

MATERIAL CHANGES

There have been no material changes in the affairs or financial position of Group Five and its subsidiaries since 30 June 2009.

LITIGATION STATEMENT

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names are given on page 188 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.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors whose names appear on page 188 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.

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 wishes 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 who 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.

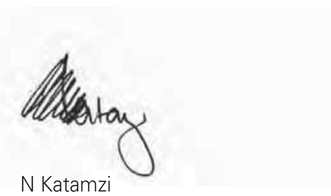
Notice of annual general meeting continued

at 30 june 2009

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 09:00 on Monday, 12 October 2009. 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



N Katamzi
Company secretary
6 August 2009

Registered office
Group Five Limited
371 Rivonia Boulevard
Rivonia
2128
PO Box 3951
Rivonia
2128

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

Form of proxy

GROUP FIVE LIMITED

(Registration number 1969/000032/06)
(Incorporated in the Republic of South Africa)
Share code: GRF ISIN Code: 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 Wednesday, 14 October 2009 ("the annual general meeting") at 09:00

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 and certificated shareholders, 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 note1):

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 2009			
2. RESOLUTION NUMBER 2: To re-elect by separate resolution – LE Bakoro			
3. RESOLUTION NUMBER 3: To re-elect by separate resolution – JL Job			
4. RESOLUTION NUMBER 4: To re-elect by separate resolution – Z Mtshotshisa			
5. RESOLUTION NUMBER 5: To re-elect by separate resolution – P Buthelezi			
5. RESOLUTION NUMBER 6: 5.1 Ratify directors' fees for the year ended 30 June 2009. 5.2 Approve director's fees for the year ended 30 June 2010			
6. RESOLUTION NUMBER 7: Re-appointment of auditors			
SPECIAL BUSINESS 7. ORDINARY RESOLUTION NUMBER 1: Control of authorised but unissued shares			
8. ORDINARY RESOLUTION NUMBER 2: General authority to issue shares for cash			
9. ORDINARY RESOLUTION NUMBER 3: Distribution to shareholders out of stated capital			
10. SPECIAL RESOLUTION NUMBER 1: General authority to repurchase shares			

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 ______________________ 2009

Signature ____
assisted by me (where applicable)
(State capacity and full name) (see note 2).
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 form of proxy, and whose name is not deleted, shall be regarded as the validly appointed proxy.
5. The authority of a person signing a form of proxy in a representative capacity must be attached to the form of 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, forms of proxy 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).

6\. Any alteration or correction made to this form of proxy must be initialled by the signatory/(ies).

7\. If this form of proxy 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.

8\. The delivery of the duly completed form of proxy shall not preclude any member or his duly authorised representative from attending the meeting, speaking and voting instead of such duly appointed proxy.

9\. 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.

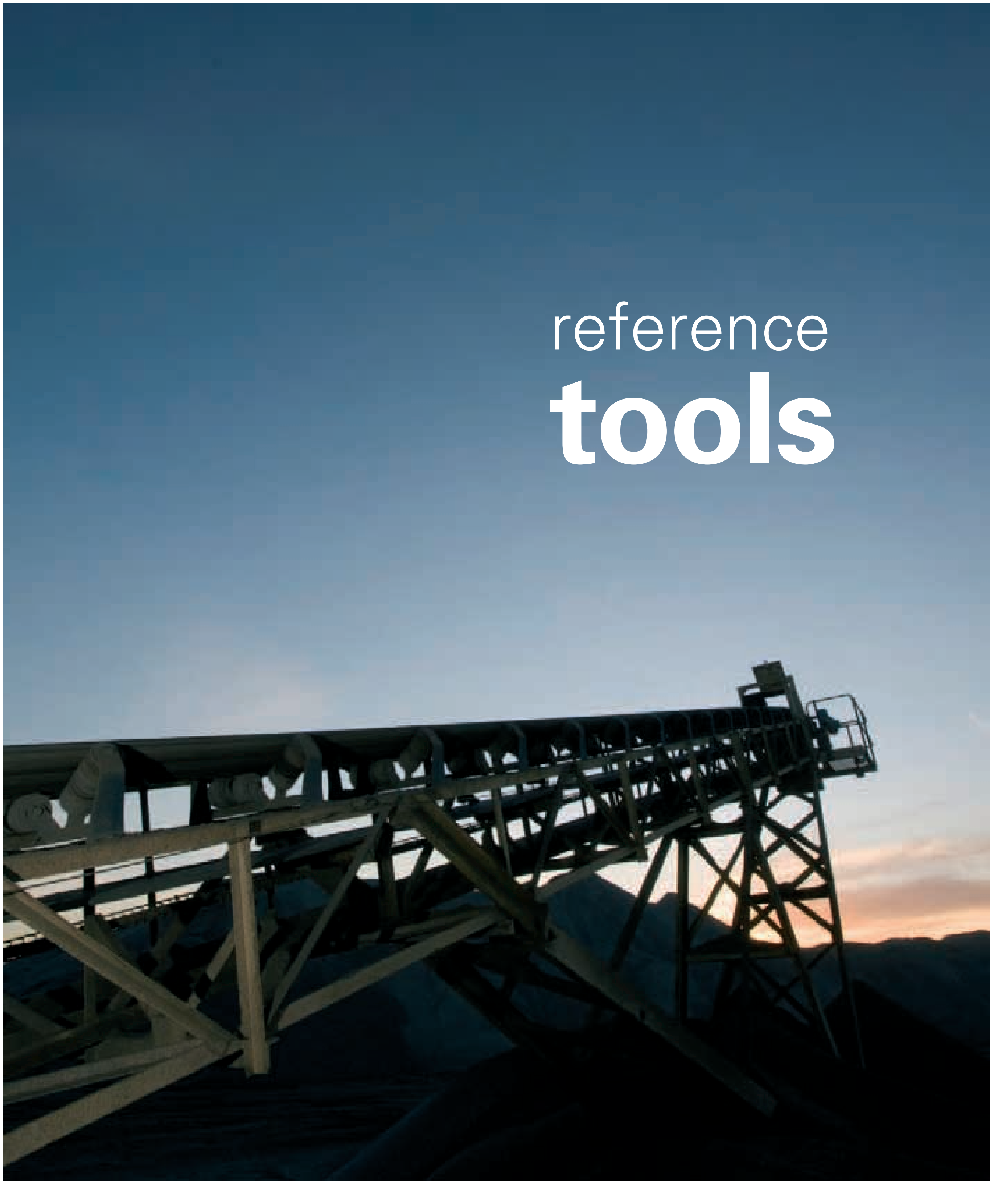
10\. Where there are joint holders of any shares:

- 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
Rivonia 2128

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

reference tools



Abbreviations

Below are definitions of the main abbreviations used in this report.

ABET	Adult Basic Education and Training
ABT	Advanced Building Technologies
ACPA	Association of Certified Professional Accountants
ASPASA	The Aggregate and Sand Producers Association of South Africa
ASTD	American Society for Training and Development
BBBEE	Broad-based black economic empowerment
BCAWU	Building Construction and Allied Workers Union
BEE	Black economic empowerment
BIFSA	Building Industry Federation of South Africa
BMF	Black Management Forum
BNG	Breaking new ground
BUSA	Business Unity South Africa
CAGR	Compound average growth rate
CBS	Corporate office
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CETA	Construction Sectoral Education Training Authority
CFO	Chief Financial Officer
CIOB	Chartered Institute of Building
COIDA	Compensation for occupational injuries and diseases act
CRM	Customer relationship management
CSI	Corporate social investment
CSSA	Concrete Society of South Africa
CSTP	Concentrated solar thermal power plant
CV	Curriculum vitae
DIFR	Disabling injury frequency rate
DRC	Democratic Republic of the Congo
dti	Department of Trade and Industry
D+PM	Group Five Design and Project Management
ECMT	Electronic compensation management tool kit
ECRI	The Engineering and Construction Risk Institute
ECSA	Engineering Council of South Africa
EE	Employment equity
EIA	Environmental impact assessment
EMP	Environmental management plan
EPC	Engineer, procure and construct
Exco	Executive committee
FAFR	First aid frequency rate
FDI	Foreign direct investment
FET	Further Education and Training
FSIA	Free State Institute of Architecture
GBCSA	Green Building Council of South Africa
GCC	Gulf Co-operation Council
GCR	Global Credit Rating
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GFIP	Gauteng Freeway Improvement Project
GIBS	Gordon Institute of Business Sciences
GLA	Gross lettable area
GORT	Gauteng Open Road Tolling
GRI	Global Reporting Initiative
HR	Human resources
IAS	Investment Analysts Society
IFRS	International Financial Reporting Standards
IOD	Institute of Directors
IPFA	International Project Finance Association
IPMS	Integrated performance management system
IPP	Independent power producer
ISO	International Organisation for Standardisation
IT	Information Technology
JSE	JSE Limited
King II and King III	King Report on Corporate Governance
KJ	Kilojoules
LNG	Liquefied natural gas
LTI	Long term incentives
Manco	Management committee
MBSA	Master Builders of South Africa
MD	Managing director
MEIP	Mechanical, electrical, instrumentation and piping
MEP	Mechanical, electrical and piping
MW	Megawatt
NCS	Non-conformance system
NMPP	New multi-products pipeline
NUM	National Union of Mineworkers
NUMSA	National Union of Metalworkers
OHSAS	Occupational Health and Safety Management System
Opsco	Operating committee

PACI	Partnering Against Corruption Initiative
PLA	Project labour agreements
PMD	Programme for Management Development
PMI	Project Management Institute
PPM	Programme for Project Management
PPP	Public private partnerships
REFIT	Renewable Energy Feed in Tariff
RFP	Request for proposals
SAAQS	South African Association of Quantity Surveyors
SACPCMP	South African Council for the Project and Construction Management Profession
SAFCEC	South African Federation of Civil Engineering Contractors
SAICA	South African Institute of Chartered Accountants
SAICE	South African Institute of Civil Engineers
SAIEE	South African Institute of Electrical Engineers
SAISC	South African Institute of Steel Construction
SAIW	South African Institute of Welding
SANRAL	South African National Roads Agency Limited
SARB	South African Reserve Bank
SARMA	The South African Readymix Assocation
SASFA	Southern African Light Steel Frame Building Association
SBO	Safe behaviour observations
SED	Socio-economic development
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
SMEIP	Structural, mechanical, electrical, instrumentation and piping
SOEs	State-owned enterprises
SRI Index	Socially Responsible Investment Index
Stats SA	Statistics SA
STI	Short term incentives
TCTC	Total cost to company
TFBA	Timber Frame Builders Association
TRA	Temporary relief accommodation
The Construction Charter	The Construction Sector Broad-Based Black Economic Empowerment Charter
UAE	United Arab Emirates
UCT	University of Cape Town
UK	United Kingdom
UP	University of Pretoria
USA	United States of America
VBF	Gauteng Voluntary Bargaining Forum
VCT	Voluntary counselling and testing
WESUSA	Workers' Equally Support Union of South Africa
WISA	Water Institute of South Africa

Global Reporting Initiative Index

This year, Group Five's detailed 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 the GRI's learning process. The status outlined for Group Five's compliance mainly covers the detailed Annual Report, with reference made to the Annual Review only if there is no duplication. The status indicates whether the benchmark has been addressed within the Annual Report and page numbers either refer to the start of a relevant section or a specific page.

	GRI benchmark	Status	Page numbers
1	**VISION AND STRATEGY**		
1.1	Vision and Strategy for the group	✓	4, 148, 152
	Contribution to sustainable development	✓	137, 280
1.2	Statement from the chief executive officer	✓	39, 131
2	**PROFILE**		
2.1	Name of reporting organisation	✓	Group Five Limited
2.2	Major products and or services, including brands	✓	6
2.3	Operational structure of the organisation	✓	6, 64
2.4	Description of major divisions, operating companies, subsidiaries and joint ventures	✓	64 – 128, 269
2.5	Countries in which organisation's operations are located	✓	8
2.6	Nature of ownership; legal form	✓	295
2.7	Nature of markets served	✓	2, 10, 12 – 17
2.8	Scale of reporting organisations		
	number of employees	✓	1
	products produced/services offered	✓	3, 6
	net sales	✓	298
	capitalisation by debt and equity	✓	299
	value added	✓	137
	segmental reporting	✓	302
2.9	List of stakeholders	✓	215
2.10	Contact for the report	✓	132, Back page
2.11	Reporting period	✓	Financial year ending 30 June 2009
2.12	Date of most previous report	✓	Financial year ending 30 June 2008
2.13	Boundaries/Scope of the report	✓	IFC, Contents page
2.14	Significant changes in size, structure, ownership, product/services since last report	✓	295
2.15	Basis for reporting that could compromise comparability	✓	307
2.16	Explanations regarding the restatement of information	✓	307
2.17	Decisions not to apply GRI principles or protocols	✓	Applied throughout
2.18	Criteria/definitions	✓	307
2.19	Significant changes from previous years in measurement methods	✓	307
2.20	Policies and internal practices to enhance and provide assurance about the accuracy, completeness and internal reliability of the report	✓	293

	GRI benchmark	Status	Page numbers
2.21	Policies and current practices with regard to providing independent assurance for the report	✓	293, 294
2.22	Additional information and reports on sustainability		136 – 142, 280
3	**GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS**		
3.1	Governance structure of the organisation	✓	174 – 201
3.2	Percentage of the board of directors that are independent, non-executive directors	✓	175, 188 – 190
3.3	Process for determining board member expertise regarding the provision of strategic direction	✓	30 – 32, 174 – 182
3.4	Board-level processes	✓	175, 180 – 182
3.5	Link between executive compensation and the achievement of objectives	✓	30 – 32
3.6	Organisational structure and key responsibilities with regard to social policies	✓	215
3.7	Mission and value statements and code of conduct	✓	179, 214
3.8	Mechanisms for shareholders to provide recommendations	✓	132 – feedback@groupfive.co.za, Annual general meeting, Direct and indirect communication, media
3.9	Identification of major stakeholders	✓	215
3.10	Stakeholder consultation	✓	216 – 217
3.11	Stakeholder consultation information	✓	216 – 217
3.12	Use of stakeholder consultation information	✓	216 – 217
3.13	Precautionary approach	✓	216 – 217
3.14	Economic, environmental and social charters	✓	136 – 142
3.15	Industry and business association memberships	✓	218
3.16	Policies and/or systems for managing upstream and downstream impacts	✓	281 – 290
3.17	Approach to managing indirect impacts	✓	281 – 290
3.18	Decisions regarding location and change in operations	✓	5, 156
3.19	Programmes and procedures pertaining to economic, environmental performance	✓	131, 45 – 54, 282, 285
3.20	Certification status	✓	146, 209
EC	**ECONOMIC PERFORMANCE INDICATORS**		
	Core indicators – Customers		
EC1	Net sales	✓	298
EC2	Geographic breakdown of markets	✓	8 – 9, 306
	Core indicators – Suppliers		
EC3	Cost of all goods, material and services purchased	✓	137, 298
EC4	Percentage of contracts paid in accordance with agreed terms	✓	359
	Core indicators – Employees		
EC5	Total payroll and benefits	✓	342
	Core indicators – Providers of Capital		
EC6	Distributions to providers of capital	✓	137, 301
EC7	Increase/decrease in retained earnings at end of period	✓	301

Global Reporting Initiative Index continued

	GRI benchmark	Status	Page numbers
	Core indicators – Public Sector		
EC8	Taxes paid	✓	361
EC9	Subsidies received broken down by country/region	×	367
EC10	Donations to community, civil society and other groups	✓	276
	Additional indicators – Suppliers		
EC11	Suppliers broken down by organisation and country	×	
	Additional indicators – Public Sector		
EC12	Total spent on non-core business infrastructure spend	×	
	Indirect Economic Impacts		
EC13	Organisation's indirect economic impacts	✓	137
EN	**ENVIRONMENTAL PERFORMANCE INDICATORS**		
	Core indicators – Materials		
EN1	Total materials use other than water by type	✓	287 – 289
EN2	Percentage of materials used that are wastes from sources external to the reporting organisation	✓	287 – 288
	Core indicators – Energy		
EN3	Direct energy use segmented by primary source	✓	282, 288
EN4	Indirect energy use	✓	288
	Core indicators – Water		
EN5	Total water use	✓	136, 208
	Core indicators – Biodiversity		
EN6	Location and size of land owned, leased or managed in biodiversity rich habitats	✓	282
EN7	Description of major impacts on biodiversity associated with activities and or products and services in terrestrial, freshwater and marine environments	✓	282
	Core indicators – Emissions, Effluents, and Waste		
EN8	Greenhouse gas emissions	✓	288
EN9	Use and emissions of ozone-depleting substances	✓	282 – 290
EN10	Nox, Sox and other significant emissions by type	✓	282 – 290
EN11	Total amount of waste by type and destination	✓	208, 282 – 290
EN12	Significant discharges by type	✓	282 – 290
EN13	Significant spills of chemicals, oils and fuels	✓	282 – 290
	Core indicators – Products and Services		
EN14	Significant environmental impacts of principle products and services	✓	282 – 290
EN15	Percentage of weight of products sold that is reclaimable	Partial	282 – 290
	Core indicators – Compliance		
EN16	Incidents of and fines for non-compliance	✓	195 – 200
	Additional indicators – Energy		
EN17	Initiatives to use renewable energy sources	✓	282 – 290
EN18	Energy consumption footprint	✓	282 – 290

EN19	Other indirect energy use	✓	282 – 290
	Additional indicators – Water		
EN20	Water sources and related ecosystems	✓	282
EN21	Annual withdrawals of ground and surface water	✓	136
EN22	Total recycling and re-use of water	✓	136
	Additional indicators – Biodiversity		
EN23	Total amount of land owned, leased or managed	✓	327, 330
EN24	Amount of impermeable surfaces	✗	
EN25	Impacts of activities and operations on protected and sensitive areas	✓	282
EN26	Changes to natural habitats resulting from activities	✓	282
EN27	Protecting and restoring native ecosystems	✓	282
EN28	Number of IUCN list species	✗	
EN29	Business units with plans in and around protected or sensitive areas	✓	66 – 128
	Additional indicators – Emissions, Effluents and Waste		
EN30	Other relevant indirect greenhouse emissions	✓	282 – 290
EN31	Products, transport, imports or exports deemed hazardous	✓	282
EN32	Water sources and related ecosystems significantly affected by discharges of water and run-off	✓	282
	Additional indicators – Suppliers		
EN33	Performance of suppliers relative to environmental components	✓	282 – 290
	Additional indicators – Transport		
EN34	Significant environmental impacts of transport used for logistical purposes	✓	282 – 290
	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	✓	136, 137, 223, 229
LA2	Employment creation and average turnover	✓	136, 223, 229
	Core indicators – Labour/Management Relations		
LA3	Trade union representations	✓	239
LA4	Policy and procedures involving information, consulting and negotiation with employees over changes in the reporting organisations operations	✓	223, 227
	Core indicators – Health and Safety		
LA5	Occupational accidents and diseases	✓	204, 206, 207, 208
LA6	Health and safety committees	✓	205
LA7	Injury, lost days and absentee rates	✓	206
LA8	HIV/AIDS policies or programmes	✓	233 – 235
	HIV/AIDS policy	✓	233 – 235
	Strategy for managing HIV/AIDS	✓	234 – 235
	Stakeholder involvement	✓	234 – 235
	HIV/AIDS prevalence rates	✓	234
	HIV/AIDS expenditure	✓	235
	HIV/AIDS awareness/education/training	✓	234 – 235

Global Reporting Initiative Index continued

	GRI benchmark	Status	Page numbers
LA	**SOCIAL PERFORMANCE INDICATORS – LABOUR PRACTICES AND DECENT WORK**		
LA8	Voluntary counseling and testing	✓	233 – 235
	HIV prevention interventions	✓	233 – 235
	Programme to assist members who suffer from Aids	✓	233 – 235
	Provision of anti-retrovirals	✓	233 – 235
	Core indicators – Training and Education		
LA9	Training per employee level, gender and ethnic spirit	✓	252 – 259
	Core indicators – Diversity and Opportunity		
LA10	Equal opportunity policies or programmes and their monitoring	✓	221, 223, 246
LA11	Composition of senior management and corporate governance bodies	✓	227, 247
	Additional indicators – Employment		
LA12	Employee benefits beyond those legally mandated	✓	221
	Additional indicators – Labour/Management Relations		
LA13	Provision for formal worker presentation in decision making	✓	239
	Additional indicators – Health and Safety		
LA14	Compliance with the ILO guidelines for occupational health management systems	✓	207 – 210
LA15	Formal agreements with trade unions covering health and safety at work and proportion of workforce covered by such agreements	✓	207, 239
	Additional indicators – Training and Education		
LA16	Programmes to support the continued employability of employees and to manage career endings	✓	221, 224 – 228
LA17	Policies and programmes for skills management	✓	250 – 261
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	✓	221 – 230, 239
HR2	Evidence of consideration of human right impacts as part of investment and procurement	✓	263
HR3	Policies and procedures to evaluate and address human rights performance within the supply chain and contractors	✓	217
	Core indicators – Non discrimination		
HR4	Global policy and procedures/programmes preventing all forms of discrimination in operations	✓	222, 239
	Core indicators – Freedom of association and collective bargaining		
HR5	Freedom of association policy	✓	239
	Core indicators – Child labour		
HR6	Child labour policy	✓	239
	Core indicators – Forced and compulsory labour		
HR7	Forced and compulsory labour policy	✓	239
	Additional indicators – Strategy and Management		
HR8	Employee training on policies and practices concerning all aspects of human rights relevant to operations	✓	250 – 261

	GRI benchmark	Status	Page numbers
	Additional indicators – Disciplinary Practices		
HR9	Appeal practices	✓	239
HR10	Non-retaliation policy and employee grievance system	✓	170, 239
	Additional indicators – Security Practices		
HR11	Human rights training for security personnel	✓	Outsourced to service provider
	Additional indicators – Indigenous Rights		
HR12	Description of policies, guidelines and procedures to address the needs of indigenous people	✓	221 – 230, 246
HR13	Description of jointly managed community grievance mechanisms/authority	✓	217
HR14	Share of operating revenues from the area of operations that are redistributed to local communities	✓	275, 276
SO	**SOCIAL PERFORMANCE INDICATORS – SOCIETY**		
	Core indicators – Community		
SO1	Policies to manage impacts on communities	✓	217, 282
	Core indicators – Bribery and Corruption		
SO2	Policy/procedures for addressing bribery and corruption	✓	170 – 172
	Core indicators – Political Contributions		
SO3	Description of policy, procedures/management systems for managing political lobbying and contributions	✓	216
	Additional indicators – Community		
SO4	Awards received	✓	134 – 135
	Additional indicators – Political Contributions		
SO5	Money paid to political parties	×	
	Additional indicators – Competition and Pricing		
SO6	Court decisions regarding cases pertaining to anti-trust and monopoly regulations	Partial	194 – 200
SO7	Policies/procedures for preventing anti-competitive behaviour	✓	199
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	✓	202 – 211, 217
	Core indicators – Products and Services		
PR2	Policy/procedure related to product information and labelling	✓	195 – 200
	Core indicators – Respect for Privacy		
PR3	Policy/procedure related to customer privacy	✓	217
	Additional indicators – Customer, Health and Safety		
PR4	Non compliance with customer health and safety regulations	✓	207 – 208
PR5	Complaints upheld regarding the health and safety of products and services	N/a	
PR6	Voluntary code compliance, product labels, or awards with respect to social and or environmental responsibility	✓	

Global Reporting Initiative Index continued

	GRI benchmark	Status	Page numbers
PR	**SOCIAL PERFORMANCE INDICATORS – PRODUCT RESPONSIBILITY**		
	Additional indicators – Products and Services		
PR7	Non compliance concerning product information and labelling	✓	217
PR8	Policies/procedures and mechanisms related to customer satisfaction	✓	217
	Additional indicators – Advertising	✓	216 – 217
PR9	Policies/procedures for adherence to standards and voluntary codes relating to advertising	✓	216 – 217
	Additional indicators – Respect for Privacy		
PR10	Breaches of advertising and marketing regulations	Partial	216 – 217
PR11	Complaints regarding breaches of customer privacy	✓	216 – 217
	ADDITIONAL INDICATORS DEEMED RELEVANT BY THE GROUP – CORPORATE SOCIAL INVESTMENT		
1	Social elements of CSI policy	✓	272 – 278
2	Structure and relevant CSR responsibilities	✓	272 – 278
	ADDITIONAL INDICATORS DEEMED RELEVANT BY THE GROUP – INTERNAL SOCIAL PERFORMANCE		
1	Staff turnover	✓	223
2	Remuneration of Group executive directors and Board of Directors	✓	184 – 187
3	Ratio of male versus female	✓	248
4	Employee profile per hierarchy level	✓	247
	ADDITIONAL INDICATORS DEEMED RELEVANT BY THE GROUP – PERFORMANCE TO SOCIETY		
1	Contributions to charitable causes, community investments and commercial sponsorships	✓	272 – 278

✓ Addressed   ✕ Not addressed   Partial Partly addressed