2010
ANNUAL REPORT

GROUP FIVE
structured ingenuity

Contents

OUR STRATEGY / Pg 4 and 84

The group's strategy is to secure growth and reduce earnings volatility within the construction sector by capturing multiple margin streams across the infrastructure value chain. This is achieved through product and geographic diversity and optimising the materials supply chain.

REVIEW FROM THE CEO / Pg 82

The performance and excellent track record of contract delivery achieved during the reporting period would not have been possible without significant operational discipline and the dedication of all of our people, who once again demonstrated fortitude and resilience under challenging circumstances.

REVIEW FROM THE CFO / Pg 92

In the context of tough economic conditions, we posted a robust performance, with delivery against our key financial group goals of margin, cash generation and gearing. These results can be attributed to the group's strong positioning in key public sector and resources markets.

Over the years, we have 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 in F2008.

This year, we once again only produced 800 detailed annual reports, which resulted in a saving of 602 000 sheets of paper.

The summarised annual review is available to stakeholders by contacting us at feedback@groupfive.co.za or + 27 11 806 0278. The review and full report can also be found on the group's website, www.groupfive.co.za.

GROUP FIVE
structured ingenuity

The group's business essence is encapsulated in its strapline of "Structured Ingenuity".

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

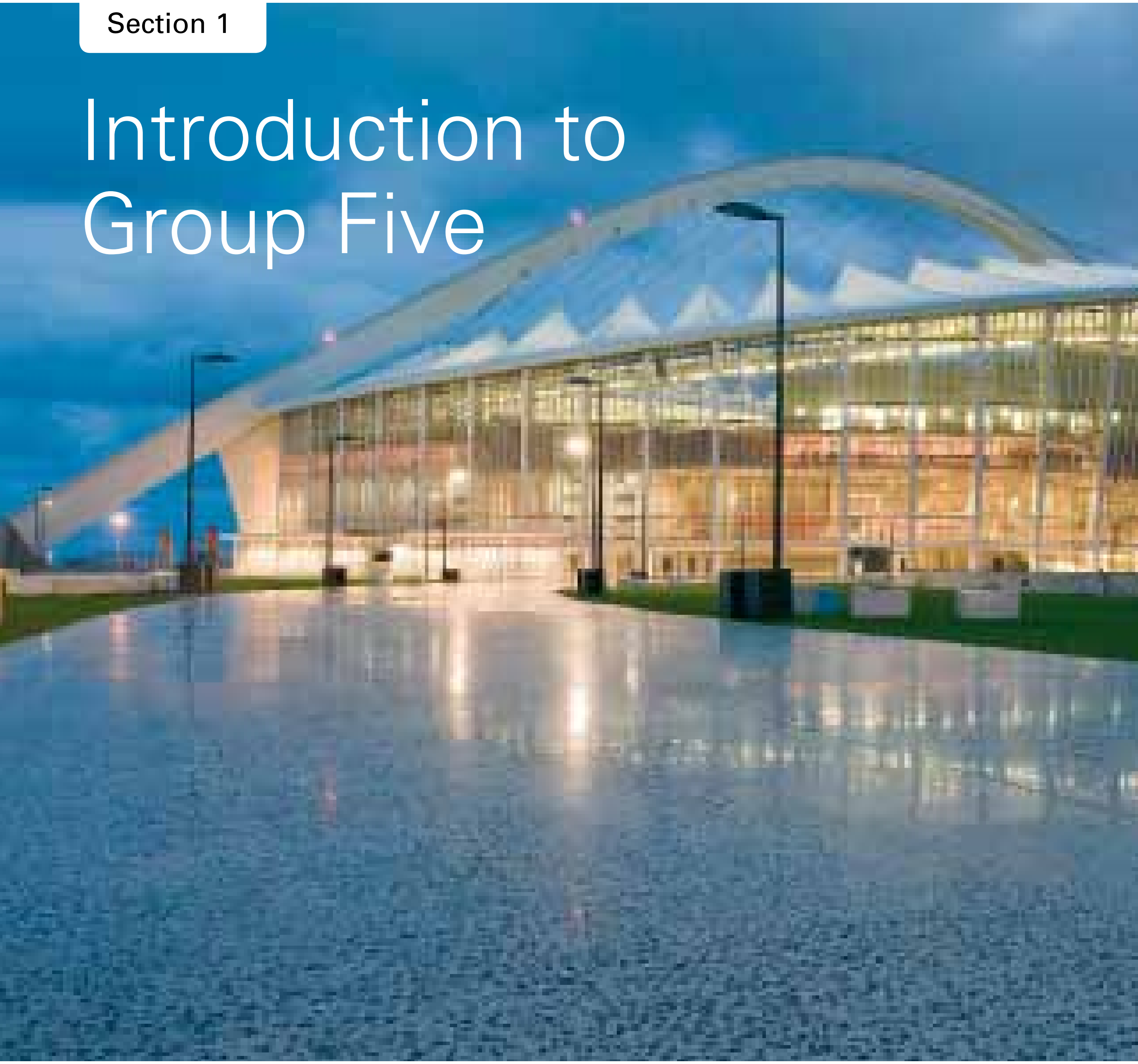
The word "ingenuity" reflects the operational culture of the group and its ethos of effectively meeting challenges and servicing clients through a quality offering.

Cover pictures: Bus Rapid Transport contract (Cape Town) and Moses Mabhida Soccer Stadium, Durban.

Group Five is an integrated construction services, materials and infrastructure investment group. The group currently operates in Africa, the Middle East and Eastern Europe.

Section 1

Introduction to Group Five



Moses Mabhida 2010 Soccer Stadium, Durban.

The first section takes the reader through the key aspects of the group's strategy, structure and focus.

Strategy

The group's strategy is to secure growth and reduce earnings volatility within the construction sector by capturing multiple margin streams across the infrastructure value chain. This is achieved through product and geographic diversity and optimising the materials supply chain.

It achieves growth through:

- Expanding its geographic footprint
- Securing and executing large multi-disciplinary contracts
- Developing, investing in and operating concessions and property assets
- Optimising the contribution of our manufacturing and construction materials portfolio
- Focusing on growth sectors, such as power, transport, mining and industrial, oil and gas, real estate and water and environment

Refer to page 84 for information on how we delivered against our strategy during the year.

Sustainable business model

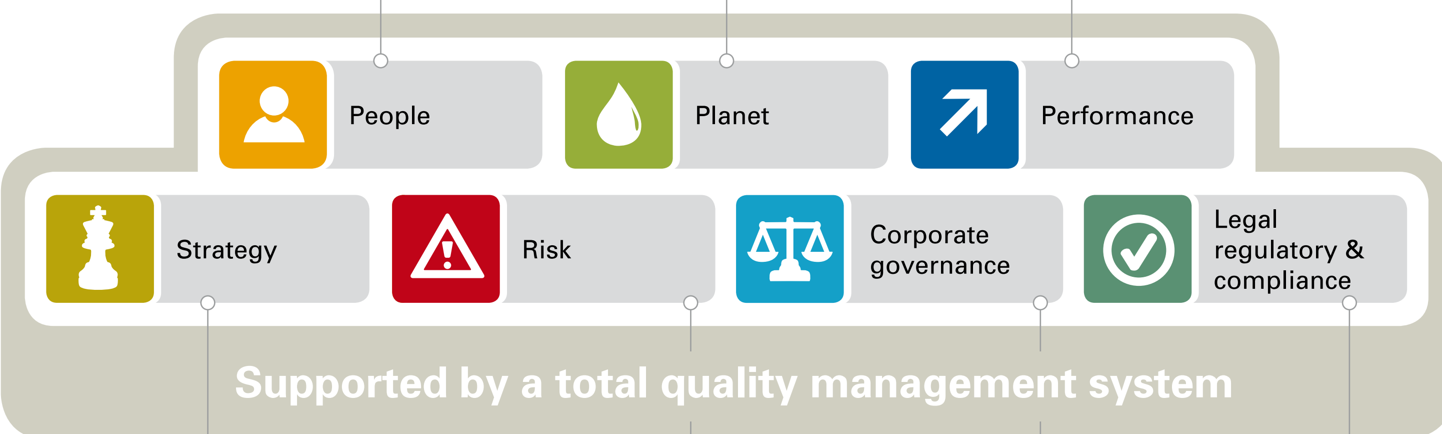
The group believes that the ability to operate in a disciplined and sustainable fashion over the long term is central to maintaining a competitive advantage in both buoyant and challenging market conditions.

Within this strategic context, we implemented a total quality management culture that underpins every aspect of our operations and reinforces the centrality of sustainability. This binds together often disparate business components and embeds the concept of a triple bottom line management culture, guided by disciplined behaviour and measured through clear targets.

During the last few years, we have seen a progression in terms of our position as an employer of choice, as well as further improvement in internal employee satisfaction. Refer to the review from the human resources director on page 180.

The group strictly measures the integration of safety, quality and environmental responsibility in terms of ISO certification and compliance. The group's zero harm initiatives have led to improved levels of safety. Refer to the SHE report on page 120.

The group delivered well in a tough year, although the volatile markets prevented us from reaching some of our targets. Refer to the group measures on page 58 and the review from the CFO on page 92.



The group's strategy has positioned it effectively as an integrated construction services, materials and infrastructure investment group. During the year, the focus on our strategic fundamentals continued, which enabled the group to limit the impact of the recession. Refer to review from the CEO on page 82.

The group's approach to risk is focused on the management of risk rather than total elimination. The key focus during the year was on strategic risks such as the impact of the economic slowdown, increased competition and the risks associated with larger, more complex contracts. Refer to the review from the risk officer on page 106.

The group has a dedicated team that focuses on identifying the external regulatory frameworks applicable to the different countries in which Group Five operates. During the year, the focus was on finalising the roll out of a competition law policy, a health and safety audit and King III compliance. Refer to the legal, regulatory and compliance review on page 140.

A new era in corporate governance has been created with the passing of the Companies Act No 71 of 2008 and the release of King III. The group has conducted an in-depth evaluation of its compliance and has made good progress in areas that required further attention. Refer to review from the company secretary on page 146 and full King III compliance checklist on page 410.

Group structure

Investments and Concessions

- Concession contract developments in the transport, power and real estate sectors
- A-grade Group Five branded property assets generating development and investment returns

VALUE TO GROUP

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

Early entry to contract opportunities from which the group's Construction and Materials clusters benefit.

Manufacturing

- Exterior and interior walling, ceiling boards, roof tiles and pipes, fibre cement-clad, steel-framed modular housing systems
- Scaffolding, formwork and steel reinforcing for use in concrete structures, fabricated steel structures and large bore steel pipes

VALUE TO GROUP

Creates low-cost entities that supply quality building materials. Internal supply to Group Five business units is 15%, which mitigates margin erosion in tough economic markets and tempers input inflation during periods of high demand.

Construction Materials

- High-specification materials used in the construction supply chain, including aggregates and readymix concrete
- Mining services

VALUE TO GROUP

Key part of the group's diversification within the construction supply chain that has the potential to be margin-enhancing for the group.

Provides an additional revenue stream into the infrastructure supply chain.

Current in-house supply is 21.5%.

Construction

- Large real estate and related infrastructure contracts
- Roads, ports, airports, pipelines and large structures in the mining and industrial sectors
- Structural, mechanical, piping and electrical engineering, as well as complete plant construction solutions

VALUE TO GROUP

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

This cluster spearheads contract execution for the group from which the group's materials and manufacturing businesses can also benefit.

Scale and full construction offering attracts international technology partners and opportunities.

IDS leads business development

D+PM coordinates and packages

FROM F2011

Engineering and Construction (E+C)

- This cluster will manage multi-disciplinary contracts from feasibility through to supporting bankability and front-end design, as well as to project manage the contract to completion
- It will source technical and engineering partners aligned to the group's strategy of providing complete infrastructure solutions in its chosen sectors

VALUE TO GROUP

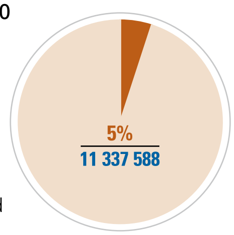
It allows the group to grow by moving up the hierarchy of infrastructure delivery to take on design, build and engineering procurement and construction (EPC) work, within acceptable size and risk constraints.

BUSINESS DRIVERS

- Growth in public and private sector infrastructure, where clients require development partners that can design, construct and manage assets and that are able to raise debt and provide equity
  - These concessions stretch across power, transport and real estate management, including public private partnerships
- Demand for private sector real estate in retail, commercial, leisure, office and residential sectors, driven by population growth and wealth creation

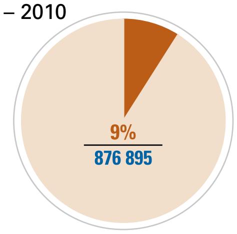
CONTRIBUTION TO GROUP

Revenue – 2010
(R'000)



591 871
Investments and Concessions

Operating profit* – 2010
(R'000)



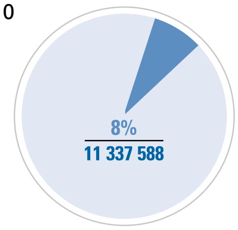
74 926
Investments and Concessions

BUSINESS DRIVERS

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

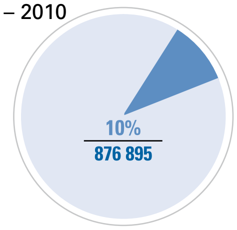
CONTRIBUTION TO GROUP

Revenue – 2010
(R'000)



866 221
Manufacturing

Operating profit* – 2010
(R'000)



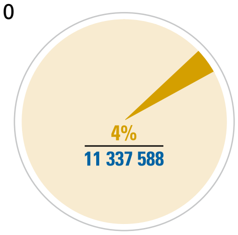
86 812
Manufacturing

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

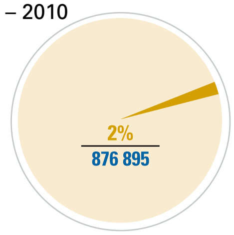
CONTRIBUTION TO GROUP

Revenue – 2010
(R'000)



491 860
Construction Materials

Operating profit* – 2010
(R'000)



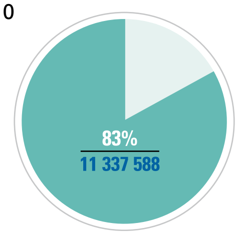
20 186
Construction Materials

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, 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

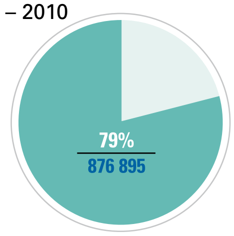
CONTRIBUTION TO GROUP

Revenue – 2010
(R'000)



9 387 636
Construction

Operating profit* – 2010
(R'000)



694 971
Construction

for large multi-disciplinary contracts

total contract delivery offerings

BUSINESS DRIVERS

- Infrastructure delivery moving to larger, multi-disciplinary contracts
- Clients' capacity constraints to manage capital projects themselves
- Increasing need for project financing of contracts that are only bankable in a total multi-disciplinary package
- Equipment suppliers that want to team up with construction partners

** Total operating profit.*

Relevant geographic drivers

The next few pages outline relevant geographies we monitor in the execution of our strategy.

NORTH AMERICA

Characteristics

- Developed, mature industrialised markets
- Expected average GDP growth of 3.1% for 2010 and 2011

WESTERN EUROPE

Characteristics

- Developed, mature industrialised markets
- Expected average GDP growth of 1.6% for 2010 and 2011

EASTERN EUROPE

Characteristics

- Rapidly emerging industrialised economies
- High skills base
- Improving political stability
- Under-developed infrastructure
- Growing membership of European Union
- Expected average GDP growth of 3.6% for 2010 and 2011

MIDDLE EAST AND NORTH AFRICA

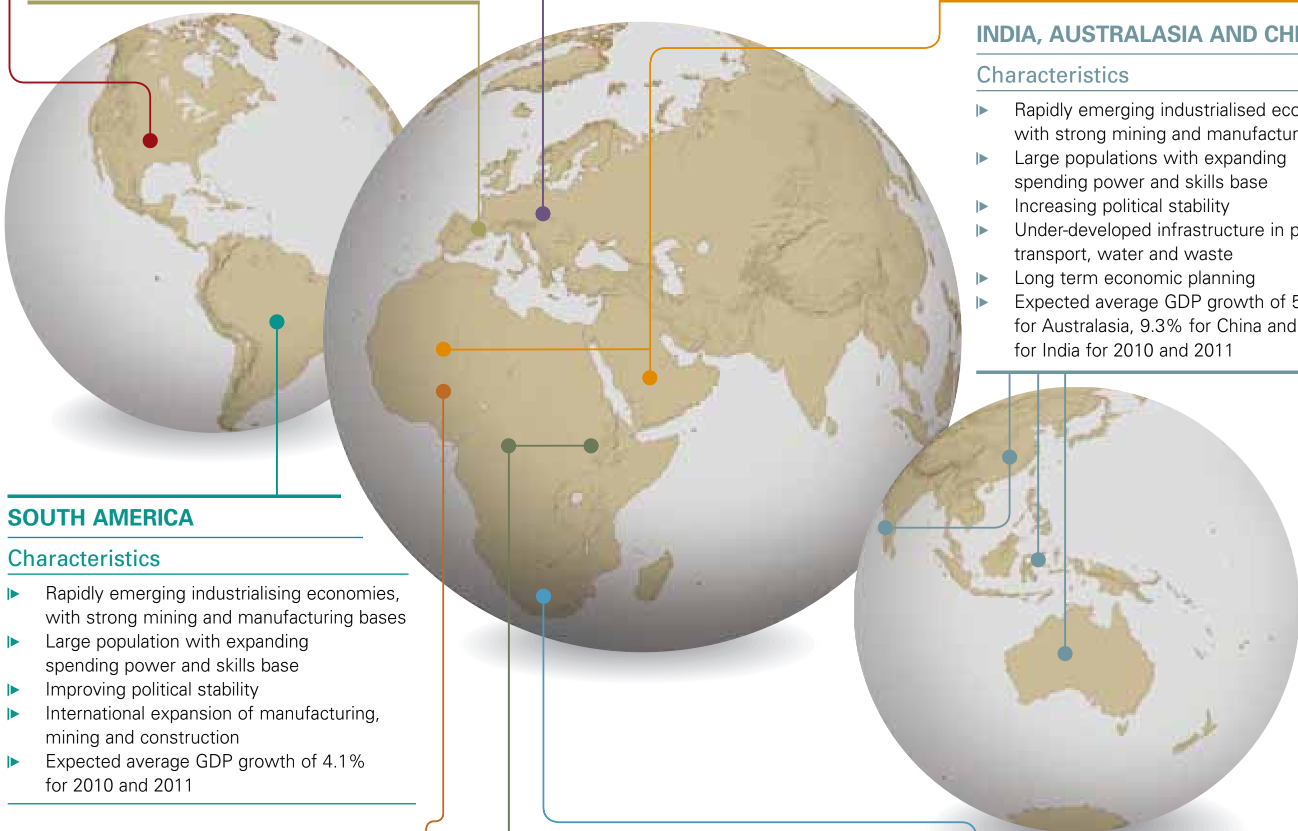
Characteristics

- Good infrastructure
- Relatively politically stable
- High-growth countries diversifying their economies
- Energy, water and transport constraints to growth in certain countries
- Democratic standards are low, with monarchies or long term one-party rulers
- Expected average GDP growth of 6% for Middle East and 3.6% for North Africa for 2010 and 2011

INDIA, AUSTRALASIA AND CHINA

Characteristics

- Rapidly emerging industrialised economies with strong mining and manufacturing base
- Large populations with expanding spending power and skills base
- Increasing political stability
- Under-developed infrastructure in power, transport, water and waste
- Long term economic planning
- Expected average GDP growth of 5.1% for Australasia, 9.3% for China and 8.3% for India for 2010 and 2011



SOUTH AMERICA

Characteristics

- Rapidly emerging industrialising economies, with strong mining and manufacturing bases
- Large population with expanding spending power and skills base
- Improving political stability
- International expansion of manufacturing, mining and construction
- Expected average GDP growth of 4.1% for 2010 and 2011

WEST AFRICA

Characteristics

- Relatively poor infrastructure
- Improving political stability
- Rapidly growing average per capita wealth
- Energy, water and transport constraints to growth
- Improving governance, but still high levels of corruption
- Expected average GDP growth rate of 7.4% for 2010 and 2011

CENTRAL AND EAST AFRICA

Characteristics

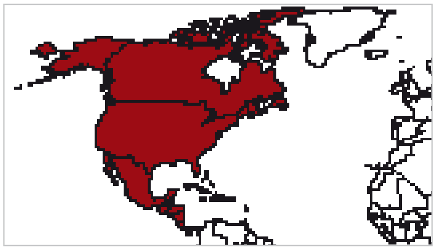
- Poor infrastructure
- Improving governance and political stability, but still high levels of corruption
- Relatively poor, with high unemployment, but potential for growth driven by resources
- Energy, water and transport constraints to growth
- Expected average GDP growth of 5.1% for East Africa and 7.3% for Central Africa for 2010 and 2011

SOUTHERN AFRICA

Characteristics

- Relatively good infrastructure
- Politically stable in most countries, although increasing levels of corruption
- Dichotomy of growing average wealth, with high unemployment
- Energy, water and transport constraints to growth
- Expected average GDP growth of 3.3% for 2010 and 2011

NORTH AMERICA



Relevance to Group Five

Factors of influence:

- US and Canadian mining groups' investment in mineral resources that leads to mining construction works in our target territories
- The US is reducing its reliance on the Middle East for future energy needs by investing in African oil and gas contracts in West and East Africa
- Private sector funding of real estate and leisure/tourism assets influences building markets
- Technology partners looking for opportunities in crucial sectors in emerging markets

Current involvement:

- The group is not operating in North Africa, although the region is a source of technology, investment and large organisations that we work with in our markets. This benefits all Group Five businesses

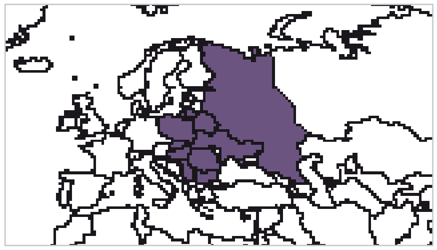
Economic drivers

- Manufacturing
- Consumer economy
- Financial services
- Technology replacement, such as energy efficiency, motor vehicles
- Environmental legislation
- Energy reduction
- Wealthy population

Important sectors

- Industrial
- Manufacturing
- Mining
- Oil and gas
- Power and energy
- Water and environment
- Real estate
- Healthcare
- Financial services
- Tourism

EASTERN EUROPE



Relevance to Group Five

Factors of influence:

- Rapidly developing infrastructure expansion, located in high-growth, naturally-rich resource regions that drive mining, transport and energy contracts

Current involvement:

- Principally Investments and Concessions, with potential for wider group involvement

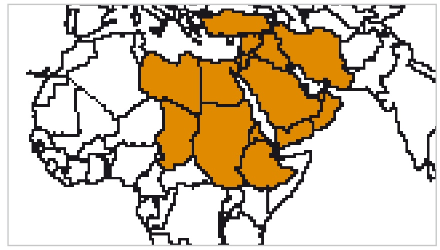
Economic drivers

- Industrialisation
- Access to EU markets

Important sectors

- Industrial
- Manufacturing
- Mining
- Power
- Oil and gas
- Water and environment
- Real estate
- Transport
- Tourism

MIDDLE EAST AND NORTH AFRICA



Relevance to Group Five

Factors of influence:

- High-growth markets in oil and gas and infrastructure. Growing mining and industrial sectors in certain countries

Current involvement:

- Principally Civil Engineering and Engineering Projects, with potential for wider group involvement

Economic drivers

- Oil and gas
- Mining
- Industrialisation
- Diversification of economies

Important sectors

- Oil and gas
- Industrialisation
- Mining (from low base)
- Power
- Water and environment
- Real estate
- Transport
- Tourism

Relevant geographic drivers continued

INDIA, AUSTRALASIA & CHINA

Relevance to Group Five

Factors of influence:

- China and India seeking to secure their future resource supplies by engaging Africa politically, with massive inward investment
- The exploitation of African resources requires substantial investment in infrastructure around mining, power, transport and real estate assets
- Australia has a similar theme, with large investment in its minerals sector

Current involvement:

- The group is not currently operating in these geographies, but benefits from the inward investment in African resources, principally through Civil Engineering, Engineering Projects and Manufacturing

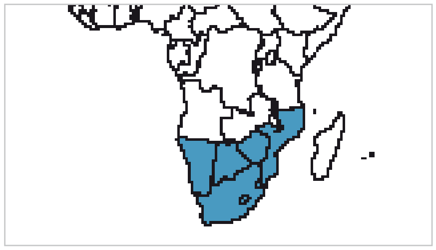
Economic drivers

- Global demand for low-cost consumer goods and machinery
- Large investment in production facilities and infrastructure
- Strong investment in education, energy, transport, healthcare and manufacturing

Important sectors

- Industrial
- Manufacturing
- Mining
- Power
- Oil and gas
- Water and environment
- Real estate
- Transport

SOUTHERN AFRICA



Relevance to Group Five

Factors of influence:

- Strong resources and mining development
- Infrastructure development
- Limited manufactured goods off-take outside of South Africa

Current involvement:

- >60% of revenue base generated in this region, with all businesses involved

Economic drivers

- Mineral and energy resources
- Industrialisation
- Tourism

Important sectors

- Mining
- Industrial
- Power
- Oil and gas
- Water and environment
- Real estate
- Transport
- Tourism

CENTRAL AND EAST AFRICA

Relevance to Group Five

Factors of influence:

- Mining construction, power plants, ports, roads and rail, public buildings, limited private sector real estate

Current involvement:

- Selected territories on a contract by contract basis. Civil Engineering, Engineering Projects, Building and Construction and Materials (contract mining)

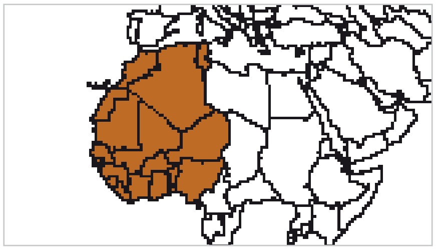
Economic drivers

- Mineral resources
- Energy resources

Important sectors

- Mining
- Power
- Water and environment
- Real estate
- Transport

WEST AFRICA



Relevance to Group Five

Factors of influence:
- High energy demand, mining, industrialisation and private sector investment into residential, commercial and industrial property

Current involvement:
- Principally Civil Engineering and Engineering Projects, with prospects for wider group involvement

Economic drivers

- Oil and gas expansion
- Mineral resources
- Entrepreneurial population leads to business growth

Important sectors

- Mining
- Power
- Oil and gas
- Water and environment
- Real estate
- Transport

SOUTH AMERICA

Relevance to Group Five

Factors of influence:
- Brazil and Chile have the most relevance to Group Five
- Brazil is inward bound into Africa in mining and construction. Brazil offers local African construction opportunities, whilst Chile offers mining construction opportunities with existing customers
- Chile is an attractive destination for South African-influenced mining groups

Current involvement:
- The group is not currently operating in these regions, although we tap into involvement in African markets through our Construction and Manufacturing clusters

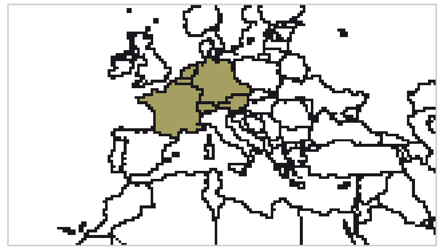
Economic drivers

- Mining
- Manufacturing of consumer goods, industrial goods and plant and machinery
- Infrastructure extension and renewal
- Tourism

Important sectors

- Manufacturing
- Mining
- Oil and gas
- Power
- Water and environment
- Real estate
- Tourism

WESTERN EUROPE



Relevance to Group Five

Factors of influence:
- European funding for infrastructure contracts in our regions that require local delivery capability
- Private sector funding of real estate and leisure/tourism assets drives building markets
- European listed industrial and mining groups have interests in resource exploitation in countries in our target territories
- Technology companies seeking contracting partners

Current involvement:
- The group is not operating in Western Europe, although the region is a source of technology, investment and large organisations that we work with in our markets. This benefits all Group Five businesses

Economic drivers

- Manufacturing
- Financial services
- Environmental requirements driving alternative technologies, such as wind and solar power
- Increasing leisure spend
- Wealthy population

Important sectors

- Industrial
- Manufacturing
- Energy efficiency
- Water and environment
- Real estate
- Healthcare
- Financial services
- Tourism

Geographic footprint

We retained our presence in all our target regions during the tough economic market this year and demonstrated our agility to redeploy resources swiftly to support the strong South African infrastructure programme.

West Africa

Countries of operation / Mali 1 / Burkina Faso 2 / Ghana 3 / Nigeria 4

Segments operating within regions / Engineering Projects

	F2009	F2010	F2011[1]
Turnover	654	**238**	275
Employees	573	**215**	n/a
Sector			
Construction works			
• Private: public	100%:0%	**100%:0%**	100%:0%
• Power	42%	**15%**	11%
• Mining and industrial	58%	**85%**	89%
• Transport	–	**–**	–
• Real estate	–	**–**	–
• Oil and gas	–	**–**	–
• Water and environment	–	**–**	–

Major contracts F2010[2] Design, supply and installation of gas turbines for Aba Power Project in Nigeria.

Major contracts F2011[1][2] Open cut mine, Ayanfuri gold project, Goldfields.

East Africa

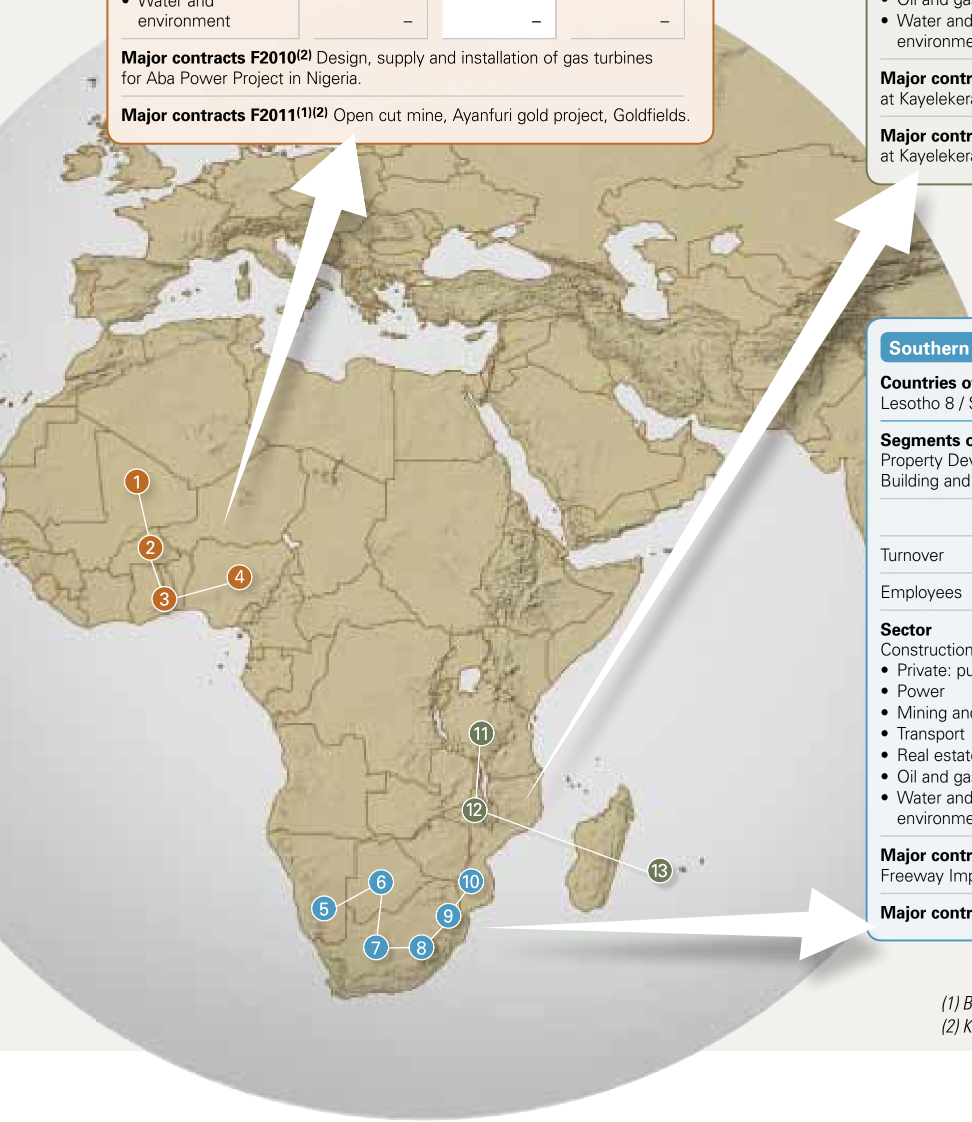
Countries of operation / Tanzania 11 / Malawi 12 / Mauritius 13

Segments operating within regions / Building and Housing / Civil Engineering / Engineering Projects

	F2009	F2010	F2011[1]
Turnover	531	**178**	1
Employees	430	**156**	n/a
Sector			
Construction works			
• Private: public	86%:14%	**60%:40%**	100%:0%
• Power	–	**6%**	–
• Mining and industrial	77%	**44%**	100%
• Transport	–	**–**	–
• Real estate	23%	**41%**	–
• Oil and gas	–	**–**	–
• Water and environment	–	**9%**	–

Major contracts F2010[2] Mining and industrial construction works at Kayelekera uranium mine.

Major contracts F2011[1][2] Mining and industrial construction works at Kayelekera uranium mine.



Southern Africa

Countries of operation / Namibia 5 / Botswana 6 / South Africa 7 / Lesotho 8 / Swaziland 9 / Mozambique 10

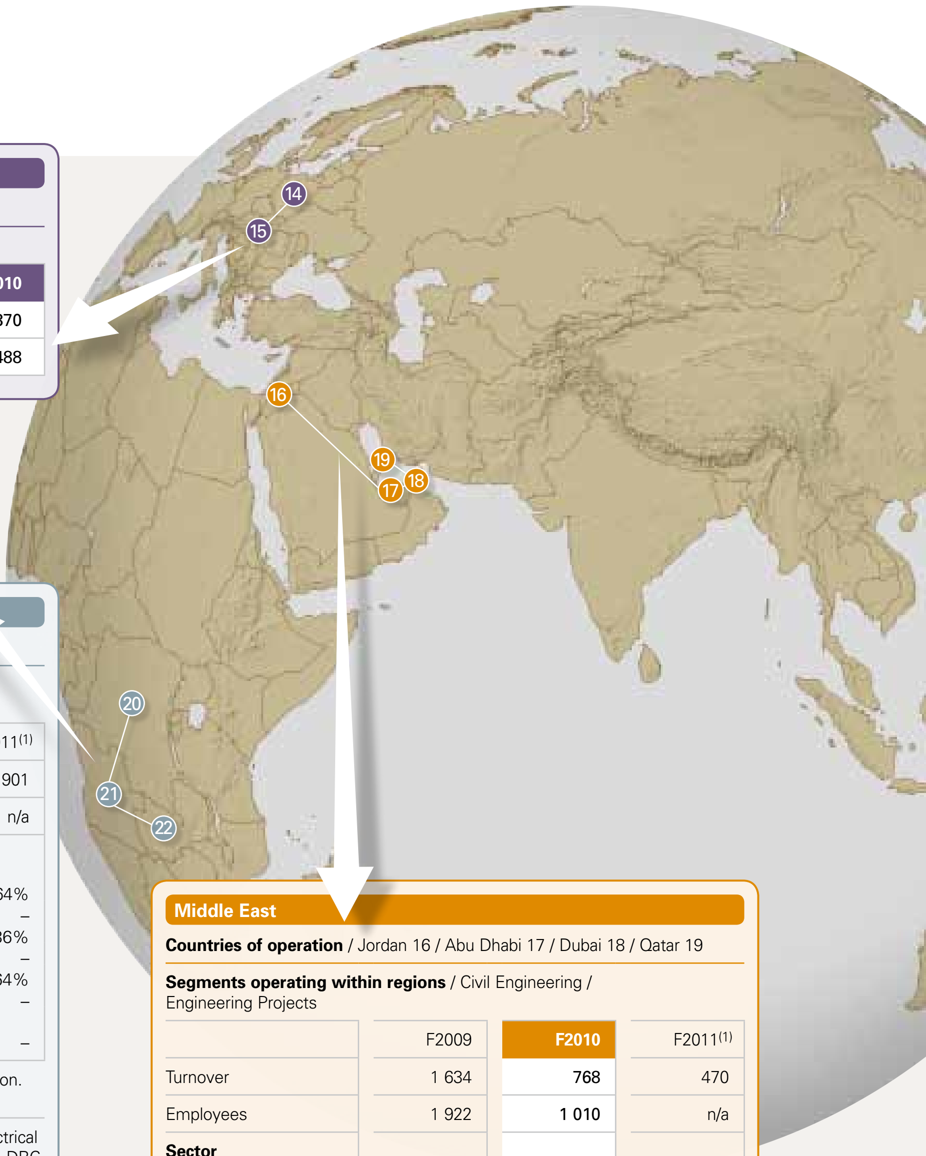
Segments operating within regions / Infrastructure Concessions / Property Developments / Manufacturing / Construction Materials / Building and Housing / Civil Engineering / Engineering Projects

	F2009	F2010	F2011[1]
Turnover	7 892	**9 336**	5 415
Employees	10 353	**10 287**	n/a
Sector			
Construction works			
• Private: public	33%:67%	**29%:71%**	20%:80%
• Power	7%	**6%**	6%
• Mining and industrial	6%	**7%**	5%
• Transport	48%	**36%**	24%
• Real estate	26%	**33%**	27%
• Oil and gas	8%	**16%**	37%
• Water and environment	5%	**2%**	1%

Major contracts F2010[2] King Shaka International Airport; Gauteng Freeway Improvement Project (GFIP) Package A+E

Major contracts F2011[1][2] New Multi Products Pipeline (NMPP) for Transnet

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



Eastern Europe

Countries of operation / Poland 14 / Hungary 15

Segments operating within regions / Infrastructure Concessions

	F2009	F2010
Turnover	403	**370**
Employees	406	**488**

Central Africa

Countries of operation / DRC 20 / Angola 21 / Zambia 22

Segments operating within regions / Building and Housing / Civil Engineering / Engineering Projects

	F2009	F2010	F2011[1]
Turnover	975	**448**	901
Employees	366	**341**	n/a
Sector			
Construction works			
• Private: public	99%:1%	**71%:29%**	36%:64%
• Power	–	**–**	–
• Mining and industrial	89%	**65%**	36%
• Transport	–	**–**	–
• Real estate	–	**29%**	64%
• Oil and gas	11%	**6%**	–
• Water and environment	–	**–**	–

Major contracts F2010[2] Building works in Lusaka, Zambia, Levy Junction. Commenced 2009.

Major contracts F2011[1][2] Services, piping, structural, mechanical, electrical and instrumentation contract for Kinserve Copper Project (Stage II) in the DRC.

Middle East

Countries of operation / Jordan 16 / Abu Dhabi 17 / Dubai 18 / Qatar 19

Segments operating within regions / Civil Engineering / Engineering Projects

	F2009	F2010	F2011[1]
Turnover	1 634	**768**	470
Employees	1 922	**1 010**	n/a
Sector			
Construction works			
• Private: public	1%:99%	**3%:97%**	28%:72%
• Power	33%	**–**	–
• Mining and industrial	1%	**43%**	6%
• Transport	24%	**37%**	66%
• Real estate	42%	**21%**	13%
• Oil and gas	–	**–**	–
• Water and environment	–	**–**	15%

Major contracts F2010[2] Power and industrial work on aluminium smelter for EMAL. Commenced 2009.

Major contracts F2011[1][2] New Doha International airport, Qatar.

Sector focus

The group's capabilities have been honed to deliver comprehensive infrastructure solutions to sectors that have a high potential.

The next few pages provide an overview of the key sectors within our targeted geographies.

Durban Harbour port widening and deepening.

Sector focus ▶ Mining

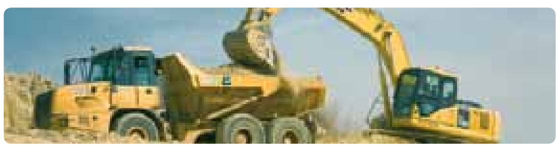
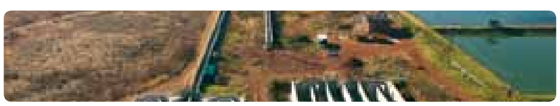
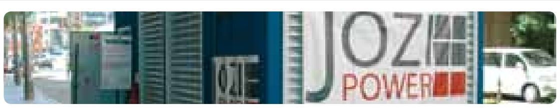
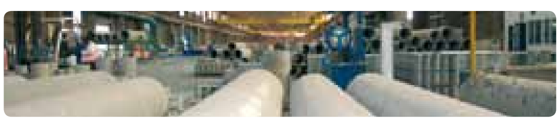
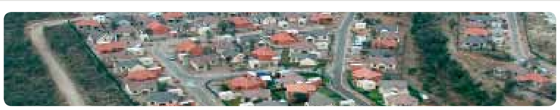
Mining

Drivers: Global demand for minerals found in our traditional markets, including copper, cobalt, iron ore, coal, gold, uranium and platinum.

What we do

- Multi-disciplinary mine plant and infrastructure constructor
- Consortium partner in EPC* mine construction
- Contract crushing and mining services
- Multi-disciplinary services contractor
- Supply chain logistics into remote sites

Construction services

Heavy civils		Bulk earthworks Mine plant and infrastructure civil works Tailings dams Rail and road infrastructure Pipelines
Surface plant and infrastructure and materials handling		Civils Heavy lifting and mechanical construction Design, fabrication and erection of structural steel Materials handling Piping Heavy electrical Instrumentation and control systems
Water solutions		Water storage and transport systems and treatment
Power solutions		Sub-stations Permanent, temporary, standby and rental of power generation
Building products		Supply of construction materials Manufactured building components Steel and fibre cement piping Fabricated steel, rebar and mesh
Accommodation		Construction camps and temporary accommodation Mine housing and buildings

** Engineering, procurement and construction.*

Businesses operating in this sector

- Manufacturing
- Construction Materials
- Building and Housing
- Civil Engineering
- Engineering Projects

Key contracts over the last five years

'10	'09	'08	'07	'06
Kayelekera uranium contract	**Tenke Fungurume mining contract**	**Bogoso Sulphide expansion contract**	**Langer Heinrich uranium contract**	**Kansanshi copper mine**
Malawi	DRC	Ghana	Malawi	Zambia
Erection of piping, structural and mechanical equipment, heavy lifts and electrical and instrumentation works. The plant consisted of 1 168 tonnes of steelwork, 711 tonnes of plate work, 27 kilometres of piping and 52 site-fabricated tanks.	Supply, fabrication and installation of structural steel, platework, piping, electrical cabling and instrumentation, as well as installation of mechanical equipment.	The brownfield project to increase output was the largest BIOX plant constructed at the date of completion.	Supply of 2 100 tonnes of tanking plate work, 4 414 tonnes of steelwork and 1 312 pieces of free issue mechanical equipment.	Supply and erection of the tank and SMP package. The plant consisted of 2 076 tonnes of steelwork and 3 883 tonnes of plate work making up 56 site-fabricated tanks and 54 kilometres of piping. We constructed all the civil and building infrastructure.

Case Study

Trekkopje Mine

Group Five has been involved in the mining sector for many years, with an entrenched reputation as a mine plant and infrastructure constructor.

During 2006, the group moved into the construction materials market in support of its strategy of diversification within the infrastructure sector. This included entry into contract mining services.

Group Five Construction Materials was awarded the R100 million crushing and screening contract on Namibia's Trekkopje Uranium Mine in January 2009. Trekkopje's remote location 70 kilometres north of Swakopmund and the harsh desert conditions make this a particularly challenging contract.

The scope of Group Five's works is split into two parallel components. The initial phase focused on the crushing and screening of around 450 000 tonnes of granite to establish a heap leach pad. This was followed by a 12-month contract for the crushing and screening of three million tons of calcrete ore.

This contract marked Construction Materials' further expansion over-border, with its other major contract at the Letseng Diamond Mine in the Lesotho Highlands for the primary crushing and stockpiling of some 4,8 million tonnes annually.

Sector focus ▶ Industrial

Industrial

Drivers: Industrialisation in emerging markets, such as Nigeria aiming to reduce its reliance on oil through mining and manufacturing and the Middle East using oil revenues to establish alternative industries.

What we do

- Multi-disciplinary industrial plant constructor
- Supply of construction materials
- Factory layout design and build

Construction services

Civils and building works, including design and construction		▶ Bulk earthworks ▶ Concrete works ▶ Building
Multi-disciplinary plant building		▶ Structural steel fabrication and erection ▶ Mechanical and process plant erection ▶ Provision of services – water, electricity ▶ Electrical power, instrumentation and control systems
Water solutions		▶ Water systems and treatment
Power solutions		▶ Permanent, temporary, standby and rental of power generation
Building products		▶ Construction materials ▶ Manufactured building components ▶ Construction steel ▶ Steel and fibre cement piping ▶ Building finishes and cladding in steel and fibre cement

Businesses operating in this sector

- Property Developments
- Manufacturing
- Building and Housing
- Civil Engineering
- Engineering Projects

Key contracts over the last five years

'10	'09	'08	'07	'06
Matola Cement Mill	**Emirates Aluminium Smelter**	**Highveld Induction Furnace**	**Mittal Stockhouse**	**Nova Cimangola Mill**
Mozambique	UAE	South Africa	South Africa	Angola
Demolition of the existing concrete structures, constructing of new civil structures, installation of mill and associated items, structural steel, mechanical items and piping.	Six packages ranging from a power plant and sub-station building to an anode bake furnace. We also constructed materials handling infrastructure.	Installation of a furnace and the supply of structural steel, handrailing, grating, piping and electrical and instrumentation works.	Installation and commissioning of 1 761 tonnes of structural steelwork, 440 tonnes of mechanical items, 56 tonnes of grating and hand railing, 404 tonnes of lining, 9 087 tonnes of sheeting and 44 tonnes of associated equipment.	Design, supply and installation of a new ball mill that increased capacity by 770 000 tonnes per annum. We were involved in a wide range of services, including civils works, mechanical, piping etc.

Case Study

Emirates Aluminium Smelter (EMAL)

At the time of the Dubai construction sector crash in early 2009, the Group Five/Al Naboodah JV, Group Five Construction LLC (G5LLC), was already well established in Abu Dhabi working on civil contracts for the greenfields Emirates Aluminium Smelter, one of the largest in the world.

Subsequent to the market collapse in Dubai, we were awarded ten further contract packages on this smelter for additional civil engineering, MEP projects and roads and earthworks. The total value of Group Five's work on the site is R1,2 billion.

Group Five's multi-disciplinary civil engineering and mechanical, electrical and piping (MEP) operations are working in close cooperation on the contracts that are situated at various locations over the six square kilometre site. The contracts vary from heavy reinforced foundations and underground piping and electrical installations to the anode baking furnace and main section building. Most of the aspects of the contract involve the specialist expertise of both teams.

In spite of working in potentially hazardous areas, the G5LLC teams have maintained high standards of safety and have received regular recognition awards in this regard.

Sector focus ▶ Power

Power

Drivers: Global power shortage and clean power demand. De-regulation driving private sector investment in power.

What we do

- **Co-developer, equity participant and turnkey design and build contractor** – Liquid fuel, waste and renewable power plants
- **Design and build consortium partner** – Construction of base load, independent power projects, co-generation and captive power plants
- **Constructor** – Coal, hydro, liquid fuel, solar and wind power plants

Construction services

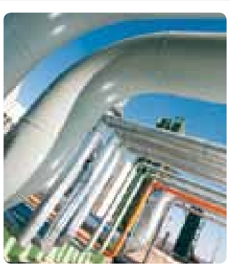
Heavy civils

- Bulk earthworks
- Heavy concrete works
- Plant infrastructure
- Rail and road infrastructure
- Pipelines

Specialist structures

- Construction of silos, stacks and chimneys using sliding technology
- Construction of loaded sections and decks using pre- and post-tension techniques and large pre-cast components

Plant construction



- Heavy lifting and mechanical construction
- Structural steel fabrication and erection
- Materials handling
- Piping and ducting
- Heavy electrical
- Instrumentation and control systems

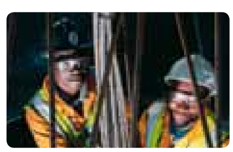
Water solutions

- Water systems and treatment

Power solutions

- Sub-stations
- Black start generation systems

Building products



- Construction materials
- Manufactured building components
- Fabricated steel, rebar and mesh
- Steel and fibre cement piping

Accommodation

- Construction camps and temporary accommodation
- Housing and buildings

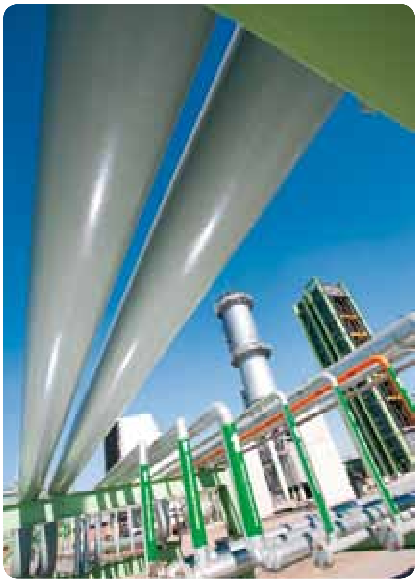
Businesses operating in this sector

- Infrastructure Concessions
- Manufacturing
- Building and Housing
- Civil Engineering
- Engineering Projects

Key contracts over the last five years

'10	'09	'08	'07	'06
Sasol OCGT contract	**Orapa Botswana IPP**	**Aba power station**	**Ibom gas-fired power station**	**Perinni Corporation**
South Africa	Botswana	Nigeria	Nigeria	UAE
Engineer, procure, construct and commission, including performance testing the open cycle gas turbines as part of the Combined Cycle Power Generation Project at Secunda.	Engineering and design work, including conceptual works, as well as the procurement of two GE LM6 000 gas turbines.	Design, supply and installation of three gas turbines, with a combined output of 120 megawatt for the Aba Power Station.	A multi-disciplinary contract for the design, supply and construction of a gas-fired power plant.	Civils and infrastructure works for a 40 megawatt open cycle gas turbine.

Case Study



Sasol Synfuels

Group Five's multi-disciplinary expertise was brought to action at the Sasol Synfuels site in Secunda, Mpumalanga, where two new open cycle gas turbines and all associated plant were installed at a purpose-built power generation facility. Group Five Civil Engineering, Building and Engineering Projects were involved in the contract, valued at over R500 million.

The contract scope included the engineering, procurement and construction (EPC) contract to design and build the complete power plant. This included bulk earthworks, civils, building work, mechanical erection, including the structural, mechanical and piping (SMP) installations, all electrical and control systems and commissioning of the working plant.

The group's five years of over-border experience in similar power stations, such as the Aba Power Station and Ibom Power Station in Nigeria, was applied to ensure the group provided a successful and seamless offer from multiple Group Five business units.

Internal business units, Group Five Steel and Fibre Cement, provided materials to the contract.

Over 250 people were constantly employed throughout the duration of the contract, with a peak of 500 workers. The plant commenced operating on the national grid in June 2010.

Sector focus ▶ Oil and gas

Oil and gas

Drivers: Western and Chinese mitigation of reliance on Middle East oil reserves and deep water oil exploration. New oil and gas discoveries in West Africa (Ghana) and East Africa (Tanzania and Uganda). Emerging market energy demand. Petrochemical demand for downstream products.

What we do

- Multi-disciplinary plant and infrastructure constructor
- Materials and fabricated plant component supplier
- Turnkey technology packages
- Multi-disciplinary services contractor

Construction services

Heavy civils

- Bulk earthworks
- Concrete works for plant infrastructure
- Pipelines

Multi-disciplinary plant construction

- Heavy lifting and mechanical construction
- Structural steel fabrication and erection
- Piping
- Vessels
- Heavy electrical works
- Instrumentation and control systems

Technology packages

- Pipelines
- Gas compression and valve stations
- Pump stations
- Terminal stations
- Tankage and tank farms

Operations and maintenance services

- Shutdowns
- Turnarounds
- Resident services contractor

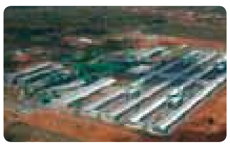
Power solutions

- Sub-stations
- On-site power generation

Building products

- Supply of manufactured building components, construction steel and steel and fibre cement piping

Accommodation



- Construction camps and temporary accommodation
- Buildings
- Permanent staff housing complexes

Businesses operating in this sector

- Manufacturing
- Building and Housing
- Civil Engineering
- Engineering Projects

Key contracts over the last five years

'10	'09	'08	'07	'06
NMPP pipeline	**Engen shutdown**	**Chevron shutdown**	**Cabinda gas plant**	**Malongo GTA**
South Africa	South Africa	South Africa	Angola	Angola
New multi-products pipeline designed to convey various petroleum products between Durban and Johannesburg.	Planned plant maintenance and repair.	Planned plant maintenance and repair.	Earthworks and piling concrete work for a new gas plant.	Construction of a complete onshore oil handling facility, together with a 600 000 barrel tank and associated civils, mechanical, structural piping, electrical and instrumental installations and onshore oil handling facility.

Case Study

Transnet NMPP

In June 2006, Group Five partnered with Spiecapag of France to pre-qualify for the Transnet contract to build a new multi-products 610 mm diameter pipeline from KwaZulu-Natal to Gauteng. Around 755 kilometres of earthworks, trenching, pipe-laying, corrosion protection and rehabilitating the territory back to pristine condition are required in a very tight timeline.

The construction sequence involves survey teams at the front, drilling and blasting rocky outcrops, clearing the route of vegetation and obstacles, trenching, laying and welding the line, quality checking, field coating the joints and attaching corrosion protection systems, snaking the line into the trench, covering, compacting and then finally re-instating the vegetation and fencing and roadworks until all signs of construction have faded. This intricate process extends over more than 60 – 100 kilometres at a time and moves at a pace of around 3,5 kilometres per day.

The pipeline has passed underneath the Vaal and Tugela rivers and dozens of smaller ones, scores of major roads and highways, all without disturbing traffic or water flows.

An independently commissioned audit by a Canadian company praised the team for the quality pipeline construction and reinstatement that exceeded international standards.

In addition to the pipeline, Group Five has tendered and won the associated pump stations along the way, the construction of the terminals at Durban and Jameson Park, some of the storage tanks in partnership with international firms, valve network control blocks and other separately defined packages. The combined value constitutes one of the largest construction contracts undertaken by Group Five.

Sector focus ▶ Water and Environment

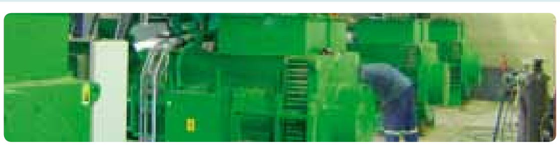
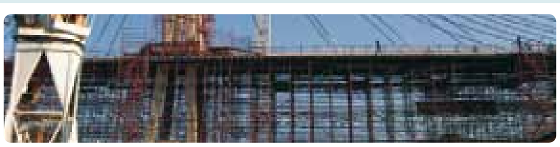
Water and environment

Drivers: Population growth in emerging markets, urbanisation, global warming, need for potable water and desalination and treatment of industrial and coastal water.

What we do

- EPC* consortium partner in bulk water systems
- Multi-disciplinary constructor of coastal marine structures, bulk water transport, treatment and storage systems
- Design and manufacture of large bore spiral wound water pipes

Construction services

Heavy civils		▶ Bulk earthworks ▶ Dams ▶ Canals ▶ Marine outfalls
Pipeline construction		▶ Long distance, large diameter pipelines
Plant construction		▶ Pump and valve stations ▶ Sluice systems ▶ Mechanical construction ▶ Piping ▶ Heavy electrical ▶ Instrumentation and control systems
Power solutions		▶ Sub-stations ▶ Standby and emergency power systems
Building products		▶ Manufactured building components ▶ Construction steel ▶ Steel and fibre cement piping

** Engineering, procurement and construction.*

Businesses operating in this sector

- Manufacturing
- Civil Engineering
- Engineering Projects

Key contracts over the last five years

'10	'09	'08	'07	'06
Olifantspoort Water Treatment Works	**Vresap pipeline**	**Berg river dam**	**Lusip dam**	**Northern Water Treatment Works**
South Africa	South Africa	South Africa	Swaziland	South Africa
Extension of existing water treatment works for Polokwane to increase capacity by 20 megalitres per day.	Supply and installation of 126 kilometres of pipeline as a water supply system for Sasol between Vaal Dam and Secunda.	65 metres high, 990 metres long concrete faced rock fill dam near Franschhoek, to augment water supply to Cape Town. See case study.	Construction of three dams, spillway and off-takes for the Lubovane irrigation project. See case study.	Extension of existing water treatment works for Johannesburg to increase capacity by 50 megalitres per day.

Case Study

Experience in the water and environment sector

Group Five has decades of experience in the highly specialised construction methods needed to build ports and harbours, water retaining and storage structures, pipelines and waste and water treatment plants – all of which positions the group extremely well for the expected upgrade of water infrastructure in South Africa, the rest of Africa and Middle East.

The most recent examples include the Berg River dam in the Western Cape, the Lower Usuthu Smallholder Irrigation Project (LUSIP) and the Maguga dam in Swaziland, as well as the Inyaka dam in Mpumalanga.

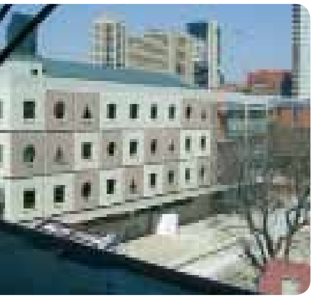
On the Berg River dam, Group Five, in joint venture, started construction of the R550 million dam in 2004. The 990 metre long dam is situated in the Franschhoek valley in the Western Cape. At 65 metres high, the dam has become the highest rock fill dam in South Africa, with a surface area of 535 hectares.

The group's Civil Engineering business unit was involved in all the concrete works, specifically the construction of the inlet channel into the 70 metre high intake tower, with an outlet conduit comprising a 5,2 metre diameter tunnel of 130 metres long and a chute, spillway, plunge pool, and 120 metre long access bridge to the intake tower.

The contract was the winner of several industry awards.

Group Five has also recently been involved with the extensions to and upgrade of waste water treatment plants in Gauteng and Limpopo.

Sector focus ▶ Real estate



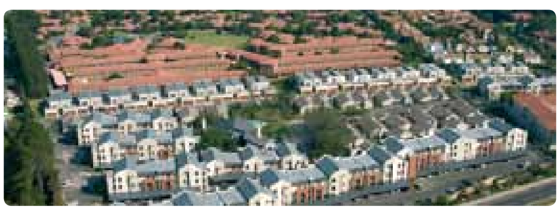
Real estate

Drivers: Population growth and increasing disposable income. Housing demand in emerging markets, healthcare requirements, public buildings, commercial, retail and leisure developments.

What we do

- Developer, equity participant and turnkey design and build contractor in real estate developments
- Design and build contractor, with particular green building expertise
- Public private partnerships (PPPs)

Construction services

Building		▶ Large buildings ▶ Green building construction
Housing		▶ Large traditional housing contracts for industrial, mining and public utilities ▶ Low-cost, high-volume housing
Construction of services		▶ Roads, water, sewerage and electrical infrastructure
Building products		▶ Construction materials ▶ Manufactured building components ▶ Construction steel ▶ Steel and fibre cement piping

Businesses operating in this sector

- Infrastructure Concessions
- Property Developments
- Manufacturing
- Construction Materials
- Building and Housing
- Civil Engineering

Key contracts over the last five years

'10	'09	'08	'07	'06
Brandvlei Prison	**Moses Mabhida Soccer Stadium**	**Bank of Zanzibar**	**Vodacom VI**	**Bank of Tanzania**
South Africa	South Africa	Zanzibar	South Africa	Tanzania
Demolition of an existing prison and construction of a new prison for 1 000 inmates.	Construction of a 70 000-seater stadium, including hospitality boxes, an athletics track, sports field, basement parking and external works.	Construction of the 12 000 m^2 branch office for the Bank of Tanzania, comprising a basement, ground floor and one tower.	The construction of a 15 000 m^2 mobile switch centre was an addition to the Vodacom suite of buildings.	Construction of a specialised 65 000 m^2 high-rise head office for the Bank of Tanzania. The building comprised two 18-storey office towers, a conference centre and a parking garage.

Case Study

Department of Basic Education head office

Group Five Building was the lead construction partner on one of South Africa's first successful public private partnerships (PPPs). It started construction on the Department of Basic Education's new serviced head office in Pretoria in 2007 and successfully handed over the contract in February 2010.

The financial engineering and operating models of 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, which we have managed to deliver. To successfully deliver on this contract, Group Five Building worked closely with Infrastructure Development Services (IDS), as well as with the internal design and construct teams.

The PPP is a 27-year project, ranging from construction through to operations and maintenance. The success can be attributed to effective partnering across business units, as well as successful alliance with joint venture partners and other stakeholders. The level of contractual complexities inherent in PPPs do not easily allow for variations during the construction phase. However, the group's experience of the risk allocations within PPPs enabled it to accommodate two significant changes during the contract, while still completing on time.

Sector focus ▶ Transport

Transport

Drivers: Distance between populations and their required raw materials and goods necessitates transport; **increasing mobility** of populations. Emerging **market infrastructure demand.**

What we do

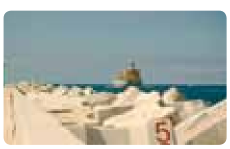
- Co-developer, equity participant and turnkey design and build contractor in transport concessions
- EPC* consortium partner for the design and build of transport infrastructure
- Multi-disciplinary constructor of roads, railways, ports, harbours and airports

Construction services

Heavy civils

- Bulk earthworks
- Heavy concrete works
- Large paved surfaces

Marine civils



- Quays
- Harbour walls
- Underwater construction
- Jetties and sea walls

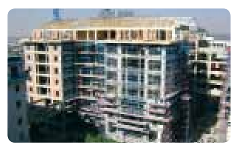
Construction of infrastructure

- Railways, road building and canals

Bridge construction

- Specialist skills in bridge launching and post tensioning

Buildings

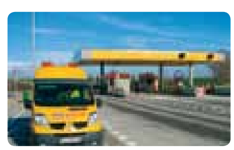


- Construction of large buildings

Multi-disciplinary construction

- Mechanical, structural steel fabrication and erection
- Piping
- Electrical works
- Instrumentation and control systems

Concessions operator



- Operations management, services and maintenance

Building products

- Construction materials
- Manufactured building components
- Construction steel
- Steel and fibre cement piping

** Engineering, procurement and construction.*

Businesses operating in this sector

Infrastructure Concessions | Manufacturing | Construction Materials | Building and Housing | Civil Engineering | Engineering Projects

Key contracts over the last five years

'10	'09	'08	'07	'06
Gauteng Freeway Improvement Project – package A and E	**King Shaka International Airport**	**Durban Harbour entrance widening**	**Western Freeway Upgrade Phase 1**	**Road works – Cradock upgrade**
South Africa	South Africa	South Africa	South Africa	South Africa
Packages include lane additions and improvements to interchanges as part of SANRAL's Gauteng Freeway Improvement.	Design and construction of an international airport in KwaZulu-Natal. See case study.	Durban harbour widening by 100 metres. Removal and replacement of existing northern breakwater, extension of southern breakwater and deepening of harbour entrance by three metres to a depth of 19 metres.	Major upgrade and widening of a section of freeway between Khangella and tollgate bridges in KwaZulu-Natal.	Upgrade of national Route 10 between Tarka bridge and Cradock, including two river bridges, rehabilitation and realignment of an existing road, floodplain fill and ancillary works.

Case Study

King Shaka International Airport

When the first commercial plane touched down at the new King Shaka International Airport on 29 April 2010, it represented an incredible construction achievement by the consortium, Ilembe Airport Construction Services (Ilembe). Group Five was lead construction partner on this R8 billion airport, involving 5,8 million m^3 of earthworks and 230 000 tonnes of asphalt for runways and taxiways.

Group Five's ability to offer multi-disciplinary skills and services to Ilembe played a big role in the completion of the contract in 30 months – which has been acknowledged as a world-class performance.

Group Five Infrastructure Developments (IDS) was involved in the overall development of the bid and the main contract. Group Five Civil Engineering was involved in earthworks, runways, roads, car parks, bulk services and interchanges, as well as sewer plants. Group Five Building constructed the terminal building, tower, fire and rescue buildings, maintenance buildings, warehouses and offices. Both Civil Engineering and Building teamed up with our regional business in KwaZulu-Natal to provide local delivery expertise.

Group Five Energy was involved in the fuel systems and certain electrical aspects of the contract. To implement and meet stringent procurement, black empowerment, socio-economic development and IT procedures, resources at Group Five Corporate Business Services were deployed.

King Shaka International Airport, Durban.

Impact

All businesses strictly adhere to the group's quality management framework, with business units driven by relevant International Standards Organisation (ISO) standards to ensure compliance to all relevant regulations and guidelines in all the markets we operate.

The next section outlines Group Five's impact on people and the environment, as well as relevant performance measures.

Impact continued

Investments and Concessions

This cluster had the largest increase in participation in our employee survey from last year, with 376 participants compared to 105. The overall ratings were good.

Business focus

- Concession contract developments
- A-grade Group Five branded property assets

Impact on environment

- High impact on the environment due to construction and emissions from vehicles using roads

We address our impact through:

- Strict environmental systems, measurement and controls, as we remain responsible for operations up to 20 years
- In Property Developments, the trend towards green building compliance leads to a lower carbon footprint, sustainable infrastructure, decreased running costs and lower environmental impact

Impact on people

- Job creation during development, construction and long term operations
- Creates upstream and downstream business in construction, materials and manufacturing

We address our impact through:

- Ensuring continuous people development during job creation

- DIFR* of 0.0 vs 1.07 last year
- 92 medicals conducted during the year
- Training spend as a percentage of cluster payroll – 1.27%
- SED** spend of just over R300 000

Performance

- Predictable long term financial returns from operations and asset valuations
- Return on equity and internal rate of return are key investment decisions and are measures of success over the contract lifecycle
- The pipeline of contracts is a measure of activity
- Equity investment in long term capital appreciation assets – R353 million
- Fair value adjustment – R13,5 million

Refer to pages 236 to 251 for a detailed review of performance.

Disabling injury frequency rate. ** *Socio-economic development.*

This cluster has the smallest carbon footprint in the group.#

Greenhouse gas (GHG) emissions:#

- 9 285 tonne CO_2e (metric tonnes of carbon emitted)
- The largest emission source is the utilisation of grid electricity (91%).

Case Study

The Ilembe joint venture had an environmental team of 13 people to ensure effective management of the environment during construction.

Minimising environmental impact from a large-scale contract

This contract involved Group Five's Investments and Concessions and Construction clusters.

The environmental management plan was based on ISO 14001 principles, allowing for a best-practice environmental management system (EMS). The process included the monitoring of water, dust and noise and a detailed six-monthly environmental management review. There were also monthly external audits to ensure the contract remained on track.

Induction and training programmes and monthly mandatory environmental toolbox talks took place to continually address areas of concern. The environmental construction monitoring committee met every second month, followed by a site visit. These meetings included government representatives and other interested parties.

The principles of reducing, re-using and recycling were implemented from the start, with an on-site waste management yard. Examples included re-using water and using treated waste water from temporary treatment plants for dust suppression. Wood used for formwork was re-used and waste sent to an industrial steam company for boiler fuel.

Recycling was encouraged with bins placed in yards and office areas. Although numerous training programmes took place, recycling by site workers was challenging. Lessons learnt will be applied to future contracts.

Only plant species endemic to the area with a seed source within a 50 kilometre radius of the contract were allowed. This proved very difficult due to the scale of this contract, as certain plants had to be specifically grown and cultivated from cuttings.

4 495 previously unemployed people found jobs on this contract.

 # Based on the group's Carbon Disclosure Project submission for 2009, which only includes South African operations. Refer to pages 131 to 132.

Impact continued

Manufacturing

Fibre Cement achieved a 79.4% rating for customer focus in this year's employee survey.

Business focus

- Fibre cement and steel products for construction applications

Impact on environment

- Inputs are cement, sand, fibres, power and water, which all require environmental management
- High energy utilisation in Steel and Fibre Cement

We address our impact through:

Striving to decrease our carbon footprint through energy efficiency, waste, water and noise reduction. This includes:

- Using alternative sources to electricity for production equipment
- Returning waste from the factory to the primary manufacturing process
- Evaluation of energy efficiency of equipment
- Full implementation of natural resource management plans. This involves monitoring consumption of electricity, natural gas, coal, LPGs and water

Impact on people

- Potentially hazardous environment due to heavy rotating machinery, movement of materials, as well as autoclaves (steam chambers), steel cutting, welding and movement of heavy materials

We address our impact through:

- Effective plant layout and technology selection
- Stringent focus on safety

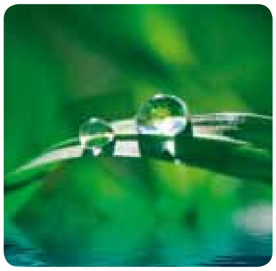
- DIFR* maintained at 0.34
- 867 medicals conducted during the year
- Training spend as a percentage of cluster payroll – 0.46%
- SED** spend of almost R360 000

Performance

- High fixed cost with a requirement to drive ROE above WACC
- Performance is highly geared on volume due to high fixed costs
- Effective management of debtor collections in both private and public sector
- Inter-group supply at 15%

Refer to pages 252 to 263 for a detailed review of performance.

Disabling injury frequency rate. ** *Socio-economic development.*



This cluster has the second largest carbon footprint in the group.#

Greenhouse gas (GHG) emissions:#

- 76,826 CO_2e (metric tonnes of carbon emitted)
- The largest emission source is electricity (56%)

Case Study

Offering social assistance

Group Five Alternative Building Technology (ABT) is a new business that offers clients a secure, demountable structure with the attributes of a permanent building. Depending on the size, each structure can be erected and finished in about five hours, providing a viable alternative when emergency structures are required.

Easy loading and transportation of eight units per load results in a reduced carbon footprint. The units are also demountable and reusable. The ease of erection is such that local community members are trained in a very short time to take over as sub-contractors who are mentored by Group Five.

ABT has evolved from temporary accommodation units built by Group Five's Manufacturing business, Fibre Cement, a decade ago to address an urgent need for housing after a devastating fire that swept through Delft in the Western Cape.

This tradition of social assistance was further expanded in 2008 when Alexandria, a very poor area in the Eastern Cape, was devastated by a tornado that ripped through the township, destroying RDP houses and leaving the residents homeless. The Eastern Cape provincial department declared it a disaster, but due to a lack of funding, was not able to immediately repair the houses and hundreds of people were living in dire conditions.

Group Five was contracted by the Eastern Cape provincial department to construct temporary 24 m^2 units to accommodate those affected. Since then, the department has contracted Group Five to construct another 500 units for their disaster relief programme. The province's road and transport department also commissioned 32 traffic satellite stations and a temporary terminal building at Mthatha airport.

The Gauteng Department of Housing appointed Group Five to provide temporary units during the province's hostel eradication programme. Areas such as Orlando West, Mamelodi and Saulsville are just a few benefiting from the system.

Based on the group's Carbon Disclosure Project submission for 2009, which only includes South African operations. Refer to pages 131 to 132.

Impact continued

Construction Materials

Employees rated customer focus in this year's employee survey as the key value of Quarry Cats.

Business focus

- High-specification materials used in construction, including aggregates and readymix concrete
- Mining services

Impact on environment

- High impact on environment due to blasting, dust, mining activities, water usage, traffic etc
- Potential water and soil contamination due to spillages of hazardous materials

We address our impact through:

- Stringent environmental management plans and programmes
- Adherence to mining licences, water use licences and permits
- Regular compliance auditing and inspections
- Dust and noise suppression

To reduce electricity consumption, we will:

- Opt for cleaner energy sources
- Evaluate energy and fuel efficiency of equipment, especially diesel consumption optimisation
- Full implementation of natural resource management plans

Impact on people

- Harsh environment, with high levels of dust, noise and danger due to heavy machinery, blasting and site location

We address our impact through:

- Rigorous medical surveillance and safety regimes

- DIFR* of 0.28 vs 0.44 last year
- 354 medicals during the year
- Training spend as a percentage of cluster payroll – 0.59%
- SED** spend of almost R450 000

Performance

- High-volume, low-value products with cyclical demand
- Impairment of long term assets of R326 million
- Inadequate current cash generation
- Inter-group supply at 21.5%

Refer to pages 264 to 275 for a detailed review of performance.

** Disabling injury frequency rate. ** Socio-economic development.*

This cluster has the third largest carbon footprint in the group.#

Greenhouse gas (GHG) emissions:#

- 25 215 tonne CO_2e (metric tonnes of carbon emitted)
- The largest emission source is electricity (51%)

Case Study

Recycling from mining

One of the focal points of the Quarry Cats business unit in Construction Materials is to derive returns from the recovery of building material from old mine dumps. Not only does this activity remove an environmental issue, it recovers the land for future development and creates a number of potential revenue and profit streams for the business by creating material for re-sale through reworking (crushing, screening or blending) the old dump material.

A good example is the current work being done on old gold dumps in Gauteng where Quarry Cats is reworking the mine dumps and recovering stone and rock. The stone and rock are crushed and screened to create a variety of commercial aggregates. The crusher sand and mine sand are also blended with pure silica sand from our quarry in the south of Johannesburg to make a range of blended sands for applications, such as plaster and building sand. A number of other material separation techniques are currently being tested, which will enable Quarry Cats to actively look for additional work in this field.

We will consume the mine dump over a number of years and thereafter return the decontaminated land for future property development.

 # Based on the group's Carbon Disclosure Project submission for 2009, which only includes South African operations. Refer to pages 131 to 132.

Impact continued

Construction – Building and Housing

69% of employees participated in the employee survey, with a good rating.

Business focus

- Large real estate and related infrastructure contracts

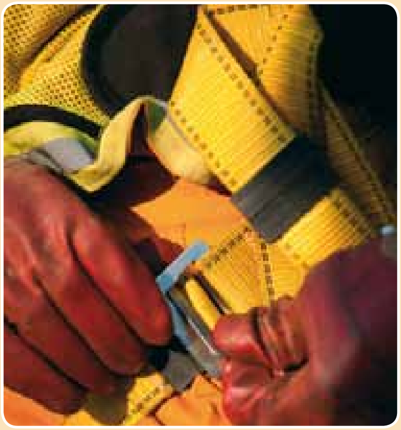
Impact on environment

- Potentially high impact on the environment due to carbon footprint of buildings and increased human activity in a concentrated area

We address our impact through:

- Adhering to environmental impact assessments and records of decisions during construction
- Adopting and driving green building standards and green construction to reduce emissions, as more environmentally-friendly building materials are used and the downstream impacts on the environment are reduced

Impact on people



- Construction creates jobs with human injury risks to be managed
- Large percentage of lower-skilled workers requires high demand for skills transfer

We address our impact through:

- Strong focus on safety and skills development programmes

- Jobs created for over 5 000 contract workers in addition to our permanent teams on contracts during the year
- DIFR* of 0.37 vs 0.49 last year
- 204 medicals conducted during the year
- Training spend as a percentage of cluster payroll – 0.76%
- SED** spend of R1,3 million

Performance

- Traditionally high-value, low-margin business, but with positive cash flow
- No loss-making contracts
- One-year order book – R2,6 billion (78% local)
- Full order book – R3,5 billion (77% local)
- Total operating margin at a record high of 7.4%
- Effective working capital management

Refer to pages 278 to 289 for a detailed review of performance.

* *Disabling injury frequency rate.* ** *Socio-economic development.*

Construction overall footprint†

This cluster has the largest carbon footprint in the group.#

Greenhouse gas (GHG) emissions:#

- 886 820 tonne CO_2e (metric tonnes of carbon emitted)
- The largest emission source is fossil fuels consumption – diesel, petrol, waste oil, fuel coal and LP (86%)

† Includes Building and Housing, Civil Engineering and Engineering Projects.

Case Study

Nedbank Phase II in Sandton is the first building in South Africa to be awarded a 4-Star Green Office Design rating by the Green Building Council of South Africa (GBCSA).

Leading green construction

Group Five Building, as the main contractor, together with its partner WSP Green by Design, has proven that it is at the forefront of the move towards greener buildings by achieving the rigorous standards set by the Green Star rating tool.

The main elements that contributed to the four-star rating included the full economy air-conditioning system, energy-efficient light fittings and extensive use of performance glazing. Heat exchange geysers for showers and no hot water in the hand basins will contribute to energy saving, allowing the building to be 30% more energy efficient than a conventional building.

Water conservation was another prime achievement. Sanitary fittings reduce the amount of water needed and all waste water is captured and will be treated in a black water treatment system – the first of its kind in a South African city. This will allow the building to substantially reduce the amount of potable water needed.

Group Five also implemented a waste management plan, which allowed the construction contract to divert 74% of all waste generated in the construction process away from landfill, finding opportunities for recycling and re-using waste materials.

We were also responsible for implementing, monitoring and documenting many of the Green Star initiatives. A large focus was on documenting material use and source, accounting for the distance materials travelled, utilisation of concrete mixes with increased use of extenders to reduce the cement content, and the ratio of recycled steel content to virgin steel. All timber used during the contract for temporary works was also sourced from renewable resources.

All these factors are significant contributors to reducing carbon emissions.

The Building team also opted to further reduce the impact on the environment by ensuring that topsoil stripped from the site was not sent to landfill sites, and that soil excavated from the basement was processed, tested and used as building sand, which reduced the amount of material that had to be removed or brought to site.

 # Based on the group's Carbon Disclosure Project submission for 2009, which only includes South African operations. Refer to pages 131 to 132.

Impact continued

Construction – Civil Engineering

The employee satisfaction rating in this year's employee survey was 67.2%

Business focus

- Roads, ports, airports, pipelines and large structures in the mining and industrial sectors

Impact on environment

- High impact on the environment, mainly during construction

We address our impact through:

- Environmental management plans for each contract
- Ensuring that the conditions laid out in the records of decisions are adhered to at all times
- Ensuring an effective system to monitor incidents and non-conformance
- Regular inspections and audits on construction sites to ensure continuous compliance

Impact on people

- Long term positive impact on communities due to job creation and infrastructure development
- Construction phase carries human injury risk

- Safety and health on site are core issues
- Malaria prevention is a priority over-border

We address our impact through:

- Ensuring sustainable skills transfer and long term community projects
- Strict enforcement of our zero harm policy
- We have reduced malaria cases by taking firm preventative action

- DIFR* of 0.89 vs 0.39 last year. Increase due to more lacerations. This is receiving attention
- 1 815 medicals conducted during the year
- Training spend as a percentage of cluster payroll – 0.73%
- SED** spend of just over R1,4 million

Performance

- Order book, margin and cash flow are performance measures
- Healthy cash generation
- Total operating margin strong at 6.6%
- One-year order book – R3 billion (84% local)
- Full order book – R3,8 billion (80% local)
- Debtor collection focus in Middle East

Refer to pages 290 to 301 for a detailed review of performance.

** Disabling injury frequency rate. ** Socio-economic development.*

Case Study

Managing sensitive environments

The New Multi Products Pipeline (NMPP) for Transnet involved the consideration of a number of environmental issues. These included wetland areas, underground water seepage and the relocation of bullfrogs and snakes.

The wetland areas were fenced off prior to terracing of the bypass tank site. Running tracks were constructed to act as cross-over areas. A rocky material was selected for the construction of the tracks, which reduced the potential possibility of erosion and siltation.

During the construction of the terraces, seepage of the underground water aquifer was experienced. The seepage water was swiftly channelled away from the wetland area through silt traps to an existing man-made pond from where silt-free water was slowly released overland.

Awareness training regarding the occurrence of bullfrogs and potential poisonous snakes was given to all employees and sub-contractors prior to the clearing of vegetation and topsoil. Several species were successfully relocated, which included juvenile bullfrogs, several snake species, as well as sensitive Drakensberg dwarf chameleons and endangered girdled lizards.

Several measures were implemented to stabilise soil and/or to promote stream bank stability during water crossings. Silt fences were erected to minimise silt run-off from construction, especially in sensitive areas near rivers or wetlands. The measures implemented on the contracts for erosion and silt control provided an overall good result. However, regular maintenance was required for some of the silt control measures to maintain effectiveness.

Impact continued

Construction – Engineering Projects

The employee satisfaction rating in this year's employee survey was 71.3%, one of the highest ratings in the group.

Business focus

- Structural, mechanical, piping and electrical engineering, as well as complete plant construction solutions

Impact on environment

- Potentially high impact on the environment during construction and operations

We address our impact through:

- Environmental management plans and records of decisions in place and adhered to on all contracts
- Ensuring an effective system for incidents and non-conformances

Impact on people

- Impact on employees high as requirement for technical skills in remote locations require long periods away from home
- Safety and health on site are core issues

- Malaria prevention is a major focal point
- Potentially high positive impact on local communities due to job creation, infrastructure development

We address our impact through:

- Implementing family-focused programmes and creating sustainable community programmes
- Strict enforcement of our zero harm policy
- We have reduced malaria cases by taking firm preventative action

- DIFR* of 0.19 vs 0.33 last year
- 354 medicals conducted during the year
- Training spend as a percentage of cluster payroll – 0.91%
- SED** spend of just over R1 million

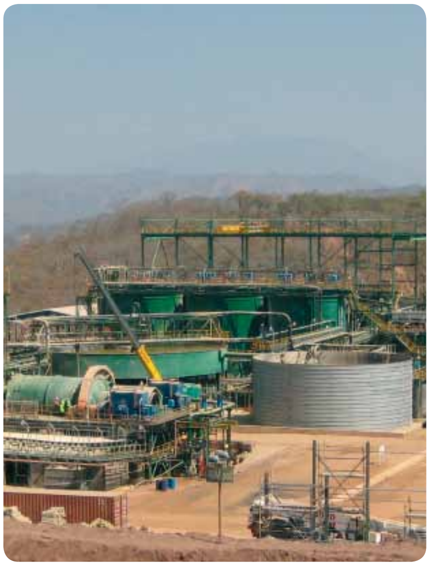
Performance

- Although cyclical, traditionally higher-margin business and strong cash generator
- Replenishment of order book was achieved in the year
- One-year order book – R1,4 billion (51% local)
- Full order book – R1,9 billion (64% local)
- Total operating margin of 9.9% in F2010

Refer to pages 302 to 313 for a detailed review of performance.

** Disabling injury frequency rate.* *** Socio-economic development.*

Case Study



This contract involved Group Five Engineering Projects, Group Five Steel and Group Five Plant and Equipment.

Responsible over-border operations

The Kayelekera uranium mine was built in the middle of a very remote area of Malawi. The contract of 21 months provided employment and training for 191 villagers in the vicinity, which resulted in 25 of these villagers being employed by the mine on a permanent basis. We contributed R380 000 to social upliftment programmes, which included a malaria prevention programme and assistance in the building of a community centre.

Group Five worked under the client's environmental management plan, as approved by the Malawian environmental authorities. Group Five ensured that all plant was maintained to high standards and the risk of oil leakage due to the extensive use of plant and equipment was reduced to a minimum.

Group Five provided drip trays to all mobile mechanical equipment to deal with potential leaks, as this was identified as a high risk. Training on cleaning up of oil spills was given to all operators and local employees were trained on relevant environmental concern areas.

Effective management of all issues ensured that there were no reportable incidents over the contract period.

Solid waste on site was minimised, which ensured that the majority of waste material was recycled. Scrap metal was sold to a local scrap merchant and an education campaign around domestic litter instituted.

Team

Group Five aims to attract talent from a broad racial and gender perspective, as we believe success is achieved through harnessing diverse points of view.

Open cycle power generation project – Secunda.

Team continued

Board of directors








Executive committee







Company secretary

NOM

P (Philisiwe) Buthelezi (46)
Chairperson

BA Economics, MSC in Economics, MBA

AC, RC, REM

MR (Mike) Upton (55)*
CEO

BSc Electrical Engineering, (Pr. Eng), Business Management Diploma, FSAIEE

CMF (Cristina) Teixeira (37)*
CFO

BCom, Bcompt (Hons), CA(SA)

AC

LE (Lindiwe) Bakoro (36)
Independent non-executive director

BCom Acc (Hons), CA(SA), HDip Tax

AC, RC, NOM, SED

Baroness L (Lynda) Chalker of Wallasey (68)(A)
Independent non-executive director

Fellow of the Institute of Statisticians, Recipient of nine UK honorary degrees

RC, REM

Dr JL (John) Job (65)
Independent non-executive director

BSc (Hons), PhD (Hons) in Physical Chemistry

AC, RC, REM, NOM

SG (Stuart) Morris (64)
Independent non-executive director

BCom, CA(SA)

AC, RC, NOM, SED

KK (Kalaa) Mpinga (49)(B)
Independent non-executive director

BSc Agricultural Economics, MSc International Agricultural Development

SED

MJ (Junaid) Allie (40)
Group human resources director

BPharm

P (Paul) le Sueur (53)
Building and Housing and Middle East

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

AJ (Andrew) McJannet (47)
Civil Engineering (Local and Africa)

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

RC

GD (Guy) Mottram (44)
Group risk officer

BCom, LLB

ECJ (Eric) Vemer (45)
Investments and Concessions

BSc Eng (Civil) (Hons), MBA

SED

JA (John) Wallace (52)
Manufacturing and Construction Materials

BCom, Hons Programme in Advanced Marketing and Executive Management Programme

WI (Willie) Zeelie (48)
Engineering Projects: Energy and Design and Project Management

Higher National Diploma Electrical Engineering, Pr Tech Eng, MSAIEE

N (Nonqaba) Katamzi (41)
Company secretary

BA Law, LLB, CIBM

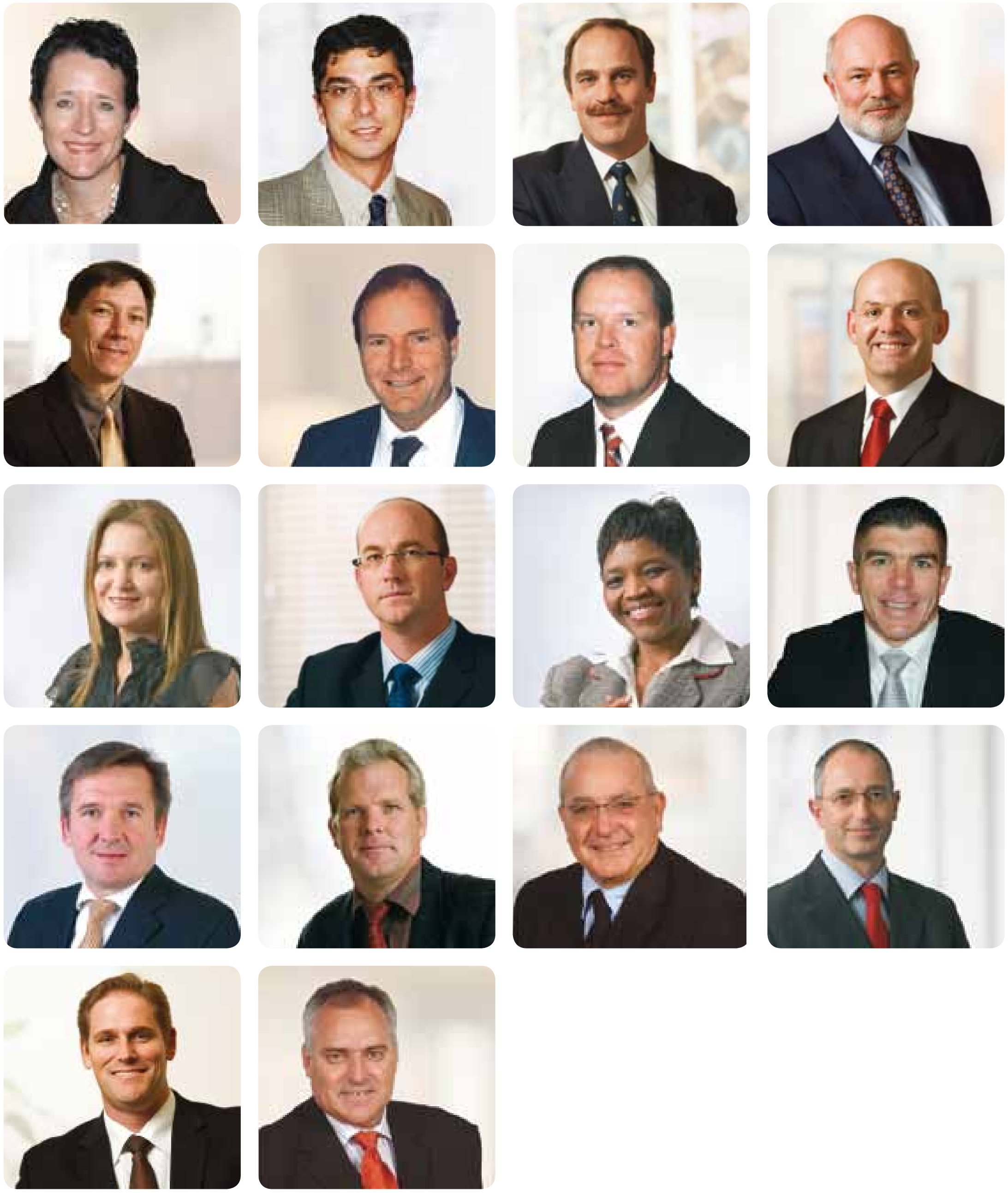
RC / Risk committee
SED / SED committee
AC / Audit committee
REM / Remuneration committee
NOM / Nominations committee
A / British
B / Congolese

Corporate
Investments and Concessions
Manufacturing
Construction Materials
Construction

* *Executive committee member.*

Team continued

Management committee



C (Celia) Becker (37)
Group country risk director

BCom Acct (Hons), CA(SA), H Dip International Tax, MCom Taxation

C (Cedomir) Djordjevic (45)
Technical director: Manufacturing

BSc Mech Eng

RM (Richard) du Toit (47)
Human resources director – operations

BCom, Development Programme in Labour Relations, Advance Labour Law Programme

SED

FH (Frank) Enslin (54)
Managing director: Housing

BSc (Building Science), PCM, FCIOB

ME (Malcolm) Farrell (46)
Group supply chain director

BCom, MBA

G (Greg) Heale (57)
Business development director

BSc, Eng (Mech), Cert (Mines and Works),

MAP, ASQC (CSIR)

JW (Jon) Hillary (37)
Managing director: Property Developments

BCompt (Hons), CA(SA)

NM (Mark) Humphreys (43)
Managing director: Engineering Projects (Projects)

Higher National Diploma Quantity Surveying

LMM (Loren) Jackson (40)
Group legal and compliance director

BA, LLB

CJ (Craig) Jessop (43)
Managing director: KwaZulu-Natal

BSc Quantity Surveying, RQS

SED

IM (Isabella) Makuta (45)
Group communications and corporate affairs director

BA, Post Grad. HR, MBA

BR (Bradley) Mansfield (37)
Group finance: operations director

BCompt (Hons), CA(SA)

MM (Mark) Mencel (47)
Regional general manager: Middle East

BSc Civil Engineering, MSc Construction Management

SMO (Siegfried) Milbert (49)
Managing director: Construction Materials

BCom (Law), BAcc, CA(SA)

KD (Keith) Miller (58)
Area director: Building, Western Cape

BSc Civ Eng, Pr Eng, MSAIEE

C (Chris) Riley (41)
Managing director: Plant and Steel

BSc Mechanical Engineering

JAE (Jurgen) Stragier (39)
Managing director: Everite

BSc (Aeronautical Engineering)

MP (Michael) van Rooyen (53)
Managing director: Building

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

Team performance

Group Five believes in measuring performance strictly against set objectives. In the next few pages, we outline how our board and executives performed.

Key performance areas	Measures	Evaluated by	Delivery
Chairperson			
Focused and unified board	Focused and unified board	Independent evaluation by Institute of Directors Shareholders through Annual General Meeting	Board is unified and focused
No conflicts of interest	No conflicts of interest		No conflicts of interest declared this year
Breaches of governance/ compliance	Breaches of governance/ compliance		Integrity and governance confirmed by F2009 board review, current review in progress
Annual work plan delivery and improved complement of board	Annual work plan delivery and improved complement of board		Board schedule met
Percentage of inductions completed and/or site visits	Percentage of inductions completed and/or site visits		No formal inductions in place, although a number of board training initiatives conducted. This is receiving attention in the coming year
Board review	Board review		Current board review in progress
Completion of CEO appraisal	Completion of CEO appraisal		CEO appraisal completed
Board attendance	Board attendance		Board attendance good. Refer to pages 150 to 157
CEO			
Leadership	Employee satisfaction survey	Chairperson and Remuneration Committee chair	65.9% employee satisfaction score
BEE	Construction Charter scorecard rating		Level 3 BBBEE contributor
Safety	Group DIFR and fatalities		Group DIFR improved from 0.39 to 0.33, but five fatalities, one of which was a Group Five employee
Client focus	Client survey		Client survey conducted indicated a high client satisfaction. Refer to page 87
Capacity building	% of employees trained annually		Training interventions increased by 67%
Organisational development, succession and transformation	Structural alignment with strategy and goals		Structure refined to address regional business focus and launch of E+C
Compliance/risk management	External audit report		External audits clear
Group strategic development	Strength of order book as % of one year revenue		Construction order book sustained above a year's revenue
Group financial performance	HEPS/EPS growth		HEPS growth 10%, but material impairment reduced EPS
Stakeholder communication and interaction	Client, investor and board communications feedback		Several market awards and strong feedback. Refer to pages 72 to 75 and 87
Inter-company initiatives and group procurement	% internal sales		Manufacturing internal supply 15% and Construction Materials 21.5%

Key performance areas	Measures	Evaluated by	Delivery
CFO			
Leadership	Employee satisfaction survey	CEO	65.9% employee satisfaction score
Group financial performance and position	Actual versus targets to group over-arching financial goals		HEPS growth of 10%, but material impairment reduced EPS. Refer to page 58 for other goals
Cash generation	Cash generative		Cash generative
Financial risk management	GCR rating		GCR level maintained
Organisational development, succession and transformation	Construction Charter scorecard rating		Level 3 BBBEE rating
External and internal compliance management	External and internal audit		No material adverse internal or external audit findings
Technology enhancement and development	Extent of connectivity, integration, relevant and reliable management information		100% site connectivity, disaster recovery plan in place, tested and externally verified as effective
Stakeholder communication and interaction	Investor and financial institution feedback		The group has won the Investment Analysts Society award for communications and reporting in our sector for four years in a row. This year we were also the overall winner
Company secretary			
Ethics and governance	Code of ethics maintenance and communication, effective management of Tip-offs line	Group risk officer	Tip-offs line survey results very positive, with broad understanding of the line, code of ethics communicated through the group and employee survey producing good results
Compliance with laws and regulation	Compliance exceptions, statutory and corporate status		The group met all required statutes and compliance requirements
Directors' duties and induction	% of directors trained/ inducted and adherence to laws and requirements		No formal induction programme in place, although a number of training initiatives for board members took place. This will be addressed in the new year
Adherence to the Companies Act and JSE Listings Requirements	Status of adherence and discretionary rating by manager		No adverse findings from sponsor, JSE or SRP
BEE scheme administration	Effective administration of black management scheme and share appreciation rights scheme		Share schemes running effectively, with 245 black managers having benefited from the black management scheme to date

Team performance continued

Key performance areas	Measures	Evaluated by	Delivery
Non-executive directors			
Skill, experience and technical knowledge on strategy, performance, resources, transformation, standards of conduct and evaluation of performance	Evaluation of board skills versus business requirements	Independent evaluation by Institute of Directors Shareholders via Annual General Meeting	The previous board evaluation found that some skills were needed, which resulted in two additional board members
Level of contribution as a board member	Attendance at required meetings and contribution to meetings		Current members have significant experience and add value to the board and all board members are members of other committees
Offering sufficient time to Group Five	Number of other commitments and results of annual board evaluation		Some board members are foreign based and could not attend all meetings in person, but all provided valuable input into board matters
Executive committee members			
Leadership	Employee satisfaction survey/group policy set within specialist area	CEO	Refer to pages 30 to 43 for cluster employee satisfaction ratings
Transformation	Achievements of transformation targets and Construction Charter scorecard rating		The group's largest cluster, Construction, has a level 4 BBBEE rating and the group has a level 3 rating
Service delivery to the group	Achieved roll out versus budgeted implementation plan		Strategic and tactical actions implemented well
Organisational development and succession	Effectiveness of succession and development plans		Succession, mentoring and training programmes in place
Technology/skills acquisition and development	Adoption of new technologies		See structured ingenuity boxes from pages 236 to 313
Safety	Group and cluster DIFR and fatalities		Group DIFR decreased. For cluster DIFRs, refer to pages 30 to 43
Compliance and quality	Audit reports		External, internal and ISO audits clear
Group strategic development in area of responsibility	Discretionary rating by manager		Each exco member assigned strategic tasks with good progress. Refer to pages 263 to 313
Teamwork	Discretionary rating by manager		Exco teamwork is strong as evidenced by strategy delivery and internal sales
Stakeholder relations	Market survey		Customer satisfaction high, with clear areas of improvement identified

Key performance areas	Measures	Evaluated by	Delivery
Management committee members			
Financial performance	Achievement of financial performance indicators	Relevant executive committee member	Refer to operational reviews on pages 236 to 313
Cash generation	Ratio of profit to cash generation		Not all business units met their cash targets due to weak markets
Inter-company initiatives and group procurement	Rating by CEO based on annual review		Manufacturing internal supply of 15% and Construction Materials 21.5%
Transformation	Delivery against transformation targets and Construction Charter scorecard rating		The group's largest cluster, Construction, has a level 4 BBBEE rating and the group has a level 3 rating
Individual performance assessment – additional KPAs specific to area of focus	Discretionary rating by manager based on performance		Performance ratings completed with good to excellent results

Section 2

Delivery during the year

Integrated Rapid Transport terminal – Cape Town.

The group has a focused strategy, supported by clear objectives and measurements to ensure tracking of progress.

The next section takes the reader through how we delivered this year.

Financial highlights

Revenue ▼ 6%

R11,3 billion

2008 / **R8,9 billion** 2009 / **R12,1 billion**

Operating profit* ▲ 10%

R877 million

2008 / **R636 million** 2009 / **R797 million**

Total operating profit margin %*

7.7%

2008 / **7.1%** 2009 / **6.6%**

Cash and cash equivalents ▲

R3,1 billion

2008 / **R1,8 billion** 2009 / **R2,8 billion**

Dividends per share ▲

137 cents

2008 / **105 cents** 2009 / **130 cents**

The final dividend of 74 cents per share brings the total dividend for the year to 137 cents, a 5% increase over the prior year.

Fully diluted headline earnings per share ▲ 10%

R5,61

2008 / **R3,98** 2009 / **R5,08**

* *Before fair value and impairment adjustments.*

Non-financial highlights

A further improvement in our key safety ratio, with the disabling injury frequency rate (DIFR) decreasing from 0.39 to 0.33. Refer to page 121.

Socio-economic development spend increased from R4,5 million to R7,9 million. Refer to page 223.

Successful delivery of a number of contracts that related to the FIFA 2010 Soccer World Cup. Refer to page 283.

Being rated as a top company by our employees. Refer to page 185.

Training spend of R31,5 million, with almost 15 000 training interventions. Refer to page 196.

Our contract profit-making ratio held at 87%. Refer to page 117.

No significant environmental incidents during the year and improvement in carbon footprint capturing and minimisation. Refer to page 130.

Disappointments during the year included:

- Five fatalities. Refer to page 125
- Continued tough markets, exacerbated by the additional slow place of public sector infrastructure roll out in South Africa. Refer to the reviews from the CEO and CFO on pages 82 and 92
- Construction Materials' performance due to the market decline. Refer to pages 96 and 269

Delivery against group measures

The group's over-arching measures include:

Group scorecard

	F2009 actual	F2010 target	**F2010 actual**	F2011 target
People				
Employee turnover (permanent employees) – %	14	10	**9**	<9
Employee satisfaction rating – %	64	>70	**65.9**	>70
% of employees trained per annum – %	60.5	65	**43**	50
Average training spend per employee	R2 690	R3 000	**R2 132**	R2 500
Construction Charter BBBEE score – %	78.8	70	**78.8**	>75
Disabling injury frequency rate (DIFR)	0.39	0	**0.33**	0
OHSAS 18001:2007 certification across group – %	85	100	**75***	100
Planet				
Electricity usage per employee	62 MWh**	14 MWh**	**14.41 MWh****	14 MWh**
Carbon footprint per employee	70 tonnes $C0_2e$	60 tonnes $C0_2e$	**80 tonnes $C0_2e$**	60 tonnes $C0_2e$
Environmental incidents	0	0	**0**	0
ISO 14001:2004 certification across group – %	13	100	**71**	100
Performance				
Revenue per employee – R'000	861	Increase	**907**	Increase
Net profit for the year per employee – R'000	38	Increase	**25**	Increase
Geographical diversification (revenue from over-border operations) – %	37	>33	**20**	>33
Secured order book (construction budget secured in order book at start of financial year) – %	80	66 of budget	**75**	75 of budget
Return on shareholders' equity before impairment adjustment – %	23.5	25 medium term	**21.8**	25 medium term
Fully diluted headline earnings per share – % growth	27.6	±20% growth per annum	**10**	10% – 15% growth per annum
Product diversification – (total operating profit from non-construction businesses) – %	28.1	≥33	**20.7**	≥33
Net gearing – %	–	<33 of equity	**–**	<33 of equity
Cash generated from operations – R million	1 810	cash generative	**1 191**	cash generative
Total operating margin – %	6.6	6 – 8 medium term	**7.7**	6 – 8 medium term

** More businesses included, so base is broader.*
*** MWh – megawatt hours.*

9%	71%	10%#
Employee turnover	**ISO 14001:2004 Certification across group**	**Fully diluted headline earnings per share**

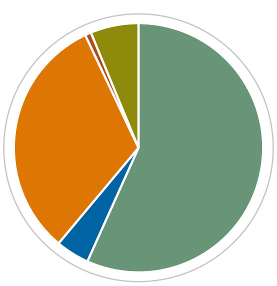
 # % increase F2009 – F2010.

Economic value added

Sustainability indicator	F2010(1) %	F2010(1) (R'000)	F2009(1) %	F2009(1) (R'000)
Revenue		12 364 077		13 171 036
Less: purchased cost of goods and services		(9 445 719)		(10 283 276)
Value added	99.5	2 918 358	95.0	2 887 760
Other income	0.5	14 879	0.5	15 649
Wealth created	100	2 933 237	100	2 903 409
Employees	57.3	1 680 303	51.4	1 494 815
Providers of equity	4.4	128 610	3.8	111 830
Providers of funding	(1.0)	(27 871)	1.1	30 820
Government	32.2	945 026	28.3	820 530
Funding of discontinued operations	0.8	22 102	0.8	22 890
Reinvested in the group	6.3	185 067	14.6	422 724
Wealth distribution	100	2 933 237	100	2 903 409
Number of employees		12 497		14 050
Wealth created per employee (R)		234 715		206 648
Weighted average number of shares		95 378		94 670
Wealth created per share (R)		30,75		30,67

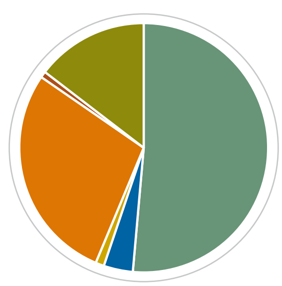
(1) Value added statement depicting distribution to government, including all taxes.

Distribution of wealth created – 2010



- **57.3%** Employees (including tax)
- **4.4%** Providers of equity
- **(1.0%)** Providers of funding
- **32.2%** Government – direct taxes
- **0.8%** Funding of discontinued operations
- **6.3%** Reinvested in the group

Distribution of wealth created – 2009



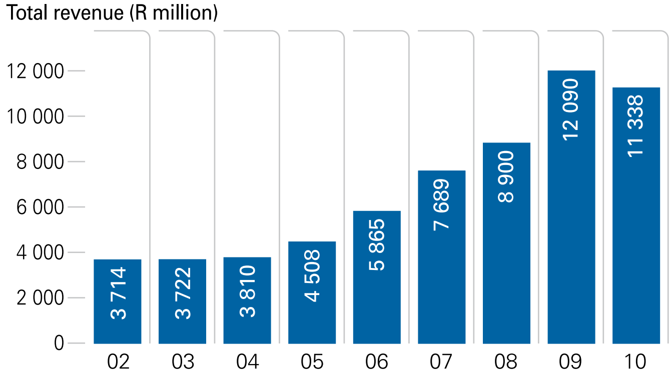
- **51.4%** Employees (including tax)
- **3.8%** Providers of equity
- **1.1%** Providers of funding
- **28.3%** Government – direct taxes
- **0.8%** Funding of discontinued operations
- **14.6%** Reinvested in the group

Nine-year review

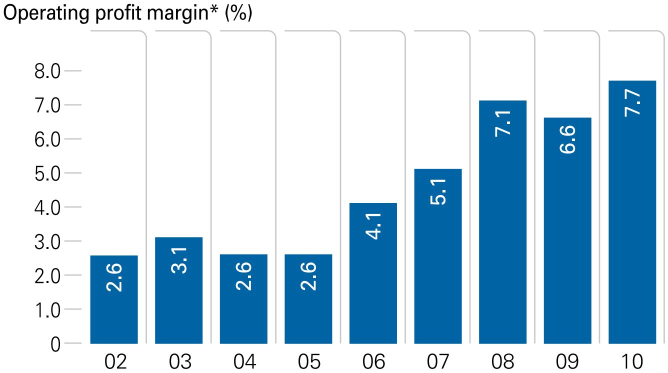
(R'000)	2010	2009	2008
INCOME STATEMENT			
Revenue	11 337 588	12 090 236	8 899 578
Operating profit*	876 895	797 182	635 660
Other income – net	13 532	15 718	111 464
Impairment adjustment	(325 569)	–	–
Operating profit	564 858	812 900	747 124
Share of profit/(loss) from associates	1 347	(69)	140
Finance income/(costs) – net	27 871	(30 820)	(81 727)
Profit before taxation	594 076	782 011	665 537
Taxation	(258 297)	(224 567)	(208 041)
Profit from continuing operations	335 779	557 444	457 496
STATEMENT OF FINANCIAL POSITION			
Interest of equity holders of parent	2 486 357	2 373 477	2 006 664
Non-controlling interest	75 055	34 366	16 517
Total equity	2 561 412	2 407 843	2 023 181
Non-current liabilities	908 189	959 936	1 172 949
Liabilities directly associated with non-current assets classified as held for sale	–	–	–
Current liabilities	6 480 793	7 005 091	6 053 616
Total liabilities	7 388 982	7 965 027	7 226 565
Non-current assets	2 658 352	2 839 542	2 568 961
Non-current assets classified as held for sale	65 153	81 170	135 760
Current assets	7 226 889	7 452 158	6 545 025
Total assets	9 950 394	10 372 870	9 249 746

** Total operating profit before fair value and impairment adjustments.*

Total revenue (R million)

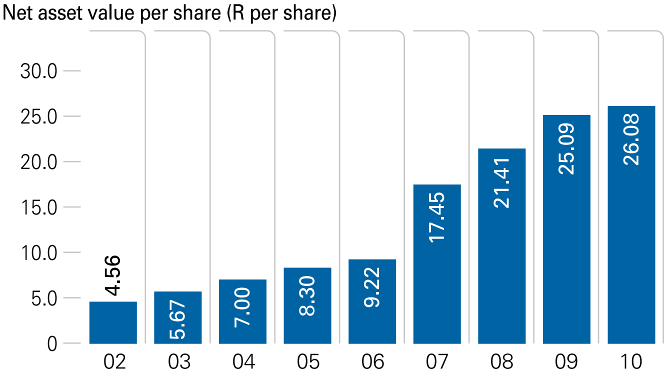


Operating profit margin* (%)

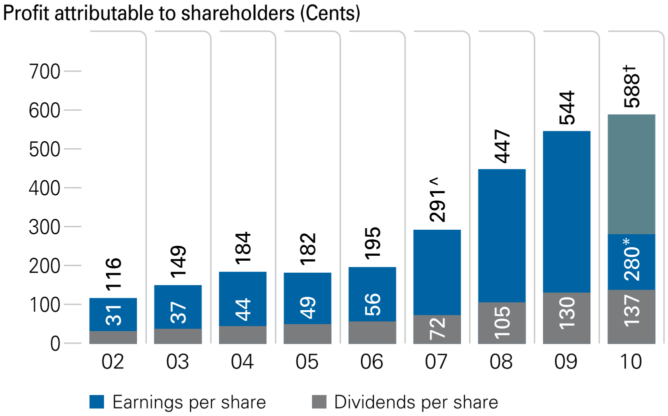


2007	2006	2005	2004	2003	2002
7 689 168	5 864 721	4 508 285	3 809 917	3 721 935	3 714 006
391 624	240 799	115 686	97 951	115 162	94 832
23 620	(69 497)	44 032	49 552	14 970	17 513
–	–	–	–	–	–
415 244	171 302	159 718	147 503	130 132	112 345
–	–	–	–	–	–
(41 953)	(30 329)	(25 922)	(29 780)	(24 913)	(24 148)
373 291	140 973	133 796	117 723	105 219	88 197
(129 560)	(62 754)	(26 199)	(22 294)	(25 876)	(17 962)
243 731	78 219	107 597	95 429	79 343	70 235
1 612 587	681 257	596 912	479 618	380 582	303 243
9 335	1 762	4 306	11 447	9 899	5 949
1 621 922	683 019	601 218	491 065	390 481	309 192
996 622	161 669	148 634	139 927	91 277	92 097
–	148 285	118 205	121 673	66 971	88 032
4 269 230	3 911 429	1 983 247	1 591 731	1 502 223	1 736 891
5 265 852	4 221 383	2 250 086	1 853 331	1 660 471	1 917 020
2 098 216	792 634	675 667	588 973	476 942	420 511
163 967	338 667	249 442	244 507	205 839	185 356
4 625 591	3 773 101	1 926 195	1 510 916	1 368 171	1 620 345
6 887 774	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.
** After impairment adjustments.*
† Before impairment adjustments.

Key ratios

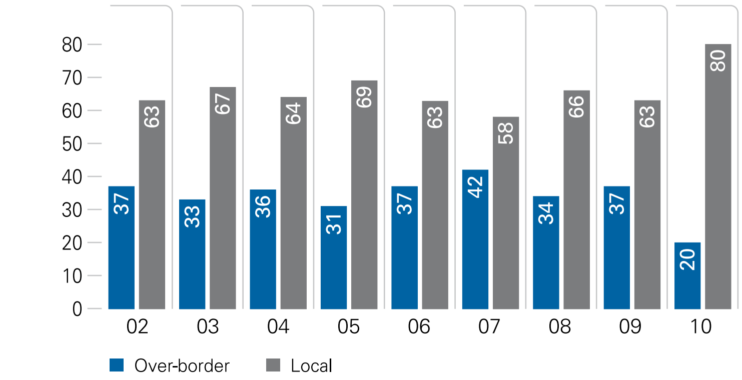
Group performance indicators

R'000	2010	2009	2008	2007	2006
REVENUE					
Investments and Concessions	591 871	626 795	581 685	533 800	316 217
Infrastructure Concessions	557 227	527 938	326 554	226 016	189 247
Property Developments	34 644	98 857	255 131	307 784	126 970
Manufacturing	866 221	816 132	554 656	523 768	472 975
Construction Materials	491 860	671 317	689 220	231 081	–
Construction	9 387 636	9 975 992	7 074 017	6 400 519	5 075 529
Building and Housing	3 186 142	2 899 773	2 848 795	3 121 921	2 788 466
Civil Engineering	4 713 487	4 633 259	2 964 184	2 484 293	1 662 700
Engineering Projects	1 488 007	2 442 960	1 261 038	794 305	624 363
Total revenue	11 337 588	12 090 236	8 899 578	7 689 168	5 864 721
OPERATING PROFIT**					
Investments and Concessions	74 926	81 887	53 482	43 091	37 530
Infrastructure Concessions	85 615	79 636	30 735	17 927	12 398
Property Developments	(10 689)	2 251	22 747	25 164	25 132
Manufacturing	86 812	85 964	56 211	66 519	60 205
Construction Materials	20 186	55 835	141 946	45 531	–
Construction	694 971	573 496	384 021	236 483	143 064
Building and Housing	236 620	141 032	140 294	84 276	78 903
Civil Engineering	310 655	225 733	142 857	105 037	50 169
Engineering Projects	147 696	206 731	100 870	47 170	13 992
Total operating profit	876 895	797 182	635 660	391 624	240 799
Total operating profit margin (%)	7.7	6.6	7.1	5.1	4.1
Over-border revenue (%)	20	37	34	42	37
Cash generated – millions	327	954	1 195	60	391
SHAREHOLDER RETURNS					
Earnings per share (R)	2,80	5,44	4,47	2,91	0,72
Headline earnings per share (R)	6,14	5,68	4,70	2,83	0,69
Earnings per share (R) – before external BEE ownership expense	2,80	5,44	4,47	2,91	1,95*
Headline earnings per share (R) – before external BEE ownership expense	6,14	5,68	4,70	2,83	1,93*
Dividend per share (cents)	137,0	130,0	105,0	72,0	56,0
Net asset value per share (R)	26,08	25,09	21,41	17,45	9,22
MARKET INDICATORS					
Market price – high (R) per share	45,20	58,25	73,80	59,50	32,50
Market price – low (R) per share	31,50	26,70	42,00	27,26	15,20
Market price – year end (R) per share	34,50	34,70	44,90	54,40	28,75
Market capitalisation – year end (R'millions)	4 171,5	4 167,2	5 350,5	6 443,5	2 867,1
Value of shares traded (R'000)	2 900 378	3 612 810	5 462 078	3 124 034	1 373 898
Number traded ('000)	79 130	92 297	103 436	67 728	57 970

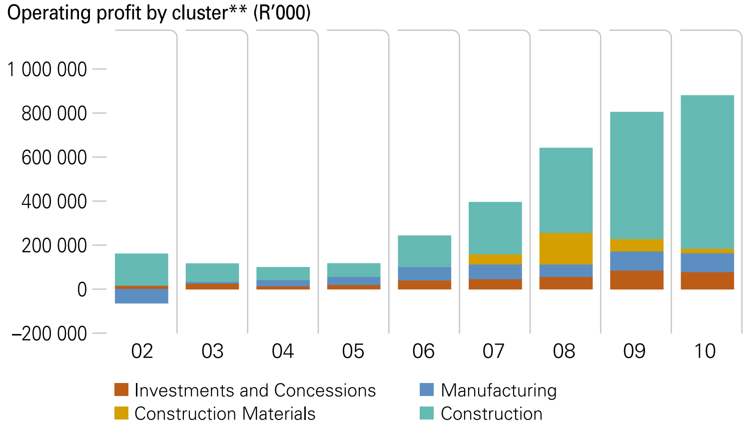
* *Before external BEE ownership expense.*
** *Total operating profit before fair value and impairment adjustments.*

2005	2004	2003	2002
227 290	227 355	170 843	155 958
132 517	172 210	139 575	124 187
94 773	55 145	31 268	31 771
446 308	358 296	320 329	354 229
–	–	–	–
3 834 687	3 224 266	3 230 763	3 203 819
2 268 610	1 917 554	1 433 665	1 433 000
1 051 679	986 836	1 290 642	1 364 000
514 398	319 876	506 456	406 819
4 508 285	3 809 917	3 721 935	3 714 006
17 378	11 358	23 211	13 987
6 138	7 643	12 565	12 710
11 240	3 715	10 646	1 277
36 157	27 969	6 773	(63 973)
–			
62 151	58 624	85 178	144 818
44 158	74 581	43 760	60 320
(9 712)	(36 087)	21 475	55 360
27 705	20 130	19 943	29 138
115 686	97 951	115 162	94 832
2.6	2.6	3.1	2.6
31	36	33	37
111	49	(52)	(87)
1,82	1,84	1,49	1,16
1,43	1,48	1,20	0,94
1,82	1,84	1,49	1,16
1,43	1,48	1,20	0,94
49,0	44,0	37,0	31,0
8,30	7,00	5,67	4,56
17,00	11,00	7,71	5,25
10,00	4,95	3,40	3,10
15,39	11,00	5,20	3,40
1 132,3	809,3	382,6	250,1
536 994	229 924	199 495	80 616
39 950	28 038	34 456	20 751

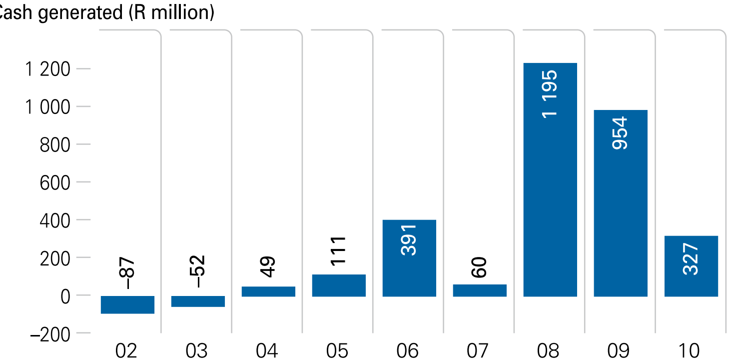
Total revenue – over-border versus local (%)



Operating profit by cluster** (R'000)



Cash generated (R million)



Assurance processes

The group embarked on an independent assurance exercise this year, identifying two key sustainability measures of its business as a first step towards a more detailed assurance process.

Independent Assurance Report

to the Directors and Management of Group Five Limited

Introduction

We have been engaged by the Directors and Management of Group Five Limited ("Group Five") to perform an independent assurance engagement in respect of selected Identified Sustainability Information included in Group Five's Group Risk Officer's Review and Operational Executive Team's review incorporated as part of its Annual Report for the year ended 30 June 2010 ("the Report").

Scope and subject matter

The following Identified Sustainability Information was selected for an expression of limited assurance:

- Secured Order Book (Page 276)
- Contract Profit/Loss Maker Ratio (Page 117)

Our responsibilities do not extend to any other information.

Responsibilities of the Directors and Management

Group Five's Directors and Management are responsible for the preparation and presentation of the Identified Sustainability Information, as incorporated in the 2010 Annual Report, in accordance with their internally defined procedures and for maintaining adequate records and internal controls that are designed to support the reporting process.

Responsibility of the independent assurance provider

Our responsibility is to conduct a limited assurance engagement and, based on our assurance procedures, report our conclusion to the Directors and Management.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 Assurance engagements other than audits or reviews of historical financial information issued by the International Auditing and Assurance Standards Board. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain assurance on the Identified Sustainability Information as per the terms of our engagement.

Summary of work performed

The defined procedures by which Group Five's Identified Sustainability Information is generated and aggregated have been applied as assurance criteria. Definitions for the Identified Sustainability Information applied are those determined by Group Five and provided in the Report (refer pages 117 and 276).

The procedures selected depend on the assurance provider's judgement, including the assessment of the risks of material non-compliance of the Identified Sustainability Information with the criteria. Within the scope of our work we performed, among others, the following procedures:

- reviewing processes that Group Five have in place for determining the Identified Sustainability Information included in the Report;
- obtaining an understanding of the systems used to generate, aggregate and report the Identified Sustainability Information;
- conducting interviews with management at corporate head office;
- evaluating the data generation and reporting processes against the reporting criteria;
- performing key controls testing and testing the accuracy of data reported on a sample basis; and
- reviewing the consistency between the Identified Sustainability Information and related statements in Group Five's Report.

Inherent limitations

The accuracy and completeness of sustainability data is subject to inherent limitations given the nature and methods for determining, calculating and estimating such data. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements.

For a limited assurance engagement, the evidence gathering procedures are more restricted than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

We have not carried out any work on data reported for prior reporting periods, nor in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the Identified Sustainability Information.

Conclusion

Based on our work performed, nothing has come to our attention that causes us to believe that the Identified Sustainability Information selected for limited assurance has not been prepared, in all material respects, in accordance with the defined reporting criteria.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Wessie van der Westhuizen

Johannesburg

5 August 2010

The group is independently assured on a variety of ratios each year. In the table below we outline the material ones.

Assurance processes

Business process assured	Output from assurance	Status	Assurance provider	Integrated report disclosure
Operational/risk/financial				
Value of construction works secured to be executed	Secured order book confirmation	Assured – see page 64	PricewaterhouseCoopers Inc	Page 276
Extent of construction contract profitability	Contract profit/loss maker ratio	Assured – see page 64	PricewaterhouseCoopers Inc	Page 117
Fair presentation in all material aspects – financial position and performance of the group and company	External audit report	Assured	PricewaterhouseCoopers Inc	Page 318
Insurance claims	Insurance claim history report	Assured – determined by external source	Marsh South Africa	Page 116
Quality				
Quality systems	ISO 9001:2000	Assured – 29%* of business units certified	DEKRA	Page 108
Quality systems	ISO 9001:2008	Assured – 29%* of business units certified	DEKRA	Page 108
Health and safety				
Disabling injury frequency (DIFR)	Verified DIFR statistics	Assured – verified statistics	DEKRA	Page 122
Procedures and policies	DEKRA certification	Assured – verified procedures	DEKRA	Pages 120 to 137
Safety systems	OSHAS 18001:2007	Assured – 75% of business units certified	DEKRA	Page 122
Environment				
Carbon emissions	Confirmed carbon disclosure emission	Assured for F2009, F2010 being audited	Promethium Carbon	Pages 131 to 132
Environmental audits	ISO 14001:2004	Assured – 71% of business units certified	DEKRA	Page 130
Empowerment				
BBBEE credentials	BBBEE scorecard	Assured via audit opinion	BEE Verification Agency cc	Pages 66 to 67
Corporate governance				
Evaluation of main board of directors	Evaluation report	Assured via F2009 board evaluation, F2010 underway	Institute of Directors Independent service provider	Page 148
Human resources				
Employee satisfaction	Employee satisfaction survey	F2009 and F2010 independently verified	SoftCraft Research	Page 185
Training and HR systems	ISO 9001:2008	Assured – audited processes	DEKRA	Pages 184 and 203

** A total of 14 out of 24 business units are ISO 9001 certified, with seven ISO 9001:2000 certifications and seven ISO 9001:2008 certifications.*

Scorecards

As outlined last year, we believe in tracking our performance, as this supports our quality management philosophy and ensures consistency of delivery and drives continuous improvement.

The next few pages outline key scorecards in terms of performance, as well as external awards received. We have reported in line with these scorecards for a number of years to allow readers to evaluate our progress.

See pages 130 – 137 for more info

JSE Limited Socially Responsible Investment Index (SRI) Scorecard

The JSE Limited rates companies annually in terms of sustainability measures. Our ratings are listed below:

	F2009	F2008	F2007
Overall result	Best performer	Best performer	Best performer

The JSE only provides an overall result, not a breakdown.

The group was rated for the third year as a "best performer". Last year, the group was one of only 30 companies voted as best performers. We were also one of the best performers in the high environmental impact category.

Broad-based black economic empowerment

The group monitors its performance by primary reporting segment (as defined in the annual financial statements on page 327) 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.

The empowerment audit period has been changed from June to September. The tables therefore outline the last audited numbers as at June 2009.

See pages 205 – 227 for more info

BBBEE Scorecard (Group Five Limited)

F2009 was the second year that the listed entity was audited in respect of its South African operations.

Core components	BBBEE elements	Weighting points	Construction Charter scorecard F2009 %(1)	Construction Charter scorecard F2008 %(2)
Direct empowerment	Ownership	25	19.55	17.79
	Management control	10	6.97	3.25
Human resource empowerment	Employment equity	10	5.91	2.06
	Skills development	15	12.8	5.53
Indirect empowerment	Preferential procurement	20	15.68	12.15
	Enterprise development	15	15	15.0
	Socio-economic development	5	2.9	5.00
Total		100	78.77	60.78
Empowerment level			3	5

(1) As audited by BEE Verification Agency cc for the year ended 30 June 2009.
(2) As audited by BEE Verification Agency cc for the year ended 30 June 2008.

See pages 205 – 227 for more info

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.

Core components	BBBEE elements	Weighting points	Construction Charter scorecard F2009 %[1]	Construction Charter scorecard F2008 %[2]
Direct empowerment	Ownership	25	19.68	18.86
	Management control	10	2.78	3.79
Human resource empowerment	Employment equity	10	5.48	4.11
	Skills development	15	11.26	10.22
Indirect empowerment	Preferential procurement	20	13.96	9.93
	Enterprise development	15	15	15.00
	Socio-economic development	5	5	5.00
Total		100	73.16	66.91
Empowerment level			4	4

(1) As audited by BEE Verification Agency cc for the year ended 30 June 2009.
(2) As audited by BEE Verification Agency cc for the year ended 30 June 2008.

Scorecards continued

See pages 210 – 212 for more info

Employment Equity Scorecard

Sustainability indicator	F2010	F2009	F2008	F2007
Total employee headcount (all employees)	**12 497**	14 050	13 455	13 928
Number of unionised employees	**2 416**	1 752	1 006	1 786
% of permanent employees on medical schemes	**44.2**	40.2	49.3	45
% of employees over-border	**16.9**	26.4	30.69	40.0
% of black employees within the South African permanent workforce	**78.5**	78.4	77.7	66.7
% of black employees in Peromnes grades 1 – 3 (executive and senior management)	**10**	9.5	5.26	0.02
Number of black male bursary students	**73**	129	106	71
As a % of total bursary students	**43**	50	59	47.7
Number of black female bursary students	**35**	50	23	34
As a % of total bursary students	**20**	19.4	18.2	22.8

The representation of black, coloured and Asian employees in our senior management category increased from 9.5% to 11.1%. In middle management, it increased from 14.8% to 15.9% and decreased marginally in the junior management category from 64.3% to 63.2%.

See pages 195 – 204 for more info

Skills Development

Sustainability indicator	2010	F2009	F2008	F2007
a) Annual value spent on training and development programmes	R31,5 million	R37,8 million	R23,2 million	R18,6 million
i) Total number of training interventions*	14 941	8 933	5 780	6 010
ii) Total number of training interventions – semi-skilled and unskilled*	5 846	3 729	2 922	3 432
b) Annual value incurred on bursary expenditure	R6 million	R9,3 million	R6,8 million	R6,5 million
i) Number of bursary students	171	258	178	149
ii) Number of female bursary students	40	55	27	37
c) Annual value spent on learnerships and apprenticeships	R3,9 million	R3,6 million	R3,7 million	R3,1 million
i) Learners on learnerships and apprenticeships programmes	214	231	175	161
ii) Unemployed learners registered on learnerships and apprenticeships programmes	163	149	45	94
d) Number of students on the Group Five Programme in Management Development (PMD) in partnership with the Gordon Institute of Business Sciences (GIBS)	23	25	17	20
e) Total annual training spend – black employees	R14,7 million	R20,2 million	R14,7 million	R14,2 million

** For employees.*

The group's training spend this year was R31,5 million. Although spend was down from last year, we had 67% more training interventions. This indicates a larger focus on in-house training against tough markets, an improvement in capturing training data and careful management of spend to ensure more training with lower overheads.

See pages 213 – 215 for more info

Preferential Procurement Scorecard (Group Five Limited)

Measurement principle	Points	Target per Construction Charter 2013 target	Group Five F2010 target	Actual F2010***	Actual F2009**	Actual F2008*
Preferential spend with all suppliers	12	50%	45%	58.9%	45.1%	34.8%
Preferential spend with qualifying small and emerging micro enterprises	3	10%	7.5%	18.6%	6.3%	5.5%
Preferential spend with enterprises that are more than 50% black owned	3	9%	5%	6.0%	7.9%	3.8%
Preferential spend with enterprises that are more than 30% black women-owned	2	6%	1.5%	3.5%	0.1%	0.7%
Weighted Score	20	–****	–****	19.17%	15.68%	11.49%

** As audited by BEE Verification Agency cc in August 2008 (Group Five Construction (Pty) Limited).*
*** As audited by BEE Verification Agency cc in October 2009 (Group Five).*
**** Unaudited, as audited period has been changed to September.*
***** A weighted score is not done for targets.*

Scorecards continued

Group Five successfully focused on increasing joint ventures with its enterprise development partners, which ensures practical transfer of skills.

Enterprise Development Scorecard

See pages 216 – 222 for more info

Sustainability indicator	**F2010**	F2009(1)	F2008(2)	F2007
Annual value of total direct costs incurred by the group	**R0,6 million**	–	–	–
Value of funding provided by the group Total capital due to the group as at 30 June	**R12 million****	R97 million	R60 million	R50 million
Financial institution guarantees issued from the group's facilities as at 30 June***	**R54 million**	R75 million	R141 million	R119 million
Number of black-owned entities with which the group is engaging in significant joint venture partnerships	**18**	22	25	10
Number of formal enterprise development partnerships	**7**	8	2	1
Total value of contracts being executed with black-owned joint venture partners*	**R7,8 billion**	R8,6 billion	R13,5 billion	R4,1 billion

(1) As audited by BEE Verification Agency cc for the year ended 30 June 2009.
(2) As audited by BEE Verification Agency cc 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. Refer to page 221.*
** *Excludes all previous spend on iLima Projects (R118 million) and represents spend on new enterprise development partners.*
*** *Guarantees in issue with respect to iLima Projects.*

See pages 223 – 227 for more info

Socio-Economic Development (SED) Scorecard

Sustainability indicator	F2010	F2009	F2008	F2007
Targeted SED spend as a % of SA operations' net profit after tax	1	1	1	n/a*
Actual SED spend as a % of SA operations' net profit after tax	4.4	1.16	2.5	n/a*
Total annual spend on SED programmes	R7,9 million	R4,5 million	R3,1 million	R2,7 million
Number of unemployed people trained as part of the People at the Gate programme	214	265	117	68
% of unemployed people securing positions after training	90	100	89	100
Number of non-profit organisations benefiting from the group's SED programmes	48	30	20	14

** In line with the dti Codes of Good Practice, the target was set as a percentage of net profit after tax and not payroll.*



During the year, the spend on SED increased pleasingly from R4,5 million to R7,9 million. The group exceeded the Construction Sector Charter spend requirement of 1% of net profit after tax.

4.4%	R7,9 million	214
SED spend as a percentage of local NPAT	**Total annual spend on SED**	**Number of unemployed people trained on People at the Gate**

Awards

COMPANY AWARDS

THE INVESTMENT ANALYSTS SOCIETY

2010

- Overall winner
- Best reporting and communications in the Basic Industry and Manufacturing sector of the JSE Limited for the fourth time (since 2007)

2009

- Best reporting and communications in the Basic Industry and Manufacturing sector of the JSE Limited

2008

- Best reporting and communications in the Basic Industry and Manufacturing sector of the JSE Limited

SUNDAY TIMES TOP 100 COMPANIES

2009

- Ranked as a Royal Company for the fourth consecutive year
- Ranked 31st overall over five years

2008

- 15th position overall

BUSINESS TIMES TOP 50 COMPANIES

2009

- Ranked 8th overall

CARBON DISCLOSURE PROJECT

2009

- Ranked 17th overall

JSE TOP 10 COMPANIES

2008

- Ranked 4th overall

JSE TOP 100 COMPANIES: EXCELLENCE IN CORPORATE REPORTING

2008

- Rated "excellent"

ERNST & YOUNG EXCELLENCE IN CORPORATE REPORTING

2009

- Excellent ranking and 4th overall

2008

- Excellent ranking

ERNST & YOUNG EXCELLENCE IN SUSTAINABILITY REPORTING

2009

- Excellent ranking

JSE SRI INDEX

2009

- Best performer

2008

- Best performer

CHARTERED SECRETARIES/JSE ANNUAL REPORT AWARDS

2009

- Winner of the mid-cap category

SA's TOP PERFORMING COMPANIES

2009

Recognised as one of South Africa's Top Performing Companies

CRF INSTITUTE BEST EMPLOYERS

2010

- Best employers certification

DEKRA: AWARD FOR OUTSTANDING SOCIAL COMMITMENT

2009

- Ethics award

MAGNET EMPLOYER OF CHOICE

2009

- Winner in the construction sector

FINANCIAL MAIL TOP EMPOWERMENT COMPANIES

2010

- 9th most empowered company in South Africa
- Winner in the basic industrials sector
- 3rd overall for skills development

Awards continued

INDUSTRY AWARDS

FNB TOP BUSINESS PORTFOLIO (CONSTRUCTION SECTOR)

2008

- Awarded to Group Five KwaZulu-Natal

CONCRETE MANUFACTURERS ASSOCIATION

2008

- Excellence in the use of innovative products: Moses Mabhida Stadium (joint venture)

CONCRETE SOCIETY: FULTON AWARDS

2009

- Winner: Civil Engineering (joint venture) contract: Berg River (joint venture)
- Winner: Unique design aspects: Moses Mabhida soccer stadium (joint venture)
- Commendation: Construction techniques: Moses Mabhida soccer stadium (joint venture)

CONCRETE SOCIETY OF SA: KWAZULU-NATAL BRANCH

2009

Concrete achiever of the year
Construction manager: Warwick Triangle Viaduct

2008

Concrete Achiever of the Year
Construction manager: Moses Mabhida soccer stadium (joint venture)

CONSTRUCTION WORLD: BEST CONTRACTS

2009

- Highly commended: Civil Engineering and Building category – Durban

CONSTRUCTION WORLD: BEST CONTRACTS

2008

- Winner: Civil Engineering and Building category
- 2nd Place: Civil Engineering and Building category
  Moses Mabhida soccer stadium (joint venture)
  Western Freeway, Durban
- Highly Commended: Civil Engineering and Building category
  Durban Harbour
- Winner: Public Private Partnerships
  Berg River water contract (joint venture)
- Afrisam Innovation Award for Sustainable Construction
  Highly commended: LUSIP Dams, Swaziland

CONSTRUCTION WORLD'S BEST CONTRACTS

2009

- Highly Commended: Civil Engineering and Building category: Group Five Civil Engineering: Durban Harbour

EHS PERFORMANCE AWARDS EMAL (MIDDLE EAST)

2009

Group Five Construction LLC (Middle East):

- February – third best contractor
- March – second best contractor
- Overall first quarter – second best contractor: the Golden Dhow award

MASTER BUILDERS ASSOCIATION: KWAZULU-NATAL

2009

- Winner: Award for Excellence for the Industrial Civils category: Group Five KwaZulu-Natal for Hulamin

SAICE: DURBAN

2010

- Award for Most Outstanding Civil Engineering Project in the Technical Excellence category joint winners:

Durban Harbour Entrance Widening and King Shaka International Airport (joint venture)

SAISC (SOUTH AFRICAN INSTITUTE OF STEEL CONSTRUCTION

2009

- Winners: Moses Mabhida soccer stadium (joint venture)

HEALTH & SAFETY AWARDS

2007 – 2010

- Group Five Construction LLC (Middle East): Health and Safety Award at the fourth Annual Construction conference
- Cabinda Gas Plant: Safety Excellence Award – 500 000 lost-time injury (LTI) free hours
- Group Five Civil Engineering: Sasol Technology: Service Provider Safety Recognition
- Durban Harbour:
  – Client Award – 500 000 LTI free hours
  – Client Award – 250 000 LTI free hours
- Natref: NOSA 4-star
- QMM Ilmenite: Client Award – Safety Shield, Chief Executive Award
- Koeberg Interchange: Certificate for General Work
- Dekra ISO 14001 certification
- QMM Ilmenite – 1 000 000 LTI free hours
- Koeberg Intechange – 91% on Client Audit
- GFIP Package E – 1 500 000 LTI free hours
- GFIP Package E – 2 000 000 LTI free hours
- NMPP Durban – 1 000 000 LTI free hours
- Sasol FT Wax – Won 4 Client Safety Awards

MBA SAFETY AWARDS

2008

- Apartment building category: The Breeze: The Pearls of Umhlanga (joint venture)
- Industrial Civils category: The Sappi Amakhulu Civils joint venture
- Supreme Builder of the Year: Joint winners: Group Five for the Pearls of Umhlanga and Liviero for a Standard Bank office
- Award of Merit: Moses Mabhida stadium (joint venture)

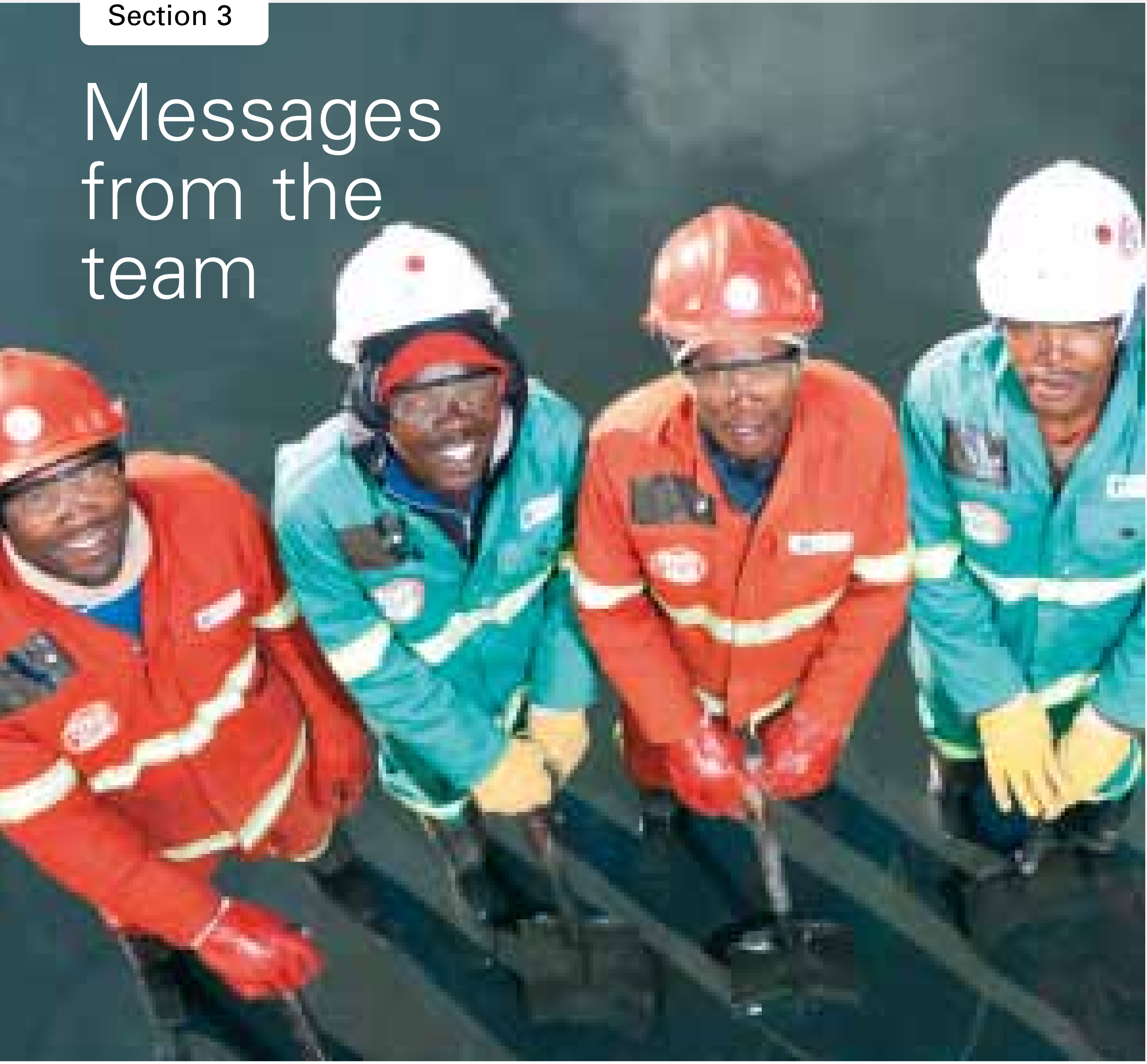
SASOL CLIENT AWARD

2008

- Sasol Technology Service Provider Safety Recognition Award

Section 3

Messages from the team



Open cycle power generation contract – Secunda.

Our business case rests on a number of fundamental strategies. During the year, the team's focus on these fundamentals continued, enabling the group to successfully mitigate some of the impact of the recession.

The next section takes the reader through reviews from our teams.

BBBEE SCORECARD RATING*

78.8%

*Construction Sector Charter

NINE-YEAR COMPOUND AVERAGE GROWTH RATE*

51%

*Earnings

Review from the chairperson

The year under review was again characterised by significant economic volatility. While global markets experienced pockets of recovery, it is unclear whether the major structural issues underpinning the 2008/2009 global collapse have been effectively resolved. Locally, the bottoming of the slump during the year created a challenging operating context for many sector players.

The group delivered a set of robust results against these conditions. Significantly, we remain very well positioned within our areas and markets of operation and are correctly structured to take advantage of improved operating conditions, as they arise.

Group Five played a key role in a wide range of important national contracts in the year under review. These include, amongst others, the development of stadiums for the FIFA 2010 World Cup and the development of significant housing, health and transport contracts.

Collectively, these successfully executed contracts reflect Group Five's role as a leading South African group that contributes on an ongoing basis to national development.

As this report reflects, Group Five explicitly translates its strategy into a set of key objectives, and pays particular attention to tracking the achievement of each objective during the course of the year. This focus on the relationship between strategy and day-to-day operations has been a decisive element in our ability to navigate successfully though extremely challenging market conditions.

Chairperson | **Philisiwe Buthelezi**

Performance

In the context of current economic conditions, we believe the group's performance was healthy. The results can be attributed to the group's geographic diversity and its strong positioning in key public sector and resources markets. Of particular importance was the group's participation in the South African public works programmes in transport, power, and infrastructure associated with the FIFA 2010 Soccer World Cup, as well as the contribution from African resources, energy and the Eastern European concessions. Refer to the review from the CEO on page 82 and the review from the CFO on page 92 for further information around the results.

Macro outlook

The global economy remained fluid during the period under review. The stimulative impact of wide-ranging national bailout packages is fading, while the European Union is experiencing significant structural stresses in key countries – the impact of which remains uncertain. In general, the combination of the banking crisis and recession that recently afflicted developed economies, liquidity support actions, government bailouts and European sovereign debt and banking challenges still threaten to create a negative global economic context that could potentially re-infect all global economies.

Within the global construction sector, the downturn has exerted significant pressure on margins and created a cost-focused operating context for many industry players. The collapse of the Dubai market offers one example of the phenomenon.

Nonetheless, growth prospects within developing economies remain good. Within a global context, Africa is still viewed as a solid long term growth area, and is likely to benefit from strong capital inflows, reinforced by ongoing infrastructure development across the continent.

Review from the chairperson continued

Group Five believes that the private sector will have to play a meaningful role in assisting government to ensure critical spend takes place.

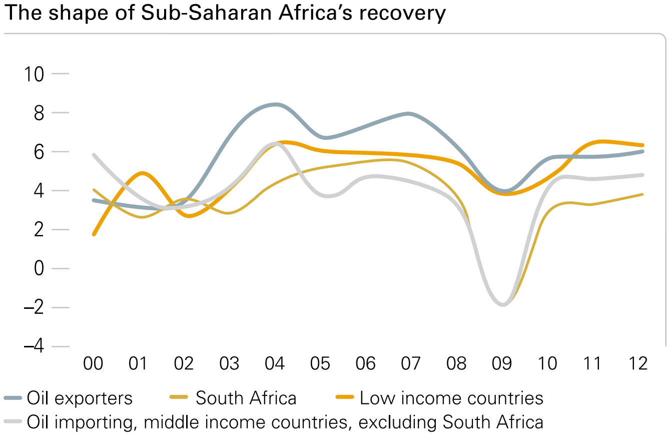
South African context

The South African economy was more powerfully impacted by the global downturn than many of its neighbours. Economic prospects therefore remain uncertain and very much aligned to the global outlook. Europe's fortunes form a particular point of interest for local businesses – a worsening of European economic conditions could impact disproportionately on South Africa, given that the European Union is the country's largest trading partner.

The FIFA 2010 Soccer World Cup – a phenomenal success at the time of writing – has passed as a point of national focus, and as a fixed deadline for national infrastructure development contracts. Considering that in the run-up to the event the country experienced a public infrastructure spending paralysis, the ability to complete existing contracts and to continue with necessary new contracts will be a decisive factor in the trajectory of the economy after 2010. Here, public private partnerships (PPPs) will play an important role in ensuring that the development momentum already in existence within the economy is nurtured. Group Five believes that the private sector will have to play a meaningful role in assisting government to ensure critical spend takes place.

Other significant short term economic markers will be spiralling electricity prices and a notable rise in wage labour costs. In general, the country will have to manage inflationary pressures over the medium term, and this is likely to influence sentiment and performance across the economy.

The shape of Sub-Saharan Africa's recovery



Source: World Bank Global Economic Prospects.

Sustainability and risk management

As was articulated in last year's report, structural, operational and geographic diversity has been central to the group's risk management, especially within the context of the highly fluid local and global economic context.

The group's focus on sustainability has been an important pillar within the broader focus on diversity. Sustainability is an essential element of the Group Five business culture, which is reflected in our new approach to sustainability reporting. Sustainability reporting now occurs within the operational context of each business area, rather than as a stand-alone element. This is a notable shift and reflects, I believe, the success Group Five has enjoyed in recent years in ensuring that sustainability is an active, operational element of our business.

A successful transformation process is, in turn, a crucial component of the group's integrated business model, and thus its sustainability. Group Five continues to focus on its ability to attract and retain quality black South African talent – at all levels of the organisation – and to ensure that it remains an employer of choice within the South African economy, one with a strong reputation for skills identification and development. The group is strongly rated as a broad-based black economic empowerment (BBBEE) level 3 group. We also retained our status as one of the country's skills development and transformation pioneers, as evidenced by the third place we achieved in the Financial Mail's skills development rankings.

The group focused during the year on maintaining constructive relations with employees through ongoing engagement with labour unions at site level, as well as through participation in a number of industry labour relations initiatives. Positive engagement in these areas is a crucial element of maintaining an organisational culture that clearly values performance and accountability in the workplace, and will thus be actively maintained moving forward.

Corporate governance

Leadership has been an important feature of our strong performance within the current market context, and Group Five is fortunate to enjoy the services of a strong leadership team that has instilled a company culture of commitment to performance and accountability.

The guidelines and stipulations of the new King Report on Corporate Governance (King III) are thus important elements within the group's approach to business. We have conducted a detailed evaluation of our readiness to comply with King III, as outlined on page 410.

The customisation of our upgraded risk framework has been an important component of the group's leadership approach, operating as a transformation catalyst with respect to organisational culture and the embedding of a total quality management approach throughout our operations. Within this context, it is pleasing to note that our group risk manager received a Risk Innovator Award from CS STARS, the international organisation that provides the programme on which the Group Five internal risk system is based.

Geographic expansion into key markets will be central to the group's ability to rebuild its order book over the medium term. It is therefore pleasing to note the ongoing increase of our footprint.

Going forward

Geographic expansion into key markets will be central to the group's ability to rebuild its order book over the medium term. It is therefore pleasing to note the ongoing increase of our footprint. The creation of the new Engineering and Construction (E+C) cluster is an important development – the business marks Group Five's evolution as a truly diverse, integrated group developing and managing major contracts across several global markets. Refer to page 231.

Africa's general growth prospects are strong. Over the years, Group Five has achieved significant success in mining, energy and infrastructure developments on the continent through its work as a multi-disciplinary construction services, materials and infrastructure investment group. Our multi-disciplinary ability has been an important factor in Group Five's expanding presence on the continent, and we will continue to seek out strategic opportunities in Africa.

The South African government's ability to re-commit financially to its infrastructure development programme on the back of an economic recovery will be a defining factor within the construction industry. Progress in this regard will steady the industry as a whole and allow the major players to successfully grow their order books. Within this context, the group's focus on strong performance through strict risk management controls, effective corporate governance and its empowerment credentials continue to play an important role in reinforcing its market position.

Appreciation

The period under review was extremely challenging, and Group Five has, given the context within which it was operating, again delivered strong results. Credit must go to Mike Upton and his team, who continue to lead from the front and nurture a vibrant and dynamic company culture, backed by a strong track record. I also thank the members of the board, who provided very necessary insight and guidance.

Most of all, however, I offer my sincere appreciation to everyone working at the group. It is through your commitment to, and passion for, your work that we emerge from a major financial crisis intact, and ready to do good business.

P (Philisiwe) Buthelezi
Non-executive chairperson

5 August 2010

Review from the CEO

6%

REVENUE

10%

FD HEPS*

** Fully diluted headline earnings per share.*

During the year under review, the markets in which Group Five trades experienced a period of increasing volatility and uncertainty, primarily as a result of global financial stresses, as well as due to a hiatus in South African public sector spending. Worsened trading conditions therefore impacted negatively on revenue growth forecasts for the year. However, given the prevailing circumstances, Group Five delivered strong results, with revenues slightly down at R11,3 billion, operating margin of 7.7% and cash generation of R327 million.

The performance and excellent record of contract delivery achieved during the reporting period would not have been possible without significant operational discipline and the dedication of all of our people, who once again demonstrated fortitude and resilience under challenging circumstances.

Our largest business – Construction – delivered pleasing results.

Margins held up based on good contract execution, and the longer term nature of contracts, which sustained turnover from a substantial order book. Conversely, the shorter cycle Manufacturing – but especially Construction Materials businesses – suffered from a combination of declining volumes, very competitive markets and pricing pressures.

In spite of sluggish South African concessions activity and the economic pressures in Europe, Investments and Concessions remained stable, as new toll roads came on line in Eastern Europe and South Africa.

Review from the CEO continued

Strategy

Group Five's strategy has positioned it effectively as an integrated construction services, materials and infrastructure investment group. Our business case rests on a number of fundamental strategies. During the year, the focus on these fundamentals continued, enabling the group to successfully mitigate some of the impact of the recession.

Delivering on our strategy

Strategy	Delivery	Performance
Securing and executing large multi-disciplinary contracts.	**Transport** – King Shaka International Airport, Gauteng Freeway Improvement Project. **Power** – Eskom's Kusile plant's civil works, a Sasol independent power project and the progression towards the development of feasible new solar and wind contracts. **Oil and gas** – New Multi Products Pipeline Project (NMPP) for Transnet. **Water** – Northern Waste Water Treatment Works and the BG3 pipeline for the Department of Water Affairs. **Real estate** – Nedbank Phase II, Moses Mabhida soccer stadium and an established track record in large-scale affordable housing.	Total construction revenue recorded for the year on these contacts was R4,2 billion and life to date revenue R8,1 billlion.
Optimising the contribution of the manufacturing and construction materials portfolio.	Despite challenging market conditions, Manufacturing contributed to group performance through an expansion of products and markets, improved efficiencies and through their ability to feed Group Five's internal supply chain on many contracts. A modular housing business was created and the steel business' capacity was increased. As outlined in the review from the CFO on page 92, Construction Materials took the brunt of tough market conditions.	15% of Manufacturing sales was inter-group. 21.5% of Construction Materials was inter-group versus 12% in the prior year. A disappointment, was the impairment on intangibles and other property, plant and equipment of R326 million.
Developing, investing in and operating concessions and property assets.	The concessions cluster was successful in pre-qualifying the group for all of the southern African PPPs set to roll out in the coming years. This positioned us strongly in the upcoming private power market. The cluster also continued to develop new contracts in Eastern Europe.	Selected as preferred bidder for PPP contracts to the value of R3 billion and selected as reserve bidder for PPP contracts to the value of R850 million. The total value of equity invested in concession and property assets is 14% of net asset value, with a target of approximately 25% in the medium term.
Expansionary geographic strategy.	The group established new territorial activities in the Middle East and Eastern Europe, with wider group involvement in West Africa.	Construction work secured in Qatar, with primary contract being works at the new Doha International Airport. Total order book in Middle East of R756 million and West Africa of R275 million.
Focus on power, transport, mining and industrial, oil and gas, real estate, water and environment.	The group's sector focus is demonstrated on pages 14 – 29. Some sectors are at an early stage of development and will contribute progressively in the medium term.	Track record of delivery over the last five years in all sectors listed. Total order book reflects secured work in the following sectors: Mining and industrial – 10%; Power – 8% Oil and gas – 31%; Water and environment – 3% Real estate – 29%; Transport – 19%

Group Five's positive strategic evolution saw it move up the hierarchy of infrastructure delivery to take on design and build and engineering procurement and construction (EPC) work, within acceptable size and risk constraints.

To take further advantage of emerging opportunities, a new business, Engineering and Construction (E+C) has been created, and will be operational from F2011.

E+C is a progression from the current design and project management business (D+PM). It will coordinate and package the group's total contract delivery, creating a single point of contact and project management for the client. The unit will manage contracts from feasibility through to supporting bankability and front-end design, as well as to project manage the contract to completion. In addition, the E+C business will source technical and engineering partners aligned to the group's strategy of providing complete infrastructure solutions in its chosen sectors. Refer to page 231.

Focus on delivery

During the year under review, Group Five focused strongly on delivery. The group successfully completed FIFA 2010 Soccer World Cup contracts and extensive national infrastructure work in ports, roads, water and energy sectors. Pleasingly, all contracts were completed ahead of, or in line with, contractual programmes.

These milestones were achieved in parallel with continuous improvement drives with respect to quality and contract execution. The resulting enhanced efficiencies enabled the group to sustain its construction margin and improve its cash position.

Given the uncertainty in the market with respect to short term future work load, the group further cut its fixed cost base through a reduction in expenses and the trimming of corporate and business overheads, as well as through rationalising structures across some business areas, particularly in its housing, materials and the Middle East operations.

To rebuild order books in a sustainable fashion, we have purposefully focused on a more expansive international stance, with an immediate emphasis on re-establishing a viable Middle East business and achieving early wins in the re-emergence of the mining and energy markets in Africa.

Review from the CEO continued

Sustainable business and reporting

In its F2009 annual report, Group Five set out its operating strategy of integrating the various functions that inform and regulate the business. The refreshed pictorial depiction of this strategy is indicated in the associated graphic.

We are pleased to report that the integrated business model has taken root. Executive and senior management have responded well to the concept of being measured and remunerated against a balanced scorecard aligned to people, the environment and performance. Refer to pages 50 to 53.

This approach to business means that sustainability must be inherent in the actions of the leadership team. As a result, this year the group purposely chose to do away with a separate sustainability report in the conventional sense, preferring to have each member of the executive report on his area of business and to address all aspects of sustainability embedded in the integrated business concept.

Stakeholder engagement

Group Five values pro-active engagement with all stakeholders. Key stakeholders include clients, employees, suppliers and sub-contractors, government, shareholders, analysts, investors, media and communities.

During the year under review, the group focused on increasing engagement levels with all stakeholders and on cementing the value-adding relationships we have.

During the year, an independent, external stakeholder survey was done with public and private clients to identify their perceptions of the group and their communications needs.

The group rated well in relation to meeting clients' expectations and compared favourably against its main competitors, with the main themes in terms of both positive and negative comments outlined below.

Stakeholder feedback

Positive comments	Reasons for success
Business units seem to operate cohesively.	The group has moved from a very silo-based approach to one where we are working better together as a team. This is still work in progress. With the creation of formal inter-group engagement structures, this has improved over the last few years. With the creation of E+C, we believe this will be further improved. Refer to page 231.
The group has ethics and integrity, with transparency rating the highest.	The group has focused strongly on implementing values and ensuring it is embraced by our teams. We have a zero tolerance policy in terms of unethical behaviour and believe in communicating both positive and negative issues. Refer to pages 112 to 114.
Group Five has a solid financial position.	We have built rigorous systems over the last few years to identify risks in our businesses and to be able to address poor performance early. This has resulted in more robust financial delivery, even against very tough markets.
The group has a strong service ethic, with a service rating of 79%.	One of our seven core values is client focus. We believe in forming partnerships with our clients to solve problem areas swiftly before they escalate.
The group is seen to be committed to training employees and to broad-based black empowerment.	This has received significant management commitment over the last few years. Refer to pages 195 to 227 for more information.
Respondents stated that Group Five has the resources to perform and engage in large technical contracts.	We have a focused manpower plan in place to ensure we resource our contracts effectively.

Negative comments	Our response
The group needs to demonstrate more visible industry leadership.	The group is evaluating the way it positions itself in the industry.
Performance delivery is sometimes not consistent.	We have continuously focused on improving the way we operate. This is an ongoing process. During F2009, we formally adopted international ISO standards across the business to ensure consistent performance and delivery across all group business units.
There is a need for more skills transfer to smaller companies and BEE partners.	The group has further broadened its enterprise development strategy. Refer to pages 216 to 219.
The group needs to more actively communicate its successes, international footprint and the balance between its commercial and social obligations.	The group is evaluating the way it positions itself in the industry to ensure it communicates more effectively.
There is more need for direct interaction with certain stakeholders.	The group created a formal communications forum in F2009 to ensure stakeholder engagement processes are formalised and more strategic.

Review from the CEO continued

Clients

Interaction with clients is core to Group Five's market position, the strength of its order book and the value it delivers to shareholders.

During the year, the group continued to ensure early engagement on contracts, which involves providing our clients with constructive input to achieve the most cost-effective solutions in conjunction with the most optimal delivery programmes. The group also focuses on ensuring ongoing progress feedback to give clients comfort in terms of delivery. When situations of conflict arise, we aim to resolve these timeously. The group also stands by its contracts and services, with a commitment to address any areas of concern until the client is satisfied. Refer to the reviews from the operational executive team from pages 228 to 313 for more information about our service delivery.

Employees

Over the last few years, we have made significant strides as an employer of choice by aiming to offer meaningful value to our employees and to create an environment in which all our employees are engaged and committed. This commitment has been paying dividends, with employee retention, performance and feedback continuing to improve, as well as a number of external awards won during this year.

Refer to the review from the human resources director on page 180 for information on how we interacted with this important audience.

Suppliers and sub-contractors

There are three levels of engagement between Group Five's suppliers and sub-contractors.

At an operational level, the most regular interaction is at a site level where challenges, contract planning and solutions are dealt with on a day-to-day basis.

At a business unit level, workshops and/or senior management meetings are held with key suppliers and sub-contractors to discuss specific objectives, which include areas such as broad-based black economic empowerment requirements and general performance challenges.

At a group level, strategic procurement initiatives are regularly reviewed to ensure the most effective relationships. For example, during the year, the first annual engagement day was held for the group's top 100 suppliers and sub-contractors. Refer to page 213.

At the end of the workshop, feedback was conducted through a confidential survey.

The highest ratings were in the areas of suppliers feeling valued through their engagement with Group Five and stating that we provide the required information to them to perform well.

Areas needing attention included improved application of business performance measures to drive better business performance to mutual advantage, as well as a need to encourage more joint initiatives and a requirement to better understand their business needs.

This will receive attention in the coming financial year.

Public sector

As outlined on page 87, the group's independent market study indicated that Group Five needs to further improve its engagement with the public sector. In line with this, the group adopted a formal public sector engagement strategy.

The key objectives of this strategy are:

- To affirm Group Five's position as a good corporate citizen, actively supporting South Africa's economic and social transformation
- To build public sector awareness of the group as a professional company 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 transparent communication between Group Five and this sector

Engagement with various national and provincial government structures, as well state-owned enterprises, has taken place this year, with the aim of better understanding their concerns, needs and priorities. This process will continue going forward.

Shareholders, analysts, investors and media

Shareholders, investors, analysts and members of the media are important stakeholders for Group Five.

Communication with this audience is intended to be as inclusive as possible, encompassing buy-side analysts, sell-side analysts, institutional fund managers, retail wealth managers and a range of journalists. Shareholders are encouraged to attend the group's annual general meeting.

The success of our transparency and disclosure in stakeholder engagement was reflected by winning the overall award for best reporting and communications from the Investment Analysts Society of South Africa (IASSA) this year.

We were also the category winners for the fourth year in a row. Refer to page 72 for more information.

Communities

Group Five is committed to the upliftment of disadvantaged communities. To ensure we make a sustainable difference, our strategy for communities is to ensure that we actively engage local stakeholders in all geographical areas where we implement contracts. Refer to page 223 for more information.

Knowledge and competence

The Group Five Academy and Construction Skills Training Academy, as well as the group's site-based construction schools and learnerships, are key points of industry differentiation. These initiatives have

Review from the CEO continued



become industry benchmarks, attracting interest and participation from all the group's businesses, as well as from government and clients. Refer to pages 195 to 204 for more information.

Zero harm

Group Five further increased its management focus on safety over the reporting period, with its disabling injury frequency rate (DIFR) improving to 0.33 (F2009: 0.39).

Tragically, in a year in which so much was achieved in the safe delivery of nationally important contracts, the group suffered five fatalities, each of which was devastating for the victims' families and colleagues. Although only one was a Group Five employee and two motor vehicle accidents and not on-site incidents, the group considers zero harm as the only acceptable performance benchmark. Refer to page 125 for more information.

Legal, regulatory and compliance

Group Five rolled out various programmes to raise awareness of, and to ensure accountability for legal, regulatory and compliance in terms of the principles of the new King Report on Corporate Governance (King III), as well as to ensure increased regulatory and legal awareness and compliance in other key areas. Refer to page 140 for more information.

Broad-based black economic empowerment

A focus on maximising the potential of its broad-based black economic empowerment (BBBEE) Construction Scorecard resulted in the group being certified as a level 3 contributor. This certification creates a significant competitive edge in public sector bidding and is resilient enough to cater for the unwinding of the iLima portion of the group's original BBBEE shareholding arrangement. Refer to page 206.

Looking forward

The South African government's public works programme – specifically in the areas of power generation, transport, water and housing – has the potential to create growth opportunities within the South African construction sector, providing delays in the capital works programme can be overcome.

Group Five believes the southern African outlook for private sector fixed investment has started to improve, but that spending is likely to come through slowly during the 2011 calendar year, with more certainty only emerging from 2012. This estimate is a year later than the forecast put forward by the group in F2009.

When the global financial crisis took full shape in late 2008, Group Five was diversified in its territorial footprint, having operating experience in over 23 countries within its traditional markets of Africa, the Middle East and Eastern Europe. The global meltdown led to a refocusing on these markets for F2011 and beyond, as well as further broadening of the group's territorial base – specifically in regions where operational experience with existing clients and technology partners in civil and building construction, power, energy and mining-related sectors are in place.

Looking forward, Group Five's management expects sufficient opportunities to emerge in its current and targeted markets to be optimistic that during F2011, the next few years will become better defined, and that the markets we serve, as well as those we plan to serve, will recover and offer good growth potential.

The group's local domestic profile remains focused on the public sector investment projected over the next two decades in the southern African region with respect to electricity development, transport, bulk water systems and housing. Notably, the recent recovery in African commodities, together with associated energy and transport infrastructure developments, supports economic growth within the infrastructure sector.

In the Middle East, the group has moved into new territories outside of Dubai. These markets provide technically attractive opportunities aligned to the group's capabilities in infrastructure contracts related to industrial works, power, transport and water.

Group Five continues to grow its expertise and capacity in areas where it has developed a multi-disciplinary delivery capability, namely power, transport and water, mining and large infrastructure works.

As outlined on page 231, the group has created a new turnkey contract delivery business, which will trade from F2011. The new E+C cluster is an important vehicle through which we will be positioned to work with clients at a strategic level in the identification, feasibility development and execution of multi-disciplinary contracts. The cluster will also create a natural channel through which to increase the group's technical capabilities in the development of its Investments and Concessions asset portfolio.

In the year ahead, growth could well be slow. However, the group's current order book and its pipeline of opportunities support a generally positive outlook.

Appreciation

Many thanks must go to the board for the support offered to the management team, and for its contribution to Group Five's performance in a difficult year.

I also truly appreciate my executive management team. This year tested our teams – far more so than we have been tested in buoyant times. It is fitting to acknowledge the exceptional commitment the team has made in the delivery of this year's results, and, more importantly, the contribution their actions have made to future performance and sustainability.

Lastly, thank you to each and every Group Five employee. You have all remained focused and determined, and enabled us to steer successfully through tough times.

MR (Mike) Upton
CEO

5 August 2010

Review from the CFO

21.8%
RETURN ON SHAREHOLDERS EQUITY*

R1,2 billion
CASH GENERATED FROM OPERATIONS

** Before impairment adjustments.*

CFO | Cristina Teixeira

In the context of tough economic conditions, we posted a robust performance, with delivery against our key financial group goals of margin, cash generation and gearing. These results can be attributed to the group's strong positioning in key public sector and resources markets. Although in excess of the group's short term target of 20%, the return on shareholders' funds, before impairment adjustments, did not reach the medium term target of 25%.

Highlights of the year

Revenue	6% decrease to R11,3 billion
Total operating margin	7.7%
Cash generated	R327 million
Net gearing	–%
Return on shareholders' equity*	21.8%
CAGR	51% over nine years
Reporting and Communications	Received Best Reporting and Communications (Investment Analysts Society) Award – Basic Industry and Manufacturing sector – fourth year running Received Best Report Overall (Investment Analysts Society) Award

** Before impairment adjustments.*

Readers are requested to review this report along with the consolidated annual financial statements, which are presented on pages 316 to 400.

Review from the CFO continued

Introduction

The year under review continued to present volatile conditions in all of the group's markets. Against this, we maintained a stringent focus on financial measures crucial in tough times – that of cash generation and tight cost management and margin maintenance.

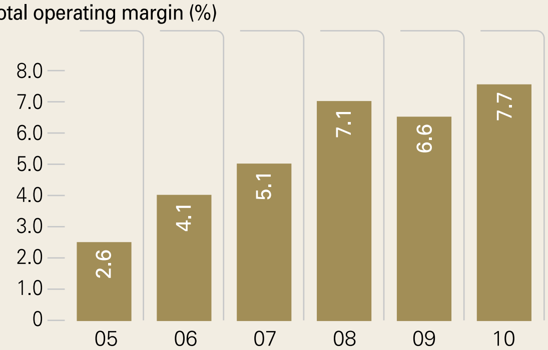
Headline earnings per share increased by 8% from R5,68 to R6,14 and fully diluted headline earnings per share increased by 10% from R5,08 to R5,61.

Financial strategies and targets

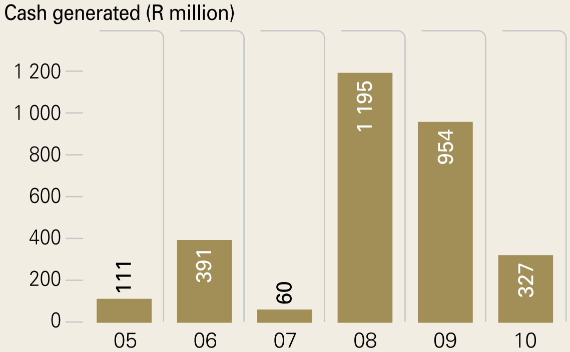
The key internal measures utilised by management to monitor financial performance are disclosed on page 62 of this report. In addition, the group defines group goals that provide a dashboard to continuously monitor the group's health, with a particular focus on sustainable shareholder returns. Refer to page 58 of this report. 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.

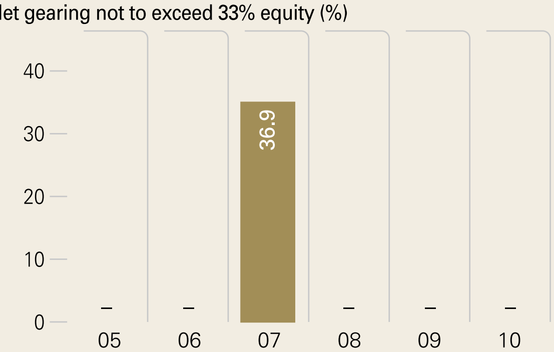
Total operating margin (%)



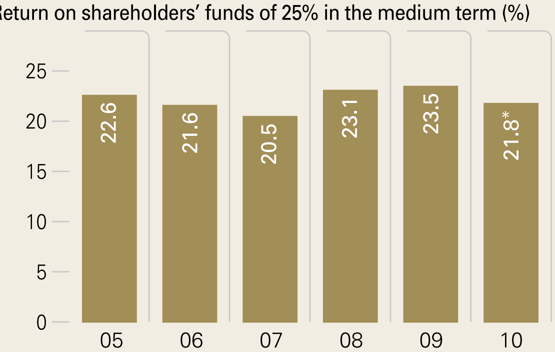
Cash generated (R million)



Net gearing not to exceed 33% equity (%)



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



** Before impairment adjustments.*

Year under review

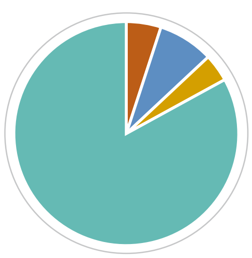
Overview

Group revenue decreased by 6% from R12,1 billion to R11,3 billion, mainly due to a decrease in revenue from both the Construction Materials cluster and the Engineering Projects segment. This decrease was in line with extremely difficult trading conditions in Construction Materials' markets, as well as the slowdown within Engineering Projects following an unprecedented high base in the prior year and a corresponding slowdown in commodity-driven capital projects. The remaining operating segments were able to maintain their level of trading in the year, with an exceptional performance from the Building and Housing segment, which increased their revenue over the prior year by 9.9%.

Total operating profit increased by 10% from R797 million to R877 million. The Infrastructure Concessions segment performed well and delivered a 7.5% increase in total operating profit during a period where Eastern Europe, the group's current target market, experienced repositioning.

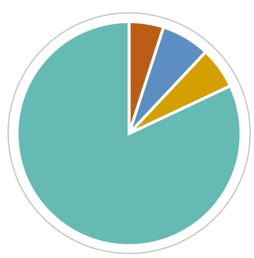
The Manufacturing cluster's performance was pleasing in a tough market, with a total operating margin of 10.0%. Construction Materials posted a disappointing result due to difficult market and trading conditions, dropping its total operating margin to 4.1%. The group's Construction cluster, which contributed 79% to the group's operating profit, delivered exceptional results, with a total operating profit margin of 7.4% compared to 5.7% in the prior year. All three segments within this cluster reported increased margins. The group's total operating margin was therefore 7.7% compared to 6.6% in the prior year. The group's segmental revenue and margin position for the current and prior financial year are depicted below:

Revenue by cluster 2010



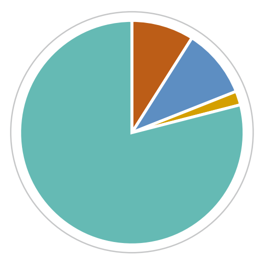
- **5%** Investments and Concessions
- **8%** Manufacturing
- **4%** Construction Materials
- **83%** Construction

Revenue by cluster 2009



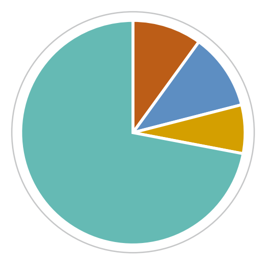
- **5%** Investments and Concessions
- **7%** Manufacturing
- **6%** Construction Materials
- **82%** Construction

Operating profit by cluster 2010



- **9%** Investments and Concessions
- **10%** Manufacturing
- **2%** Construction Materials
- **79%** Construction

Operating profit by cluster 2009



- **10%** Investments and Concessions
- **11%** Manufacturing
- **7%** Construction Materials
- **72%** Construction

In the interest of transparent disclosure, the group discloses both its total operating margin, as well as its core operating margin. The core margin is the total operating margin net of any non-core transactions, such as pension fund surpluses and deficits, fair value adjustments etc. The margin post these transactions is therefore deemed to be the pure operational margin.

The group's core margin is disclosed by segment on the next page. During the current year, pension fund surpluses, also discussed on the next page, as well as limited losses on disposal of a subsidiary, increased the core operating margin compared to pension fund deficits in the prior year reducing the core operating margin.

Review from the CFO continued

Operating margin by cluster %	2010 – total operating profit	2009 – total operating profit	2010 – core operating profit	2009 – core operating profit
Investments and Concessions	**12.7%**	13.1%	**12.8%**	13.2%
Manufacturing	**10.0%**	10.5%	**9.5%**	10.6%
Construction Materials	**4.1%**	8.3%	**3.6%**	8.4%
Construction	**7.4%**	5.7%	**6.9%**	5.8%
Total	**7.7%**	6.6%	**7.3%**	6.7%

Further information on each cluster's operating performance for the year can be found on pages 229 to 313.

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 or investment in property developments. This is deemed prudent in light of current market conditions within the local property market.

A fair value adjustment of R13,5 million (2009: R15,7 million) was recognised with respect to investments in concessions.

This consists of a downward fair value adjustment of R15,7 million on the M6 Motorway (Hungary) and an upward fair value adjustment of R29,2 million on the A1 Motorway (Poland). Refer to note 12 on page 357 for further details.

Pension accounting

An amount of R55,2 million pension fund surplus (2009: R11,5 million deficit) was recorded within income as a result of an actuarial valuation, dated March 2010, performed on the group's defined benefit pension fund. The pension fund is a closed fund. In terms of 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. The fund therefore remains active with only 161 members. The fund's overall investment return for the year ending 31 March 2010 was approximately 23% per annum. This was significantly higher than the increase in liabilities for the year, which resulted in the surplus for the year. The R55,2 million increase in operating profit was allocated to each reporting segment based on revenue generated. To ensure full disclosure, a reconciliation has been performed to disclose segment operating profit prior to the allocation of non-operational adjustments, such as the pension fund adjustment. This core profit reconciliation is reflected on page 328 of the annual financial statements.

Impairment of long term assets – property plant and equipment, including intangible mining assets and undeveloped mining resources

Practice requires that the carrying value of long term assets, including property, plant and equipment and intangibles assets, are reviewed on an annual basis. The weakening market conditions applicable to the Construction Materials cluster resulted in detailed impairment tests being conducted. A lack of clarity on the timing for recovery of construction materials markets, including no visible recovery in the private residential and building sector and a delay in contract roll out and awards in the public sector, required management to apply a prudent consideration to the carrying value of these assets and to process an impairment of R326 million.

Discontinued operations

During the year, an amount of R22 million (2009: 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 is reflected under discontinued operations, continues to proceed to arbitration.

Cash flow

The group generated R1,2 billion cash from operations during the year under review. This represents the seventh financial year of consecutive cash generation.

Operating activities

The group first applies its cash generated from operations to repay debt and taxation commitments, followed by a return to shareholders in the form of dividends. During the year, we settled an amount of R156 million in taxes with taxation authorities in 15 countries. Pleasingly, we were also able to settle our first Domestic Medium Term Note Bond of R300 million, which had a bullet payment date of February 2010. Refer to page 98. In addition, dividends to the value of R129 million were paid.

Any remaining cash is used to fund capital investment programmes. This could be debt funded, as the funding strategy is matched funding to asset type, adjusted for non-free cash flow. The group generated R1,2 billion (2009: R1,8 billion) cash from operations during the year under review. This represents the seventh financial year of consecutive cash generation.

Review from the CFO continued

At year end, the group reported R1,1 billion in advance payments on hand (2009: R1 billion). In addition, an amount of R266 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. Work under-certified remains consistent at R754 million (2009: R745 million).

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

We are happy to report a third 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. Our short term and long term liabilities consist of an unsecured domestic bond, finance leases, property funding and limited bank overdrafts. The debt is mainly 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 repayments have been considered by management in the forward looking three-year cash and profit forecasts. During the year, the group cash settled the GFC 1 bond dated 27 February 2010 for R300 million, which reduced the cash generated by the group to R327 million. Refinancing of these bonds in future may be considered where opportunities for investment are identified.

During the year, 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.

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

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 13.68%. 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 take into account the group's self-imposed net gearing ratio of a maximum of 33%.

Capital expenditure by cluster R'000

Cluster	**Budget 2011**	Actual 2010	Nature of 2010 spend %			Actual 2009
			E*	R*	S*	
Investment and Concessions	**10 089**	9 706	77	23	–	36 603
Manufacturing	**46 325**	23 302	43	57	–	15 453
Construction Materials	**47 000**	41 747	–	100	–	139 118
Construction	**106 163**	135 271	26	24	50	238 337
Total	**209 577**	210 026	25	43	32	429 511

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

Acquisitions

During the current and prior 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 F2010	Initial cash outflow F2009	Reference
Investments 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 358. Cash flow statement page 325.
Investments and Concessions	In the prior 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 in F2009 and an additional R35,3 million in F2010.	R35,3 million	R35,7 million	Investment in service concessions, note 12 page 357. Cash flow statement page 325.
Investments and Concessions	Further share take-up via a rights issue in Jozi Power in F2009, 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 357. Cash flow statement page 325.
Investments and Concessions	In the prior 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 385.
Investments and Concessions	During the current year, the group acquired a 10.5% interest in a property development company for R8,7 million. The company holds the development rights for approximately 50 000 square metres of land to be developed in Sandton.	R8,7 million	–	Investment in property developments, note 13 page 358. Cash flow statement page 325.
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 385.

There were no material business combination disposals in the current or prior year.

Review from the CFO continued

Financial risks and opportunities

Find below the current year's financial risks and how we will continue to manage these.

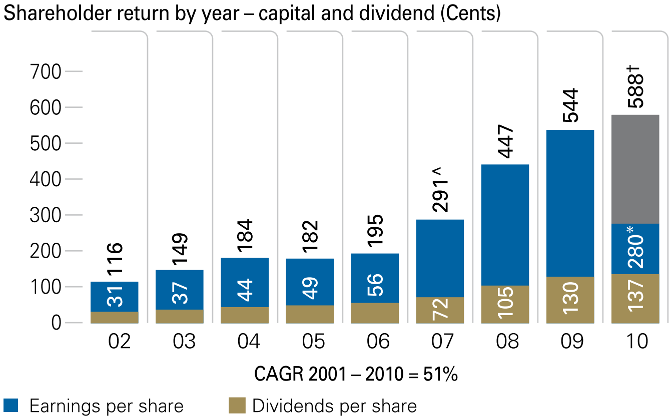
Risk	F2010 focus areas	F2011 actions
Liquidity and credit	Cash management, especially in light of current difficult economic conditions. To date, cash management remained strong, especially within the Construction cluster. However, with an anticipated reduction in levels of advance payments on hand, working capital cycles may alter.	▶ Cash management by contract will remain a fundamental control measure ▶ Continued monitoring of top 10 debtors per segment ▶ Monitoring of debts past due, but not yet impaired, continues ▶ Enhancement of cash flow by contract dashboards is required ▶ Continued management of cash by contract at pre-tender date
	Sufficient indirect funding facilities, such as insurance and financial performance guarantees, due to an industry reduction in banking facilities.	▶ Increased guarantee facilities have been negotiated since the last reporting date. The group now has circa R11 billion in guarantee facilities in place ▶ 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
	Settlement of initial bond bullet payment in F2010.	▶ Refinancing of the bonds were considered prior to February 2010 and the board confirmed its interest at settling the first bond until 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.	▶ Substantial improvement of this process has been noted ▶ This key control will continue to receive focus in the new financial year
	Collection of Middle East debtors and under-certified balances on terminated contracts.	▶ As previously communicated, the group continues to actively engage with our clients on terminated contracts to ensure timeous resolution of amounts outstanding and termination claims
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

Risk	F2010 focus areas	F2011 actions
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
	Hedging for local contracts with multiple revenue streams.	The need for a hedging strategy where multiple currencies exist has become 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

Return on shareholders' equity

The group is pleased to report an earnings compound average growth rate (CAGR) over nine years of 51%. The return on shareholders' equity is 21.8% (2009: 23.5%) before impairment adjustments, which, although in excess of the group's short term target of 20%, remains lower than the group's medium term target of 25%. Return on shareholders' equity remains a key focus area for management going forward.

Shareholder return by year – capital and dividend (Cents)



^ Before external BEE ownership expense.
** After impairment adjustments.*
† Before impairment adjustments.

Review from the CFO continued

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:

- Improvement of sub-contractor management process
- Upgrade of automation of international payrolls
- Review of value added taxation
- Centralisation of all payrolls
- Expansion of shared services offering

Information Technology (IT)

Information Technology remains an essential component of support to the business.

Information Technology	2010	2009
Increase in technology users – year on year	14%	20%
Number of projects completed	73	76
Connectivity	100%	100%

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

F2010 focus	F2010 status	F2011 Focus
Implementation of the group Customer Relationship Management Solution (CRM) – ▶ A dedicated task team has been allocated to drive the total project. IT will enable the information and system requirements	The first phase of development is complete.	Complete phase two and three of the project.
Complete update to communications infrastructure, accommodating growth in applications and additional functionality.	The MPLS network was successfully implemented.	
Extract additional value from business intelligence technologies.	Further investment was made in resources during the year, allowing for greater throughput of information analytics.	Further development of business intelligence disciplines, enabling management to make sound decisions based on quality information.
	Established Disaster Recovery Solution.	Further "live" testing on the Disaster Recovery Solution to ensure high levels of comfort remain in the event of a disaster.

Internal audit

The internal audit department reports directly to the board audit committee, but reports to the CFO on day-to-day matters. The objectives of the internal audit department for the new financial year include:

- Ensuring compliance with the 2010/11 Institute of Internal Auditors Quality Assessment manual
- Consolidate the use of an automated analysis tool on audit
- Conduct in-depth risk based audits
- Increase the number of value-add exceptions
- Ensure compliance with the King Code of Corporate Governance by June 2011

Compliance – country risk

The responsibility for compliance with taxation and statutory regulations within the various countries where the group operates rests with the country risk department reporting to the CFO.

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. Lessons learnt have been introduced to policies and procedures. Close out resolution time was improved. A number of long outstanding compliance matters were satisfactorily addressed in the year.

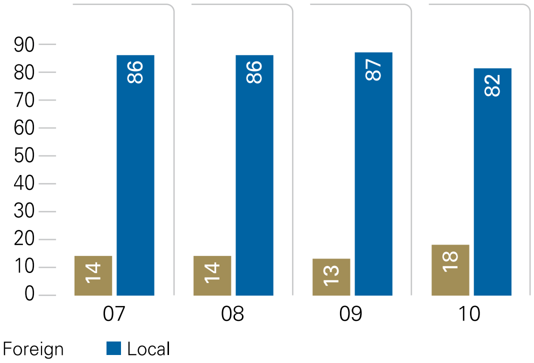
Review from the CFO continued

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. 79 million shares (2009: 92 million) traded in the year, representing a value traded of approximately R2,9 billion (2009: R3,6 billion) at an average price of R36 per share (2009: R39). Our market capitalisation at year end was R4,2 billion (2009: R4,2 billion). The percentage of shares held by South African residents was 82%, a reduction from the 87% in the prior year.

Foreign versus local shareholding (%)



Future reduction in issued stated capital

During the year, shareholders were informed that its black economic empowerment (BEE) shareholder iLima had not fulfilled certain conditions and/or breached certain terms to which the original group broad-based black economic empowerment (BBBEE) transaction was subject to. As a consequence, the iLima portion of the transaction will unwind. This will result in the return of the group's shares held by iLima. 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 returned shares. 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 no future dilution will be incurred relating to this transaction. At year end, the fully diluted number of shares included 3,7 million dilution shares relating to the iLima Consortium.

Shareholders, investors, analysts and media

Shareholders, investors, analysts and members of the media are important stakeholders in Group Five.

Communications with these audiences are intended to be as inclusive as possible, encompassing buy-side analysts, sell-side analysts, institutional fund managers, retail wealth managers and a broad range of journalists.

As outlined in the review from the CEO, we won the overall award for best reporting and communications from the Investment Analysts Society of South Africa (IASSA) this year. This is a significant achievement that highlights the effort put into ensuring that easily accessible communication channels are in place. It also highlights the fact that our levels of disclosure are optimal.

During the period under review, Group Five hosted investor site visits to its Sasol OCGT construction site, as well as the Koeberg Interchange site. The latter was arranged through the IASSA to offer the broader investment community an opportunity to gain a feel for the practicalities of the business. We also participated in a number of investor lunches, as well as various investor conferences. These interactions included both offshore and local audiences.

We are pleased to have delivered strong results in a very challenging period.

In terms of the media, the group continued to meet with journalists, mostly at the CEO level, to ensure ongoing engagement around the group's strategy and objectives. The group is approached for comment by the media almost on a daily basis. We never refuse to comment, even if the line of questioning is negative or sensitive. This has led to the group being quoted in the media regularly on a broad range of company and industry-specific topics.

Furthermore, the group takes several market-leading steps to ensure it is able to communicate effectively with the investor and media community.

- Group Five is one of few listed groups to publish its annual report on the same day that its final results are published, demonstrating the strength of its systems, its financial and management teams and the importance the group places on meeting the information needs of the financial markets
- Whilst Group Five's results depict the required information in line with IFRS, we go one step further by highlighting aspects, particularly in the operating margins and order book, that may be considered as "non-operational". This facilitates easier comparison with other investment alternatives. In addition, the group holds itself accountable by benchmarking its performance against objectives, as well as delivery against strategy
- Group Five endeavours to ensure that sufficient, unbiased information is made available to the investor and media community on a regular basis. Price-sensitive announcements are made through the JSE Limited's SENS. We also publish a summary of the information disclosed during investor interactions, such as site visits and investor management days, on our website. This is preceded by a JSE SENS announcement, alerting all interested parties to the availability of the information
- Group Five offers access to its full executive team
- Group Five engages in regular surveys to test the market's understanding of the group and to identify any financial stakeholder concerns

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 pages 342 to 387. Of significant impact in future reporting periods, will be the accounting effect of the Discussion Paper on Revenue Recognition, as discussed in the prior period. During the current year, the statement with the most impact was that of IFRS 8 – Operating Segments. The group has reviewed the requirements of this statement and reconstituted its segmental report to ensure compliance. The additional segmental information previously reported on has been included as an Annexure to this annual report.

Conclusion

The group continues to be strategically well positioned in active market sectors. The Construction one-year order book as at 30 June 2010 stands at R7,1 billion (2009: R8,6 billion). The group's total secured Construction order book stands at R9,2 billion (2009: R11,6 billion).

Appreciation

The market conditions during the year put pressure on all financial teams throughout the group. I therefore thank my financial colleagues for the continued focus on our key group deliverables and remaining motivated and dedicated against volatile markets.

I also extend my appreciation to the board for their continued input during the year.

Lastly, a warm word of thanks to our CEO and exco members for their support.

CMF (Cristina) Teixeira
CFO

5 August 2010

Review from the group risk officer

PROFIT-MAKING CONTRACTS STEADY AT

87%

% OF GROUP REVENUE GENERATED FROM LOW-RISK COUNTRIES*

91%

** Low-risk countries, as determined by an independent rating agency.*

BUSINESS MANAGEMENT SYSTEM

ISO 9001

The risk officer's function within Group Five encompasses the disciplines of quality, risk, safety, health, environment, commercial, legal, regulatory, compliance and secretarial.

This has ensured the integrated management of these important areas in our business. This report therefore addresses all these areas, with a separate review from the company secretary on corporate governance on page 146.

Delivery

Find below how we delivered on our objectives set for the year.

Key objectives	Progress
Complete ISO certifications for all business units.	Partially achieved, with 14 business units (58%) certified.
Ensuring transition from ISO 9001:2000 to ISO 9001:2008 in all business units.	Partially achieved, with seven out of the 14 certified business units (50%) converted to ISO 9001:2008 from three (12.5%) at the start of the year.
Create cluster audit teams.	Not achieved. Although an audit plan has been developed, audit teams still need to be established and the plan rolled out in F2011.
Electronic reporting of non-conformance and preventative and corrective action to be taken.	Partially achieved, with system in test phase.
Ensuring all business units set and achieving defined quality objectives.	Achieved in all business units.
Progressively move towards an integrated SHEQ system.	Partially achieved in all business units, with F2011 as the target year for full integration.

Review from the group risk officer continued

During the year under review, the key focus was the progression from ISO 9001:2000 to ISO 9001:2008 across the group. A total of 58% ISO certifications (14 business units) were achieved across the 24 group business units. This was an improvement from 42% certifications (10 business units) at the start of the year. 50% of certified business units converted to ISO 9001:2008 by year end (2009: 13%).

Introduction

A defined quality management system forms the bedrock on which the group's operations are based. In line with this, we have implemented a total quality management system (TQMS) that underpins every aspect of our operations and reinforces the centrality of sustainability to the business.

As outlined last year, it is our strategy to certify all of our businesses in accordance with the relevant standards of the International Standards Organisation (ISO), as well as other leading standards, throughout the group. During the year, we made further progress in this regard.

The group's total quality management system is certified and measured to formal standards. The relevant standards for each category are as follows:

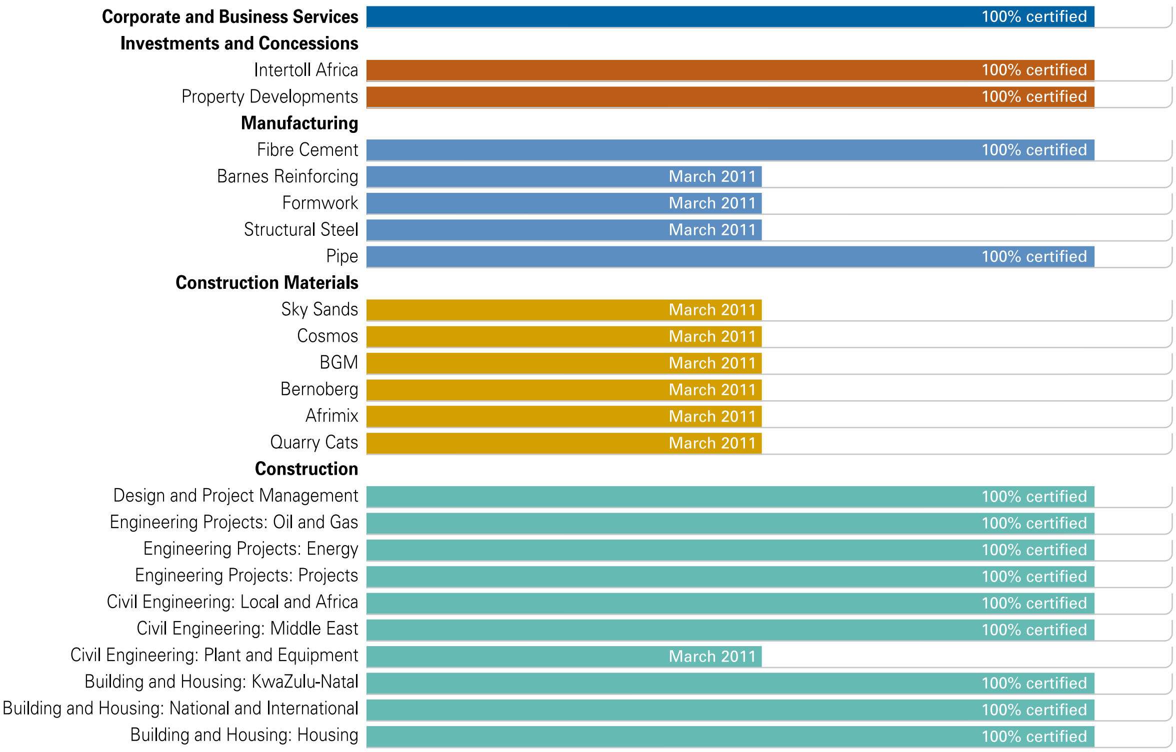
ISO 9001	ISO 31000	OHSAS 18000	ISO 14000
Business management system	Risk management	Safety, health and environment	Environment

Key focus areas

During the year under review, the key focus was the progression from ISO 9001:2000 to ISO 9001:2008 across the group. A total of 58% ISO certifications (14 business units) were achieved across the 24 group business units. This was an improvement from 42% ISO certifications (ten business units) at the start of the year. We are confident that the remaining ten business units will receive certification during F2011, as we continue to drive the certification programme and increase the skills levels of our safety, health, environment and quality (SHEQ) resources across the group.

We have also integrated the reporting of preventive actions, corrective actions and non-conformance into the group's risk management system.

ISO 9001:2008 certification status



Key achievements

The following business units were ISO 9001:2008 certified for the first time during this financial year from not being certified. We are very pleased with this, as huge effort was placed on certifying business units.

July 2009:
Corporate Business Services
Design and Project Management (D&PM)
November 2009:
Building and Housing: National and International **Building and Housing:** Housing
Civil Engineering: Middle East

Review from the group risk officer continued

Key challenges

Certification

During the year, our main challenge remained auditing all our business units internally before external audits commence to ensure ISO 9001:2008 certification.

Integrated document system

Rolling out an integrated document management system for all business units that includes mandatory ISO standards and ensures a uniform presentation of group information requires focus. To improve the speed of roll out during the coming year, we are restructuring SHEQ structures to drive implementation from a standard platform.

Resources

We found it difficult to source suitably qualified and experienced quality managers for certain of our business units. To address this, we increased internal training for the current quality team members and restructured senior quality teams into areas of cluster responsibility to drive implementation and consistency.

Looking forward

During the coming year, we will implement a set of six uniform mandatory procedures across the group to further centralise quality management.

Key objectives	Desired results
Fast-track internal audit programme.	▸ ISO 9001:2008 certification in all business units
Complete the integration of our SHE management system with quality.	▸ Pro-active addressing of non-conformances to our quality standards ▸ Enhanced management ability to consistently deliver at pre-determined standards and improved understanding of the specific factors that inhibit consistent delivery
Implementation of a new SHEQ structure that will drive one system, managed per cluster.	▸ Full implementation during F2011

RISK MANAGEMENT

moving towards ISO 31000

The new international standard, ISO 31000: "Risk Management – Guidelines on principles and implementation of risk management", was published in October 2009. This standard provides a structured approach to risk management, which will guide us in continuously improving our current system to align it with the new standard.

Delivery

Find below how we delivered on our objectives set for the year.

Key objectives F2010	Progress
Integrate Engineering and Construction Risk Institute (ECRI) best practice into the Group Five contract lifecycle.	Achieved, although a continuing process. A risk forum was created, where specific modules are prepared for implementation following the release by the ECRI.
Upgrade to the most recent version of our internal risk and opportunity register within the STARS system.	Achieved.
Ensuring continuous improvement to our risk identification tools.	Achieved, although a continuous improvement process.
Develop an automated post-mortem/lessons learnt system.	Partially achieved, as it has been included in the upgraded internal risk system, but still needs to incorporate the lessons learnt into the risk assessment documentation.
Improve tracking of loss-makers.	Achieved, with quarterly tracking.
Recruit additional SHEQ employees to ensure required focus on safety and quality.	Achieved.
Develop reports, graphs and heat maps that indicate risk trends by contract, as well as geographical area.	Achieved, although this is a continuous improvement process to best utilise the data.
Develop a tool that allows management and the board to identify, track and review key strategic risks facing the group.	Partially achieved, with the tool developed and currently being implemented.

Introduction

Group Five's approach to risk remains focused on the management of risk rather than total elimination. We constantly consider the balance between risk and reward to ensure optimisation of performance from each business unit.

Risk is dealt with on three levels:

- Strategic risk
- Enterprise or operational risk
- Contract risk

Review from the group risk officer continued

Despite several challenges around the customisation of our upgraded risk framework system, it has already elicited interest, both locally and abroad.

"Your knowledge and experience is not only best case, it has been a showcase for Marsh as to how organisations are able to transform the organisational culture and embed an integrated risk management framework. Sharing all your experiences on your journey of getting things done has made a tremendous impression on many companies in the Netherlands.

"Your generative help is a showcase of creating cultural capital for your company and beyond. I sincerely hope you will continue to be the frontrunners of the future."

Marsh Insurance Netherlands

Key focus areas

Strategic

Managing strategic risks

During the year, strategic risks continued to be a priority for the group. Two of the main strategic risks were the reduction in general construction activity and the collapse of the construction market in Dubai following the global meltdown. **See Key Challenges on page 118.**

Operational

Ethics risk management

We have a zero tolerance policy towards fraud and corruption. During the year, we intensified our drive to eradicate wrongdoing. In line with this, we focused on developing analysis tools and fraud risk indicators to proactively identify fraud risks and to develop and implement an incident management and tracking process.

Framework

The fraud prevention framework was expanded to broaden the scope from fraud only to other unethical behaviour, such as theft, bribery and corruption.

We also further refined our risk framework around the four key areas of Prevention, Detection, Resolution and Monitoring. All the elements within these phases contribute to a holistic approach to managing ethics risk within the group.

Ethics risk management framework

Prevention

Fraud risk assessment
- Risk assessment tools
- Interviews
- Workshops
- Controls
- Staff self assessments

Strategy
- Leadership commitment
- Vision and values
- Code of ethics
- Fraud policy and procedures
- Disciplinary code

Tip-offs line
- Awareness campaign
- Training
- Communication

Detection

Continuous auditing
- Risk assessment tools
- Interviews
- Workshops
- Controls
- Staff self assessments

Continuous auditing

Resolution

Investigation
- Disciplinary action
- Civil
- Criminal

Monitoring

System & control enhancement
- Control, review and evolution
- Policies and procedures
- Lessons learnt
- Continuous improvement

Tip-offs line

We continued to educate employees on using the Tip-offs Anonymous line, as the incidence of reporting remains low. Of the 51 incidences reported, only 14 calls were received through the line, with the rest reported directly to the risk department. To address the low call levels, a benchmarking exercise was conducted, which found that the activity levels were comparable with other companies in the construction industry.

However, we also conducted an employee survey which found:

- Awareness of the Tip-offs line within Group Five is generally high, with 88% of respondents being aware of its existence
- The largest percentage of respondents indicated that they had become aware of the line by means of email communications and the intranet
- Concerns about anonymity and fear of victimisation or discrimination have been identified as reasons for not making use of the line

The results of the survey below have assisted management in focusing its awareness campaigns to dispel any fear and concern employees may have.

Positive comments	Reasons for success
"I think Tip-offs Anonymous is a very smart way to allow employees the opportunity to voice concerns without being victimised."	The line is outsourced and is managed by an external provider, which gives employees comfort that their concerns will be logged and their identity will not be revealed.
"I think it is an excellent facility."	Our service providers are leaders in the industry. Group Five also has a Prevention of Fraud and Corruption policy and a Reporting and Investigation procedure to ensure that all tip-offs are investigated and investigations are conducted professionally.
"Most employees are aware of the line thanks to the posters, notification on the intranet and word of mouth."	During the year, we launched our awareness campaign that included posters, DVDs, and articles within our internal magazine and on our Intranet, as well as emails sent within the group.

Negative comments	Our response
"More feedback as to its effectiveness is needed. How many cases reported, how many resolved etc. Transparency is key to buying in."	An article and statistics relating to Tip-offs Anonymous and the number of investigations will be published in the group's internal magazine that is attached to each employee's payslip on a quarterly basis. These articles and statistics will also be published on the Intranet.
"My concern is that some people may use this as a means of taking revenge against someone they have a gripe with and make false accusations, which could lead to the accused person being dismissed on a technicality."	After tip-off reports are received, an investigation is performed to ensure that all facts and evidence are investigated to determine whether the allegations are valid. In the event that allegations are found to be sound, the investigation is expanded to ensure that supporting evidence is gathered.
"Many people are scared that they will not be anonymous."	The line is outsourced and is managed by an external provider, which aims to give employees comfort that their concerns will be logged and their identity will not be revealed. This will be increasingly communicated going forward.
"Should be communicated to all employees, including those who are not on email."	An awareness campaign is in place to ensure that different media is used to reach all Group Five employees.
"Verbal presentations of the fraud and corruption policies need to be done. Not all Group Five employees have access to electronic policies."	Presentations will be done and will include an explanation of the fraud and corruption policies and procedures.
"I wish that any tip-offs raised by concerned employees are actioned professionally and those doing wrong are brought to book, irrespective of who they are."	Investigations are conducted professionally and management take action against employees who have been found guilty. The close working relationship between the group risk department and the business unit human resources departments have contributed to professional and effective disciplinary hearings.

Review from the group risk officer continued

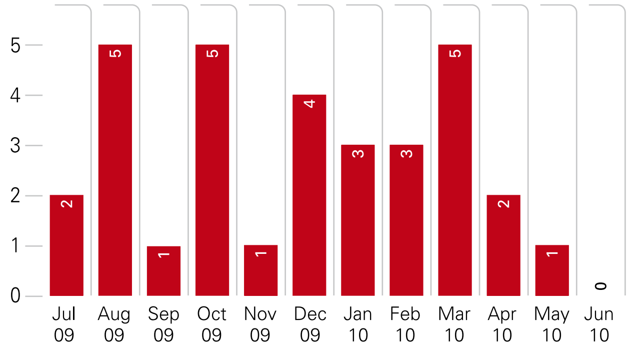
Training

In conjunction with the Group Five Academy, we are developing an introductory course to increase awareness of unethical behaviour and understanding of ethics management.

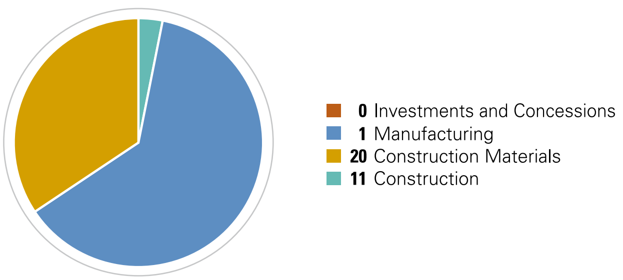
Managing incidents

The risk department and business units successfully dealt with several incidents of unethical behaviour during the year, with 32 investigations concluded over the 12 months, as depicted below. 19 investigations are either currently still ongoing or there was insufficient evidence to take the investigation further.

Number of completed investigations per month

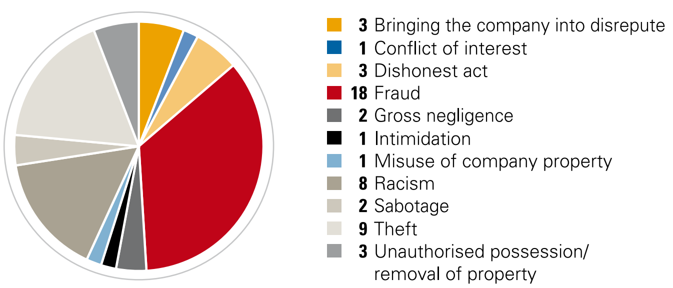


Number of completed investigations



The graph below depicts the number of employees found guilty of different kinds of unethical behaviour:

Incidents of unethical behaviour by nature of behaviour



The investigations resulted in the dismissal of 41 employees for offences ranging from dishonesty, fraud, bringing the company into disrepute and bribery and corruption. Seven incidences required criminal charges to be laid with the SAPS against individuals and external third parties for offences ranging from theft, fraud and bribery.

Following each investigation, a report is issued to management, documenting lessons learnt. This assists in amending policies, procedures and systems and implementing controls to prevent similar incidents.

Investigations around fraud or unethical behaviour can be very costly. Group Five therefore conducts investigations internally and where specialised skills are needed, they are sourced externally. This approach has proven to be cost effective.

Insurance

During the year, the group continued to see low insurance claims, with no single claim exceeding R1 million under any class of insurance, which is exceptional considering the size and diversity of the group.

The only insurance class that showed an increase in claims was vehicle insurance due to requirements for extensive travel on certain large contracts such as the Transnet New Multi Products Pipeline (NMPP) that runs across a number of provinces. This was unfortunately coupled with unnecessary high incidents of negligent driving. As outlined in the safety section on pages 121 to 126, we have taken action to address the increase in accidents.

Review from the group risk officer continued

The table below is a summary of the insurance claims category over the last three financial years.

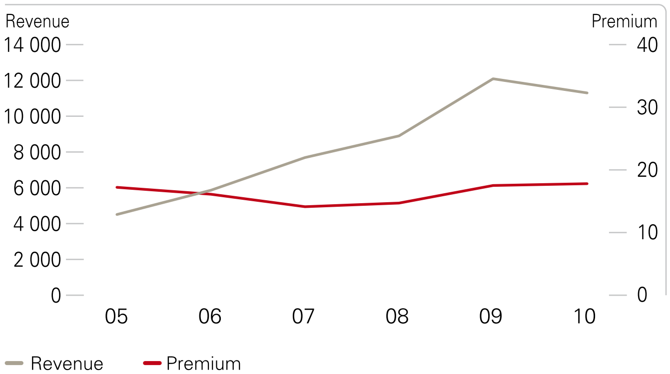
Insurance claims summary

	Value of claims		
	2009/2010	2008/2009	2007/2008
Assets	413 641	2 301 497	2 498 385
Contract works	–	–	–
Contract works – group "blanket cover"*	2 997 677	8 450 638	970 427
Fidelity guarantee	–	–	1 398 068
Group personal accident	7 500 000	2 936 499	1 124 167
Liabilities	1 138 101	6 991 861	113 678
Professional indemnity	–	–	–
Motor	3 130 340	5 626 245	2 880 154
Total	15 179 759	26 306 740	8 984 879

** Contract works group cover addresses general claims only and excludes contract-specific requirements or insurance requirements that exceed the contract value limit per the blanket policy.*

The graph below highlights the fact that despite considerable growth in group turnover, we managed to maintain our insurance premium, which reflects a controlled claims history.

Insurance costs in comparison to revenue (R million)



Note: premiums included are assets, plant, motor, contract works, fidelity guarantee, liabilities, professional indemnity, directors' and officers' liability.

Contract risk

The majority (80%) of contract risk resides in our largest cluster, Construction. To address risks on contracts, we continue to improve and develop our contract risk lifecycle, which is supported by a fully systemised risk tracking register. During the year, we added a post-mortem/lessons learnt module. This allows management to:

- Continually assess the performance of contracts
- Where necessary, to implement new processes to address poor performance
- Consider alternative risk mitigation steps when identifying similar scenarios at the tender stage of future contracts

As outlined in Key Achievements, we continued to manage our risks on contracts well, with our profit-making ratio maintained.

Our Civil Engineering business unit is leading the process of recording lessons learnt.

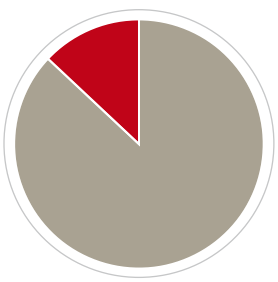
An example includes a roads contract where previous lessons on a similar contract were used to prevent duplication of costly errors. The result was an extremely successful contract, delivered on time and within budget.

Key achievements

Contract profit/loss-making ratio

Our profit/loss-making contract ratio is the core measure we use to monitor the success of our risk management framework. The group continued to see the success of its entrenched risk management processes, with its profit-making ratio being maintained at 87%. This is world-class, with the historic global loss-making ratio average at 22%.

Profit- versus loss-making contracts



The profit/loss-making ratio tracks the group's construction contract profitability. Loss-making contracts are monitored by both the value of loss/profit-making contracts, as well as by the number of loss/profit-making contracts. This is converted into a profit/loss-making ratio.

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 re-measurable terms, in line with the group's risk policy.

Current one-year order book by contract type and geography

R million	Design and build	EPC	Labour only	Lump sum	Re-measurable	Cost plus	Total
West Africa	–	239	–	–	36	–	275
Central Africa	–	–	–	543	334	24	901
East Africa	–	–	–	–	–	1	1
Middle East	–	–	–	295	175	–	470
Southern Africa	54	454	185	134	2 392	2 196	5 415
	54	693	185	972	2 937	2 221	7 062

Group Five's group risk manager was awarded a **Risk Innovator Award** by CS STARS, the international organisation based in the USA that provides the programme on which the Group Five internal risk system is based.

The submission was chosen from 24 nominations. Three winners and two runners up were selected based on the innovative and strategic risk management solutions and on the positive business outcomes achieved as a result.

Review from the group risk officer continued

Efficient systems

The group's internal risk management system STARS has been operational for the last three years. During this financial year, we upgraded the system to ensure additional functionality. We now have insurance claims, risks and opportunities, as well as the SHEQ incident management system, operating within one tool.

Key challenges

Economic pressure

Market pressure increased competition and necessitated overhead reduction to ensure that our structure is aligned to current market dynamics.

In addition, lower construction activity levels led to a reduction in volumes in our Construction Materials cluster. Refer to pages 264 and 275.

Increased market competition placed pressure on margins. Fortunately, our extensive experience in Africa will allow us to move back into the region swiftly and to start operating again in less competitive environments. Although some of the less-developed African countries have a perception of being high-risk environments, we are comfortable that our established and reliable country risk filters, together with strict operating guidelines and prior experience, will allow us to effectively manage these risks. See Country Risk Management on the right.

Middle East

The meltdown seen in Dubai necessitated extensive restructuring and redistribution of our resources into new active markets in the broader Middle East region. We also had to ensure that the balance between risk and reward was prudently considered in new areas of operation.

The group is involved in settlement negotiations in respect of its two terminated contracts in Dubai and remains confident that these will be resolved.

Unwinding of portion of BBBEE ownership transaction

Another key challenge during the year was the unfortunate unwind of the agreement with the iLima Consortium (iLima) in terms of the group's BBBEE ownership agreement. A significant amount of management's time was absorbed in ensuring that the impact of the unwinding process was minimised.

The South Gauteng High Court has ruled in Group Five's favour by ordering the unwind of the iLima portion of the BBBEE deal, which entails the return of the group's shares held by iLima. This process is not yet complete, as the consortium has the right to appeal the decision. However, management remains confident that once the remaining steps in the formal process have been completed, the shares will be returned to Group Five.

Country risk management

Our country risk team monitors countries we are operating in or planning to operate in by taking into consideration political, economic, legal, tax, operational and security risk. Risks relevant to a proposed contract are identified and mitigation strategies determined. The commercial benefits of proposed contracts in countries with unfavourable risk ratings are subject to further scrutiny. Approval for a contract is only granted if the identified risks can be satisfactorily mitigated or managed. Final approval for such contracts and countries is required from the executive committee.

Risk trends in relevant countries are monitored and discussed by the group's international management committee on a quarterly basis.

For the last three years, we have also engaged the services of an international organisation that specialises in offering real-time updates on country risk profiles.

Looking forward

During the coming year, we will continue to improve our systems of risk identification and mitigation to ensure we further strengthen our ability to deliver sustainable results.

Key objectives	Desired results
Continuing to manage the economic downturn, which has seen an increaase in competition and negative price pressure due to the slowdown in opportunities coming to market.	Limiting impact on future performance
Negotiating the settlement of outstanding amounts in Dubai.	Full payment of outstanding amounts
Managing the risks around the group's move to large multi-disciplinary/engineer procure and construct (EPC) contracts.	Relevant risk lifecycles and procedures to ensure that risks are correctly identified and managed to enable us to benefit from the enhanced returns offered in this sector
Addressing the loss of core skills due to the slowdown of the construction sector.	Although retrenchments may be necessary, we will ensure that our core skills base is not compromised and that key skills are retained
Ensuring that our supply chain is not compromised, as the continued economic slowdown may impact negatively on the ability of suppliers and sub-contractors to deliver.	Key suppliers and sub-contractors will be subjected to financial and quality assessment before being appointed to confirm their sustainability Performance guarantees will be obtained, where possible
Preventing possible payment risk from clients.	Robust payment terms to be negotiated, together with assessment of credit worthiness Payment guarantees will be obtained, where necessary, together with advance payments, where possible
Managing volatile currency and commodity prices.	Various strategies in place to mitigate against these risks. These include hedging structures, currency matching and price lock-ins

Review from the group risk officer continued

SAFETY, HEALTH AND ENVIRONMENT (SHE)

OHSAS 18001 and ISO 14001

Delivery

Find below how we delivered on our objectives set for the year.

Key objectives F2010	Progress
Conduct a full safety and health legal audit.	Achieved.
Make training on the SHE toolkit compulsory for all managers.	Achieved.
All business units to obtain/maintain ISO 14001:2004 and OHSAS 18001:2007.	Partially achieved: ISO 14001:2004 – 71% of business units certified. (17 business units) OHSAS 18001:2007 – 75% of business units certified. (18 business units)

Introduction

Group Five aspires to zero harm in terms of its people, host communities and its environment. The group has a number of standards and policies that govern its approach to sustainable development. These include our SHE policy, SHE management standards and a guide to business conduct.

During the year, the group had no prosecutions and fines in terms of SHE. All issues were addressed before due dates. A sub-contractor management procedure, which forms part of the SHE management standards, was implemented to ensure that sub-contractors, suppliers and vendors comply with the requirements of the group's management system.

48 health and safety internal audits were conducted during the year by the corporate office in addition to the 18 internal audits executed by the business units themselves.

Although results varied, there was an overall improvement in policy application, with outstanding actions from the previous audits having been addressed.

Health and safety audit

An internal occupational health and safety audit was carried out at all the local business units. The audit was conducted in line with the requirements of the Occupational Health and Safety Act, as well as the Mines Health and Safety Act on the applicable business units. The group compliance average was 85% – a very pleasing achievement.

Compliance areas with the lowest scores were (i) storage and transportation of chemicals, (ii) small environmental incidents and (iii) notices and signs. To address this, we have implemented a corrective action plan with responsible persons and due dates to close the gaps.

SAFETY

Delivery

Find below how we delivered on our objectives set for the year.

Key objectives F2010	Progress
Maintain our safety system and reduce DIFR to zero, recognising that this is an onerous target.	Partially achieved, with safety system implemented. Although DIFR improved from 0.39 to 0.33, still not at zero.
No fatalities.	Not achieved, as we had five fatalities this year. One was a Group Five employee and four were sub-contractors, with two as a result of traffic accidents.
Implement behaviour-based safety system.	Partially achieved. In testing phase, with roll out planned during F2011.
Maintain sub-contractor management system.	Achieved, with improvements a continuous process.
Improve reporting of potential incidents by 20%.	Achieved.
All sites to conduct self assessments.	Partially achieved, with assessment plans in place, but roll out required.
Complete more than 85% of actions for high-level incidents before due dates.	Achieved.

Key focus areas

Our primary focus continues to be the elimination of fatalities. Unfortunately we were not successful in our aim during the year, with five fatalities. One of these involved a Group Five employee, with the remaining four fatalities being sub-contractors to Group Five. Refer to page 125.

Learning from experience is critical, and we have continued to encourage the reporting of near misses. By analysing this data, we are able to communicate potential sources of future danger to prevent repeats. While our experience continues to confirm that low injury frequency rates do not mean low fatality rates, we are pleased to report that our performance against the other safety metrics and key focus areas was encouraging.

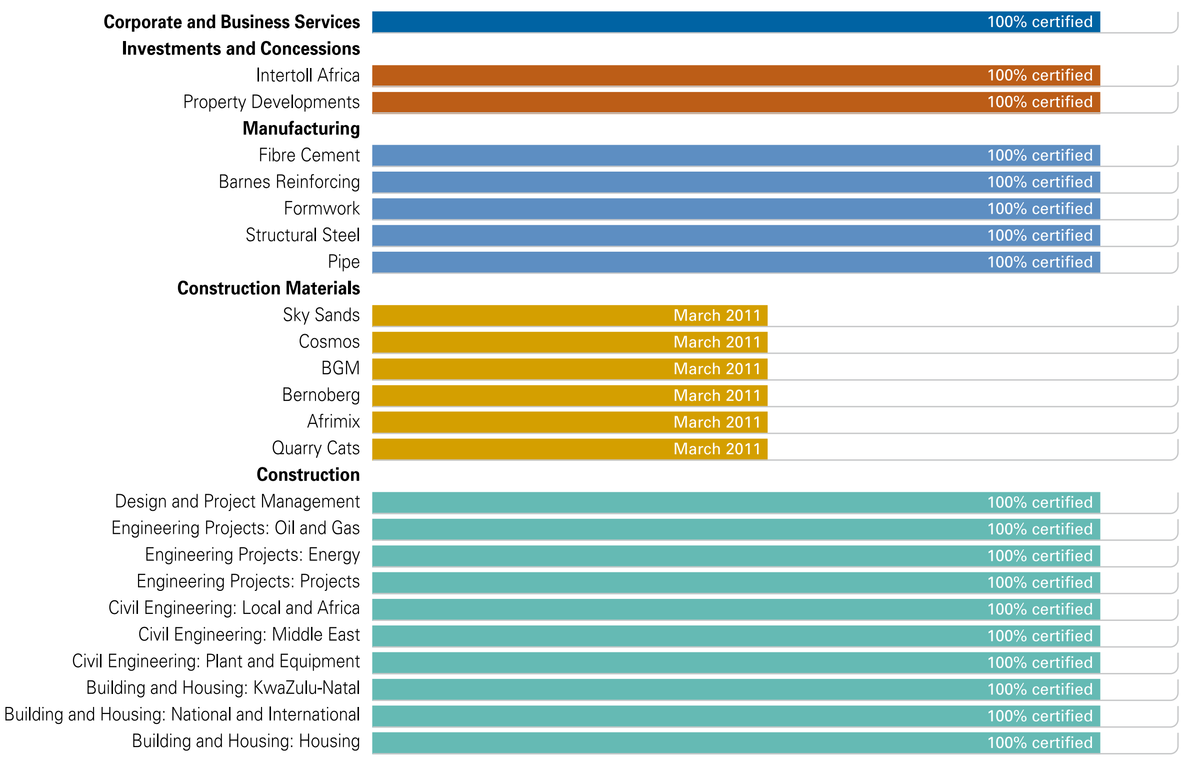
In an aim to further improve safety, we released a self-assessment tool that enables sites to measure current gaps and identify required improvements to address major safety risks.

Review from the group risk officer continued

Key achievements

Compliance to OHSAS 18001:2007 is on track, with 75% certification in the group.

OHSAS 18001:2007 certification status



Disabling injury frequency rate (DIFR)

A disabling injury frequency rate (DIFR) represents the total number of fatalities and injuries resulting in lost-time per 200 000 man hours worked.

During the year, the DIFR improved from 0.39 to 0.33. As is standard in the industry, the DIFR for sub-contractors is much higher than that of permanent employees. Sub-contractors often perform more high-risk functions, such as working at heights and driving, which have a higher possibility of injury. Although we believe the group's sub-contractor DIFR is still too high, due to our focus on ensuring improvements, we have seen a declining trend over the last few years.

DIFR – Employees and sub-contractors (Rolling 12 months)

Measurement	F2010	F2009	F2008	F2007	F2006	F2005
DIFR (employees)	**0.33**	0.39	0.50	0.64	0.85	0.89
DIFR (sub-contractors)	**0.98**	1.02	1.39	1.53	1.76	1.96

CUMULATIVE SAFETY STATISTICS – PERMANENT EMPLOYEES

Clusters/business units	Man hours	First-aid	FAFR	Non-lost time injury	MFR	Lost time injury	Occ dis	Fatal	Curr DIFR	Env inc	Site insp
	Cumulative from July 2009 to June 2010										
Corporate and Business Services	629 200	–	–	–	–	–	–	–	–	–	–
Cluster total	**629 200**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
INVESTMENTS AND CONCESSIONS											
Intertoll Africa	873 528	–	–	12	2.75	–	–	–	–	–	108
Property Developments	32 982	–	–	–	–	–	–	–	–	–	120
Cluster total	**906 510**	**–**	**–**	**12**	**2.65**	**–**	**–**	**–**	**–**	**–**	**228**
MANUFACTURING											
Fibre Cement	2 061 148	35	3.40	15	1.46	6	–	–	0.58	–	108
Pipe	2 534 546	8	0.63	8	0.63	–	–	–	–	2.4	108
Steel	166 300	–	–	–	–	2	–	–	2.4	–	–
Cluster total	**4 761 994**	**43**	**1.81**	**23**	**0.97**	**8**	**–**	**–**	**0.34**	**–**	**216**
CONSTRUCTION MATERIALS											
Construction Materials (All sites)	14 467 312	9	0.12	–	–	20	–	–	0.28	–	108
Cluster total	**14 467 312**	**9**	**0.12**	**–**	**–**	**20**	**–**	**–**	**0.28**	**–**	**108**
CONSTRUCTION											
Building and Housing											
Building	903 242	36	7.97	6	1.33	2	–	–	0.44	–	108
Housing	947 321	9	1.90	7	1.48	1	–	–	0.21	24	144
KwaZulu-Natal	2 344 948	28	2.39	25	2.13	2	–	1	0.26	–	108
Civil Engineering											
Local and Africa	8 287 788	43	1.04	40	0.97	37	–	–	0.89	–	108
Middle East	11 563 412	188	3.25	0	–	2	–	–	0.03	12	108
Plant and Equipment	1 134 626	43	7.58	15	2.64	5	–	–	0.88	–	108
Engineering Projects											
Projects	2 057 447	80	7.78	39	3.79	1	25	–	0.19	–	108
Energy, Oil & Gas and D+PM	1 169 124	–	–	–	–	–	–	–	–	–	108
Cluster total	**28 407 908**	**427**	**3.01**	**132**	**0.93**	**50**	**25**	**1**	**0.37**	**36**	**900**
Group total	**49 172 924**	**479**	**1.95**	**167**	**0.68**	**78**	**25**	**1**	**0.33**	**36**	**1 452**

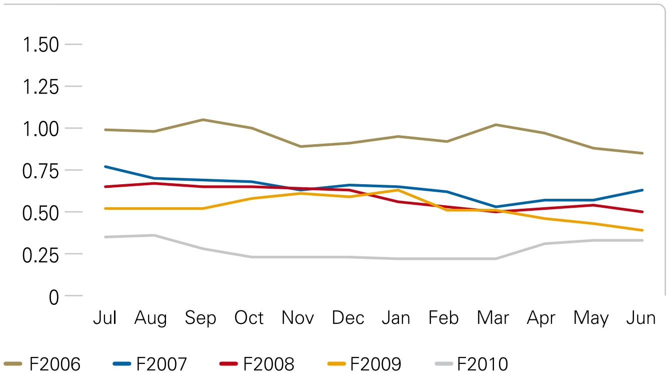
Abbreviations:

FAFR = First-aid frequency rate
MFR = Medical cases frequency rate
DIFR = Lost time/disabling injury frequency rate
Non-lost time injury = Medical treatment cases

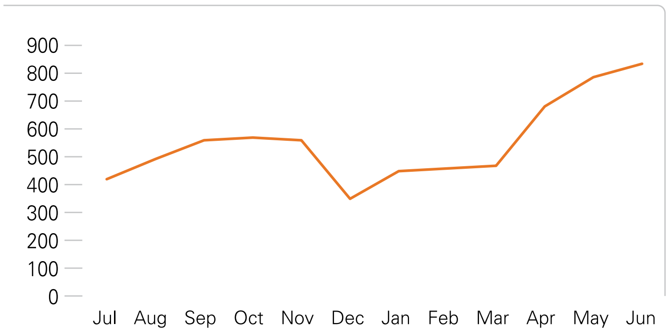
Occ dis = Occupational diseases
Env inc = Significant environmental incident
Site insp = Site inspections

Review from the group risk officer continued

Employee DIFR rolling 12-month trend from F2006 to F2010



Group Five significant incidents F2010



Significant incidents refer to significant near misses (i.e. incidents that could have resulted in a fatality, not actual fatalities).

Near misses

The reporting of near misses improved from an average of 265 per month last year to 865 per month this year. This does not indicate an increase in incidences, but the maturing of our system of capturing and reporting events. This is crucial in our aim to continue improving safety in the group.

Injuries

The number of working days lost due to work-related injuries reduced by 5% to 7 693 (2009: 8 074). This continues the downward trend from 2007. The average number of working days lost per lost-time injury this year was 10.6 compared to 10.9 last year. The decrease was due to increased awareness around the importance of effectively managing injuries on duty.

Key challenges

Fatalities

Despite all our efforts, as outlined earlier, we are extremely saddened by the five fatal accidents at our controlled operations. Although only one of these involved a Group Five employee, we take responsibility for each incidence in our working environment.

Date of incident	Segments	Nature of incident	Cause	Action to be taken
Group Five employees				
09/03/2010	Building and Housing: KwaZulu-Natal	Vehicle collision.	Driver error.	Implementation and communication of a light vehicle standard.
Sub-contractors				
06/07/2009	Building and Housing: KwaZulu-Natal	Fall from height.	Safety harness not attached.	Reconfirm the importance of adhering to safety requirements on site.
14/05/2010	Building and Housing: KwaZulu-Natal	Vehicle incident.	Lack of awareness – sub-contractor walked past the back of a moving vehicle.	Implementation and communication of a light vehicle standard, focusing on a pedestrian plan.
17/05/2010	Civil Engineering: Plant and Equipment	Carbon monoxide poisoning (two security guards).	Starting an open fire in an enclosed space.	All guard houses will be monitored through cameras to identify any inappropriate actions. Further education programmes will also be rolled out.

Working at heights

Working at heights industry data indicates that, of all falls reported, 55% occur between heights of two and three meters. These incidents account for the largest number of fatalities in the industry.

During the year, many of our construction contracts required execution of work from elevated working platforms, scaffolding and other equipment above ground level. Recognising the importance of fall from heights statistics, we strengthened the development and implementation of systems to manage the risk of injury or fatality.

Actions taken included more visible leadership, regular meetings, rigorous attention to rolling out of safety procedures and the continuation of our safety behaviour-based programme, Stop for Safety. This assisted in significantly improving the way we control the risk of working at heights.

Vehicle accidents

During the year, light vehicles were involved in around 40% of safety incidents across Group Five. To address this, a light vehicle safety programme was launched. This focuses on the appropriate selection of vehicles to ensure suitability for purpose, as well as on ensuring the safety and protection of the driver. In line with this, all vehicles will be fitted with minimum safety features, including cargo barriers and load restraints and roll-over protection for all four-wheel drive vehicles.

Review from the group risk officer continued

For the last two years, more than 3 900 safety incidents were reported each year, compared to around 1 400 annually in previous years.

The increase is due to greater awareness and improved reporting of incidents and data capture. This is an important improvement, as capturing and learning from previous incidents are closely linked to ensuring improvement.

The most significant risks to employees, as measured by the frequency of reported incidents during the year, remained physical injuries caused by:

40%	"Struck by/against" accidents.
20%	Slips and trips.
12%	Inappropriate handling of machinery.
28%	Variety of incidents, including falling from heights (only one incident), motor vehicle accidents (two incidents) and minor injuries.

Creating a safe culture

Implementing safety standards has traditionally been compliance focused, driven by policies, standards and procedures. While this approach is absolutely necessary, it often does not make it "real" to our people. A significant challenge was therefore to introduce a culture of understanding the fundamental operational importance of managing safety.

To address this, we further implemented safety programmes as an integral part of our ongoing business activities. However, to ensure effective driving of culture change, it is crucial that the focus on safety is driven by managers. In line with this, we continued to educate our leadership about their role in ensuring safety.

Looking forward

During the coming year, we will focus on the goals we did not achieve this year, as well as focusing on continuously striving for zero harm.

Key objectives	Desired results
Maintain our safety system.	Reduce DIFR to zero and prevent fatalities
Implement a behaviour-based safety system.	Visible felt leadership programme rolled out in all business units during F2011
Rolling out sub-contractor audits in terms of compliance to Group Five standards to further minimise the potential risk in terms of sub-contractors.	All sub-contractors to be exposed to a minimum requirement audit before commencing work with Group Five
Improve reporting of potential incidents.	Improve by a further 20%
Complete more than 85% of actions for high-level incidents before due dates.	Maintain at 85%
Continued focus on certification.	All business units to be OHSAS 18001:2007 certified in the coming year
Hazard identification and risk assessment reviews will take place across the group, with a focus on catastrophic risk management and implementation of business continuity plans for all business units.	Successful roll out during F2011
Increased focus on managing safety from the top down, with dedicated line manager time in the field and management site visits to create a culture of senior management commitment to safety.	Increased presence of senior management on site, with programme being visibly led by management
Weekly site meetings will continue to determine and remove root causes of serious incidences. Follow up and close out of required actions to improve the prevention of repeat incidents.	Further decline in incidents

OCCUPATIONAL HEALTH

Delivery

Find below how we delivered on our objectives set for the year.

Key objectives F2010	Progress
Implementing the new risk-based occupational health programme.	Achieved, with pre-employment, baseline medicals and exit medicals in place.
Implementing preventative programmes for core occupational diseases.	Partially achieved, with main diseases identified and roll out started.
Reduce number of people exposed to occupational disease.	Achieved, although a continuous programme. Baseline medicals executed on high-risk groups, which will reduce the number of people exposed to occupational disease through improved control measures.
Fit for Work, Fit for Life guidelines implementation.	Partially achieved, with plan in place. Roll out required.
Link job specifications to occupational health programme.	Achieved in all business units.

Introduction

During the year, an occupational health coordinator was appointed to synchronise the group's occupational health programme and wellness initiatives. This appointment, together with an external service provider, delivered a formulated national risk-based medical surveillance programme. This resulted in the improved management of the occupational needs of employees.

Key focus areas

Implementing the programme

The key focus during implementation of the new risk-based occupational health programme was the finalisation of pre-employment medicals on prospective employees, baseline medicals for employees without previous medicals and exit medicals on all employees terminating employment with Group Five.

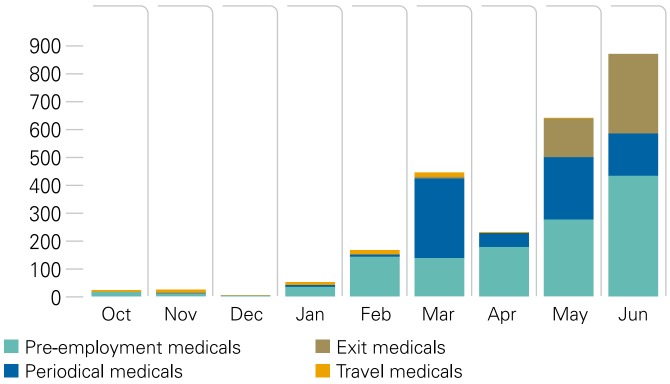
The programme first focused on high-risk categories.

A communications programme informing business units of the strategic direction, goals and objectives of the planned occupational health programme was also successfully completed.

The level of education amongst employees in terms of pro-actively managing their health was relatively low. To address this, a detailed education campaign was rolled out to all business units.

Review from the group risk officer continued

Medicals for employees – October 2009 to June 2010*



**Medical surveillance commenced in October 2009.*

Occupational diseases

During the year, the group focused on a number of occupational diseases, such as tuberculosis, hand-arm vibration disease and noise-induced hearing loss. Tuberculosis is a reportable disease, with hand-arm vibration and noise-induced hearing loss both of particular importance to the construction industry due to the use of heavy hand machinery and working in noisy environments.

Audiometry tests were performed and individual counselling was given where early noise-induced hearing loss was detected. The importance of wearing appropriate hearing protection and the need for administrative and technical measures to reduce noise was stressed to business units.

Preventative measures, such as more regular rotation of operators and the design of engineering machinery to replace or reduce manual labour, were put in place where employees are exposed to potential hand/arm vibration injury.

Key achievements

The development of the national risk-based occupation health programme was the greatest achievement during the year. This programme ensured a uniform system throughout the group.

Procedures, such as minimum standards for fitness, were aligned to the Occupational Health and Safety Act and other relevant Acts.

The creation of mobile clinics on sites also ensured higher productivity due to less time spent off site.

Key challenges

The key challenge remains the continued improvement of the health of employees. To ensure pro-activity, regular medical surveillance will be conducted to identify illnesses early.

During the medical surveillance programme, various chronic diseases were diagnosed. The significant ones include:

Hypertension: employees are referred to their respective primary healthcare providers for evaluation. A fitness certificate is only issued after blood pressure levels have reached satisfactory levels.

Diabetes: employees are referred to their respective primary healthcare providers for evaluation. A fitness certificate is only issued after insulin levels have reached satisfactory levels. Insulin-dependent diabetics are deployed in areas where they are able to work safely. For example, insulin-dependent diabetics may not work at heights.

Poor visual acuity: employees are referred to their respective primary healthcare providers for evaluation and to address their medical needs.

In remote areas of the group's operations, access to the national healthcare system is sometimes not adequate. To address this, we have 10 mobile clinics available in these areas.

The group has over-border evacuation processes in place to ensure swift reaction in times of crisis. During the year, no evacuations were necessary.

Looking forward

During the coming year, as the medical surveillance programme has now been implemented for high-risk employee categories, we will focus on implementing this in the medium- and low-risk categories.

Key objectives	Desired results
The enhancement of the group's occupational health programme. This will include incorporation of health risk assessments, hygiene measurements, risk rating of all job categories and medical surveillance.	Effective monitoring that allows trend analysis to direct focus area for the next financial year
Data around executive medicals and disease profiling will be added to the group's central human resources system.	Pro-actively managing executive health
Although we saw a decreasing trend in absenteeism, we will continue to focus on decreasing this.	As the main reasons for absences were due to upper respiratory infections, we have implemented an annual flu vaccination campaign to further decrease absences

Review from the group risk officer continued

ENVIRONMENT

Delivery

Find below how we delivered on our objectives set for the year.

Key objectives F2010	Progress
All business units to be ISO 14001:2004 certified.	Partially achieved, with 17 business units (71%) now certified, up from three business units (13%) at the start of the year.
All business units to have resource plans in place.	Partially achieved, with 15 business units (63%) having plans in place compared to the two business units (10%) at the start of the year.
Ensure no prosecutions or environmental fines.	Achieved.
Report carbon footprint.	Achieved, with carbon footprint reported on time.

Introduction

During the past year, a dedicated environmental specialist was appointed at group level to improve interaction with business unit SHE officers. This resulted in increased implementation of the environmental management system in line with ISO 14001:2004, as well as adherence to broader operational requirements and applicable regulations.

Key focus areas

Resource plans

The creation and implementation of resource management plans was achieved in 63% of business units. These plans are focused on the monitoring of the consumption of natural resources, including water, electricity, fossil fuels, as well as the management of waste. This will ensure increased capturing, monitoring and reduction of the use of resources, enhanced waste minimisation and the correct management of waste.

Group Five carbon footprint

In South Africa, the top 100 companies on the JSE Limited have been involved in a Carbon Disclosure Project (CDP) for the last three years. Although Group Five is not a Top 100 company, based on market capitalisation, last year we voluntarily submitted our CDP report. The results are pleasing, as outlined on page 135.

Carbon footprint

The group's carbon footprint measurement increased in accuracy this year due to more formalised systems. A system was also developed this year to capture the carbon footprint of all construction contracts in addition to monitoring the footprint of our permanent operations.

Questionnaires were customised to facilitate the gathering of accurate information to determine the group's footprint for purposes of the 2010 carbon disclosure report. This will allow the group to develop specific carbon-reduction initiatives in the coming years.

Results

2010 carbon footprint CDP submission results will only be available post the annual report release date and will be reported on next year.

For that reason, the tables on the next few pages outline F2009, which is the most current CDP information available.

Planet

Wetlands protection on the Transnet NMPP contract

The more than 700 kilometre pipeline covers several provinces, including KwaZulu-Natal and Mpumalanga, and crosses certain ecologically sensitive wetlands. Actions to protect the environment include:

- Demarcation of buffer zones
- Protection of vegetation and root systems
- Silt barriers
- The return to original source of all stock piles and soil blocks
- Access for vehicles and people being limited to suitable crossing points and enforcing the use of timber mats
- After backfilling and rehabilitation, the pipeline trench will be fenced until rehabilitation has been successfully completed
- Erosion will be strictly controlled
- Stream flows will bypass the construction site
- Site employees may not use any natural water source on or adjacent to the site. Only municipal water may be used

Overall carbon footprint

	F2009 (t CO_2e)	Emission factor	% of total
Scope 1[1] – Diesel, petrol, coal, LPG, etc.	803 167 (t CO_2e)	2.71 kg/litre	80
Scope 2[2] – Purchased electricity	185 507 (t CO_2e) 871 272 000 kWh	1.03 kg CO_2/kWh	19
Scope 3[3] – Business travel, deliveries	13 600 (t CO_2e)		1
Total	1 002 274 (t CO_2e)		100

Scope 1 emissions are direct Group Five emissions only.

Scope 2 emissions are indirect emissions from the generation of purchased electricity.

Scope 3 emissions are other indirect emissions as a consequence of the activities of the group, but occur from sources not owned or controlled by the group. These include commuting, air travel for business activities, waste disposal, emissions from extraction, production and transportation of purchased goods, outsourced activities and contractor-owned vehicles.

Review from the group risk officer continued

Footprint per scope

Scope 1 diesel, petrol, coal, LPG, etc emissions – group

Fuels (MWh)	2009
Gas/Diesel oil	2 894 545
Motor gasoline	4 425
Waste oils	103
Bituminous coal	86 000
Liquefied petroleum gas (LPG)	75
Other: Acetylene	4
Total	2 985 152

Scope 1 diesel, petrol, coal, LPG etc emissions – per cluster and contracts

Cluster	Carbon footprint (t CO_2e)	% of total
Investments and Concessions	520	0.1
Manufacturing	30 299	3.8
Construction Materials	10 249	1.3
Construction	762 099	
Construction offices	124	–
Construction contracts	761 975	94.8
Total	803 167	100

Scope 2 purchased electricity emissions – per cluster and contracts

Cluster	2009 Carbon footprint (t CO_2e)	% of total
Investments and Concessions	8 495	4.6
Manufacturing	42 977	23
Construction Materials	12 752	7
Construction	121 283	
– Construction offices	29	–
– Construction contracts	121 254	65.4
Total	185 507	100

Scope 3 indirect emissions – per cluster and contracts

Cluster	2009 Carbon footprint (t CO_2e)	% of total
Investments and Concessions	271	2
Manufacturing	3 550	26.1
Construction Materials	2 214	16.3
Construction	7 565	
– Construction offices	3 974	–
– Construction contracts	3 591	55.6
	13 600	100

Climate change

Due to the nature of the services the group provides, exposure to physical climate risk is both a threat and an opportunity.

In terms of opportunities, as a construction group we respond to demands in the market for rebuilding roads damaged by extreme weather and construction buildings focusing on new energy-efficient office space and retail properties.

Weather-related risks are currently only monitored in our Construction cluster, as this is the cluster where these factors play the biggest role due to contracts with penalties for late delivery. We will roll out monitoring in the other clusters in the new year.

We therefore:

- Where possible, change the starting date of contracts to include only one rainy season
- Locate plant and temporary contract structures above flood lines even in dry seasons
- Measure wind speeds on sites through the use of anemometers
  - During the year, this was particularly relevant on contracts where either heavy lifting was required, such as the Koeberg Interchange contract, or where extended cranes were used, such as the arch for the Moses Mabhida stadium in KwaZulu-Natal
- Limit exposure to dust conditions, as this is increasingly an environmental compliance requirement on contracts

Planet

Africa is vulnerable to climate change, and the Copenhagen Accord provides funds for adaptation to climate impacts. It is likely that a portion of these funds will be allocated to infrastructure improvements, such as improved water supply, sanitation, irrigation, embankment and sea level protection. Group Five is well positioned to assist with these contracts.

Review from the group risk officer continued

Environmental audits

In line with the group's procedures, an external environmental legal compliance audit is conducted once every three years. The most recent audit was conducted in F2009, with audit findings of very good compliance.

During the year, a prioritisation model was created to systematically correct the areas of non-conformance that were identified. The key actions required included:

Focus areas	Required actions
Management of hazardous materials	Implementation of resource management plans by March 2011 This will entail: ▸ Waste stream identification, classification and treatment ▸ Disposal and monitoring of volumes disposed
Monitoring waste generation	Development and implementation of waste inventory system by March 2011 This will entail: ▸ Waste stream identification, classification, treatment and recycling ▸ Monitoring of recycled and disposed waste ▸ Management of records
Monitoring consumption of water	Implementation of resource management plans by March 2011 This will entail: ▸ Mapping all water sources, uses and users ▸ Monitoring volumes ▸ Determining adherence to consumption targets ▸ Regular monitoring, reporting and management of records

In response to a Christmas wish on a local radio station, Group Five committed to build a house for a 14-year old boy and his family.

The group launched a project to design and build this home as a low-cost, sustainable house, incorporating a solar water geyser, grey water system and other environmentally-friendly elements. The house will be designed in accordance with green building principles, using green building materials.

Construction of the house commenced in Lenasia South in Gauteng. The completed house will be monitored for its thermal, water and energy efficiency over a 12-month period. It is expected that the house will consume less than a quarter of the energy required of a standard house.

Green committee

Last year, the group established a "green committee", consisting of representatives from each business unit. The focus areas of the committee include:

- Implementation of the group's integrated green strategy through the identification and roll out of various environmentally-sound initiatives
- Raising awareness through the group
- Implementing energy-saving and conservation programmes

Key achievements

Carbon disclosure project

As outlined earlier, Group Five voluntarily submitted its carbon footprint since last year. It was rated 17th on the South African Carbon Disclosure Project Leadership Index.

Savings at corporate office

A detailed evaluation of the current recycling practices, quantities and destinations was completed during the year, providing the basis for a programme to improve the recycling practices throughout Group Five.

Continued green construction

Following our successful involvement with the construction of the environmentally-friendly Nedbank Phase II, the first office building in South Africa to receive a Green Building Council of South Africa (GBCSA) 4-star rating, the group was involved with the development of the environmentally-friendly Gugulethu shopping centre in the Western Cape.

The design and construction of the building involved an energy-efficient air conditioning system, a rainwater system, intelligent lighting and a tilt-up concrete façade requiring no external painting. Other measures included the use of on-site material for backfilling, the re-use of 4 000 m² brick paving from the site on which the centre was developed, salvaging demolished material for community use, as well as the introduction of operational waste management systems.

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, run-off to sewer and solid waste.

Group Five is at the forefront of not only the construction, but also the design and development of green buildings.

Planet

During the year, the green committee focused on removing bottled water at offices. This removed 2 000 bottles during the year at the main corporate office alone. The committee also introduced energy-efficient lighting and motion detectors at several office buildings.

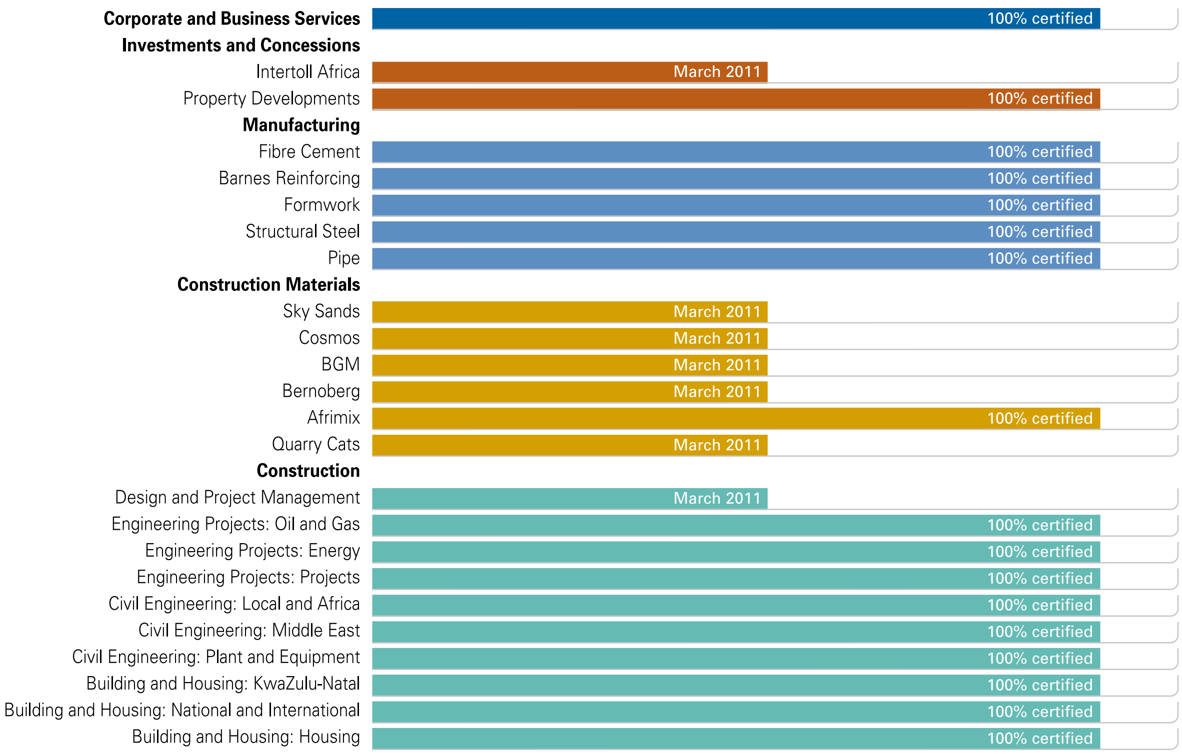
Review from the group risk officer continued

Key challenges

ISO 14001:2004 certification

By March 2010, the ISO 14001:2004 certification project was two years into a five-year plan. As at June 2010, 17 business units (71%) were certified. However, the remaining seven business units (29%) remain without certification due to aggressive deadlines set with limited resources. To address this, we have implemented systems that will be audited with the assistance of an external service provider. The remaining business units are therefore expected to achieve certification during F2011.

ISO 14001:2004 certification status



Planet

Nesting platform for Verreaux eagles

The Group Five Civil Engineering-led Siyavaya joint venture, working on a roads contract in Gauteng, sponsored a platform on an adjacent farm for a pair of Verreaux eagles whose nest in an Eskom pylon adjacent to the site was destroyed by vandals.

The environmental officer for Siyavaya, said: "Only five days after the establishment of the platform, the Verreaux eagle pair landed twice on the nest, the second time bringing with them sticks, indicating that they have accepted the site for a new nest. We hope they will breed this year."

Looking forward

During the coming year, we will focus on reducing our carbon footprint, on certifying outstanding business units and on further implementing environmentally-responsible initiatives.

Key objectives	Desired results
Continuing to focus on certification.	▶ Ensuring that all business units achieve ISO 14001:2004 certification in F2011
Implementing a reduction in diesel project.	▶ Around 3% reduction in diesel consumption, as this is the largest overall carbon footprint contributor in the group
Applying for carbon credit certification.	▶ Develop and implement emission-reduction carbon target
Actively pursuing opportunities in the renewable energy sector in southern Africa.	▶ Registration of clean development mechanism contracts in South Africa, which will result in carbon credits
Managing regulatory risks and opportunities that include potential carbon taxes on diesel and electricity in certain regions where we operate.	▶ Detailed plans to minimise the risk to Group Five
Managing the impact of a potential fossil fuel tax of R100 per tonne CO_2 by the end of 2010 in South Africa.	▶ Effective mitigation through building in costs of carbon tax into our pricing models ▶ Lowering our carbon footprint. Some of the reduction initiatives we are following include: – Evaluation of the fuel efficiency of construction vehicles and equipment – Adoption of green building standards to reduce scope 3 emissions at Group Five, as more environmentally-friendly building materials are used and the downstream impact on the environment is reduced – Reduction in fuel consumption through optimisation of travelling routes
Continuing improvement through: ▶ Full compliance to environmental legislation and other applicable requirements ▶ Ensuring approval for environmental management plans and reports that are still pending for the group's mining-focused operations ▶ Ensuring that performance assessments and audits for mining operations are completed every two years and that specific risks inherent in the mining industry are addressed	▶ No fines or prosecutions and adhering to required legislation
Record of decisions for construction contracts.	▶ Action plans developed and in place for all contracts ▶ Regular inspections and audits ▶ Preventing non-compliance notices
Management of environmental non-conformances.	▶ No fines or prosecutions

Review from the group risk officer continued

COMMERCIAL

Delivery

Find below how we delivered on our objectives set for the year.

Key objectives F2010	Progress
Continued alignment with the risk function.	Achieved, as the two teams worked closely together in the year, which further improved our ability to make sound commercial decisions.
Ongoing improvements.	Achieved, with improved alliance with the finance teams and training initiatives implemented for commercial and risk practices on contracts.

Introduction

The group commercial function seeks to determine and ensure alignment of best practice in terms of commercial business decisions and associated administration across the group. The function ensures a disciplined approach across the group, which is especially crucial on multi-disciplinary contracts where a number of business units are involved on a single contract. Specialist contractual support is also provided during the negotiation phase of a contract, as well as during the contract roll out and in the resolution of disputes.

Key focus areas

This year saw a closer working relationship between the commercial and risk functions across the group. This was beneficial, particularly in the Construction cluster where tightening of markets required a more robust approach to ensure the balancing of risk and reward.

Key achievements

Training and development

- To ensure best practice across the group, the group commercial department worked with the Group Five Academy to offer construction contract training around commercial and risk practices

Alignment between commercial terms and insurance

- The effective alignment between our insurance strategies and our contractual/commercial terms continued to ensure minimisation of unforeseen or unnecessary exposure to potential risks
- Taking sound commercial positions that balance the risk portfolio between Group Five and our clients or other third parties has allowed us to maintain the cost of our insurance premiums, despite an environment of increased risk and turnover, as reflected on page 116

Alignment between group commercial and finance

- It is integral to the success of the business that the commercial and financial aspects of a contract are adequately assessed prior to bid stage. During the year, closer alignment was established between the group commercial and group finance teams to refine contract evaluation processes to ensure that the group's commercial and financial interests are maximised
  - For example, with the change in economic conditions over the past year, a stringent review of requests for financial guarantees was required to ensure that the business issued securities limited to what it was reasonably required to do and within the group's accepted legal guidelines. To ensure effectiveness, this process is coordinated with the CFO's office and considered along with the financial terms of a contract

Key challenges

The key challenge during the year was the continued alignment of best practice across a diverse group of businesses that are exposed to differing markets and trading conditions.

This necessitated a rigid approach to the larger and more complex contracts from commercial negotiation and execution through to completion to ensure discipline in terms of bidding and executing against agreed group parameters.

Looking forward

During the coming year, we will focus on the continued alignment and improvement of best commercial practice across the group.

Key objectives	Desired results
Increased focus on both basic and specialist commercial training.	▶ Continued improvement around commercial decision-making
Alignment of best practice commercial terms and the group's standard agreements.	▶ Ensure best-practice availability on the group's internal systems
Measurement, during contract execution, of adherence to risk processes and decisions made at contract inception. This process is currently monitored manually. Going forward, this will be automated.	▶ Contract execution in line with commercial terms and conditions, as approved at initial risk review meetings, with automated tracking of necessary changes in commercial decisions during negotiation phase and following contract approval dates

Review from the group risk officer continued

LEGAL, REGULATORY AND COMPLIANCE REVIEW

Delivery

Find below how we delivered on our objectives set for the year.

Key objectives F2010	Progress
The continued implementation of the group Competition Law Policy.	Achieved, with compulsory seminars for current employees completed. Competition Law awareness was incorporated into the corporate induction programme for all new employees and compulsory competition awareness seminars were introduced for junior management and more senior job grades.
Completion of the external, group-wide legal, health and safety audit.	Achieved in September 2009.
The integration of the compliance software system with the group's risk software system.	Not achieved, as we found that the development costs of integrating the electronic compliance management system into STARS (the group's electronic risk management system) outweighed the benefits. Consequently, the compliance software system will operate as a stand-alone system. Implementation of the compliance software system has commenced.
Formal identification and documentation of applicable local and international external regulatory frameworks.	Achieved, although this activity is ongoing in nature. Good progress was made in this regard during the year under review.
Continue with gap analysis by comparing applicable regulatory frameworks to the group's current application of these frameworks to ensure any gaps that may exist are addressed.	Achieved, although ongoing. During the year, group-wide awareness of the provisions of The Prevention and Combating of Corrupt Activities Act 12 of 2004 and its implications was identified as a gap. A group-wide anti-corruption awareness programme will be implemented in F2011 to address this.
Assess the group's level of compliance to King III.	Achieved, as this exercise was completed and the group is addressing areas of non-compliance.
Continue to improve awareness of key legal, commercial, compliance and risk issues affecting the group.	Achieved, with quarterly awareness forums run by the Legal and Compliance Department highlighting important legal, commercial, compliance and risk issues affecting the group.

Introduction

The legal, regulatory and compliance function in the group ensures that the group is aware of all relevant statutes and legal developments to ensure continued compliance.

Key focus areas

Legal

The group legal function's primary focus areas are providing legal advice to the executive team and business units and the management of material legal matters affecting the group.

The group legal function is also responsible for drafting the group's legal policies and procedures. It works closely with the group risk management function. During the year, our focus included arranging a seminar, with input from international counsel, for the main board risk committee on the risk associated with EPC contracting and raising awareness through the Awareness Forum. This forum is run by the legal risk and compliance department to raise group-wide awareness on important legal, commercial, risk and compliance issues affecting the group.

Compliance and regulatory

Importance continues to be placed on compliance in both the group's local and over-border operations.

The focus areas for the group compliance function are:

- Dividing the activities of the group into sectors for compliance purposes. For example, sectors include health, safety, environment and human resources that ideally have an equivalent line function within a business unit (such as a SHE manager or HR director/manager)
- Identifying and documenting the externally generated regulatory framework in each compliance sector (all applicable laws, non-binding rules, codes and standards) 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
- Identifying and documenting the compliance initiatives that are currently taking place across the group
- Conducting a formal gap analysis by evaluating the various compliance initiatives that are currently taking place
- Identifying the level of roll out required within business units
- Sourcing and preparing summaries and checklists in respect of the most critical pieces of legislation, rules and standards
- Installation of electronic compliance software and the training of relevant employees to utilise the software
- Preparation of compliance certificates to be signed off by business unit compliance champions and managing directors
- Integration of the compliance system into the ISO quality management system
- Development, in conjunction with internal audit, of a compliance audit programme

Significant progress was made in all these areas during the course of the year.

Awareness forums

The Legal and Compliance department runs regular awareness forums to raise awareness of important legal, commercial, compliance and risk issues affecting the group. During the year, these forums covered topics such as the Choice of Law in contracts, the new King III requirements, Alternate Dispute Resolution clauses in contracts and insurance and risks in EPC contracts.

Endorsement

"Another innovative and extremely useful aspect of the Group Five annual report is its Regulatory and Compliance Review. This is an extensive, well-considered and easy to interpret analysis of the considerable mass of regulation that Group Five faces in its daily life. It is a concise, easy-to-read analysis of the group's corporate governance position. It should be considered as a template by all listed companies."

Investment analyst

Review from the group risk officer continued

Key achievements

Legal

EPC continued development
In support of the group's planned move to include more engineering, procurement and construction (EPC) contracts into the group portfolio, the legal department conducted a detailed analysis of the risks associated with EPC contracts. The Group Five board was apprised of these findings in the year under review. The legal department is now leading the multi-disciplinary team charged with drafting and documenting formal parameters/guidelines in respect of EPC contracts for review and formal approval by the board. These parameters/guidelines will take cognisance of, amongst other things, the group's risk-bearing capacity and risk appetite that will guide the activities of the Engineering and Construction (E+C) cluster that will become operational in F2011.

Insertion of ADR clauses in contracts
King III recommends that companies use alternate dispute resolution (ADR) methods (for example mediation and arbitration) rather than resorting to judicial courts to resolve disputes. This is particularly pertinent with stakeholders such as employees, sub-contractors and suppliers, as these methods, aside from being expeditious and cost effective, are more likely to enable companies to preserve relationships with their stakeholders following the resolution of the dispute.

During the year under review, the legal team raised awareness of this recommendation through their awareness forum. ADR clauses are now inserted into all contracts, where possible. However, it is often not possible for the contractor to insert ADR clauses into contracts with the public sector if this has not already been stipulated by the employer in the tender documents as the method of resolving disputes. As the method of dispute resolution is dictated by the employer at tender stage, any qualification exposes the contractor to the risk of disqualification on the grounds of non-compliance with the terms of the tender.

Compliance and regulatory

Competition law policy
As reported in F2008, the Competition Act was identified as one of the most important acts applicable to the group from a compliance perspective due to the potential impact from either deliberate or inadvertent non-compliance. As such, the need for a group Competition Act policy was identified.

In F2009, we reported that the group's competition law policy had been formally approved by the executive team.

Amongst other matters, the group competition law policy makes provision for:

- Zero tolerance towards infringements of the Competition Act
- Compulsory attendance by employees from junior management level and more senior employees at an in-house seminar on the provisions of the Competition Act and the new group competition law policy

During the last year, the compliance department completed its Competition Act awareness programme in respect of existing employees by hosting 54 compulsory competition law seminars.

Going forward, competition law awareness has been incorporated into the corporate induction programme for new employees.

Quarterly seminars for new employees from junior management and more senior employees will be run by the compliance department through the Group Five Academy's training programme.

Legal health and safety audit

The external legal health and safety audit, a joint initiative between the compliance department and the safety, health and environment (SHE) team, was completed in September 2009. Refer to page 120.

Over-border and local tax compliance

Dedicated country risk managers confirm that on a monthly basis, relevant tax and other returns are submitted, taxes due are paid and all licencses and other regulatory requirements are valid and up to date. Refer to page 119 for more information.

Compliance with King III

The provisions of King III became effective on 1 March 2010. The group is committed towards striving towards full compliance, as applicable to its operations.

During F2010, the compliance department spearheaded and coordinated a comprehensive exercise to assess the group's compliance with all aspects of King III. A detailed report regarding the group's current compliance in respect of each section, as well as identifying the disclosures required to be made in each section in the integrated report in terms of King III, was also prepared for the board. Areas of non-compliance were identified and the process of ensuring compliance in these areas has commenced.

The report and checklists will be updated on an annual basis and used to track Group Five's progress in respect of compliance with King III, as well as to ensure that all appropriate disclosures are made in the integrated report for the benefit of stakeholders. Refer to page 410 for the full King III checklist.

The preparation of a comprehensive list of applicable non-binding rules, codes and standards to which the group strives to adhere to on a voluntary basis is an ongoing exercise. The most significant of these are King III, BBBEE Codes, ISO 9001 (Quality Management System), ISO 31000 (Risk Management System), OHSAS 18001 (Health and Safety Standards) and ISO 14001 (Environmental Management System).

Disclosures

In terms of Chapter 8 (Governing Stakeholder Relationships) of King III, "a company should consider disclosing in its integrated report the number and reasons for refusals of requests for information that were lodged with the company in terms of the Promotion of Access to Information Act 2 of 2000..."

During the year under review, the group received no requests for information in terms of the Promotion of Access to Information Act 2 of 2000.

Key challenges

Legal

Identifying attorneys in Africa with the necessary expertise and experience in building, engineering and construction law to provide the appropriate legal support to the group in its over-border activities continues to require focus. Many of the group's over-border legal matters must therefore be substantively run by the group's South African attorneys, with over-border attorneys providing procedural advice and support. Although this is not the most cost-effective or convenient solution, there is currently not an alternative solution open to the group.

The group has not incurred any penalties, sanctions or fines for contraventions or non-compliance with statutory obligations that were imposed on the group or any of its directors or officers.

Review from the group risk officer continued

Compliance and regulatory

Given the diversity of the group's business, and the wide geographical footprint of Group Five's activities, identifying all legislation, rules and standards applicable to the group and raising awareness throughout the group of applicable legislation, rules and standards, remains a major compliance challenge, particularly over-border.

The most significant area of difference between King II and King III are requirements that were introduced into King III in anticipation of the new Companies Act coming into force by June 2010. However, the new Act did not come into force as expected, but we are working towards full compliance with King III as if it is in place.

Looking forward

Legal

In F2011, the group legal function will lead the team that will draw up formal, group EPC-contract parameters for approval by the board.

Compliance and regulatory

During the coming year, the group compliance function will focus on a group-wide anti-corruption drive, as well as the installation of compliance software and the training of employees to utilise the software.

Key objectives	Desired results
Legal	
Spearheading the drawing up of formal, group EPC contract parameters for consideration and approval by the board.	▸ This will enable the board to formally determine the group's risk appetite and risk tolerance in respect of EPC contracts, having given due consideration to the group's risk-bearing capacity
Compliance and regulatory	
An anti-corruption drive to support the group's over-border activities in Africa. This will include: ▸ A comprehensive group-wide anonymous corruption questionnaire to assess the extent to which the group's employees are faced with different kinds of corruption (ie state, private or petty) in various countries ▸ Substantially supplementing the group's existing anti-corruption policy and making it a stand-alone policy forming part of the group's ethics policies. The group's main anti-corruption policy is currently not stand-alone and forms part of the Prevention of Fraud and Corruption Policy. A range of possible corrupt scenarios that employees may be faced with, both locally and over-border, will be outlined ▸ Substantially supplementing the group's anti-corruption procedures to provide employees with clear and detailed directives as to what they should do when faced with corruption ▸ Compulsory anti-corruption awareness training for employees	▸ To identify and raise awareness of the corruption risks facing the group ▸ To develop comprehensive policies and procedures to manage corruption risk

Key objectives	Desired results
Focusing on pro-active involvement with both government and non-governmental anti-corruption agencies, both locally and over-border. The group has already recommended, through the Organisation for Economic Cooperation and Development (OECD), that: ▸ There should be greater interaction and cooperation between private sector companies and specialist anti-corruption government agencies ▸ Anti-corruption hotlines should be established at all South African embassies abroad to allow employees to report corrupt activities whilst in foreign countries	▸ To pro-actively contribute towards the eradication of corruption in the countries in which the group operates
A focus over the next three years will be the installation of compliance software and the training of employees to utilise the software.	▸ The board receives quarterly compliance reports. These are currently compiled manually. The group's new electronic management system will enable the creation of electronic dashboards and reports, as well as providing employees with electronic access to relevant statutes to drive compliance throughout the group
Closing out of non-compliances with King III.	▸ The group is striving to achieve compliance with King III

Key statutory and regulatory developments	
Development	Progress
King Report on Governance for South Africa and the King Code of Governance Principles (King III)	▸ King III became effective on 1 March 2010
Competition Act amendments	▸ Amendments to the Competition Act to incorporate criminal liability for offences in respect of the Competition Act and provisions making "complex monopolies" punishable in terms of the Act, have been signed by the President, but are yet to be gazetted
New Companies Act No 71 of 2008	▸ The new Companies Act has been approved by Parliament, but not yet gazetted – The exact effective date is not known at this stage
Consumer Protection Act	▸ The compliance department is aware of the far-reaching implications of the New Consumer Protection Act ▸ The full Act is expected to come into operation later in 2010, with certain important provisions to be implemented retrospectively to April 2010 ▸ The compliance department has begun preparing for the implementation of the new Act and will raise awareness across the group in terms of the Act's provisions

Secretarial

The office of the company secretary is responsible for driving and monitoring good corporate governance across the group. Refer to page 146 for the review from the company secretary.

Review from the company secretary

KING III gap analysis completed.

Refer to page 159.

Expansion of management remuneration provided.

Refer to pages 171 – 172.

Company secretary | Nonqaba Katamzi

CORPORATE GOVERNANCE

Delivery

Find below how we delivered on our objectives set for the year.

Key objectives F2010	Progress
With the advent of the Companies Act No 71 of 2008, it will be necessary to review the terms of reference of the board committees to ensure full compliance with the Act.	Not achieved, as the Act did not come into force as expected. The group continues to monitor the developments thereof. As the philosophy of the governance principles outlined by King III are in support of the legislative amendments of the Companies Act, it is envisaged that the group will largely be in compliance with this Act.
Need to further improve operational knowledge of the board.	Partially achieved, as various presentations on relevant operational matters were delivered to the board during the period.
Ensure all board members have succession plans in place.	Partially achieved, as this is an ongoing process that is managed through the nominations committee. It is anticipated that the completion of the board's annual evaluation process will be instrumental to finalise this process.
Need to review board charter and terms of reference for board committees in line with King III.	Partially achieved, as the review is in progress. To date, the board has adopted and approved the internal audit charter.

Review from the company secretary continued

Introduction

Group Five strives to maintain and enhance sound governance standards through constant review of current and emerging trends, both locally and internationally.

The release of King III in September 2009 cemented South Africa's commitment to world-class principles and guidelines on corporate governance. King III was formulated to, amongst others, promote the legislative framework set out in the Companies Act No 71 of 2008.

King III has therefore become the keystone of corporate governance principles. Although the enactment of the Companies Act No 71 of 2008 is subject to the passing of what has been termed a "Rectification Bill", it is envisaged that all policy issues mentioned in this report will remain unaffected.

During the year, in light of the principle of "apply or explain" of King III, it has been necessary for the group to reassess the status of its corporate governance framework and processes against King III. A full compliance checklist to King III is provided on page 410, with a summarised gap analysis on page 159.

Key focus areas

During the year, the company secretary's key focus remained on ensuring that the board and group adheres to the highest corporate governance procedures and that directors act in line with their governance and fiduciary responsibilities.

The board

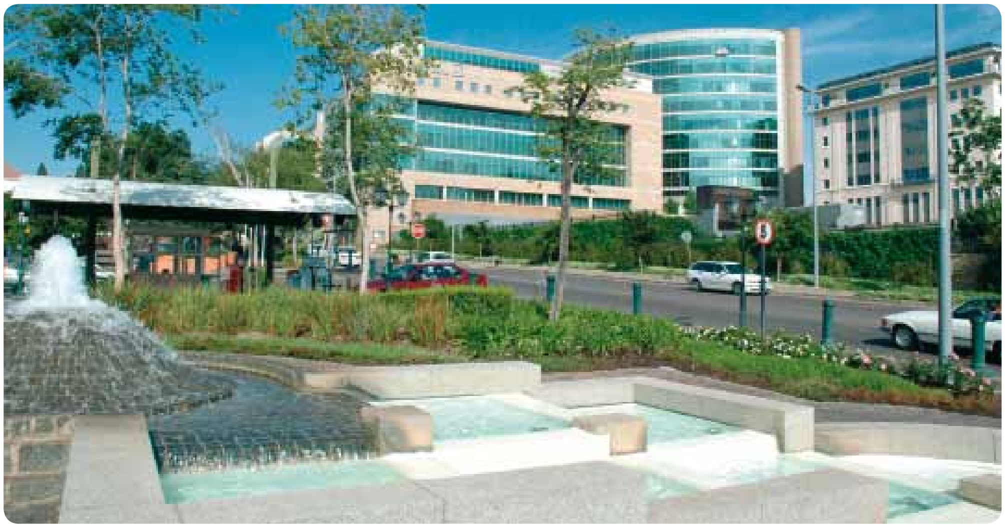
The group is led and controlled by a unitary board of directors with two executive directors and six non-executive directors. The non-executive directors are independent. The responsibility of all directors is clearly divided to ensure a balance of power and authority to prevent unfettered powers of decision-making.

The board is:

- Guided by the letter and spirit of the values expressed in King III and the JSE Listings Requirements
- Responsible for actively reviewing and enhancing 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
- Committed to sustainable value creation for all identified stakeholders
- Responsible for the integrity of integrated reporting and for overseeing all sustainability issues

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 have, approval from the chairperson must be obtained prior to acceptance of additional commitments that may affect the time directors can devote to the group.

The board is subject to annual internal or external reviews. The aim of these reviews is to assess the effectiveness of the board in fulfilling its duties and responsibilities, with a view to continuously improve the manner in which the group is governed. The board is presently conducting its annual evaluation. This process is being conducted by an independent external service provider.



The results of the last board evaluation revealed that the board needed to further strengthen its skills in terms of relevant experience and industry-specific expertise. This was addressed during the year through the appointment of two new directors, LE Bakoro and JL Job.

Ms Bakoro brings financial and tax experience to the board and Mr Job brings relevant industrial and engineering experience. Ms Bakoro was also appointed as a member of the audit committee and Mr Job was appointed as a member of the risk and remuneration committees.

The strategy of the group is mapped by the board in conference with the executive committee (exco). The board and exco meet at least twice a year to formulate, review and agree on the group's strategic intent and the group's areas of focus and growth. Exco members are required to present the group and individual business unit strategies to the board. All significant transactions, in line with the group's pre-determined levels of authority, are required to be presented to the board. The board extends a standing invitation to exco members to attend meetings of the main board, as required.

The board is responsible for monitoring and reporting on the effectiveness of the company's system of internal control. It is assisted by the audit committee in the discharge of this responsibility.

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.

The board's succession plan will be developed through the annual board evaluation that is presently in progress.

A profile of each director is included on pages 173 – 175 of this report.

The chairperson

The chairperson's role is to set the ethical tone for the board and to ensure that the board remains efficient, focused and operates as a unit. Ms P Buthelezi is an independent non-executive chairperson* and her role is separate from that of the CEO.

Ms Buthelezi provides overall leadership to the board without limiting the principle of collective responsibility for board decisions. Other than chairing the nominations committee, Ms Buthelezi is not a member of any other committee of the board. The chairperson is also responsible for the annual appraisal of the CEO's performance and oversees a formal succession plan for the board. Accordingly the appraisal of the CEO's performance was conducted by her and referred to the remuneration's committee.

Ms Buthelezi's abridged CV can be found on page 173.

** The board deems the chairperson to be independent. Refer to page 410 of the King III checklist for further details.*

Review from the company secretary continued

Non-executive directors

All members of the board have a fiduciary responsibility to represent the best interests of the group and all of its stakeholders. The group's non-executive directors are individuals of high calibre and credibility who make a significant contribution to the board's deliberations and decisions. They have the necessary skill and experience to bring judgment to bear, independent of management, on areas such as strategy, performance, transformation, diversity, employment equity and environmental management.

The non-executive directors are P Buthelezi, LE Bakoro, L Chalker, JL Job, SG Morris and KK Mpinga. During the period under review, Dr MSV Gantsho and Mr Z Mtshotshisa resigned as directors. L Chalker, SG Morris and KK Mpinga retire, by rotation in terms of the company's Articles of Association, as directors of the company. Being eligible, they offer themselves for re-election. A brief CV in respect of each director standing for re-election appears on pages 173 – 175 of this annual report.

The chief executive officer

In defining its own levels of authority and reserving specific powers to itself, the board has delegated other matters to management. The collective responsibility of management vests with the chief executive officer, MR Upton. Mr Upton is responsible for formulating and recommending strategies and policies to the board and plays a critical role in the operations and success of the company's business. The CEO is accountable to the board and consistently strives to achieve the group's goals within the framework of delegated authority. The CEO provides regular reports during board meetings and at other times when required.

Board meeting attendance

Name	Special meeting 07.07.09	Quarterly meeting 06.08.09	Special meeting 11.09.09	**Quarterly meeting 12.11.09**	**Quarterly meeting 02.03.10**	**Quarterly meeting 27.05.10**	Period of service (date of appointment) [date of resignation]
P Buthelezi (chairperson)	√	√	√	√	#	√	3 years; (4 July 2007)
MR Upton	√	√	√	√	√	√	3 years 8 months; (17 November 2006)
CMF Teixeira	√	√	√	√	√	√	2 years; (1 June 2008)
LE Bakoro	√	√	√	√	√	√	1 year 8 months; (1 November 2008)
L Chalker	*	√	*	#	√	√	9 years 5 months; (21 February 2001)
MSV Gantsho**	*	√	*	*	–	–	3 years 3 months; (17 November 2006), [14 January 2010]
JL Job	√	√	√	√	√	√	1 year 8 months; (1 November 2008)
SG Morris	√	√	√	√	√	√	5 years; (1 July 2005)
KK Mpinga	*	#	*	#	√	√	8 years; (1 July 2002)
Z Mtshotshisa†	*	√	*	√	√	–	11 months; (18 June 2009), [3 May 2010]

*√ Present. * Apologies. # Per teleconference. ** Resigned 14 January 2010. † Resigned 3 May 2010.*

The company secretary

The company secretary plays a vital role in the corporate governance of the group and is responsible for ensuring board compliance with procedures and regulations of a statutory nature. The company secretary ensures compliance with the listings requirements and is responsible for the submission of the annual compliance certificate to the JSE Limited.

The company secretary provides the board as a whole and directors individually with guidance on discharging their responsibilities and duties. She plays a pivotal role in providing advice and guidance to the board and to other employees within the company on matters of good governance and changes in legislation.

The company secretary ensures that, in accordance with the pertinent laws and regulatory framework, the proceedings and affairs of the board and its members, the company itself and, where appropriate, the owners of securities in the company, are properly administered. The appointment and removal of the company secretary is a matter for the board as a whole. The company secretary also administers the company's employee share schemes and ensures compliance with the statutory requirements of the group. The company secretary is the secretary of all the board committees.

Board committees

The board has five standing committees through which it operates. These committees play an important role in enhancing good corporate governance, improving internal controls and therefore the sustainable performance of the company. 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 the above committees are independent non-executive directors.

The audit committee

The audit committee fulfils a vital role in ensuring the integrity of the group's integrated reporting. It has adopted combined assurance processes that aim to optimise and strike a balance between the reports it receives from management, internal auditors and external auditors.

The committee constantly considers legal, regulatory, ethical and sustainability matters that have a financial impact on the group. It has standing items on the agenda that include internal audit, external audit, accounting standards and developments, Information Technology (IT) and sustainability reporting.

The committee ensures the transparency and integrity of the group's financial reporting through inter alia, reviewing draft financial statements with management and external auditors, prior to publication.

The audit committee has its own terms of reference approved by the board, to assist members of the committee to understand their roles and enable them to add value in discharging their duties. The audit committee's terms of reference, amongst other things, include:

- Overseeing shareholder reporting – financial reporting, including considering, approving and recommending the annual financial statements for approval by the board
- Monitoring the group's system of internal control
- Recommending the appointment of the external auditors to the board
- Reviewing the scope of work of external auditors and approving non-audit work to be carried out by the auditors
- Agreeing audit fees
- Holding meetings with external auditors independent of management
- Reviewing the internal auditors (their capabilities, resources, scope of work and findings)
- Reviewing the resources and adequacy of the finance function, including the appropriateness, expertise and experience of the finance director

Review from the company secretary continued

- Overseeing sustainability issues and/or reporting
- Overseeing the integrity of the integrated report
- Overseeing risk management processes, including:
  - IT
  - Fraud and corruption
  - Compliance

The audit committee's terms of reference are reviewed annually and are amended to meet market and regulatory requirements. In line with King III, the 2009 review of the audit committee's terms of reference resulted in an expansion of its mandate to cover new areas of responsibility, such as integrated reporting and information technology.

The audit committee met its responsibilities under the current terms of reference for the year under review.

The members of the audit committee are: SG Morris (chairperson), LE Bakoro, L Chalker, KK Mpinga and MR Upton. Except for MR Upton, all members are non-executive members and the chief financial officer (CFO) attends committee meetings by invitation.

Similarly, the external auditors attend committee meetings by invitation and have no voting rights. Meetings of the audit committee are conducted quarterly and are held prior to the main board meetings. The required quorum for a meeting is three members present for the duration of the meeting. The chairperson of the committee reports to the main board on the activities and recommendations made by the committee. During the period under review, the audit committee recommended, and the main board accepted, a revised internal audit charter, revised IT charter and the group's integrated report.

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 provide a quarterly executive summary on internal audit. Internal audit reports are issued to the audit committee on a monthly basis after completion of each internal audit review.

During the period under review, the audit committee considered the adequacy and expertise of the group's finance function. It is satisfied with the expertise of the CFO and the group's finance function.

Internal audit provides the board with assurance on the group's system of internal control, as its strategy is that of a risk-based approach along with compliance to policies and procedures. In the coming year, internal audit will, in consultation with the CFO and the audit committee chairman, map the group's future assurance processes.

During the year, assurance was provided through the various independent external and internal service provider audits, as disclosed in the annual report. These include the board evaluation, ISO accreditation, broad-based black economic empowerment accreditation and health and safety. Refer to pages 64 to 65. In addition, the external auditor's independent report is provided on page 318.

The audit committee also reviewed and assessed the external auditor's effectiveness and is satisfied with the objectivity and independence of services rendered. Rotation of the senior partner responsible for the group's audit will be effected in the forthcoming year in line with the internal policies and procedures set by the external auditors due to his length of service on the group's audit.

The group's external auditors were appointed to provide independent assurance on certain sustainability indicators. These have been disclosed in both the detailed integrated report, as well as the summarised integrated report issued by the group. Their report is detailed on page 64.

The audit committee has considered the disclosure of sustainability issues in the integrated report and is satisfied that these do not conflict with the financial results. The audit committee has considered the adequacy of the group's system of internal control and recommends the annual financial statements for approval by the board.

The 2010 annual audit committee's terms of reference review was in progress at the time of writing and is expected to be finalised by the end of the calendar year.

Audit committee meeting attendance

Name	Special meeting 07.07.09	Quarterly meeting 05.08.09	Quarterly meeting 11.11.09	**Quarterly meeting 01.03.10**	**Quarterly meeting 26.05.10**	Period of service (date of appointment) [date of resignation]
SG Morris (chairperson)	√	√	√	√	√	4 years 5 months; (13 February 2006)
LE Bakoro	√	√	√	√	√	1 year 5 months; (10 February 2009)
L Chalker	*	√	#	√	√	6 years 11 months; (15 August 2003)
MSV Gantsho**	*	√	*	–	–	3 years; (15 February 2007), [14 January 2010]
JL Job†	√	√	√	√	√	n/a
KK Mpinga	#	#	#	√	√	6 years 11 months; (15 August 2003)
CMF Teixeira†	√	√	√	√	√	n/a
MR Upton	√	√	√	√	√	3 years 5 months; (15 February 2007)

*√ Present   * Apologies   # Per teleconference   ** Resigned 14 January 2010   † By invitation*

Review from the company secretary continued

The risk committee

The group's approach to risk continues to be focused on the management of risk rather than the total elimination. Management of risk therefore remains an integral component of the group's strategic and business processes. The risk committee assists the board in fulfilling its responsibilities by providing a framework for managing risk throughout the group. The board maintains oversight of the group's risk processes through the risk committee.

The majority of the risk committee members are independent non-executive directors: KK Mpinga (Chairperson), L Chalker, JL Job, SG Morris, MR Upton and GD Mottram as the group risk officer are members.

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
- 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 acts on any fraudulent behaviour (including taking disciplinary action)

The group risk officer presents a comprehensive report on all risk issues at each meeting. Through its risk management philosophy, Group Five has formulated a risk policy that governs the manner in which risk is managed throughout the group. The risk committee receives quarterly compliance reports from the risk officer, and specific feedback on over-border and local tax compliance from the Chief Financial Officer (CFO).

The group's risk management system, STARS, facilitates early identification and assessment of risks throughout the group. The system provides the group with a formal approach to identify, record and rank risk across strategic, operational and contract levels and allows for tracking and reviewing risks on an ongoing and systematic basis.

The board considers the report presented by the group risk officer, adherence to the group's risk management policy and the effectiveness of the application of the risk management system to determine the effectiveness of overall risk processes. Although internal audit has not performed a review on the group's risk management methodology and processes, it has been able to provide independent assurance on the risk system output through a corroboration of business risks identified during its risk-based audit approach. The formal evaluation of the risk management methodology will be performed in the coming year. The risk committee has considered the effectiveness of the group's risk management processes and is satisfied that the group's risks are appropriately governed.

For a more detailed report on risk, refer to page 107 of this report.

Risk committee meeting attendance

Name	Special meeting 13.07.09	Quarterly meeting 05.08.09	Quarterly meeting 10.11.09	Special meeting 22.01.10	Quarterly meeting 01.03.10	Special meeting 13.04.10	Quarterly meeting 26.05.10	Period of service (date of appointment) [date of resignation]
KK Mpinga (chairperson)	*	#	*	#	√	√	√	4 years 11 months; (8 August 2005)
LE Bakoro†	–	–	–	–	–	–	√	n/a
L Chalker	#	√	#	#	√	√	√	4 years 11 months; (8 August 2005)
JL Job	*	√	√	√	√	√	√	1 year 8 months; (1 November 2008)
SG Morris	√	√	√	√	√	√	√	3 years 5 months; (5 February 2007)
GD Mottram	√	√	√	√	√	√	√	4 years 11 months; (8 August 2005)
Z Mtshotshisa	*	√	√	√	√	*	–	9 months; (6 August 2009) [3 May 2010]
CMF Teixeira†	–	√	√	–	–	√	√	n/a
MR Upton	√	√	√	*	√	√	√	3 years 5 months; (15 February 2007)

√ Present. ** Apologies.* *# Per teleconference.* *** Resigned 3 May 2010.* *† By invitation.*

Review from the company secretary continued

The remuneration committee

The remuneration committee consists of two independent non-executive directors, SG Morris (chairperson) and JL Job, and one executive director, MR Upton. The human resources director attends the committee meetings by invitation. MR Upton is recused from all discussions relating to the CEO's remuneration package.

The committee has the following duties:

- Overseeing the implementation of the remuneration policy of the group
- Annually reviewing and approving the remuneration packages for executive directors and determining and approving annual bonuses, performance-based incentives and share incentive schemes
- Reviewing the ongoing appropriateness and relevance of the executive remuneration policy and other executive benefit programmes
- Reviewing and approving the proposed remuneration of senior employees, such as exco and manco
- Annually approving management's recommendations for the average annual increase per employee
- Evaluating and approving the awarding of additional benefits in terms of the group's share incentive scheme
- Making recommendations to the board on the remuneration of non-executive directors

It is the board's view that the final approval of non-executive director remuneration lies with the shareholders. For details of the non-executive directors' fees (including services and expenses, where applicable) refer to page 169 of the remuneration review. The fees proposed for non-executive directors for F2011, which is subject to shareholder approval, is also disclosed within the remuneration review.

Remuneration committee meeting attendance

Name	Quarterly meeting 09.09.09	Quarterly meeting 10.11.09	Quarterly meeting 23.02.10	Quarterly meeting 01.03.10	Period of service (date of appointment) [date of resignation]
SG Morris (chairperson)	√	√	√	√	4 years 11 months; (8 August 2005)
MSV Gantsho**	√	*	–	–	4 months; (6 August 2009), [14 January 2010]
JL Job	*	√	√	√	11 months; (6 August 2009)
Z Mtshotshisa#	√	√	–	*	9 months; (6 August 2009), [3 May 2010]
MR Upton	√	√	√	√	3 years 5 months; (15 February 2007)
MJ Allie†	√	√	√	√	n/a
RM du Toit†	√	√	√	√	n/a

*√ Present. * Apologies. † By invitation. ** Resigned 14 January 2010. # Resigned 3 May 2010.*

The socio-economic development committee (SED)

The SED committee comprises two independent non-executive directors, L Chalker (chairperson) and KK Mpinga, as well as members of management that represent the various business units. Due to the need to coordinate the administration and management of the group's SED initiatives, the board has deemed it appropriate to enlist senior management as members to this committee. The committee has the following duties:

- Providing strategic direction in terms of SED
- Formulating and implementing an SED policy for the group
- Centralising reporting and approving SED spend, projects and initiatives
- Evaluating the effectiveness of SED interventions

The measurement and reporting of SED projects is performed quarterly by the business unit representatives. The chairperson of the committee provides a quarterly report to the board on SED and its initiatives. For a more detailed report on the group's SED initiatives undertaken during the year under review, refer to page 203 of this report.

SED committee meeting attendance

Name	Quarterly meeting 05.08.09	Quarterly meeting 22.10.09	**Quarterly meeting 01.03.10**	**Quarterly meeting 25.05.10**	Period of service (date of appointment)
L Chalker	√	√	√	√	4 years 11 months; (8 August 2005)
KK Mpinga	*	*	√	√	3 years 2 months; (22 May 2007)
MJ Allie	√	√	√	√	2 years 7 months; (30 November 2007)
J Doorasamy	√	√	*	*	3 years 2 months; (22 May 2007)
FJ Enslin	√	√	√	√	3 years 2 months; (22 May 2007)
DC la Grange	√	*	√	√	1 year 2 months; (21 May 2009)
IM Makuta	√	√	√	√	1 year 2 months; (21 May 2009)
ST Mosai	–	√	*	*	9 months; (20 October 2009)
N Sukdeo	√	√	√	√	3 years 2 months; (22 May 2007)
NJ Tlou	√	√	√	√	1 year 2 months; (21 May 2009)
JA Wallace	√	√	√	√	2 years 11 months; (7 Aug 2007)
SE O'Donoghue†	√	√	√	√	n/a

√ Present. ** Apologies.* *† By invitation.*

The nominations committee

The nominations committee is an ad-hoc committee that is chaired by P Buthelezi. L Chalker, SG Morris and KK Mpinga are members of the committee. The committee is responsible for identifying and evaluating candidates that are considered for appointment as directors. In the one meeting held during the period under review, the committee commissioned an independent service provider to conduct the annual evaluation of the board. All members attended the meeting held in the year.

Review from the company secretary continued

Key achievements

During the period under review, various board committee charters and policies were revised and approved by the board. These include:

- The internal audit charter
- The conflict of interest policy
- The group's Levels of Authority, which designates authority levels between main board members, executive committee members, managing committee members and senior business unit employees
- The board of directors' policy on strategy setting and budget approval

Through the nominations committee, the board commissioned an independent external service provider to conduct the annual evaluation of all the members of the board of directors. It is envisaged that through this process, the board will be well positioned to critically determine its composition and skills set with a view to enhancing any required additional skills. The evaluation is expected to be completed by August 2010.

Key challenges

Our main challenge for the year under review was identifying and understanding the gaps within the group relating to the governance principles outlined in King III. With the analysis now complete, we will develop a strategy in line with the "apply or explain" principle of King III.

Formalising the current skills set of the board, with a view to determining a robust and sustainable succession plan for each director, remains a key challenge for the group. We expect to secure guidance on this matter from the service providers conducting this year's board evaluation process.

Looking forward

For the coming year, concerted effort will be made to address areas of non-compliance identified in the King III gap analysis, with the primary aim of enhancing the group's standards of corporate governance. The following will be our key focus areas:

Key objectives	Desired results
Companies Act No 71 of 2008.	▸ To gain full compliance with the new applicable requirements of the Act when it is enacted
Evaluation of the board, its committees and individual directors.	▸ An annual evaluation of the effectiveness of the board, committees of the board and the individual contribution of directors
Board succession planning.	▸ To formalise and agree a succession plan for each member of the board
Review of the board charter and terms of references for all board committees	▸ Annual review to ensure and maintain King III governance standards
Review of governance policies, procedures and relevant codes.	▸ To gain/maintain alignment with the requirements of King III, JSE Listings Requirements and the Companies Act No 71 of 2008

King III gap summary

In line with the release of the King Report on Corporate Governance (King III), we have evaluated our readiness to comply. A full checklist can be found on page 410. On the next few pages, we outline the areas we are currently not complying with and our action plans to rectify this.

Code of governance principles		Gap identified	Action plan to rectify
Board of directors			
Role and function of the board			
The board and its directors should act in the best interests of the company.	Directors of the board should be permitted to take independent advice in connection with their duties following an agreed procedure.	Although the directors are permitted to take independent advice, the current process is ad hoc and should be formalised.	This will be done in the coming year.
The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fill the role of a chairman of the board.	The members of the board should elect a chairman on an annual basis.	Although the members of the board appoint the chairman and the chairman is evaluated on an annual basis, election only takes place when required.	This will be addressed through the current board review.
	The board should ensure a succession plan for the role of the chairman.	Succession planning for the chairman is being considered as part of the current board evaluation.	This will be addressed through the current board review.
The board should appoint the chief executive officer and establish a framework for the delegation of authority.	The board should ensure succession planning for the CEO and other senior executives and officers is in place.	Although this is currently being assessed internally for senior management and by the external, independent board advisors for the executive directors, there are no formal succession plans in place.	This will be addressed through the current board review.
Board appointment process			
Directors should be appointed through a formal process.	The appointment of non-executive directors should be formalised through a letter of appointment.	Although appointment is formalised through the nominations committee, no formal letter is provided.	This will receive attention in the coming year.
Director development			
The induction of and ongoing training and development of directors should be conducted through formal processes.	The board should ensure that a formal induction programme is established for new directors.	No formal induction programme in place.	This will receive attention in the coming year.
	The board should ensure that directors receive regular briefings on changes in risks, laws and environment.	Although certain internal awareness training has been performed, this process needs to be further improved.	This will receive attention in the coming year.

Review from the company secretary continued

King III gap summary continued

Code of governance principles		Gap identified	Action plan to rectify
Company secretary			
The board should be assisted by a competent, suitably qualified and experienced company secretary.	The company secretary should assist with the director induction and training programmes.	No formal director induction programme is currently in place.	This will receive attention in the coming year.
	The company secretary should assist in drafting yearly work plans.	The company secretary currently does not draft annual work plans.	This will receive attention in the coming year.
	The company secretary should assist with the evaluation of the board, committees and individual directors.	Evaluations are performed by external service providers, with assistance from the human resources department.	One of the outcomes of the current annual evaluation is the development of an internal programme. The company secretary will therefore be required to assist with the implementation of such a programme going forward.
Performance assessment			
The evaluation of the board, its committees and individual directors should be performed every year.	The nomination of the re-appointment of a director should only occur after the evaluation of the performance and attendance of the director.	This process needs to be adopted.	This will be addressed through the current board review.
Board committees			
The board should delegate certain functions to well-structured committees, but without abdicating its own responsibilities.	Companies should establish an audit committee and define its composition, purpose and duties in the memorandum on incorporation.	Although the group has an established audit committee with defined terms of reference, these terms need to be defined within the memorandum on incorporation.	This will be addressed in the coming year.
	Committees should be free to take independent outside professional advice at the cost of the company, subject to an approved process being followed.	Although general authority is granted, a formal process is not in place.	This will be addressed in the coming year.

Code of governance principles		Gap identified	Action plan to rectify
Audit committees			
Membership and resources of the audit committee			
Audit committee members should be suitably skilled and experienced independent non-executive directors.	All members of the audit committee should be independent non-executive directors.	MR Upton is an executive member and a member of the audit committee.	The group will seek to review its sub-committees in the new year with a focus to aligning itself to King III.
	The committee should be permitted to consult with specialists or consultants, subject to a board-approved process.	Although the committee is aware that it may engage with specialists, this process is not formalised or approved by the board.	This will receive attention in the coming year.
Internal assurance providers			
The audit committee should be responsible for overseeing of internal audit.	The audit committee should be responsible for the appointment, performance assessment and/or dismissal of the Chief Audit Executive (CAE).	Although feedback on performance is provided by the chairman of the audit committee, performance management is conducted by the CFO. The appointment of the current CAE was made with input from both the CFO and the chairman of the audit committee.	This will be conducted with input from the audit committee chairman during the next cycle of performance evaluations.
The governance of risk			
The board's responsibility for risk governance			
The board should be responsible for the governance of risk.	A policy and plan for a system and process of risk management should be developed.	Although a risk policy has been developed and implemented within the group, a documented risk plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, as well as the related internal control, compliance and governance process, is required.	This will be addressed in the coming year.
	The induction and ongoing training programmes of the board should incorporate risk governance.	We do not have a formal induction process for the board. However, training programmes include presentations on issues around risk.	This will be addressed in the coming year.

Review from the company secretary continued

King III gap summary continued

Code of governance principles		Gap identified	Action plan to rectify
The board should be responsible for the governance of risk.	The board's responsibility for risk governance should manifest in a documented risk management policy and plan.	Although a risk policy has been developed and implemented within the group, a documented risk plan is not available.	This will be addressed in the coming year.
	The board should approve the risk management policy and plan.	Although the risk policy has been approved by the board, the formal risk plan will be presented to the board for approval once developed.	This will be addressed in the coming year.
	The board should review the implementation of the risk management plan at least once a year.	Although the risk officer regularly presents issues of risk to the board, a formal risk management plan is not currently reviewed every year.	This will be addressed in the coming year.
	The board should ensure that the implementation of the risk management plan is monitored continually.	Although the risk officer regularly presents on issues of risk to the board and the board is fully apprised of the risk issues facing the group, a formal risk management plan has to be ratified by the board.	This will be addressed in the coming year.
The board should determine the levels of risk tolerance.	The board should set the levels of risk tolerance once a year.	Although the board is apprised of the key issues of risk facing the group, formal, quantitative risk tolerance levels have not been set other than contract-specific tolerance levels.	Going forward, the board will annually set specific limits for the levels of risk the group is able to tolerate in the pursuit of its objectives. The plan will include the review of limits when business and market changes occur.
	The board may set limits for risk appetite.	Although the group has a formal risk appetite process, with a formal risk review process at contract level, these need to be considered at a group level.	This will be addressed in the coming year.
	The board should monitor that risks taken are within the tolerance and appetite levels.	Although the board is apprised of the key issues of risk facing the group, formal, quantitative risk tolerance levels have not been set other than contract-specific tolerance levels.	Once risk tolerance levels have been reviewed at group level, these will be monitored by the board through quarterly reporting by the group risk officer.

Code of governance principles		Gap identified	Action plan to rectify
The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	The risk committee should consider the risk management policy and plan and monitor the risk management process.	The risk committee's terms of reference must be updated to include reference to the group's risk management plan and policy. The committee ensures adherence to the risk policy. However, a risk plan is not in place, as described earlier.	This will be addressed in the new year.
	The performance of the committee should be evaluated once a year by the board.	The board does not formally evaluate the performance of the risk committee.	This will be addressed in the new year.
Risk assessment			
The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	The board should ensure that a framework and processes are in place to anticipate unpredictable risks.	Although a formal risk identification and mitigation strategy is in place to identify any gaps, a strategic risk assessment is not in place.	This will be re-performed in the coming year.
Risk response			
The board should ensure that management considers and implements appropriate risk responses.	Management should demonstrate to the board that the risk response provides for the identification and exploitation of opportunities to improve the performance of the company.	Although the identification of opportunities and management of risk already occurs (examples include a training and risk mitigation process being undertaken to evaluate opportunities of expanding within EPC contracting), the risk management plan has to be developed, which will formally include opportunity reporting.	This will be addressed in the new year.
Risk monitoring			
The board should ensure continual risk monitoring by management.	The responsibility for monitoring should be defined in the risk management plan.	A formal risk management plan must be presented, although the group currently operates with an approved risk policy and mandate from the risk committee. The risk plan is determined by the risk officer in light of the policy and mandate from the board and ratified by the risk committee. This needs to be formalised.	This will be addressed in the new year.

Review from the company secretary continued

King III gap summary continued

Code of governance principles		Gap identified	Action plan to rectify
Risk assurance			
The board should receive assurance regarding the effectiveness of the risk management process.	Internal audit should provide a written assessment of the effectiveness of the system of internal controls and risk management to the board.	Although internal audit provides written confirmation on internal controls through its reports to the audit committee in which each business is rated in terms of performance with respect to their control environment, the effectiveness of risk management is not expressly confirmed by the internal audit department.	This will be formally addressed by internal audit in the new year.
The governance of information technology			
The board should delegate to management the responsibility for the implementation of an IT governance framework.	The board may appoint an IT steering committee of similar function to assist with its governance of IT.	There is currently no IT steering committee in place within the group.	This is currently being addressed. The steering committee will consist of the CIO, CFO, exco member, independent professional adviser and internal and external audit.
The board should monitor and evaluate significant IT investments and expenditure.	The board should obtain independent assurance on the IT governance and controls supporting outsourced IT services.	Although the full service and support IT functions are outsourced, with a master agreement that governs the outsourced relationship and a service level agreement (SLA) that governs performance expectations, independent assurance has not been obtained.	This will be considered with the implementation of a steering committee.
Compliance with laws, rules, codes and standards			
The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	The induction and ongoing training programmes of directors should incorporate an overview of and any changes to applicable laws, rules, codes and standards.	Although the board is informed of relevant laws, rules, codes and standards, including changes, this is not currently done as part of their induction.	Going forward, this will be incorporated into their induction programme.
	Compliance with laws, rules, codes and standards should be incorporated in the code of conduct of the company.	Not compliant. Although the group currently has a formal code of conduct (the "Code of Ethics"), compliance with laws, rules, codes and standards are not expressly stated.	This will be included in the Code of Conduct of the group.

Code of governance principles		Gap identified	Action plan to rectify
The board should delegate to management the implementation of an effective compliance framework and processes.	Management should establish the appropriate structures, educate and train, and communicate and measure key performance indicators relevant to compliance.	Not compliant on measurements of the key performance indicators relevant to compliance, although the appropriate structures of education, training and communications are in place.	This is currently being developed by the compliance function.
Internal audit			
Internal audit's approach plan			
Internal audit should follow a risk-based approach to its plan.	Internal audit should be an objective provider of assurance that considers the risks that may prevent or slow down the realisation of strategic goals.	Although rigorous and entrenched risk management processes are in place, further emphasis needs to be placed on providing assurance on the alignment of the group strategic goals and objectives to the risks facing the group.	A formal review of the group-wide risk management process will be performed in the coming year.
	Internal audit should be an objective provider of assurance that considers whether controls are in place and functioning effectively to mitigate these.	Although controls are in place, the review of the risk management process will include an assessment of controls and an assurance on opportunities available to the group.	A formal review of the group-wide risk management process will be performed in the coming year.
	Internal audit should be an objective provider of assurance that the opportunities that will promote the realisation of strategic goals are identified, assessed and effectively managed by the company's management team.	They are independent assurers, but have not strictly been focusing on opportunity management.	The review of the risk management process will include an assessment of controls and an assurance on opportunities available to the group.
The audit committee should be responsible for overseeing internal audit.	The audit committee should be responsible for the appointment, performance assessment and dismissal of the CAE.	Although feedback on performance is provided by the chairman of the audit committee, performance management is conducted by the CFO. Appointment of the current CAE was made with input from both the CFO and the chairman of the audit committee.	This will be conducted with the input from the audit committee chairman during the next cycle of performance evaluations.

Review from the company secretary continued

King III gap summary continued

Code of governance principles		Gap identified	Action plan to rectify
Governing stakeholder relationships			
Dispute resolution			
The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	The board should adopt formal dispute resolution processes for internal and external disputes.	Although a crisis communications plan is in place to ensure that any emergency is communicated appropriately, with internal disputes managed through formal procedures determined by the human resources department and external disputes addressed relevant to each situation, a formal dispute resolution process has not been adopted by the board. The group has attempted to address this by inserting ADR clauses in contracts.	This will be addressed in the new year.

REMUNERATION REPORT

Introduction

As outlined on pages 50 to 53, the performance of the board and our team is appraised against a set of clear objectives. Executive and senior management are measured and remunerated against a balanced scorecard aligned to people, the environment and performance.

The next few pages outline information around group remuneration practices, as well as information around board and senior management remuneration.

Remuneration practices

Group Five has a holistic policy that governs its remuneration practices below is a summary of it practices.

Group Five integrated approach

	Elements	Group Five	Strategic intent
Pay at risk/ variable pay	**Long term incentive**	▶ Share options	▶ Long term company performance ▶ Attraction/retention
Pay at risk/ variable pay	**Short term incentive**	▶ Annual bonus scheme	▶ Company performance ▶ Individual performance ▶ Attraction/retention
Total cost to company	**Basic cash**	▶ Monthly salary ▶ Hourly wage	▶ Skills ▶ Knowledge ▶ Competencies ▶ Experience ▶ Service ▶ Attraction/retention ▶ Individual performance
Total cost to company	**Benefits**	▶ Medical aid ▶ Pension fund ▶ Death benefit ▶ Car allowance	
	Tools	▶ Company cars ▶ Computers/laptops ▶ Cellphones	Job requirement

Review from the company secretary continued

Long term incentives

There are two long term incentive share schemes in place.

Management share scheme

The share appreciation rights (SAR) allocations of this scheme are issued to executive and business unit directors as a retention mechanism and incentive to drive shareholder value through active participation in assisting to strengthen the group's listed share price. These rights are based on seniority, in accordance to an annual multiple of guaranteed earnings.

Employee category	Annual multiple of guaranteed earnings (AMOGE)*
CEO	1.5
Executive directors	1.2
Managing directors	0.9
Business unit directors	0.6

** The SARs issued are based on AMOGE, which is the value of the shares based on the 30-day volume adjusted weighted average price in the 30 days prior to the issue, expressed as a multiple of the employee's annual cost to company package.*

No specific performance criteria are stipulated, although it is expected that employees who are granted these shares are employees who have and will continue to meet or exceed expectations.

Black management share scheme

The black management share scheme was created as part of the Group Five BBBEE empowerment transaction in 2005. Allocations in terms of this scheme are made to black (black, Asian and coloured) managers in Peromnes grades 8 and higher, which is middle management and above.

The scheme therefore also serves as an attraction to black managers to join and remain with the group.

The shares are allocated in accordance with the trust rules set up at the time of launching the scheme. The allocation is based on a targeted annual multiple of guaranteed earnings, adjusted by the remuneration committee, based on the availability for allocation and the increasing number of participants over time.

Peromnes grade	Targeted annual multiple of guaranteed earnings (AMOGE)*
Grade 5	2.0
Grade 6	1.5
Grade 7	1
Grade 8	0.75

** The shares issued are based on AMOGE, which is the value of the shares based on the 30-day volume adjusted weighted average price in the 30 days prior to the issue, expressed as a multiple of the employee's annual cost to company package.*

No specific performance criteria are stipulated, although it is expected that employees who are granted these shares are employees who have and will continue to meet or exceed expectations. Refer to page 369 of the annual financial statements for additional information.

Variable pay bonuses

The group grants employees bonuses once a year. These bonuses are based on group, business unit and individual performance over the financial year of the company. See pages 50 to 53 for the key performance areas senior management are measured against in assessing bonus entitlement.

Total cost to company

Base pay

Group Five benchmarks its remuneration practices against the market it recruits from and where employees find alternative employment. We also benchmark against a number of remuneration survey companies' findings to ensure our levels are both competitive and fair.

The group follows a job grading system, which includes paying salaried employees at a level that meets market expectations for that job category. Our wage-based employees are paid either in line with a sectoral determination set out by the Department of Labour or in line with a union-negotiated wage.

Benefits

Group Five offers a number of employee benefits, as approved by the remuneration committee. These include medical aid, pension and death benefits. These are also based on market trends.

Director and senior management remuneration

Non-executive directors fees

Fees, services and expenses	Fees 30 June 2010 (R'000)	Expenses 30 June 2010 (R'000)	Total 30 June 2010 (R'000)	Fees 30 June 2009 (R'000)	Expenses 30 June 2009 (R'000)	Total 30 June 2009 (R'000)
P Buthelezi	719	–	719	696	13	709
L Chalker	510	214	724	308	433	741
SG Morris	547	–	547	486	–	486
KK Mpinga	383	–	383	306	–	306
WV Mavimbela†	–	–	–	59	–	59
MSV Gantsho#	91	–	91	194	115	309
LE Bakoro•	318	–	318	136	–	136
JL Job•	353	–	353	137	–	137
Z Mtshotshisa* ++	200	–	200	–	–	–
Total	3 121	214	3 335	2 322	561	2 883

*• Appointed in November 2008. † Resigned June 2009. * Appointed June 2009. ++ Resigned May 2010. # Resigned January 2010.*

Non-executive directors' proposed fees F2011, subject to shareholder approval

Position	F2011 Fees	F2010 Fees
Main board – chairperson	R697 600 per annum	R640 000 per annum
Main board – non-executive director	R174 000 per annum	R160 000 per annum
Audit committee – chairperson	R174 400 per annum	R160 000 per annum
Audit committee – member	R87 200 per annum	R20 000 per meeting
Remuneration committee – chairperson	R87 200 per annum	R80 000 per annum
Remuneration committee – member	R46 000 per annum	R14 000 per meeting
Risk committee – chairperson	R116 000 per annum	R80 000 per annum
Risk committee – member	R61 000 per annum	R14 000 per meeting
Nominations committee – chairperson*	R87 200 per annum	R80 000 per annum
Nominations committee – member	R46 000 per annum	R14 000 per meeting
SED committee – chairperson	R116 000 per annum	R80 000 per annum
SED committee – member	R61 000 per annum	R14 000 per meeting
Extraordinary services	R2 500 per hour	R2 300 per hour

A deduction of R12 000 per meeting will apply for non-attendance at a scheduled meeting and R25 000 will be payable for attendance at a special board meeting.

** Included in chairperson's fee.*

Review from the company secretary continued

Director and senior management remuneration continued

Executive directors

Name	Salaries (R'000) 30 June 2010	Salaries (R'000) 30 June 2009	Performance and equity incentives (R'000) 30 June 2010	Performance and equity incentives (R'000) 30 June 2009	Total (R'000) 30 June 2010	Total (R'000) 30 June 2009
MR Upton	**2 974**	2 655	**8 527**	6 537	**11 501**	9 192
CMF Teixeira	**1 745**	1 529	**3 010**	1 688	**4 755**	3 217
	4 719	4 184	**11 537**	8 225	**16 256**	12 409

Executive committee members (excluding CEO and CFO)

	Salaries (R'000) 30 June 2010	Salaries (R'000) 30 June 2009	Performance and equity incentives (R'000) 30 June 2010	Performance and equity incentives (R'000) 30 June 2009	Total (R'000) 30 June 2010	Total (R'000) 30 June 2009
Total earnings	**12 863**	11 396	**25 435**	20 146	**38 298**	31 542

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) 30 June 2010	Salaries (R'000) 30 June 2009	Performance and equity incentives (R'000) 30 June 2010	Performance and equity incentives (R'000) 30 June 2009	Total (R'000) 30 June 2010	Total (R'000) 30 June 2009
Total earnings	**22 304**	20 498	**26 582**	21 227	**48 886**	41 725

Manco members' earnings are included from the date of appointment to manco. Represents earnings relating to manco members present at year end only.

King III requires, in term of principle 2.26, disclosure of the remuneration of each individual director and certain senior executives. The group complies with this requirement and, has for the last few years provided additional disclosure in terms of its remuneration to exco and manco members.

Recommended practice, in line with 2.26.2 of the King III code, is the disclosure of the salaries of the three most highly paid employees who are not directors.

The group has noted this requirement and the required disclosure is provided on the right. Remuneration for individuals included within exco and manco committees has been reviewed and the top three members of management selected for aggregation within the disclosure that follows.

It has been noted, through a review of a discussion paper presented by PricewaterhouseCoopers Inc. and through discussion with the Institute of Directors, that the intent of the King III sub-committee on this matter was the disclosure of the remuneration of the top three members of management named by employee. The discussion paper continues to suggest that three alternative manners of reporting may be adopted, namely (i) individually but anonymously (ii) individually and named and (iii) in aggregate.

Although application of King III only becomes effective for the group in the coming financial year, the group wishes to adopt this disclosure early. Since this requirement is open to interpretation and limited guidance is available to date, the group has reported based on option (iii) above – ie in aggregate.

From a competitive perspective, the group does not believe that it is appropriate to disclose the remuneration for senior management by individual in a market where skilled executive resources are scarce. However, to ensure transparent disclosure, the group is comfortable to report the aggregate remuneration for the top three management members.

Three highest paid members of management (excluding executive directors)

	Salaries (R'000)		Performance and equity incentives (R'000)		Total (R'000)	
	30 June 2010	30 June 2009	**30 June 2010**	30 June 2009	**30 June 2010**	30 June 2009
Total earnings	**6 720**	5 731	**12 849**	10 344	**19 569**	16 075

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**	**Options granted and accepted Closing balance**	**Strike price**	**Options vested Closing balance**
2010								
MR Upton	400 000	–	30,44	–	–	400 000	30,4	300 000
	71 000	–	54,81	–	–	71 000	54,8	23 430
	100 000	–	43,07	–	–	100 000	43,1	–
	166 000	–	28,63	–	–	166 000	28,6	–
	–	150 484	34,09	–	–	150 484	34,1	–
CMF Teixeira	25 000	–	24,77	–	–	25 000	24,8	25 000
	25 000	–	54,81	–	–	25 000	54,8	8 250
	25 000	–	50,80	–	–	25 000	50,8	8 250
	200 000	–	43,00	–	–	200 000	43,0	–
	72 000	–	28,63	–	–	72 000	28,6	–
	–	71 740	34,09	–	–	71 740	34,1	–
	1 084 000	222 224		–	–	1 306 224		364 930

Name of director	Options granted and accepted Opening balance	Options granted during the year	Strike price	Options exercised and paid	Options lapsed	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		218 750

Review from the company secretary continued

Director and senior management remuneration continued

In the interest of further disclosure, the group also 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	Options granted and accepted Closing balance	Strike price	Options vested Closing balance
95 000	–	12,55	18 750	–	76 250	12,55	76 250
37 500	–	18,56	37 500	–	–	18,56	–
25 000	–	24,77	–	–	25 000	24,77	25 000
1 200 000	–	30,44	175 000	–	1 025 000	30,44	675 000
267 000	–	54,81	–	–	267 000	54,81	88 110
482 000	–	50,20	–	–	482 000	50,2	159 060
150 000	–	51,00	–	–	150 000	51	49 500
572 000	–	28,63	–	–	572 000	28,63	–
–	527 908	34,09	–	–	527 908	34,09	–
2 828 500	527 908		231 250	–	3 125 158		1 072 920

Details of share options and share appreciation rights issued to manco (excluding CEO, CFO, exco)

Options granted and accepted Opening balance	Options granted during the year	Strike price	Options exercised and paid	Options lapsed	Options granted and accepted Closing balance	Strike price	Options vested Closing balance
12 500	–	12,55	12 500	–	–	12,55	
50 000	–	12,28	10 000	–	40 000	12,28	40 000
18 750	–	18,56	18 750	–	–	18,56	–
18 750	–	20,00	18 750	–	–	20,00	–
25 000	–	20,25	–	–	25 000	20,25	25 000
262 500	–	24,77	100 000	–	162 500	24,77	162 500
25 000	–	26,39	–	–	25 000	26,39	25 000
75 000	–	31,87	–	–	75 000	31,87	37 500
267 000	–	54,81	–	–	267 000	54,81	91 410
377 000	–	50,20	–	–	377 000	50,20	124 410
32 300	12 089	16,03	–	–	44 389	16,03	–
100 000	–	33,63	–	–	100 000	33,63	–
692 000	42 505	28,63	–	–	734 505	28,63	–
–	625 380	34,09	–	–	625 380	34,09	–
1 955 800	679 974		160 000	–	2 475 774		505 820

Details of share option and share appreciation right issued to top three paid members of management

Options granted and accepted Opening balance	Options granted during the year	Strike price	Options exercised and paid	Options lapsed	Options granted and accepted Closing balance	Strike price	Options vested Closing balance
37 500	–	12,55	18 750		18 750	12,55	18 750
900 000	–	30,44	175 000		725 000	30,44	450 000
118 000	–	54,81	–		118 000	54,81	38 940
256 000	–	50,20	–		256 000	50,20	84 480
290 000	–	28,63	–		290 000	28,63	–
–	262 422	34,09	–		262 422	34,09	–
1 601 500	262 422		193 750	–	1 670 172		592 170

The next few pages show CVs outlining the experience of our board members, as well as our senior management team.

Board of directors

P (Philisiwe) Buthelezi (46)

Independent non-executive director and chairperson

BA Economics, MSC in Economics (University of Paris, Sorbonne), MBA (UK)

Chairperson of nominations committee

- Appointed July 2007 as non-executive director
- Appointed as chairperson 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
- She is a non-executive director of Mvelaphanda Resources Limited

MR (Mike) Upton (55)

Executive director and chief executive officer

BSc Electrical Engineering, Professional Engineer (Pr. Eng), Business Management Diploma (Newcastle, UK), FSAIEE

Executive committee member, member of audit committee, member of risk committee, member of remuneration committee

- Joined 2002
- Appointed to the board and as CEO in 2006
- Mike has eight years' experience at Group Five in multidisciplinary construction, plant engineering and business repositioning, with the last four years as exco member, executive director and CEO
- 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

CMF (Cristina) Teixeira (37)

Executive director and chief financial officer

BCom, BCompt (Hons), CA(SA) Advanced Management Programme (INSEAD)

Executive committee member

- 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 eight 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
- 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 Investment Analysts Society (IAS) award in its sector for reporting and communications four years in a row, as well as being the overall South African winner for 2009
- She is a non-executive director of digitalME (Proprietary) Limited.

Review from the company secretary continued

Board of directors (cont)

LE (Lindiwe) Bakoro (36)

Independent non-executive director
BCom, H Dip in Tax Law, Post-graduate diploma in Accounting, MCom CA(SA)

Member of audit committee

- Appointed November 2008 as non-executive director
- Lindiwe is a founder and executive of a property development and investment company, Bakoro Capital Partners
- She has also worked as an independent financial advisor with a focus on project finance and infrastructure-related transactions. She built up extensive merchant banking experience in project and infrastructure finance while working at Rand Merchant Bank
- She currently serves as a non-executive director and a member of the audit and risk committees of Woolworths, Imperial Bank, Sea Harvest and Liquid Capital
- She is a member of the investment committee of the National Empowerment Fund (NEF)

Baroness L (Lynda) Chalker of Wallasey (68) (British)

Independent non-executive director
Fellow of the Institute of Statisticians, Recipient of nine UK honorary degrees

Member of audit committee, member of risk committee, member of nominations committee, chairperson of SED committee

- Appointed February 2001 as non-executive director
- Previously an 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)
- Founder Trustee of the Investment Climate Facility for Africa
- Lynda is a director of a number of listed and unlisted foreign companies, including being the chairman of Africa Matters Limited, an advisory company on bringing investment to sub-Saharan Africa, a board member of the Global Leadership Foundation and a member of the international advisory boards of MerchantBridge International and Lafarge et Cie

Dr JL (John) Job (65)

Independent non-executive director
BSc (Hons), PhD (Hons) in Physical Chemistry

Member of risk committee, member of remuneration committee

- Appointed November 2008 as non-executive director
- 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
- John has experience in large capital projects and business strategy
- He is a director of a number of unlisted companies, including Makhutswi River Game Farms, Natural Echo Investments and Dream World Investments

SG (Stuart) Morris (64)

Independent non-executive director
BCom, CA(SA)

Chairperson of audit committee, member of risk committee, chairperson of remuneration committee, member of nominations committee

- Appointed July 2005 as non-executive director
- Practised at KPMG South Africa for over 30 years, ultimately as CEO. He was also the chairman of KPMG Africa and a member of the KPMG International Board and its exco
- After KPMG, he became group financial director of Nedbank Group, with exco responsibility for finance, risk, compliance, tax, human resources and management services
- Other non-executive directorships include City Lodge Holdings where he is the chairman of the audit committee and a member of the risk committee, Hudaco Industries where he is a member of the audit & risk and remuneration & nomination committees, Mwana Africa where he is the chairman of the audit committee and a member of the remuneration committee, Sasol Pension Fund where he is the chairman of the board and of the audit & risk and operations committees, Wits Donald Gordon Medical Centre where he is the chairman of the board, audit committee and of exco, Witwatersrand University where he is a member of the council and of the finance and audit committees and Zurich Insurance Company (South Africa) where he is the chairman of the audit & risk committees and remuneration and nomination committees

KK (Kalaa) Mpinga (49) (Congolese)

Independent non-executive director
BSc Agricultural Economics, MSc International Agricultural Development

Member of audit committee, chairperson of risk committee, member of nominations committee, member of SED committee

- Appointed July 2002 as non-executive director
- 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 (Mwana) in 2003. The company has since listed on AIM
- Kalaa is a director of Global Multi Trade and Mwana, a non-executive director of Freda Rebecca Goldmines and a chairman of Bindura Nickel, both situated in Zimbabwe

Company secretary

NC (Nonqaba) Katamzi (41)

Company secretary
BA Law, LLB, CIBM

- Appointed January 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

Review from the company secretary continued

Executive committee

MJ (Junaid) Allie (40)

Executive committee member – group human resources director
BPharm (UCT)

Member of SED committee, remuneration committee by invitation

- 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
- Junaid is a director of The Institute of People Management, Forward Films Africa and ALLUYSIE Trading

P (Paul) le Sueur (53)

Executive committee member – 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

AJ (Andrew) McJannet (47)

Executive committee member – Civil Engineering (Local and Africa)
BSc Eng (Civil), BA (PPE), MA (Oxon), Pr Eng, MSAIEE

- 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
- Andrew is a council member of the South African Federation of Civil Engineering Contractors (SAFCEC)

GD (Guy) Mottram (44)

Executive committee member – group risk officer
BCom, LLB
Member of risk committee

- Joined 2001
- Appointed to exco in 2005
- His focus area is group risk management. He is also responsible for group quality, risk, safety, health, environment, commercial, legal, regulatory, compliance and secretarial
- Guy has more than ten years' experience in his field

ECJ (Eric) Vemer (45)

Executive committee member – 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 2007
- Focus areas are Intertoll, large infrastructure projects, PPPs, concessions, group M&A
- 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 (52)

Executive committee member – Manufacturing and Construction Materials

BCom, Hons Programme in Advanced Marketing and Executive Management Programme

Member of SED committee

- 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 restructuring of businesses
- John's portfolio was expanded last year to include Construction Materials

WI (Willie) Zeelie (48)

Executive committee member: Engineering Projects: Energy and Design and Project Management

Higher National Diploma Electrical Engineering, Pr Tech Eng, MSAIEE

- 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

Review from the company secretary continued

Management committee

C (Celia) Becker

Group country risk director

Before joining the group, Celia was an associate director at PricewaterhouseCoopers Inc., where she specialised in international taxation. At Group Five, Celia focuses on over-border country risk, contract risk and transaction structuring. Her role has also recently been expanded to spearhead a number of additional group projects, such as leading the group's environmental committee.

C (Cedomir) Djordjevic

Technical director: Manufacturing

Cedomir is a turnaround specialist with 21 years' experience in manufacturing. He has operated as works director, business development director and managing director within the Manufacturing cluster and Steel business unit.

RM (Richard) du Toit

Human resources director: Operations

Richard is responsible for remuneration, recruitment, employee relations, employee development, enterprise development and expatriate management. He attends the remuneration committee by invitation. He has over 19 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. Frank 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 is responsible for establishing supply chain management within the group.

GC (Greg) Heale

Business development director

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.

NM (Mark) Humphreys

Managing director: Engineering Projects (Projects)

Mark has a successful track record in operating construction contracts in Africa. At Group Five, 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, as well as general commercial litigation. Loren is currently responsible for the group legal and compliance function, with a 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 is the corporate affairs and communications director, with special responsibility for government liaison. Isabella is a member of the socio-economic development committee.

BR (Brad) Mansfield

Group finance: Operations director

In Brad's eight years with the group, he gained extensive experience operating as a financial manager within a number of Construction business units, as well as within Construction Materials. Brad also heads up the IT department, as well as working within the finance department as group finance operations director.

MM (Mark) Mencel

Regional general manager: Middle East

Mark was appointed during the year. He has extensive experience in the Middle East and other over-border regions in respect of general management, EPC, construction management, power and co-generation contracts and civil engineering project management. Mark is responsible for the execution of the group's regional strategy.

SMO (Siegfried) Milbert

Managing director: Construction Materials

Siegfried worked within a number of business units since joining the group. These included positions such as the managing director of Everite and Cosmos. He is currently the managing director of the Construction Materials cluster.

KD (Keith) Miller

Area director: Building, Western Cape

Keith has over 30 years' experience in civils and building. His focus is on growing the Western Cape business through the group's civil engineering arm.

C (Chris) Riley

Managing director: Plant and steel

Chris gained significant experience in the steel industry in the late 1990s. He 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 four years. He is responsible for new product development and product expansion into related building materials.

MP (Michael) van Rooyen

Managing director: Building

Michael has over 24 years' experience within building markets. He is responsible for ensuring that Building is positioned to take advantage of the new over-border and public sector opportunities.

Review from the human resources director

66%

EMPLOYEES GAVE US A "TOP COMPANY" RATING

67%

INCREASE IN EMPLOYEE TRAINING INTERVENTIONS

HUMAN RESOURCE MANAGEMENT

The human resources (HR) portfolio within Group Five encompasses all aspects related to our people – human resource management, employee wellness, employee relations, human capital development and transformation. This report addresses all these areas.

Delivery

Find below how we delivered on our objectives set for the year.

Key objectives F2010	Progress
Stronger focus on employee development.	Achieved, with 67% more training interventions during the year. Refer to page 195.
Analysis of data to ensure strategic decision-making.	Achieved, with key HR metrics and progress indicators now in real time through an electronic HR dashboard. This allows corrective action to be taken to reverse negative trends.
Drive the group's transformation agenda, with a specific focus on development of black talent.	Partially achieved, with a mentorship programme launched across the group. However, we still need to focus on ensuring we meet our targets of black talent development.
Targeted recruitment of top talent required to build sustainable core capacity.	Achieved, with top talent recruited from the market and the group vacancy factor reduced to below 2%.
Significant enhancement of compensation management tool to ensure competitiveness.	Achieved, with salary bands now differentiated in terms of marketability and scarcity factors. The tool was extensively used this year.
Roll out of an improved performance management template and performance management skills training.	Achieved, although an ongoing focus area. Targeted performance management sessions across the group improved from 53% to 67% of employees.
Manpower planning process to be updated in terms of succession and career path development.	Partially achieved, as succession and career path planning has been developed, but not standardised through the group yet.
Continued focus on improving the accuracy and completeness of data.	Achieved, with a significant improvement in the quality of biographical data.

Review from the human resources director continued

Introduction

Over the last few years, we have made significant strides as an employer of choice by aiming to offer meaningful value to our employees and to create an environment in which all our employees are engaged and committed. This continued commitment paid dividends, with employee retention, performance and feedback continuing to improve, as well as a number of external awards won during this year.

Our HR strategy focuses on four critical areas:

1. **HR business proposition and offering**
   The HR function offers human resource solutions to ensure consistency and efficient processes throughout the group.

2. **Development of quality line management**
   The quality of our line managers is critical, as research indicates that employees do not generally leave organisations, but leave managers.

3. **HR information systems**
   We ensure information systems that result in effective planning, quality business decisions and efficient employee administration.

4. **HR functional skills**
   Our HR teams are the interface between the line manager, the company and the employee. The skills sets of these professionals are therefore critical to ensure that queries are resolved quickly and that all parties remain aligned to the group objectives.

Key focus areas

During the year, we continued to focus on our core HR initiatives to progress the professional and strategic capability of our HR practitioners to best service the needs of our line management and the business.

Focus areas included:

Culture change

The team remained focused on improving our race, gender and cultural transformation at senior levels and on ensuring ongoing employee development at all levels. In line with this, personal development planning, succession planning and talent management was enhanced and a comprehensive diversity and inclusion programme was rolled out.

People

During 2010, we further developed, enhanced and communicated the group's employee value proposition.

Our employee value proposition focuses on:

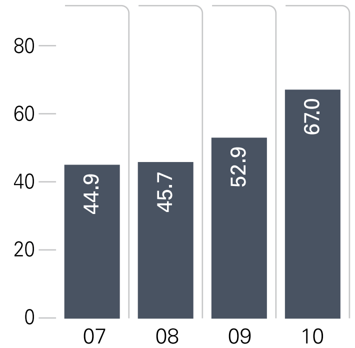
- The quality of our management and management systems
- Ensuring continuous development of our employees through the group's corporate university, The Group Five Academy
- Recognising and competitively rewarding employees
- Offering a wide range of job opportunities within the group

Employee feedback

Two key issues raised in the employee feedback survey of last year were the need to expedite and standardise the roll out of our performance management programme and to communicate more effectively around the group's remuneration philosophy.

To address this, the communications forum was expanded to include representatives from business units, with the aim of facilitating more inclusive engagement throughout the group. The group's performance management policy was revamped, more formal performance management sessions conducted (see graph below) to enhance our employee development and an accredited mentorship and coaching programme implemented in a number of our business units.

Formal performance management sessions completed (%)



Employee benefits and development

Employees were given more choice in terms of structuring their benefits. Improvements made during the year included a broader range of medical aid benefit options, greater retirement fund investment flexibility, the extension of group personal accident cover to all employees and a greater focus on work-life balance through enforcing leave taking and granting additional leave days to our junior employees. In the last few months of the year, we also launched our employee assistance programme.

We continued to offer job opportunities, development and promotion from within the group. We achieved continued success, with 78% of the current senior local and international management positions having been filled by internal candidates through inter-group promotions and transfers.

Employee assistance programme

According to a survey conducted last year by the Society for Human and Resource Management, "in the current economic climate, with widespread job losses across industries, employees rank job security, benefits and compensation amongst their top contributors to job satisfaction".

It is within this context that we partnered with a provider to launch a comprehensive employee assistance programme this year for employees of Group Five and their immediate family members.

The programme includes:

- Life management services, such as:
  - Legal and medical advice
  - Family care
  - Educational and financial advice
  - Consumer issues
- Telephonic and face-to-face counselling for wellness issues

Counselling sessions are led by a qualified psychologist and deal specifically with issues such as stress, divorce, HIV and Aids, as well as relationship advice and parental guidance.

The programme has been well received, with 170 employees utilising its services in the first two months. The main areas employees requested assistance on included relationship issues, financial management advice and trauma management, such as post-traumatic stress.

Current executive and senior management appointment split

	Female			Male			
Category	Black	White	Total	Black	White	Total	**Total**
External appointment	3	2	5	13	14	27	**32**
Internal appointment		5	5	15	94	109	**114**
Total	3	7	10	28	108	136	**146**

Review from the human resources director continued

Case Study

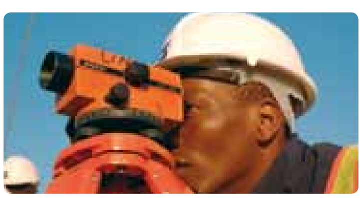
Assisting employees with trauma

During May 2010, two sub-contracted security guards tragically asphyxiated overnight in their guardhouse at our Structural Steel business unit. They were discovered by colleagues the following morning. Our external service provider immediately deployed two counsellors to conduct a counselling session with employees. Of particular importance was the fact that the counsellors were able to address the employees in a number of languages, including Zulu, Sotho, Afrikaans and English.

Employees were also thereafter counselled on an individual basis. Some employees required and received six counselling sessions after the event.

Key achievements

Our key measure of monitoring success is the feedback we receive. Find below some external endorsements.

External endorsements	
	In line with the group's over-arching quality management programme, the corporate HR function was externally audited by DEKRA against ISO 9001:2008 standards. Pleasingly, it achieved a clean audit in the HR function, with only two recommendations for improvement in the Academy. The recommendations focused on improvements in capturing and analysing learner feedback.
	We were rated as the 9th most empowered company in South Africa by the Financial Mail Top Empowerment Companies Survey. We were also the winner in the basic industrial sector and ranked third in the Top 100 companies list in terms of our skills development.
	Group Five achieved best employer status in terms of the Corporate Research Foundation (CRF) 2010 HR survey. The CRF was founded to showcase best practice in the field of HR management.
	Group Five was voted as the top employer in the construction sector in the Magnet Communications Survey. This survey tracks perceptions from young professionals across 22 tertiary institutions in South Africa. ▶ We also achieved 9th position in the engineering and industrial sector against large companies such as Eskom, Sasol and Anglo American. This shows substantial progress for the group, as in 2007 it held 30th position

Internal endorsements

During F2010, we conducted an internal employee survey for the second year. The participation rate doubled to over 50% of employees, with 66% rating us as a "top company". This survey is conducted by an international research agency, Softcraft Research. The performance categorisation used is based on analysis and benchmarking of a range of companies participating in this survey.

Based on this categorisation, our "top company" status indicates that the motivational level of employees will facilitate growth and change.

We achieved improvements in eight of the nine areas measured last year. Particularly pleasing was the improvement in the rating achieved for communication, which was one of our key focus areas during the year. We also introduced a new measure of internal brand awareness. This achieved a high rating, which proved the alignment of our employees to our brand. Company values were also measured, of which the top score was client focus at 79.5%.

Employee survey results

Measure	F2009 – F2010 (%)	F2008 – F2009 (%)	% Change
Overall	65.9	63.9	3
Communication	60.1	51.6	16
Relationships and trust	64.6	61.5	5
Strategy and leadership	67.4	65.8	2
Rewards, recognition and performance management	60.1	57.8	4
Diversity	68.2	66.3	3
Cultures and values	69.5	67.6	3
Structures	70.2	70.8	(1)
Change and transformation	62.1	60.8	2
Human capital management	68.5	67.7	1
Management style	67.3	67.3	–
Internal brand awareness	79.5	–	New

World-class | Top company | Middle-class/average | Poor

During the coming year, we will focus on ensuring a consistent management style across the group and on further refining our performance management processes.

Group Five's seven core values are:

- People
- Excellence
- Transformation
- Client focus
- Integrity
- Innovation
- Performance

We continue to drive this strongly through the group.

Review from the human resources director continued

Employee feedback comments

Find below some direct quotes from our employee feedback:

Positive comments	Reasons for success
"Group Five is a company of choice – they live up to their values in terms of rewards and recognition."	The group has persistently tried to ensure that we remain competitive in terms of our rewards strategy. We have also launched a number of initiatives to give employees recognition for performance. These include launching group-wide CEO awards where top achieving individuals, teams and contracts are publicly recognised.
"Culture and values have improved a lot since we had this survey last year."	During the last few years, we rolled out a focused culture change programme, which included refreshing our values and communicating it extensively through the group.
"All are welcome – it is skill and ability that count."	We have focused strongly on diversity management and on ensuring an inclusive culture. This is however always a developing process.
"A lot has been done in the past year to make everyone aware of the group strategy."	During the last two years, we stepped up our communications from the top down. We implemented a Top 150 forum for senior managers to ensure they are fully informed of the strategy of the group. They are in turn tasked with communicating to their teams.
"Transformation and racial issues are delicate subjects, but Group Five has handled it very well. They have not lost focus on merit."	We have concentrated on diversity management and on ensuring an inclusive culture. This is however always a developing process.

Negative comments	Our response
"No strategy in place to communicate the vision and direction of the company to individuals at lower levels."	We have further improved communications though the expansion of the communications forum to include representatives from business units to facilitate more inclusive engagement throughout the group. Representatives from various business areas are tasked with ensuring that a consistent message is passed through the group and that frequent business unit engagement sessions are conducted with employees.
"As a woman in the 'man's world' of construction, having initiative and being a team player is my only survival."	As outlined on page 208, we are running diversity workshops and communicating being sensitive to race and gender. We will intensify our focus in this regard.
"Remuneration will always be seen to be a problem, although it is not the only reason people work for Group Five."	As outlined on page 183, the group further refined its employee benefits. We have also improved information around how employees are remunerated.
"Race is still an issue, especially with those unwilling to change."	As outlined on page 208, we are running diversity workshops and engaging employees around the issue of race and gender.
"Managers don't lead by example with work-life balance."	As outlined on page 183, we are increasingly focusing on work-life balance, with forced leave taking etc.
"When restructuring is taking place – more information and updates should be given to the employees."	The group has identified this as a weakness and will ensure that it improves its engagement with employees during times of change.

Key challenges

Against external economic pressures, we concentrated on effectively managing our employee relations and limiting industrial action. Refer to page 192.

Ongoing redeployment and, in some instances, employee reductions necessitated by the completion of some of the major infrastructure contracts in South Africa, resulted in a degree of insecurity amongst employees in the affected business units. To address this, the group focused on communicating the opportunities available in the rest of the group and on actively sharing the group's pipeline of contracts being targeted to demonstrate the existence of future opportunities and group sustainability.

Another key challenge was to continue improving our employee racial and gender composition and meeting the related employment equity targets we set, in particular at a senior management level. See Employment Equity on page 210 for more information.

We conducted an employee survey at our Group Five business unit in Middle East and achieved a rating of 61%. While this result was predictably lower than the group average due to the significant level of change experienced in this region over the past 18 months, it was nevertheless disappointing. The newly-appointed country head based in Dubai has been tasked with rebuilding the business, its leadership and employee morale in anticipation of renewed growth in this region.

Looking forward

With the completion of several large FIFA 2010 Soccer World Cup and other large infrastructure contracts and the slow awarding of additional contracts in both the public and private sectors, the industry has clearly entered a downturn. Against this, the HR team will increasingly focus on:

Key objectives	Desired results
Keeping our employees committed and engaged by supporting training, career development and ensuring effective communications.	▶ Motivated employees during the downturn, with preparation in place for the next upturn ▶ Maintain or improve our employee engagement score of 65.9%
Driving our performance-based culture.	▶ Increased efficiency and delivery against key deliverables to ensure maintenance or improvement of operational results
Transformation and succession at senior and executive levels.	▶ To identify opportunities to develop and promote black successors
Ensuring that our people and systems are geared for international opportunities outside the South African market.	▶ To ensure that we are able to mobilise our people and resources quickly, without detracting from our employee value proposition
Managing our industrial and employee relations effectively in a tougher market.	▶ Committed employees, focused on achieving the group's objectives ▶ Ensuring that potential areas of conflict are resolved with least disruption to productivity and employee morale

Review from the human resources director continued

EMPLOYEE WELLNESS

Delivery

Find below how we delivered on our objectives set for the year.

Key objectives F2010	Progress
Achieve 100% participation in our executive health assessments and achieve a reduction in a number of high-risk cases.	Achieved, with 96% of our executives having health assessments through our executive health programme. The other 4% were either on a health management programme already or chose to see their private physicians.
Continue improving wellness programmes.	Achieved, with the introduction of a group employee wellness programme and additional awareness of the importance of medical surveillance.
Implement medical surveillance protocol and increase the number of wellness days and participants.	Achieved. The group implemented medical surveillance this year, with 2 918 employees taking part.
Reduce the number of malaria cases and implement a zero tolerance to infections.	Achieved, with the number of malaria cases decreasing to 50 from 125 in F2009.
Implement an accredited HIV/Aids peer educator training programme and increase the number of trained peer educators.	Achieved through the peer programme run by our external service provider. 164 peer educators trained during the year.
Report regularly on HIV and Aids prevalence in the group.	Achieved, with quarterly reporting.
Ensure that employees make informed decisions about medical insurance cover.	Achieved, with employees making more informed choices on their medical plans.

Introduction

During the year, we further improved how we manage the health of our employees by rolling out formal medical surveillance programmes throughout the group.

Key focus areas

Our key focus in terms of employee wellness during the year continued to be:

- Promoting the importance of employee wellbeing
- Providing assistance to employees through the provision of confidential and professional counselling services
- Delivering comprehensive guidelines to management in the business units
- The efficient delivery of services through accredited service providers
- Where possible, providing employees with case management programmes

Our approach to wellness:

**Voluntary counselling and testing.*

***Awareness counselling and testing.*

Key achievements

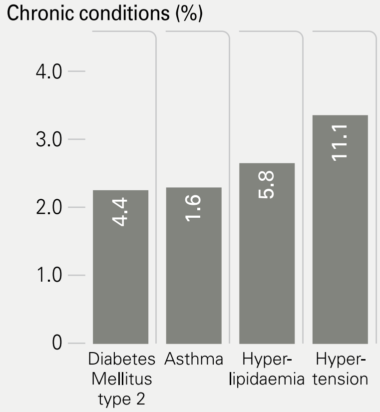
We had a successful year in terms of our wellness programme roll out, with employee participation increasing consistently.

We achieved the following:

- Effective roll out of surveillance, which has provided detailed information in terms of wellness issues
- Implemented an HIV and Aids programme that should further improve understanding, early diagnosis and treatment
- 96% attendance at our company executive medicals
- Decreased the number of malaria cases through education and prevention strategies

The most common chronic conditions for employees on our medical aid are listed below. Hyperlipidaemia (high cholesterol) and hypertension are the most prevalent conditions. To address this, we will step up our education programmes around lifestyles and life choices.

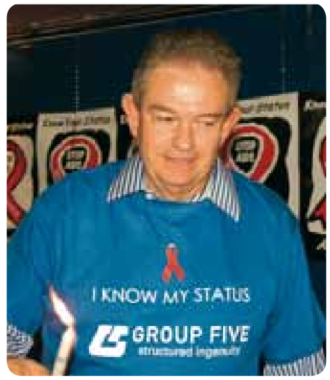
Chronic conditions (%)



Review from the human resources director continued

HIV and Aids awareness and testing is generally performed every second year. This year we changed our approach from the previous voluntary counselling and testing (VCT) programme to awareness counselling and testing (ACT). This involves first training the employee on HIV and Aids through awareness sessions, after which they choose to test or not. This has proven to be successful, as it encouraged rather than deterred people from testing. This resulted in 6 156 people being counselled and tested, which is a very pleasing improvement from the 5 662 employees last tested.

At the start of the year, we set a goal of ensuring that 60% of our permanent employees know their HIV/Aids status. We achieved this, with 61% of employees knowing their status. This is a record for the group. Our target over the next two years is 80%.



Our HIV and Aids framework:

Focus	Delivery
HIV/Aids policy	▸ Policy endorsed and communicated to all business units
HIV/Aids task team	▸ Task team members nominated and monitoring meetings held monthly
Communication, awareness and training	▸ Service provider selected ▸ Peer educators identified and trained/re-trained ▸ Ongoing employee awareness workshops conducted ▸ HIV/Aids material communicated ▸ Annual World Aids Day commemoration
HIV/Aids counselling, testing and wellness programme	▸ 6 156 employees counselled and tested. Wellness programmes implemented
Ongoing support and care	▸ Peer group support ▸ Condoms distributed at all sites and offices ▸ Nutritional supplements provided
Measurement and reporting	▸ Monthly, quarterly and annual reports

	Number of employees trained (awareness provided)	Number of employees counselled and tested	Number of peer educators trained	Prevalence rate
F2010	**6 426**	**6 156**	**164**	**18%**
F2007	5 662	5 662	24	14.6%

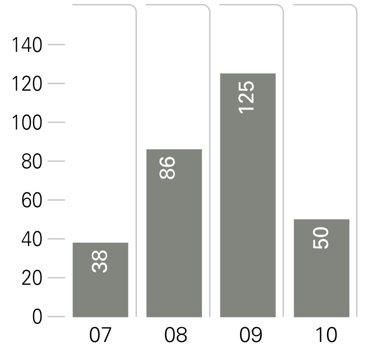
As can be seen in the table, the overall prevalence rate in the group increased from 14.6% in F2007 to 18% in F2010. This is mainly due to increasing the number of people who were tested to 61% of our South African workforce from the 41% in F2007 and extending the testing to hourly and monthly contract workers. For example, the prevalence rate amongst hourly workers is 26% and our monthly contract workers 19%. 69% of the people tested this year who tested positive have never been tested before.

Malaria

As outlined last year, malaria is one of the main employee wellness issues faced in the group. Following a huge increase last year to 125 infections compared to 86 in F2008, we launched a targeted programme to address the increase.

This programme was successful, with cases decreasing during the year to 50.

Malaria statistics for the period F2007 to F2010 (number of cases)



Key challenges

Following the roll out of our medical surveillance programme this year and improved medical reporting and monitoring, we were required to place more vigilance around employees who do not meet the minimum health standards required for their occupations.

To address this, we actively managed these cases back to an acceptable level or redeployed these employees to areas more appropriate to their illness. Redeployment took place for employees with a range of conditions, such as cardiac conditions and visual impairment.

Looking forward

Going forward, we will build on the successes already achieved by continuing to focus on pro-active measures.

Key objectives	Desired results
Creating awareness of our employee wellbeing programme.	Health awareness to ensure continued productivity and employee self management
Increasing the number of medical evaluations.	Proactively manage identified health issues
Improving reporting and management of medical surveillance.	Early identification of health trends and intervention to ensure a healthier workforce
Further rolling out HIV/Aids testing.	Achieving the target of 80% of employees knowing their status

Review from the human resources director continued

EMPLOYEE RELATIONS

Delivery

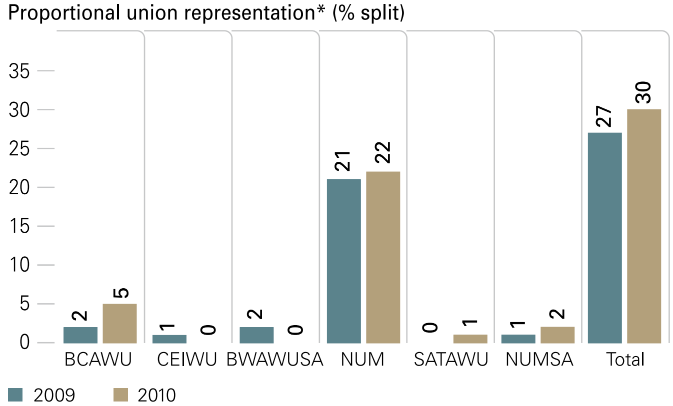
Find below how we delivered on our objectives set for the year.

Key objectives F2010	Progress
To continue to actively participate in representative forums.	Achieved, with all business units now having recognition agreements in place. Regular interaction with organised labour is taking place. We also actively participated in the Department of Labour's forum to ensure the non-disruption of key 2010 contracts.
To take an active role in industry negotiations to ensure the process represents our interests.	Achieved, with the group having a leadership role within both the South African Federation of Civil Engineering Contractors (SAFCEC) and building industry collective bargaining structures.

Introduction

The year started on a volatile note, with a national civil industry strike, which was predominantly focused on the FIFA 2010 Soccer World Cup infrastructure contracts. The strike was fortunately not protracted and was settled with a 12% increase granted to all wage earners within the bargaining unit.

Proportional union representation* (% split)



**As a percentage of total South African permanent employees.*

BCAWU – Building Construction and Allied Workers Union
CEIWU – Construction and Engineering Industrial Workers Union
BWAWUSA – Building Wood and Allied Workers Union of South Africa
NUM – National Union of Mineworkers
SATAWU – South African Transport and Allied Workers Union
NUMSA – National Union of Metalworkers

This was followed by a number of peacefully negotiated settlements during the first half of the financial year. These included a 9% increase in the building industry, with settlements at businesses including a 9% settlement at the Fibre Cement business unit and an 8% settlement in the Construction Materials cluster.

The level of unionisation within the South African workforce increased from 27% to 30%. This was mainly due to an increase in membership of the National Union of Mineworkers (NUM) from 21% to 22% and the Building Construction and Allied Workers (BCAWU) from 2% to 5%.

Key focus areas

During the year, we focused on maintaining constructive employee and union relations on our sites through proactive engagement with organised labour at site level and participation in an industry-wide initiative launched by the Commission for Conciliation, Mediation and Arbitration (CCMA).

We also ensured that management at all levels are adequately trained and equipped to deal with both grievance and disciplinary issues in a reasonable manner.

Our Construction Materials cluster saw an increase in unionisation. To address this, we implemented standardised employee relations practices across the cluster and concluded a joint site agreement with NUM, with the purpose of creating centralised bargaining to cover the various quarry operations in the Gauteng area.

Notwithstanding these pro-active measures, the wage negotiations that commenced in February 2010 were settled only after CCMA intervention during June 2010.

At a group level, we also took part in a number of industry forums tasked with creating central bargaining arrangements to formalise agreements between industry and organised labour.

Key achievements

It is clear that our focus on equipping management with the tools and skills to handle employee relations issues in a fair and consistent manner is paying dividends.

Notwithstanding the increased incidence of involuntary terminations and CCMA referrals, the group kept the number of lost arbitration hearings to two out of the overall 108 cases during the year.

People

Child and forced labour policy

The use of any form of child labour is expressly prohibited in all of our operations. We also reject all forms of forced labour. The group's principles relating to freedom of association are clearly set out in its employee relations policy.

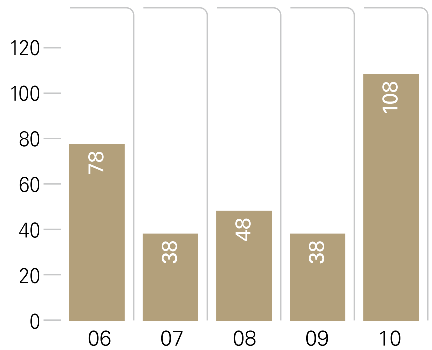
Review from the human resources director continued

Key challenges

The general slowdown in the construction sector increased the focus on wage levels, productivity and headcount. This, coupled with the demobilisation of a number of large sites and associated termination of limited duration/contract-specific employees, resulted in a sharp increase in the number of employees approaching the CCMA. Although contract workers have no legal basis for approaching the CCMA, due to the lack of jobs in the industry, we have seen a trend of people approaching the CCMA in an attempt to retain their current employment.

As a result, the reducing trend of CCMA and labour court referrals achieved over the last four years was unfortunately reversed during the financial year, with disputes referred to the CCMA increasing from 38 in F2009 to 108 during F2010. However, as indicated previously, we limited the lost arbitration cases to two.

CCMA referrals (Number of cases)



Looking forward

Against the backdrop of a continued recession and slowing tender awards, recent industrial strikes indicate that negotiations with labour will continue to be difficult. We therefore anticipate increasing levels of industrial action and disruption.

We also expect the trend of discharged employees seeking relief from the CCMA to continue due to the absence of alternative employment opportunities in the market.

Key objectives	Desired results
Intensified communication with our employees and organised labour on the economic constraints facing the company.	▶ To manage expectations and prevent a deterioration in trust between management and organised labour
Ensuring that our industrial relations processes are above reproach.	▶ To maintain our record of success, with loss cases remaining very low
Evaluating trends in the market in terms of industrial action.	▶ Taking pro-active action to prevent similar incidences in our group
Ensuring that all worker representative forums within the group are functioning.	▶ Effective two-way communication
Increase our employee relations capacity.	▶ Ensure that management has permanent, in-house and cost-effective access to labour law services
Introducing an executive review process to ensure that retrenchment-based terminations are carried out within best practice guidelines.	▶ To ensure that management's decisions in this regard are tested internally prior to the launch of the process
Developing the capacity of our HR professionals to ensure they are equipped to present our cases at the CCMA and training our managers in terms of both drawing up disciplinary charges and chairing disciplinary enquiries.	▶ Effective handling of disciplinary procedures and CCMA representation

HUMAN CAPITAL DEVELOPMENT

A strategic aspect of our organisational growth and capability is creating our own pool of increasingly competent and skilled people. The Group Five Academy was created in 2006 to improve employee capacity to effectively execute the group's strategic initiatives.

Delivery

Find below how we delivered on our objectives set for the year.

Key objectives F2010	Progress
Focus on learnerships (employed and unemployed).	Achieved, with the launch of five industry-related learnerships, including an industry-first learnership programme for disabled, unemployed people.
Increase attendance at our two accredited Construction Skills Training Academies.	Partially achieved. The difficult economic conditions resulted in a slowdown in the training of basic construction skills.
Introduce Adult Basic Education and Training (ABET)	Achieved, with full participation and attendance.
Encourage participation in the graduate engineer development programme to gain professional registration.	Achieved, with participants almost doubling in the last year.
Run an occupationally-directed education, training and development programme for selected employees.	Achieved, with 16 employees successfully completing the programme.
Roll out our junior management programme throughout the group.	Achieved, with a further five programmes conducted and 150 more attendees in the last year.
Improve our management of bursary students.	Achieved. Recruitment interviews are now conducted by a panel of representatives from all business units. Placement at business units is agreed at the recruitment stage and ownership is taken for vacation work and ongoing interaction and communication with students.
Embed e-learning platform in the group.	Partially achieved, with internal integration system challenges delaying the process. However, this has allowed for smaller pilot initiatives and adequate change management interventions.

Review from the human resources director continued

Introduction

The Academy has overall group responsibility for the planning, delivery and maintenance of support systems for learning and development. An indication of success is the year-on-year growth in training interventions, reflecting employee participation at all levels, as well as the group's financial commitment in a tough economic environment.

Spend for the year (inclusive of training support costs, learnerships and bursary costs) is reflected in the table below.

Overall expenditure per category of spend:

Categories – R'm	F2010	F2009	F2008	F2007
Skills development	**3,9**	3,6	3,7	3,1
Technical and professional competence development	**8,9**	8,5	10,5	6,4
Leadership and management development	**2,6**	4,2	2,2	2,6
Student management (bursaries)	**6,0**	9,3	6,8	6,5
Training support costs	**10,1**	12,2	n/a	n/a
Total	**31,5**	**37,8**	**23,2**	**18,6**

Total spend for the year amounted to R31,5 million, with 14 941 employee-specific training interventions taking place, an increase of 67% from last year's 8 933. This increase in training is a reflection of a larger focus on in-house training, as well as improved capturing of training initiatives. Careful management of spend resulted in more training with lower overheads.

The table below is an indication of spend per occupational category, excluding support costs, learnerships for the unemployed and bursary spend, as these costs are not linked to employees.

Spend per occupational category:

Categories	Number of training initiatives	Annual spend Rand
Top management	5	2,3
Senior management	58	62,7
Professional and mid-management	806	876,8
Skilled	8 226	8 589,0
Semi-skilled	4 009	1 565,7
Unskilled	1 837	350
Total	**14 941**	**11 447**

Key focus areas

The Academy's activities are structured around four areas:

- Skills development
- Technical and professional competence development
- Leadership and management development
- Student management

The core focus during the year was on ensuring alignment of training initiatives to group needs against extreme external market pressures.

Skills development

The development of skills in the construction sector continues to be critically important and during the year, a number of initiatives were rolled out. These include learnerships, apprenticeships, ABET and skills programmes. Skills development spend totalled R3,9 million, with learnerships and apprenticeships representing the bulk of the spend. Spend for other programmes, such as ABET or the Construction Skills Training Academy was either small due to the start of programmes or are allocated to other sections of spend, such as overheads.

Learnerships and apprenticeships

A number of learnerships were launched this year. These included a learnership in general administration for people with disabilities. As reflected in the table below, 163 learners were on learnerships and 51 on apprenticeships, at a total cost of R3,9 million.

Spend on learnerships and apprenticeships

	F2010	F2009	F2008	F2007
Annual spend on skills development – R'm	**3,9**	3,6	3,7	3,1
Total number of learners on learnerships and apprenticeship programmes	**214**	231	175	161
– Number of unemployed learners registered on learnership programmes	**163**	149	45	94
– Number of employed learners registered on learnership programmes (apprenticeships)	**51**	82	130	67
Number of disabled unemployed learners registered on learnership programmes	**18**	n/a	n/a	n/a

Review from the human resources director continued

Learnerships and apprenticeships provide access to individuals to acquire sector skills and offer a valuable pipeline of skills for the group. The table below reflects the learnerships and apprenticeships conducted during the year.

Learnership and apprenticeship scope and demographics

Learnership/ Apprenticeship	NQF level	Black		White		Em-ployed	Unem-ployed	Total
		Male	Female	Male	Female			
Learnerships:		86	70	2	5	26	137	163
Autotronics	3	8	7	–	–	–	15	15
Generic Management	4	5	10	–	–	15	–	15
General Administration (learners with disabilities)	3	3	15	–	–	–	18	18
Heavy Fabrication	3	14	6	–	–	–	20	20
Construction Supervision	4	13	5	1	5	–	24	24
Steel-fixing	4	8	5	–	–	–	13	13
Bricklaying	3	3	7	–	–	–	10	10
Plastering	3	3	7	–	–	–	10	10
Carpentry	3	7	3	–	–	–	10	10
Concreting	3	12	5	–	–	–	17	17
Building and Civils	3	10	–	1	–	11	–	11
Apprenticeships:		43	7	1	–	25	26	51
Bricklaying	3	13	1	–	–	–	14	14
Painter	3	12	–	–	–	–	12	12
Carpentry	3	7	1	–	–	8	–	8
Diesel Mechanic	3	4	–	–	–	4	–	4
Fitter and Turner	2	1	–	–	–	1	–	1
Electrician	3, 4	–	2	–	–	2	–	2
Boilermaker	3	1	3	–	–	4	–	4
Earthmoving Mechanic	2, 3, 4	5	–	1	–	6	–	6
Total		**129**	**77**	**3**	**5**	**51**	**163**	**214**

Construction Skills Training Academy

The group has two accredited Construction Skills Training Academies (CSTA). Training conducted at both centres is aimed at unemployed people, sub-contractors and an introduction to construction skills for our bursary students. The CSTA also started to offer skills training for external entities. The table below indicates learner details.

Skills programmes

	Black		White		Total		Total
	Male	Female	Male	Female	Male	Female	
Employed learners	101	6	–	–	**101**	**6**	**107**
Unemployed learners	232	57	3	–	**235**	**57**	**292**
Sub-contractors	341	31	1	–	**342**	**31**	**373**
Bursary students	40	18	18	2	**58**	**20**	**78**
External entities	32	3	–	–	**32**	**3**	**35**
Total	**746**	**115**	**22**	**2**	**768**	**117**	**885**

Adult Basic Education and Training (ABET)

Group Five launched an adult basic education and training (ABET) programme during the year. Sixteen of the learners are black employees, of these, thirteen are male and three are female learners.

People at the Gate

Group Five is committed to investing in the communities where it operates. One initiative in our socio-economic development (SED) programme is People at the Gate. This initiative is run through the Group Five Academy and funded by our SED committee. This comprises skills development programmes that are aimed at unemployed individuals from local communities. Refer to page 224.

Technical and professional competence development

Technical and professional 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.

The focus of this training segment has been 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 given 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.

The table below shows a pleasing increase in training interventions compared to the previous year and the start of the occupationally directed education, training and development (ODETDP) programme for our training and development team.

Technical and professional competence development spend

	F2010	F2009	F2008	F2007
Total annual spend R'm	8,9	8,5	10,5	6,4
Number of students on Programme for Project Management	44	56	22	19
Number of students on Graduate Engineer Development Programme	52	37	n/a	n/a
Number of students on ODETDP	16	n/a	n/a	n/a
Short technical workshop attendance	9 314	8 776	4 047	6 010

Demographics of technical and professional competence development learners

	Black		Black	White		White	
Categories	Female	Male	Total	Female	Male	Total	Total
Programme for Project Management	3	20	23	7	14	21	44
Graduate Engineer Development Programme	1	24	25	–	27	27	52
ODETDP	10	1	11	5	–	5	16
Short technical workshops	1 428	5 220	6 648	691	1 975	2 666	9 314
Total	1 442	5 265	6 707	703	2 016	2 719	9 426

Review from the human resources director continued

Programme for Project Management

The Programme for Project Management is a formal tertiary certificate, offered in collaboration with the University of Pretoria, a programme that is customised to the construction sector, as well as to the specific requirements of the group. The third intake commenced in March 2009 and 23 students successfully graduated in November 2009. A fourth intake has commenced, with a class of 21 students.

Graduate engineer development programme

Qualified engineers employed by the group are offered the opportunity to gain professional registration with the Engineering Council of South Africa. Currently 52 candidates are enrolled, working with external and internal mentors to further their professional development.

ODETDP

ODETDP is focused on professionalising the training and development function within the group. This programme provides credits towards either a National Certificate or Diploma. In the past year, 16 employees graduated.

Short technical workshops

These workshops include courses in areas such as the implementation of ISO standards, the Competition Act, King III compliance and in-house software training. A total of 9 314 individuals attended training during the year.

Endorsement

Provider feedback

"The Academy's dedication towards the Programme for Project Management and the learners leads to a higher pass rate and promotes personal growth. By providing vital information about the methodologies of Group Five, the University was able to develop material that we believe is applicable and of practical value in the Group Five environment."

University of Pretoria

Leadership and management development

The group believes in developing our people and promoting from within. This was the initial rationale for establishing the Academy and contributed to creating a culture of development and learning in Group Five, an essential element for sustainable leadership, growing and delivering our employee value proposition. The table below provides an overview of spend and number of learners participating in leadership and management development.

Spend on leadership and management development

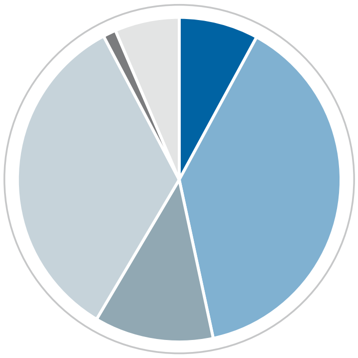
	F2010	F2009	F2008	F2007
Annual spend – R'm	**2,6**	4,2	2.2	2,6
Number of students on Programme in Management Development	**23**	25	17	n/a
Number of students on Building Business Basics (G5B3) Programme	**150**	99	n/a	n/a
Number of competence building workshops	**50**	87	44	81

Programme in Management Development

The Programme in Management Development (PMD) is presented in collaboration with the Gordon Institute of Business Science (GIBS). It provides development for middle to senior level employees and has a strong focus on ensuring that the projects reintroduce measurable results into the workplace. These practical projects are an important aspect of group learning and deliver value back on the investment made.

The PMD is supported by the group executive team (exco), as they dedicate their time to adopt and mentor the syndicate groups on their respective projects. The PMD projects are viewed as an incubator for innovation and learning in the group. Students from the third intake of the PMD graduated in January 2010. To date, a total of 65 students have successfully completed the programme. The next PMD will commence in November 2010.

Group Five B^3 representation of participants



- **8%** Black local female
- **39%** Black local male
- **12%** White local female

Building Business Basics (G5B3)

Our junior management programme called Building Business Basics (G5B3) ensures the development of managerial skills within the group. This programme is based on action-learning principles and relies on support from internal mentors for the duration of the programme. Value is delivered back into the business through implemented projects, as well as through measuring management behaviour changes.

The programme aims to improve people management skills in upcoming line managers for first line managers to increase levels of productivity, improve quality and promote good workplace relationships.

During the year, the programme was launched in Ghana, with a total of 20 students attending. To date, 203 students have completed the G5B3 programme.

Case Study

Building Business Basics
This programme aims to deliver value back to the business through implemented projects. Two projects that were successfully implemented during the year included:

Oil and gas contract
"Hiring of cranes is costly. In my project I implemented careful planning and strict controls and scheduling of the cranes over an eight-month period. By changing the way I do things, a lot of money was saved."

Sky Sands
"The purpose of my project was to save costs and time by shortening the haul route distance from the pit to the plaster sand stock-pile. The project was successfully implemented and is now part of our standard mining strategy."

Endorsement

Provider feedback

"The Academy upholds a high level of professionalism and challenges providers to maintain a high standard of excellence. The Academy is fully involved in the programme and encourages customisation, whilst setting very high standards."

Gordon Institute of Business Sciences

Review from the human resources director continued

Mentoring

A key objective is to provide mentors to all new graduates, individuals undertaking longer learning programmes and high-potential employees. Progress has been made over the past year and a formal three-month mentoring programme was piloted.

Competence building workshops

On-boarding of employees

Induction programmes are conducted at business unit level and for more senior employees, a corporate induction is conducted quarterly. Market overviews and group and business unit strategies are shared by members of exco and corporate specialists, providing insights into structure, scope and operations. Six inductions were conducted in the last year at corporate level, with 148 people attending.

Number of induction attendees

	Black		Black Total	White		White Total	Total
	Female	Male		Female	Male		
Number of attendees at corporate induction	42	54	**96**	13	39	**52**	**148**

Technical and professional competence development focuses on continuously improving employee skills at all levels to deliver construction solutions that are on time, to specification and within budget.

Diversity awareness

This workshop incorporates conversations around engaging with people with different backgrounds to build an environment of inclusion and tolerance. During the year 403 employees attended.

Situational leadership (SLII)

Situational Leadership II (SLII) is a workshop aimed at building leadership capacity and manager quality. This programme commenced with exco members and was conducted at all business units.

Student management

The provision of bursaries to students provides an opportunity to create a valuable pipeline of new skills to the group. Bursaries are mainly provided in the engineering disciplines, construction management and quantity surveying fields. Business unit involvement and commitment is core to the process and workplace exposure forms part of the student's education. As reflected in the table below, a total of 171 bursary students were supported by the group in the last year, with expenditure amounting to R6 million against the R9,3 million in F2009. The decrease was mainly due to the group being more selective in terms of students selected to receive bursaries.

Spend on bursaries

	F2010	F2009	F2008	F2008
Annual bursary expenditure – R'm	6,0	9,3	6,8	6,5
Number of bursary students	171	258	178	149

Demographics of bursary students

Black		Black Total	White		White Total	Total
Female	Male		Female	Male		
35	73	108	5	58	63	171

Key achievements

The Academy continues to receive strong support, both internally and externally. Some specific achievements include:

Ratings

Group Five achieved an overall third position in the category of Skills Development, with a score of 12,8 out of a possible 15 in the 2010 Financial Mail Top Empowerment Companies survey.

ISO audit

Our annual ISO 9001:2008 external audit indicated that our quality management systems within learning and development are sound. DEKRA's feedback on the Academy was that "it is a leader in the construction industry in South Africa".

Mentoring

As outlined on the left, the standardisation and roll out of a group mentoring programme during the year was a great achievement. This programme will further assist in the development, knowledge-sharing and ultimate upward movement of our talent throughout the group.

Review from the human resources director continued

Key challenges

Economic climate

The tough economic climate added additional pressure on the Academy to deliver more interventions, with fewer resources. Creative initiatives across the group resulted in an increase in actual training interventions with, lower overall costs incurred.

E-learning

The roll out of e-learning has been slow due to internal system integration challenges. Inter-team collaboration will be increased and a more targeted approach will be used to encourage more widespread acceptance.

Learnership for disabled individuals

The introduction of a business administration learnership for people with disabilities is a new challenge for the group, as we strive to ensure meaningful job creation after completion of these learnerships.

Looking forward

The operating environment for the construction sector is expected to be tough in the short to medium term. The Academy therefore needs to increasingly seek alignment with the strategy of the group to ensure efficient, agile and effective delivery of results aligned to this strategy.

Key objectives	Desired results
Ensuring that training interventions add value to enhance competence and productivity of individuals and the group.	▶ Competence to deliver on time, within budget and according to specification
Using e-learning as a method of training to keep productivity on our contracts at the required levels.	▶ An effective training platform that limits on-site downtime and increases the development of our employees
Encouraging a culture of learning, particularly through the further expansion of mentoring in the group.	▶ Sharing of knowledge and increasing the group's skills base
Building awareness of our brand at institutions of higher learning to ensure we are viewed as an employer of choice.	▶ Being an employer of choice in the sector and industry

TRANSFORMATION

This section takes the reader through the key information of the Construction Charter scorecard:

- Ownership
- Management
- Employment equity
- Preferential procurement
- Enterprise development
- Skills development

  Due to the group's strong focus on the development of employees and our corporate university, we do not have a traditional skills development focus, but rather a strategic human capital development approach. We therefore report this in the broader human resource management section of this report on page 195.

- Socio-economic development

Review from the human resources director continued

Ownership

Delivery

Find below how we delivered on our objectives set for the year.

Key objectives F2010	Progress
Effectively manage our ownership component with the return of the iLima Consortium shares to the group.	Achieved, as at the time of writing, the court judgement regarding the return of the group's shares was awarded in favour of the group. The legal process remains ongoing, with iLima Consortium having applied for the right to a leave of Appeal, which remains outstanding. The group's percentage empowerment ownership component of the Construction Sector scorecard will remain intact after the return of the iLima Consortium shares.

Introduction

24.5% of the group's shares are currently held by black, Asian and coloured people.

Group Five concluded a broad-based black economic empowerment (BBBEE) transaction in September 2005 that resulted in 26.1% of its enlarged share capital being made available to black South Africans.

The offer constituted **three key elements**, namely:

- **Broad-based employee scheme (0.6%):** this scheme benefited both black and white employees, with 3 969 employees being eligible. 90% of the recipients were black. This was a once-off issue of shares with no consideration required and no vesting period. The shares are held in trust until the anniversary date in October 2010
- **Black managers' scheme (3.9%):** This benefits black managers in senior roles. These shares are held in a share trust and are awarded to black managers annually. The full allocation of shares is due to be concluded during F2011. To date, we have had 245 managers benefiting from the scheme
- **iLima Consortium and the Mvelaphanda Group Limited (21.6%):** The largest part of the transaction was the issuing of 21.6% of share capital equally to the two parties. As announced on the stock exchange news service (SENS) in June 2009, due to certain contractual defaults, Group Five is in the process of unwinding the iLima ownership transaction. Upon completion, these shares will be returned to Group Five and will then be cancelled. The impact on the group's BBBEE shareholding will not be material due to continued improvement in other areas of BBBEE

Group Five BBBEE Ownership Transaction Status

	Total as at June 2010* Number of shares	Total as at June 2010* Shareholding
Employee schemes	2 924 279	2.4%
Broad-based scheme	575 000	0.5%
Black management scheme	2 349 279	1.9%
The participants jointly (iLima Mvela transaction)	22 651 174	18.7%
iLima Consortium (Pty) Ltd	11 015 959	9.1%
Mvelaphanda Group Ltd	11 635 936	9.6%
Total	25 576 174	21.1%

** 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.*

Key focus areas

During the year, the key focus area was to effectively manage the process of the legal unwinding of the iLima consortium shareholding in the group.

Key achievements

The unwinding of the iLima consortium shareholding has so far been successfully managed, with the South Gauteng High Court judgement regarding the return of the group's shares awarded in favour of the group.

This year also saw the number of black beneficiaries in the black management share scheme reaching its highest level since it was initiated in F2005. Currently, 161 employees are on the scheme.

Key challenges

The key challenge in the year was ensuring the group would maintain its BBBEE rating in terms of the Construction Sector scorecard post the unwinding of the iLima consortium shareholding. The legal process remains ongoing, subsequent to iLima applying for leave to appeal.

Looking forward

We will continue to manage the finalisation of the unwinding of the iLima Consortium portion of our BBBEE ownership transaction. F2011 and F2012 will also see the group focusing on addressing its black ownership strategy post this unwind and in light of the fact that the end date of the original transaction is in F2013. To manage this, the board will initiate a process to evaluate options available to ensure that the ownership strategy, post F2012, is robust and meets the intent and spirit of the scorecard, as well as the strategic direction of the group.

Review from the human resources director continued

Management

Delivery

Find below how we delivered on our objectives set for the year.

Key objectives F2010	Progress
Maintain or improve the representation of black managers within senior management structures.	Partially achieved. Although we did marginally improve black management representation at senior level, the economic downturn and resultant slowdown in recruitment opportunities prevented a significant improvement. 382 managers attended the group's diversity programme to create awareness and appreciation of differences.
Focus on women's empowerment.	Achieved, although it is an ongoing process. We are one of a few companies on the JSE that is led by a black woman as the chairperson. We also have a woman CFO and 50% of our board is represented by females.

Introduction

In F2009 we conducted an internal review of the main board that resulted in the appointment of two additional non-executive, independent directors to the board. However, during the year, two members resigned.

The current board complement is eight directors, of which two are executive board members and the remaining six are independent non-executive board members.

At the time of writing, the board had commenced with its 2010 board review. Given that there were two resignations in the year, this process may result in new director appointments should gaps in the skills set of the current board members be identified. This process will also aim to address appropriate diversity.

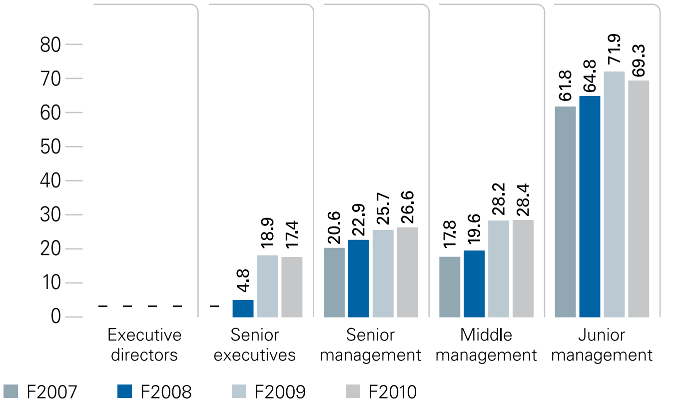
Key focus areas

During the year, we continued to focus on ensuring that, where possible, senior management positions are filled by black employees. Although the percentage of black employees in each of the management categories defined in terms of the Codes remained fairly static year on year, the senior management category pleasingly improved from 25.7% to 26.6%.

Key achievements

The Construction Sector Charter Code provides guidelines in terms of the categorisation of management. Our current status against this is depicted below. Although our increase in senior management is small, this was achieved against a slowdown in growth during the year due to tough markets.

Profile of black management by empowerment category F2007 to F2010 (%)

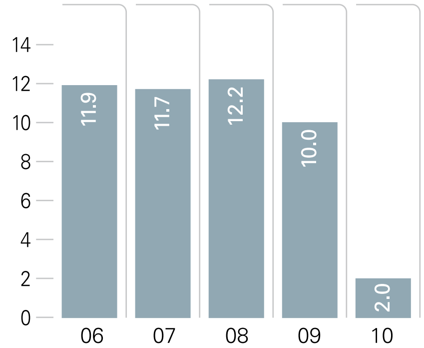


Key challenges

Our actual performance remains behind the sector targets in the executive, senior and middle management categories and we will continue to focus on this to ensure meaningful improvements.

The key challenge of appointing and promoting black managers into senior management roles was exacerbated by the current economic pressure and the reduction in the number of vacancies available in the group.

Vacancy analysis (%)



We are introducing a formal internal succession planning process that will include identifying potential opportunities for black, Asian and coloured employees created by natural attrition, as well as identifying where opportunities become available against the group's focus on deploying resources into the international and other growth markets.

Looking forward

The focus for the coming year will be on continuing to provide development for all managers, with a focus on growing our high potential black talent within the group.

Key objectives	Desired results
Improving transformation at senior levels.	To continue to move towards the sector targets of 35% senior management and 45% for middle management
Ensure that the composition of the board is as diverse as possible.	Functional and diverse board

Review from the human resources director continued

Employment equity

Delivery

Find below how we delivered on our objectives set for the year.

Key objectives F2010	Progress
Increase senior management transformation.	See page 208.
Develop and promote from within.	Achieved, as 78% of our local and international senior management members were promoted from within the organisation. Of these internal promotions, 10.3% were black employees. (Refer to page 183).
Profile the group as an employer of choice for black candidates.	Achieved. Refer to page 184.

Introduction

Group Five is committed to promoting equity and diversity throughout the group. Our approach over the last few years has centred on the following principles:

- Building a culture that is consistent with our values
  - Development and promotion of talent from within the group
  - Striving to achieve our employee value proposition
- Quality of management and management development
- Continuous development
- Competitive recognition and rewards
- Providing development opportunities

Key focus areas

During the year, we continued focusing on the development and procurement of black talent through ensuring that all new appointments and promotions are critically evaluated in terms of the impact on the group's equity profile and against opportunities for internal promotion.

We also embarked on an extensive review of our employment equity targets in an attempt to ensure that our equity plans retain their relevance in currently constrained economic conditions.

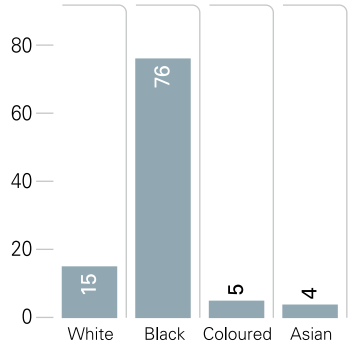
Key achievements

Whilst we believe we still have a lot of work to do in terms of employment equity, we are pleased with some progression in the senior and middle management categories as defined in the Employment Equity Act. Refer to page 208 and the external recognition we received during the year on page 184.

We conducted an internal review of our progress in respect of other designated groups outside of race, which highlighted a lack of delivery in terms of introducing people with disabilities to the group. Barriers identified included both the accessibility of our facilities and a lack of focus on creating career paths for people with disabilities.

To address this, we took corrective action where required, introduced the first learnership in the industry for disabled people and improved the employment of disabled employees to 22. We currently also have 18 disabled candidates on learnership training.

Promotions by ethnic group – F2010 (%)

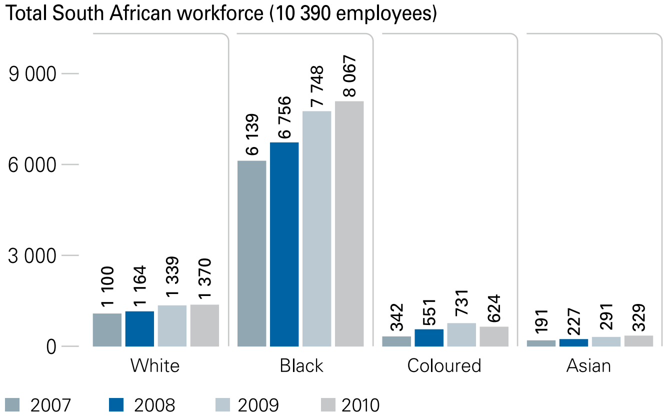


Improvements in EE profile

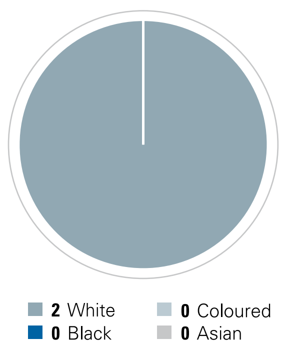
The proportional representation of black, coloured and Asian employees in our senior management category increased from 9.52% to 11.11%. In the middle management category, it increased from 14.79% to 15.97%. Furthermore, even after losing 181 black employees in the junior management category, the representation of black, coloured and Asian employees in this category only decreased marginally from 64.3% to 63.2%.

The graph and pies below reflect a holistic view of the ethnic split of our South African employee base. This shows a pleasing shift towards the demographic profile of the country.

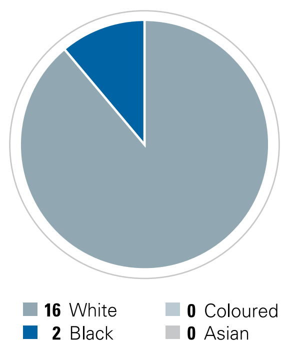
Total South African workforce (10 390 employees)



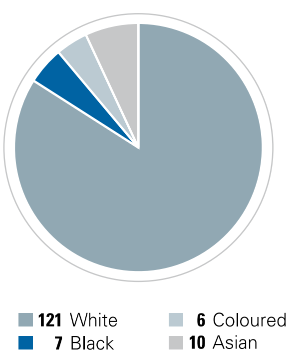
Executive (board)
(Peromnes 1+)



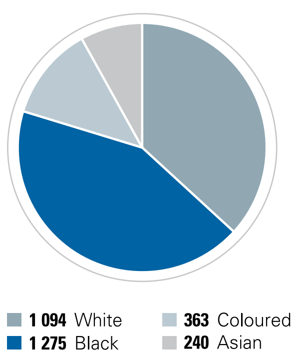
Senior management
(Peromnes 1 – 3)



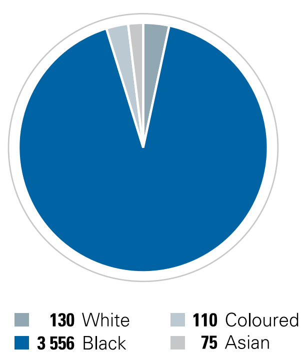
Middle management
(Peromnes 4 – 6)



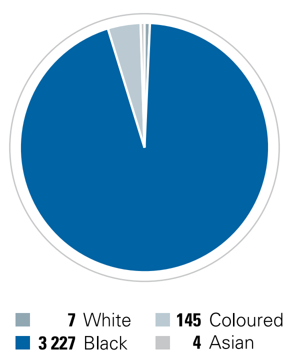
Specialist/Skilled
(Peromnes 7 – 12)



Semi-skilled
(Peromnes 13 – 16)



Lower skilled
(Peromnes 17 – 19)



Review from the human resources director continued

Key challenges

While we continue to make progress, we still have some work to do in terms of further assisting the development of black talent.

There is currently a shortage of adequately experienced black candidates available or ready to fill senior operational positions within the group. We therefore believe it is crucial to "grow our own talent", while ensuring that these employees are supported as their development is fast-tracked.

To address this we:

- Launched a comprehensive mentorship programme to ensure that high potential candidates of all races receive accelerated development
- Introduced a challenging diversity programme across the group to further sensitise management to the benefits of diversity and the challenges faced by our black employees
- Review all senior vacancies and promotional opportunities to maximise opportunities for black advancement
- Constantly address business units targets

Looking forward

In the coming year, we will focus on continuing to roll out our diversity programmes. We will further refine our succession management process and ensure that our employment equity committees are addressing the barriers to equitable employment in their respective business units.

Key objectives	Desired results
Ensuring that our new mentorship programme receives traction in the group and that management is accountable for achieving real results in transformation.	Ensuring that black employees are prepared to take on management positions, as and when they arise
Rolling out our diversity programme across the group with a view to achieving a step change.	Greater awareness and tolerance to difference in the workplace and leveraging differences
Ensuring that all opportunities which become available in terms of vacancies and promotions are scrutinised and equity candidates are a priority to fulfil these roles.	Create a stronger pool of black candidates to fill vacancies at senior management level
Refinement of our succession management process.	Create leadership depth, creating and filling identified positions with black or female candidates
Create more momentum and efficiencies in our employment equity committees to impact our equity profile.	Functional equity meetings that drive the demographic change and actively address the employment barriers

Preferential procurement

Delivery

Find below how we delivered on our objectives set for the year.

Key objectives F2010	Progress
An annual target for each of the four Construction Charter measurement principles was agreed with the respective business units, as reflected in the table on page 214.	Achieved for the first three measurement principles. This was achieved through a coordinated effort across the group in driving the preferential procurement strategy. However, not achieved for procurement through black-women-owned enterprises, as many of these organisations are emerging enterprises with limited capacity and capability to meet the requirements of the group. The focus for the next period will be on identifying a number of enterprises that can be linked to the enterprise development initiative with a view to growing the required capability and capacity.

This year, the group spent R3,8 billion of its total procurement spend of R5,8 billion on empowered suppliers. Of this, 5% was with black women-owned enterprises, a pleasing increase from F2009. However, this still needs our attention to ensure we assist in building the capability of black female businesses in the construction and engineering sector.

Introduction

Preferential procurement continued to improve during the year, led by a comprehensive group effort to promote the appointment of empowered suppliers. As a consequence, the group managed to improve its procurement from entities that have empowerment certificates to 59%, up from 45%* last year.

Key focus areas

The group focused on building closer relationships with its key suppliers during the year. In line with this, in September 2009 a supplier day was hosted with the group's top 100 suppliers. The focus of the day was on the group's preferential procurement and supply chain strategies, which resulted in a better awareness of the business strategy in this area.

** In F2009 the total empowerment spend was reported as 49%. This was reported on the basis of total expenditure through empowered suppliers. This has been updated to reflect the weighted procurement spend in accordance with the dti procurement recognition table, which directly correlates with the empowerment scorecard.*

Review from the human resources director continued

Key achievements

The group is committed to meeting the objectives of the Construction Charter, which has four defined targets to be achieved by the interim measurement date of calendar 2013. The 2010 information is currently unaudited, as the next audit date will be in September.

Actual achievement for the year of review against each of these principles

Measurement principle	Points	Target per Construction Charter 2013 target	**Group Five F2010 target**	**Actual F2010*** **	Actual F2009**	Actual 2008*
Preferential spend with all suppliers	12	50%	**45%**	**58.9%**	45.1%	34.8%
Preferential spend with qualifying small and emerging micro enterprises	3	10%	**7.5%**	**18.6%**	6.3%	5.5%
Preferential spend with enterprises that are more than 50% black owned	3	9%	**5%**	**6.0%**	7.9%	3.8%
Preferential spend with enterprises that are more than 30% black women-owned	2	6%	**1.5%**	**3.5%**	0.1%	0.7%
Weighted Score	20	–****	–****	**19.17%**	15.68%	11.49%

** As audited by BEE Verification Agency cc in August 2008 (Group Five Construction (Pty) Limited).*
*** As audited by BEE Verification Agency cc in October 2009 (Group Five).*
**** Unaudited, as audited period has been changed to September.*
***** A weighted score is not done for targets.*

The improvement in the preferential procurement profile was facilitated through the following actions:

- Continuing to motivate existing suppliers with no formal empowerment profile to define their empowerment strategy and to provide an empowerment certificate
- Only accepting an empowerment certificate from an organisation that has been approved by the South African National Accreditation System (SANAS)
- Identifying and appointing new suppliers with strong empowerment credentials

Key challenges

As indicated, the biggest challenge remains the appointment of black women-owned enterprises. This area will receive focus in the next year, with links to the group's enterprise development initiatives.

Further targets for the next year have been set in each of the four measurement principles. Strategies are being developed to ensure that the group can meet its objectives and continue to transform its supplier base.

Looking forward

The preferential procurement strategy will continue to form a key component of the overall group supply chain strategy.

Key objectives	Desired results
The identification and the development of small and medium sized black-owned and black women-owned enterprises	▸ To achieve the Construction Charter objectives in the medium to long term
Targets have been set for the next year for each of the measurement principles. This will continue to facilitate and promote the preferential procurement strategy.	▸ To ensure that we achieve not only the objectives of the Construction Charter, but also a competitive supplier base that supports quality, safety and environmental requirements of the group

Review from the human resources director continued

Enterprise development

Find below how we delivered on our objectives set for the year.

Key objectives F2010	Progress
The refinement of our supplier database to improve accuracy of capturing and reporting.	Achieved, with supplier database now nearing completion.
Bedding down the new enterprise development relationships formed in the last quarter of F2009.	Achieved, with all relationships functioning well and regular steering committee meetings held to monitor progress.
Raising the profile of our enterprise development partners in the group and creating a network between the partners.	Achieved, with an enterprise development partners day held, with all partners and senior management of the group present.
Finding opportunities to provide the required qualifying enterprise development support contributions to partners without excessive risk exposure.	Achieved, as we met the Construction Charter requirement of 3% of profit after tax contribution to enterprise development in this financial year.

Introduction

Group Five has embraced enterprise development as one of our core strategic initiatives to:

- Develop our **supplier base** in support of our preferential procurement initiatives
- Develop **black construction companies** wanting to expand their capability and their businesses
- Develop our **capacity to deliver on contracts,** with reduced reliance on conventional joint venture partners

Key focus areas

During this year, we had three key focus areas:

- Developing our supplier base by assisting our black supply chain partners to acquire initial or improved BBBEE scorecard accreditation
- Bedding down Category One agreements with our formal enterprise development partners. The key focus was the development of the operational capacity of these companies to facilitate their participation on larger contracts and to progress them to category two
- Providing overhead support, employee development opportunities and, where required and approved, access to the various forms of financial assistance envisaged in the Construction Charter

We categorise our formal enterprise development relationships into four phases:

Category	Description of relationship	Indication of potential assistance
Generic supplier	Generic supply chain participant	▶ Preferential supply agreements ▶ Scorecard assistance ▶ Possible preferential payment terms, if approved by the group's exco
Category 1 Establishment of enterprise development relationship and the development of capacity within the developing organisation.	Formalised enterprise development relationship. Sub-contractor and joint venture partnerships with Group Five, with a view to internal capacity development.	▶ Capacity building through assistance in terms of: – Establishing internal systems and capacity – Development programmes provided by the Group Five Academy ▶ Possible cash flow support in terms of loans and preferential payment terms, if approved by the group's exco
Category 2 Accelerated growth and development.	Established enterprise development partner, often engaged in commercial joint venture relationships with Group Five.	▶ Preferential/formal joint ventures with an emphasis on mentorship and operational capacity building ▶ Possible cash flow support in terms of loans and preferential payment terms ▶ Possible support in terms of performance guarantees, where approved by the group's exco
Category 3 Strategic business relationships, inter-organisational synergies and business partnerships.	Strategic business partner.	▶ Arms-length participation in major joint ventures as a significant partner ▶ Possible cash flow support in terms of loans and preferential payment terms ▶ Capital growth through possible investment in the developing organisation up to a maximum ownership level of 20%, where approved by the group's exco

Review from the human resources director continued

Key achievements

Ratings

The group achieved a full score for enterprise development in the Construction Charter scorecard during the assessment in F2009, even after the loss of our main enterprise development partner, iLima Projects. Three of our seven enterprise development partners also achieved formal Construction Industry Development Board (CIDB) ratings higher than those held in the previous year.

Annual enterprise development day

This year saw the launch of the group's annual enterprise development day. This day provides our partners with an understanding of opportunities in and with the group and offers them with a networking and partnership opportunity.

The day was a great success and created the platform for Group Five to explain and share our key strategic initiatives and direction, as well as allowing our partners the time to profile themselves to the executive management of the group. The day also created the potential for enhanced synergy and industry participation within the group and between enterprise development partners.

Joint venture contracts

A number of our partners were able to participate in certain of Group Five's significant infrastructure development contracts.

These included:

- UMSO Construction's joint venture on the Gauteng Freeway Improvement Project (GFIP)
- ENZA Construction's involvement on the Bus Rapid Transit (BRT) joint venture and the Nedbank Phase II contract
- PANDEV Construction's involvement in both the King Shaka Airport joint venture and the Moses Mabhida Soccer Stadium joint venture
- BL Williams' participation in the Koeberg Interchange contract

Key challenges

The group remains committed to adhering to the spirit of enterprise development. Following the lessons learnt from our initial attempts at enterprise development, and in particular after the end of our relationship with our original enterprise development partner, iLima Projects, we are applying stringent criteria in the selection of our new enterprise development partners.

Our lessons learnt include:

- Conduct thorough due diligence
- Agree on a strict project plan, with milestones that both parties adhere to
- Secure a growing order book that matches with the ability to grow the execution capacity and supporting systems to deliver
- Evaluating size, capacity and experience. Where these are in doubt, joint venture opportunities between the sponsor and enterprise should be the rule to avoid over-trading
- Mentoring of key individuals in the enterprise should be formalised, with rigorous competence and capacity testing before assuming skills have been transferred. This does rely on a willingness to be mentored

- Inadequate reporting by the partners on their operations cannot be accepted where the group has a financial exposure to the partner
- Formalised corporatisation is a pre-requisite for successful enterprise development. Where this culture is absent, it would indicate that the partner selection criteria is insufficient

The group is focusing on addressing these lessons learnt in the management of the current enterprise development agreements. Each of the group's enterprise development agreements is unique and tailored to the needs of the development partner. Our agreements allow our partners to grow with the group in terms of the partners' requirements and the group's offering.

Looking forward

In the year ahead, we will be focusing on assisting our partners with the identification of potential capacity constraints in their businesses to position them effectively for the next upswing.

Key objectives	Desired results
Continue building sustainable systems and capacity in our existing seven partners.	▸ To prepare our enterprise development partners for growth by ensuring that they have robust management systems in place
Increase the number of enterprise development partners to 12 over the next two financial years.	▸ Each business unit to have at least one enterprise development partner to increase our capacity to participate in BBBEE compliant bids, while also reducing our dependence on traditional formal sector JV partners
Offering management development to our enterprise development partners through: – Exposure to leadership programmes through the Group Five Academy – Exposure to the Group Five performance management programme – Increased participation in the formal management development programmes offered by the Academy	▸ Develop sustainable management capacity within enterprise development partners
Offering JV contracting opportunities, as these are the most efficient ways to transfer practical skills when working with our partners.	▸ Facilitate growth of our partners without risk of over-trading
Where financial assistance is provided, an uncompromising reporting regime, together with risk identification, mitigation and remedial actions, will be required. – This includes formalised early warning measures to enable the group as the sponsor to protect its investment – The group may also require the partners to provide some extent of security, provide step-in rights or insist on non-executive directors on the partner company boards	▸ Ensure no undue exposure to Group Five in terms of non-payment

Review from the human resources director continued

Case Study

UMSO Construction was established in 1996. The company was formed as a joint venture between Group Five and a number of black entrepreneurs. A few members of the current key management of UMSO were originally seconded from Group Five as part of this arrangement. In 2005, Group Five relinquished its share with a view to ensuring that the company became sustainable in its own right.

Today, after 14 years, Group Five and UMSO are actively involved in an enterprise development partnership that results in both parties exchanging support through a monthly steering committee and providing other interventions, as and when required. Interventions include training in situational leadership and assistance with job grading and accounts. UMSO has grown into a highly-respected civil contractor that can operate independently, competing against large competitors in major joint ventures with both the group and other major contractors.

UMSO has achieved a CIDB rating of 7CE-PE, with an average annual turnover of around R120 million over the last five years.

Group Five enterprise development partners

The table indicates the names of the seven companies with whom the group has a qualifying enterprise development partnership. It also provides insight into the size and capacity of these organisations, as rated by the CIDB, and the proportion of shares in the hands of black and female entrepreneurs respectively.

Enterprise development partners	Black ownership	Women ownership	CIDB level	BBBEE contributor level
BL Williams (Pty) Ltd	100%	–	6 GB – PE	2
ENZA Construction (Pty) Ltd	100%	17%	7 GB	2
Enzani Technologies (Pty) Ltd	100%	67%	4 EE – PE	1
Inkanyeli Projects (Pty) Ltd	74%	19%	4 GB – PE	5
Pan African Development (Pty) Ltd	100%	–	7 GB – PE	2
Siyakhula Engineering (CC)	100%	–	Pending	3
UMSO Construction (Pty) Ltd	89%	–	7 CE – PE	3

Other joint ventures

In addition to the formal enterprise development agreements, 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 joint venture contracts in the current year with other black-owned companies are set out below.

Discipline	Name of partner/ development entity	Contract/development	Effective partner % holding in venture	Total value of contract (100%) R'000	Commencement date of contract
Construction	Makhosi Construction (Pty) Ltd	Head office accommodation for the Department of Education	30%	403 454	Apr-07
Construction	Fikile Construction (Pty) Ltd	Head office accommodation for the Department of Education	30%	403 454	Apr-07
Construction	Edwin (Pty) Ltd Pan African Development (Pty) Ltd Izinoni Trading 238 (Pty) Ltd	Ilembe Civils Construction joint venture for King Shaka International Airport	30%	2 058 341	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	31%	2 742 974	Jul-07
Construction	Bhekimbeko Business Enterprise CC	Group Five Pandev Bhekimbeko joint venture for Ntuzuma Magistrates' Offices at Bridge City, Durban	20%	177 700	Jan-10
Construction	Fynns and James Joint Venture	Group Five joint venture for improvement to Chota Motala Road Interchange	13%	216 827	Apr-10
Construction	NW Civils	Construction of extensions to Olifantspoort Water Treatment Works	15%	80 258	Oct-08
Construction	NW Civils	Primary Settlement Tanks	17%	31 829	Jul-08
Construction	NW Civils	Northern Waste Water Works	17%	19 335	Jul-06

Review from the human resources director 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
Construction	Bosasa Operations (Pty) Ltd	Replace existing medium prison with a permanent structure and facility for 1 000 inmates	10%	268 755	Nov-08
Manufacturing	Motshwauwa Manufacturing (Pty) Ltd	Manufacture and supply of pallets to Everite	51%	10 680	Jan-06
Investments and Concessions (Property Developments)	Secunda Business Park Development (Pty) Ltd	Secunda business park	15%	80 000	Apr-08
Investments and Concessions (Property Developments)	Westside Trading 600 (Pty) Ltd	Gugulethu Square	25%	305 000	Jan-08
Investments and Concessions (Property Developments)	Group Five AP Developments (Pty) Ltd	Eagle Ridge Retirement Estate Phase III	26%	30 000	Jan-08
Investments and Concessions (Property Developments)	Kuvula Trade 12 (Pty) Ltd	Tygerview, Knightsbridge, The Beacon, St Pauls	13%	259 600	Jan-08
Investments and Concessions (Property Developments)	MRX 92 Investment Holdings (Pty) Ltd	114 West in Gauteng	13%	850 000	Jan-08
Investments and Concessions (Property Developments)	Group Five Montagu Developments (Pty) Ltd	Decor on Zambezi in Gauteng	13%	65 000	Jan-08
Investments and Concessions (Property Developments)	RFC Developments (Pty) Ltd	The Core in Gauteng	13%	196 000	Jan-08

Socio-economic development (SED)

Find below how we delivered on our objectives set for the year.

Delivery

Key objectives F2010	Progress
Ensure that the business units remain focused on the group's SED strategy when selecting their SED beneficiaries.	Achieved, with business unit initiatives monitored on a monthly basis through reports, as well as site visits to some of the beneficiaries.
Ensure visible management support of the initiatives, which will include profiling of the programmes we run.	Achieved, with members of the group SED committee and various business unit managers visiting beneficiaries and being actively involved in employee involvement initiatives. A booklet showcasing the group's various SED initiatives was recently compiled.

Employee volunteerism

Group Five's employees are active participants in our SED programmes. Employees are encouraged to assist with volunteering either time, resources or money to various community programmes and causes throughout the year.

Introduction

Socio-economic development is a core part of Group Five's business strategy and operations. Our aim is to continuously invest in the economic transformation of communities in South Africa and the rest of Africa by providing job opportunities, education and skills development.

We analyse community needs and the potential involvement of key stakeholders before investing in initiatives. Our approach has been to focus on education and the transfer of skills that empower beneficiaries to take control of their own destinies.

Spend during the year increased from R4,5 million last year to R7,9 million this year.

Key focus areas

In the previous financial year, Group Five developed an integrated SED strategy, focusing largely on the geographical areas in which the group operates. We have continued to progress from providing once-off grants or donations to spending more time with our beneficiaries over a number of years (ranging from one to five years) to facilitate capacity building and continuity, which results in measureable outcomes.

Education and training

Education and training continues to be our main focus in line with our strategy of developing a pipeline of scarce skills for the industry and the country at large. We focus on mathematics, science, technology and environmental education and training. Mathematics and science are critical subjects at a school level and assist students in gaining the possible opportunity to receive a Group Five bursary to study in a field related to our business needs.

Schools are also a natural point of contact with communities and a leverage point from which to establish and build relationships with community leaders and other broader stakeholders.

Economic empowerment

Our focus is on developing skills and creating sustainable jobs in areas where we are executing contracts. The Group Five Academy offers accredited skills training to individuals from the local communities, with many of these members employed on our contracts.

Review from the human resources director continued

Social grants

We have again supported a number of charities, HIV/Aids orphans and the needy in various communities throughout South Africa and beyond.

Key achievements

Education and training

Dinaledi Schools

This year we formally launched our Dinaledi Schools Programme, a project falling under the Department of Basic Education's target programme to improve mathematics and science in schools. To date, we have been able to support schools in KwaZulu-Natal, the Free State, Gauteng and Mpumalanga, with assistance involving the rebuilding of laboratories, funding of books for learners and educator development.

TRAC mobile laboratories

Many schools, particularly in the peri-urban and rural communities, still do not have proper laboratories for science education. Through our partnership with TRAC SA, we have been able to support over 20 schools in Bushbuckridge and Ekurhuleni, utilising mobile laboratories and qualified science facilitators to support school educators.

People at the Gate

Unemployment and lack of skills continue to plague many communities. The group launched the People at the Gate programme in 2006 with the aim of training unskilled people arriving at construction sites in search of employment. This year, we mainly focused on one contract to continue this programme, with 214 unskilled community members trained on the Transnet new multi-products pipeline (NMPP) contract that runs from Johannesburg to Durban.

The successful employment rate from the People at the Gate programmes since its inception in 2006 has been over 90%.

NBI Further Education and Training (FET) Colleges

The NBI FET College is an industry initiative involving Group Five and some of our industry peers. The programme supports the Department of Higher Education in ensuring proper curriculum development and education of learners in FET colleges.

During this year, we continued to support FET colleges in Gauteng and the Western Cape.

Women in Engineering and the Built Environment (WIEBE)

Group Five became involved as major sponsors of the WIEBE programme in 2008. WIEBE is run in association with the Faculty of Engineering and the Built Environment at the University of Johannesburg. The programme

Endorsement

"Since TRAC teachers have been coming to our school and demonstrating experiments, I have really been able to understand the concepts of physical science. I am the first person in my family to be educated and would like to go on to study at the University of Cape Town, either towards a degree in chemical or electrical engineering." *– Grade 12 learner*

"Since our engagement with the programme, our teaching environment for Maths and Science has changed dramatically. We now have running water, electricity and teaching aids. We are hoping to see a big improvement in results in the years to come." *– Principal*

"It has really changed the way I teach. The classes I take are now more interesting for learners, because I have the equipment to demonstrate experiments." *– Educator*

Endorsement

"Since our school has been involved with the programme, we have seen a major improvement in results, especially in Maths, Science and English. The programme has provided much-needed training for our educators, who now have renewed confidence in their ability. Our learners are more excited and interested in their studies too." – *Principal*

seeks to attract and develop young women to the engineering and building environment and provides networking and mentorship opportunities. Over 100 women participated in the programme in the past year.

Youth in Construction Week

The construction industry continues to have a scarcity of skills, as older and experienced people in the industry retire. At the same time, many younger people with basic and higher education qualifications lack the requisite work experience and are often unable to make informed career choices.

During the year, Group Five was the main sponsor of the Youth in Construction Week, an initiative run by the Department of Public Works. This is aimed at creating awareness about the construction sector and encouraging students to pursue careers in the sector. The sponsorship assisted in providing exposure to over 5 000 learners at the construction expo.

Wits University

Group Five sponsored the upgrading of laboratories at Wits University, which assisted in further improving the quality of tuition.

Economic empowerment

A number of economic empowerment initiatives envisaged for implementation did not take off due to delays from various stakeholders. However, economic empowerment remains a key priority, and is a pivotal part of our SED programme that will ensure community sustainability in the medium and long term. Concerted efforts will be put into this area going forward.

Social grants

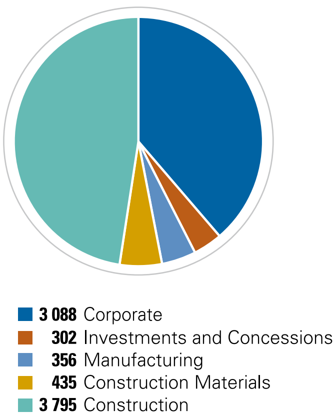
We have continued to successfully support a number of charities around the country, both financially and through time spent by our employees. The assistance provided ranged from feeding schemes for the poor, donations of clothing and blankets to the needy, fundraising for cancer research to refurbishment of buildings for orphanages.

Review from the human resources director continued

Overall spend

A summary of the group's SED spend per cluster and business unit is shown below:

SED spend per business unit (R million)



SED spend per business unit	R'000
Corporate	3 088
Investments and Concessions	302
– Intertoll	51
– Property Developments	251
Manufacturing	356
– Fibre Cement	356
Construction Materials	435
– Quarry Cats	428
– Sky Sands	7
– Afrimix	–
Construction	3 795
– Building and Housing	1 256
– Civil Engineering	1 441
– Engineering Projects	1 098
Total	7 976

List of beneficiaries of social grants

Beneficiary	Province	R'000
Round About Playpumps	Eastern Cape	110
Sterkspruit Project (Human settlement project)	Eastern Cape	50
Jumbulani School	Eastern Cape	16
Navalsig High School	Free State	70
Mtholo Primary School	Gauteng	81
Sibonile Blind School	Gauteng	60
Rynsoord Community	Gauteng	180
Kingsway Community	Gauteng	180
Diepsloot Community Centre	Gauteng	6
Round Midrand Table	Gauteng	7
Gateway Village	Gauteng	41
Alex Youth Foundation	Gauteng	10
Adopt a School Foundation	Gauteng	8
Funda Ujubale Nursery School	Gauteng	120
Nkosis Haven Education	Gauteng	13
Sithabile Child & Youth Centre	Gauteng	13
Con Amor School	Gauteng	95
Radipabi Primary School	Gauteng	37
Tlakula High School	Gauteng	33
Phoenix Rehabilitation Centre	Gauteng	73
Qedusizi Primary School	Gauteng	85
Ithembelihle LSEN School	Gauteng	44
Wits University – Faculty of Civil Engineering	Gauteng	250
University of Stellenbosch (TRAC SA)	Gauteng	541
Sekolo Sa Borokgo School	Gauteng	400
Joint Aid Management	Gauteng	100
Akhani Foundation	Gauteng	100
Ikholwa House	Gauteng	50
Multiple Sclerosis Society SA	Gauteng	10
Kgothalang High School	Gauteng	39
Phomolong Primary School	Gauteng	13
Sedibonele School for visually impaired	Gauteng	16
Kgothalang High School	Gauteng	43
Beverly Hill High School	Gauteng	60
Nazareth House	Gauteng	30
Cancer Association of South Africa	Gauteng	16
Howick Hospice	KwaZulu-Natal	100
Tholuthando Children's Home	KwaZulu-Natal	6
Boys & Girls Town	KwaZulu-Natal	15
Shepherd's Keep	KwaZulu-Natal	20
South African Institute of Civil Engineering	KwaZulu-Natal	5
Tholuthando home	KwaZulu-Natal	12
University of KZN	KwaZulu-Natal	10
Kwa Mashu Welfare	KwaZulu-Natal	10
Bongisimbi High School	Mpumalanga	75
Department of Human settlements (Women's Build)	Mpumalanga	50
Kumba Crèche	North West	10
Go for Gold Bursary Programme	Western Cape	217
		3 530

Key challenges

Our main challenge continued to be beneficiary dependency on our grants, even though our efforts are always aimed at developing self-reliance and sustainability.

Furthermore, the extent of community needs and challenges far exceed the support we are able to provide at any given time. This requires a partnership approach with multiple stakeholders, such as local government and private sector partners. Building these relationships takes time and effort, especially because the stakeholders often have different focus points.

To address this, we plan to increase the monitoring and assessment of the impact of all the initiatives we support to ensure continued focus in our approach.

Looking forward

Sustainability of our programmes, as well as ongoing compliance with the requirements of the Construction Charter, will remain key focus areas as we move into the new financial year.

Key objectives	Desired results
Continue to develop local community skills and capacity and partner with local government, traditional leaders and other community leaders to ensure effective implementation.	Committed, skilled and capable local government employees and community leaders who are able to assist in sustaining SED initiatives
Ensure that programmes are managed efficiently going forward, which will involve instituting regular reporting and monitoring systems on our SED programmes.	Efficient internal implementation and monitoring processes of all the group and business unit SED initiatives
Communication of Group Five's community initiatives to various stakeholders.	Stakeholder awareness of Group Five's active role in community development

Koeberg Interchange.

Reviews from the operational executive team

The group is currently structured around four clusters. When combined, these deliver multiple profit streams from a single contract.

This section takes the reader through reviews from our operational team.

Operational structure

Contribution to group turnover

Investments and Concessions

5%

Infrastructure Concessions

Property Developments

Manufacturing

8%

Fibre Cement

Steel

Construction Materials

4%

Aggregates

Readymix Concrete

Contract Mining

Construction

83%

Building and Housing

Civil Engineering

Engineering Projects

IDS leads business development for large multi-disciplinary contracts

D+PM coordinates and packages total contract delivery offerings

Engineering and Construction (E+C)

FROM F2011 Engineering and Construction (E+C)

In the coming year, the group will create a fifth cluster, Engineering and Construction (E+C). E+C will offer a permanent, stand-alone, sector-focused business that will provide clients with a single, coordinated solution on multi-disciplinary contracts.

This development was based on:

- Infrastructure delivery continuing to move to larger, multi-disciplinary contracts
- Clients' capacity constraints to manage capital projects themselves
- An increasing need for project financing of contracts that are only bankable in a total multi-disciplinary package
- Equipment suppliers that look for construction partners

E+C's structure will consist of:

- D+PM
- Group business development from IDS
- The power project management function from Energy in Engineering Projects
- The oil and gas operations and maintenance business from Energy in Engineering Projects

Infrastructure Development Services

Infrastructure Development Services (IDS) consists of the group's public private partnership (PPP) project and concessions development team and group business development. The costs of the developments are recovered against contract overheads, as they occur.

IDS drives the development of PPPs and concessions that require group resources and are aligned to the group's capabilities, its sector strategy and where there is an opportunity for an equity and operating position for the group. Contracts are often secured through a concession for the design, construction, financing and/or operation of the infrastructure asset. As outlined on page 237, this segment is integral to the growth of our infrastructure concessions business, housed in the Investments and Concessions cluster.

IDS is active in South Africa, the rest of Africa, Mauritius and Eastern Europe.

Market overview

The public infrastructure and private power markets in South Africa continue to offer good opportunities for the group, although the pace of public tender awards has been disappointingly slow.

While the PPP programme has not reached anticipated levels, the group strongly believes that this process is still a viable – and necessary – means of delivering public infrastructure. The current focus has been on government accommodation and transport contracts, but sectors such as water and sanitation infrastructure and energy can and have been addressed elsewhere in the world through PPPs. The group is committed to working with public institutions to deliver the necessary infrastructure and power investment for South Africa.

Outside of South Africa, public infrastructure and power contract opportunities continue to grow and the group is pursuing a number of PPP tender and private contract opportunities in the rest of Africa.

Delivery on strategy

The cluster delivered strongly on its strategy during the year, with its strategy of expanding the group's concessions portfolio into serviced public buildings making progress through eight PPP contract proposals submitted during the previous financial year, with a further two during the current year.

To date, only two of these contracts have been evaluated and a preferred bidder announced. Group Five was selected as a preferred bidder on one and as a standby bidder on the second.

In terms of our strategy of expanding the group concessions portfolio in transport, IDS is leading a consortium to bid on the N1-N2 Winelands toll road contract in the Western Cape. We have also succeeded in expanding the group's concessions portfolio into the independent power market through developing our first independent power producer (IPP) contract in Bulgaria.

The success of our PPP strategy is measured according to contracts awarded in relation to the number of contracts bid, with a target rate of at least one contract secured for every two to three contracts bid.

Key achievements

Being declared a preferred bidder on our targeted PPP contracts, is a key measure of success.

For F2010, the following was achieved:

South Africa:

- Preferred bidder on Cape Town Rail Link
- Reserve bidder on head office accommodation for the Department of Environmental Affairs
- The Group Five-led consortium was chosen as preferred bidder on the R1 billion office accommodation PPP for the South African Department of Rural Development and Land Reform

Bulgaria:

- Heads of terms signed with the National Electricity Company of Bulgaria for a power purchase agreement. This is a critical milestone towards successful financial close of this 115 MW IPP contract

Infrastructure Development Services (IDS) continued

The unit's objective is to ensure that Group Five is positioned as the preferred partner to develop, implement and operate PPPs and concessions in our target sectors.

Key challenges

The slow rate of PPP contract evaluation in South Africa is a major limiting factor in maintaining the team's momentum. In addition, the global financial crisis and subsequent recession in Europe also slowed the development of some our target concession contracts in Eastern Europe.

Risk management

IDS manages risk both in terms of the project development and tendering process, and in relation to the resultant projects. IDS projects typically involve either developing or responding to a tender for a project requiring design, construction, operation and financing, or coordinating and applying a multi-disciplinary approach to a project. Risk awareness and management are integral parts of the project development lifecycle, from project identification, evaluation and selection, to partnering and project risk allocation.

Project risks are allocated, under limited recourse financing structures, to project participants best able to absorb the relevant risk on a contractual basis through the project agreements. These typically include the concession or off-take agreement, the construction contract, the operations/facilities management sub-contract and the financing agreements.

Projects are selected systematically after a thorough internal evaluation, which takes into account:

- Compatibility with group strategies, plans and targeted sectors and geographies
- The group's capabilities, capacities and competencies
- Familiarity with the market, legal frameworks and ability to price competitively
- Whether the envisaged project returns are acceptable for the group as a whole

The most appropriate partners for each selected project – including contractors, advisors, consultants, operators and funders – are identified and brought on board with a view to minimising both process and

project risk. Teams are formed with our partners to examine each aspect of a development or tender. This includes the core areas of engineering and construction, operating, legal, finance and BBBEE to ensure that all aspects are well considered and dealt with. Project risks identified through the development process are either accepted, priced, mitigated or rejected.

IDS projects are typically subject to a review process by the executive management of the group, and finally by the main board of directors, for projects meeting certain financial and exposure thresholds.

Looking forward

Group Five is well positioned in the South African renewable power project space and is developing a number of significant contracts in this, using both wind and solar technologies.

The long timeframes on major contracts requires a suitable list of appropriate contracts to ensure continuity in securing work. Over the last three years, IDS has managed to ensure sufficient contracts at various stages of development. Once the momentum of contract awards starts to increase – which we anticipate will happen over the next two years – Group Five expects a regular and continuous contract award flow over the medium to long term.

In the short term, we expect the procurement process to remain prolonged, leading to continued delays in contract adjudication and awards.

Within the South African market, the government has identified that the health sector is a priority focus for development of PPP contracts. It is thus anticipated that a number of hospital contracts will be tendered, for which Group Five is well placed through the solid consortia we have formed for this sector.

Parallel to the developing private power market in South Africa and Eastern Europe, demand for water-related contracts is expected to increase over the next few years, in particular at municipal level. A key challenge for both the energy and water markets in South Africa is a clarification of the regulatory framework required to implement bankable purchase and operating contracts.

From our current list of tendered contracts in core target sectors and our pool of new identified contracts, the team is conservatively optimistic about securing a number of material awards in F2011.

IDS was recommended to two over-border government bodies to assist with the development of their domestic PPP markets.

Explanatory note for operational reports on pages 236 to 313.

For comparative purposes, we provide both the group's total operating margin and the core operating margin in all the operational reviews. The core margin is net of the non-core/headline adjustable transactions of pension fund surpluses and deficits, fair value adjustments etc. Commentary is therefore provided against the core margin, as we believe this is the pure operational margin.

Investments and Concessions

Investments and Concessions comprise **Infrastructure Concessions** and **Property Developments**. This cluster contributed 5.2% to group turnover (2009: 5.2%) and 8.5% to group total operating profit (2009: 10.3%).

Eric Vemer | Executive member

Introduction

INFRASTRUCTURE CONCESSIONS

Infrastructure Concessions houses the group's investments in infrastructure concessions, including operations and maintenance services.

It currently consists only of transport concessions under the Intertoll brand. Intertoll develops, invests in and operates toll motorways through regional businesses currently centred in South Africa, Hungary and Poland.

PROPERTY DEVELOPMENTS

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 and unit sales. Annuity income returns are achieved from a portfolio of targeted equity investments.

Infrastructure Concessions

8%

TOTAL OPERATING PROFIT

R million	F2010	F2009
Revenue	557	528
Total operating profit	86	80
Operating margin (%)	15	15
Fair value profit	14	16
Investments	224	186
Employees (pax)	1 308	867

This segment contributed 4.9% (2009: 4.4%) to group turnover and 9.8% (2009: 10.0%) to group total operating profit.

Through the group's Infrastructure Development Services (IDS)* team, Infrastructure Concessions is actively working on expanding its concessions portfolio to include concessions, such as public buildings and power concessions.

In line with this, we are currently developing our first independent power producer (IPP) project in Bulgaria. This investment will mark our expansion outside of the transport concessions market and will be reported in Infrastructure Concessions upon contract implementation.

The group is also a preferred bidder on one serviced public building concession, a standby bidder on another and expects to be chosen as preferred bidder on at least one other project during the first half of F2011.

Infrastructure Concessions continued

Market overview

Intertoll Europe

Intertoll Europe experienced the effects of the deep recession, with governments across the Eastern European region postponing and/or cancelling a number of infrastructure concession contracts. To mitigate the downturn in new contract development, Intertoll Europe positioned itself for select contracts in countries neighbouring our traditional market of Poland, such as the Czech Republic and Macedonia.

Towards the end of the reporting period, there were some indications that the Central and Eastern European market might show some recovery in F2011, with a number of contracts coming to the market in countries like Poland.

Internationally, the trend in toll operations is advancing from manual tolling to electronic toll collection and open road tolling systems. During the year, we continued to focus on aligning ourselves with this market trend through appropriate technology partnerships and through in-house development of specific expertise.

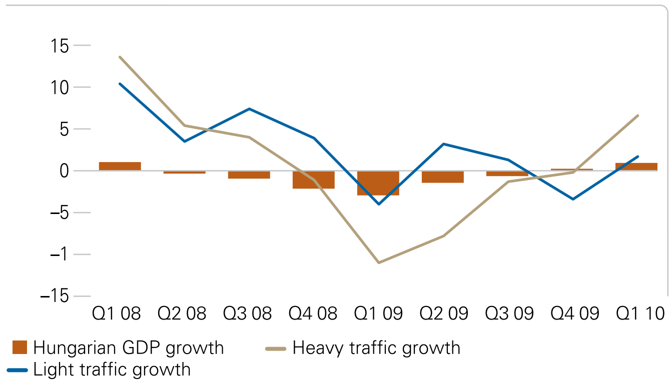
Intertoll Africa

The South African market experienced an increase in tender activity in line with the continued investment by the South African Roads Agency (SANRAL) in the national road network. As outlined in the IDS report on page 233, the N1-N2 Winelands toll road concession contract will be tendered during F2011.

This will mark the first new national toll road concessions contract being bid in the country after a five-year hiatus.

A number of toll operating contracts will also be bid in the year ahead for approximately 900 km of existing and new national roads.

M6 Hungary – effect of the 2008/09 recession on traffic flows (% YoY)



Number of projects closed and cancelled – Central and Eastern Europe

**January to June only.*

Sector overview

Infrastructure Concessions' priority sectors over the short to medium term are power, real estate and transport. However, over the long term, it will also target the water and environment and mining infrastructure markets. Below we outline the dynamics of the sectors most relevant to this cluster.

Power

Infrastructure Concessions is active in the development of Independent Power Producer (IPP) projects and is currently targeting the investment in and development of these projects in sub-Saharan Africa and selected countries in Eastern Europe. Whilst the priority target contracts are in the gas-fired market, the team has also bid a project in thermal coal in East Africa.

However, the finalisation of an effective regulatory environment for IPPs will be crucial to the growth of this market in South Africa. We anticipate that this will be put in place during F2011.

Strong progress has been made in project development activities in Bulgaria. We anticipate our first project success in this market in the next financial year. Additional projects are now also being evaluated in Bulgaria and elsewhere in Eastern Europe.

The renewable energy IPP market in South Africa is active and the group is currently developing a significant project opportunity in the solar power market. Other renewable energy projects are also being investigated, including wind and biomass projects.

Real estate

The Infrastructure Concessions team has been very active in the South African public buildings PPP market over the last few years. It anticipates continued bid activity over the next few financial years, although probably at a reduced level. The team has submitted tenders for five government office accommodation contracts and one integrated tender for four private prisons. It is also progressing with a number of integrated housing contracts to be executed on a PPP basis.

Over the next few years, the team anticipates an increase in the number of PPP hospital contracts to be bid, such as the major Baragwanath Hospital situated in Johannesburg, as well as an increase in the number of contract opportunities in the area of integrated housing and new city development.

Transport

This sector is currently the main area of activity for the business, with Intertoll being active in both the East European and African markets.

New contract bid activity is high in the roads sector, with the first new major concession project for more than five years being bid in South Africa in early in F2011. This R7 billion N1-N2 Winelands toll road in the Western Cape is expected to be followed by a number of other toll road contracts to be tendered over the next few years. These will include new toll road operating contracts for the South African National Roads Agency (SANRAL) during the first half of F2011.

Some selected regional opportunities for concessions projects in airports, rail and ports are being investigated by the team in southern Africa. However, these are still early in their development lifecycle.

Infrastructure Concessions continued

Other sectors

The water and environmental sector is viewed as highly prospective in the medium term, as southern Africa's regional water and waste water treatment and bulk service capacity has become stretched following a lack of new investment and maintenance over the last decade. Infrastructure Concessions will be targeting concessions opportunities for bulk water treatment and sewage treatment facilities for both public sector and private sector clients – including mining and industrial sector clients.

The team has also recently evaluated prospects for concessions in petrochemical and fuel storage, but is not currently actively progressing any projects in this area. It will be monitored for future prospects.

The provision of mine infrastructure and services on an outsourced basis is also considered a future area of opportunity.

Financial overview

	Year ended 30 June 2010	Year ended 30 June 2009
Revenue – (R'000)	**557 227**	527 938
Total operating margin (%)	**15.4**	15.1
Core operating margin (%)	**15.1**	15.2

The business enjoyed a pleasing year, with growth in both revenue and profit despite the effects of the deep recession across the Eastern Europe region. Intertoll Europe achieved the successful completion of the M6 Phase III equipment supply contract, with operations commencing. During the year, Intertoll Africa was awarded 12-month contract extensions on some of its CTROM contracts.

Revenue, which consists primarily of fees for the operations and maintenance of toll roads, increased by 5.5% from R527,9 million to R557,2 million. The core operating profit margin is relatively unchanged at 15.1% (2009: 15.2%), with total operating profit improving by 7.5% to R85,6 million (2009: R79,6 million). The business also recorded a R13,5 million (2009: R15,7 million) fair value net increase relating to investments in its Eastern Europe concessions businesses.

Endorsement

A1 Motorway – Poland

Intertoll Polska, a special purpose vehicle company set up by Intertoll Europe to toll, operate and maintain the A1 motorway in Poland, achieved full ISO accreditation in May 2010. As part of the independent audit process leading up to accreditation, the concessionaire, GTC, was required to complete a client satisfaction questionnaire. The President of the Management Board of GTC said:

"We are pleased to advise that, of the seven questions addressed to GTC by the independent auditors, the management board unanimously agreed that Intertoll Polska had performed in all cases in excess of the expectation and requirements of the operations and maintenance contract and, in two cases, far in excess of expectation."

Planet

- Water purification systems have been installed at all plazas with poor water quality
- Recycling and best practice waste management has been rolled out to all plazas
- Noise levels are measured annually to ensure that employees do not work in areas were the allowable decibel peaks are exceeded without proper protection

Delivery on strategy

Find below how we delivered on our strategy outlined in last year's report.

Strategy	Delivery
Intertoll Europe	
Commence efficient operation of M6 Phase III, including Intertoll Europe's first tunnel operations.	Achieved, with operations commencing smoothly on the due date of 31 March 2010
Secure financial close on D1 contract, Slovakia.	Not achieved due to postponement to September 2010 post Slovakian government elections
Conclude negotiations and detailed arrangements with our partner Strabag to continue to operate the M5 motorway in terms of a joint venture agreement.	Achieved, with negotiations successfully concluded on 30 September 2009
Successfully conclude negotiations for the first review of pricing on the M6 Phase I operating contract in Hungary.	Partially achieved. However, currently under final negotiation, for agreement during the first quarter of F2011
Complete the equipment supply contract for M6 Phase III on time and on budget.	Achieved on time and on budget, despite considerable disruption to the programme due to the delay in the constructor's process following a tunnel collapsing during construction
Intertoll Africa	
Improve our BBBEE rating.	Achieved. The business has a level 3 status
Further optimise our plaza operating processes.	Partially achieved, with the central administration office for South African CTROM contracts under development
Position Intertoll Africa for the CTROM re-tenders.	Not achieved, as current tenders were extended by 12 months. CTROM re-tenders now due F2011

Intertoll Africa currently operates 13 of the total 17 SANRAL CTROM contract-operated plazas in South Africa.

Infrastructure Concessions continued

Key achievements

Intertoll Europe

- Completion of the R140 million motorway management equipment supply contract on the M6 Phase III Hungary and the opening of this 80 kilometre road on time in March 2010

- Concluding the contractual arrangements with Strabag on schedule for the continued operation of the M5 motorway in JV with Strabag
  - This was particularly pleasing, as we achieved this post the sale of our equity position in the prior financial year

Intertoll Africa

- Successful implementation of the new eight-year N2 North CTROM contract

- Opening the new King Shaka Airport ramp plaza, as scheduled in May 2010

- 12-month extensions on each of Intertoll Africa's current N1 North, N1 South and Magalies CTROM contracts

Key challenges

Intertoll Europe

There were a few challenges in Europe against tough markets, with the key disappointments being the inability to achieve financial close of the D1 contract in Slovakia before the national elections and the government's cancellation of the M3 and M4 Hungary contracts before awarding.

Intertoll Africa

In Africa, the main challenge was the slow progress in the development of new targeted road concessions in West and East Africa due to regulatory and bureaucratic hurdles.

Managing risk

Find below how we managed our risks outlined in last year's report, as well as how we will manage current risks.

Risks	Mitigating actions	Performance
Project development risk	Potential opportunities are risk tested. Only those that satisfy pre-determined criteria and where Intertoll can participate as a member of the consortium with a realistic chance of securing the contract, are actively pursued.	▸ 50% success rate on submitted tenders in the past five years
Traffic risk	Intertoll only assumes traffic risk on concessions under specific conditions and with specific shareholder approval.	▸ The only contract where traffic risk is accepted on all Intertoll concessions is the equity return on the A1 contract in Poland ▸ There is also an element of cost escalation risk associated with the South African CTROM tender linked to expected traffic growth at the time of the tender. However, the risk is priced into the contract model
Foreign exchange risk	Intertoll Europe undertakes the investment element and fixed price equipment supply contract in Euros, with operational fees disbursed in local currencies.	▸ Intertoll Africa earns and reports in Rands. No forex losses incurred ▸ The limited effect of foreign exchange on Intertoll Europe's earnings despite considerable forex variations over the past 18 months testifies to the success of the mitigation of forex risks
Pricing risk	Intertoll's risk pricing procedures have been refined to provide competitive pricing, based on realistic, experienced-based risk pricing techniques.	▸ Acceptable returns achieved on competitively priced secured tenders. Pricing margins tight under South African CTROM model
Achieving budgeted performance	A monthly review of potential positive and negative budget risk factors is performed.	▸ The F2010 budget was exceeded. Profit before tax targets have been consistently met in the past five years
Country risk	Intertoll and their partners in PPP contracts, who are all major European or South African contractors, employ financial advisors to evaluate the macro risks associated with each country. In Eastern Europe, the contracts are fully funded, using commercial lenders and multilaterals banks.	▸ No event of default on any Intertoll PPP concession has yet occurred

Infrastructure Concessions continued

Key contracts

Secured investments and contracts – Motorways

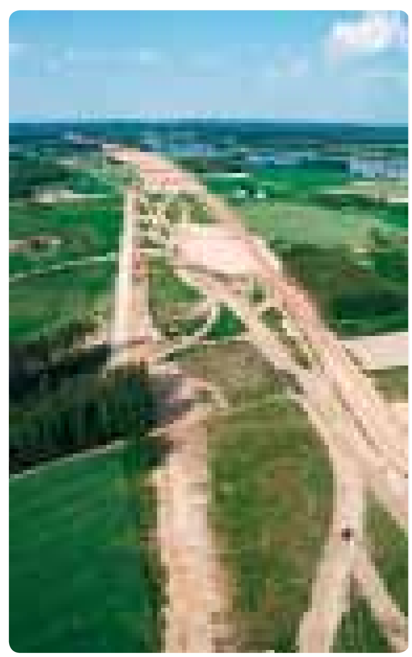
10 annuity-type contracts, of which three are concessions investments.

Name	Status	Country	Type	km	Duration	Equity
M5 Motorway	Operational	Hungary	Availability	157	2031	–
M6 Motorway (Phase 1)	Operational	Hungary	Availability	59	2027	–
M6 Motorway (Phase 3)	Operational	Hungary	Availability	78	2037	10%
A1 Motorway (Phase 1)	Operational	Poland	Tolled	90	2039	15%
A1 Motorway (Phase 2)	Pre-operation	Poland	Tolled	61	2039	15%
N1 North	Operational	South Africa	CTROM	400	2011	–
N1 South	Operational	South Africa	CTROM	400	2011	–
N2 Tsitsikamma	Operational	South Africa	CTROM	40	2014	–
N2 North Coast	Operational	South Africa	CTROM	138	2017	–
N4 West Magalies	Operational	South Africa	CTROM	30	2010	–
			Total	1 453		

Intertoll currently operates approximately 1 000 kilometres of toll motorways in South Africa and 400 kilometres of concession motorways in Central and Eastern Europe. The fair value of our investments in motorway concession contact assets amounted to R224 million at 30 June 2010.

Case Study

M6 Phase III – Hungary



The €R9,7 billion M6 Phase III PPP project in Hungary was secured by a consortium comprising Intertoll Europe, Colas, Strabag and John Laing in November 2007. The project comprised the construction and operation of 79,2 kilometres of motorway in southern Hungary, which included four tunnels totalling three kilometres in one tunnel chain. This was in addition to nine major viaducts.

The completion of construction and commencement of the operational phase was fixed at the end of March 2010, with severe penalties for being late. This necessitated a very tight construction period of 28 months over two construction seasons in a severe winter environment.

A special purpose vehicle company, which is managed and 50% owned by Intertoll, with Colas and Strabag owning the remaining 50%, was set up to carry out the procurement and installation of the fixed operating equipment (which included the motorway management equipment for the tunnel chain), as well as to operate and maintain the motorway.

In July 2008, the constructor on the contract experienced a collapse of both bores in the longest tunnel. This resulted in an eight-month delay to the tunnel construction programme, which seriously disrupted the programme for the equipment installation. This resulted in the equipment being installed as and when construction works could accommodate the installation process. Despite these issues, the motorway, with all tunnels fully operational, was opened to traffic on the due date, with all the requisite permits obtained.

The operations and maintenance activities also commenced after a shorter than planned pre-operational phase. This was praised by both the government agencies and the concessionaire.

Looking forward

The focus ahead will remain on continuing to close contracts successfully.

Key objectives

Key objectives	Desired results
Intertoll Europe	
Secure the Polish electronic truck toll contract.	Successful award after pre-qualifying in April 2010. Tender submitted by August 2010
Identify and position for the next major PPP infrastructure contract to be targeted by Intertoll Europe.	Successful positioning when contract comes out, scheduled for the first quarter of F2011
Securing government support for concessions contracts post elections in Slovakia.	Succeed in closing the D1 contract during F2011
Secure a concessions contract for Intertoll Africa.	Target N1-N2 Winelands project as a priority
Intertoll Africa	
Continue to improve our BBBEE rating.	Achieve level 2 status
Grow the Intertoll Africa business over-border.	Secure a confirmed position on at least one African contract
Position Intertoll Africa effectively for the CTROM contract re-tenders.	Be selected as a winning bidder on CTROM contract re-tenders

GROUP FIVE
structured ingenuity

Below we outline how we delivered on the group's business essence of "Structured Ingenuity".

- Development and deployment of a customised GPS fleet tracking system for our maintenance vehicles currently in use on M6 Phase I as a pilot project, our own innovation to improve asset utilisation and monitoring
- Intertoll Maintenance Management System (IMMS) now operational on all projects, with digital input, monitoring and reporting capability. This has greatly enhanced the efficiency and effectiveness of our maintenance systems
- Tunnel operations control room on M6 Phase III in Hungary utilising the latest international technology to monitor safety and optimise traffic management. This is our internally customised solution developed in conjunction with our partners. This solution is a unique design for the specific requirements of the first motorway tunnels to be operated in Hungary

Investments and Concessions | Property Developments

R13 million

TOTAL OPERATING LOSS

R million	F2010	F2009
Revenue	35	99
Total operating (loss)/profit	(11)	2
Operating margin (%)	–	2
Fair value profit	–	–
Developments in progress	73	133
Employees (pax)	8	10

This segment contributed 0.3% (2009: 0.8%) to group turnover. As it suffered a loss, it did not contribute to group total operating profit (2009: 0.3%).

Introduction

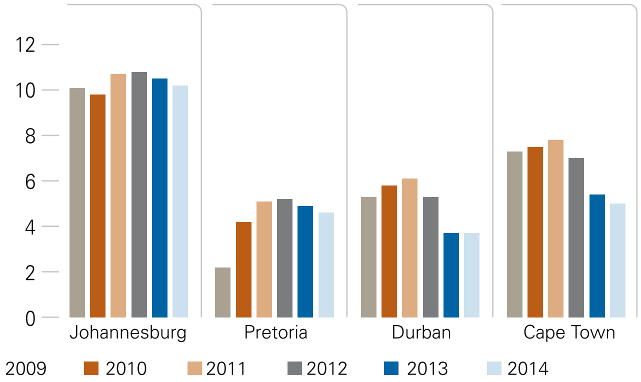
Property Developments develop, own and service A-grade property assets in South Africa.

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 that are achieved from a portfolio of targeted equity investments.

Market overview

The property development sector currently remains under severe strain. Trading conditions during the previous two financial years continued to impede growth opportunities. The global and emerging market constraints, such as reduced financial market liquidity and heightened levels of risk aversion to new developments, continued in line with global and local market indicators. The outlook remains depressed for at least the next few years.

Office vacancy percentage – central business district (%)



Sector overview

Below we outline the dynamics of the sectors most relevant to this cluster.

Real estate

Residential

Despite improved affordability in recent months given the substantial decline in the prime interest rate over the last two years, the residential market will remain very depressed over the short term. The housing market remains constrained by high household indebtedness, high unemployment and a very uncertain economic outlook. These factors prevent financial institutions from providing affordable credit, which is fundamental to stimulate growth in the sector. We expect the market to remain under pressure until at least the end of calendar 2010, with levels not likely to see the heights of the property boom for a number of years.

The only expected pockets of growth will be in the low-cost and affordable housing sector, where financial institutions are required to provide funding.

Retail, commercial and industrial

This sector was impacted by the current weakness in the local and European economy. Weaker exports impacted negatively on employment and income prospects, while a volatile exchange rate hurt the foreign investor market.

The retail sector has also taken longer than expected to rebound. All these factors point to a potential continued downturn into the second half of calendar 2011. Against these factors, some selective opportunities for development exist and are being considered with caution. Smaller developers are looking to on-sell opportunities at a discount due to their high holding costs, which larger developers such as Group Five are able to acquire at a discount to hold through the cycle.

Property Developments continued

Planet

- Successfully rehabilitated an old property dump site in the Western Cape. Removed all hazardous waste in accordance with local authority guidelines
- We successfully compiled the application for a green star rating on the Gugulethu Mall
- All of our developments have environmental action plans

Financial overview

	Year ended 30 June 2010	Year ended 30 June 2009
Revenue – (R'000)	**34 644**	98 857
Total operating margin (%)	**(30.9)**	2.3
Core operating margin (%)	**(23.2)**	2.4

Although Property Developments did not generate positive returns during this financial year, its performance was in line with expectations. As communicated previously, the group adopted the strategy of disinvestment from the residential sector a few years ago with a focus on securing A-grade property assets in South Africa.

This process of disinvestment with limited acquisitions, along with quiet property trading conditions, was estimated to continue in the short to medium term, resulting in little active trading and some holding costs incurred. The group anticipates a return to stronger results post F2011.

Revenue decreased by 65.0% from R98,9 million to R34,6 million. A total operating loss of R10,7 million was incurred compared to a R2,3 million profit in the prior year. No fair value adjustments on investment properties were required this year or in the prior year.

GROUP FIVE structured ingenuity

Below we outline how we delivered on the group's business essence of "Structured Ingenuity".

- Pioneered the use of an online, web-based system to manage, track and provide information to all development professionals engaged on contracts. This allows for real-time analysis and pro-active action on areas requiring attention
- We continued to leverage the Group Five value chain through the utilisation of various internal business units to maximise group returns. Business units engaged with include, D+PM, Housing, Construction Materials and Manufacturing.

Delivery on strategy

Find below how we delivered on our strategy outlined in last year's report.

Strategy	Delivery
To develop A-grade property opportunities that are aligned to the group's core interests in Construction, Manufacturing and Construction Materials.	Achieved, with further purchases of select prime land for bulk rezoning made during the year, adding to our existing portfolio. These included Wedgewood Phase II and Starleith in Sandton's central business district – Both properties are currently undergoing rezoning from residential to mixed use. Top structure development will use Group Five Construction and materials from Construction Materials and Manufacturing
Investing in contracts through equity to secure annuity income and deliver capital value growth for the group.	Not achieved. Due to the global economic meltdown, our flagship investment in the Waterfall development in Gauteng did not evolve at the pace we anticipated. However, new tenant enquiries for commercial and industrial accommodation have been received and will start to generate a stable return on investment over the long term
The managed exit from our existing residential portfolio to be achieved by 30 June 2010.	Not achieved, although progress was made to divest appropriately, where possible. Full divestment is targeted for the end of December 2010
Start to generate revenue and profit through the origination of top structure development initiatives.	Not achieved due to the protracted negative market conditions. However, a number of deals are in the process of being concluded, which should start to generate revenue and profit from the beginning of F2011

Key achievements

- During the year, we continued to focus on pro-actively managing tough markets. In line with this, we successfully converted the bulk of unsold residential stock into short term rental stock and divested of certain portions of residential assets where it made appropriate commercial sense to ensure maximising returns over ongoing holding cost risk

- In collaboration with a major banking institution, we secured a significant turnkey affordable housing development for Crystal Park in Gauteng. Construction and materials supply opportunities exist and should commence in March 2011

- We acquired Wedgewood Phase II and Starleith land opportunities in the heart of Sandton's CBD for future above-ground development. This land is currently undergoing a rezoning application, with construction opportunities likely in calendar 2012

- We completed and opened the Gugulethu Square retail centre in Western Cape on time and within budget. See page 250

- The sectional title office development, 114 West in Sandton, should be presented to the market in August 2010 as a 20 000 m^2 sectional title office scheme. Market appetite will determine construction commencement dates. Group Five has definitive opportunities for construction and related works

Property Developments continued

Key challenges

Although construction for a private hospital and a furniture retail space have commenced on the Waterfall site, the roll out of the construction on the broader development has taken longer than expected due to economic conditions. It is anticipated that further construction opportunities will commence towards the end of calendar 2010, specifically on infrastructure-related contracts, as well as the start of development infrastructure, including specified boundary walls and the gate house construction.

The overall slower than envisaged conversion of land acquisitions into above-ground developments to realise revenue and profits due to protracted market constraints was also a key challenge.

Managing risk

Find below how we managed our risks outlined in last year's report, as well as how we will manage current risks.

Risks	Mitigating actions	Performance
Residential sector decline affects timing of income and cash delivery.	Implementing a consolidated exit from residential sector.	Achieved a significant portion to date, with remaining divestment targeted for completion by December 2010
Adverse market conditions (credit and liquidity pressure) impact lending terms and feasibility.	Interest decline assisting in short term. Optimising current relationships to manage cash contribution requirements.	Interest decline assisted significantly. Banking partner relationships managed to ensure facilities extended and approved
Delays in above-ground development results in slower development fee generation.	Long term focus on maximising value by not selling at a discount.	Short term pressure on results, but will ensure long term sustainability
Higher vacancy rates and lower rental rates present challenges.	Increased national tenant coverage to 85%+ at Gugulethu Square to ensure long term sustainability.	Impacted negatively on initial yields, but will result in longer term sustainability and higher yields over time
Partnership selection critical in times of economic difficulty.	Stringent partner selection criteria identified.	All partners are subject to evaluation against set group criteria

Case Study

Gugulethu Square

Group Five Property Developments undertook the development of a R350 million mall for the Gugulethu Community in Cape Town. This is the largest mall in Cape Town's townships. Group Five started their involvement as developers of the centre in 2007, with Gugulethu Square officially opened on time and within budget in October 2009.

The development was funded by a consortium comprising the Old Mutual Ideas Fund (OMIGSA) and Group Five Property Developments. The scope of Group Five's works was multi-faceted and included both the development and project management of the contract, as well as detailed cooperation and liaison in respect of the tenanting of the mall. Group Five remains an equity shareholder in the development and is currently in negotiations with a number of community trusts for them to become equity participants.

Even against the retail sector being hard hit over the past two years, Gugulethu Mall has been successful, as it provides the correct shopping mix to a high-density community. Further phased development opportunities are already under discussion.

Key contracts of the year

Key contract	Type	Construction status
Gugulethu Square	Retail equity investment (18% equity interest).	Complete.
Starleith	Sandton land purchase. Mixed-use rezoning application underway. Property equity investment (25% equity interest).	Not started.
Crystal Park	Affordable housing development (no equity).	Not started.
Waterfall Farm	Mixed-use equity investment (15% equity interest).	Initial construction started.
114 West (Sandton CBD)	Sectional title office scheme (25% equity interest) and rezoning rights in place.	Launched to market.

Looking forward

General

We expect the currently subdued market conditions to persist over the short to medium term. Furthermore, the potential for a "double dip" recession could be a reality given weakened Euro sentiment and any FIFA 2010 Soccer World Cup hangover.

We anticipate interest rates to start increasing prior to the end of the calendar year 2010, with lenders' appetite for contract gearing potentially starting to return from the beginning of 2011. Financial institutions have a significant role to play in reviving the property development sector due to funding requirements for development.

We also expect that vacancies will start to decrease during the second half of calendar 2011.

Segment-specific

We anticipate a continued holding pattern for F2011. Following that, we anticipate a return to stronger results.

The team is now appropriately resourced and positioned to take advantage of the relevant identified opportunities. An easing of current market conditions and a freeing up of credit pressure will enable growth and income generation in future trading periods.

Key objectives

The focus ahead is to ensure a long term sustainable annuity income stream and balanced revenue and profit generation, with matching cash flows.

Key objectives	Desired results
Exit remaining residential portfolio assets in a commercially attractive and sound manner.	To be completed by December 2010
Assist with securing tenants across all real estate sectors on Waterfall Farm.	Construction to have commenced on the Waterfall Farm by January 2011 and to leverage the Construction and materials supply arm of the group
Secure and conclude three new significant deals for the Property Developments segment during F2011.	Converting acquisitions into development with fee cash generation and profitability
Commence with construction on the newly-signed Crystal Park affordable housing contract.	To commence construction by the second quarter of calendar 2011
Commence construction on one of our located land sites in the Sandton CBD.	To commence construction in the first quarter of calendar 2011

OPERATIONAL REPORT

Manufacturing

John Wallace | Executive member

R million	F2010	F2009
Revenue	866	816
Total operating profit	87	86
Operating margin (%)	10	11
PP&E*	163	163
Capital expenditure	23	15
Employees (pax)	1 166	1 344

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

This cluster contributed 7.6% (2009: 6.8%) to group turnover, and 9.9% (2009: 10.8%) to group total operating profit.

Manufacturing supplies products in southern Africa, with countries including South Africa, Botswana, Namibia and Malawi.

Introduction

FIBRE CEMENT

Manufactures a range of fibre cement building products that are used in residential and industrial applications

Our primary product offering includes:

- Ceiling boards
- Internal and external cladding
- Roofing products, such as profiled roof sheets and flat slates
- Moulded roof finishing products
- Pipes and building columns
- Steel-framed modular structures (Advanced Building Technologies (ABT))

STEEL

Manufactures a range of steel products that are used in applications within the construction industry, as well as spiral-welded steel pipes used for bulk water transfer schemes

Our primary product offering includes:

- Reinforcing steel bars
- Building mesh
- Binding wire
- Fabricated steel sections and structures
- Formwork and scaffolding components
- Coated and lined large bore spiral weld steel pipes

Market overview

Fibre cement

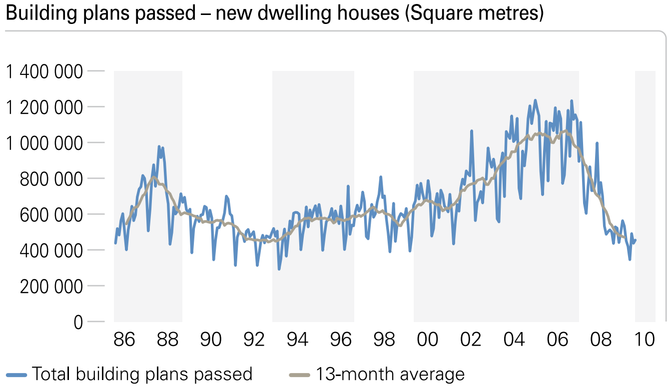
Private sector

As expected and indicated last year, poor market conditions continued throughout the trading year. As Fibre Cement products are mainly applied towards the end of the construction of a building, we have historically identified an eight- to 12-month lag from the building plans passed indicator to the actual fibre cement product demand.

The residential additions and alterations market typically demonstrates a shorter lag of one to three months to actual building material demand.

This indicator currently demonstrates a bottoming, with a slight improvement in the number of plans passed. However, although recovery in alterations and additions has led most building recoveries in the past, the depth and severity of this particular downturn has been unique.

Building plans passed – new dwelling houses (Square metres)



Source: Statistics SA; MFA database.

Public sector

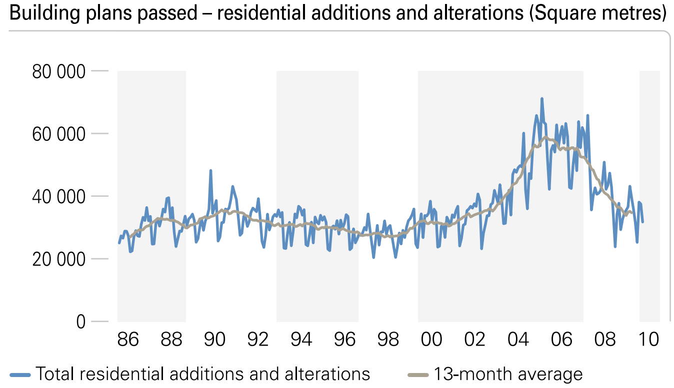
The public sector, which traditionally acts as a counter-cyclical market to the private residential sector, had a very poor year, with budgetary constraints, massive backlogs and significant staffing and skills issues. This negatively impacted sales of our fibre cement profiled roof sheets for social housing and our new ABT business.

According to the Ministry of Human Settlements, the number of houses completed or under construction fell to 166 047 as at December 2009, compared to 239 533 in the previous fiscal period. Housing delivery is expected to average between 220 000 and 230 000 houses per annum during the next three years, which is less than the average delivered during the previous three years, excluding 2009/10.

The roll out is not expected to increase in the short term, with the department aiming to have 670 000 units completed or under construction during the 2010 Medium Term Expenditure Framework (MTEF) period, down from an estimated 750 000 units during the 2009 MTEF period.

Against this, partnerships between the private and public sector and alternative solutions, such as ABT, will become more crucial to address the current backlog.

Building plans passed – residential additions and alterations (Square metres)



Source: Statistics SA; MFA database.

Steel

The steel pipe market remained buoyant throughout 2010 due to an increase in public tender awards. However, this has been somewhat tempered by a changing competitor base. Tender pricing within the spiral weld steel pipe market has already been impacted, with margins in new awards coming under pressure.

The reinforcing business of our steel business, Banes Reinforcing Industries (BRI), benefited from internal volume though market pricing was very competitive. Severe price and margin pressure was therefore experienced, as excess supply chased a reducing volume in the local market.

Volatile steel prices over the last year also made stocking levels and pricing formulas in the long term crucial.

Apart from the water steel pipe market, conditions in this business unit are expected to remain tough for the next 12 to 18 months until a recovery in general building activity is anticipated.

Planet

- Commenced rehabilitation of old production sites in partnership with local authorities
- Closing our on-site dump at Klipriver and moving to off-site dumping in fully compliant and controlled dumpsites
- Evaluating ways of manufacturing commercially viable products from waste processes in our dump treatment business

GROUP FIVE
structured ingenuity

Below we outline how we delivered on the group's business essence of "Structured Ingenuity".

Our over-arching strategy is to capture an optimal number of earnings streams from our construction activities within the group. An excellent example of this was the building of the new Nedcor Phase II in Sandton, a Building and Housing contract. In this contract we:

- Incorporated our own reinforcing steel (Steel: BRI)
- Utilised our in-house formwork and scaffolding systems (Formwork)
- Manufactured and installed large steel sections in the building's atrium (Structural Steel)
- Used our readymix company Afrimix (manufacturing special "green" concrete with maximised blend material as opposed to a high cement-based blend), which in turn utilised stone and sand from our internal quarries (Quarry Cats) and slag from our grinding company
- Used Everite's Nutec cladding to clad the internal facades within the building
- Used Kayema solar powered geysers as the building was designed as an environmentally friendly green structure

Manufacturing continued

Sector overview

Below we outline the dynamics of the sectors most relevant to this cluster.

Mining

Products supplied to this sector include:

- Fibre Cement – half round pipes to mining suppliers. The product is laid alongside most underground rail tracks to catch ore spillage and to direct water
- Steel – fabricated steel products are mostly supplied to Engineering Projects for use in their African mining contracts. We will expand our position in this sector in F2011 through a new mesh machine that will provide mesh products to mining supply merchants

Although this sector is showing some signs of recovery, our exposure to mining is currently small.

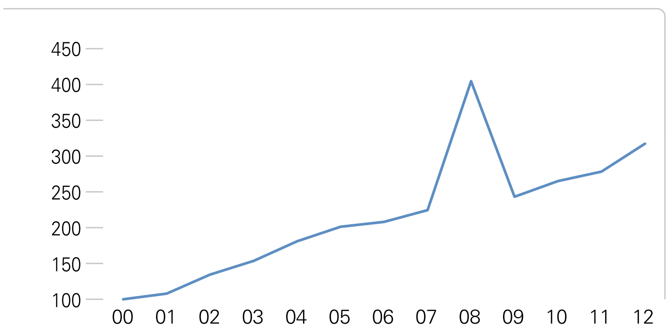
Industrial

Products supplied to this sector include:

- Fibre Cement – Some industrial buildings still specify our Big Six cladding (corrugated sheets), although it is a diminishing market due to technology moving to steel-clad structures
- Steel – Many components are supplied to both Group Five and third party customers, such as pipes, material for steel buildings and light steel sections, as well as gantry cranes. BRI supplies rebar and mesh into this sector through Group Five Civils, Engineering Projects and third party sales

This sector was volatile during the year, with low activity levels and significant price swings, as outlined in the graph below. However, it does remain a target market due to cladding and fabricated steel opportunities. The expectation is for this sector to show early signs of recovery in F2011, although with limited expansion.

Reinforcing steel prices – Index: 2000 = 100



Source: Statistics SA; MFA database.

Power

Products supplied to this sector include:

- Fibre Cement – Certain material to the various mine housing contracts, as well as products used in power station cooling towers to retain water
- Steel – BRI is a significant supplier of mesh and rebar to the new base-load power stations

The power sector mostly provides steel product opportunities. This is a sector with good growth expectancy. Two base-load power stations are under construction, as well as a growing number of private sector power plants, the renewable power market and IPPs at the feasibility stage.

Water and environment

Products supplied to this sector include:

- Fibre Cement – Numerous stormwater applications
- Steel – Significant steel bulk water pipelines

This sector is expected to become the second fastest growth sector following power due to the need to create new, as well as maintain, existing bulk water supply infrastructure. Group Five Pipe is expected to benefit from this water cycle, which is forecast to last for around five years.

Real estate

Products supplied to this sector include:

- Fibre Cement – The material supplied to this market includes cladding and roofing materials, as well as the recently developed ABT technology
- Steel – Working with Fibre Cement to develop remote accommodation and general structures that require both steel and fibre cement inputs

This sector is in a deep recession, with the private sector largely impacted by the shortage of liquidity and the overall economic confidence within South Africa, as well as public sector spend hampered by poor delivery and the shortage of skills.

We expect a recovery within the next 12 – 18 months.

Our analysis of this market is carried more extensively in our operational review of the Property Developments and Building and Housing markets. Refer to pages 247 and 282.

Transport

Products supplied to this sector include:

- Fibre Cement – Stormwater systems along roads
- Steel – Large bridge launchers for Group Five Civil Engineering, as well as overhead signage and steel barricade supports for the Gauteng Freeway Improvement Project (GFIP) programme

This is a buoyant sector, with the South African National Roads Agency (SANRAL) and secondary roads contracts providing continuing workload for at least the next five years, based on the SANRAL contract pipeline.

Financial overview

	Year ended 30 June 2010	Year ended 30 June 2009
Revenue – (R'000)	**866 221**	816 132
Total operating margin (%)	**10.0**	10.5
Core operating margin (%)	**9.5**	10.6

Manufacturing produced credible results in a market where both private and public sector conditions remained weak.

Revenue increased by 6.1% from R816,1 million to R866,2 million. Total operating profit remained largely unchanged at R86,8 million (2009: R86,0 million). However, the core operating profit margin decreased somewhat to 9.5% (2009: 10.6%). We believe the return is reasonable in light of the conditions experienced during the year, as explained in this operational report.

Manufacturing continued

Delivery on strategy

Find below how we delivered on our strategy outlined in last year's report.

Strategy	Delivery
Development of ABT as a stand-alone business unit to deliver modular building solutions.	▸ Achieved and demonstrated through the Mthatha Airport terminal building contract in the Eastern Cape, which was secured, planned, built and handed over within two months ▸ However, the slowdown in public tender awards impacted negatively on the planned strategic returns from this new unit
Align the overall Fibre Cement structure to incorporate the new modular housing division (ABT).	▸ Partially achieved, with the appointment of a key member of the senior structure still required
Further modify the Fibre Cement production process for profiled roof sheets by including coating applications in F2010.	▸ Partially achieved, with the required capital project implemented
Secure long term supply contracts for Fibre Cement's range of concrete roof tiles.	▸ Not achieved due to the collapse of pricing and volumes in this sector. Pricing is determined per contract, while excess market capacity is removed
Further develop installed capacity of BRI and extend the geographic reach.	▸ Partially achieved. New capacity was ordered, with commissioning planned for September 2010. Mobile plants were built to operate on remote sites
Structure the Steel business unit to market requirements.	▸ Achieved, with significant restructuring complete and the business securing both internal and external awards
Improve internal stock management systems within our Formwork and Scaffolding unit.	▸ Achieved and nearing completion, with the installation and commissioning of an IT system aligned to the Construction business units
Achieve a Level 3 BBBEE rating.	▸ Partially achieved, with a level 3 in BRI and a level 4 at Fibre Cement and at Structural Steel. This will receive focus in F2011
DIFR targets to be achieved and lowered.	▸ Not achieved, although some progress through structural changes, strict discipline and the enforcement of Group Five's zero harm policy. Will receive continued focus in F2011

Endorsement

"I am extremely happy with the workmanship, speed and quality of the airport contract and have already placed an order for this technology."

Civil Aviation client

Key achievements

Fibre Cement

Against a recessionary environment, we achieved reasonable returns by establishing alternative income streams, whilst removing costs within the traditional business model.

- Efficiency improvements within the factory resulted in:
  - Further gains in material yields
  - Raw material mix changes
  - Scrap reduction
  - Manpower reduction through production process modification
- Consolidated our product range to remove complexity, improved our route to market, strengthened international technology partnerships and refined our manufacturing process

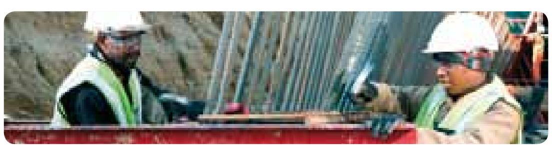
- To ensure marketability outside of the public sector markets, we have significantly developed our ABT product offering to supply complex structures to larger, turnkey contracts, such as the Mthatha terminal building in the Eastern Cape. See case study on page 260

- To further diversify our geographic base, we expanded our export business within sub-Saharan Africa

Steel

During the year, we continued to build the Structural Steel business unit under new leadership to ensure a more focused and profitable entity.

- We entrenched a business strategy that enables the expansion of the external client base and increases returns
  - This allowed us to manage our returns successfully in an aggressively negative market environment of volatile input costs and high levels of pricing pressure, as supply exceeded demand



- New technology was introduced to continue improving consistency and quality and to save costs

- Installed and commissioned an enterprise resource planning system to improve controls and to align to group standards

- Successfully completed significant contracts for Building and Housing, such as the new Nedbank Phase II and the Bus Rapid Transport (BRT) contracts, which aided in creating value through the internal supply chain. See "Structured Ingenuity" on page 255

Manufacturing continued

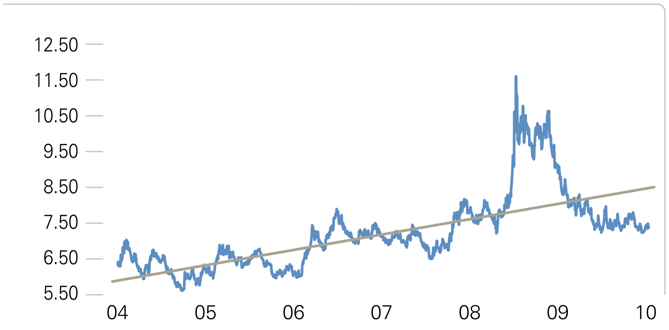
Key challenges

Fibre Cement

The extent of the economic downturn necessitated a rigorous cost focus, which unfortunately resulted in job losses. Furthermore, as outlined in the market overview, a major challenge was the delays in contract awards from within the public sector, which negatively impacted returns and working capital through delayed sales and slower stock turn.

The growth of competing imports due to our relatively high inflation and input costs compared to Brazil, Russia, India and China (BRIC) trading opponents was another challenge that was further compounded by relative Rand strength.

Rand/US Dollar – April 2004 to April 2010 (Daily average)



Source: SARB.

Steel

A key challenge during the year was the tragic death of BRI's general manager, which forced structural changes within the business unit.

Externally, extreme pricing pressure eroded margins, due to excess supply built up over the boom years of 2008/09 had to be disposed within a diminished local market.

Case Study

Mthatha Airport

Group Five was commissioned by the Eastern Cape Department of Roads and Transport to supply a temporary terminal building while the main terminal at the Mthatha Airport in the Eastern Cape was being refurbished. The 1 000 m² structure was completed within eight weeks, using the group's leading ABT modular building system. As quality monitoring is built into the manufacturing process at factory level, the final inspection was completed in less than an hour and the snag list limited to two minor items.

The client specified the use of local black contractors. While the panels were being manufactured, the local sub-contractors received installation process training. Local companies were used for electrical work and finishes, with 15 unemployed young people trained and receiving certificates of competency on completion of the contract.

During construction, there was no impact on the airport operations, as the site could be very well controlled and kept clean due to the nature of the technology. Although the intention was to dismount the temporary structure (which was designed to be transformed into classrooms) after the finalisation of the main building, the client decided to use it as permanent offices due to its overall quality.

The contract demonstrated what can be achieved with alternative building materials, which places Group Five at the forefront of these building technologies. Two additional terminal buildings quoted were submitted for the same client.

Managing risk

Find below how we managed our risks outlined in last year's report, as well as how we will manage current risks.

Risks	Mitigating actions	Performance
Strategic risk	Building standby electrical capacity to ensure strategic plant runs during power outages. Increasing the public sector product and service offering to counter a private sector slowdown. Updating ageing equipment to improve production and plant availability, as well as continually looking to attract appropriate technology partners.	▸ Implemented where scale of standby generating capacity makes economic sense ▸ Limited success due to delayed contract awards ▸ Targeted capital expansion projects and approaches to potential technology providers achieved
Credit risk	Maintaining a high level of control on the servicing of credit sales in both the private and public sectors.	▸ Cash collection remains a priority and the bad debt percentage remaining low
Raw material risk	Where possible, ensuring at least two key suppliers of all strategic raw materials. Adapting processes for generic raw materials to reduce the risk of lack of supply.	▸ The risk of non-supply mitigated ▸ Specialised material removed from our processes, where possible
Risk pricing	Build natural hedges to reduce volatility to steel price movements.	▸ Implemented on large contracts where upfront procurement is allowed

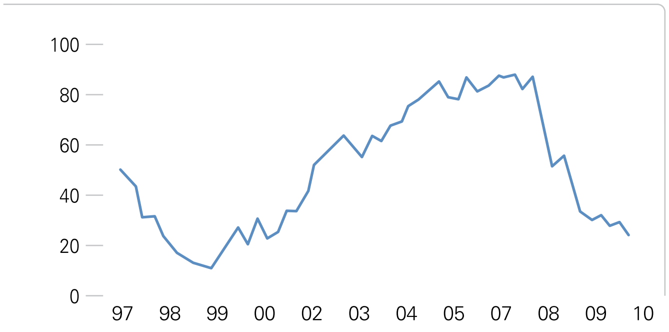
Manufacturing continued

Looking forward

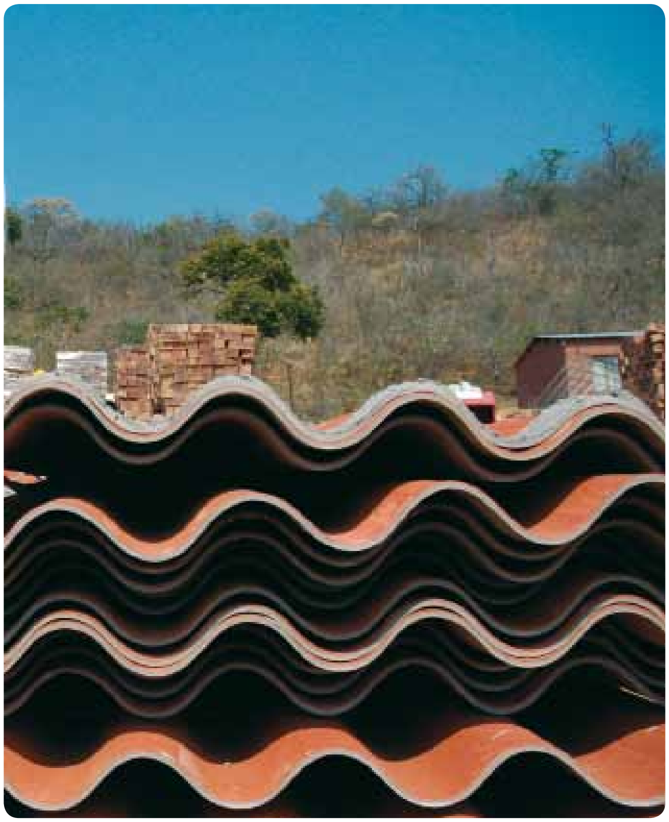
General

The economy is expected to remain sluggish for the next 12 to 18 months. Even though overall consumer confidence seems to be slowly starting to return, the building market confidence continues to fall, suggesting an extended local building industry recession (as depicted in the building confidence indicator below).

FNB building confidence index



Source: BER.



Cluster-specific

Fibre Cement/ABT

Key objectives

The focus ahead is to optimise returns in a recessionary market, with diminished volumes from traditional sources.

Key objectives	Desired results
Continue to implement process improvements within the Fibre Cement plant, as efficiency gains will be a pre-requisite to maintain margins.	Reduce the cost of production, thereby lowering the break-even point for the business to ensure margin retention
Develop ABT market to include focused private market opportunities in South Africa and the rest of Africa for mining and building contracts.	Shedding the dependence on pure public sector contract delivery, as well as increasing the overall returns from ABT.
Service excellence through using our developed supply chain model to better serve the fragmented building merchant market.	Protect Fibre Cement from growing import volumes due to the continued strength of the Rand
New product development to create alternative products and structures.	To maintain returns as traditional volumes remain depressed and to position the businesses for growth as the economic recovery takes hold
Seek additional technological partnerships.	Grow our suite of ABT structures, as well as improve current processes to increase overall returns

Steel

Key objectives

The focus ahead is to improve overall returns from the Steel business unit and to position the underlying businesses for economic recovery.

Key objectives	Desired results
Improved factory and process controls (physical and ERP upgrades).	Reduced cost of conversion and greater factory recoveries
Improved steel procurement practices through optimising hedging opportunities.	Optimised stockholding (while cognisant of working capital levels) in a dynamic pricing environment to protect from margin erosion when steel prices fall and to maximise returns when prices rise
Develop and grow external customer focus based on success of inter-group supply.	Grow business unit volumes and returns due to improving economies of scale as we evolve from an internal transfer pricing model to generating acceptable commercial returns through both internal and external supply
Grow and develop the mesh business into new market segments.	Further develop the commodity range of products offered, which generate a more predictable return to a pure rebar business
Improve health and safety in each business unit.	Achieve group targets

OPERATIONAL REPORT

Construction Materials

John Wallace |
Executive member

63.8%

TOTAL OPERATING PROFIT

R million	F2010	F2009
Revenue	492	671
Total operating profit	20	56
Operating margin (%)	4	8
PP&E*	1 175	1 502
Capital expenditure	42	139
Employees (pax)	804	862

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

This cluster contributed 4.3% (2009: 5.6%) to group turnover, and 2.3% (2009: 7.0%) to group total operating profit.

Sand and aggregates and readymix and extenders trade to similar and very defined markets across the different business units, with significant vertical integration. As these operations are inter-linked, we report them together. As our contract mining activities serve very different markets, we have included information on this operation for this year.

Construction Materials operate in southern Africa, with countries including South Africa, Namibia and Lesotho.

Introduction

SAND AND AGGREGATES

- Mining, crushing, screening and washing of a variety of construction materials from our fixed sites throughout Gauteng. These materials are used in a variety of applications, including readymix concrete, asphalt and road sub-structures and plasters and mortars

READYMIX AND EXTENDERS

- Own and manage 10 readymix plants throughout Gauteng, supplying various grades of wet and dry batched concrete blends
- Milling of granulated blast furnace slag, which is sold as an extender to the readymix concrete and cement blending industries

CONTRACT MINING

- Contract crushing and screening of materials, mainly for mining clients throughout southern Africa
- Contract haulage for mining clients throughout southern Africa

Construction Materials continued

Market overview

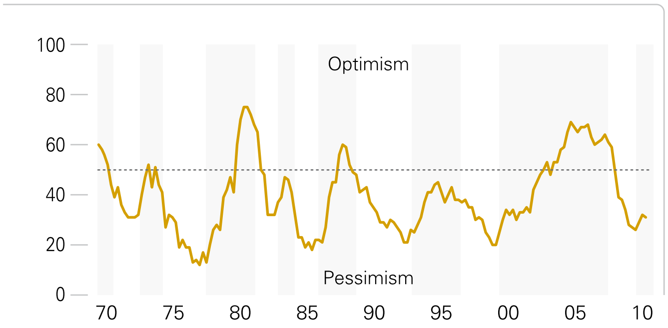
Readymix and aggregates

Readymix and aggregate markets were particularly difficult in the year, as residential development markets collapsed and government curtailed infrastructure expenditure. Heavier than usual summer rains also impacted volumes, with the number of trading days severely curtailed.

These factors resulted in intense price and volume pressure, as players, who had increased capacity to supply the buoyant construction sector in 2007/8, competed to supply the significantly diminished market this year. The available Gauteng readymix and aggregates market shrunk by about 20%, forcing both plant and business consolidation. The larger cement manufacturers that own readymix concrete businesses were particularly focused on retaining volumes (at the expense of price), as their readymix concrete businesses are a significant channel for their cement volumes.

The graph below demonstrates the overall lack of activity in the building market, with a sharp drop in confidence in the period to early 2010. Some research indicates that the bottoming of the curve is currently being experienced. This could perhaps signal the mid-point of the building recession. The aggregates and readymix market recovery will lead the overall indicator, as these are the fundamental building materials that demonstrate volume growth early in the cycle.

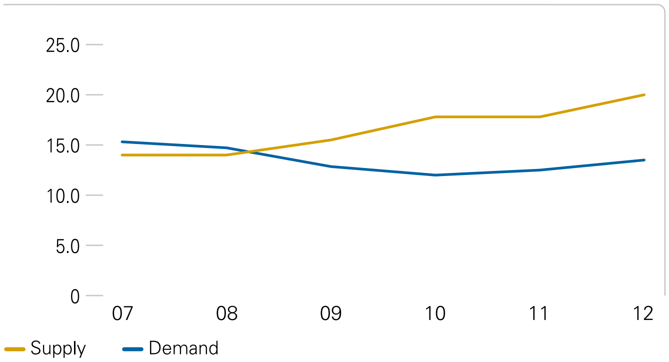
MFA composite leading indicator for the South African building industry



Source: FNB/BER; SARB; MFA database.

During the year, the cement industry entered its third year of volume decline, with the market having slumped to 70% of capacity. A nominal 4 – 6% volume growth rate for calendar 2011 is being forecast by some industry players. The oversupply situation will be exacerbated by the market entrance of a new player, Sephaku Cement, with 2,2 million tonnes of new capacity coming on stream in 2012. However, the effect of this oversupply to the market users should limit cement price increases in the future, as well as an increasingly competitive and healthy industry.

South African cement market volumes (Million MT)



Source: Cement and Concrete Institute; PPC; MFA.

Note: 2012 includes the planned entrance of Sephaku Cement.

Contract mining

The awarding of new contract mining projects has become highly competitive in southern Africa, with significant over-capacity of available heavy mining capital equipment. This over-capacity was caused by significant investment to support the recent buoyant mining market. This led to several new players entering this market sector. A number of these new entrants are not fully compliant with the many operating requirements, which has led to the Department of Mineral Resources (DMR) increasing the frequency of its audits.

Sector overview

Below we outline the dynamics of the sectors most relevant to this cluster.

Mining

We offer the following products and services in this sector:

Contract Mining (Quarry Cats)

- Contract crushing and screening for mining houses
- Contract hauling of mined material
- Recovery of material from existing old dumps
- Running metal separation operations for mining clients

Activity in the mining sector has started to improve. Unfortunately, with the poor state of the aggregate market, numerous under-utilised plant items are either finding application in contract work or are being sold to businesses that operate in this market. This has resulted in increased competition and reducing margins.

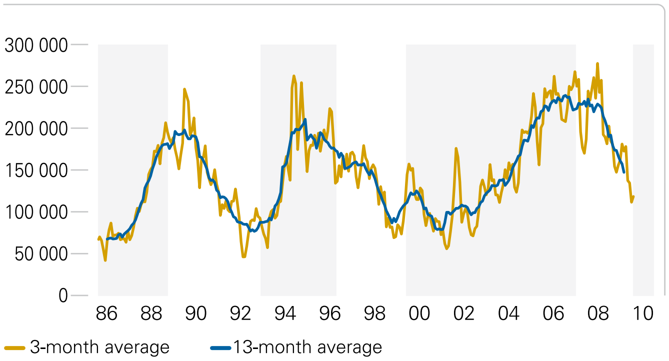
Industrial

We offer the following products and services in this sector:

- Afrimix: Readymix applications – casting decks and structures
- Cosmos: Pre-cast products

The number of contracts awarded continued to fall off dramatically during the year. The current trend, as indicated by the graph below, suggests another period of reduced volumes, increased competition and tighter margins.

Industrial and warehousing: building plans passed (Square metres)



Source: Statistics SA; MFA database.

Construction Materials continued

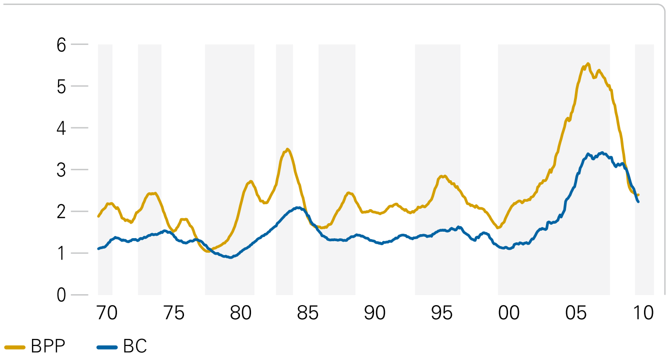
Real estate

We supply an entire suite of products to this market segment. Products include:

- Afrimix: Readymix into foundations, decks and structures, which supports the vertically integrated supply chain of aggregates, sand and extenders
- Cosmos: Bricks and pavers and pre-cast products
- Sky Sands: Sands into plasters and mortars

This sector was severely impacted by the economic slowdown, as all the leading indicators of building plans passed (BPP) and buildings completed (BC) remained at historic lows (see graph below).

BPP and BC: total residential at constant 2009 prices (R billion per month)



Source: Statistics SA; SARB; MFA database.

Transport

Products supplied to this sector include:

- Quarry Cats: Asphalt and asphalt-specific aggregates and base course (sub-system materials)
- Cosmos: Pre-cast products

This sector has shown strong growth, with the South African National Roads Agency's (SANRAL) improvement contracts (GFIP Phase 1) and the planned GFIP Phase 2, which is expected to commence from 2012. There are also a number of secondary road upgrades planned, as well as increased demand from the road maintenance sector.

GROUP FIVE structured ingenuity

Below we outline how we delivered on the group's business essence of "Structured Ingenuity".

Our over-arching strategy is to capture an optimal number of earnings streams from our construction activities within the group. An excellent example of this was the new Bus Rapid Transit (BRT) contract, a Group Five Building and Housing contract. In this contract we:

- Incorporated our own reinforcing steel (BRI)
- Fabricated the pre-cast concrete sections (Cosmos)
- Utilised our in-house formwork and scaffolding systems (Formwork)
- Manufactured and installed large steel sections for each bus terminal (Structural Steel)
- Used our readymix company (Afrimix) for concrete
- Afrimix in turn utilised stone and sand from our internal quarries (Quarry Cats) and slag from our grinding company (Bernoberg)

Financial overview

	Year ended 30 June 2010	Year ended 30 June 2009
Revenue – (R'000)	491 860	671 317
Total operating margin (%)	4.1	8.3
Core operating margin (%)	3.6	8.4

This cluster experienced a particularly tough trading year, with volumes and prices depressed by the current recessionary pressures in the majority of markets served.

Revenue decreased to R491,9 million (2009: R671,3 million). Total operating profit decreased by 63.8% to R20,2 million (2009: R55,8 million). The core operating profit margin decreased to 3.6% (2009: 8.4%).

Practice requires that the carrying value of long term assets owned by this cluster, including property, plant and equipment and intangibles assets, are reviewed on an annual basis. The weakening market conditions applicable to the Construction Materials cluster resulted in detailed impairment tests.

A lack of clarity on the timing for recovery of construction materials markets, including no visible recovery in the private residential and building sector and a delay in contract roll out and awards in the public sector, required management to apply a prudent consideration to the carrying value of these assets and to process an impairment of R326 million. Further details can be found within the CFO's report on page 92.

Delivery on strategy

Find below how we delivered on our strategy outlined in last year's report.

Strategy	Delivery
Bedding down changes from the re-engineering process, which includes senior management adjustments.	Achieved. Senior management restructuring complete and business stability returned
Implementing improved management information systems.	Partially achieved through structural changes, system integration and enforced controls
Consolidation of readymix operations.	Partially achieved, with low volume sites mothballed and mobile teams ready to engage as market conditions change
Growing milled slag volumes in KwaZulu-Natal.	Not achieved. Market research complete and strategy execution a focus for F2011
Integrated marketing efforts and contract selection with group construction business units for maximum commercial advantage.	Achieved, with all viable sites serviced internally
Investigate future potential growth opportunities to be well positioned for expansion when the markets recover.	Partially achieved. Structure complete and focus shifting from business re-engineering to future opportunities
Tight cash management and business controls.	Achieved
Target new contract mining awards to ensure full employment of capital equipment, as aggregate and sand markets decline.	Partially achieved. Additional work has been secured at a number of existing contracts, as well as new contracts for material haulage

Construction Materials continued

Key achievements

The required structural changes in the business have been achieved, with unnecessary functional duplication removed and key positions filled.

General

- Corrected plant or application mismatches, as well as completed a detailed plant verification and valuation exercise
- Reduced process costs and gained efficiencies to protect some of the margin squeeze from falling volumes and dropping prices

Readymix and aggregates

- Further developed our internal supply, with 21.5% of business now being internal in certain business units
  - This assisted in partially mitigating declining volumes and supported overall group margins and cash retention

- Commissioned a new stone quarry at Sky Sands to augment our sand business in a developing market south of Johannesburg

Contract mining

- To address the tough markets, we continued to source additional mining contracts to keep our asset pool employed
  - Contract mining provided good returns and assisted to offset the weak performance from the rest of the segment
  - None of the contract mining sites reflected any need for impairments to the carrying value of long term assets

- Managed to recover all additional revenues at contract end, including over-runs, variations and additional work

Key challenges

As outlined earlier, the very depressed state of the overall market challenged management during the year. The market downturn was exacerbated by government's failure to roll out planned infrastructure spend, which further impacted demand for our products.

The restructuring necessary to rebuild this cluster required significant management time and resources. This process involved removing historical functional duplication by ensuring that one executive committee manages the cluster of six operations.

Due to the number of common markets, the business units now sell under the cohesive structure of a centralised sales and marketing structure. We are continuing to reduce structure and costs, as the market shrinks.

As outlined on page 269, the weakening market conditions applicable to the Construction Materials cluster resulted in an impairment. Refer to CFO's review on page 92.

Planet

- Dust suppression is done through waste water utilised in sprinkler trucks
- Stakeholder interaction takes place with relevant parties and associations to minimise impact on wildlife of any nature
- The building of sound dampening barriers in high noise areas to limit impact on the surrounding environment
- Controlled blasts are designed for efficient recovery of useable rock, which limits oversized and unusable stockpiles, as well as limiting dust and fly rock
- The shortest pit rock haul routes are designed to limit truck usage to decrease carbon footprint
- Capital equipment design and choices take cognisance of energy consumption within the selection criteria
- The use of potable water is minimised through recycling

Construction Materials continued

Managing risk

Find below how we managed our risks outlined in last year's report, as well as how we will manage current risks.

Risks	Mitigating actions	Performance
Strategic risk	Addressing costs and efficiencies to minimise exposure to the downturn.	Significant cost restructuring complete. However, the extent of the downturn was underestimated; with efficiency gains therefore still a key strategic objective
	Growing our presence as a strong and reliable supplier to group construction contracts.	We have to still ensure a greater value add through an integrated offering at bid stage
	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.	Mobile teams can operate from a number of units as the market dictates. Fixed costs have been reduced, without impacting the service offering
	Positioning effectively for the more active public infrastructure market to offset slowing activity in the private sector.	Outcome was muted by the poor rate of contract awards in the public sector
	Reducing the capital expenditure cycle as market demand drops, without running assets beyond their commercial viability.	Capital spending reduced in line with market and contracts secured to keep idle assets employed
Compliance risk	Compliance with the mining act relevant to both our contract mining and fixed quarry operations, as well as an increased awareness of safety standards and environmental controls.	Compliant, with structural changes to address legal requirements and the appointment of requisite internal management
Credit risk	Maintaining a high level of control on the servicing of credit sales in both the private and public sector.	Good disciplines throughout have mitigated most of the credit exposure
Utilities risk	Building standby electrical capacity to ensure strategic plant runs during power outages.	Achieved

Case Study

Gilloolys Interchange

Our Construction Materials cluster was involved in the incremental launch of bridge decks on the Gilloolys interchange in Gauteng through providing specialist concrete.

This bridge was the first curved incrementally-launched bridge in the Gauteng Freeway Improvement Project (GFIP) project suite. The bridge deck was constructed using 1 000 m^3 of concrete and an additional 1 000 m^3 was used for the support structure.

The bridge segments were cast in three pours, comprising base, walls and deck. There were 20 segments and the turnaround time per segment was approximately a week.

The primary requirements were for the mix to be pumpable and to reach a pre-determined early strength, without compromising the long term durability of the structure.

The mixes were subjected to various curing regimes, including steam curing to assess the effect on the durability requirements. The most practical and innovative solution was the option to "accelerate" the concrete setting on site.

The coordination of the concrete supply was particularly challenging to ensure continuity of supply and to guarantee that no cold joints occurred during the cast of the bridge decks. Consistent supply of concrete within the strict slump tolerances was therefore needed, as any discontinuity would have jeopardised the total bridge segment.

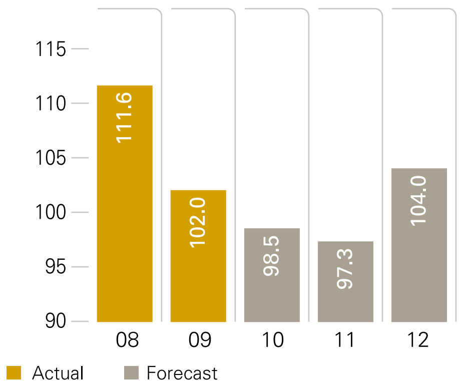
Construction Materials continued

Looking forward

General

The overall Gauteng construction market is expected to remain subdued for the next 12 months. This will impact the volumes of construction materials sold. To address this, we will focus on product pricing and margin retention through efficiency gains.

Aggregate and stone sales in South Africa
(Millions of tons)



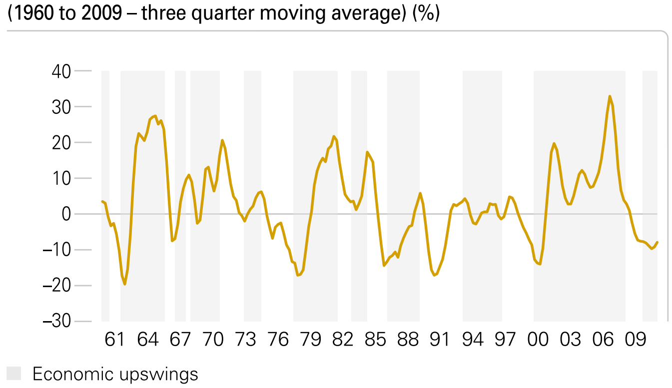
Source: ASPASA; MFA database.

The public sector will hopefully increase the rate of contract awards, particularly in the low cost housing sector during F2011. The second phase of the GFIP, as well as additional secondary road awards, and a slow recovery in urban infrastructure is expected in the first half of F2012.

The current low interest rate environment is creating some stimulus to the residential building and alterations sector, which should translate to a reduced rate of market decline in this sector, with volumes finding a floor before a moderate recovery in calendar 2012.

The graph below indicates the percentage change year on year for completed residential buildings. It shows that the sector started contracting in 2008 and that the rate of decline has slowed in the last quarter, which demonstrates that treasury's interest rate strategy is leading to a bottoming of the housing recession.

Total residential buildings annual percentage change
(1960 to 2009 – three quarter moving average) (%)



Source: SARB; MFA database.

Against what will generally be continued difficult markets, the cluster is re-engineered and rightsized to survive the downturn and to create improved returns as the market recovers.

Cluster-specific

Key objectives

Against a continued depressed market, the management team will drive returns through rigorous attention on cost structures and business processes, whilst containing capital costs that will enhance efficiencies.

In terms of our contract mining operation, the ongoing development of contract crushing and haulage contracts will assist in mitigating the reduced returns from the fixed quarry operations as under-utilised assets will be deployed.

Key objectives	Desired results
Further consolidation and plant alignment within our fixed quarries.	To ensure that the correct plant is employed in terms of market requirement and cost base
Further re-engineering and cost reduction within all business units.	To ensure an earnings contribution throughout the downturn and to position the business for when volumes recover
Improving its service offering as a differentiator outside of price alone.	To maintain – and possibly grow – volumes in a declining price environment, without eroding pricing
Developing sustainable mine plans for our operations, while taking cognisance of reducing activities.	To ensure appropriate and commercially viable mining and dump recovery in all of our fixed quarries
Further develop mine service contracting opportunities within South Africa and over-border.	To improve overall returns and keep assets employed during the downturn to mitigate carrying value impairments

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 82.8% (2009: 82.5%) to group turnover and 79.3% (2009: 71.9%) to group total operating profit.

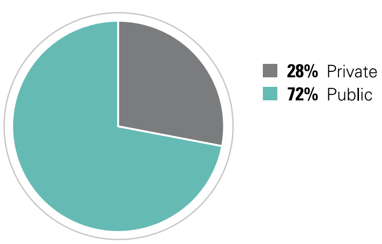
Construction secured order book

(R million)	**Total**	Building and Housing	Civil Engineering	Engineering Projects
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 (actual)	9 387	3 186	4 713	1 488
Percentage over-border	18	6	17	50
Year to 30 June 2011 (forecast)(1)	7 062	2 598	3 035	1 429
Percentage over-border	25	22	16	49
Full order book (forecast)(2)	9 249	3 516	3 809	1 924
Percentage over-border	24	23	20	36

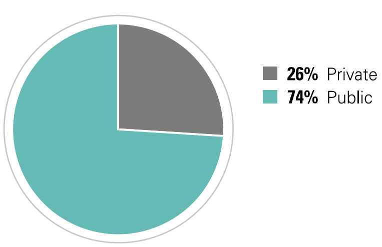
(1) Revenue to be executed in F2011 reflecting secured construction contracts only.
(2) Revenue to be executed from 1 July 2010 based on secured construction contracts only.

Private vs public Construction revenue

2010 – actual

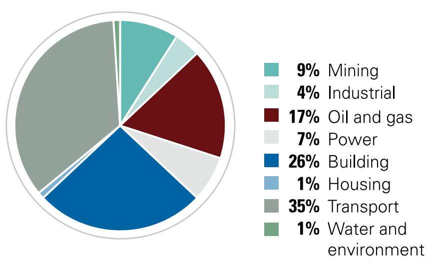


2011 – forecast

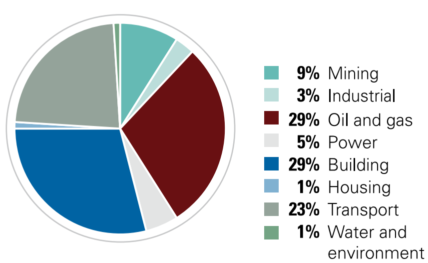


Construction revenue by sector

2010 – actual

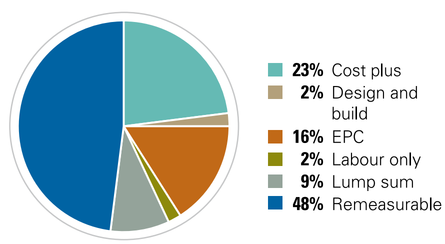


2011 – forecast

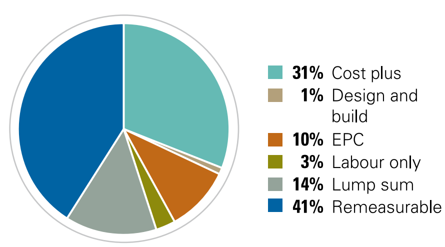


Construction revenue by contract type

2010 – actual



2011 – forecast



Construction tender pipeline

Contracts being targeted by the group as at 30 June 2010.

						International			Local		
By sector (Rm)	F2011	F2012	F2013	F2014 – F2016	**Total**	Total	Private	Public	Total	Private	Public
Mining	4 126	5 860	2 574	1 569	**14 129**	**11 522**	11 522	–	**2 607**	2 607	–
Industrial	1 601	1 930	1 561	–	**5 092**	**3 007**	1 255	1 752	**2 085**	1 895	190
Oil & Gas	888	1 903	1 063	417	**4 271**	**2 500**	2 500	–	**1 771**	1 621	150
Power	5 885	7 534	2 655	398	**16 472**	**8 335**	6 835	1 500	**8 137**	3 787	4 350
Building	10 623	18 901	8 372	2 330	**40 226**	**14 722**	9 743	4 979	**25 504**	15 901	9 603
Housing	1 572	2 571	1 434	160	**5 737**	**1 087**	505	582	**4 650**	2 290	2 360
Transport	5 510	8 922	6 945	4 280	**25 657**	**11 902**	–	11 902	**13 755**	260	13 495
Water and Environment	2 286	3 183	1 495	1 061	**8 025**	**4 710**	2 861	1 849	**3 315**	125	3 190
	32 491	50 804	26 099	10 215	**119 609**	**57 785**	35 221	22 564	**61 824**	28 486	33 338

Building and Housing

Paul le Sueur |
Executive member

67.8%

TOTAL OPERATING PROFIT

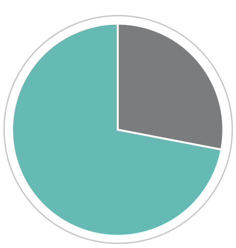
R million	F2010	F2009
Revenue	3 186	2 900
Total operating profit	237	141
Operating margin (%)	7	5
Current assets	776	958
1-year order book*	2 598	3 495
Employees (pax)	1 794	2 080

** F2011 (F2010) secured order book.*

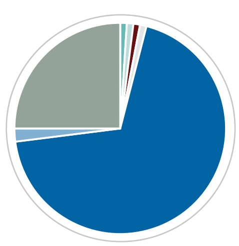
This segment contributed 28.1% (2009: 24.0%) to group turnover, and 27.0% (2009: 17.7%) to group total operating profit.

Building and Housing operates in the private and public sectors within South Africa, the SADC region and certain select countries in the rest of Africa.

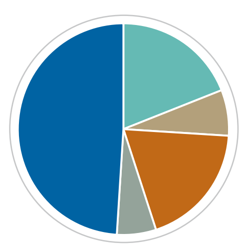
Private vs public Construction revenue: 2010 – actual



Construction revenue by sector: 2010 – actual



Construction revenue by contract type: 2010 – actual



Introduction

BUILDING

- Education and healthcare facilities
- Public buildings and infrastructure
- Large, commercial and residential complexes
- Retail shopping centres
- Industrial premises

HOUSING

- Large-scale residential and building contracts for the mining and industrial sectors
- Corporate and private/public sector housing developments
- Low-cost and affordable housing schemes

Building and Housing continued

Market overview

Public sector

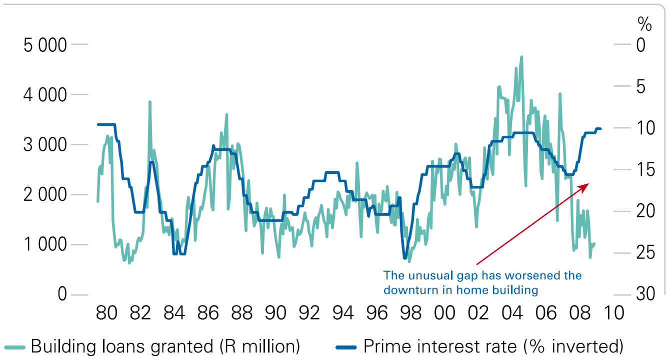
The year under review saw a definite slowdown and increased competitiveness in South African real estate markets. Due to pressure in the private sector, there was an expectation of a shift to public sector spending. However, this did not transpire as adjudication and contract awards, especially in the public private partnership (PPP) market, slowed and the residential market was particularly negatively affected by the lack of public sector spend in the breaking new ground (BNG) affordable housing market.

Private sector

The current state of the South African building market and the improving economic fundamentals across many African countries motivated the return to a stronger focus on over-border work during the year. The group sees medium and long term growth prospects in the African market for this segment, whilst the domestic South African market is expected to only show a recovery in the next 12-18 months.

The graph below shows that mortgage finance traditionally rises when interest rates drop. The current cyclical downturn is unusual, as interest rates have dropped slightly, but mortgage finance is yet to recover. As outlined, this impacted us severely, as private sector spend slowed significantly.

Comparison between the cost and availability of mortgage finance for new houses – prime interest rate inverted (R million per month at constant 2009 prices)



Source: Statistics SA; SARB; BER; MFA database.

Sector overview

Below we outline the dynamics of the sectors most relevant to this cluster.

Mining

Services provided to this sector include:

- Employee housing schemes
- Hostel conversions from single to family accommodation
- Mine buildings
- Construction camps and temporary accommodation

With the exception of the iron ore expansion programme where we were involved in the provision of formal employee housing for Kumba Iron Ore, this sector has provided us with very few opportunities in the year under review.

In the short to medium term, mining spend on housing in South Africa is not expected to recover to previous levels. Specific opportunities within South Africa and the Southern African Development Community (SADC) are expected to be aligned to coal, iron ore mining, as well as South African mining hostel conversions from single to family units.

Industrial

Services provided to this sector include:

- Employee housing schemes
- Turnkey factory complexes
- Process plant buildings and offices
- Construction camps and temporary accommodation

This market was extremely quiet during the year, with the effects of the global recession still preventing planned expansions in most of the target markets. As there is currently little line of sight in the industrial market for Building and Housing, we will focus on other sectors.

Power

Services provided to this sector include:

- Employee housing schemes
- Turnkey township construction for communities established at new power plant sites
- Power station buildings
- Construction camps and temporary accommodation

This sector experienced delayed enquiries and awards by Eskom due to their reported budgetary constraints. However, we are confident that awards around the planned construction of the administration, workshops, sub-stations and ancillary buildings on the Medupi and Kusile power stations, as well as the permanent employee accommodation, will take place in F2011.

Oil and gas

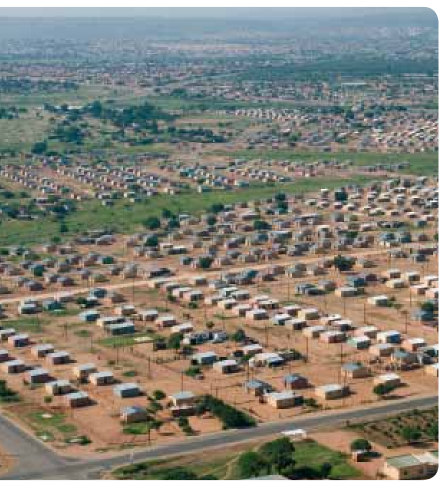
Services provided to this sector include:

- Employee housing schemes
- Process plant buildings and offices
- Construction camps and temporary accommodation

The awarding of construction work associated with the pump and terminal stations on the Transnet NMPP contract in South Africa is a significant contract for us.

The oil and gas sector in the southern African region is currently expanding and is expected to provide new opportunities from F2012.

Building and Housing continued



Water and environment

Services provided to this sector include:

- Employee housing schemes
- Water pipelines, pump and terminal stations
- Construction camps and temporary accommodation

During the year, there were a number of new opportunities in these sectors, such as water and sewerage contracts for local municipalities. However, competition was intense and contracts were mostly awarded to smaller contractors who offered discounted prices.

Real estate

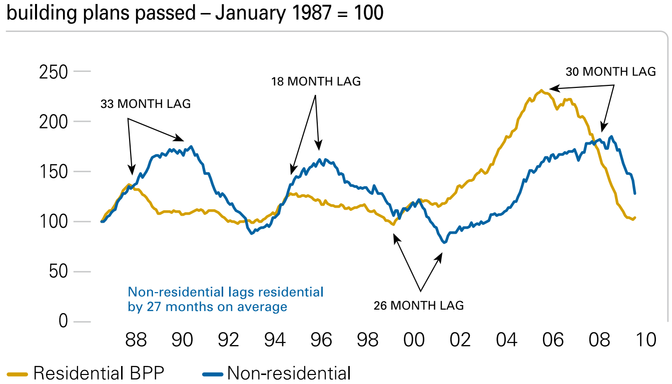
Services provided to this sector include:

- Public buildings and infrastructure
- Large commercial offices and associated residential apartments
- Retail shopping centres
- Industrial premises
- Education and healthcare facilities
- Large-scale residential housing contracts
- Low-cost and affordable housing schemes

As widely reported, private sector development slowed considerably, with new contract opportunities mostly limited to corporate activity for own use, rather than investment properties. This sector is expected to remain depressed for the next 12 – 18 months, after which commercial and industrial recovery will emerge, with residential last out of the recessive cycle.

The graph below suggests that the residential sector could bottom out during 2010, but that non-residential could still drop further.

Comparison to illustrate the lag between residential and non-residential building plans passed – January 1987 = 100



Source: Statistics SA; SARB; BER; MFA database.

Transport

Services provided to this sector include:

- Airports
- Quay-side port buildings
- Rail-side buildings, warehousing and passenger handling buildings
- Bus rapid transit systems

This sector continued to show growth during the year, mainly driven by 2010 transport programmes and SANRAL spend.

Building and Housing was the lead contractor on both the Bus Rapid Transit (BRT) and Integrated Rapid Transport (IRT) bus transport programmes in Gauteng and Cape Town respectively. The successful delivery of these contracts in time for the FIFA 2010 Soccer World Cup should pave the way for the further expansion of the network, as well as substantiate the viability of rolling out of these contracts in the other major city centres.

Case Study

Moses Mabhida Soccer Stadium

Building and Housing led the joint venture that constructed this world-class facility.

The joint venture partners commenced construction on the R3,1 billion stadium in July 2006. The main concrete structure was completed in October 2008 and in January 2009 the erection of the iconic arch started. Practical completion was on time in October 2009.

The six levels of the stadium are supported by 1 750 columns and 216 raking beams that provide the main support to the seating panels. A total of 1 780 pre-cast concrete seating panels create the bowl form that encircles the stadium.

The stadium has been built as a 56 000-seater, with capacity increased to seat 70 000 spectators during the FIFA 2010 Soccer World Cup. Seating can be further expanded to around 80 000.

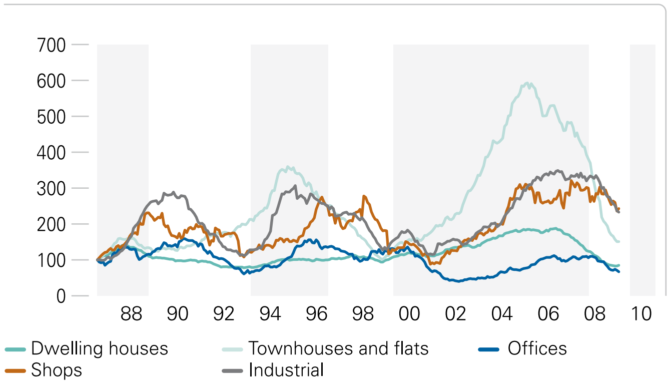
Eye catching – and transforming Durban's skyline forever – the stadium's arch of triumph is 350 metres long and rises to a height of 106 metres.

The stadium has already won numerous awards in the areas of safety, quality of construction and innovation, including being the overall winner at the Southern African Institute of Steel Construction's Steel Awards 2009 and the Concrete Society of Southern Africa's 2009 Fulton Award for Unique Design Aspects.

Due to an unrelenting adherence to safety regulations, the contract was the winner of the Master Builders South Africa (MBSA) 2008 National Safety award for contracts valued at R500 million and more.

Building and Housing continued

Comparison between property types building plans passed (Square metres) (12 mma smoothed) – January 1987 = 100



Source: Statistics SA; SARB; BER; MFA database.

The graph above demonstrates the unprecedented boom in properties that preceded the global financial crisis. The oversupply of stock, particularly high-density living units, is only expected to unwind over the next 18-24 months.

Financial overview

	Year ended 30 June 2010	Year ended 30 June 2009
Revenue – (R'000)	**3 186 142**	2 899 773
Total operating margin (%)	**7.4**	4.9
Core operating margin (%)	**6.9**	5.0

Building and Housing revenue increased from R2 900 million (98% local) to R3 186 million (94% local). The segment enjoyed an excellent year, with total operating profit of R237 million, which represents a 67.8% increase over the F2009 profit of R141,0 million. This resulted in the core operating margin percentage increasing from 5.0% to 6.9%, which pleasingly exceeded our target of 5% in this segment.

The secured one-year order book stands at R2 598 million (78% local) (2009: R3 495 million (90% local)) and the total secured order book at R3 516 million (77% local) compared to 30 June 2009 when it was R4 570 million (81% local).

Endorsement

"The Group Five/ENZA joint venture built the stations under enormous time pressure. You managed to complete the work to a high quality specification despite challenges such as working in the middle of the road, with the usual Johannesburg traffic running through the construction site."

Rea Vaya BRT system client

Delivery on strategy

Find below how we delivered on our strategy outlined in last year's report.

Strategy	Delivery
Positioning Group Five as a preferred contractor in the forthcoming major PPP contract opportunities, including prisons, hospitals and public sector buildings.	▸ Achieved, as we have successfully qualified on all current PPP opportunities and have submitted competitive bids ▸ The success was due to restructuring and consolidating certain of our business units. This consolidation allowed us to merge resources with different skills sets to assist in the execution of broad-based multi-disciplinary public works contracts. We also restructured our bidding, procurement and risk departments to position ourselves for PPPs
Expanding our housing operations into the privately financed investment market in select African and Indian Ocean markets.	▸ Achieved, with entry into Zambia. Building and Housing secured the mixed-use R1 billion Levy Park Junction contract in Lusaka and are busy pursuing a number of other opportunities
Utilising our size and capacity in housing to position ourselves in the new entry-level housing market.	▸ Partially achieved, as we established a track record in this relatively new market. However, we have been cautious no to over-commit due to the limited success demonstrated by government and the banking sector in delivery. We will only make capacity available to this sector subject to acceptable risk hurdles being met ▸ We expect certain contracts to come to fruition in F2011
Providing the temporary and permanent housing infrastructure for the planned new South African power station contracts.	▸ Partially achieved, as we are currently awaiting adjudication in respect of bids submitted
Providing the required infrastructure relative to the mining expansion programme.	▸ Achieved through securing a new contract for Kumba Resources and for Sasol Coal, as well as participating in a number of potential bids
The successful delivery and completion of the FIFA 2010 Soccer World Cup infrastructure contracts.	▸ Achieved, with the successful delivery of both the Moses Mabhida Soccer Stadium and the King Shaka International Airport on time
Driving our own BNG housing developments.	▸ Partially achieved, with appropriate sites obtained and substantial progress made on all legislative aspects in obtaining full development rights
The start of the Waterfall Development construction portion where the group has an equity stake.	▸ Achieved, with successful negotiation of the first two construction contracts, a private hospital and a furniture retail outlet

Key contracts

Contract	Description	Location	F2010 revenue R million*	Total revenue reported to date R million*
King Shaka International Airport	Construction of international airport	KwaZulu-Natal	542 840	1 536 950
Nedbank Phase 2	Construction of bank office building	Gauteng	373 164	578 555
Moses Mabhida Stadium	Construction of a 70 000 seater stadium, including athletic track, sports field, basement parking and external works	KwaZulu-Natal	213 008	968 819
University of Johannesburg	The upgrade of existing campus buildings including two new generic buildings and sporting facilities	Gauteng	203 137	212 639
Brandvlei Prison	Demolition of existing prison and construction of 1 000 inmate prison	Western Cape	160 610	215 779

Building and Housing continued

Key achievements

- The main achievement was the timeous and very successful completion of the Moses Mabhida Stadium, the King Shaka International Airport and the iconic Nedbank Phase II in Gauteng

- Establishing a building presence in Zambia, with the award of a mixed-use business park

- Successful partnering with four enterprise development partners. During the year, we worked on seven construction contracts in partnership with them

Planet

In line with group policy, Building and Housing has also banned bottled water from its offices, recycles paper and print cartridges, promotes double-sided printing and uses paper cups instead of polystyrene cups. We have a waste management system at our offices and on sites and use efficient lighting, with motion and timer systems. This segment is at the forefront of green building construction, with a number of employees on the working group of the Green Building Council of South Africa.

GROUP FIVE structured ingenuity

Below we outline how we delivered on the group's business essence of "Structured Ingenuity".

- We revised our "design and build" model to a more effective "design to deliver" model, which has enhanced timeous and successful contract delivery
- We had no loss-making contracts in the year due to adopting and rolling out processes and quality systems that led to enhanced disciplined risk management and attention to the contract lifecycle, as embedded in ISO 9000
- Focus was also given on the further training and development of existing and new project managers through the Group Five Academy
- Against increasingly tough South African markets, the group swiftly moved over-border to secure work
- The successful delivery of the King Shaka International Airport as a total engineering, procurement and construction (EPC) contract, as this indicates our move towards full EPC contracting



Key challenges

The weak private sector property market, coupled with the slowdown in government's promised infrastructure spend, was a major challenge. Particularly disappointing was the lack of communication of the commitment to, and slow adjudication of, PPP contracts that have been in the market for over 18 months. Against this, we secured alternative local and over-border work, such as commercial, educational, healthcare and retail contracts.

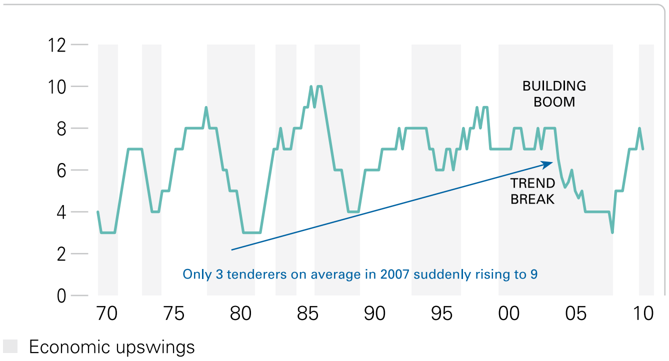
Additional challenges included:

Private sector

- Lack of project funding from the banks, in conjunction with an increase in equity funding required from developers. All of this led to potential contracts being cancelled
- Increase in market competitiveness, with consequent margin squeeze in South Africa
- An increase in the number of tender companies per contract

The graph below indicates the sharp increase in the number of tenders per building contract due to the more competitive market conditions from 2008.

Average number of tenders received per building project



Source: BER; MFA database.

Public sector

- In addition to the PPP challenges, we experienced either extremely slow adjudication processes on conventional public sector contracts or no adjudication at all

Building and Housing continued

Managing risks

Find below how we managed our risks outlined in last year's report, as well as how we will manage current risks.

Risks	Mitigating actions	Performance
Not delivering key 2010 contracts on time.	Hands on, pro-active senior management involvement, which ensured that every milestone was achieved and the eventual final product delivered.	▶ The delivery of both contracts timeously to world-class standards
Inappropriate contract selection.	Stringent upfront risk policies implemented and followed to ensure the appropriate selection.	▶ No loss-maker contracts experienced during the financial year
Sub-contractors and supplier insolvencies in the current market.	Thorough and detailed financial background checks implemented to ensure the financial soundness of the parties we did business with.	▶ Our exposure to insolvencies was negligible
Non-payment and cash flow issues on contracts.	Contracts were not undertaken without the appropriate payment guarantees.	▶ Zero default on payment was experienced on contracts executed
Risks associated with operating in new territories.	Group experience and good risk procedures being followed against all opportunities and new geographical areas.	▶ We have not encountered any risk issues on our over-border contracts to date
Power outages during construction.	Standby generation implemented on all contracts.	▶ No downtime was experienced as a consequence of power outages

Endorsement

"Overall cooperation on the contract was very good, particularly given the complexities of the contract, tight programme and other external challenges. As with any contract of this scale, there were occasions where cooperation on site level was lacking. However, the institutional model set up at the start of the contract in terms of where issues that could not be resolved at site level were escalated to a site exco allowed for tensions to be dissolved and a conciliatory approach to be maintained in the face of even the most daunting challenges."

Moses Mabhida soccer stadium client

We set ISO accreditation (9001, 14001 and 18001) as a non-negotiable for all our business units in the segment. During the year, we achieved our objective of having all the business units within our segment accredited.

Looking forward

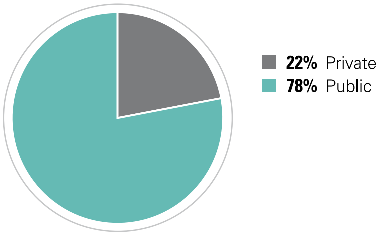
Despite what will remain a challenging and competitive market, we are well positioned to capitalise on an expected improvement in public sector awards, an acceleration of the affordable housing delivery model, beneficial positioning in emerging Africa and in the medium term, a slow recovery in the traditional Building and Housing sector.

Key focus areas

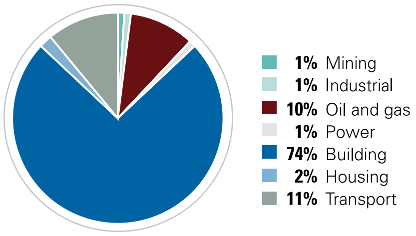
The key focus will be to rebuild order books on the basis of increasing competence in the areas listed below.

Key focus areas	Desired results
Integrating the KwaZulu-Natal and Western and Eastern Cape regions into one operating unit.	Enhanced economies of scale and a more competitive overhead structure
Pursuing and securing PPP bids already submitted.	Securing at least two of the PPP bids submitted
Expanding our presence in over-border countries.	Ensuring more geographic diversity, as spend has been particularly constrained in the South African market
Pursuing and securing additional contract opportunities on the Waterfall Development.	Driving tenancy and feasibility pricing to secure additional tenancy for F2011
Driving our own BNG housing developments.	Breaking ground on two BNG opportunities in the first half of calendar 2011
Strengthening multi-disciplinary capacity and skills by ensuring the appropriate mix of human capital.	Secure more multi-disciplinary contracts
Ensuring the most cost-effective overhead structure.	Increase our competitiveness in the current market

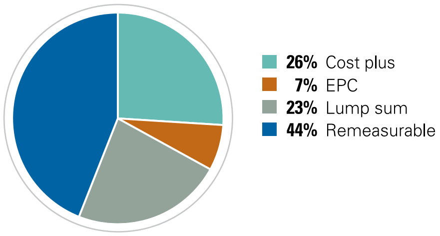
Private vs public Construction revenue: 2011 – forecast



Construction revenue by sector: 2011 – forecast



Construction revenue by contract type: 2011 – forecast



Civil Engineering

Andrew McJannet | Executive member

37.6%
TOTAL OPERATING PROFIT

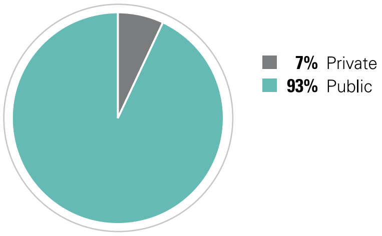
R million	F2010	F2009
Revenue	4 713	4 633
Total operating profit	311	226
Operating margin (%)	7	5
Current assets	2 009	2 294
1-year order book*	3 035	4 225
Employees (pax)	5 575	6 560

** F2011 (F2010) secured order book.*

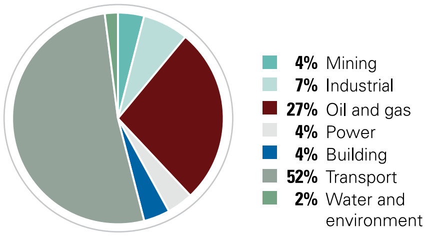
This segment contributed 41.6% (2009: 38.3%) to group turnover, and 35.4% (2009: 28.3%) to group operating profit.

The multi-disciplinary offering allows successful co-operation between Civil Engineering and other Group Five business units, allowing the group to offer turnkey solutions to infrastructure and industrial contracts.

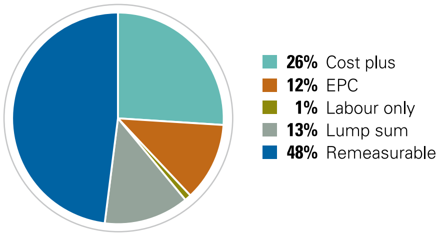
Private vs public Construction revenue: 2010 – actual



Construction revenue by sector: 2010 – actual



Construction revenue by contract type: 2010 – actual



Introduction

CIVIL ENGINEERING

Civil Engineering undertakes a broad range of contracts for both public and private clients:

- Heavy civils
- Large concrete structures
- Mining and industrial infrastructure
- Roads, rail and earthworks
- Marine civils
- Pipelines






Civil Engineering continued

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

In the Middle East, where Group Five has been operating for six years, operations have been established in the UAE, Qatar and Jordan. The group works in the UAE in joint venture with Al Naboodah. The primary areas of activity in the Middle East are:

- Infrastructure development, primarily for transport contracts
- Multi-disciplinary industrial contracts
- Public sector low-rise real estate

Civil Engineering operates throughout sub-Saharan Africa, the Middle East and the Indian Ocean islands. The preferred way of operating is to work with local and international partners in these territories.

Market overview

The financial crisis continued to have an influence on the current year, particularly in the rest of Africa, the Indian Ocean Islands and the Middle East. Activity levels in South Africa remained high.

South Africa

Civil Engineering activity in South Africa remained strong, with the market substantially larger than it has ever been.

The main growth has come from the overlap of end phases of earlier large infrastructure contracts as well as of the start of new contracts. These included civils works on conventional coal-fired and alternative energy power plants, road networks, railway expansion, commuter schemes, port and harbour developments, large pipelines, water and waste water treatment plants and water storage facilities. Key contracts included the FIFA 2010 Soccer World Cup stadia, Durban harbour widening, the King Shaka International Airport in Durban and a share of the Gauteng Freeway Improvement Project (GFIP) contracts.

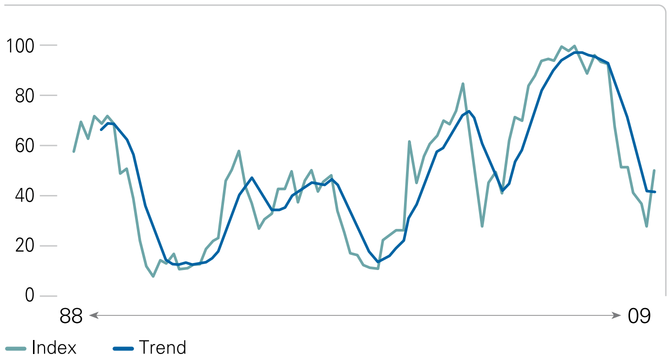
As reported last year, activity in the domestic private sector was expected to reduce due to a decline in global economic activity, concerns over electricity capacity, interest rates, a weakening Rand and rising input costs. During the year, these concerns were exacerbated by lack of finance and through investor reticence, coupled with falling commodity prices and reduced demand.

Rest of Africa and Indian Ocean Islands

In the rest of Africa, the substantial investment in private mining infrastructure, which forms the major portion of our activity in these areas, remained low due to the global market pressures.

However, there has been a recent upturn in mining-related enquiries and a return to public infrastructure spend. This will be a welcome boost to South African firms looking to replace work over-border. The group will continue to select contracts carefully and will only work on contracts in the public sector with secured funding and clear and acceptable commercial and legal frameworks.

Civil Engineering confidence index (%)



Source: SAFCEC.

The segment has an established footprint and is recognised as one of the leading local firms in marine construction and water treatment structures in our chosen markets.

Middle East

In the UAE, the fallout from the Dubai debt crisis continued. Although there will still be some capital projects in Dubai, these are expected to be small and infrequent. As indicated last year, the group moved quickly to other areas in the region where development is still continuing.

Outside of Dubai, many of the other Middle East countries are growing strongly. For example, the public expenditure budget in Saudi Arabia for 2010 totalled $210bn, with similar levels of expenditure expected in 2011 as the country continues to invest in its infrastructure.

Abu Dhabi is also undertaking major contracts in transport, power and oil and gas. However, during the year, the award process slowed somewhat and competition increased. Qatar continues to have a large capital programme. The group is already involved in its first contract there.

Sector overview

Below we outline the dynamics of the sectors most relevant to this cluster.

Mining

Services provided to this sector include:

- Bulk earthworks and surface infrastructure civils related to mine and process plant construction
- Silos and storage bunkers
- Dams and tailings works

The mining sector has remained relatively quiet, particularly in the rest of Africa. However, during the last quarter of F2010, increasing numbers of requests for budgets and expressions of interest were received, indicating that the sector is starting to recover.

Industrial

Services provided to this sector include:

- Civils works and large structures
- Specialist structures

The sector remained quiet, as industrial demand is weak and there is over-capacity. Recovery will be driven by increasing global consumer demand, which we estimate to be 18 to 24 months away.

Civil Engineering continued

Power

Services provided to this sector include:

- Heavy civils
- Specialist structures (chimneys and silos)
- Plant infrastructure, including sub-stations, roads and railheads
- Water storage, transport and treatment facilities

The Eskom programme, although running late, has kept this sector busy in South Africa through both its conventional base-load power station programme and by stimulating interest in alternative energy sources and independent power projects. Internationally, enquiries have focused on hydro-electric schemes, wind farms and solar solutions.

Oil and gas

Services provided to this sector include:

- Civils works and large structures
- Pipelines
- Pump stations
- Petrochemical storage facilities

Transnet's NMPP pipeline has been the industry's significant contract in this sector. Group Five is the main contractor in consortium with Spiecapag of France. Elsewhere, enquiry levels are increasing from the private oil and gas industry in southern Africa.

Water and environment

Services provided to this sector include:

- Dams, water treatment plants, pump stations and large pipelines

This sector has been quiet for some years. However, population growth, increasing urbanisation, climate change, demand from new power plants and the expected recovery in economic activity all hold promise for the future, as facilities need to be upgraded and expanded.

We believe the water cycle will manifest over the next two to three years. We are well placed to take part in this.

Real estate

Services provided to this sector include:

- Heavy bulk works and structural concrete to large domestic developments
- Complete construction of large buildings in over-border locations

Whilst this sector is a small contributor to the Civil Engineering segment, we operate in this sector in Mauritius and the Middle East where public sector low-rise real estate contracts have been undertaken. We expect a 12 – 18 month delay before large property developments that would require civil engineering participation.

Transport

Services provided to this sector include:

- Build or design and build of all classes of transport infrastructure, including highways, bridges, viaducts, airports, marine facilities and railway infrastructure

This has been the busiest sector for the segment, given the large value of spend allocated to this infrastructure improvement in South Africa in recent years. The contract work has spanned roads, rail, harbours and airports. The sector continues to hold promise domestically and in our other markets, if funding can continue to be secured by public sector clients and through PPP concessions.

Endorsement

"For years many sceptics were doubtful that the Durban Harbour Entrance Channel contract would ever get off the ground, Not only did we complete it ahead of schedule, under budget and with an excellent safety record, we scooped one of the most prestigious awards in the industry… Thank you for delivery of this world-class contract. We are proud to be associated with you."

Durban Harbour client: Transnet

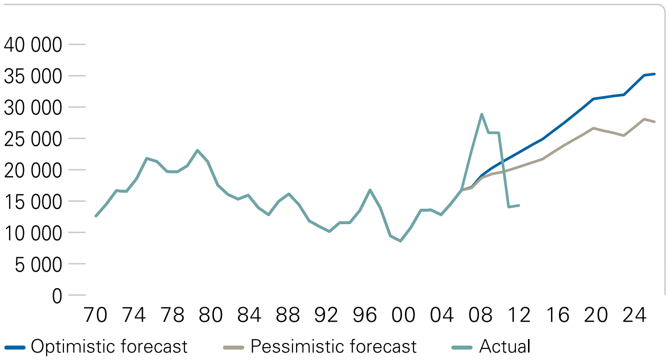
Financial overview

	Year ended 30 June 2010	Year ended 30 June 2009
Revenue – (R'000)	**4 713 487**	4 633 259
Total operating margin (%)	**6.6**	4.9
Core operating margin (%)	**6.2**	4.9

Civil Engineering revenue remained relatively unchanged, with an increase of 1.7% from R4,6 billion (60% local) to R4,7 billion (83% local), while total operating profit increased by a strong 38% to R310,7 million from R225,7 million, resulting in the core operating margin increasing to 6.2% (2009: 4.9%).

The secured one-year order book stands at R3 035 million (84% local) (2009: R4 225 million (86% local)) and the total secured order book at R3 809 million (80% local) compared to 30 June 2009 when it was R5 951 million (61% local).

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



Source: SAFCEC.

Civil Engineering continued

Delivery on strategy

Find below how we delivered on our strategy outlined in last year's report.

Strategy	Delivery
General	
Sustain growth in our three markets.	Partially achieved, with the segment implementing a strategy of enjoying the recent phase of the construction cycle boom in South Africa and broader economic fundamentals emerging in Africa, while adopting a defensive position in Dubai and an expansionary stance in the Middle East
Maintain mining and industrial activity.	Not achieved due to the decline in markets
Establish a transport contract portfolio that covers road, rail and sea.	Achieved, with major contracts secured. Main contracts executed were in air and roads
Strategy of technology advancement to deliver additional revenue stream.	Achieved through adopting technology in bridge launching, post-tensioning techniques and in oil pipeline construction
Focus on larger contracts.	Achieved, with multi-billion, multi-year contracts for GFIP, King Shaka Airport, Durban port widening and Kusile power station
Develop international partnerships.	Achieved, with partnerships established in transport, oil and gas and suspended and tensioned concrete technology
Strict use of risk management processes.	Achieved, with full compliance to group risk procedures
South Africa	
Continue to focus on maximising power sector contract awards.	Partially achieved, with Kusile and Sasol independent power projects, although market still at a relatively early stage
Balance the portfolio to include contracts outside the public sector.	With the private sector still depressed, the focus continued to be on public infrastructure contracts until the private market recovers. However, our international focus will continue increasing
Improve local profit margins.	Achieved, with core operating margin of 6.2%
Rest of Africa	
Bid for African contracts, as demand returns.	Achieved, as bids are continuing, even though awards are slow
Prepare for, and focus on, public infrastructure contracts in Africa.	Currently bidding several contracts where private funding is in place
Middle East	
Establish new markets in Middle East, with strong technical offering.	We are well positioned to further enlarge our footprint in the Middle East, with successful contracts in Qatar and Jordan

Key achievements

South Africa

- Activity in South Africa has been strong, with Civil Engineering participating in a significant percentage of contracts relative to our peers, with activity and turnover levels at record highs. To support this activity, we continued to strengthen our capacity locally
- We worked with our internal supply chain companies to further improve synergies, which resulted in additional revenue and margin for the group
- We entrenched the joint venture formed last year with an Australian company to establish a specialist company which focuses on pre-stressed systems, launched bridges, and high-rise slip form techniques

Rest of Africa and Indian Ocean Islands

- Timeously completed contracts in Mauritius, East Africa and the SADC region
- There is currently momentum in the improvement of the economic fundamentals in a growing number of African countries, as illustrated by the continent's outperformance relative to the more established economies
- Whilst the market weakened in the year due to the global economic recession, enquiry levels have recently increased in the mining sector in the rest of Africa, and have been followed by a number of regional public infrastructure opportunities
- We fully expect to see our capacity allocation progressively moving towards a larger over-border commitment during F2011

Middle East

- The successful positioning outside of Dubai
- Establishing ourselves as one of the preferred contractors on the EMAL Aluminium Smelter contract in Abu Dhabi as it supports our multi-disciplinary capacity building in the region
- The geographic expansion of the regional business during the year has been a key step towards ensuring effective coordination in the region and to be more responsive to regional clients

GROUP FIVE
structured ingenuity

Below we outline how we delivered on the group's business essence of "Structured Ingenuity".

- The business has become a recognised leader in the manufacture and placement of pre-cast beams into large bridges and similar structures
- This has included the design and manufacture of purpose-made beam carriers, which can be adapted to suit a particular application
  - Examples are those built for the Cradock bridge and Koeberg Interchange contracts, which were used in conjunction with extra-heavy lift cranes, resulting in a very effective construction technique

Civil Engineering continued

Key challenges

Although the levels of activity in South Africa remain high, they are starting to slow. This is mainly due to certain local contracts reaching completion, while the next phase of public sector contracts has not been awarded and while the private sector remains depressed.

The key challenge going forward will be to replenish and re-balance the order book while our traditional local and international markets recover.

In the Middle East, the resolution of the terminated contracts remains a core focus area for executive management, as we continue to pursue contract closure, agreement on final account settlement, debt certification and cash collection.

Managing risk

Find below how we managed our risks outlined in last year's report, as well as how we will manage current risks.

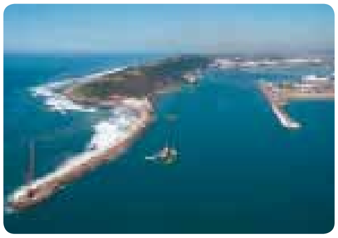
Risk	Mitigating Actions	Performance
Contract overruns.	Short term working programmes. Monitor overall working programme against contractual programme. Monitor information schedule. Progressive handover.	The major contracts in progress in the year were delivered within the allowed programme and profitability
Inadequate early identification of contract risks/loss-making contracts.	Tender risk reviews. Site risk registers. Site dashboards. Variance reports.	The risk, contract and quarterly business review processes collectively provide good visibility to enable mitigating actions to be put in place, where possible
Loss of key employees in senior site management positions.	Performance reviews/succession planning. Training. Mentorship programmes. Incentive schemes.	The business established a culture of learning and is making good progress in terms of skills transfer from one generation to the next
Inadequate quality and experience of required skills.	Recruitment programmes. Training and development. Remuneration levels.	Ongoing programmes through the Group Five Academy, augmented by a developing mentoring programme
Taking on specialist contracts, and relying on partner's capabilities.	Partner risk reviews. Regular, detailed reporting.	The track record of partnerships has delivered good results in marine civils, pipelines and concrete structures
Increased industrial action.	Participation in employer representative bodies. Adherence to agreements.	The risk remains high, although we are mitigating the impact through the group's inclusion in labour negotiations at an industry level and an appropriate and fair, but firm, disciplinary regime
Inability to resource in line with the manpower plan.	International recruitment. Expanded local recruitment. Training.	Demand has weakened in line with the market, with skills less scarce

Illustrating the opportunities that lie in the Middle East outside of the constrained Dubai market, the Middle East Business Intelligence agency, MEED, estimates that Saudi Arabia alone will have to spend $53 billion on power over the next decade.

Similar levels of expenditure are expected in its water and environment sectors. In addition, sectors such as oil and gas, mining and industrial are also undertaking a sustained infrastructure development programme. The second five-year development programme will be published at the end of 2010 and is expected to contain significant opportunities in all sectors.

Saudi Arabia, along with other territories that are energy rich and have industrialisation and infrastructure programmes, will therefore inform our future trajectory in the region.

Case Study



Durban Harbour entrance widening

Civil Engineering, together with its consortium partner, Dredging International, recently successfully handed over the R1,8 billion harbour entrance widening contract to the client, Transnet. The group was responsible for R1,1 billion of the total contract value, which was handed over almost a month ahead of schedule after three years of focused roll out. Quality was excellent, accompanied by a good environmental and safety outcome.

The contract involved the widening and deepening of the harbour entrance channel, which required the removal of the existing North Groyne, including the demolition of existing structures on the north bank, and the building of a new groyne 140 metres further north. This was followed by the dredging of a new channel and the deepening of the existing channel to a depth of 19 metres below sea level. In addition, the entire South Breakwater had to be raised and strengthened to protect the channel from the heavy Durban seas.

Ancillary activities included the removal of an existing services tunnel underneath the entrance channel and the construction of a new Sand Bypass scheme to feed sand onto Durban's beaches.

A key element during the construction process was the ongoing monitoring of the environment. An important focus area was the condition of the sea water on the northern side during the removal and reconstruction of the groyne, as well as during the dredging process, to ensure that the nearby Ushaka Marine could draw clear, undisturbed seawater into the aquarium.

Civil Engineering continued

Key contracts

Contract	Description	Location	F2010 revenue R million*	Total revenue reported to date R million*
NMPP Pipeline	New multi-product pipeline designed to convey various petroleum products	From Durban to Gauteng	1 191 234	1 551 074
Siyavaya highway construction	Gauteng road upgrade including lane additions and improvements to interchanges as part of Sanral's Gauteng Freeway Improvement Project	Gauteng	692 980	998 065
Durban Harbour Entrance Widening	Durban harbour widening by 100 m. Removal and replacement and extension of existing breakwaters and deepening of harbour entrance to a depth of 19 m	KwaZulu-Natal	427 529	1 434 540
Koeberg Interchange	Expansion of the Koeberg Interchange between the M5 and the N1	Western Cape	275 123	476 498
King Shaka International Airport	Construction of international airport	KwaZulu-Natal	494 938	1 435 820

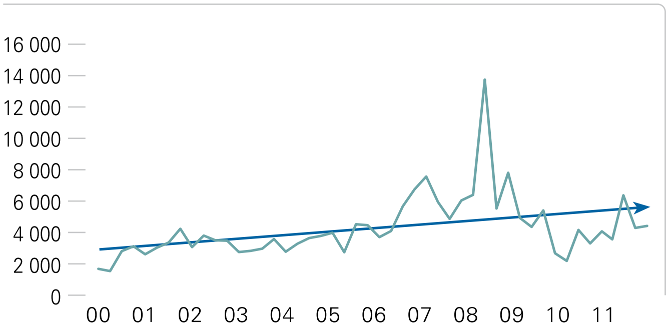
Planet

- The group has a number of environmental initiatives at its office, including energy and water saving initiatives
- On contracts, we:
  - Implement environmental management plans
  - Provide awareness training to all employees working in sensitive areas
  - Relocate various plant species

Looking forward

The segment has performed well, with strong growth and margin generation. Based on the group's tender pipeline, we expect material contract opportunities to realise over the next 12 to 18 months, both in terms of our target geographies and our sectors. The group therefore remains cautiously optimistic about future prospects.

Real awards (2000 = 100) (R million)



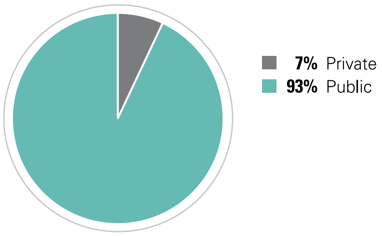
Source: SAFCEC.

Key objectives

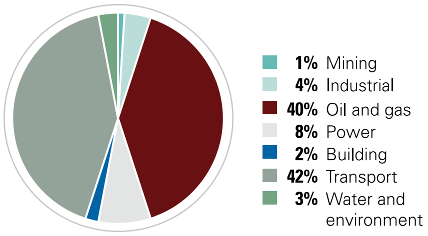
The focus ahead is on geographical expansion and the enhancement of technical competence.

Key objectives	Desired results
South Africa	
Although spending might be slower than anticipated, we will continue to focus on tapping into the planned local expenditure, which will be led by power, water, roads, ports and harbours.	▸ Certain spending areas, such as power and water, are crucial. We will ensure that we optimise these developments with our track record of competence and delivery in these sectors
We expect private sector spending to remain constrained, although we are seeing some large enquiries being issued for mining and petrochemical industries. These markets are aligned to our skills.	▸ Regain market share in the recovering private sector markets
We will focus on supporting the group's strategy to take part in private investment in electricity-generating capacity, such as captive power plants and the much-anticipated Independent Power Producer (IPP) contracts.	▸ With our recent successful commissioning of the Sasol gas turbine power plant, follow-on work in this sector is expected
We will continue to focus on supporting the Construction Materials and Manufacturing businesses of the group.	▸ Adding to their secured order books for the year and increasing inter-group spend
Rest of Africa and Indian Ocean Islands	
Following a quiet period of mining developments and expansions, we are seeing budgets for contracts in numerous countries in Africa.	▸ Securing contracts due to our established geographical presence and experience in the mining sector in this region
Driven by a recovery in mining and broadening economic activity, demand for infrastructure will be boosted further when contracts in water, power, roads and marine contracts commence.	▸ A broadening of the target geographies and of the kind of work where Civil Engineering has a proven competence in public infrastructure
Middle East	
Continue to work with our partners in Dubai to close out terminated contracts successfully.	▸ Finalisation of outstanding issues
Continue to develop the established relationships with General Electric and other suppliers.	▸ Successfully developing joint power, water and transmission and distribution opportunities
Develop other key relationships in the region with other international businesses.	▸ Expansion of geographical footprint with partners in defined focus areas, matched to our skills
Evaluate further expansion opportunities in the region.	▸ The addition of new territories based on market attractiveness and group risk filters

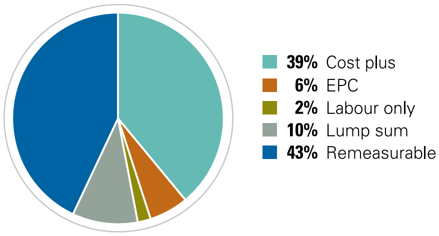
Private vs public Construction revenue: 2011 – forecast



Construction revenue by sector: 2011 – forecast



Construction revenue by contract type: 2011 – forecast



Engineering Projects

Willie Zeelie |
Executive member

28.6%

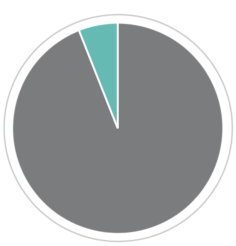
TOTAL OPERATING PROFIT

R million	F2010	F2009
Revenue	1 488	2 443
Total operating profit	148	207
Operating margin (%)	10	9
Current assets	581	502
1-year order book*	1 429	921
Employees (pax)	1 842	2 327

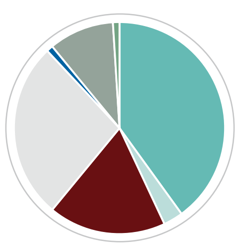
** F2011 (F2010) secured order book.*

This segment contributed 13.1% (2009: 20.2%) to group turnover and 16.8% (2009: 25.9%) to group total operating profit.

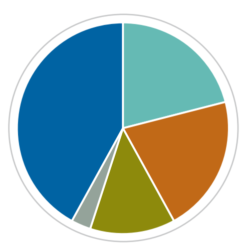
Private vs public Construction revenue: 2010 – actual



Construction revenue by sector: 2010 – actual



Construction revenue by contract type: 2010 – actual



Introduction

PROJECTS

- 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 plant, columns, towers and other associated heavy mining and industrial equipment
- Supply and installation of structural steelwork and plate work for mining, industrial plants, including conveying systems, plant buildings and tank farms

DESIGN AND PROJECT MANAGEMENT (D+PM)

- Design and bid management for larger group contracts
- Feasibility studies in support of turnkey contracts
- Project management and resource pool for turnkey contracts

ENERGY

- Power, oil and gas, electrical and instrumentation supply and installation

- Turnkey distillate/natural gas power plants
- Renewable energy power contracts
- Oil and gas maintenance, storage and process contracts
- 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

Engineering Projects continued

Engineering Projects operates in South Africa, the rest of Africa and the Middle East.

Market overview

Projects

Tendering activities in South Africa and the rest of Africa during the first quarter of F2010 remained quiet. However, from the third quarter onwards, increases in the number of firm tenders were noted, although contract awards remain slow. Clients have requested the re-pricing of tenders in an attempt to reintroduce potential projects on the back of the recovery in mineral commodities and an easing of project finance constraints.

In Dubai, the market remained under pressure and is expected to remain weak for the next few years. The rest of the Middle East region continues to be a large market that supports a multi-disciplinary industrial contracting capability that will support geographical growth.

Energy

During the year, many contracts in Africa and the Middle East were postponed and delayed, mainly due to financial constraints following the economic downturn. However, in the last quarter of the financial year, we noted increased tenders and some indication that contract awards are being finalised, indicating that the energy sector will again be a significant growth sector.

Strong long term GDP growth in emerging and developed economies is therefore set to continue driving the fast-paced growth in energy demand.

Total energy demand in emerging markets increased by 73% over the last decade and although liquid fuels currently supply the largest share of world energy consumption, market indications are that this will decline as a fuel source. This is mainly due to high oil prices that will increasingly force energy users, especially in the industrial and electric power sectors, to move away from liquid fuels to natural gas and cleaner coal technologies.

In addition, emission regulations and incentives will create a long term market for renewable and nuclear power plants. Both the private and public power sectors in South Africa, the rest of Africa and the Middle East are under pressure to deliver sustainable, power contracts to the market.

Sector overview

Below we outline the dynamics of the sectors most relevant to this cluster.

Projects

Mining

Services provided to this sector include:

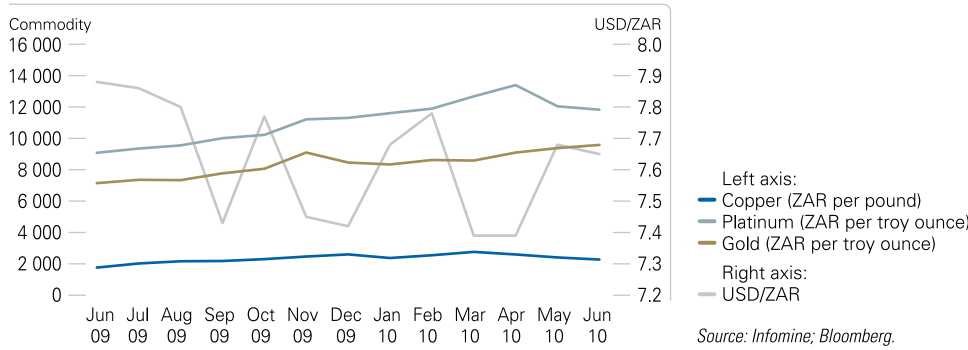
- Structural steel, mechanical and piping (SMP) supply and construction as sub-contractors to engineering, procurement, construction, management contractors (EPCM) for mining processing plants
- Engineering, procurement and construction (EPC) of mining plants in joint venture with design houses
- Construction of mining plants in alliance with owners/engineers
- Mining plant maintenance carried out by our small works operations in Ghana, Burkina Faso and DRC

During the year, mining commodity prices started to recover, in particular those of copper and gold.

During the year, mining commodity prices started to recover, in particular copper and gold. However, there were delays in funding of new mining contracts due to the more stringent credit terms post the global credit crunch.

Although uranium prices declined, the market remained bullish due to demand. This was particularly evident in Namibia, where significant uranium mining expansion took place with the construction of new mines and the expansion of existing ones.

Commodity price per ton and USD/ZAR exchange rate



Source: Infomine; Bloomberg.

Industrial

Services provided to this sector include:

- Structural steel, mechanical and piping (SMP) supply and construction as sub-contractors to engineering, procurement, construction, management contractors (EPCM) for industrial plants
- Industrial plant maintenance carried out by our small works operations in Ghana, Burkina Faso and DRC

The market experienced a quiet period within the industrial sector, highlighted by the slowdown in the cement industry. The development of the aluminium industry in South Africa has also been delayed by the lack of electricity to drive smelters.

Power

Services provided to this sector include:

- Structural steel, mechanical and piping (SMP) supply and construction as sub-contractors to engineering, procurement, construction, management contractors (EPCM) for power plants
- SMP construction in support of Group Five Energy on turkey power contracts

In South Africa, Eskom's Medupi and Kusile base load coal contracts were delayed due to funding unavailability. However, alternative energy source contracts are gathering momentum, with possible wind and solar development opportunities coming to market within the next year, as the regulatory environment is established and a second buyer office (SBO) for renewable energy purchases and project finance becomes available. Nuclear power developments also remain part of medium to longer term prospects for the construction industry, as the national strategy for future cleaner energy is not yet finalised.

The coal extraction expansion in South Africa and neighbouring countries continued, driven by demand from the power sector. This led to an accelerated expansion of the coal mining industry. A noteworthy development was the recent announcement of the R9,5 billion expansion of the largest open-pit coal mine in South Africa, the Grootgeluk Coal Mine, which will feed the Medupi power station. The power drive also resulted in expansion in coal mining operations in countries such as Mozambique and Botswana.

Engineering Projects continued

Oil and gas

Services provided to this sector include:

- Structural steel, mechanical and piping (SMP) supply and construction as sub-contractors to engineering, procurement, construction, management contractors (EPCM) on oil and gas contracts

The discovery of oil in Ghana and Uganda further supports the growing African energy market, which is driven by global growth and the western and Chinese interest in reducing energy reliance on the Middle East. Having an established construction footprint in both West and East Africa, with specific contracting experience in both countries, will position us well to benefit from these developments.

Water and Environment

Services provided to this sector include:

- SMP supply and construction as sub-contractors to EPCM on water and environment contracts

Although not historically a key sector for the cluster, population growth, increasing urbanisation, climate change, demand from new power plants and the expected recovery in economic activity all holds promise, as facilities need to be upgraded and expanded. Increased budgeting requests for bulk water contracts commenced in the fourth quarter of F2010, which could translate into structural, mechanical, electrical, instrumentation and piping (SMEIP) contracting opportunities from F2012.

Energy

Overall market conditions were challenging. Although tender activity has increased, contract closure and contract awards were slow.

Power

Services provided to this sector include:

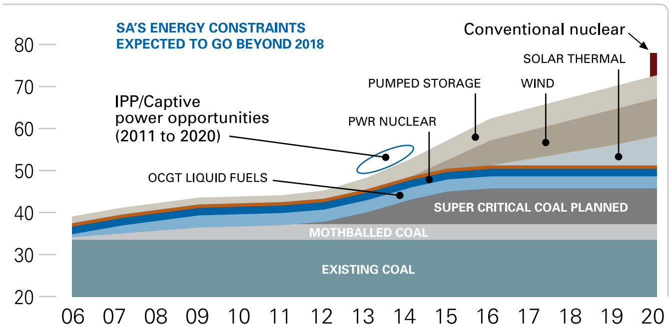
- Early identification and development of turnkey private power contracts in collaboration with developers, technology suppliers and industrial companies
- We offer development assistance, engineering and construction of these power contracts. These contracts range from sub-contractor agreements to full turnkey execution (EPC)
- Civil, mechanical and electrical construction expertise to respond to Eskom contracts and public power opportunities in South Africa

Although power demand is at a peak in South Africa and other African countries, as outlined earlier, many contracts were cancelled or deferred. Due to the economic downturn over the past two years, debt raising and project financing have become extremely difficult. However, this seems to be improving.

Although funding for renewable contracts, such as wind and solar, is still available, the time to market for these contracts is lengthy due to stringent environmental and development criteria and costs. The underlying demand for clean power, however, will underpin the long term viability of this market.

Eskom's recent tariff increase also spurred industry and private companies into exploring captive and private power contract opportunities.

SA power profiles (Capacity (GW))



Source: University of Cape Town.

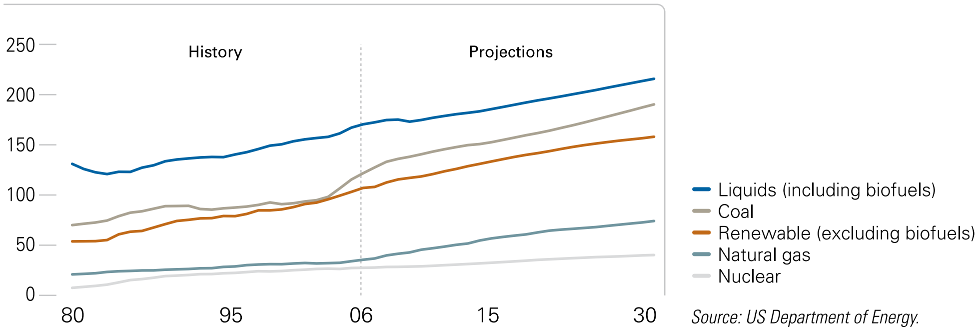
Oil and gas

Services provided to this sector include:

- Maintenance and turnaround teams for annual shutdown contracts
- Evergreen mechanical and electrical maintenance contracts
- Design and construction of fuel and liquid storage facilities
- Specialist mechanical and electrical construction teams, with specific expertise in the oil and gas sector

The oil and gas sector also saw significant contract delays. However, sizeable spend by the private sector oil companies has been allocated to refinery upgrades and maintenance of their depots and oil storage facilities.

World marketed energy use by fuel type – 1980 to 2030 (Quadrillion BTU)



Source: US Department of Energy.

GROUP FIVE
structured ingenuity

Below we outline how we delivered on the group's business essence of "Structured Ingenuity".

- Successful delivery of South Africa's first gas-fired independent power station through delivering a 200 MW power plant to Sasol
- The contract demonstrated the group's innovation in indentifying the opportunities associated with an emerging, but sizeable regional power market about five years ago. It also indicates the ingenuity in seeking out and establishing firm relationships with global technology companies that required a local construction partner
- In the last five years, the group has delivered over 800 MW of power plants. This positions the group well for the further expansion in the power sector in the markets we target

Engineering Projects continued

Endorsement

"Group Five Projects excelled from a service and delivery perspective."

Project Manager of Metorex, Ruashi Phase II copper contract

Financial overview

	Year ended 30 June 2010	Year ended 30 June 2009
Revenue – (R'000)	**1 488 007**	2 442 960
Reporting operating margin (%)	**9.9**	8.5
Core operating margin (%)	**9.4**	8.6

Revenue decreased by 39.1% from R2 443 million (12% local) to R1 488 million (50% local) and total operating profit decreased by 28.6% from R206,7 million to R147,8 million. However, the core operating profit margin percentage improved to 9.4% (2009: 8.6%) due to a strong focus on good contract execution and close out on contracts, both locally and in Africa.

The secured one-year order book has improved to R1 429 million (51% local) compared to 30 June 2009 when R921 million secured work (49% local) was reported. The total secured order book stands at R1 924 million (64% local) compared to 30 June 2009 when it was R1 056 million (43% local).

Case Study

Ruashi Copper Mine

Group Five Projects' relationship with Ruashi Copper Mine (Ruashi) started in 2005 when we were awarded the structural, mechanical, electrical, instrumentation and piping (SMEIP) contract to build a copper concentrate plant in Lubumbashi in the Democratic Republic of Congo (DRC). The contract comprised the relocation of a concentrator plant from O'kiep in South Africa to its current location in the DRC under supervision of an engineering house (EPCM). The contract included the dismantling, transportation, refurbishment and installation.

On the successful completion of this original contract, we were commissioned to assist with the feasibility study to develop the mine by adding a base metal refinery (BMR) circuit. We constructed the BMR circuit as part of an alliance partnership consisting of Group Five, Ruashi mining and an engineering house. Our role was to execute the traditional SMEIP supply and erect scope. However, we were also asked to be responsible for the overall construction management, traditionally carried out by the EPCM contractor. This contract commenced in August 2007 and was completed in February 2009.

While we were in the process of constructing the BMR, we negotiated a contract to upgrade the existing materials handling circuit. The contract commenced in February 2009 and was completed in February 2010. During this period, we also provided a separate team to carry out modifications and maintenance to optimise the throughput of the BMR plant. This contract ended in April 2010.

Delivery on strategy

Find below how we delivered on our strategy outlined in last year's report.

Strategy	Delivery
General	
Key focus will be on the improvement of management and project management skills.	▶ Achieved, with training and development of individuals on contracts
Cement the Group Five strategy of delivering solutions to clients, especially on African contracts where logistics, labour and the environment is challenging.	▶ Achieved, as our approach has been successful and well received by clients and major equipment suppliers. This concept will be further expanded, with the establishment of Engineering and Construction (E+C) from F2011
Continued focus on turnkey contract opportunities. This is a new market and brings additional revenue streams to the business.	▶ Partially achieved. Going forward, the creation of E+C that will incorporate D+PM, business development, oil and gas and the power offering, create a stronger base to offer these solutions
Projects	
Expand existing mining construction footprint in Africa.	▶ Partially achieved, with our African strategy remaining on track, with contract awards in DRC and Ghana, including services work. However, with the economic downturn, major capital expansion contracts in new territories were not available for consideration
Increase our market share of the mechanical, electrical and piping (MEP) construction sector in the Middle East.	▶ Not achieved. Although present in the region, expansion did not materialise due to the decline in the Dubai market. We will focus on the rest of the UAE region going forward
Secure our entry into the oil and gas construction sector.	▶ Achieved, with the award of various packages on the NMPP pipeline contract for Transnet
Focus on South African power sector, in particular on Eskom's coal expansion contracts, such as Medupi and Bravo.	▶ Not achieved. Due to the delays in Eskom contract awards, we were not awarded any contracts during the year
Re-entry into the industrial sector.	▶ Achieved, with the award of a contract to build an extension to an existing cement plant in Mozambique
Energy	
Expand into the Middle East on the experience base established in power plant construction.	▶ Partially achieved, as a structure was implemented to market Group Five prospects in power in the Middle East. Close alignment has been achieved, with key original equipment manufacturers
Increase presence in Africa, with the securing of additional contracts.	▶ Not achieved, although new prospects are nearing finalisation in Mozambique and Eastern Europe
Focus on smaller IPPs to establish Group Five's position as a power solutions provider to small and medium entrepreneurs.	▶ Partially achieved, with good progress made in the development and bidding of small power contracts from 10 MW to 100 MW

Engineering Projects continued

Key achievements

Projects

- One of our main achievements was the award of the Kinsevere Phase II contract in DRC that was postponed in the previous financial year due to the fall in the copper price

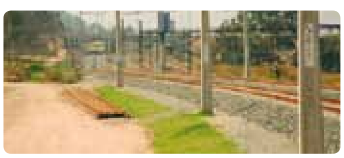
- We established a small works operation at Lubumbashi in the DRC that will focus on maintenance works in the mining sector within the Katanga region

- Re-entered the South African market, with the securing of contracts on the New Multi Products Pipeline (NMPP) for Transnet and the awarding of a heat recovery steam generation (HRSG) contract for Sasol

- We were also awarded our first mining EPC contract in joint venture with a South African engineering design house

Energy

- The successful start of the Sasol IPP, South Africa's first gas-fired co-generation independent power project facility



- The successful award of the first rail sector contract with Transnet in South Africa in line with our strategy of entering new markets

- Securing orders for two major petrochemical companies based in South Africa following our alliance with HMT, a leading designer and supplier of products for large oil and fuel storage tanks

- Entry into new oil and gas markets, including bulk fuel depot services for major oil companies in southern Africa

Key challenges

Projects

Our turnover was impacted by a slow start to the year and declining commodity prices. Against this, we implemented a number of cost cutting initiatives without needing to retrench our permanent employees.

Energy

The key challenge was the postponement and delay in contract awards. Against this, we focused on the secondment of excess resources and skills to other business units where skills shortages were still being experienced. This allowed retention of core skills, whilst we continued the process of driving contracts to financial close and contract conclusion.

During the second half of F2010, a recovery in enquiry levels from the sub-Saharan African mining markets was experienced, which resulted in contract awards.

Managing risk

Find below how we managed our risks outlined in last year's report, as well as how we will manage current risks.

Risk	Mitigating Actions	Performance
Contract cancellations.	Focus on growth of existing contracts, as well as securing smaller services contracts.	▶ We were successful in securing smaller contracts that partially limited the impact of larger contract opportunities being withdrawn from the market
Succession planning.	To ensure effective succession for key employees, mentorship and training programmes were implemented.	▶ Our succession plan and mentorship programmes are in place. Our training programmes were also accelerated during this quiet period
Moving into larger over-border multi-disciplinary turnkey contracts has increased the site time of key employees.	To maintain employee productivity and commitment, we introduced a more vigorous rotation schedule and improved communications and management advance programmes for site employees.	▶ Our management programmes have been extended to all countries of operation
Risk of tropical diseases.	Focused education, as well as preventative measures. Regular audits on site.	▶ We have seen a marked drop in malaria cases due to our awareness campaigns
Country compliance issues.	Regular audits by compliance team.	▶ Maintenance of our country compliance was achieved in all areas of operation
Market size and challenges.	Securing work outside of the mining sector due to decline in commodities.	▶ Succeeded to some extent through entry into the power sector, although weak markets constrained this initiative
Competition.	Offering quality workmanship, market-related prices and meeting deadlines.	▶ The southern African market was the main competitive market. However, we maintained market share
Profitability.	Maintain our margins within a competitive environment by cost cutting and continuous improvement.	▶ Margins held up well due to good execution and cost control

Engineering Projects continued

Key contracts

Contract	Description	Location	F2010 revenue R million*	Total revenue reported to date R million*
Sasol OCGT Project	EPC of open cycle gas turbines as part of the Combined Cycle Power Generation Project	Secunda	357 962	503 567
Kinserve Copper Project	Services, piping, structural, mechanical, electrical and instrumentation contract	DRC	141 393	141 393
Ayanfuri Gold Project	Development of an opencut mining operation, process plant and related infrastructure to the mine	Ghana	119 545	119 545
King Shaka International Airport	Construction of international airport	KwaZulu-Natal	80 129	81 217
Orapa Botswana IPP	Engineering and design work including conceptual works as well as the procurement of two LM6000 turbines.	Botswana	70 590	326 428

Looking forward

The recovery in mining and minerals, together with the expansion of both government and private power generation capacity, will underpin the return to a growth cycle for Engineering Projects.

During the second half of F2010, a recovery in enquiry levels from sub-Saharan African mining markets was experienced, which resulted in some contract awards. We expect this trend to continue in certain minerals categories.

During the last quarter of the year, enquiries from Eskom for the balance of work to complete the Medupi and Kusile power plants resumed, power purchase agreements with several IPPs and a number of base load IPPs and renewable energy projects came to market for pre-qualification. These developments are a significant progression from the markets over the past 18 months and augur well for a sustainable recovery.

Key objectives

Projects

The focus ahead for Projects is to rebuild the order book on the back of improving market conditions. This will require a focused view in terms of which sectors and geographies will provide the most sustainable growth.

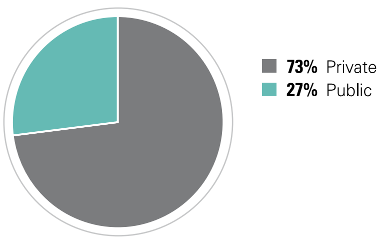
Key objectives	Desired results
Further opportunities are being pursued in new African countries, with the main commodity driver being iron ore, uranium, coal and other minerals.	▸ Secure new contracts in these regions
Continued expansion in our current markets in Africa and the Middle East.	▸ Expansion following the recent increase in mining and industrial construction activities ▸ Increasing our small works operation that offers SMEIP maintenance services to the local mining industry in the territories we serve
Restructure the business to incorporate Electrical and Instrumentation (E&I) from the Energy business unit into Projects.	▸ Through the new structure, ensuring the successful roll out of a SMEIP service to our clients.
Securing work within the South African power sector.	▸ Secure new contracts within the sector
Roll out of an extensive materials tracking system.	▸ Cost savings associated with loss, identification and sequencing of materials
Enhance our reputation as constructors within the South African oil and gas and power sectors in support of the group's sector strategy.	▸ Successful delivery on the Sasol and NMPP contracts and new contact awards

Energy

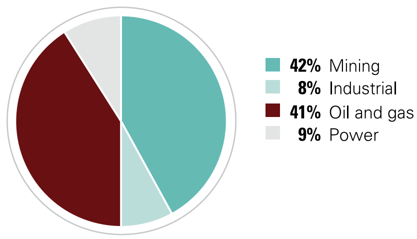
The key strategic focus for the next three years will be the transformation of the existing Energy business into Engineering and Construction (E+C). Refer to page 231.

Key focus project	Desired results
Transferring business portions into E+C.	A permanent structure through which we will develop, bid, secure and execute larger multi-disciplinary contracts
Expanding the group's footprint into new sectors, ensuring alignment with technology providers and engineering skills.	Establish the group's position in the strong growth sectors in infrastructure, as depicted in the sector spreads on pages 16 to 29
Capacity building in the power sector.	Secure next round of IPP and renewable energy contracts
Geographic expansion in support of technology partners.	Secure work in an additional territories aligned to our group and partner strategy and in terms of group risk hurdles

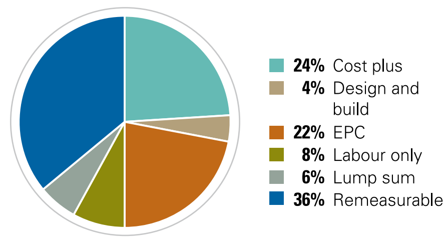
Private vs public Construction revenue: 2011 – forecast



Construction revenue by sector: 2011 – forecast



Construction revenue by contract type: 2011 – forecast



Planet

- All bottled water was removed from the segment's head office, which saved five cubic meters of landfill space, as well as nearly 2 000 litres of oil
- In line with our ISO14001 commitments, we now separate and recycle our waste, as well as separate out our hazardous waste streams that are disposed of in an environmentally safe fashion
- To further reduce our impact, we do not dispose of our printer cartridges, but recycle them. This reduces our carbon footprint, creates employment and delivers a small profit which is donated to a non-profit organisation
- Our lighting was also assessed and unnecessary florescent tubes were removed from the luminaries
- We also encourage employees to print double-sided

Section 4

Annual financial statements

Koeberg Interchange.

In the context of tough economic conditions, we posted a robust performance, with delivery against our key financial group goals of margin, cash generation and gearing. These results can be attributed to the group's strong positioning in key public sector and resources markets.

Statement of responsibility by the board of directors

for the year ended 30 June 2010

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 319 to 400 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 judgments 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 318.

The financial statements were approved by the board of directors on 5 August 2010 and are signed on its behalf by:

P (Philisiwe) Buthelezi
Chairperson

5 August 2010

MR (Mike) Upton
Chief Executive Officer

5 August 2010

CMF (Cristina) Teixeira
Chief Financial Officer

5 August 2010

Statement of compliance by the company secretary

for the year ended 30 June 2010

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 2010, and all such returns are true, correct and up-to-date.

N Katamzi

5 August 2010

Independent auditor's report

for the year ended 30 June 2010

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 statement of financial position and the consolidated statement of financial position as at 30 June 2010, the income statement and the consolidated income statement, the statement of comprehensive income and the consolidated statement of comprehensive income, the statement of changes in equity and the consolidated statement of changes in equity, the statement of cash flow and the consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 319 to 400.

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 judgment, 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 2010 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

5 August 2010

Directors' report

for the year ended 30 June 2010

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 319 to 400 set out fully the financial position, results of operation and cash flows for the group for the financial year ended 30 June 2010. Segmental information as approved by the directors relating to the business of the group is set out on pages 327 to 330.

Subsidiaries, joint ventures and associates

The interest in subsidiaries, joint ventures and associated companies, are set out on pages 395 to 397 of this annual report. The group had previously ceased all operations in India. 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".

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.

In addition 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, there were no business combination transactions to report.

In the period under review the company's interest in aggregate after tax profits and losses in subsidiaries is disclosed on page 395.

Accounting practice requires that the carrying value of non-current assets are reviewed annually for impairment. This has been performed for all non-current assets including property, plant and equipment and goodwill. The weakening market conditions applicable to the Construction Materials cluster resulted in detailed impairment tests being conducted. A lack of clarity on the timing for recovery of construction materials markets, including no visible recovery in the private residential and building sector and a delay in contract roll out and awards in the public sector, required management to apply a prudent consideration to the carrying value of these assets and to process an impairment of R326 million based on the fair value less cost to sell method.

There has been no other 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 326 of this report. The authorised and issued share capital is as follows:

Authorised:
150 000 000 ordinary shares of no par value.

Issued:
120 911 817 ordinary shares of no par value (2009: 120 093 047).

All shares have been fully paid up.

On 14 June 2010, 619 977 shares at a price of R34,98 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 198 793 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 25 576 174 (2009: 25 478 127) are held as treasury stock and in trust, in addition, 473 (2009: 878) were held by the share incentive trust at 30 June 2010.

The BEE ownership transaction comprised three components, namely:

- a broad-based employee scheme, comprising an original aggregate 0.6% of the enlarged share capital of the company;
- a black management share scheme comprising an original 3.9% of the enlarged share capital of the company; and
- the iLima Mvela Transaction comprising an original 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 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,

Directors' report continued

for the year ended 30 June 2010

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.

The group announced in June 2009 that its BEE ownership transaction with the iLima Consortium portion of the iLima Mvela transaction would unwind and that this would entail the return of the shares held by iLima Consortium to the group. In line with this, Group Five made application to the Johannesburg High Court in September 2009 for an order compelling the return of these shares. This is a result of iLima not fulfilling certain conditions and/or breaching certain terms to which the original BEE transaction was subject. The judgment handed down by the Johannesburg High Court in April 2010, found in favour of Group Five. The result of the judgment is that the 11 015 959 Group Five shares currently held by iLima will be returned to Group Five and cancelled. The capital of the group will reduce once the shares are returned and cancelled. At 30 June 2010 the group shares held by iLima Consortium had not been returned to the group, and are subsequently held in trust as described above. The group expects the return of its shares in the F2011 financial year once legal formalities have been concluded. The unwinding of the BEE transaction with iLima Consortium is a huge disappointment to Group Five as the group remains committed to the advancement of broad based black economic empowerment. However, important lessons have been learnt that will be applied in future in the structuring of any potential/proposed BEE transactions.

Capital expenditure

Details on capital expenditure by business are set out on page 329 of this report.

Related party transactions

In prior years, it was reported that the group entered into a formal enterprise development arrangement with iLima. The iLima Group is the majority shareholder of the iLima Consortium which is one of the group's BEE ownership transaction shareholders as discussed above. Group Five had previously made available to iLima 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. In additional 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 2010 amounts to R118 million. The total indirect financial assistance provided to iLima, in the form of bonds and guarantees, which remain in issue, amounts to R54 million. The direct financial assistance, reflected as a current

BEE ownership transaction

		September 2005		30 June 2010	
	Number of shares	Transaction value[1] R'000	Shareholding (post issue of new shares)	Number of shares held in trust[2]	Shareholding
Employee schemes	4 366 109	69 989	4.5%	2 924 279	2.4%
Broad-based scheme (refer note 23.4.2)	575 000	9 217	0.6%	575 000	0.5%
Black management scheme (refer note 23.4.1)	3 791 109	60 772	3.9%	2 349 279	1.9%
The Participants jointly (iLima Mvela Transaction)	20 957 324	335 946	21.6%	22 651 895	18.7%
iLima	10 478 662	167 973	10.8%	11 015 959	9.1%
Mvelaphanda	10 478 662	167 973	10.8%	11 635 936	9.6%
Total	25 323 433	405 935	26.1%	25 576 174	21.1%

(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 in trust at 30 June 2010 thus prior to the return of the group's shares held by iLima Consortium.

asset, as well as the indirect financial assistance, reflected as a contingent liability, (if incurred), will be set off against the return of the group's shares by iLima described above.

Shareholder spread

Details of shareholder categories are set out on page 398 of this report.

Dividends

On 5 August 2010, the directors declared a final dividend of 74 cents per ordinary share (2009: 72 cents). This brings the total dividend for the year to 137 cents (2009: 130 cents). In order to comply with the requirements of STRATE the relevant details are:

Event	Date
Last day to trade (cum-dividend)	Thursday, 23 September 2010
Shares to commence trading (ex-dividend)	Monday, 27 September 2010
Record date (date shareholders recorded in books)	Friday, 1 October 2010
Payment date	Monday, 4 October 2010

No share certificates may be dematerialised or rematerialised between Monday, 27 September 2010 and Friday, 1 October 2010, both dates inclusive.

The group has previously disclosed that 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. The group's earnings per share of R2,80 is 49% lower than that of the prior year of R5,44 per share as a result of the construction materials impairment adjustment discussed above. As a result the board of directors have approved a final dividend based on a cover of four times on the earnings per share before recording of impairment adjustments and pension fund surplus of R5,50. The total dividend for the year of 137 cents per share (2009: 130 cents), is an increase for the year of 5%.

Directors and secretary

The names and brief curricula vita of the directors appear on page 173 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 399 and 171 of this report. No contracts in which the directors share an interest were entered into. Dr MSV Gantsho resigned from the Board on 14 January 2010 and Mr Z Mtshotshisa resigned from the Board on 3 May 2010. In terms of the company's Articles of Association, L Chalker, SG Morris and KK Mpinga retire by rotation. Being eligible, they offer themselves for re-election.

Directors' shareholdings

At 30 June 2010, the number of ordinary shares held beneficially and non-beneficially by the current directors was 160 000 and 1 000 respectively (2009: 160 000 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 policies and procedures are set out in the corporate governance report on pages 147.

Share option schemes

Details of the group's share options schemes is set out on page 171.

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 was due in February 2010. During this period under review the group settled the GFC1 bullet payment of R300 million via free cash flow. 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 10h00 on Wednesday 13 October 2010. Refer to pages 402 to 408 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 2010

(R'000)	Notes	GROUP 2010	GROUP 2009
Construction revenue		9 387 636	9 975 992
Invoiced value of goods and services supplied		1 915 308	2 015 387
– existing operations		1 915 308	1 991 227
– acquisitions		–	24 160
Property sales and development fees		34 644	98 857
Revenue		11 337 588	12 090 236
Cost of material		1 338 703	1 503 157
Cost of subcontractors		5 061 835	5 730 600
Direct payroll costs	23.1	2 045 585	1 939 081
Other staff costs		246 588	237 248
Depreciation	4.12; 8	245 235	258 370
Plant costs		780 475	981 095
Manufacturing distribution costs		115 508	103 153
Site administration costs		608 795	519 017
Other administration costs		17 969	21 333
Operating expenses before fair value adjustments and impairment adjustments		10 460 693	11 293 054
Operating profit before fair value adjustments and impairment adjustments		876 895	797 182
Fair value adjustment relating to investment properties		–	–
Fair value adjustments relating to investment in service concessions		13 532	15 718
Impairment of property, plant and equipment		(325 569)	–
Operating profit	4	564 858	812 900
Share of profit/(loss) from associates		1 347	(69)
Finance income/(costs) – net	5	27 871	(30 820)
Finance income		143 303	137 173
Finance costs		(115 432)	(167 993)
Profit before taxation		594 076	782 011
Taxation	6	(258 297)	(224 567)
Profit after taxation from continuing operations		335 779	557 444
Loss for the year from discontinued operations	34	(22 102)	(22 890)
Profit for the year		313 677	534 554
Profit attributable to:			
Equity shareholders of Group Five Limited		267 377	514 733
Non-controlling interest		46 300	19 821
		313 677	534 554
Earnings per share – basic (Rand)	7.1	2,80	5,44
Fully diluted earnings per share (Rand)	7.2	2,56	4,86

Group statement of comprehensive income

for the year ended 30 June 2010

	GROUP	
(R'000)	**2010**	2009
Profit for the year	313 677	534 554
Other comprehensive income		
Exchange differences on translating foreign operations	(68 889)	(78 006)
Other comprehensive income for the year	(68 889)	(78 006)
Total comprehensive income for the year	244 788	456 548
Total comprehensive income attributable to:		
Equity shareholders of Group Five Limited	198 488	436 727
Non-controlling interest	46 300	19 821
	244 788	456 548

Group statement of consolidated financial position

at 30 June 2010

		GROUP	
(R'000)	Notes	2010	2009
Assets			
Non-current assets			
Property, plant and equipment	8	2 039 696	2 432 466
Investment property	9	66 877	12 371
Goodwill	10	24 859	24 859
Investment in associates	11	22 847	15 210
Investment in service concessions	12	224 311	186 482
Investment in property developments	13	128 691	120 000
Derivative financial instruments	19.1	13 178	1 630
Pension fund surplus	23.2	123 007	–
Deferred taxation	14	14 886	46 524
Total non-current assets		2 658 352	2 839 542
Current assets			
Inventories	15	273 501	507 641
Contracts in progress	16	754 506	745 337
Derivative financial instruments	19.1	–	2 049
Trade and other receivables	17	3 068 892	3 399 085
Bank balances and cash	30	3 129 990	2 798 046
Total current assets		7 226 889	7 452 158
Non-current assets classified as held for sale	34	65 153	81 170
Total assets		9 950 394	10 372 870
Equity and liabilities			
Equity attributable to equity holders of the parent			
Stated capital		1 261 135	1 218 133
Retained earnings		1 368 047	1 229 280
Other components of equity		(142 825)	(73 936)
		2 486 357	2 373 477
Non-controlling interest		75 055	34 366
Total equity		2 561 412	2 407 843
Non-current liabilities			
Interest-bearing borrowings	18.1	843 244	897 867
Derivative financial instruments	19.2	–	85
Provision for employment obligations	23.3	25 653	21 434
Provision for environmental rehabilitation	20	39 292	40 550
Total non-current liabilities		908 189	959 936
Current liabilities			
Excess billings over work done		1 043 829	1 799 677
Trade and other payables	21	4 997 188	4 552 918
Derivative financial instruments	19.2	2 609	764
Provision for liabilities and charges	22	76 974	61 433
Current taxation payable		145 480	74 452
Current portion of non-current interest bearing borrowings	18.1	110 487	417 669
Short term borrowings		80 053	78 556
Bank overdrafts	30	24 173	19 622
Total current liabilities		6 480 793	7 005 091
Total liabilities		7 388 982	7 965 027
Total equity and liabilities		9 950 394	10 372 870

Group statement of cash flow

for the year ended 30 June 2010

	Notes	GROUP 2010	2009
Cash flow from operating activities			
Profit before working capital changes	27	1 132 993	1 124 512
Working capital changes	28	58 001	685 293
Cash generated from operations		1 190 994	1 809 805
Finance income		143 303	137 173
Finance costs		(115 432)	(167 993)
Taxation paid	29	(155 631)	(110 364)
Dividends paid	35	(128 610)	(111 830)
Cash effects of operating activities		934 624	1 556 791
Cash flow from investing activities			
Acquisition of property, plant and equipment		(149 715)	(262 665)
Acquisition of investment property and service concessions		(33 674)	(38 854)
Acquisition of investment in property developments		(8 691)	(120 000)
Changes in associates/non-controlling interest		(14 163)	(5 287)
Acquisition of subsidiaries, net of cash acquired	33	–	(30 925)
Proceeds on disposal of property, plant and equipment		32 328	43 227
Proceeds on disposal of investment property		2 025	9 580
Proceeds on disposal of joint ventures		250	–
Cash effects of investing activities		(171 640)	(404 924)
Cash flow from financing activities			
Long and short term borrowings raised		–	167 487
Long and short term borrowings repaid		(406 009)	(395 885)
Proceeds from share options		7 408	9 347
Cash effects of financing activities		(398 601)	(219 051)
Cash generated from discontinued operations	34	–	31 700
Effects of exchange rates on cash and cash equivalents		(36 990)	(10 306)
Net increase in cash and cash equivalents		327 393	954 210
Cash and cash equivalents at beginning of year		2 778 424	1 824 214
Cash and cash equivalents at end of year	30	3 105 817	2 778 424

Group statement of changes in equity

for the year ended 30 June 2010

	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	Equity shareholders R'000	Non-controlling interest R'000	Total R'000
Balance at 30 June 2008	119 165 241	(25 424 823)	93 740 418	1 176 217	4 070	826 377	2 006 664	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	–	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	–	32 569
Total comprehensive income	–	–	–	–	(78 006)	514 733	436 727	19 821	456 548
Comprehensive income: Net profit for the year	–	–	–	–	–	514 733	514 733	19 821	534 554
Other comprehensive income: Translation differences arising from foreign operations	–	–	–	–	(78 006)	–	(78 006)	–	(78 006)
Distribution to non-controlling interests	–	–	–	–	–	–	–	(1 972)	(1 972)
Dividends paid	–	–	–	–	–	(111 830)	(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	2 373 477	34 366	2 407 843
Issue of shares to share trust in terms of share scheme	198 793	(198 793)	–	–	–	–	–	–	–
Issue of shares from share trust	–	721 128	721 128	7 408	–	–	7 408	–	7 408
Issue of shares in terms of BEE ownership scheme in lieu of dividends	619 977	(619 977)	–	–	–	–	–	–	–
Share option costs	–	–	–	35 594	–	–	35 594	–	35 594
Total comprehensive income	–	–	–	–	(68 889)	267 377	198 488	46 300	244 788
Comprehensive income: Net profit for the year	–	–	–	–	–	267 377	267 377	46 300	313 677
Other comprehensive income: Translation differences arising from foreign operations	–	–	–	–	(68 889)	–	(68 889)	–	(68 889)
Distribution to non-controlling interests	–	–	–	–	–	–	–	(5 611)	(5 611)
Dividends paid	–	–	–	–	–	(128 610)	(128 610)	–	(128 610)
Balance at 30 June 2010	120 911 817	(25 576 647)	95 335 170	1 261 135	(142 825)	1 368 047	2 486 357	75 055	2 561 412

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.

Refer to note 35 for disclosure on dividends paid to shareholders.

Group segmental analysis

for the year ended 30 June 2010

Segment information

Operating segments reflect the management structure of the group and the manner in which performance is evaluated and resources allocated as managed by the group's chief operating decision maker, defined as the executive committee members (exco) of the group.

These operating segments are defined as

Operating segment	Revenue source
Investment and Concessions	
– Infrastructure Concessions	– Equipment supply, operations and maintenance revenue in concession contract developments in the transport, power and real estate sectors
– Property Developments	– Rental and development sales of A-grade Group Five branded property assets generating development and investment returns
Manufacturing	– Manufacture and sale of fibre cement products – exterior and interior walling, ceiling boards, roof tiles and pipes, fibre cement-clad, steel-framed modular housing systems – Manufacture and sale of steel products including – scaffolding, formwork and steel reinforcing for use in concrete structures, fabricated steel structures and large bore steel pipes
Construction Materials	– Supplier of high-specification materials used in the construction supply chain, including aggregates, readymix concrete and mining services
Construction	
– Building and Housing	– Building and housing contractor for of large real estate and related infrastructure contracts
– Civil Engineering	– Civil engineering contractor for roads, ports, airports, pipelines and large structures in the mining and industrial sectors
– Engineering Projects	– Engineering projects contractor for structural, mechanical, piping and electrical engineering, as well as complete plant construction solutions

The group is focused by discipline and each discipline is lead by an executive committee member.

The role of exco is to drive the strategic intent of the group per segment. The executive committee members meet monthly to review the group's performance. Of primary focus to exco is the revenue, operating profit, capital expenditure and current assets per segment. Exco assesses the performance of the operating segments based on a measure of adjusted operating profit before fair value adjustments and impairments. This measurement basis excludes the effects of non-operational income and expenditure from the operating segments such as pension fund valuation assets and deficits and profit or losses on sale of subsidiaries. Gains or losses on disposal of property, plant and equipment as well as investment property are not adjusted as these are deemed to be in the segments core operational control. The adjusted operating profit does not include any impairment adjustments. As exco reviews adjusted operating profit the results of discontinued operations are not included in the measure of adjusted operating profit before fair value adjustments and impairments.

Management do not believe that there are any additional segments that are required to be separately reported.

The reportable operating segments derive their revenue as described above.

The group is also considered by geographical segment due to the extensive geographic footprint maintained by the group. The geographies are grouped into regions for reporting purposes as the group moves towards establishing operational hubs for management of regions.

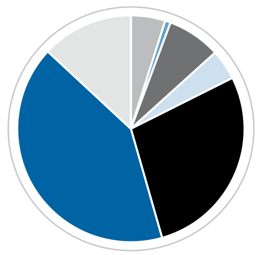
Group segmental analysis continued

for the year ended 30 June 2010

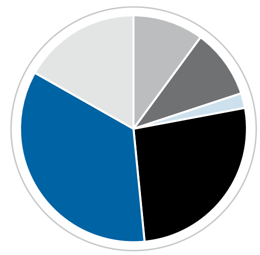
The segmental information presented below includes the reconciliation of IFRS measures presented on the face of the income statement to non-IFRS measures which are used by management to analyse the group's performance.

Financial performance: Group revenue and operating profit

Revenue



Operating profit



Note: Graphs represent F2010 values only.

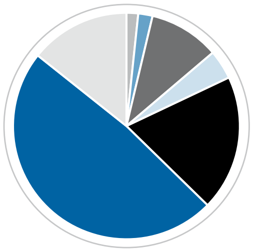
2010	Gross revenue	Internal revenue	External revenue	Operating profit
R'000				
Investments and Concessions	591 871	–	591 871	75 928
Infrastructure Concessions	557 227	–	557 227	83 974
Property Developments	34 644	–	34 644	(8 046)
Manufacturing	1 016 224	(150 003)	866 221	82 300
Construction Materials	626 824	(134 964)	491 860	17 624
Construction	9 553 896	(166 260)	9 387 636	649 967
Building and Housing	3 262 252	(76 110)	3 186 142	220 022
Civils Engineering	4 784 482	(70 995)	4 713 487	290 001
Engineering Projects	1 507 162	(19 155)	1 488 007	139 944
	11 788 815	(451 227)	11 337 588	825 819
Adjustment for non-operational items				
Pension fund valuation surplus				55 161
Loss on disposal of subsidiary				(4 085)
Operating profit before fair value and impairment adjustments per income statement				876 895

2009	Gross revenue	Internal revenue	External revenue	Operating profit
R'000				
Investments and Concessions	626 795	–	626 795	82 570
Infrastructure Concessions	527 938	–	527 938	80 234
Property Developments	98 857	–	98 857	2 336
Manufacturing	1 063 560	(247 428)	816 132	86 887
Construction Materials	759 090	(87 773)	671 317	56 261
Construction	10 177 463	(201 471)	9 975 992	582 933
Building and Housing	2 931 787	(32 014)	2 899 773	144 314
Civils Engineering	4 712 364	(79 105)	4 633 259	229 123
Engineering Projects	2 533 312	(90 352)	2 442 960	209 496
	12 626 908	(536 672)	12 090 236	808 651
Adjustment for non-operational items				
Pension fund valuation loss				(11 469)
Operating profit before fair value and impairment adjustments per income statement				797 182

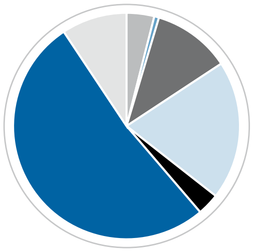
Sales between segments are carried out at arm's length and are reflected above.

Financial position: Current assets and Capital expenditure

Current assets



Capital expenditure



Note: Graphs represent F2010 values only.

R'000	Current assets		Capital expenditure	
Operational segments	**2010**	2009	**2010**	2009
Investments and Concessions	148 800	304 255	9 706	36 603
Infrastructure Concessions	63 815	119 360	8 287	32 514
Property Developments	84 985	184 895	1 419	4 089
Manufacturing	411 673	411 592	23 302	15 453
Construction Materials	169 745	184 649	41 747	139 118
Construction	3 366 681	3 753 616	135 271	238 337
Building and Housing	775 751	957 745	6 622	3 869
Civils Engineering	2 009 224	2 294 040	109 052	185 065
Engineering Projects	581 706	501 831	19 597	49 403
	4 096 899	4 654 112	210 026	429 511
Bank balances and cash	3 129 990	2 798 046	–	–
Total current assets per statement of financial position	7 226 889	7 452 158		
Property, plant and equipment – additions (note 8)			210 026	429 511

The measures of current assets and capital expenditure have been disclosed for each reportable segment as these are regularly provided to exco.

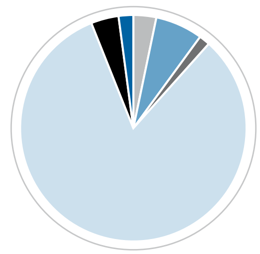
Group segmental analysis continued

for the year ended 30 June 2010

Geographical information

South Africa is regarded as the group's country of domicile. As described, the various geographies are monitored via operational hubs and thus disclosed as such below

Revenue



Note: Graphs represent F2010 values only.

R'000	Revenue	
Geographical regions	**2010**	2009
Eastern Europe	370 946	402 962
Middle East	768 143	1 634 121
Eastern Africa	177 600	531 434
Southern Africa	9 335 238	7 892 236
Central Africa	447 879	975 085
Western Africa	237 782	654 398
	11 337 588	12 090 236
Per income statement	11 337 588	12 090 236

An additional group segmental analysis has been included as Annexure 1 as, although exco does not review this information on a monthly basis in order to take strategic decisions, management deems this information to provide additional value added disclosure to stakeholders. Refer to page 388 for details.

Accounting policies

for the year ended 30 June 2010

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 acquisition method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a business is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Subsequently, the carrying amount of non-controlling interest is the amount of the interest at initial recognition plus the non-controlling interest's share of the subsequent changes in equity. Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interest having a deficit balance.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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 until the date on which control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

c) Transactions and non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

d) Common control transactions – premium and discount arising on subsequent purchase from or sales to non-controlling interests in subsidiaries

Following the presentation of non-controlling interests in equity any increases and decreases in ownership interests in subsidiaries without a change in control are recognised as equity transactions in the consolidated financial statements. Accordingly, any premium or discount on subsequent purchases of equity instruments from or sales of equity instruments to non-controlling interests are recognised directly in equity of the parent shareholder.

e) 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

Accounting policies continued

for the year ended 30 June 2010

ventures have been changed where necessary to ensure consistency with policies adopted by the group.

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as exco which makes strategic decisions. The basis of segmental reporting is set out on page 327.

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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- 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

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

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; and
- 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 Operating profit

Transactions such as fair value adjustments on service concessions, fair value adjustments on investment property, fair value adjustment on property developments and impairment adjustments are considered to be part of operating profit but are separately disclosed as they are transactions in addition to the underlying operating activities of the business units.

1.6 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 finance specifically 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 2010

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 programs 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.

1.7 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.

1.8 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.

1.9 Impairment adjustments

1.9.1 Non-current non-financial assets
Non-current non-financial assets are tested bi-annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-

generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.9.2 Financial assets: assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) Adverse changes in the payment status of borrowers in the portfolio; and

  (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio

The group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

1.10 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 statement of financial position date. These are classified as non-current assets. Loans and receivables include trade and other receivables and cash and cash equivalents in the statement of financial position. Loans and receivables are initially recognised at fair value, plus transaction costs, and subsequently carried at amortised cost using the effective interest rate method.

1.11 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.

1.12 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.

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1.13 Financial instruments

Financial instruments carried on the statement of financial position include cash and cash equivalents (as defined), short term borrowings, investments in service concessions, investment in property development pension, fund surplus, 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.

1.14 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

a) hedges of the fair value of recognised fixed rate liabilities (fair value hedge);

b) hedges of a particular risk associated with a recognised fixed rate liability (fair value hedge) or a highly probable forecast transaction (cash flow hedge); or

c) hedges of a net investment in a foreign operation (net investment hedge).

The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, on whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 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.

1.15 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.

1.16 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 statement of financial position 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).

1.17 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 using 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.

1.18 Cash and cash equivalents

For the purpose of the statement of cash flow, 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.

1.19 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.

1.20 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 1.25.d.

1.21 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.

1.22 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 statement of financial position date.

1.23 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.

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1.24 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 statement of financial position date.

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 statement of financial position 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.

1.25 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, 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 statement of financial position in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the statement of financial position 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 statement of financial position 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 trade and other payables 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.

1.26 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.27 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.

1.28 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 non-current 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.

1.29 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.

1.30 Dividends paid

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

1.31 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.

1.32 Headline earnings per share

Headline earnings per share is based on the same calculation as in 1.31 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.

1.33 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

Accounting policies continued

for the year ended 30 June 2010

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.

1.34 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 395 to 397 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. Directors 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.

1.35 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 of estimates made.

2.2 Valuation and amortisation of mining assets

The fair value of mining assets is generally determined utilising discounted future cash flows. Management also considers such factors as the quality of the individual resource body.

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 statement of financial position 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 2010 was R24,8 million (2009: 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, investment in service concessions and investments in property developments

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 statement of financial position date. (Refer notes 9, 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 that require specific additional estimates or judgements have been entered into in the year.

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 statement of financial position 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 23.2.

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 non-current 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.

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 13.68% and an inflation rate of 5% 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.

Notes to the financial statements continued

for the year ended 30 June 2010

3. Adoption of new accounting standards, amendments to standards and interpretations

The group and company have adopted the following statements and interpretations:

Accounting standard/interpretation	Type	Description
IAS 1 – Presentation of Financial Statements	Amendment	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 23 – Borrowing Costs	Amendment	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 – Consolidated and Separate Financial Statements	Amendment	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 32 and IAS 1 – Financial Instruments Presentation Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	Amendment	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.

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
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	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.
IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items	Amendment	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 – First-time Adoption of International Financial Reporting Standards	Revision	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 2 – Share Based Payments – Vesting Conditions and Cancellations	Amendment	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 3 – Business Combinations	Amendment	The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the non-controlling interest. All transaction costs will be expensed.

Notes to the financial statements continued

for the year ended 30 June 2010

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
IFRS 7 – Financial Instruments: Disclosures – Improving Disclosures About Financial Instruments	Amendment	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.
IFRS 8 – Operating Segments	New statement	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.
IFRIC 9 and IAS 39 – Embedded Derivatives	New interpretation	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.
IFRIC 15 – Agreements for the construction of Real Estate	New interpretation	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	New interpretation	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.

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 17 – Distribution of Non-cash Assets	New interpretation	This interpretation clarifies 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 – Transfer of Assets from Customers	New interpretation	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 Projects	Improvements to IFRS	Improvements to IFRS are 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, 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.
AC 504: IAS 19(AC 116) The Limit On A Defined Benefit Asset, Minimum Funding Requirements And Their Interaction In The South African Pension Fund Environment	New interpretation	The South African Interpretation has been issued to provide guidance on the application of IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, in South Africa in relation to defined benefit pension obligations (governed by the Pension Funds Act, 1956 (the Act)) within the scope of IAS 19(AC 116) – Employee Benefits.

Notes to the financial statements continued

for the year ended 30 June 2010

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 24 (Revised): Related Party Disclosures	Amendment	Financial years commencing on or after 1 January 2011.
IAS 32 (Amendment): Financial Instruments: Presentation – Classification of Rights Issues	Amendment	Financial years commencing on or after 1 February 2010.
IFRS 1 (Amendment): First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters	Amendment	Financial years commencing on or after 1 January 2010.
IFRS 1 (Amendment): First-time Adoption of International Financial Reporting Standards – Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters	Amendment	Financial years commencing on or after 1 July 2010.
IFRS 2 (Amendment): Share-based Payments – Group Cash-settled Share-based Payment Transactions	Amendment	Financial years commencing on or after 1 January 2010.
IFRS 9: Financial Instruments	New	Financial years commencing on or after 1 January 2013.
IFRIC 14 (Amendment): The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayment of minimum funding requirements	Amendment	Financial years commencing on or after 1 January 2011.
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	New interpretation	Financial years commencing on or after 1 July 2010.
Certain improvements to IFRSs 2009	Improvement	Financial years commencing on or after 1 January 2010.
Certain improvements to IFRSs 2010	Improvement	Each improvement has its own effective date the earliest being 1 July 2010.

3. Adoption of new accounting standards, amendments to standards and interpretations continued

IAS 24 (Revised): Related Party Disclosures – The revision simplifies the disclosure requirements for government-related entities and clarifies the definition of related party.

IAS 32 (Amendment): Financial Instruments: Presentation – Classification of Rights Issues – The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. The amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

IFRS 1 (Amendment): First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters – The amendments address the retrospective application of IFRSs to particular situations including: the use of deemed cost for oil and gas assets; determination of whether an arrangement contains a lease; and decommissioning liabilities included in the cost of property, plant and equipment; and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process.

IFRS 1 (Amendment): First-time Adoption of International Financial Reporting Standards – Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters – The additional amendment relieves first-time adopters of IFRSs from presenting comparative information for new three level classification disclosures required by the March 2009 amendments to IFRS 7 "Financial Instruments: Disclosures". It thereby ensures that first-time adopters benefit from the same transition provisions that amendments to IFRS 7 provides to current IFRS preparers.

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 9: Financial Instruments – IFRS 9 addresses classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortised cost or at fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The standard requires a single impairment method to be used, replacing the numerous impairment methods in IAS 39 that arose from the different classification categories. The standard also removes the requirement to separate embedded derivatives from financial asset hosts.

IFRIC 14 (Amendment): The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayment of minimum funding requirements – This amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments – This interpretation provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. It clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

Improvements to IFRSs 2009 and 2010 – Improvements to IFRS is a collection of amendments to International Financial Reporting Standards (IFRSs). These amendments are the result of conclusions the Board reached on proposals made in its annual improvements project.

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.

Notes to the financial statements continued

for the year ended 30 June 2010

(R'000)	GROUP 2010	2009
4. Operating profit		
Operating profit is stated after crediting:		
4.1 Profit on disposal of investment property	35	–
4.2 Profit on disposal of property, plant and equipment	336	–
4.3 Foreign exchange gains – net	–	7 133
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 subsidiary	4 085	–
4.7 Impairment of property, plant and equipment	325 569	–
Mining assets and undeveloped mining resources	253 944	–
Factory plant	71 625	–
4.8 Foreign exchange losses – net	6 748	–
4.9 Fair value losses on financial instruments		
Forward exchange contract	1 762	15 929
4.10 Fair value losses on financial instruments		
Ineffectiveness on fair value hedge	2 359	–
4.11 Auditors' remuneration	15 971	11 755
Audit fees	12 882	8 253
Fees for other services	3 089	3 502
4.12 Depreciation	245 235	258 370
Owner occupied land and buildings	3 528	2 856
Mining assets and undeveloped mining resources	15 765	19 735
Factory plant	35 725	39 629
Mobile plant and vehicles – purchased	108 477	132 337
Mobile plant and vehicles – leased	39 640	15 057
Computer equipment and software development costs – purchased	24 743	20 935
Computer equipment and software development costs – leased	8 559	16 783
Furniture, fittings and other items – purchased	8 798	11 038
4.13 Rentals under operating leases	40 321	37 750
Land and buildings	37 630	35 261
Other equipment	2 691	2 489
4.14 Remuneration other than to employees	4 810	4 269
Management services	1 253	1 405
Technical services	3 557	2 864
4.15 Staff costs including retirement, benefit contributions (see note 23.1)		
4.16 Directors' emoluments (see note 24.1)		
4.17 Non-executive directors' fees (see note 24.1)		

GROUP

(R'000)	2010	2009
5. Finance income/(costs) – net		
Finance income:	143 303	137 173
Bank balances	134 383	137 173
Net interest on interest rate swap	8 920	–
Finance costs:	(115 432)	(174 282)
Bank overdraft	(1 206)	(7 571)
Unsecured bond interest	(68 700)	(77 750)
Net interest on interest rate swap	–	(24 501)
Other borrowings	(45 526)	(64 460)
Total net finance income/(costs)	27 871	(37 109)
Less: capitalised	–	6 289
Finance income/(costs) per income statement	27 871	(30 820)
Interest to the value of Rnil (2009: R6,3 million) was capitalised to developments in progress calculated at an average borrowing rate of 11% in 2009.		
6. Taxation		
South African normal taxation		
Current taxation	(143 956)	(43 353)
– current year	(151 332)	(39 380)
– prior year	7 376	(3 973)
Deferred taxation	(31 638)	(79 100)
– current year	(31 638)	(79 100)
Foreign taxation (including withholding tax)		
Current taxation	(75 896)	(89 331)
– current year	(68 287)	(75 703)
– prior year	(7 609)	(13 628)
Secondary Taxation on Companies (STC)	(6 807)	(12 783)
	(258 297)	(224 567)

Reconciliation of normal taxation rate	%	%
South African normal taxation rate	28.0	28.0
Adjusted for:		
– Tax at rates in higher/(lower) tax jurisdictions	1.0	(6.8)
– Deferred tax assets not raised	1.6	2.5
– Tax under provided in respect of prior years	–	2.3
– STC on dividends	1.1	1.6
– Expenses not deductible for tax purposes	11.8	1.1
Effective rate of taxation	43.5	28.7
Impact of unusual items on current taxation rate		
Effective rate of taxation	43.5	28.7
Unusual item: Impairment of property, plant and equipment	(9.9)	–
Effective rate of taxation excluding unusual items	33.6	28.7

Notes to the financial statements continued

for the year ended 30 June 2010

(R'000)	2010 %	2009 %
6. Taxation continued		
Reconciliation of cash tax rate		
Effective rate of taxation	43,5	28,7
Temporary differences	(5,3)	(10,1)
Movement in current taxation payable	(12,0)	(4,5)
Effective rate of taxation paid	26,2	14,1
Estimated taxation losses available for set-off against future taxable income	34 154	140 513
Potential taxation relief at current taxation rates	9 995	22 633
The deferred tax assets depend on sufficient taxable income being earned in future by the subsidiaries concerned.		
Unutilised STC credits available Rnil (2009: R1,0 million)		
7. Earnings per share		
7.1 Earnings per share – basic		
Profit for the year – income attributable to shareholders	267 377	514 733
Shares outstanding 1 July	94 614	93 740
Weighted average number of shares issued during the year	764	930
Weighted average number at end of year	95 378	94 670
Earnings per share (R)	2,80	5,44
7.2 Fully diluted earnings per share		
Profit for the year – income attributable to shareholders	267 377	514 733
Weighted average number of shares issued during the year (as per basic earnings per share calculation) ('000)	95 378	94 670
Adjusted for:		
– Inclusion of dilutive shares held by share trusts ('000)	1 453	1 961
– Inclusion of dilutive shares in terms of iLima Mvela Transaction (refer to page 320) ('000) See note below.	7 545	9 173
Adjusted weighted average number of shares ('000)	104 376	105 804
Fully diluted earnings per share (R)	2,56	4,86
7.3 Earnings per share from continuing operations		
Profit after taxation from continuing operations	335 779	557 444
Less: attributable to non-controlling interest	(46 300)	(19 821)
Income available to shareholders from continuing operations	289 479	537 623
Weighted average number of shares ('000)	95 378	94 670
Earnings per share from continuing operations (R)	3,04	5,68
7.4 Fully diluted earnings per share from continuing operations		
Profit after taxation from continuing operations	335 779	557 444
Less: attributable to non-controlling interest	(46 300)	(19 821)
Income available to shareholders from continuing operations	289 479	537 623
Adjusted weighted average number of shares ('000)	104 376	105 804
Fully diluted earnings per share from continuing operations (R)	2,77	5,08

GROUP

		Gross pre-tax	Net	Gross pre-tax	Net
7.5	**Headline earnings per share**				
	Profit for the year		267 377		514 733
	Adjusted for:	351 385	318 534	22 916	22 909
	– (Profit)/loss disposal of property, plant and equipment and investment property	(371)	(267)	26	19
	– Loss on disposal of subsidiary	4 085	3 567	–	–
	– Impairment of property, plant and equipment	325 569	293 132	–	–
	– Losses on disposal of discontinued operations	22 102	22 102	22 890	22 890
	Headline earnings		585 911		537 642
	Weighted average number of shares ('000)		95 378		94 670
	Headline earnings per share (R)		6,14		5,68
7.6	**Fully diluted headline earnings per share**				
	Headline earnings		585 911		537 642
	Adjusted weighted average number of shares ('000)		104 376		105 804
	Fully diluted headline earnings per share (R)		5,61		5,08
7.7	**Headline earnings per share from continuing operations**				
	Income available to shareholders from continuing operations		289 479		537 623
	Adjusted for headline items		296 432		19
	Headline earnings from continuing operations		585 911		537 642
	Weighted average number of shares ('000)		95 378		94 670
	Headline earnings per share from continuing operations (R)		6,14		5,68
7.8	**Fully diluted headline earnings per share from continuing operations**				
	Income available to shareholders from continuing operations		289 479		537 623
	Adjusted for headline items		296 432		19
	Headline earnings from continuing operations		585 911		537 642
	Adjusted weighted average number of shares ('000)		104 376		105 804
	Fully diluted headline earnings per share from continuing operations (R)		5,61		5,08

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 320, 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. Thus, post year end the fully diluted number of shares reported will reduce. Included in the reported dilution is an amount of 3,7 million shares relating to iLima Consortium.

Notes to the financial statements continued

for the year ended 30 June 2010

(R'000)	GROUP 2010	2009
8. Property, plant and equipment		
Total property, plant and equipment		
Cost		
At the beginning of the year	3 215 917	2 829 591
Acquisition of subsidiary	–	79 385
Additions	210 026	429 511
Disposals	(83 332)	(122 570)
At the end of the year	3 342 611	3 215 917
Accumulated depreciation		
At the beginning of the year	(783 451)	(591 824)
Impairment of asset	(325 569)	–
Current year charge	(245 235)	(258 370)
Disposals	51 340	66 743
At the end of the year	(1 302 915)	(783 451)
Net book value	2 039 696	2 432 466
Owner occupied land and buildings		
Cost		
At the beginning of the year	102 311	83 837
Additions	6 565	16 264
Transfers	17 275	6 341
Disposals	(9 945)	(4 131)
At the end of the year	116 206	102 311
Accumulated depreciation		
At the beginning of the year	(23 451)	(21 932)
Current year charge	(3 528)	(2 856)
Transfers	(85)	–
Disposals	1 277	1 337
At the end of the year	(25 787)	(23 451)
Net book value	90 419	78 860
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	1 052 465	980 250
Acquisition of subsidiary	–	72 215
At the end of the year	1 052 465	1 052 465
Accumulated depreciation		
At the beginning of the year	(44 543)	(24 808)
Impairment of mining asset and undeveloped mining resources	(253 944)	–
Current year charge	(15 765)	(19 735)
At the end of the year	(314 252)	(44 543)
Net book value	738 213	1 007 922

(R'000)	GROUP 2010	GROUP 2009
8. Property, plant and equipment continued		
Capital work in progress		
Cost		
At the beginning of the year	34 554	59 960
Additions	37 659	50 423
Transfers	(43 279)	(75 829)
At the end of the year	28 934	34 554
Factory plant		
Cost		
At the beginning of the year	436 057	291 345
Additions	7 522	62 909
Transfers	43 491	85 653
Disposals	(1 098)	(3 850)
At the end of the year	485 972	436 057
Accumulated depreciation		
At the beginning of the year	(168 905)	(130 059)
Impairment of factory plant	(71 625)	–
Current year charge	(35 725)	(39 629)
Transfers	(2 286)	–
Disposals	987	783
At the end of the year	(277 554)	(168 905)
Net book value	208 418	267 152
Mobile plant and vehicles – purchased		
Cost		
At the beginning of the year	990 483	917 985
Acquisition of subsidiary	–	7 170
Additions	92 438	160 231
Transfers	24 432	(592)
Disposals	(42 932)	(94 311)
At the end of the year	1 064 421	990 483
Accumulated depreciation		
At the beginning of the year	(383 636)	(302 362)
Current year charge	(108 477)	(132 337)
Transfers	(9 700)	–
Disposals	22 632	51 063
At the end of the year	(479 181)	(383 636)
Net book value	585 240	606 847

Notes to the financial statements continued

for the year ended 30 June 2010

(R'000)	GROUP 2010	2009
8. Property, plant and equipment continued		
Mobile plant and vehicles – leased		
Cost		
At the beginning of the year	374 116	290 720
Additions	46 654	113 201
Transfers	(54 090)	(23 608)
Disposals	(2 062)	(6 197)
At the end of the year	364 618	374 116
Accumulated depreciation		
At the beginning of the year	(33 309)	(20 064)
Current year charge	(39 640)	(15 057)
Transfers	12 023	–
Disposals	941	1 812
At the end of the year	(59 985)	(33 309)
Net book value	304 633	340 807
Computer equipment, software and development costs – purchased		
Cost		
At the beginning of the year	108 677	91 207
Additions	13 805	10 927
Transfers	14 314	6 775
Disposals	(3 447)	(232)
At the end of the year	133 349	108 677
Accumulated depreciation		
At the beginning of the year	(50 240)	(29 402)
Current year charge	(24 743)	(20 935)
Transfers	(1 007)	–
Disposals	1 688	97
At the end of the year	(74 302)	(50 240)
Net book value	59 047	58 437
Computer equipment, software and development costs – leased		
Cost		
At the beginning of the year	59 696	59 446
Additions	–	4 984
Transfers	(3 123)	–
Disposals	(21 907)	(4 734)
At the end of the year	34 666	59 696
Accumulated depreciation		
At the beginning of the year	(44 547)	(30 581)
Current year charge	(8 559)	(16 783)
Transfers	1 061	–
Disposals	21 907	2 817
At the end of the year	(30 138)	(44 547)
Net book value	4 528	15 149

(R'000)	GROUP 2010	GROUP 2009
8. Property, plant and equipment continued		
Furniture, fittings and other items – purchased		
Cost		
At the beginning of the year	57 558	54 841
Additions	5 383	10 572
Transfers	980	1 260
Disposals	(1 941)	(9 115)
At the end of the year	61 980	57 558
Accumulated depreciation		
At the beginning of the year	(34 820)	(32 616)
Current year charge	(8 798)	(11 038)
Transfers	(6)	–
Disposals	1 908	8 834
At the end of the year	(41 716)	(34 820)
Net book value	20 264	22 738

Refer to note 18.4 for details on the total carrying amount of assets encumbered.

(R'000)	GROUP 2010	GROUP 2009
9. Investment property		
Fair value at the beginning of the year	12 371	18 817
Additions	16 208	3 160
Transfer from property in developments	40 288	–
Fair value adjustment	–	–
Disposal	(1 990)	(9 606)
Fair value at end of year	66 877	12 371

Investment properties held on the statement of financial position consist of the following:

30 June

Name	Description	Initial cost	R'000	R'000
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	10 388	10 388	10 381
Sandton Starleith	25% owner of vacant land in Sandton	9 370	9 370	–
Gugulethu Square	18,75% owner of shopping centre in Gugulethu Cape Town	47 119	47 119	–
		68 867	66 877	12 371

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 external valuations were performed in July 2007. Internal valuations have been performed by management at 30 June 2010. In comparing the carrying value of investment property to the internal valuations performed, using applicable and available market related information, management deem the carrying value of investment property to be market related. No fair value adjustment is deemed necessary.

Notes to the financial statements continued

for the year ended 30 June 2010

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 2010)	Increase/(decrease) in fair value and hence profit before taxation as assessed at 30 June 2010 (R'000)	Increase/(decrease) in fair value and hence profit before taxation as assessed at 30 June 2009 (R'000)
30.0% increase in vacancy factor (2009: 18.8%)	(1 140)	(65)
30.0% decrease in vacancy factor (2009: 18.8%)	1 140	65
10.3% increase in capitalisation factor (2009: 6.8%)	(5 940)	(255)
10.3% decrease in capitalisation factor (2009: 6.8%)	5 940	255

	GROUP	
(R'000)	2010	2009
10. Goodwill		
10.1 Net book value		
– At the beginning of the year	24 859	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 bi-annually on goodwill based on calculations of the cash generating unit (CGU) to which the goodwill belongs.

The recoverable amount for the CGU is determined based on value in use calculations. Value in use is determined by discounting the future cash flows generated from continuing use of the CGU using a discount rate. The key assumptions for the value in use calculations are as follows:

Expected volume growth rate: Cash flows are based on financial forecasts approved by management covering three year periods and are dependent on expected volume growth rates.

Discount rate: The discount rate is based on the company's weighted average cost of capital of 13.68%.

	GROUP 2010	GROUP 2009
11. Investment in associates		
Unlisted associates		
Shares at cost	13 493	13 493
Loan to associates	6 290	–
Group's share of distributable reserves	3 064	1 717
	22 847	15 210
The summarised financial information of the group's share in the assets and liabilities, income and expenditure and cash flows are reflected in Annexure 5 on page 397.		
12. Investment in service concessions		
At fair value	224 311	186 482
The investments consist of the group's interest in foreign toll road concessions.		
Details of the investments at 30 June 2010 are as follows:		

Name of road	Country	Km	% interest	Concession period	Current status	2010	2009
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	147 800	94 286
M6 (Phase III)	Hungary	78	10	28 years	Operational	76 511	92 196
						224 311	186 482

	2010	2009
The movement in investment in service concessions may be summarised as follows:		
Opening balance at the beginning of the year	186 482	135 070
Additions	35 309	–
Loans	(11 012)	35 694
Fair value adjustments through profit and loss	13 532	15 718
Closing balance at the end of the year	224 311	186 482
The investments in concessions are denominated in the following currencies:		
Hungarian forint	76 511	92 196
Polish Zloty	147 800	94 286
Closing balance at the end of the year	224 311	186 482

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. The applicable risk free rate is adjusted by both market and project-specific risk premia in determining the applied discount rate.

Notes to the financial statements continued

for the year ended 30 June 2010

12. Investment in service concessions continued

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 investments in the A1 phase 1 road project in Poland and M6 phase III project in Hungary are valued by using the discounted cash flow method on the underlying Euro-denominated project cash flows as operations have commenced on both projects.

A basic sensitivity analysis, calculating the effect on investment valuation from differing exchange rates, on the fair value of investment in these service concession, were performed at 30 June 2010.

The effect, when varying Euro-Rand exchange rates by 10% on fair values of these investments is R23 million.

Similarly, every 10% increase or decrease in the discount rates used in the discounted cash flow basis of valuation results in a decrease or increase in the valuation of between R18 – R21 million.

			GROUP	
(R'000)			2010	2009
13. Investment in property developments				
At fair value			128 691	120 000
The investments consist of the group's interest in local property development companies. Details of the investments at 30 June 2010 are as follows:				
Name	Country	% interest		
Waterfall Development Company	South Africa	15%	120 000	120 000
Sandton Wedgewood	South Africa	10.5%	8 691	–
			128 691	120 000
The movement in investment in property developments may be summarised as follows:				
Opening balance at the beginning of the year			120 000	–
Additions			8 691	120 000
Loans			–	–
Fair value adjustments through profit and loss			–	–
Disposals			–	–
Closing balance at the end of the year			128 691	120 000
The investments in property development is denominated in the following currency				
South African Rand			128 691	120 000
Closing balance at the end of the year			128 691	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 R25 billion. It is expected to secure investment income for the group, as well as construction opportunities.

13. Investment in property developments continued

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 include 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 on the Waterfall Investment carrying value to monitor the effect of changes in the estimated share value as at 30 June 2010. 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 R11,6 million.

During 2010 the group acquired a 10.5% interest in a property development company for R8,7 million. The company holds the development rights for approximately 50 000 square meters of mainly commercial bulk to be developed in Sandton (Sandton Wedgewood). The project development scope is targeted to roll out over the next 3 to 5 years with an overall estimated project cost of approximately R1,3 billion. The investment is expected to secure investment income and construction opportunities for the group.

The investment is valued at fair value using the valuation performed by management of the company's underlying assets and liabilities. The valuation includes consideration of the title deed information, locality and town planning conditions pertaining to the locality of the underlying investment property. Market related office stand value information was used to derive a fair value and includes certain assumptions relating to town planning conditions.

A sensitivity analysis has been performed on the investment in property developments in Sandton Wedgewood to monitor the effect of changes in the estimated market related stand values and town planning conditions.

	Increase/(decrease) in fair value and hence profit before taxation as assessed at 30 June 2010 (R'000)
5.0% increase in developable bulk m^2	4 125
5.0% decrease in developable bulk m^2	(4 125)
6.1% increase in market related office stand values	5 000
6.1% decrease in market related office stand values	(5 000)

Notes to the financial statements continued

for the year ended 30 June 2010

(R'000)	GROUP 2010	GROUP 2009
14. Deferred taxation		
Deferred taxation asset	25 117	57 302
Deferred taxation liability	(10 231)	(10 778)
Net deferred taxation asset at year end	14 886	46 524
Balance at beginning of year	46 524	123 989
Arising from acquisitions	–	1 635
Charge to the income statement	(31 638)	(79 100)
Balance at end of year	14 886	46 524
The closing balance deferred taxation asset is attributable to the following items:		
Capital allowances	(87 677)	(66 750)
Provisions	71 497	65 251
Contract allowances	(4 389)	11 678
Estimated tax losses (net of valuation allowances)	35 455	36 345
	14 886	46 524

2010: Deferred taxation reversal	Total deferred taxation asset/ (liability)	Expected to reverse in 1 year	Expected to reverse in 2 – 5 years	Expected to reverse in >5 years
Capital allowances	(87 677)	(18 405)	(48 131)	(21 141)
Provisions	71 497	71 497	–	–
Contract allowances	(4 389)	(4 389)	–	–
Estimated tax losses (net of valuation allowances)	35 455	7 075	28 380	–
	14 886	55 778	(19 751)	(21 141)

2009: Deferred taxation reversal	Total deferred taxation asset/ (liability)	Expected to reverse in 1 year	Expected to reverse in 2 – 5 years	Expected to reverse in >5 years
Capital allowances	(66 750)	(26 169)	(15 839)	(24 742)
Provisions	65 251	65 251	–	–
Contract allowances	11 678	11 678	–	–
Estimated tax losses (net of valuation allowances)	36 345	6 804	29 541	–
	46 524	57 564	13 702	(24 742)

(R'000)	GROUP 2010	GROUP 2009
15. Inventories		
Property developments in progress	72 888	133 017
Materials on site	–	164 404
Consumable stores	34 044	33 124
Manufacturing finished goods	94 066	102 840
Manufacturing work in progress	13 466	4 513
Manufacturing materials	59 037	69 743
	273 501	507 641
Inventory obsolescence (deducted from carrying value of inventories above)		
Balance at end of year	4 344	3 498
No inventories are encumbered	–	–
16. Contracts in progress		
Costs incurred plus profits recognised, less estimated losses		
relating to contracts in progress at year end	7 503 849	10 719 948
Progress billings	(6 749 343)	(9 974 611)
	754 506	745 337
17. Trade and other receivables		
Trade and other receivables include:		
Financial instruments		
– Contract debtors	1 856 887	2 124 449
– Less provision for impairment of contract debtors	(29 998)	(19 753)
– Trade debtors	423 190	435 024
– Less provision for impairment of trade debtors	(16 333)	(11 757)
– Retention debtors	187 309	217 866
– Other receivables	459 792	451 948
– Amounts owing by joint venture partners	78 563	37 763
Total financial instruments included in trade and other receivables	2 959 410	3 235 540
Non-financial instruments		
– Prepayments	109 482	163 545
Total non-financial instruments included in trade and other receivables	109 482	163 545
	3 068 892	3 399 085

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 R484 million (2009: R487 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.

Notes to the financial statements continued

for the year ended 30 June 2010

(R'000)	GROUP 2010	GROUP 2009
17. Trade and other receivables continued		
Analysis of the age of financial assets that are past due but not impaired		
1 month past due	39 358	50 483
2 month past due	17 034	64 872
3 month past due	11 409	39 486
4 month and greater past due	415 864	332 470
Total	483 665	487 311
Reconciliation of the provision for impairment of trade receivables		
Opening balance	31 510	10 642
Charges against the provision	18 830	21 738
Bad debts written off	(4 009)	(870)
Closing balance	46 331	31 510
Analysis of impaired trade receivables		
Included in the provision for impairment of trade receivables are individually impaired trade receivables with a balance of R46,6 million (2009: R44,6 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	46 616	44 640
Less: impairment loss against these trade receivables	(46 331)	(31 510)
	285	13 130
Ageing of gross value of trade receivables that have been individually impaired		
1 month past due	1 147	5 794
2 months past due	532	3 444
3 months past due	602	560
4 months and greater past due	44 335	34 842
	46 616	44 640
Carrying amount per currency		
The carrying amounts of the group's trade and other receivables are denominated in the following currencies:		
South African Rand	1 685 511	1 955 774
US Dollars	255 574	169 083
United Arab Emirates Dirham	982 504	938 546
Other	145 303	335 682
	3 068 892	3 399 085

(R'000)	GROUP 2010	GROUP 2009
18. Borrowings		
18.1 Interest-bearing borrowings		
Unsecured bonds (note 18.3)	569 698	860 712
Secured loans bearing interest at rates ranging from 7,5% (2009: 8.25%) to 9,0% (2009: 15.75%) per annum	350 808	399 995
Unsecured loans bearing interest at rates ranging from 10% to 11% per annum	33 225	54 829
	953 731	1 315 536
Less: current portion disclosed on face of statement of financial position	(110 487)	(417 669)
	843 244	897 867
Repayable during the years ending 30 June		
2010	–	417 669
2011	110 487	96 404
2012	683 094	627 872
2013	76 270	103 359
2014	72 236	70 232
2015	11 644	–
	953 731	1 315 536

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	
	2010	2009	2010	2009
Unsecured bonds	565 836	551 652	565 836	551 652
Secured loans	244 413	311 380	244 413	311 380
Unsecured loans	32 995	34 835	32 995	34 835
	843 244	897 867	843 244	897 867

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. The bond settlement due date was 27 February 2010. This bond was settled via bullet payment on that date.
- R550 million, five-year, 9,20% fixed interest rate payable semi-annually. The settlement date for this bond is 27 February 2012.

Notes to the financial statements continued

for the year ended 30 June 2010

(R'000)		GROUP 2010	GROUP 2009
18. Borrowings continued			
18.4 Secured loans			
Secured loans are secured over:			
Mobile plant, vehicles and computer equipment with a net book value of		309 161	355 956

(R'000)	Less than one year	Between one and five years	Total
2010			
Minimum lease payments	130 188	274 447	404 635
Lease finance charges	(23 793)	(30 034)	(53 827)
	106 395	244 413	350 808
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

(R'000)	GROUP 2010 Assets	GROUP 2010 Liabilities	GROUP 2009 Assets	GROUP 2009 Liabilities
19. Derivative financial instruments				
19.1 Derivatives designated as a hedge				
Total interest rate swaps – fair value hedges	13 178	–	3 679	–
Less: non-current portion: interest rate swaps – fair value hedges	(13 178)	–	(1 630)	–
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 loss of R2,4 million (2009: (R795k gain)).				
19.2 Derivatives classified as held for trading with fair value through profit and loss				
Total forward foreign exchange contracts – held for trading	–	2 609	–	849
Less: non-current portion: forward foreign exchange contracts – held for trading	–	–	–	(85)
Current portion: forward foreign exchange contracts – held for trading	–	2 609	–	764

(R'000)	GROUP 2010	GROUP 2009
20. Provision for environmental rehabilitation		
At 1 July	40 550	42 899
Charged to the income statement	362	–
Unwinding of discount	5 547	3 318
Released from provisions	(7 167)	(13 717)
Purchased on acquisition	–	8 050
At 30 June	39 292	40 550

The environmental rehabilitation provision consists of R5,2 million (2009: R6,4 million) related to the final closing of asbestos waste dumps at Everite and R34 million (2009: R34 million) relating to the closure costs of the Ekurhuleni, Zimbiwa aggregate quarries, Sky Sands and BGM quarry. A discount rate of 13.68% and an average inflation rate of 5% were used in the calculation of the estimated net present value of certain of the rehabilitation liabilities.

(R'000)	GROUP 2010	GROUP 2009
21. Trade and other payables		
Trade and other payables include:		
Financial instruments		
– Accrued expenses	2 372 525	2 059 927
– Trade and other creditors	763 902	871 270
– Sub-contractor creditors	469 973	396 330
– Retention creditors	238 019	200 509
Total financial instruments included in trade and other payables	3 844 419	3 528 036
Non-financial instruments		
– Advance payments received	1 152 769	1 024 882
Total non-financial instruments included in trade and other payables	1 152 769	1 024 882
	4 997 188	4 552 918

The carrying value of the financial instruments approximates their fair value due to the short term nature of their 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 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
Charged to income statement	21 216	6 564	27 780
Provision utilised	(2 644)	(9 595)	(12 239)
Balance at 30 June 2010	55 924	21 050	76 974

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 2010

(R'000)	GROUP 2010	GROUP 2009
23. Employee benefits		
23.1 Staff costs		
Wages, salaries and bonuses	1 920 056	1 823 976
Cost of share options	35 594	32 569
Pension costs – defined contribution plans (including industry plans)	89 412	86 348
Pension costs – defined benefit plan (income)/expense	523	(3 812)
Service cost	11 172	10 803
Interest cost	34 837	106 225
Return on plan assets	(45 486)	(120 840)
	2 045 585	1 939 081
Average number of persons employed by the group during the year:	Number	Number
Full-time	7 257	8 722
Part-time	5 240	5 328
	12 497	14 050
South Africa	10 077	10 279
Over-border	2 420	3 771
	12 497	14 050

23.2 Pension scheme

The latest actuarial valuation of the group's defined benefit plan was carried out in March 2010 and was considered by the actuaries to be in a sound financial condition.

23.2(i) A summary of the valuation is presented below:

(R'000)	2010	2009
Present value of funded obligations	(420 022)	(1 197 994)
Fair value of plan assets	548 129	1 270 940
Surplus	128 107	72 946
Non-current assets	123 007	–
Current assets	5 100	72 946
	128 107	72 946

The principal assumptions used for accounting purposes were as follows:	2010 %	2009 %
Mortality tables	PA(90)	PA(90)
Discount rate	8.85	8.85
Expected return on assets	9.4	9.6
Future salary increases	7.25	7.25
Future pension increases	3.7	3.7

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 surplus of R55,2 million realised in the current year has been credited to the income statement. During the prior year a deficit of R11,5 million was charged to the income statement. Based on the rules of the fund 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 has been utilised in this regard. The Section 14 transfer application to outsourcing active pensioners has been approved by the Financial Services Board and the pensioner assets and liabilities outsourced from the fund.

The fund's overall investment return for the year ending 31 March 2010 was approximately 23% per annum. This return is significantly higher than the increase in liabilities for the year resulting in the surplus of R55,2 million for the year.

During the year under review a portion of the pension fund surplus has been transferred to non-current assets as the group has amended its intention with respect to the rate of utilisation of the surplus.

		GROUP	
	(R'000)	2010	2009
23.2(ii)	**A reconciliation of the opening and closing balances of plan assets**		
	Opening value: 1 April	1 270 940	1 279 479
	– Employee contributions	4 391	4 508
	– Company contributions	6 073	6 118
	– Benefit payments	(54 448)	(76 825)
	– Expected returns (9,8% (2009: 9,7%) per annum)	45 486	120 840
	– Expenses	(5 319)	(2 799)
	– Settlement cost as at 31 March 2009[1]	(782 720)	–
	– Actuarial gain/(loss) for the year[2]	63 726	(60 381)
	Closing value: 30 March	548 129	1 270 940

(1) The fund had 1 400 active pensioners as at 31 March 2009. These pensioners have been outsourced. Assets to the value of R783 million (as at 1 April 2009) were transferred during the year.

(2) A gain arose during the year mainly due to the actual investment return of about 23.3% exceeding the expected investment return of 9.8% for the year ending 31 March 2010.

The funds assets are currently invested in a cash portfolio and a balanced fund portfolio generally allocated at 10% cash; 20% bonds and 70% share investment.

		2010	2009
23.2(iii)	**Reconciliation of the opening and closing balances of defined benefit obligations**		
	Projected benefit obligation (PBO): 1 April	1 197 994	1 179 823
	– Service cost	11 172	10 803
	– Employee contributions	4 391	4 508
	– Benefit payments	(54 448)	(76 825)
	– Interest cost 8.85% per annum (2009: 9.25%)	34 837	106 225
	– Expenses	(5 319)	(2 799)
	– Settlement cost as at 31 March 2009[1]	(782 720)	–
	– Actuarial loss/(gain) for the year	14 115	(23 741)
	Projected benefit obligation (PBO): 30 March	420 022	1 197 994

Notes to the financial statements continued

for the year ended 30 June 2010

(R'000)	GROUP 2010	GROUP 2009
23. Employee benefits continued		
23.2 Pension scheme		
23.2(iv) Plan assets and defined benefit obligation by category		
Assets		
– Market value	548 129	1 270 940
Active member liabilities:		
– Active members	299 965	284 087
Pensioner liabilities:		
– Pensioners	49 729	650 794
– Notional Pensioner Account	12 815	179 319
	62 544	830 113
SAE surplus (surplus as at 29 February 2004 to be apportioned)	57 513	83 794
Total liabilities	420 022	1 197 994
Surplus	128 107	72 946
Funding level	130.5%	106.1%
23.2(v) Net periodic pension cost		
Service cost (net of employee contribution)	11 172	10 803
Interest cost	34 837	106 225
Expected return on assets	(45 486)	(120 840)
Recognition of actuarial (gain)/loss	(49 611)	36 640
Change in paragraph 58 limit	–	(15 241)
Net periodic pension cost	(49 088)	17 587
23.2(vi) Statement of financial position disclosure		
Projected benefit obligation (PBO)	420 022	1 197 994
Market value of assets: 31 March	548 129	1 270 940
Status of fund: over funding	(128 107)	(72 946)
Assets	(128 107)	(72 946)
Paragraph 58 limit	(128 107)	(72 946)
Unrecognised due to paragraph 58 limit	–	–
Asset recognised	(128 107)	(72 946)
Recognised asset: 1 April	(72 946)	(84 415)
Net periodic pension cost	(49 088)	17 587
Company contributions	(6 073)	(6 118)
Change in paragraph 58 unrecognised liability	–	–
Recognised asset: 31 March	(128 107)	(72 946)
23.3 Provision for employment obligations	25 653	21 434
The group's accrual for post-employment medical obligations of R25,7 million (2009: R21,4 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 %	9.0	9.0
Mortality table	PA (90)	PA (90)
Future salary increases %	7.5	7.5

A sensitivity analysis has been performed to determine the effect of a change at which employees become entitled to post-employment medical benefits. A 10% increase/(decrease) in the rate of incidence would have the effect of (decreasing)/increasing net profit before taxation by R13k respectively.

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.

Notes to the financial statements continued

for the year ended 30 June 2010

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, to mitigate 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.*

23. Employee benefits continued

23.4 Employee share option schemes continued

23.4.3 New Management Incentive Scheme continued

	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 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	–
New shares granted and accepted	2 820 431	33,99	–	–	630 413	16,03	–	–
Shared paid for/lapsed	(640 126)	30,97	(78 750)	12,60	(695 949)	16,03	–	–
Balance at 30 June 2010	10 543 405	36,31	116 250	12,46	1 735 864	16,03	575 000	–
Number of shares vested and exercisable at 30 June 2010	–	–	116 250	12,46	–	–	n/a	n/a

	Total R'000	New Manage-ment R'000	Previous Management R'000	Black Management Scheme R'000	Broad-based Scheme R'000
Cost of share options year ended 30 June 2009	32 569	20 774	–	11 795	–
Cost of share options year ended 30 June 2010	35 594	25 743	–	9 851	–

The cost of share appreciation rights issued during the year ended 30 June 2010 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% – 40%
risk free interest rate	7.2% – 9.3%

Notes to the financial statements continued

for the year ended 30 June 2010

(R'000)	GROUP 2010	GROUP 2009
24. Related party transactions		
24.1 Directors and senior management emoluments		
Executive directors (refer table on page 170 for individual details)		
For management services, excluding incentives	4 719	4 184
Performance incentives	11 537	8 225
Paid by subsidiaries	(16 256)	(12 409)
	–	–
Non-executive directors (refer table on page 169 for individual details)		
Directors' fees, other fees and expenses	3 335	2 883
Paid by subsidiaries	(3 335)	(2 883)
	–	–
Executive committee members (exco) (excluding executive directors)		
For management services	12 863	11 396
Performance incentives	25 435	20 146
Paid by subsidiaries	(38 298)	(31 542)
	–	–
Management committee members (manco) (excluding exco members)		
For management services	22 304	20 498
Performance incentives	26 582	21 227
Paid by subsidiaries	(48 886)	(41 725)
	–	–

(R'000)	GROUP 2010	GROUP 2009
25. Commitments and contingencies		
Fixed asset commitments		
Contracts placed	3 200	4 000
Capital expenditure approved by directors but not placed at 30 June	206 377	135 561
	209 577	139 561
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	34 526	35 514
Later than 1 year and not later than 5 years	99 840	84 601
Later than 5 years	7 369	13 607
	141 735	133 722
Guarantees		
Total financial institution-backed guarantees provided to third parties on behalf of subsidiary companies amounted to R5 062 million (2009: R6 268 million). The directors do not believe any exposure to loss is likely. Total facilities in this regard amount to R11 053 million (2009: R9 488 million).		
The issued guarantees have the following expiry dates:		
Not later than 1 year	3 772	2 632
Later than 1 year and not later than 5 years	1 249	3 487
Later than 5 years	41	149
	5 062	6 268

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 2010

26. Financial instruments

Financial instruments carried on the statement of financial position include cash and cash equivalents (as defined), short term borrowings, investments in service concessions, pension fund surplus, 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 statement of financial position.

During 2010 the group's strategy, which remain unchanged, is to maintain the gearing ratio within 33%. The gearing ratio at 30 June 2010 and 2009 was as follows:

	GROUP	
(R'000)	2010	2009
Total interest bearing borrowings including overdrafts	1 044 779	1 410 035
Less: cash on hand	(3 129 990)	(2 798 046)
Net debt	(2 085 211)	(1 388 011)
Total equity	2 486 357	2 373 477
Gearing ratio	–	–

26. Financial instruments continued

26.3 Categories of financial instruments

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

In addition the financial instruments carried at fair value are disclosed in accordance to a fair value hierarchy.

The hierarchy has three levels that reflect the significance of the inputs used in measuring fair value. These are as follows:

Level 1: Quoted prices unadjusted in active markets for identical assets and liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly derived from prices

Level 3: Inputs for the assets or liability that are not based on observable market data

30 June 2010	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	Level
Assets as per the statement of financial position							
Investment in service concessions	12	–	224 311	–	–	224 311	3
Investment in property developments	13	–	128 691	–	–	128 691	1
Derivative financial instruments – financial assets held for trading	19.2	–	–	–	–	–	–
Derivative financial instruments – designated as a hedge	19.1	–	–	–	13 178	13 178	2
Pension fund surplus	23.2	–	123 007	–	–	123 007	3
Trade and other receivables	17	2 959 410	–	–	–	2 959 410	n/a
Cash and cash equivalents	30	3 129 990	–	–	–	3 129 990	n/a
		6 089 400	476 009	–	13 178	6 578 587	

	Note	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss held for trading	Derivatives used for hedging	Total	Level
Liabilities as per statement of financial position						
Interest bearing borrowings	18.1	843 244	–	–	843 244	n/a
Derivative financial instruments – financial liabilities held for trading	19.2	–	2 609	–	2 609	2
Derivative financial instruments – designated as a hedge	19.1	–	–	–	–	–
Excess billings over work done		1 043 829	–	–	1 043 829	n/a
Trade and other payables	21	3 844 419	–	–	3 844 419	n/a
Current portion of non-current interest bearing borrowings	18.1	110 487	–	–	110 487	n/a
Short term borrowings		80 053	–	–	80 053	n/a
Bank overdrafts	30	24 173	–	–	24 173	n/a
		5 946 205	2 609	–	5 948 814	

Notes to the financial statements continued

for the year ended 30 June 2010

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	Level
Assets as per the statement of financial position							
Investment in service concessions	12	–	186 482	–	–	186 482	1,3
Investment in property developments	13	–	120 000	–	–	120 000	1
Derivative financial instruments – financial assets held for trading	19.2	–	–	–	–	–	–
Derivative financial instruments – designated as a hedge	19.1	–	–	–	3 679	3 679	2
Trade and other receivables	17	3 235 540	–	–	–	3 235 540	n/a
Cash and cash equivalents	30	2 798 046	–	–	–	2 798 046	n/a
		6 033 586	306 482	–	3 679	6 343 747	

	Note	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss held for trading	Derivatives used for hedging	Total	Level
Liabilities as per statement of financial position						
Interest bearing borrowings	18.1	897 867	–	–	897 867	1,2
Derivative financial instruments – financial liabilities held for trading	19.2	–	849	–	849	2
Derivative financial instruments – designated as a hedge	19.1	–	–	–	–	–
Excess billings over work done		1 799 677	–	–	1 799 677	n/a
Trade and other payables	21	3 528 036	–	–	3 528 036	n/a
Current portion of non-current interest bearing borrowings	18.1	417 669	–	–	417 669	n/a
Short term borrowings		78 556	–	–	78 556	n/a
Bank overdrafts	30	19 622	–	–	19 622	n/a
		6 741 427	849	–	6 742 276	

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. Foreign currency forward exchange contracts were entered into during the current year.

The carrying amount of the group's foreign currency denominated monetary assets and liabilities at statement of financial position date is as follows:

30 June 2010	Note	South African Rand	US Dollar	UAE Dirham	Other	Total
Assets as per the statement of financial position						
Investment in service concessions – financial assets designated as fair value through profit and loss	12	–	–	–	224 311	224 311
Investment in property developments – financial assets designated as fair value through profit and loss	13	128 691	–	–	–	128 691
Derivative financial instruments – financial assets held for trading	19.2	–	–	–	–	–
Derivative financial instruments – designated as a hedge	19.1	13 178	–	–	–	13 178
Pension fund surplus – financial assets designated as fair value through profit and loss	23.2	123 007	–	–	–	123 007
Trade and other receivables	17	1 654 341	249 302	910 505	145 262	2 959 410
Cash and cash equivalents	30	2 420 810	345 359	47 617	316 204	3 129 990
		4 340 027	594 661	958 122	685 777	6 578 587
Liabilities as per statement of financial position						
Interest bearing borrowings	18.1	843 244	–	–	–	843 244
Derivative financial instruments – financial liabilities held for trading	19.2	2 609	–	–	–	2 609
Derivative financial instruments – designated as a hedge	19.1	–	–	–	–	–
Excess billings over work performed		638 154	384 997	–	20 678	1 043 829
Trade and other payables	21	2 778 379	–	900 589	165 451	3 844 419
Current portion of non-current interest bearing borrowings	18.1	110 487	–	–	–	110 487
Short term borrowings		80 053	–	–	–	80 053
Bank overdrafts	30	–	–	–	24 173	24 173
		4 452 926	384 997	900 589	210 302	5 948 814

Notes to the financial statements continued

for the year ended 30 June 2010

26. Financial instruments continued

26.4 Financial risk factors continued

30 June 2009	Note	South African Rand	US Dollar	UAE Dirham	Other	Total
Assets as per the statement of financial position						
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 statement of financial position						
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 non-current 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

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 are as follows:

		2010	2009
ZAR: USD		7.65	8.11
ZAR: AED		2.08	2.21
As at 30 June 2010	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		74 266	(74 266)
Current assets		223 855	(223 855)
Denominated: functional currency			
ZAR: USD	10%	59 466	(59 466)
ZAR: UAE	10%	95 812	(95 812)
ZAR: Other	10%	68 577	(68 577)
Current liabilities			
Denominated: functional currency		(149 589)	149 589
ZAR: USD	10%	(38 500)	38 500
ZAR: UAE	10%	(90 059)	90 059
ZAR: Other	10%	(21 030)	21 030
As at 30 June 2009			
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

Notes to the financial statements continued

for the year ended 30 June 2010

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 non-current 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 remaining swap are:

	Interest rate swap no 2
Notional amount (R million)	
Start date	550
End date	27-Feb-07
Group Five pays	26-Feb-12
	3-month JIBAR+
	93 basis points
	nacq
Group Five receives	(paid quarterly)
A sensitivity analysis has been performed to monitor the effect of changes in interest rates.	9.20% nacs

The analysis below depicts the effect on profit before taxation assuming changes in interest rates

Description	Decrease in rate increase in profit before taxation (R'000)		Increase in rate resulting in a decrease in profit before taxation (R'000)	
As assessed at 30 June 2010	**2010**	2009	**2010**	2009
Assuming a 1% movement in JIBAR rate	5 500	8 500	(5 500)	(8 500)
Assuming a 1% movement in South African Prime borrowing interest rate	3 508	4 000	(3 508)	(4 000)

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 customer's credit quality. Credit limits are defined by trade debtor and are regularly reviewed.

26. Financial instruments continued

26.4 Financial risk factors 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 2010 or 30 June 2009.

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 five debtors:

	Number of customers	Value Rm	% of trade and other receivables	% of total revenue
2010	5	R980,3	31.9	8.6
2009	5	R467,8	13.9	3.9

The value of the amounts due by the top five debtors as a percentage of trade and other receivables has increased from 13.9% to 31.9%. This is as a result of a decrease in trade and other receivables balances on hand by 10% as well as an increase in the debtors amounts due in the Middle East, due to cancelled contracts, converting to certified work during the year as contract negotiations for settlement of debt progress. In addition, included in the disclosure of amounts due from top five debtors were balances due by two specific debtors which were material at year end reporting date due to the stage of completion on the specific contracts but which represent a current month certificate due only. In excess of 95% of the debt has been settled subsequent in July 2010. Excluding the debt from these two debtors, the percentage due from the top three remaining debtors, including Middle East, is 16%. The debt due by the Middle East terminated contracts represents 2% of the additional increase.

The group has the following credit risk per geographical segment:

Region	2010	2009
Central Africa	236 716	153 329
Eastern Africa	106 968	142 296
Eastern Europe	20 797	91 836
Middle East	990 220	999 005
Southern Africa	1 690 255	1 894 972
Western Africa	23 936	117 647
Total trade and other receivables	3 068 892	3 399 085

Central Africa: Zambia, Angola, DRC

Eastern Africa: Malawi, Mauritius, Tanzania

Eastern Europe: Hungary, Poland

Middle East: Dubai, Abu Dhabi, Jordan, Qatar

Southern Africa: South Africa, Lesotho, Swaziland, Namibia, Botswana, Mozambique

Western 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 2010

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 assets and liabilities

Assets as per the statement of financial position

30 June 2010	Note	Within 1 – 6 months	Within 7 – 12 months	Within 1 – 2 years	Within 2 – 5 years	Greater than 5 years	Total
Investment in service concession	12	–	–	–	–	224 311	224 311
Investments in property developments	13	–	–	–	–	128 691	128 691
Derivative financial instruments – financial assets held for trading	19.2	–	–	13 178	–	–	13 178
Derivative financial instruments – designated as a hedge	19.1	–	–	–	–	–	–
Pension fund surplus – financial assets designated as fair value through profit and loss	23.2	–	–	–	123 007	–	123 007
Trade and other receivables	17	1 915 413	1 153 479	–	–	–	3 068 892
		1 915 413	1 153 479	13 178	123 007	353 002	3 558 079

Liabilities as per the statement of financial position

Interest bearing borrowings	18.1	–	–	683 094	160 150	–	843 244
Derivative financial instruments – financial liabilities held for trading	19.2	2 609	–	–	–	–	2 609
Derivative financial instruments – designated as a hedge	19.1	–	–	–	–	–	–
Excess billing over work performed		916 344	127 485	–	–	–	1 043 829
Trade and other payables	21	3 418 446	1 578 742	–	–	–	4 997 188
Current portion of non-current interest bearing borrowings	18.1	53 078	57 409	–	–	–	110 487
Short term borrowings		–	80 053	–	–	–	80 053
Bank overdrafts	30	24 173	–	–	–	–	24 173
		4 414 650	1 843 689	683 094	160 150	–	7 101 583

26. Financial instruments continued

26.4 Financial risk factors continued

Liquidity risk continued

Assets as per the statement of financial position

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
Investment in service concession	12	–	–	–	–	186 482	186 482
Investments in property developments	13	–	–	–	–	120 000	120 000
Derivative financial instruments – financial assets held for trading	19.2	–	2 049	–	1 630	–	3 679
Derivative financial instruments – designated as a hedge	19.1	–	–	–	–	–	–
Trade and other receivables	17	2 170 733	1 228 352	–	–	–	3 399 085
		2 170 733	1 230 401	–	1 630	306 482	3 709 246

Liabilities as per the statement of financial position

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 non-current 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

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.

Notes to the financial statements continued

for the year ended 30 June 2010

(R'000)	GROUP 2010	2009
27. Profit before working capital changes		
Profit before taxation	594 076	782 011
Adjustments for:		
Depreciation and amortisation	245 235	258 370
Fair value adjustments	(13 532)	(15 718)
Impairment adjustment	325 569	–
Foreign exchange losses/(gains)	8 092	(2 658)
Loss on sale of subsidiaries	4 085	–
(Profit)/loss on disposal of property, plant and equipment and investment property	(371)	26
Share options	35 594	32 569
Finance (income)/costs	(27 871)	30 820
Fair value loss on forward exchange contracts and fair value hedge	4 121	15 134
(Profit)/loss from associates	(1 347)	69
Pension fund valuation (surplus)/deficit	(55 161)	11 469
Movement in provisions	14 503	12 420
	1 132 993	1 124 512
28. Working capital changes		
Trade and other payables	(327 885)	688 505
Trade and other receivables	253 763	274 830
Contracts in progress	(21 344)	(186 840)
Inventories	153 467	(91 202)
	58 001	685 293
29. Taxation paid		
Taxation owing at the beginning of the year	(74 452)	(39 349)
Charge per the income statement	(258 297)	(224 567)
Movement in deferred taxation	31 638	79 100
Taxation owing at the end of the year	145 480	74 452
Total paid during the year	(155 631)	(110 364)
30. Cash and cash equivalents at end of year		
Bank balances and cash	3 129 990	2 798 046
Bank overdrafts	(24 173)	(19 622)
Cash and cash equivalents at end of year	3 105 817	2 778 424

(R'000)	GROUP 2010	GROUP 2009
31. Non-cash transactions (R'000) – cash flow statement		
Excluded from the cash flow statement are additions to fixed assets amounting to R60 million (2009: R167 million) which were funded by finance leases.		
32. Categorisation of cash and cash equivalents		
Cash and cash equivalents held by the group	1 981 306	1 377 493
Cash and cash equivalents held in incorporated and unincorporated joint ventures	1 124 511	1 400 931
	3 105 817	2 778 424
33. Acquisition of subsidiaries		
Construction Materials – BGM	–	30 925
	–	30 925

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	

In the prior 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.

Notes to the financial statements continued

for the year ended 30 June 2010

(R'000)	GROUP 2010	GROUP 2009
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.		
Cost of sales	–	–
Operating profit	–	–
Finance costs	–	–
Loss before taxation	–	–
Taxation	–	–
Loss after taxation	–	–
Loss on disposal of operations	(22 102)	(22 890)
Loss for the year from discontinued operations	(22 102)	(22 890)
Statement of financial position relating to the discontinued operations:		
Non-current assets	65 153	81 170
Current assets	–	–
Non-current assets classified as held for sale	65 153	81 170
Interest-bearing borrowings	–	–
Current liabilities	–	–
Liabilities directly associated with non-current assets classified as held for sale	–	–
Net assets	65 153	81 170
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 2010, the R65 million (2009: R81 million) relates to an amount outstanding in India which continues to proceed to arbitration.

During the current year an amount of R16 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.

(R'000)	GROUP 2010	GROUP 2009
35. Dividends paid		
35.1 2009 Final dividend paid: 72 cents (2008: 60 cents) per ordinary share	68 536	56 360
35.2 2010 Interim dividend paid: 63 cents (2009: 58 cents) per ordinary share	60 074	55 470
	128 610	111 830

These dividends are reflected on the group's statement of changes in equity.

On the 5th August 2010, the directors proposed a final dividend of 74 cents per share in respect of the financial year ended 30 June 2010 which will absorb an estimated amount of R70 million of shareholders funds. The dividend will be paid on Monday 4 October 2010 to shareholders registered on the shareholder register on Friday 1 October 2010. This dividend is not reflected in the group's annual financial statements The total dividend for the financial year will thus be 137 cents per share (2009: 130 cents per share).

36. Presentational changes to the group statement of cash flow

The following presentational changes were made for improved classification purposes:

– Foreign exchange effect on cash and cash equivalents has been separately disclosed on the group statement of cash flow
– Non-cash movement of pension fund surplus/deficit has been included on the group statement of cash flow.

Annexure 1 – Group segmental analysis

for the year ended 30 June 2010

Operating segments reflect the management structure of the group and the manner in which performance is evaluated and resources allocated as managed by the group's chief operating decision maker, defined as the executive committee members (exco) of the group.

These operating segments are listed below

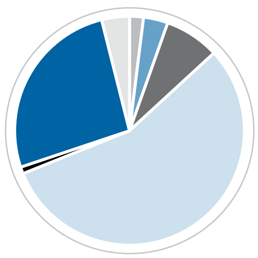
Of primary focus to exco is the revenue, operating profit, capital expenditure and current assets per segment and revenue per geography.

The required segmental reporting disclosures are provided on page 327 of this report.

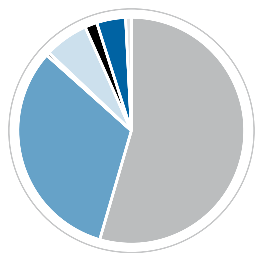
In addition, although exco does not review the information included in this Annexure on a monthly basis in order to take strategic decisions, management provides this additional segmental reporting as it deems this information to constitute further value added disclosure to stakeholders.

Statement of financial position

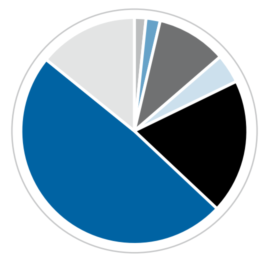
Property, plant and equipment and investment property



Other non-current assets (excluding non-current assets classified as held for sale and deferred taxation)



Current assets (excluding cash and cash equivalents)



Note: Graphs represent F2010 values only.

	Property, plant and equipment and investment property		Other non-current assets (excluding non-current assets classified as held for sale and deferred taxation)		Current assets (excluding cash and cash equivalents)	
(R'000)	2010	2009	2010	2009	2010	2009
Investments and Concessions	113 806	63 062	364 820	310 453	148 800	304 255
Infrastructure Concessions	41 302	45 985	231 615	187 030	63 815	119 360
Property Developments	72 504	17 077	133 205	123 423	84 985	184 895
Manufacturing	162 781	163 098	11 345	847	411 673	411 592
Construction Materials	1 174 578	1 501 974	31 302	25 556	169 745	184 649
Construction	655 408	716 703	129 426	11 325	3 366 681	3 753 616
Building and Housing	20 181	20 771	41 739	3 009	775 751	957 745
Civil Engineering	552 873	612 249	68 194	5 781	2 009 224	2 294 040
Engineering Projects	82 354	83 683	19 493	2 535	581 706	501 831
Total	2 106 573	2 444 837	536 893	348 181	4 096 899	4 654 112

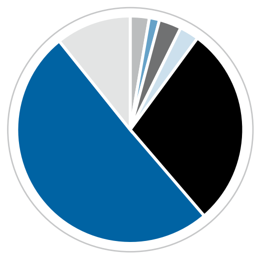
A description of the products and/or services provided by the segments is disclosed under the operational and financial review of this annual report.

Statement of financial position

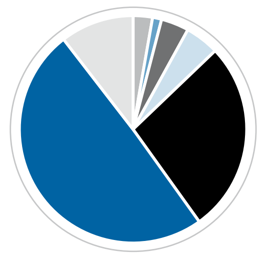
Total assets (excluding non-current assets classified as held for sale, deferred taxation, cash and cash equivalents)

Non-current liabilities

Current liabilities (excluding current taxation payable and bank overdrafts)



Total liabilities (excluding current taxation payable and bank overdrafts)



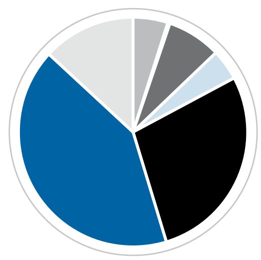
Total assets 2010	Total assets 2009	Non-current liabilities 2010	Non-current liabilities 2009	Current liabilities 2010	Current liabilities 2009	Total liabilities 2010	Total liabilities 2009
627 426	677 770	30 170	23 676	262 432	379 488	292 602	403 164
336 732	352 375	28 404	17 987	170 973	198 917	199 377	216 904
290 694	325 395	1 766	5 689	91 459	180 571	93 225	186 260
585 799	575 537	84 463	82 159	201 060	236 625	285 523	318 784
1 375 625	1 712 179	175 912	216 274	173 964	176 306	349 876	392 580
4 151 515	4 481 644	617 644	637 827	5 673 684	6 118 598	6 291 328	6 756 425
837 671	981 525	162 408	136 778	1 804 556	1 785 771	1 966 964	1 922 549
2 630 291	2 912 070	379 388	385 852	3 189 439	3 617 507	3 568 827	4 003 359
683 553	588 049	75 848	115 197	679 689	715 320	755 537	830 517
6 740 365	7 447 130	908 189	959 936	6 311 140	6 911 017	7 219 329	7 870 953

Annexure 1 – Group segmental analysis continued

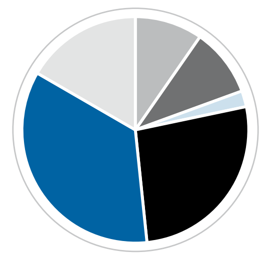
for the year ended 30 June 2010

Income statement

Revenue



Operating profit before fair value adjustments and impairment adjustments



Note: Graphs represent F2010 values only.

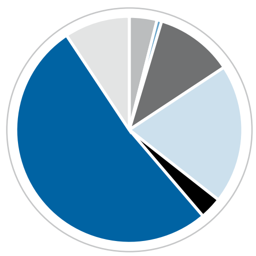
(R'000)	Revenue 2010	Revenue 2009	Operating profit before fair value adjustments and impairment adjustments 2010	Operating profit before fair value adjustments and impairment adjustments 2009
Investments and Concessions	591 871	626 795	74 926	81 887
Infrastructure Concessions	557 227	527 938	85 615	79 636
Property Developments	34 644	98 857	(10 689)	2 251
Manufacturing	866 221	816 132	86 812	85 964
Construction Materials	491 860	671 317	20 186	55 835
Construction	9 387 636	9 975 992	694 971	573 496
Building and Housing	3 186 142	2 899 773	236 620	141 032
Civil Engineering	4 713 487	4 633 259	310 655	225 733
Engineering Projects	1 488 007	2 442 960	147 696	206 731
Total	11 337 588	12 090 236	876 895	797 182

A description of the products and/or services provided by the segments is disclosed under the operational and financial review of this annual report.

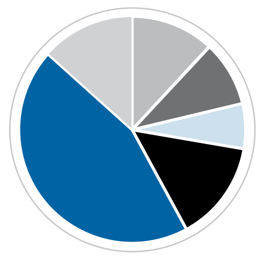
Cash flow

Depreciation

Capital expenditure



Number of employees

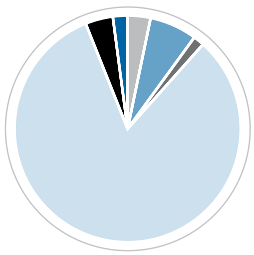


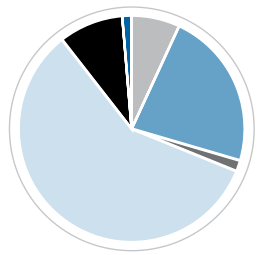
Depreciation 2010	Depreciation 2009	Capital expenditure 2010	Capital expenditure 2009	Number of employees 2010	Number of employees 2009
12 963	12 218	9 706	36 603	1 316	877
12 814	11 868	8 287	32 514	1 308	867
149	350	1 419	4 089	8	10
20 873	25 762	23 302	15 453	1 166	1 344
62 228	56 956	41 747	139 118	804	862
149 171	163 434	135 271	238 337	9 211	10 967
10 303	35 416	6 622	3 869	1 794	2 080
115 398	105 011	109 052	185 065	5 575	6 560
23 470	23 007	19 597	49 403	1 842	2 327
245 235	258 370	210 026	429 511	12 497	14 050

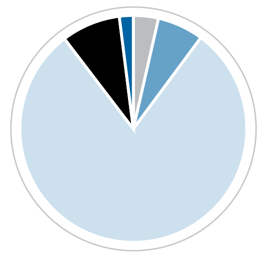
Annexure 1 – Group segmental analysis continued

for the year ended 30 June 2010

	Income statement	**Statement of financial position**	**Cash flow**
	Revenue	Total assets (excluding non-current assets classified as held for sale, deferred taxation and cash and cash equivalents)	Capital expenditure







Note: Graphs represent F2010 values only.

(R'000)	Income statement: Revenue 2010	Income statement: Revenue 2009	Statement of financial position: Total assets 2010	Statement of financial position: Total assets 2009	Cash flow: Capital expenditure 2010	Cash flow: Capital expenditure 2009
Eastern Europe	370 946	402 962	465 215	1 212 110	7 500	32 346
Middle East	768 143	1 634 121	1 524 368	1 570 773	13 817	12 413
Eastern Africa	177 600	531 434	107 109	147 301	–	271
Southern Africa	9 335 238	7 892 236	3 931 929	4 096 614	166 893	346 097
Central Africa	447 879	975 085	621 769	237 903	17 643	8 170
Western Africa	237 782	654 398	89 975	182 429	4 173	30 214
Total	11 337 588	12 090 236	6 740 365	7 447 130	210 026	429 511

Annexure 2 – Company financial statements

at 30 June 2010

	COMPANY 2010	2009
Income statement (refer notes that follow)		
Dividends received from subsidiary	–	6 000
Taxation	–	–
Net profit for the year	–	6 000
Statement of comprehensive income (refer notes that follow)		
Net profit for the year	–	6 000
Other comprehensive income for the year net of tax	–	–
Total comprehensive income for the year	–	6 000
Statement of financial position (refer notes that follow)		
Assets		
Investment in subsidiaries	900 962	986 570
Other investments	–	–
	900 962	986 570
Equity and liabilities		
Stated capital	1 261 135	1 218 133
Accumulated losses	(360 173)	(231 563)
	900 962	986 570

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	Attributable to equity shareholders R'000
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
Comprehensive income: 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
Issue of shares to share trust in terms of share scheme	198 793	(198 793)	–	–	–	–
Issue of shares from share trust	–	721 128	721 128	7 408	–	7 408
Issue of shares in terms of BEE ownership scheme in lieu of dividends	619 977	(619 977)	–	–	–	–
Share option costs	–	–	–	35 594	–	35 594
Comprehensive income: Net profit for the year	–	–	–	–	–	–
Dividends paid	–	–	–	–	(128 610)	(128 610)
Balance at 30 June 2010	120 911 817	(25 576 647)	95 335 170	1 261 135	(360 173)	900 962

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.

Annexure 2 – Company financial statements continued

at 30 June 2010

(R'000)	COMPANY 2010	COMPANY 2009
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 316 to 392. The accounting policies adopted are set out on page 331.		
2. Investment in subsidiaries		
Shares at cost	**382 747**	382 747
Amounts owing by subsidiaries	**518 215**	603 823
	900 962	986 570

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. Statement of cash flow

No statement of cash flow 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 373 for details on guarantees issued.

Annexure 3 – Interest in subsidiaries

at 30 June 2010

	Issued ordinary share capital		Percentage held		Shares at cost		Amounts owing by subsidiaries	
Direct subsidiaries	**2010 Shares**	2009 Shares	**2010 %**	2009 %	**2010 R'000**	2009 R'000	**2010 R'000**	2009 R'000
Group Five Construction (Proprietary) Limited	1 000 000	1 000 000	100	100	14 177	14 177	518 215	603 823
Everite Limited	51 191 400	51 191 400	100	100	368 570	368 570	–	–
					382 747	382 747	518 215	603 823

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 (Ghana) Limited ^
Group Five Construction Limited (Malawi)^
Group Five Construction (Proprietary) Limited^
Group Five Construction (Proprietary) Limited (Swaziland branch) ^
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, Mozambique)^
Group Five International (Proprietary) Limited (Tanzania branch)^
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 Swaziland (Proprietary) Limited ^
Group Five Western Cape (Proprietary) Limited^ @
Group Five (Zambia) (Proprietary) Limited^
Intertoll Holdings (Proprietary) Limited#
Kayema Energy Solutions (Proprietary) Limited
Sky Sands (Proprietary) Limited◊ $
Quarry Cats Lesotho (Proprietary) Limited ◊
Quarry Cats (Proprietary) Limited◊ $

Nature of business

* Manufacture of building products ^ Construction activities
† Property developments • Plant ownership and hire
# Infrastructure concessions Infrastructural developments
◊ Construction material supply $ A division of Group Five Construction (Proprietary) Limited
@ Acting as an agent for 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 R313,7 million (2009: R534,6 million) respectively.

– No part of the business of any subsidiary has been managed during the financial period by any third person.

Annexure 4 – Interest in joint ventures

at 30 June 2010

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	37.5
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.

	GROUP	
(R'000)	**2010**	2009
Aggregate financial information:		
as at 30 June 2010		
Statement of consolidated financial position		
Group's proportionate share of assets and liabilities:		
Assets		
Non-current assets	166 028	59 650
Current assets	4 033 066	4 030 800
	4 199 094	4 090 450
Equity and liabilities		
Shareholders' equity	830 551	527 880
Non-current liabilities	706	1 904
Current liabilities	3 367 837	3 560 666
	4 199 094	4 090 450
for the year ended 30 June		
Income statement		
Group's proportionate share of income and expenditure:		
Revenue	4 867 092	4 559 389
Profit before taxation	610 663	480 741
Taxation	(185 826)	(119 161)
Profit after taxation	424 837	361 580
Dividends received	273 859	147 031
Statement of cash flow		
Cash flow from operating activities	291 334	430 571
Cash flow from investing activities	(59 259)	(41 533)
Cash flow from financing activities	(1 198)	1 883
Net increase in cash and cash equivalents	230 877	390 921

There are no contingent liabilities that the group is aware of that require disclosure.

Annexure 5 – Investment in associates

at 30 June 2010

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	6 375
Jozi Power Limited	South Africa	Power supply	3 720 000 shares of USD 1	34.2	12 340
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*	4 060
					22 847

** The investments are equity accounted as the group has the power to participate in the financial and operating policy decisions of the investee.*

	GROUP	
(R'000)	**2010**	2009
at 30 June		
Aggregate financial information: unlisted		
Statement of consolidated financial position		
Group's share of assets and liabilities:		
Assets		
Non-current assets	33 392	40 586
Current assets	11 411	4 558
	44 803	45 144
Equity and liabilities		
Shareholders' interest	17 331	15 984
Non-current liabilities	22 051	24 157
Current liabilities	5 421	5 003
	44 803	45 144
for the year ended 30 June		
Income statement		
Group's share of income and expenditure:		
Group's share of income and expenditure:		
Revenue	10 681	8 317
Profit/(loss) before taxation	2 065	(69)
Taxation	(718)	–
Profit/(loss) after taxation	1 347	(69)
Dividends received	–	–
Statement of cash flow		
Cash flow from operating activities	15 374	5 401
Cash flow from investing activities	(530)	(12 439)
Cash flow from financing activities	(2 049)	2 895
Net increase/(decrease) in cash and cash equivalents	12 795	(4 143)

There are no contingent liabilities that the group is aware of that require disclosure.

Annexure 6 – Analysis of shareholders

at 30 June 2010

1. Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	2 694	63.85	1 094 418	0.91
1 001 – 10 000 shares	1 131	26.81	3 672 982	3.04
10 001 – 100 000 shares	254	6.02	8 718 660	7.21
100 001 – 1 000 000 shares	119	2.82	37 121 259	30.70
1 000 001 shares and over	21	0.50	70 304 498	58.14
Totals	4 219	100.00	120 911 817	100.00

2. Distribution of shareholders	Number of shareholders	%	Number of shares	%
Banks	49	1.16	11 278 042	9.33
Close corporations	52	1.23	185 964	0.15
Empowerment trusts	4	0.09	25 576 174	21.15
Endowment funds	31	0.73	393 025	0.33
Individuals	3 272	77.56	5 733 726	4.74
Insurance companies	26	0.62	8 802 940	7.28
Investment companies	24	0.57	2 827 485	2.34
Medical schemes	4	0.09	54 546	0.05
Mutual funds	134	3.18	27 055 022	22.37
Nominees and trusts	400	9.49	1 858 475	1.54
Other corporations	18	0.43	11 768	0.01
Private companies	81	1.92	4 388 228	3.63
Public companies	6	0.14	70 263	0.06
Retirement funds	117	2.77	32 675 686	27.02
Share trusts	1	0.02	473	0.00
Totals	4 219	100.00	120 911 817	100.00

3. Public/non-public shareholders	Number of shareholders	%	Number of shares	%
Non-public shareholders	17	0.40	27 438 314	22.69
Directors of the company	2	0.05	161 000	0.13
Executive committee members of the company	4	0.09	226 793	0.19
Management committee members of the company	5	0.13	65 303	0.05
Empowerment trusts	4	0.09	25 576 174	21.16
Share trusts	1	0.02	473	0.00
Associate empowerment holdings	1	0.02	1 408 571	1.16
Public shareholders	4 202	99.60	93 473 503	77.31
Totals	4 219	100.00	120 911 817	100.00

4. Beneficial shareholders holding 5% or more	Number of shares	%
Government Employees Pension Fund	15 586 192	12.89
Mvelaphanda Group Ltd	11 635 936	9.62
Ilima Consortium (Pty) Ltd	11 015 959	9.11
Coronation Fund Managers	10 827 133	8.96
Totals	49 065 220	40.58

5. Directors of the company	Number of shares	%
MR Upton	160 000	0.13
CMF Teixeira	1 000	0.00
Totals	161 000	0.13

6. Executive committee members of the company	Number of shares	%
P le Sueur	89 982	0.08
AJ McJannet	11 817	0.01
JA Wallace	78 350	0.06
WI Zeelie	46 644	0.04
Totals	226 793	0.19

7. Management committee members of the company	Number of shares	%
FH Enslin	35 085	0.03
ME Farrell	8 000	0.01
NM Humphreys	7 000	0.01
KD Miller	10 218	0.01
MP van Rooyen	5 000	0.00
Totals	65 303	0.06

8. Top twenty beneficial shareholders by size

Rank	Name of shareholder	Shares	%
1	Group Five BEE Share Scheme Control Account	25 576 174	21.15
2	Government Employees Pension Fund	15 586 192	12.89
3	Coronation Fund Managers	10 827 133	8.96
4	Sanlam	5 662 069	4.68
5	Investment Solutions	3 547 349	2.93
6	Old Mutual	3 260 493	2.70
7	Capital Group	2 972 930	2.46
8	Eskom Pension and Provident Fund	2 676 166	2.21
9	Liberty Group	2 361 133	1.95
10	Ellerine Brothers	2 144 991	1.77
11	Rand Merchant Bank	1 998 616	1.65
12	Mineworkers Provident Fund	1 589 054	1.31
13	Mines Pension Fund	1 529 641	1.27
14	Metal and Engineering Industries	1 431 007	1.18
15	Mvelaphanda Holdings	1 408 571	1.17
16	Dimensional Fund Advisors	1 330 641	1.10
17	Namibian Government Institutions Pension Fund	1 290 851	1.07
18	UBS	1 070 937	0.89
19	Telkom Retirement Fund	1 047 914	0.87
20	Absa	964 028	0.80
	Totals	88 275 890	73.01

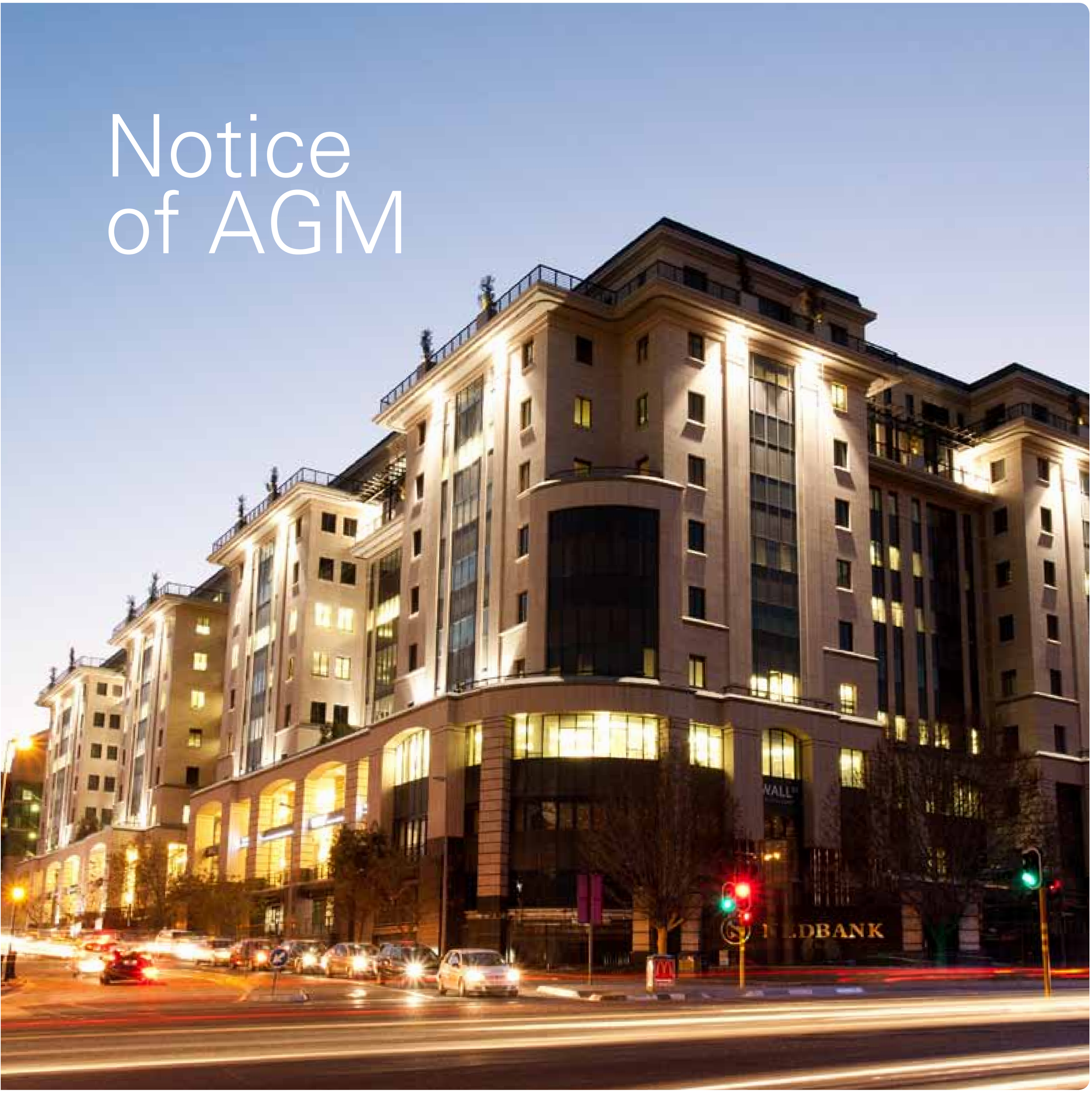
Annexure 6 – Analysis of shareholders continued

at 30 June 2010

9. Top ten countries based on beneficial shareholders

Rank	Name of shareholder	Shares	%
1	South Africa	98 942 460	81.83
2	USA	5 071 446	4.19
3	Namibia	1 535 115	1.27
4	Luxembourg	1 531 128	1.27
5	UK	942 868	0.78
6	Ireland	802 787	0.66
7	Hong Kong	733 500	0.61
8	Isle of Man	621 096	0.51
9	Switzerland	410 280	0.34
10	Netherlands	370 025	0.31
	Totals	**110 960 705**	**91.77**

Notice of AGM



Notice of annual general meeting

at 30 June 2010

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 13 October 2010 at 10:00, 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 2010, together with the directors' and independent auditors' reports.
2. To re-elect by separate resolution Lynda Chalker;
3. To re-elect by separate resolution Stuart Grant Morris;
4. To re-elect by separate resolution Kalaa Katema Mpinga;

   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 173 of this annual report.
5. Director's fees:

   5.1 To ratify the remuneration of non-executive directors for the year ended June 2010 (refer to page 169 of annual report).

   5.2 To approve the remuneration of non-executive directors for the year ended June 2011 (refer to page 169 of annual report).
6. To re-appoint PricewaterhouseCoopers Inc., with the designated audit partner being Mr A Rossouw, as independent auditors of the company for the ensuing year.
7. To consider and if deemed fit, pass with or without modification the following resolution:

   7.1 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. The issuing of shares granted under this authority will be limited to Group Five's existing contractual obligations to issue shares, including for purposes of the Group Five Share Appreciation Right Scheme approved in 2005, any scrip dividend and/or capitalisation share award, and shares required to be issued for the purpose of carrying out the terms of the Group Five Share Appreciation Right Scheme.'
8. As special business, to consider and if deemed fit, pass with or without modification the following resolutions:

   8.1 ORDINARY RESOLUTION NUMBER 2: APPOINTMENT OF GROUP AUDIT COMMITTEE MEMBERS
   "RESOLVED THAT the members of the Group Five Audit Committee as set out below, be and are hereby appointed in accordance with the recommendations of King III. The membership as proposed by the board of directors is SG Morris (chairperson), LE Bakoro, L Chalker, KK Mpinga, all of whom are independent non-executive directors."

   8.2 ORDINARY RESOLUTION NUMBER 3: APPROVAL OF REMUNERATION POLICY
   "RESOLVED to approve, through a non-binding advisory note, the company's remuneration policy and its implementation, as set out in the Remuneration Report contained in the annual report."

   8.3 ORDINARY RESOLUTION NUMBER 4: 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 authorized 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.

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."

8.4 ORDINARY RESOLUTION NUMBER 5: 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.

8.5 ORDINARY RESOLUTION NUMBER 6: AMENDMENT TO THE GROUP FIVE LIMITED SHARE APPRECIATION RIGHT SCHEME

"RESOLVED THAT the Group Five Limited Share Appreciation Right Scheme ("SAR") be amended to ensure compliance with the Schedule 14 of the JSE Listings Requirements."

The Group Five Limited Share Appreciation Right Scheme will be available for inspection during normal business hours at the registered office of the company from the date of this notice of annual general meeting up to an including the date of the annual general meeting.

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, excluding the votes attaching to all shares owned or controlled by persons who are existing participants under the SAR.

Salient terms to Ordinary Resolution Number 6

The main points of the amendments to the SAR are summarised as follows:

- The maximum number of shares that may be issued under the SAR is set to 12 091 181. This requirement replaces the previous limit which was expressed as 10%

Notice of annual general meeting continued

at 30 June 2010

of the issued share capital. This limit is permitted to be increased proportionately to reflect changes in capital structure, as specified in Schedule 14.3 of the JSE Listings Requirements. In addition, it is clarified that shares purchased in the market in settlement of the SAR and awards that are forfeited are excluded from this limit.

- Reference to an aggregate fixed number of shares which can be acquired under the SAR by any one participant is set at 2 418 236.
- The SAR has been amended to confirm the requirement that employees' base pay and grade requirement form the primary basis upon which awards under the SAR are made.
- Confirmation that non-executive directors of the company are not eligible to participate in the SAR.
- The discretion afforded to the Remuneration Committee in the case of termination of employment of a participant has been limited within a specific framework.
- The SAR has been amended to include the statement that any adjustment made to the number of shares that may be issued under the SAR should be reported in the company's annual financial statements in the year during which such adjustment is made.
- Amendments of the provisions relating to the effects of a variation of share capital or a capitalisation issue has been made, the company's auditors will have to confirm to the JSE in writing that any adjustments made with regard to variation in share capital are in accordance with the provisions of the SAR. In addition, various procedures which need to be followed when such an adjustment is made have been added to the rules of the SAR.
- The SAR has been amended to include that securities may only be purchased once participants have been formally identified for allocation.
- Cross reference to certain provisions included in the JSE Listings Requirements.

The salient features of the SAR are set out in Annexure 1 to this notice of annual general meeting.

8.6 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 five 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;
- ecognised 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;
- 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 Listings Requirements:

- directors (page 173);
- major shareholders (page 399);
- directors' interests in securities (page 321); and
- share capital of the company (page 319)

Material changes

There have been no material changes in the affairs or financial position of Group Five and its subsidiaries since 30 June 2010.

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names are given on page 173 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 173 of the annual report collectively and individually accept full responsibility for the accuracy of the information pertaining to Special Resolution Number 1 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 contain 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.

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 10:00 on Monday, 11 October 2010. 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
5 August 2010

Registered office
Group Five Limited
371 Rivonia Boulevard
Rivonia Ground Floor
2128

PO Box 3951
Rivonia
2128

Transfer secretaries
Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg 2001

PO Box 61051
Marshalltown
2107

Appendix 1 – Salient features of the Group Five Share Appreciation Right Scheme

Introduction

Group Five Limited ('the company') currently operates a share plan which was introduced in 2005, namely the Group Five Limited Share Appreciation Right Scheme ("SAR"'). The purpose of the SAR is to provide selected employees, with the opportunity of receiving shares in the company based on the increase in value of shares, through the grant of share appreciation rights, thereby providing participants with an incentive to advance the company's interests.

Schedule 14 of the JSE Listings Requirements was amended during October 2008 and certain amendments to the SAR were necessary to ensure full compliance with new JSE Listings Requirements.

The salient terms of the SAR are set out in further detail below.

Eligibility

The SAR is offered to any person holding full salaried employment or office (including any executive directors) of any participating company but excluding any non-executive director.

The basis for making awards

The basis upon which the share appreciation rights are granted is determined as a percentage of the employee's base pay with such percentage varying by reference to the employees grade. Participants are not required to pay for the making of the awards

SAR and individual limits

Subject to an adjustment upon the occurrence of a variation in share capital of the company, the company cannot allocate or use more than 12 911 817 shares in settlement of benefits under the SAR. This limit is permitted to be increased proportionately to reflect changes in the capital structure. In addition, shares purchased in the market in settlement of the SAR and awards that are forfeited are excluded from this limit. Any adjustment made to the number of shares that may be issued under the SAR should be reported in the company's annual financial statements in the year during which such adjustment is made.

Any one participant cannot be allocated in excess of 2 418 236 shares.

Delivery of shares

The shares delivered under the SAR shall have all rights attaching to ordinary shares in the capital of the company and shall rank pari passu in all respects with the existing shares in the issued ordinary share capital of the company upon their settlement of the exercised SAR.

Reconstruction or takeover

In the event of a reconstruction or takeover of the company before the vesting date, the share appreciation rights shall be deemed to vest as of the date that the person making the offer has obtained control of the company or the date of the reconstruction or takeover and may be exercised within the SAR period.

If there is an internal reconstruction or other event which does not involve any substantial change in the ultimate control of the company, and therefore is not a reconstruction or takeover, or if any other event happens which may affect the share appreciation rights granted, including the shares ceasing to be listed on the JSE, the Remuneration Committee may take such action as it considers appropriate to protect the interests of participants, including converting share appreciation rights into equivalent grants in respect of shares in one or more other companies.

Termination of employment and exceptions

The discretion afforded to the Remuneration Committee in the case of termination of employment of a participant is limited within a specific framework and the following rules apply:

- a participant who resigns or is dismissed for lawful reason will forfeit all his unexercised share appreciation rights (vested and unvested);
- if a participant's employment with the company terminates by reason of his retrenchment, unlawful dismissal, constructive dismissal by the employer, disablement, whether physical, mental or emotional in nature and including any other form of ill health, retirement in accordance with the normal retirement policies of the company or any other reason which the company may consider appropriate, the Remuneration Committee will by written notice to the participant permit the participant to exercise the whole of his unexercised share appreciation rights (vested and unvested) within 6 (six) months of the date of cessation of employment. To the extent that any share appreciation right exercisable is not so exercised, it will lapse at the end of the 6 (six) month period; and
- at death of the participant, the Remuneration Committee will by written notice to the executor or representative in his estate permit the executor or representative in his estate to exercise the whole of his unexercised share appreciation rights (vested and unvested) within 1 (one) year (of the date of cessation of employment. To the extent that any share appreciation rights are not so exercised, it will lapse at the end of the 1 (one) year period.

Variation in share capital

In the event of a rights issue, capitalisation issue or other event affecting the share capital of the company, a demerger (in whatever form) or in the event of the company making distributions including a distribution in specie or a payment in terms of section 90 of the Companies Act (Act 61 of 1973) as amended (other than a dividend paid in the ordinary course of business out of the current year's retained earnings) or in terms of a repurchase of shares before the vesting date, the Remuneration Committee may make such adjustment to the number of shares comprised in the relevant grants and/or the grant price as it thinks appropriate, provided that such adjustment will give participants entitlement to the same proportion of the shares as that to which the participant was previously entitled.

In relation to the variation of share capital or a capitalisation issue, the company's auditors will have to report to the JSE in writing of any adjustments made with regard to variation in share capital and that the variations are in accordance with the provisions of the SAR.

Administrative

- In terms of the SAR, securities may only be purchased once participants have been formally identified for allocation.
- The vesting periods for share appreciation rights can be exercised in equal tranches of 33%, 33% and 34% respectively from the second year to the fourth year following the grant date.

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, 13 October 2010 ("the annual general meeting") at 10:00.

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 2010			
2. Resolution number 2: To re-elect by separate resolution – L Chalker			
3. Resolution number 3: To re-elect by separate resolution – SG Morris			
4. Resolution number 4: To re-elect by separate resolution – KK Mpinga			
5. Resolution number 5: 5.1 Ratify the remuneration of non-executive directors for the year ended 30 June 2010. 5.2 Approve the remuneration of non-executive directors for the year ended 30 June 2011			
6. Resolution number 6: Re-appointment of auditors			
7. Ordinary resolution number 1: Control of authorised but unissued shares			
8. Special business 8.1 Ordinary resolution number 2: Appointment of group audit committee members 8.2 Ordinary resolution number 3: Approval of remuneration policy 8.3 Ordinary resolution number 4: General authority to issue shares for cash 8.4 Ordinary resolution number 5: Distribution to shareholders out of stated capital 8.5 Ordinary resolution number 6: Amendment to the group five limited share appreciation right scheme 8.6 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 ______________________ 2010

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).
7. Any alteration or correction made to this form of proxy must be initialled by the signatory/(ies).
8. 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.
9. The delivery of the duly completed form of proxy shall not preclude any member or his duly authorized representative from attending the meeting, speaking and voting instead of such duly appointed proxy.
10. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company.
11. Where there are joint holders of any shares:
    - any one holder may sign this form of proxy; and
    - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

Registered office
371 Rivonia Boulevard
Rivonia Ground Floor
Sandton
2128

PO Box 3951
Rivonia 2128

Transfer secretaries
Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg
2001

PO Box 61051
Marshalltown 2107

Reference tools

King III compliance checklist

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
1. Ethical leadership and corporate citizenship			
		Ethical leaders should:	
Responsible leadership	1.1 The board should provide effective leadership based on an ethical foundation	1.1.1 direct the strategy and operations to build a sustainable business	1.1.1 The board and the executive committee formulate and direct group strategy. The group has, over the last few years, focused on ensuring the business is operated on an integrated and sustainable basis. This is illustrated through the sustainable business model against which the group has reported since F2009. Refer to page 5.
	1.2 The board should ensure that the company is and is seen to be a responsible corporate citizen	1.1.2 consider the short and long term impacts of the strategy on the economy, society and the environment	1.1.2 These are considered. Refer to pages 31 – 43 for details on the impact the group has on these three elements. These are discussed by cluster.
	1.3 The board should ensure that the company's ethics are managed effectively	1.1.3 do business ethically	1.1.3 The group aims to conduct its business ethically. "Integrity" has been formally identified as being one of the company's seven core values. The group formulated a Code of Ethics a number of years ago that sets out its ethical values and the conduct expected of its employees in this regard. The group is commitment to good governance and ethics. In support of this, the group is presently rolling out three major ethics-based group initiatives. These include the Competition Act awareness, anti-corruption drive and anti-fraud drive.
		1.1.4 not compromise the natural environment	1.1.4 The leadership is committed to ensuring that the group's business activities have as little impact as possible on the natural environment. Refer to pages 31 – 43 and 130 – 137.
		and	
		1.1.5 take account of the company's impact on internal and external stakeholders	1.1.5 The group focuses on its stakeholders. Following established and pro-active engaging with stakeholders, the communications structure was further formalised through the creation of a communication forum in F2009. The needs of all stakeholders are identified and discussed on a monthly basis. Refer to Section 8 for further details.
		The board should:	
		1.1.6 be responsible for the strategic direction of the company and for the control of the company	1.1.6 The board takes responsibility for strategic direction of the group. This is done through interaction with the group's exco.
		1.1.7 set the values to which the company will adhere formulated in its code of conduct	1.1.7 The Group Five board has formally signed off on the group's seven core values. These are People, Excellence, Transformation, Customer Focus, Integrity, Innovation and Performance. These are reflected in the company's code of conduct (known as the "Code of Ethics").

Governance element	Principle(s)	Recommended practice	Comment
		1.1.8 ensure that its conduct and that of management aligns to the values and is adhered to in all aspects of its business	1.1.8 The values are communicated within the group. All employees are encouraged to adhere to these. Where instances of inappropriate behaviour are noted, these are firmly addressed.
		1.1.9 promote the stakeholder-inclusive approach of governance	1.19 The board appreciates the need for an inclusive stakeholder approach to governance that considers both internal and external stakeholders. As mentioned above, stakeholders are identified, their needs analysed and action plans set to address these needs.
		The board should:	
Ethical foundation		1.1.10 ensure that all deliberations, decisions and actions are based on the four values underpinning good governance	1.1.10 The board ensures that its deliberations, decisions and actions are guided by the core values underpinning good governance, namely responsibility, accountability, fairness and transparency.
		1.1.11 ensure that each director adheres to the duties of a director	1.1.11 This is enforced. The group assists directors in executing their duties through training and board assessments to provide directors with feedback on their strengths and weaknesses etc.
		The board should:	
	1.2 The board should ensure that the company is and is seen to be a responsible corporate citizen	1.2.1 consider not only the financial performance, but also the impact of the company's operations on society and the environment	1.2.1 The group believes that its focus extends beyond considering the group's financial performance. Refer to pages 31 – 43 for information around how the group operates and its impact on the environment, its people, etc. Also refer to pages 130 – 137 and pages 223 – 227 for information on SED and environmental activities.
		1.2.2 protect, enhance and invest in the wellbeing of the economy, society and the environment	1.2.2 The group believes that it invests in the well-being of society (refer to page 223), the environment (refer to page 131) and the economy. For example, refer to page 195 for details on training and development programmes undertaken in the year to enhance skills availability in the market and page 59 for the value-added statement.
		1.2.3 ensure that the company's performance and interaction with its stakeholders is guided by the Constitution and the Bill of Rights	1.2.3 The board ensures that the group's performance is achieved within the ethical framework of the Constitution and the Bill of Rights.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
		1.2.4 ensure that collaborative efforts with stakeholders are embarked upon to promote ethnical conduct and good corporate citizenship	1.2.4 The board ensures that collaborative efforts with stakeholders take place to promote ethical conduct and good corporate citizenship. For example, the group conducts regular surveys with its external audiences, including investors, analysts and the media. During the year, it also conducted an independent survey with public and private sector representatives, including clients. It also conducts a number of surveys with its employees, such as a satisfaction survey and a survey in respect of Tip-offs Anonymous, the group's hotline, for the reporting of unethical conduct. Refer to pages 113. The group will shortly involve its employees in an anonymous corruption survey.
		1.2.5 ensure that measurable corporate citizenship programmes are implemented	1.2.5 The board ensures that measurable corporate citizenship programmes are implemented. Refer to page 223.
		1.2.6 ensure that management develops corporate citizenship policies	1.2.6 The group believes that its Code of Ethics and its SED policy are examples of good corporate citizen policies. A further example is its country management department. This team has the responsibility to ensure compliance with corporate statutory and taxation regulations within the group's regions of operations.
		The board should ensure that:	
	1.3 The board should ensure that the company's ethics are managed effectively	1.3.1 it builds and sustains an ethical corporate culture in the company	1.3.1 The group has a zero tolerance policy to unethical behaviour. Refer to page 114 for disclosure on the action taken by the group on unethical behaviour identified in the year under review.
		1.3.2 it determines the ethical standards which should be clearly articulated and ensures that the company takes measure to achieve adherence to them in all aspects of the business	1.3.2 The board has formally identified the group's seven core values of People, Excellence, Transformation, Customer Focus, Integrity, Innovation and Performance. These are reflected in the group's code of conduct (known as the "Code of Ethics"). Furthermore, ethics-related policies and procedures are in place. These include the Competition Act Policy and Procedures, the Prevention of Fraud and Corruption Policy, the Prevention of Bribes and the Granting and Receiving of Gifts and Hospitality Policy. The group has a zero tolerance policy in respect of non-adherence to these policies. Non-adherence is enforced through the group's disciplinary procedures. The group's policy in respect of non-adherence has been widely communicated through the group.
		1.3.3 adherence to ethical standards	1.3.3 The board aims to ensure that the group measures adherence to ethical standards. For example, the group risk function maintains a record of ethics infringements relating to fraud, theft and corruption. The group also voluntarily participated in the Global Carbon Disclosure Project. Refer to pages 131 – 132.

Governance element	Principle(s)	Recommended practice	Comment
		1.3.4 internal and external ethics performance is aligned around the same ethical standards	1.3.4 The group applies the same ethical standards internally and externally in both its local and over-border operations.
		1.3.5 ethical risks and opportunities are incorporated in the risk management process	1.3.5 Ethical risks and opportunities are identified and incorporated in the risk management process by capturing and managing them on STARS, the group's electronic risk management system.
		1.3.6 a code of conduct and ethics-related policies are implemented	1.3.6 The board ensured that the group has a formal code of conduct (the company's code of ethics) in place. It also ensures that ethics-related policies are implemented. For example, the board has monitored (through quarterly compliance reports) the implementation of the Competition Act Policy.
		1.3.7 compliance with the code of conduct is integrated in the operations of the company	1.3.7 Compliance with the code of conduct (Code of Ethics) is integrated in the operations of the group through the group's induction process, ethics-related policies and procedures and the group's disciplinary procedures.
		1.3.8 the company's ethics performance should be assessed, monitored, reported and disclosed	1.3.8 The group's ethics performance is currently assessed and monitored. The group's ethics performance is reported to the board through, inter alia, the group risk officer's quarterly report to the board risk and board audit committees where all incidents of fraud, theft and corruption are reported. The group discloses its ethics performance in this report. Refer to page 112.
2. Boards and directors			
Role and function of the board	2.1 The board should act as the focal point for and custodian of corporate governance	The board should:	
		2.1.1 have a charter setting out its responsibilities	2.1.1 Not compliant. Although the board has a charter that sets out its responsibilities it is currently being reviewed to ensure compliance with King III.
		2.1.2 meet at least four times per year	2.1.2 The board meets at least on a quarterly basis. Refer to page 147.
		2.1.3 monitor the relationship between management and the stakeholders of the company and 2.1.4 ensure that the company survives and thrives	2.1.3 The board monitors relationships with stakeholders. Stakeholder engagement is a standing audit committee agenda item. Refer to section 8 for further information. 2.1.4 The board is aware that it is responsible for the positive performance of the group in creating value. It works closely with the executive management to ensure that.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
	2.2 The board should appreciate that strategy, risk, performance and sustainability are inseparable	The board should:	
		2.2.1 inform and approve the strategy	2.2.1 The board is informed of the strategy, after which it approves it for implementation.
		2.2.2 ensure that the strategy is aligned with the purpose of the company, the value drivers of its business and the legitimate interests and expectations of its stakeholders	2.2.2 The strategy is fully aligned to the purpose of the company. Refer to page 84. The group also communicates effectively with its stakeholders. Refer to page 87.
		2.2.3 satisfy itself that the strategy and business plans are not encumbered by risks that have not been thoroughly examined by management	2.2.3 Group strategy is approved by the main board. Strategy sessions are held at least twice a year. These are preceded by the main board meeting and risk sub-committee meeting where the group's key risks are discussed.
		2.2.4 ensure that the strategy will result in sustainable outcomes, taking into account of people, planet and profit	2.2.4 The group has been operating in an integrated manner for a number of years. Refer to page 5.
	2.3 The board should provide effective leadership based on an ethical foundation	Refer to principle 1.1	2.3 The group believes this to be the case. Refer to page 112 for additional information on the group's ethics management.
	2.4 The board should ensure that the company is and is seen to be a responsible corporate citizen	Refer to principle 1.2	2.4 The group believes this to be the case. Refer to page 112 for additional information on the group's ethics management. In addition, refer to page 140 – 145 for information on the group's compliance management and regulatory and legislative environment.
	2.5 the board should ensure that the company's ethics are managed effectively	Refer to principle 1.3	2.5 The group believes this to be the case. Refer to page 112 for additional information on the group's ethics management.

Governance element	Principle(s)	Recommended practice	Comment
	2.6 The board should ensure that the company has an effective and independent audit committee	Refer to chapter 3	2.6 The group's audit committee is effective and independent in terms of King III. Refer to pages 151 – 153.
	2.7 The board should be responsible for the governance of risk	Refer to chapter 4	2.7 The board is responsible for risk. It is assisted by the risk sub-committee of the board. Refer to pages 154 – 155.
	2.8 The board should be responsible for information technology (IT) governance	Refer to chapter 5	2.8 The board is responsible for risk. It is assisted by the audit sub-committee of the board. IT is a standing audit committee agenda item. Refer to page 152.
	2.9 The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Refer to chapter 6	2.9 The board is informed of the group's compliance status through a quarterly report to the risk committee on all compliance issues. Refer to pages 140 – 145.
	2.10 The board should ensure that there is an effective risk-based internal audit	Refer to chapter 7	2.10 An internal audit department exists within the group. Its effectiveness is monitored by the audit committee. The head of internal audit reports to the chairman of the audit committee. Refer to pages 151 – 153.
	2.11 The board should appreciate that stakeholders' perceptions affect the company's reputation	Refer to chapter 8	2.11 The board appreciates the importance of stakeholder perceptions. In line with this, the board ensures that the group regularly interacts with its stakeholders. Stakeholder communication is a standard audit committee meeting agenda item. In addition, refer to section 8 below for more information, including information on the group's crisis management plan.
	2.12 The board should ensure the integrity of the company's integrated report	Refer to chapter 9	2.1.2 The board accepts responsibility for the integrity of the group's integrated report. The audit committee assists with this responsibility. The audit committee recommends the annual financial statements for approval by the board. Refer to page 151.
	2.13 The board should report on the effectiveness of the company's system of internal controls	Refer to chapter 7 and 9	2.13 The board reports on the system of internal control.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
	2.14 The board and its directors should act in the best interest of the company	2.14.1 The board must act in the best interests of the company	2.14.1 The board is guided by the letter and spirit of the values expressed in King III and its intention is to act in the best interests of the company.
		2.14.2 Directors must adhere to the legal standards of conduct	2.14.2 The directors adhere to legislation.
		2.14.3 Directors of the board should be permitted to take independent advice in connection with their duties following an agreed procedure	2.14.3 Not compliant. Although the directors are permitted to take independent advice, the current process is ad hoc and should be formalised.
		2.14.4 Real or perceived conflicts should be disclosed to the board and managed	2.14.4 Conflicts of interest are disclosed to the board. These are monitored through submission of individual declarations of interest. Directors are also aware that they should declare any conflicts and recuse themselves from meetings, where required.
		2.14.5 Listed companies should have a policy regarding dealing in securities by directors, officers and selected employees	2.14.5 Not compliant. Although the group complies with the requirements of the JSE with regard to the trading of securities, a documented policy is required.
	2.15 The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed, as defined in the Act	The board should ensure that:	
		2.15.1 the solvency and liquidity of the company is continuously monitored	2.15.1 The board considers the group's solvency and liquidity through the audit committee. The audit committee addresses the review of such matters with the CFO at each meeting prior to approval of interim and year end results.
		2.15.2 its consideration is fair to save a financially distressed company either by way of workouts, sale, merger, amalgamation, compromise with creditors or business rescue	2.15.2 This is the responsibility of the audit committee.

Governance element	Principle(s)	Recommended practice	Comment
		2.15.3 a suitable practitioner is appointed if business rescue is adopted	2.15.3 This is the responsibility of the audit committee.
		2.15.4 the practitioner furnishes security for the value of the assets of the company	2.15.4 This is done.
	2.16 The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fill the role of a chairman of the board	2.16.1 The members of the board should elect a chairman on an annual basis	2.16.1 Not compliant. Although the members of the board appoint the chairman and the chairman is evaluated on an annual basis, election only takes place when required.
		2.16.2 The chairman should be independent and free of conflict upon appointment	2.16.2 The board deems the chairman to be independent. Although she is a director of Mvelaphanda Resources, an associate of Group Five's BEE shareholder Mvelaphanda Holdings, she is a non-executive director on the Resources board. As such, she is not involved at the Holdings level at all and unable to exert influence on the operations of Group Five and its ultimate BEE shareholder, Mvelaphanda Holdings.
		2.16.3 A lead independent director should be appointed in the case where an executive chairman is appointed or where the chairman is not independent or conflicted	2.16.3 The board believes there is no need for the appointment of a lead independent director.
		2.16.4 The appointment of a chairman, who is not independent, should be justified in the integrated report	2.16.4 The board deems the chairman to be independent.
		2.16.5 The role of the chairman should be formalised	2.16.5 The role of the chairman is formalised. Refer to page 50 of the annual report for information of the chairman's key performance areas and page 149 of the corporate governance report for information on the chairman's responsibilities.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
		2.16.6 The chairman's ability to add value, and his performance against what is expected of his role and function, should be assessed every year	2.16.6 The chairman is evaluated annually as part of the board review. Refer to page 148.
		2.16.7 The CEO should not become the chairman until three years have lapsed	2.16.7 The chairman of the group is traditionally independent of management. The CEO has not been appointed as a chairman.
		2.16.8 The chairman, together with the board, should consider the number of outside chairs held	2.16.8 The chairman does consider the number of directorships and chairs held by the board members.
		2.16.9 The board should ensure a succession plan for the role of the chairman	2.16.9 Not compliant. Succession planning for the chairman is being considered as part of the current board evaluation.
	2.17 The board should appoint the chief executive officer and establish a framework for the delegation of authority	The board should:	
		2.17.1 appoint the CEO	2.17.1 The board appoints the CEO.
		2.17.2 provide input regarding senior management appointments	2.17.2 The board provides input regarding senior management appointments.
		2.17.3 define its own level of materiality and approve a delegation of authority framework	2.17.3 The board has a defined level of authority framework. Refer to pages 148 – 149. The levels of authority were approved during the current year.
		2.17.4 ensure that the role and function of the CEO is formalised and the performance of the CEO is evaluated against the criteria specified	2.17.4 The role of the CEO is formalised. Refer to page 50 where the CEO's key performance areas are disclosed. The CEO is evaluated against these criteria by the chairman of the board.
		2.17.5 ensure succession planning for the CEO and other senior executives and officers is in place	2.17.5 Not compliant. Although this is currently being assessed internally for senior management and by the external, independent board advisors for the executive directors, there are no formal succession plans in place.

Governance element	Principle(s)	Recommended practice	Comment
Composition of the board	2.18 The board should compromise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	2.18.1 The majority of board members should be non-executive directors	2.18.1 The board consists of six non-executive directors and two executive directors. The group is therefore compliant.
		2.18.2 The majority of the non-executive directors should be independent	2.18.2 The non-executive directors are independent.
		2.18.3 When determining the number of directors serving the board, the knowledge, skills and resources required for conducting the business of the board should be considered	2.18.3 The knowledge and skills base has been considered through the annual board review performed last year and is being considered again by the current board evaluation.
		2.18.4 Every board should consider whether its size, diversity and demographics make it effective	2.18.4 The board considers its size, diversity and demographics. This information has been provided to the independent board assessors to assist them in identifying the effectiveness of the board and in determining any gaps.
		2.18.5 Every board should have a minimum of two executive directors, of which one should be the CEO and the other the director responsible for finance	2.18.5 The two executive directors are the CEO and CFO.
		2.18.6 At least one third of the non-executive directors should rotate every year	2.18.6 This is done.
		2.18.7 The board, through its nomination committee, should recommend the eligibility of prospective directors	2.18.7 The board of directors recommends eligible directors.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
		2.18.8 Any independent non-executive directors serving more than nine years should be subjected to a rigorous review of his independence and performance by the board	2.18.8 Two non-executive directors have served as directors for eight and nine years respectively. Their independence is reviewed by the board and the company secretary. Their performance is also assessed as part of the annual evaluation of the board.
		2.18.9 The board should include a statement in the integrated report regarding the assessment of the independent non-executive directors	2.18.9 The independent non-executive directors are assessed as part of the board annual review, which is disclosed in the integrated report.
		2.18.10 The board should be permitted to remove any director without shareholder approval	2.18.10 This is provided for in the group's Articles of Association and board charter.
Board appointment process	2.19 Directors should be appointed through a formal process	2.19.1 A nomination committee should assist with the process of identifying suitable members of the board	2.19.1 Identifying suitable members for the board is a key role of the nominations committee.
		2.19.2 Background and reference checks should be performed before the nomination and appointment of directors	2.19.2 This is facilitated by the human resources department.
		2.19.3 The appointment of non-executive directors should be formalised through a letter of appointment	2.19.3 Not compliant. This will receive attention in the coming year.
		2.19.4 The board should make full disclosure regarding individual directors to enable shareholders to make their own assessment of directors	2.19.4 The group discloses all information it deems pertinent to assist users of the integrated report. Refer to the key performance areas on page 50 and pages 173 – 175.
		The board should ensure that:	
Director development	2.20 The induction of and ongoing training and development of directors should be conducted through formal processes	2.20.1 a formal induction programme is established for new directors	2.20.1 Not compliant, as no formal induction programme in place. This will receive attention in the coming year.

Governance element	Principle(s)	Recommended practice	Comment
		2.20.2 inexperienced directors are developed through mentorship programmes	2.20.2 2 No mentorship programmes are required, as current board has senior members.
		2.20.3 continuing professional development and programmes are implemented	2.20.3 Not compliant. Although certain internal awareness training has been performed, this process needs to be further improved.
		2.20.4 directors receive regular briefings on changes in risks, laws and environment	2.20.4 Internal awareness training has been delivered during the year on matters which could have a material effect on the group
Company secretary	2.21 The board should be assisted by a competent, suitably qualified and experienced company secretary	2.21.1 The board should appoint and remove the company secretary	2.21.1 The company secretary is appointed by the board.
		2.21.2 The board should empower the individual to enable him to fulfil his duties properly	2.21.2 The group believes this to be the case.
		The company secretary should:	2.21.3 The company secretary has a formal, arms-length relationship with the board
		2.21.3 have an arm's length relationship with the board	2.21.4 She is not a director of the group.
		2.21.4 not be a director of the company	2.21.5 This is being done, with assistance provided as and when required.
		2.21.5 assist the nominations committee with the appointment of directors	2.21.6 Not compliant as no formal director induction programme is currently in place.
		2.21.6 assist with the director induction and training programmes	2.21.7 The company secretary's key performance areas include providing guidance.
		2.21.7 provide guidance to the board on the duties of the directors and good governance	2.21.8 The company secretary's key performance areas include keeping charters up to date.
		2.21.8 ensure board and committee charters are kept up to date	2.21.9 Board papers are compiled by the relevant owners of each board meeting agenda point and circulated by the company secretary.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
		2.21.9 prepare and circulate board papers	2.21.10 The company secretary performs these duties.
		2.21.10 elicit responses, input, feedback for board and board committee meetings	2.21.11 Not compliant, as the company secretary currently does not draft annual work plans.
		2.21.11 assist in drafting yearly work plans	2.21.12 The company secretary prepares and circulates the minutes of board and committee meetings.
		2.21.12 ensure preparation and circulation of minutes of board and committee meetings and 2.21.13 assist with the evaluation of the board, committees and individual directors	2.21.13 Not compliant. This is performed by external service providers, with assistance from the human resources department. One of the outcomes of the current annual evaluation is the development of an internal programme. The company secretary will therefore be required to assist in the implementation of such a programme.
Performance assessment	2.22 The evaluation of the board, its committees and individual directors should be performed every year	2.22.1 The board should determine its own role, functions, duties and performance criteria, as well as that of directors on the board and board committees to serve as a benchmark for the performance appraisal	2.22.1 Refer to page 50 for board members, as well as to pages 151 – 147 for the terms of reference for each of the committees.
		2.22.2 Yearly evaluation should be performed by the chairman or an independent provider	2.22.2 Currently conducted by an external service provider.
		2.22.3 The results of performance evaluations should identify training needs for directors	2.22.3 Training needs are identified for directors.
		2.22.4 An overview of the appraisal process, results and action plans should be disclosed in the integrated report	2.22.4 Refer to page 50.

Governance element	Principle(s)	Recommended practice	Comment
		2.22.5 The nomination of the re-appointment of a director should only occur after the evaluation of the performance and attendance of the director	2.22.5 Not compliant. This process needs to be adopted.
Board committees	2.23 The board should delegate certain functions to well-structured committees, but without abdicating its own responsibilities	2.23.1 Formal terms of reference should be established and approved for each committee of the board	2.23.1 Compliant, as we have terms of reference in place. However, this is currently under review to gain full compliance with King III and legislative requirements to be prescribed in the Companies Act No 71 of 2008
		2.23.2 The committees' terms of reference should be reviewed yearly	2.23.2 The terms of reference are reviewed annually.
		2.23.3 The committees should be appropriately constituted and the composition and the terms of reference should be disclosed in the integrated report	2.23.3 Details on the composition and terms of reference are disclosed.
		2.23.4 Public and state-owned companies must appoint an audit committee	2.23.4 Although not strictly applicable to the group as it is a private company, the group has appointed an audit sub-committee of the board.
		2.23.5 All other companies should establish an audit committee and define its composition, purpose and duties in the memorandum on incorporation	2.23.5 Not compliant. Although the group has an established audit committee with defined terms of reference, these terms need to be defined within the memorandum on incorporation.
		2.23.6 Companies should establish risk, nomination and remuneration committees	2.23.6 The group has an established risk, nomination and remuneration committee. Refer to pages 151 – 157.
		2.23.7 Committees, other that the risk committee, should compromise a majority of non-executive directors, of which the majority should be independent	2.23.7 All committees (excluding SED committee) constitute a majority of non-executive directors. All are independent. We believe it is more appropriate for the SED committee to be constituted mainly by operational management.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
		2.23.8 External advisors and executive directors should attend committee meetings by invitation	2.23.8 This is in place. For example, the CFO attends the risk and audit committee by invitation and the external auditors attend the audit committee by invitation.
		2.23.9 Committees should be free to take independent outside professional advice at the cost of the company, subject to an approved process being followed	2.23.9 Not compliant. Although general authority is granted, a formal process is not in place.
Group boards	2.24 A governance framework should be agreed between the group and its subsidiary boards	2.24.1 Listed subsidiaries must comply with the rules of the relevant stock exchange in respect of insider trading	2.24.1 The JSE rules are adhered to and the company secretary advises the group on all such matters, including inappropriate trading on securities that could breach insider trading rules.
		2.24.2 The holding company must respect the fiduciary duties of the director serving in a representative capacity on the board of the subsidiary	2.24.2 Not applicable.
		2.24.3 The implementation and adoption of policies, processors or procedures on the holding company should be considered and approved by the subsidiary company	2.24.3 Not applicable.
		2.24.4 Disclosure should be made on the adoption of the holding company's policies in the integrated report of the subsidiary company	2.24.4 Not applicable.
Remunera-tion of directors and senior executives	2.25 Companies should remunerate directors and executives fairly and responsibly	2.25.1 Companies should adopt remuneration policies aligned with the strategy of the company and linked to individual performance	2.25.1 Remuneration policies are in place. These are approved by the remuneration committee and executed by the human resources department. Remuneration is benchmarked against current market remuneration for similar roles and individual performance. Performance criteria are linked to group strategic objectives.
		2.25.2 The remuneration committee should assist the board in setting and administering remuneration policies	2.25.2 The remuneration committee assists the board in setting administering remuneration policies.

Governance element	Principle(s)	Recommended practice	Comment
		2.25.3 The remuneration policy should address base pay and bonuses, employee contracts, severance and retirement benefits and share-based and other long term incentive scheme	2.25.3 The remuneration committee assists the board in setting up and administering the policy. The remuneration policy includes base pay and bonuses, employee contracts, severance and retirement benefits and share-based and other long term incentive schemes.
		2.25.4 Non-executive fees should comprise a base fee, as well as an attendance fee per meeting	2.25.4 Non-executive fees comprise a base fee and attendance fee per meeting.
	2.26 Companies should disclose the remuneration of each individual director and certain senior executives	The remuneration report, included in the integrated report, should include:	
		2.26.1 all benefits paid to directors	2.26.1 The remuneration report discloses this.
		2.26.2 the salaries of the three most highly paid employees who are not directors	2.26.2 Compliant.
		2.26.3 the policy on base pay	2.26.3 Disclosure on employee benefits are disclosed on pages 167 – 169 of integrated report and page 167 of annual financial statements.
		2.26.4 participation in share incentive schemes	2.26.4 This is disclosed within the annual financial statements in note 23.4 on page 369.
		2.26.5 the use of benchmarks	2.26.5 Refer to page 167.
		2.26.6 incentive schemes to encourage retention	2.26.6 Refer to page 167.
		2.26.7 justification of salaries above the median	2.26.7 Refer to page 167.
		2.26.8 material payments that are ex-gratia in nature	2.26.8 Refer to page 167.
		2.26.9 policies regarding executive employment	2.26.9 Refer to page 167.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
		2.26.10 the maximum expected potential dilution as a result of incentive awards	2.26.10 This is disclosed as part of the fully diluted earnings per share calculation. Refer to note 7 on page 350 of the annual financial statements.
	2.27 Shareholders should approve the company's remuneration policy	2.27.1 Shareholders should pass a non-binding advisory vote on the company's yearly remuneration policy	2.27.1 Refer to the group's notice of annual general meeting.
		2.27.2 The board should determine the remuneration of executive directors in accordance with the remuneration policy put to shareholder's vote	2.27.2 Compliant.
3. Audit committee			
	3.1 The board should ensure that the company has an effective and independent audit committee	3.1.1 Listed and state-owned companies must establish an audit committee	3.1.1 The group has an established audit committee.
		3.1.2 All other companies should establish an audit committee and define its composition, purpose and duties in the memorandum of incorporation	3.1.2 Not applicable to the group.
		3.1.3 The board should approve the terms of reference of the audit committee	3.1.3 The board has approved the terms of reference of the audit committee.
		3.1.4 The audit committee should meet as often as is necessary to fulfil its functions, but at least twice a year	3.1.4 The audit committee meets on a quarterly basis.
		3.1.5 The audit committee should meet with internal and external auditors at least once a year without management being present	3.1.5 The audit committee chairman meets with the head of internal audit at least four times a year without management present. In addition, the audit committee meets with the external auditors without management being present.

Governance element	Principle(s)	Recommended practice	Comment
Membership and resources of the audit committee	3.2 Audit committee members should be suitably skilled and experienced independent non-executive directors	3.2.1 All members of the audit committee should be independent non-executive directors	3.2.1 Not compliant, as MR Upton is an executive member and a member of the audit committee. The group will seek to review its sub-committees in the new year with a focus to aligning itself to King III.
		3.2.2 The audit committee should consist of at least three members	3.2.2 The audit committee consists of five directors.
		3.2.3 The chairman of the board should not be the chairman or member of the audit committee	3.2.3 The chairman of the board is not the chairman of the audit committee, nor a member of the committee.
		3.2.4 The committee collectively should have sufficient qualifications and experience to fulfil its duties	3.2.4 The board believes this to be the case.
		3.2.5 The audit committee members should keep up to date with developments affecting the required skill-set	3.2.5 The audit committee members are aware of what is required of them. The meeting agenda has already been updated to cater for the requirements of King III.
		3.2.6 The committee should be permitted to consult with specialists or consultants, subject to a board-approved process	3.2.6 Not compliant. Although the committee is aware that it may engage with specialists, this process is not formalised or approved by the board.
		3.2.7 The board must fill any vacancies on the audit committee	3.2.7 There are currently no vacancies.
	3.3 The audit committee should be chaired by an independent non-executive director	3.3.1 The board should elect the chairman of the audit committee	3.3.1 The audit committee chairman is elected by the board.
		3.3.2 The chairman of the audit committee should participate in setting and agreeing the agenda of the committee	3.3.2 The agenda for the audit committee meeting is set in consultation with the chairman.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
		3.3.3 The chairman of the audit committee should be present at the AGM	3.3.3 The chairman of the audit committee has always been in attendance at the AGM.
Responsi-bilities of the audit committee	3.4 The audit committee should oversee integrated reporting.	3.4.1 The audit committee should have regard to all factors and risks that may impact on the integrity of the integrated report	3.4.1 Risk factors are considered at every meeting.
		3.4.2 The audit committee should review and comment on the financial statements included in the integrated report	3.4.2 The audit committee receives the annual financial statements prior to main board approval for review and first approval.
		3.4.3 The audit committee should review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information	3.4.3 The audit committee performs this through their review of the integrated report and annual financial statements and is aware that it is the committee's responsibility to review the sustainability disclosures.
		3.4.4 The audit committee should recommend to the board to engage an external assurance provider on material sustainability issues.	3.4.4 The audit committee will recommend to the board where this is required.
		3.4.5 The audit committee should consider the need to issue interim results	3.4.5 The audit committee reviews all interim results prior to their release.
		3.4.6 The audit committee should review the content of the summarised information	3.4.6 The audit committee reviews all information presented in the integrated report and annual financial statements.
		3.4.7 The audit committee should engage the external auditors to provide assurance on the summarised financial information	3.4.7 The audit committee does make use of the external auditors to obtain additional comfort and assurance on the financial information. The summarised financial information has been reviewed and management have identified two key indicators often relied upon by external stakeholders to evaluate the group's performance. It has been requested that the audit committee approve the assurance process on these indicators due to their materiality. In addition, the group has noted that a number of external assurances are already obtained to support the summarised financial information, which therefore does not require external audit assurance. The group's external assurances obtained are detailed on page 64.

Governance element	Principle(s)	Recommended practice	Comment
	3.5 The audit committee should ensure that a combined model is applied to provide a coordinated approach to all assurance activities	3.5.1 The audit committee should ensure that the combined assurance received is appropriate to address all the significant risks facing the company	3.5.1 Information presented to the audit committee is reviewed and analysed.
		3.5.2 The relationship between external assurance providers and the company should be monitored by the audit committee	3.5.2 The audit committee monitors those relationships and considers aspects of independence.
Internal assurance providers	3.6 The audit committee should satisfy itself on the expertise, resources and experience of the company's finance function	3.6.1 Every year a review of the finance function should be performed by the audit committee	3.6.1 The audit committee considers the adequacy of the finance officer and finance function on an annual basis and considers the adequacy of performance by the finance directors through a review of internal audit findings.
		3.6.2 The results of the review should be disclosed in the integrated report	3.6.2 The results of the audit committee assessment of the finance officer are disclosed in the integrated report on page 152.
	3.7 The audit committee should be responsible for overseeing of internal audit	3.7.1 The audit committee should be responsible for the appointment, performance assessment and/or dismissal of the CAE	3.7.1 Not compliant. Although feedback on performance is provided by the chairman of the audit committee, performance management is conducted by the CFO. This will be conducted with the input from the audit committee chairman during the next cycle of performance evaluations. Appointment of the current CAE was made with input from both the CFO and the chairman of the audit committee.
		3.7.2 The audit committee should approve the internal audit plan	3.7.2 The review is presented to the audit committee annually and feedback provided at each meeting in terms of performance against the plan.
		3.7.3 The audit committee should ensure that the internal audit function is subject to an independent quality review, as and when the committee determines it appropriate	3.7.3 Refer to Section 7. Internal audit will be subject to external, independent assessment.
	3.8 The audit committee should be an integral component of the risk management process	3.8.1 The charter of the audit committee should set out its responsibilities regarding risk management	3.8.1 Responsibilities regarding risk management are set out.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
		3.8.2 The audit committee should specifically have oversight of:	
		3.8.2.1 financial reporting risks	3.8.2.1 The CFO presents material areas of financial risk for discussion. All matters of financial reporting are discussed.
		3.8.2.2 internal financial controls	3.8.2.2 Internal financial controls are assessed through a review of internal audit reports.
		3.8.2.3 fraud risks as it relates to financial reporting	3.8.2.3 Fraud risks, as it relates to financial reporting and controls, are disclosed in the internal audit report.
		and	
		3.8.2.4 IT risks as it relates to financial reporting	3.8.2.4 IT is a standard item on the audit committee agenda.
External assurance providers	3.9 The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	The audit committee:	
		3.9.1 must nominate the external auditor for appointment	3.9.1 This is part of the audit committee's terms of reference.
		3.9.2 must approve the terms of engagement and remuneration for the external audit engagement	3.9.2 This is part of the audit committee's terms of reference.
		3.9.3 must monitor and report on the independence of the external auditor	3.9.3 This is done by the audit committee.
		3.9.4 must define a policy for non-audit services provided by the external auditor and must approve the contracts for non-audit services	3.9.4 This is done by the audit committee.
		3.9.5 should be informed of any reportable irregularities identified and reported by the external auditor	3.9.5 None has been noted to date.

Governance element	Principle(s)	Recommended practice	Comment
		3.9.6 should review the quality and effectiveness of the external audit process	3.9.6 This is done by the audit committee.
Reporting	3.10 The audit committee should report to the board and shareholders on how it has discharged its duties	3.10.1 The audit committee should report internally to the board on its statutory duties and duties assigned to it by the board	3.10.1 The audit committee chairman reports back to the main board after each audit committee meeting.
		3.10.2 The audit committee must report to the shareholders on its statutory duties:	
		3.10.2.1 how its duties were carried out	3.10.2.1 This is performed within the integrated report.
		3.10.2.2 if the committee is satisfied with the independence of the external auditor	3.10.2.2 Refer to pages 151 – 153.
		3.10.2.3 the committee's view on the financial statements and the accounting practices	3.10.2.3 Refer to pages 151 – 153.
		3.10.2.4 whether the internal financial controls are effective	3.10.2.4 Refer to pages 151 – 153.
		3.10.3 The audit committee should provide a summary of its role and details of its composition, number of meetings and activities in the integrated report	3.10.3 Refer to pages 151 – 153.
		3.10.4 The audit committee should recommend the integrated report for approval by the board	3.10.4 Refer to pages 151 – 153.
4. The governance of risk			
The board's responsibility for risk governance	4.1 The board should be responsible for the governance of risk	4.1.1 A policy and plan for a system and process of risk management should be developed	4.1.1 Not compliant. Although a risk policy has been developed and implemented within the group, a documented risk plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, as well as the related internal control, compliance and governance process, is required.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
		4.1.2 The board should comment in the integrated report on the effectiveness of the system and process of risk management	4.1.2 This has been performed.
		4.1.3 The board's responsibility for risk governance should be expressed in the board charter	4.1.3 The board's responsibility for risk is documented in the risk committee's terms of reference. In addition, it discloses that the risk committee is responsible for assisting the board in the fulfilling its responsibilities.
		4.1.4 The induction and ongoing training programmes of the board should incorporate risk governance	4.1.4 Not compliant, as we do not have a formal induction process for the board. However, we do have training programmes in place, and this does include presentations on issues around risk.
		4.1.5 The board's responsibility for risk governance should manifest in a documented risk management policy and plan	4.1.5 Not compliant. Although a risk policy has been developed and implemented within the group, a documented risk plan is not available. This will be addressed in the coming year.
		4.1.6 The board should approve the risk management policy and plan	4.1.6 Not compliant. Although the risk policy has been approved by the board, the formal risk plan will be presented to the board for approval once developed.
		4.1.7 The risk management policy should be widely distributed throughout the company	4.1.7 The risk management policy is included in the ISO 9001 system and published on the group's intranet.
		4.1.8 The board should review the implementation of the risk management plan at least once a year	4.1.8 Not compliant. Although the risk officer presents regularly on issues of risk to the board, a formal risk management plan is not currently reviewed every year.
		4.1.9 The board should ensure that the implementation of the risk management plan is monitored continually	4.1.9 Not compliant. Although the risk officer presents regularly on issues of risk to the board and the board is fully apprised of the risk issues facing the board, a formal risk management plan has to be ratified by the board.
	4.2 The board should determine the levels of risk tolerance	4.2.1 The board should set the levels of risk tolerance once a year	4.2.1 Not compliant. Although the board is apprised of the key issues of risk the group faces, formal, quantitative risk tolerance levels have not been set. Going forward, the board will annually set specific limits for the levels of risk the group is able to tolerate in the pursuit of its objectives. The plan will include the review of limits when business and market changes occur.

Governance element	Principle(s)	Recommended practice	Comment
		4.2.2 The board may set limits for the risk appetite	4.2.2 Not compliant. Although the group has a formal risk appetite process, with a formal risk review process at contract level, these need to be reconsidered at a group level.
		4.2.3 The board should monitor that risks taken are within the tolerance and appetite levels	4.2.3 Not compliant. Once risk tolerance levels have been reviewed at group level, these will be monitored by the board through quarterly reporting by the group risk officer.
	4.3 The risk committee or audit committee should assist the board in carrying out its risk responsibilities	4.3.1 The board should appoint a committee responsible for risk	4.3.1 A risk committee is in place.
		4.3.2 The risk committee should:	
		4.3.2.1 consider the risk management policy and plan and monitor the risk management process	4.3.2.1 Not compliant. The risk committee's terms of reference must be updated to include reference to the group's risk management plan and policy. The committee ensures adherence to the risk policy. However, a risk plan is not in place, as described in 4.1.5.
		4.3.2.2 have as its members executive and non-executive directors, members of senior management and independent risk management Experts to be invited, if necessary	4.3.2.2 The risk committee consists of executive directors, non-executive directors and members of management. Specialists are requested to attend meetings, as and when required.
		4.3.2.3 have a minimum of three members	4.3.2.3 Refer to page 154 for disclosure on the risk committee. The risk committee consists of six members.
		4.3.2.4 convene at least twice per year	4.3.2.4 The risk committee meets at least every three months at the pre-determined quarterly risk meetings and as often as is required to address contracts with a value in excess of R500 million, as per the board charter.
		4.3.3 The performance of the committee should be evaluated once a year by the board	4.3.3 Not compliant. The board does not formally evaluate the performance of the risk committee. This will be addressed in the new year.
Management's responsibility for risk management	4.4 The board should delegate to management the responsibility to design, implement and monitor the risk management plan	4.4.1 The board's risk strategy should be executed by management by means of risk management systems and processes	4.4.1 The group has a mature risk management system and processes.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
		4.4.2 Management is accountable for integrating risk in the day-to-day activities of the company	4.4.2 A group risk officer is responsible for coordinating the integration of risk into the day-to-day activities within the group.
		4.4.3 The CRO should be a suitably experienced person who should have access and interact regularly on strategic matters with the board and/or appropriate board committee and executive management	4.4.3 The group risk officer is suitably experienced. He is a qualified lawyer with a number of years' experience with the group. He is a member of the group's exco committee and a member of the risk committee. He reports directly to the CEO. As such, he is integrally involved in all strategic decision-making within the group.
Risk assessment	4.5 The board should ensure that risk assessments are performed on a continual basis	4.5.1 The board should ensure effective and ongoing risk assessments are performed	4.5.1 Risk assessments are ongoing within the group. The risk committee is made aware of these assessments at their quarterly meetings. The committee is required to be involved for all material assessments in terms of the group's level of authority framework.
		4.5.2 A systematic, documented, formal risk assessment should be conducted at least once a year	4.5.2 Operational risks, such as business unit or department risks, are assessed and reported on a quarterly basis. Contract risks are assessed in line with the contract lifecycle phases.
		4.5.3 Risks should be prioritised and ranked to focus responses and interventions	4.5.3 Risks are prioritised within the group's risk management system.
		4.5.4 The risk assessment process should involve the risks affecting the various income streams of the company, the critical dependencies of the business, the sustainability and the legitimate interests and expectations of stakeholders	4.5.4 The risk management process encompasses strategic, operational and contract risks. Refer to page 107 for details.
		4.5.5 Risk assessments should adopt a top-down approach	4.5.5 Risk assessments are completed at a group level per area of risk. A top down and bottom up approach is therefore adopted.
		4.5.6 The board should regularly receive and review a register of the company's key risks	4.5.6 This is presented to the risk committee on a quarterly basis.

Governance element	Principle(s)	Recommended practice	Comment
		4.5.7 The board should ensure that key risks are quantified, where practicable	4.5.7 This is performed, where practical.
	4.6 The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	4.6.1 The board should ensure that a framework and processes are in place to anticipate unpredictable risks	4.6.1 Not compliant. Although a formal risk identification and mitigation strategy is in place, to identify any gaps, a strategic risk assessment will be re-performed in the coming year.
Risk response	4.7 The board should ensure that management considers and implements appropriate risk responses	4.7.1 Management should identify and note in the risk register the risk responses decided upon	4.7.1 This is performed.
		4.7.2 Management should demonstrate to the board that the risk response provides for the identification and exploitation of opportunities to improve the performance of the company	4.7.2 Not compliant. Although the identification of opportunities and management of risk already occurs (examples include a training and risk mitigation process being undertaken to evaluate opportunities of expanding within EPC contracting), the risk management plan has to be developed, which will formally include opportunity reporting.
Risk monitoring	4.8 The board should ensure continual risk monitoring by management	4.8.1 The board should ensure that effective and continual monitoring of risk management takes place	4.8.1 Risk management is continually monitored and remains the day-to-day responsibility of the risk officer. Further improvements to the risk management system and processes will be implemented in the new year.
		4.8.2 The responsibility for monitoring should be defined in the risk management plan	4.8.2 Not compliant. A formal risk management plan must be presented although the group currently operates with an approved risk policy and mandate from the risk committee. The risk plan is determined by the risk officer in light of the policy and mandate from the board and ratified by the risk committee.
Risk assurance	4.9 The board should receive assurance regarding the effectiveness of the risk management process	4.9.1 Management should provide assurance to the board that the risk management plan is integrated in the daily activities of the company	4.9.1 The risk plan is determined by the risk officer in light of the policy and mandate from the board and must be ratified by the risk committee. The risk officer provides assurance to the board through his quarterly update to the board.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
		4.9.2 Internal audit should provide a written assessment of the effectiveness of the system of internal controls and risk management to the board	4.9.2 Not compliant. Although internal audit provides written confirmation on internal controls through its reports to the audit committee in which each business is rated in terms of performance with respect to their control environment, the effectiveness of risk management is not expressly confirmed by the internal audit department.
Risk disclosure	4.10 The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	4.10.1 Undue, unexpected or unusual risks should be disclosed in the integrated report	4.10.1 The group's top risks have been disclosed. Refer to page 118.
		4.10.2 The board should disclose its view on the effectiveness of the risk management process in the integrated report	4.10.2 Refer to page 153.
5. The governance of information technology			
	5.1 The board should be responsible for information technology (IT) governance	5.1.1 The board should assume the responsibility for the governance of IT and place it on the board agenda	5.1.1 The board has assumed responsibility through the audit sub-committee. IT is an agenda item for discussion at the audit committee meetings, with regular feedback to main board.
		5.1.2 The board should ensure that an IT charter and policies are established and implemented	5.1.2 An IT charter is in place. Policies are established and implemented. Internal audit has conducted reviews on the policies and procedures during the course of this financial year.
		5.1.3 The board should ensure promotion of an ethical IT governance culture and awareness and of a common IT language	5.1.3 This is achieved through the submission of an IT audit committee report, presentations from the head of IT, reviews of internal audit reports, reviews of external audit reports and management interviews.
		5.1.4 The board should ensure that an IT internal control framework is adopted and implemented	5.1.4 This has been achieved. The CoBit framework was implemented in previous financial years.
		5.1.5 The board should receive independent assurance on the effectiveness of the IT internal controls	5.1.5 Internal audit presents their IT audit plan to the audit committee as part of their annual review and provides feedback on findings post each audit. The process of IT audit commenced during this financial year.

Governance element	Principle(s)	Recommended practice	Comment
	5.2 IT should be aligned with the performance and sustainability objectives of the company	5.2.1 The board should ensure that the IT strategy is integrated with the company's strategic and business processes	5.2.1 The IT strategy is communicated through strategic objectives. IT's strategic objectives have been cascaded from the group's strategic objectives.
		5.2.2 The board should ensure that there is a process in place to identity and exploit opportunities to improve the performance and sustainability of the company through the use of IT	5.2.2 This is achieved through the submission of an IT audit committee report, presentations from the head of IT, reviews of internal audit reports, reviews of external audit reports and management interviews.
	5.3 The board should delegate to management the responsibility for the implementation of an IT governance framework	5.3.1 Management should be responsible for the implementation of the structures, processes and mechanisms for the IT governance framework	5.3.1 The chief information officer (CIO) and the IT management team are responsible for the implementation of structures, processes and mechanisms for the IT governance framework.
		5.3.2 The board may appoint an IT steering committee of similar function to assist with its governance of IT	5.3.2 Not compliant as there is currently no IT steering committee in place within the group. This is currently being addressed.
		5.3.3 The CEO should appoint a Chief Information Officer responsible for the management of IT	5.3.3 A CIO was previously appointed. During the current year, the responsibilities of the CIO role have been merged with that of the finance operations director's role.
		5.3.4 The CIO should be a suitably qualified and experienced person who should have access and interact regularly on strategic IT matters with the board and/or appropriate board committee and executive management	5.3.4 Management is confident that the CIO is suitably qualified. The CIO has access to and interacts with the CFO on IT-related matters at scheduled meetings on a monthly basis and more frequently, if needed.
	5.4 The board should monitor and evaluate significant IT investments and expenditure	5.4.1 The board should oversee the value delivery of IT and monitor the return on investment from significant IT projects	5.4.1 The IT budget is approved annually by executive management. All investments in IT projects are controlled through a project office. The project office follows the PMBOK project management methodology. Progress on all projects are monitored closely, with assessments undertaken on a weekly basis at an IT management meeting. Corrective action is taken, where required.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
		5.4.2 The board should ensure that intellectual property contained in information systems is protected	5.4.2 All codes on internal software applications are securely stored and documented. All internal staff and contractors are required to sign non-disclosure contracts regarding confidential information.
		5.4.3 The board should obtain independent assurance on the IT governance and controls supporting outsourced IT services	5.4.3 Not compliant. Although the full service and support IT functions are outsourced, with a master agreement that governs the outsourced relationship and a service level agreement (SLA) that governs performance expectations, an independent assurance has not been obtained. This will be considered with the implementation of a steering committee.
	5.5 IT should form an integral part of the company's risk management	5.5.1 Management should regularly demonstrate to the board that the company has adequate business resilience arrangements in place for disaster recovery	5.5.1 A complete disaster recovery solution is in place and a full independent audit was conducted during the current financial year to confirm adequacy and appropriateness of the solution.
		5.5.2 The board should ensure that the company complies with IT laws and that IT-related rules, codes and standards are considered	5.5.2 IT worked closely with the compliance department to ensure all applicable laws have been identified. A detailed mapping exercise is being undertaken to connect sections within the applicable legislation to group specific procedures. To date, no areas of non-compliance have been found.
	5.6 The board should ensure that information assets are managed effectively	5.6.1 The board should ensure that there are systems in place for the management of information, which should include information security, information management and information privacy	5.6.1 The group maintains a number of security applications.
		5.6.2 The board should ensure that all personal information is treated by the company as an important business asset and is identified	5.6.2 A human capital management system is in place where all employee information is stored and suitability protected.
		5.6.3 The board should ensure that an Information Security Management System is developed and implemented	5.6.3 A security management system has been implemented and encompasses the management of all applications run by the group.

Governance element	Principle(s)	Recommended practice	Comment
		5.6.4 The board should approve the information security strategy and delegate and empower management to implement the strategy	5.6.4 Management have been empowered to implement a security strategy that encompasses both internal and external threats. This is presented on a quarterly basis to the audit committee as part of the IT feedback.
	5.7 A risk committee and audit committee should assist the board in carrying out its IT responsibilities	5.7.1 The risk committee should ensure that IT risks are adequately addressed	5.7.1 The audit committee ensures that IT risks are adequately addressed through its quarterly review of IT. In addition, the group's risk register, which is reviewed by the risk committee, is regularly updated with IT risks.
		5.7.2 The risk committee should obtain appropriate assurance that controls are in place and effective in addressing IT risks	5.7.2 Internal audit conducted audits during the course of this financial year to confirm compliance with policy and procedures, as defined by CoBit.
		5.7.3 The audit committee should consider IT as it relates to financial reporting and the going concern of the company	5.7.3 This is considered by the audit committee.
		5.7.4 The audit committee should consider the use of technology to improve audit coverage and efficiency	5.7.4 This is addressed at both internal and external audit committee meetings.
6. Compliance with laws, rules, codes and standards			
	6.1 The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	6.1.1 Companies must comply with all applicable laws	6.1.1 Group Five aims to comply with all applicable laws. A compliance department is in place with the responsibility for the identification, training and monitoring of compliance to all applicable laws.
		6.1.2 Exceptions permitted in law, shortcomings and proposed changes expected should be handled ethically	6.1.2 The board and management do not encourage or condone the abuse of legal exceptions or the deliberate taking advantage of shortcomings in the law, which are clearly contrary to the spirit of the law. Similarly, when changes in legislation or regulation are expected, the board and management focus on ensuring that the group pro-actively prepares to comply with the new legislation/regulation. Examples of this are the group's pro-active preparation for the implementation of the New Companies Act and the New Consumer Protection Act.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
		6.1.3 Compliance should be an ethical imperative	6.1.3 The board fully appreciates that compliance is non-negotiable and compulsory and that it is an ethical imperative.
		6.1.4 Compliance with applicable laws should be understood not only in terms of the obligations that they create, but also for the rights and protection that they afford	6.1.4 The group is currently routinely made aware of both its obligations and rights under the law in specific matters through obtaining a legal opinion.
		6.1.5 The board should understand the context of the law, and how other applicable laws interact with it	6.1.5 Currently, the directors of the group routinely receive legal advice from internal counsel or from the company's external attorneys on laws applicable to a particular matter. They therefore consequently understand both the context of an applicable law in a given situation and how other applicable laws interact with that law.
		6.1.6 The board should monitor the company's compliance with applicable laws, rules, codes and standards	6.1.6 The board retains ultimate responsibility for compliance with and monitoring of applicable laws. The board currently discharges this monitoring duty through reviewing quarterly compliance reports submitted to the risk and audit committees from the compliance department and from reports on over-border tax compliance by the CFO.
		6.1.7 Compliance should be a regular item on the agenda of the board	6.1.7 Compliance has been included as a standing item on the agenda of both the board risk and board audit committees and as a standing item on the agenda of the main board.
		6.1.8 The board should disclose details in the integrated report on how it discharged its responsibility to establish an effective compliance framework and processes	6.1.8 The board does currently present full disclosure within this report. Refer to page 147 – 158.

Governance element	Principle(s)	Recommended practice	Comment
	6.2 The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	6.2.1 The induction and ongoing training programmes of directors should incorporate an overview of and any changes to applicable laws, rules, codes and standards	6.2.1 Not compliant. Although the board is informed of relevant laws, rules, codes and standards, including changes, this is not currently done as part of their induction. Going forward, this will be incorporated into their induction programme.
		6.2.2 Directors should sufficiently familiarise themselves with the general content of applicable laws, rules, codes and standards to discharge their legal duties	6.2.2 This responsibility is discharged as follows: ▶ The group legal and compliance director has been tasked with identifying laws, rules, codes and standards applicable to the company and communicating their effect. This exercise has been completed ▶ Through presentations to the board (the most recent of which was around the provisions of the Competition Act) ▶ Having reference inter alia to the quarterly compliance reports of the compliance department and the over-border tax compliance reports of the CFO
	6.3 Compliance risk should form an integral part of the company's risk management process	6.3.1 The risk of non-compliance should be identified, assessed and responded to through the risk management processes	6.3.1 The risk of non-compliance is identified, assessed and responded to through the risk management process. However, to further enhance this process, going forward a revised electronic compliance management system, which is being introduced into the group, will be used as a tool to identify the risk of non-compliance. These risks will automatically be transferred onto and managed on the group's risk management system.
		6.3.2 Companies should consider establishing a compliance function	6.3.2 The company has established a compliance function headed by the group legal and compliance director.
	6.4 The board should delegate to management the implementation of an effective compliance framework and processes	6.4.1 The board should ensure that a legal compliance policy, approved by the board, has been implemented by management	6.4.1 Not compliant. The group is in the process of developing a formal compliance policy for approval by the board, This is expected to be completed and formally approved by the board in F2011.
		6.4.2 The board should receive assurance on the effectiveness of the controls around compliance with laws, rules, codes and standards	6.4.2 Not compliant. Although the board currently receives some assurance from internal audit on areas of compliance covered by their audit approach following implementation of the group's updated compliance management system, audits in respect of compliance with relevant laws, rules, codes and standards will be developed by the compliance department. External compliance audits by third parties will also be possible.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
		6.4.3 Compliance with laws, rules, codes and standards should be incorporated in the code of conduct of the company	6.4.3 Not compliant. Although the group currently has a formal code of conduct (the "Code of Ethics"), compliance with laws, rules, codes and standards are not expressly stated. This will be included in the amended Code of Conduct of the group.
		6.4.4 Management should establish the appropriate structures, educate and train, and communicate and measure key performance indicators relevant to compliance	6.4.4 This is achieved through ▶ Leadership and formal structures. For example, the CEO personally informed employees of the group's zero tolerance to infringements of the Competition Act and a compliance function has been established as a key function of the risk department ▶ Education and training ▶ Risk awareness forums ▶ Training for new directors on their duties Not compliant on measurements of the key performance indicators relevant to compliance, as that is currently being developed by the compliance function.
		6.4.5 The integrated report should include details of material or often repeated instances of non-compliance by either the company or its directors in their capacity	6.4.5 No matters of material or repeated instances of non-compliance by either the company or its directors in their capacity have occurred that requires reporting.
		6.4.6 An independent, suitably skilled compliance officer may be appointed	6.4.6 An independently minded, suitably skilled compliance officer has been appointed.
		6.4.7 The compliance officer should be a suitably skilled and experienced person who should have access and interact regularly on strategic compliance matters with the board and/or appropriate board committee and executive management	6.4.7 The current compliance officer is a suitably experienced person. She is a qualified commercial litigation attorney who practiced as a director of a large commercial law firm for several years before joining the group. The compliance officer interacts regularly on strategic compliance matters with the appropriate board committees and with the main board. The compliance officer interacts frequently with the executive management on strategic compliance.
		6.4.8 The structuring of the compliance function, its role and its position in terms of reporting lines should be a reflection of the company's decision on how compliance is to be integrated with its ethics and risk management	6.4.8 The compliance function is one of the key functions within the risk department. As such, it reflects the group's decision for the integration of compliance within the group's risk management framework. The compliance function is headed by the group legal and compliance director whose line manager is the group risk officer.

Governance element	Principle(s)	Recommended practice	Comment
		6.4.9 The compliance function should have adequate resources to fulfil its function	6.4.9 The compliance function is staffed by bearing in mind: ▶ The compliance department's responsibilities ▶ The size of the group ▶ The group's geographical footprint ▶ The nature and diversity of the group's business interests (construction, mining, manufacturing etc) and the consequent diverse amount of legislation and non-binding rules with which the group is legally or commercially required to comply with
7. Internal audit			
The need for and role internal audit	7.1 The board should ensure that there is an effective risk-based internal audit.	7.1.1 Companies should establish an internal audit function	7.1.1 The group has an internal audit function.
		7.1.2 Internal audit should perform the following functions:	
		7.1.2.1 evaluate the company's governance processes	7.1.2.1. Performed.
		7.1.2.2 perform an objective assessment of the effectiveness of risk management and the internal control framework	7.1.2.2 Performed.
		7.1.2.3 systematically analyse and evaluating business processes and associated controls	7.1.2.3. Performed.
		7.1.2.4 provide a source of information, as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities	7.1.2.4 This is controlled through the risk department. Refer to page 113.
		7.1.3 An internal audit charter should be defined and approved by the board	7.1.3 The internal audit charter has been approved.
		7.1.4 The internal audit function should adhere to the IIA Standards and code of ethics	7.1.4 Internal auditors are all members of the IIA and have confirmed their compliance to the IIA standards and code of ethics.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
Internal audit's approach plan	7.2 Internal audit should follow a risk-based approach to its plan	7.2.1 The internal audit plan and approach should be informed by the strategy and risks of the company	7.2.1 The internal audit department currently undertakes a risk-based audit approach. The head of internal audit meets with the CEO on a quarterly basis to be apprised of any strategic updates. He also meets with the CFO on a monthly basis to discuss developments within the business and areas of risk. These are in turn incorporated into the internal audit plan and programme, which is demonstrated by the areas of focus in the current year's audit plan.
		7.2.2 Internal audit should be independent from management	7.2.2 Internal audit is independent of management. The head of internal audit reports to the chairman of the audit committee with day-to-day reporting to the CFO. Management is cognisant of the fact that it cannot direct internal audit's programmes and focus.
		7.2.3 Internal audit should be an objective provider of assurance that considers:	
		7.2.3.1 the risks that may prevent or slow down the realisation of strategic goals	7.2.3.1 Not compliant. Although rigorous and entrenched risk management processes are in place, a formal review of the group-wide risk management process will be performed in the coming year. Further emphasis needs to be placed on providing assurance to the alignment of the group strategic goals and objectives to the risks facing the group.
		7.2.3.2 whether controls are in place and functioning effectively to mitigate these	7.2.3.2 Not compliant. Although controls are in place, the review of the risk management process will include an assessment of controls and an assurance on opportunities available to the group.
		7.2.3.3 the opportunities that will promote the realisation of strategic goals that are identified, assessed and effectively managed by the company's management team	7.2.3.3 Not compliant. The review of the risk management process will include an assessment of controls and an assurance on opportunities available to the group.
	7.3 Internal audit should provide a written assessment on the effectiveness of the company's system of internal controls and risk management	7.3.1 Internal audit should form an integral part of the combined assurance model as internal assurance provider	7.3.1. The group deems this to be the case. Internal audit provides assurance to the audit committee, external audit, the management teams of the business units within the group, the audit committee chairman and the CFO.
		7.3.2 Internal controls should be established that not only over financial matters, but also operational, compliance and sustainability issues	7.3.2 Internal controls are in place to manage matters other than financial. For example, the group conducts internal audits to determine whether the group's management system conforms to the requirements of ISO standards and the internal guidelines with adequate internal controls.

Governance element	Principle(s)	Recommended practice	Comment
		7.3.3 Companies should maintain an effective governance, risk management and internal control framework	7.3.3 The risk management framework has been developed and is managed by the risk department. The internal control framework is audited by internal audit through conducting compliance audits and risk-based audits. Management deem the risk management framework to be appropriate for the business.
		7.3.4 Management should specify the elements of the control framework	7.3.4 The control framework of the company is its policy and procedure instruction manuals. Internal audit reports on non-compliance against these policies and procedures. These are included within the group's risk registers and the quality department are instrumental in ensuring ISO compliance and adequacy of changes.
		7.3.5 Internal audit should provide a written assessment of the system of internal controls and risk management to the board	7.3.5 A report is provided at each audit committee meeting that documents the development for each quarter under review. This feedback is provided by the audit committee chairman to the main board.
		7.3.6 Internal audit should provide a written assessment of internal financial controls to the audit committee	7.3.6 Written assessments are provided post completion of each internal audit to the audit committee members. In addition, a report is provided at each audit committee meeting that documents the development for each quarter under review.
	7.4 The audit committee should be responsible for overseeing internal audit	7.4.1 The internal audit plan should be agreed and approved by the audit committee	7.4.1 The risk-based audit plan is agreed annually by the audit committee.
		7.4.2 The audit committee should evaluate the performance of the internal audit function	7.4.2 Compliant. The audit committee evaluates the department's functions and their adequacy through review of their work discussions with management and external audit.
		7.4.3 The audit committee should ensure that the internal audit function is subjected to an independent quality review	7.4.3 An IIA quality review is scheduled for June 2011. This has been communicated to the audit committee.
		7.4.4 The CAE should report functionally to the audit committee chairman	7.4.4 The Chief Audit Executive (CAE) reports functionally to the chairman of the audit committee and administratively to the CFO.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
		7.4.5 The audit committee should be responsible for the appointment, performance assessment and dismissal of the CAE	7.4.5 Not compliant. Although feedback on performance is provided by the chairman of the audit committee, performance management is conducted by the CFO. This will be conducted with the input from the audit committee chairman during the next cycle of performance evaluations. Appointment of the current CAE was made with input from both the CFO and the chairman of the audit committee.
		7.4.6 The audit committee should ensure that the internal audit function is appropriately resourced and has appropriate budget allocated to the function	7.4.6 Resources and budget is a standing agenda point for discussion. An assessment is undertaken at each audit committee meeting as part of the internal audit report to the audit committee.
		7.4.7 Internal audit should report at all audit committee meetings	7.4.7 This is performed. Head of internal audit attends all meetings as an invitee and presents feedback on written reports.
	7.5 Internal audit should be strategically positioned to achieve its objectives	7.5.1 The internal audit function should be independent and objective	7.5.1 The group is of the opinion that the internal audit function is independent and objective.
		7.5.2 The internal audit function should report functionally to the audit committee	7.5.2 The CAE reports functionally to the chairman of the audit committee and administratively to the CFO.
		7.5.3 The CAE should have a standing invitation to attend executive committee meetings	7.5.3 This is the case. In addition, meetings are conducted with the chairman of the audit committee and the CEO independently at least four times a year.
		7.5.4 The internal audit function should be skilled and resourced as is appropriate for the complexity and volume of risk and assurance needs	7.5.4 This is the responsibility of the head of internal audit. A number of changes to processes and tools were made during the current financial year. The head of internal audit review adopts best practice methodologies in the running of the department.
		7.5.5 The CAE should develop and maintain a quality assurance and improvement programme	7.5.5 This is currently being developed and will be tested by the IIA during June 2011.

Governance element	Principle(s)	Recommended practice	Comment
8. Governing stakeholder relationships			
	8.1 The board should appreciate that stakeholders' perceptions affect a company's reputation	8.1.1 The gap between stakeholder perceptions and the performance of the company should be managed and measured to enhance or protect the company's reputation	8.1.1 ▶ Key stakeholders of the company are formally identified and managed ▶ A communications forum was established in the previous financial year. This consists of the CEO, CFO, two additional exco members, two manco members and an external communications consultant ▶ Key stakeholders are allocated to these individual members to develop and roll out a communication plan. The forum meets on a monthly basis to confirm the status of roll out and consistency of message between stakeholders ▶ A crisis communications plan is in place to ensure that any emergency is communicated appropriately 8.1.2
		8.1.2 The company's reputation and its linkage with stakeholder relationships should be a regular board agenda item	8.1.2 This has been added to the board agenda. The CFO presents a feedback report at each board meeting.
		8.1.3 The board should identify important stakeholder groupings	8.1.3 The board is requested to confirm the key stakeholders presented as per 8.1.2.
	8.2 The board should delegate to management to proactively deal with stakeholder relationships	8.2.1 Management should develop a strategy and formulate policies for the management of relationships with each stakeholder grouping	8.2.1 This has been performed. Refer to comments per 8.1.1. Minutes of these meetings are available. A consolidated communications plan is presented annually, which includes key stakeholders groups. Certain stakeholders remain the responsibility of individual exco members and these are reported on at monthly exco meetings. In addition, this engagement is disclosed in the annual report under managing stakeholder relationships. Refer to page 87.
		8.2.2 The board should consider whether it is appropriate to publish its stakeholder policies	8.2.2 Policies in terms of engaging with stakeholders are agreed at the communications forum, as disclosed in 8.1.1.
		8.2.3 The board should oversee the establishment of mechanisms and processes that support stakeholders in constructive engagement with the company	8.2.3 The board confirms this through a review of the report presented to the board by the CFO, as described in 8.1.2.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
		8.2.4 The board should encourage shareholders to attend AGMs	8.2.4 The group's AGM is generally not physically attended by many shareholders, although sufficient votes are received through proxy. The group is of the opinion that the level of interaction between management and key stakeholders results in shareholders not needing to attend the meeting. A note in the current annual report has been added within a stakeholder engagement section encouraging stakeholders to attend the AGM, should they deem it necessary. Refer to page 89.
		8.2.5 The board should consider not only formal, but also informal, processes for interaction with the company's stakeholders	8.2.5 The board has considered this when reviewing the report from CFO presented at board meetings.
		8.2.6 The board should disclose in its integrated report the nature of the company's dealings with stakeholders and the outcomes of these dealings	8.2.6 The Annual Report discloses such information and will continue to do so. Refer to page 89.
	8.3 The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	8.3.1 The board should take account of the legitimate interests and expectations of its stakeholders in its decision-making in the best interests of the company	8.3.1 The board considers this matter at the main board meetings.
	8.4 Companies should ensure the equitable treatment of shareholders	8.4.1 There must be equitable treatment of all holders of the same class of shares issued	8.4.1 Management deem that the treatment of shareholders is equitable, as all shareholders are awarded the same entitlement. All communication is disseminated through public mediums, including JSE SENS announcements, the group website and media publications. Financial results presentations and one-on-one meetings are generally attended by the majority of shareholders. These forums are also generally held using a standard communications/presentation booklet, which is placed on the group's website and it is accessible to all interested parties.
		8.4.2 The board should ensure that minority shareholders are protected	8.4.2 The board executes this responsibility. There has been no known instances of deviation from this.

Governance element	Principle(s)	Recommended practice	Comment
	8.5 Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	8.5.1 Complete, timely, relevant, accurate, honest and accessible information should be provided by the company to its stakeholders, whilst having regard to legal and strategic considerations	8.5.1 Management believes this to be the case. The group has also been rated, for a few years in a row, the best communications and disclosure company in its sector by the Investment Analysts Society. The group is also one of a few companies to issue its Annual Report to all shareholders and stakeholders at the same time as its results release. SENS announcements are provided whenever items of communication are required. Voluntary SENS announcements are also done.
		8.5.2 Communication with stakeholders should be in clear and understandable language	8.5.2 Management believes this to be the case. Regular, anonymous, independent feedback processes are followed with this audience, which confirms that the group's communication is seen as clear and understandable.
		8.5.3 The board should adopt communication guidelines that support a responsible communication programme	8.5.3 The board has reviewed and approved this through the report to be presented by the CFO. See 8.1.2.
		8.5.4 The board should consider disclosing in the integrated report the number and reasons for refusals of requests of information that were lodged with the company in terms of the Promotion of Access to Information Act, 2000	8.5.4. This is incorporated into the Annual Report. Refer to page 143.
Dispute resolution	8.6 The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	8.6.1 The board should adopt formal dispute resolution processes for internal and external disputes	8.6.1 Not compliant. Although a crisis communications plan is in place to ensure that any emergency is communicated appropriately, with internal disputes managed through formal procedures determined by the human resources department and external disputes addressed relevant to each situation a formal dispute resolution process has not been adopted by the board.
		8.6.2 The board should select the appropriate individuals to represent the company in ADR	8.6.2 This has been performed.

King III compliance checklist continued

for the year ended 30 June 2010

Governance element	Principle(s)	Recommended practice	Comment
9. Integrated reporting and disclosure			
Transparency and account-ability	9.1 The board should ensure the integrity of the company's integrated report	9.1.1 A company should have controls to enable it to verify and safeguard the integrity of its integrated report	9.1.1 Controls are in place. An integrated report was prepared in the prior financial year before the introduction of this concept or requirement from King III. The report is structured, partially drafted (certain sections drafted by other management members) and signed off as accurately as possible by the CEO and CFO.
		9.1.2 The board should delegate to the audit committee to evaluate sustainability disclosures	9.1.2 The audit committee has been empowered to do so by the main board. The audit committee communicates the information or confirmations required to assess the sustainability disclosures to the CFO. This information is approved at the August audit committee meeting to release the Annual Report.
		The integrated report should:	
		9.1.3 be prepared every year	9.1.3 The integrated report is prepared annually.
		9.1.4 convey adequate information regarding the company's financial and sustainability performance	9.1.4 Management deem this to be the case. A number of external awards and stakeholder feedback support this view.
		9.1.5 focus on substance over form.	9.1.5 Management deem this to be the case. A number of external awards and stakeholder feedback support this.
	9.2 Sustainability reporting and disclosure should be integrated with the company's financial reporting	9.2.1 The board should include commentary on the company's financial results	9.2.1 A director's report is disclosed along with a report from the Chairperson, CEO and CFO.
		9.2.2 The board must disclose if the company is a going concern	9.2.2 This is done.
		9.2.3 The integrated report should describe how the company has made its money	9.2.3 This is done.
		9.2.4 The board should ensure that the positive and negative impacts of the company's operations and plans to improve the positives and eradicate or ameliorate the negatives in the financial year ahead are conveyed in the integrated report	9.2.4 The group has, for a number of years, been reporting in its annual report the strengths, weaknesses, areas of future focus, as well as providing a status update on previously reported items for each area of business, as well as sustainability areas.

Governance element	Principle(s)	Recommended practice	Comment
	9.3 Sustainability reporting and disclosure should be independently assured	9.3.1 General oversight and reporting of sustainability should be delegated by the board to the audit committee	9.3.1 Refer to comment per 9.1.2 above.
		9.3.2 The audit committee should assist the board by reviewing the integrated report to ensure that the information contained in it is reliable and that it does not contradict the financial aspects of the report	9.3.2 The audit committee has been empowered to do so by the main board. The audit committee communicates the information or confirmations required to assess the sustainability disclosures to the CFO. This information is approved at the August audit committee meeting to release the Annual Report.
		9.3.3 The audit committee should oversee the provision of assurance over sustainability issues	9.3.3 An assurance report has been issued with the F2010 Annual Report. Refer to page 65.

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Abbreviations

Below are definitions of the main abbreviations used in this report.

ABET	Adult Basic Education and Training
ABT	Advanced Building Technologies
BBBEE	Broad-based black economic empowerment
BCAWU	Building Construction and Allied Workers Union
BEE	Black economic empowerment
BNG	Breaking new ground
BPP	Building plans passed
BC	Buildings completed
CAE	Chief audit executive
CAGR	Compound average growth rate
CBS	Corporate office
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRM	Customer relationship management
CTROM	C Toll operations and maintenance contracts
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
EE	Employment equity
EIA	Environmental impact assessment
EMAL	Emirates Aluminium Smelter
EMP	Environmental management plan
E+C	Group Five Engineering and Construction
EPC	Engineer, Procure and Construct
Exco	Executive committee
FAFR	First-aid frequency rate
FET	Further Education and Training
FIFA	Fédération Internationale de Football Association
FSAIEE	Fellow of the South African Institute of Electrical Engineers.
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
GHG	Greenhouse gas
GRI	Global Reporting Initiative
HR	Human resources
HRSG	Heat recovery steam generation
IAS	Investment Analysts Society
IASSA	Investment Analysts Society of South Africa
IDS	Infrastructure Development Services
IFRS	International Financial Reporting Standards
IMMS	Intertoll Maintenance Management System
IOD	Institute of Directors
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
kWh	Kilowatt hours
LNG	Liquefied natural gas
LTI	Long term incentives
LUSIP	Lower Usuthu Smallholder Irrigation Project
Manco	Management committee
MD	Managing director
MEIP	Mechanical, electrical, instrumentation and piping
MEP	Mechanical, electrical and piping
MSAIEE	Member of The South African Institute of Electrical Engineers
MTEF	Medium Term Expenditure Framework
MW	Megawatt
Mwh	Megawatt hours

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
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
SAFCEC	South African Federation of Civil Engineering Contractors
SANRAL	South African National Roads Agency Limited
SAR	Share appreciation rights
SARB	South African Reserve Bank
SARMA	The South African Readymix Association
SASFA	Southern African Light Steel Frame Building Association
SBO	Safe behaviour observations
SED	Socio-economic development
SENS	Stock exchange news service
SETA	Sectoral Education Training Authority
SHE	Safety, health and environment
SHEQ	Safety, health, environment and quality
SLA	Service level agreement
SMEIP	Structural, mechanical, electrical, instrumentation and piping
SRI Index	Socially Responsible Investment Index
Stats SA	Statistics SA
STI	Short term incentives
TCTC	Total cost to company
TRA	Temporary relief accommodation
TQMS	Total quality management system
The Construction Charter	The Construction Sector Broad-Based Black Economic Empowerment Charter
UAE	United Arab Emirates
UCT	University of Cape Town
UP	University of Pretoria
VBF	Gauteng Voluntary Bargaining Forum
VCT	Voluntary counselling and testing
WESUSA	Workers' Equally Support Union of South Africa
WIEBE	Women in Engineering and the Built Environment

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 Contribution to sustainable development	✓ ✓	4, 84 30 – 43, 59
1.2	Statement from the chief executive officer	✓	82
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, 230 – 231
2.4	Description of major divisions, operating companies, subsidiaries and joint ventures	✓	230 – 314, 230 – 313
2.5	Countries in which organisation's operations are located	✓	8 – 13
2.6	Nature of ownership; legal form	✓	319
2.7	Nature of markets served	✓	6, 12 – 13, 228 – 314
2.8	Scale of reporting organisations number of employees products produced/services offered net sales capitalisation by debt and equity value added segmental reporting	 ✓ ✓ ✓ ✓ ✓ ✓	 59 6, 14 – 29, 228 – 314 322 59 327 – 330, 388 – 392
2.9	List of stakeholders	✓	86
2.10	Contact for the report	✓	ifc
2.11	Reporting period	✓	Financial year ending 30 June 2010
2.12	Date of most previous report	✓	Financial year ending 30 June 2009
2.13	Boundaries/scope of the report	✓	IFC, contents page
2.14	Significant changes in size, structure, ownership, product/services since last report	✓	319
2.15	Basis for reporting that could compromise comparability	✓	331
2.16	Explanations regarding the restatement of information	✓	331
2.17	Decisions not to apply GRI principles or protocols	✓	Indicated where relevant
2.18	Criteria/definitions	✓	331
2.19	Significant changes from previous years in measurement methods	✓	331
2.20	Policies and internal practices to enhance and provide assurance about the accuracy, completeness and internal reliability of the report	✓	

	GRI benchmark	Status	Page numbers
2.21	Policies and current practices with regard to providing independent assurance for the report	✓	
2.22	Additional information and reports on sustainability	✓	30 – 43, 130 – 139
3.	**Governance structure and management systems**		
3.1	Governance structure of the organisation	✓	146 – 179
3.2	Percentage of the board of directors that are independent, non-executive directors	✓	148
3.3	Process for determining board member expertise regarding the provision of strategic direction	✓	50, 146 – 179
3.4	Board-level processes	✓	146 – 179
3.5	Link between executive compensation and the achievement of objectives	✓	50 – 53
3.6	Organisational structure and key responsibilities with regard to social policies	✓	223 – 227
3.7	Mission and value statements and code of conduct	✓	185
3.8	Mechanisms for shareholders to provide recommendations	✓	ifc
3.9	Identification of major stakeholders	✓	86
3.10	Stakeholder consultation	✓	86
3.11	Stakeholder consultation information	✓	86
3.12	Use of stakeholder consultation information	✓	86
3.13	Precautionary approach	✓	86
3.14	Economic, environmental and social charters	✓	58 – 71
3.15	Industry and business association memberships	✓	177, 192
3.16	Policies and/or systems for managing upstream and downstream impacts	✓	30 – 43, 130 – 137
3.17	Approach to managing indirect impacts	✓	30 – 43, 130 – 137
3.18	Decisions regarding location and change in operations	✓	8 – 13
3.19	Programmes and procedures pertaining to economic, environmental performance	✓	59, 30 – 43, 130 – 137
3.20	Certification status	✓	58, 64 – 65
EC	**Economic performance indicators**		
EC1	**Core indicators – Customers** Net sales	✓	322, 328
EC2	Geographic breakdown of markets	✓	8 – 13, 330
EC3	**Core indicators – Suppliers** Cost of all goods, material and services purchased	✓ ✓	59, 332
EC4	Percentage of contracts paid in accordance with agreed terms	✓	362
EC5	**Core indicators – Employees** Total payroll and benefits	✓	366
EC6	**Core indicators – Providers of capital** Distributions to providers of capital	✓	59, 326
EC7	Increase/decrease in retained earnings at end of period	✓	326

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	GRI benchmark	Status	Page numbers
	Core indicators – Public sector		
EC8	Taxes paid	✓	384
EC9	Subsidies received broken down by country/region	✗	–
EC10	Donations to community, civil society and other groups	✓	226
	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	✓	58, 131 – 132
EN	Environmental performance indicators		
	Core indicators – Materials		
EN1	Total materials use other than water by type	✓	131 – 132
EN2	Percentage of materials used that are wastes from sources external to the reporting organisation	✓	131 – 132
	Core indicators – Energy		
EN3	Direct energy use segmented by primary source	✓	131 – 132
EN4	Indirect energy use	✓	131 – 132
	Core indicators – Water		
EN5	Total water use	✗	
	Core indicators – Biodiversity		
EN6	Location and size of land owned, leased or managed in biodiversity rich habitats	✓	131
EN7	Description of major impacts on biodiversity associated with activities and or products and services in terrestrial, freshwater and marine environments	✓	30 – 43, 131
	Core indicators – Emissions, effluents, and waste		
EN8	Greenhouse gas emissions	✓	131 – 132
EN9	Use and emissions of ozone-depleting substances	✓	30 – 43, 130 – 137
EN10	Nox, Sox and other significant emissions by type	✓	130 – 137
EN11	Total amount of waste by type and destination	✓	130 – 137
EN12	Significant discharges by type	✓	130 – 137
EN13	Significant spills of chemicals, oils and fuels	✓	130 – 137
	Core indicators – Products and services		
EN14	Significant environmental impacts of principle products and services	✓	30 – 43, 130 – 137
EN15	Percentage of weight of products sold that is reclaimable	✗	130 – 137
	Core indicators – Compliance		
EN16	Incidents of and fines for non-compliance	✓	140 – 145
	Additional indicators – Energy		
EN17	Initiatives to use renewable energy sources	✓	30 – 43, 130 – 137
EN18	Energy consumption footprint	✓	131 – 132
EN19	Other indirect energy use	✓	131 – 132

	GRI benchmark	Status	Page numbers
	Additional indicators – Water		
EN20	Water sources and related ecosystems	✓	30 – 43, 131 – 137
EN21	Annual withdrawals of ground and surface water	✗	
EN22	Total recycling and re-use of water	✓	131 – 137
	Additional indicators – Biodiversity		
EN23	Total amount of land owned, leased or managed	✓	352
EN24	Amount of impermeable surfaces	✗	
EN25	Impacts of activities and operations on protected and sensitive areas	✓	30 – 43, 131 – 137
EN26	Changes to natural habitats resulting from activities	✓	30 – 43, 131 – 137
EN27	Protecting and restoring native ecosystems	✓	30 – 43, 131 – 137
EN28	Number of IUCN list species	✗	
EN29	Business units with plans in and around protected or sensitive areas	✓	30 – 43, 131 – 137
	Additional indicators – Emissions, effluents and waste		
EN30	Other relevant indirect greenhouse emissions	✓	131 – 132
EN31	Products, transport, imports or exports deemed hazardous	✓	30 – 43, 131 – 132
EN32	Water sources and related ecosystems significantly affected by discharges of water and run-off	✓	30 – 43
	Additional indicators – Suppliers		
EN33	Performance of suppliers relative to environmental components	✗	
	Additional indicators – Transport		
EN34	Significant environmental impacts of transport used for logistical purposes	✓	30 – 43
	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	✓	59, 211, 366
LA2	Employment creation and average turnover	✓	59
	Core indicators – Labour/management relations		
LA3	Trade union representations	✓	192
LA4	Policy and procedures involving information, consulting and negotiation with employees over changes in the reporting organisations operations	✓	185, 192 – 194
	Core indicators – Health and safety		
LA5	Occupational accidents and diseases	✓	127 – 129, 188 – 196
LA6	Health and safety committees	✗	
LA7	Injury, lost days and absentee rates	✓	121 – 126

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	GRI benchmark	Status	Page numbers
LA8	HIV/Aids policies or programmes	✓	188 – 191
	HIV/Aids policy	✓	188 – 191
	Strategy for managing HIV/Aids	✓	188 – 191
	Stakeholder involvement	✓	188 – 191
	HIV/Aids prevalence rates	✓	188 – 191
	HIV/Aids expenditure	✓	188 – 191
	HIV/Aids awareness/education/training	✓	188 – 191
LA	Social Performance Indicators – Labour Practices and Decent Work	✓	188 – 191
LA8	Voluntary counselling and testing	✓	188 – 191
	HIV prevention interventions	✓	188 – 191
	Programme to assist members who suffer from Aids	✓	188 – 191
	Provision of anti-retrovirals	✓	188 – 191
	Core indicators – Training and education		
LA9	Training per employee level, gender and ethnic spirit	✓	68 – 69, 196 – 204
	Core indicators – Diversity and opportunity		
LA10	Equal opportunity policies or programmes and their monitoring	✓	181, 208
LA11	Composition of senior management and corporate governance bodies	✓	147 – 179, 211
	Additional indicators – Employment		
LA12	Employee benefits beyond those legally mandated	✓	167 – 172, 181 – 187
	Additional indicators – Labour/management relations		
LA13	Provision for formal worker presentation in decision making	✓	192 – 194
	Additional indicators – Health and Safety (OHSAS)		
LA14	Compliance with the ILO guidelines for occupational health management systems	✓	120 – 129
LA15	Formal agreements with trade unions covering health and safety at work and proportion of workforce covered by such agreements	✓	192 – 194
	Additional indicators – Training and education		
LA16	Programmes to support the continued employability of employees and to manage career endings	✓	195 – 204
LA17	Policies and programmes for skills management	✓	195 – 204
HR	**Social Performance Indicators – Human Rights**		
	Core indicators – Strategy and management		
HR1	Policies, guidelines, corporate structure and procedures to deal with all aspects of human rights	✓	192 – 194
HR2	Evidence of consideration of human right impacts as part of investment and procurement	✓	213 – 215
HR3	Policies and procedures to evaluate and address human rights performance within the supply chain and contractors	✓	213 – 215
	Core indicators – Non-discrimination		
HR4	Global policy and procedures/programmes preventing all forms of discrimination in operations	✓	192 – 194
	Core indicators – Freedom of association and collective bargaining		
HR5	Freedom of association policy	✓	193

	GRI benchmark	Status	Page numbers
	Core indicators – Child labour		
HR6	Child labour policy	✓	193
	Core indicators – Forced and compulsory labour		
HR7	Forced and compulsory labour policy	✓	193
	Additional indicators – Strategy and management		
HR8	Employee training on policies and practices concerning all aspects of human rights relevant to operations	✓	195 – 204
	Additional indicators – Disciplinary practices		
HR9	Appeal practices	✓	192 – 194
HR10	Non-retaliation policy and employee grievance system	✓	183, 185 – 186
	Additional indicators – Security practices		
HR11	Human rights training for security personnel	n/a	
	Additional indicators – Indigenous rights		
HR12	Description of policies, guidelines and procedures to address the needs of indigenous people	✓	210 – 212
HR13	Description of jointly managed community grievance mechanisms/authority	✗	
HR14	Share of operating revenues from the area of operations that are redistributed to local communities	✓	59, 226
SO	Social Performance Indicators – Society		
	Core indicators – Community		
SO1	Policies to manage impacts on communities	✓	30 – 43
	Core indicators – Bribery and corruption		
SO2	Policy/procedures for addressing bribery and corruption	✓	144
	Core indicators – Political contributions		
SO3	Description of policy, procedures/management systems for managing political lobbying and contributions	✗	
	Additional indicators – Community		
SO4	Awards received	✓	72 – 75
	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	✗	144 – 145
SO7	Policies/procedures for preventing anti-competitive behaviour	✓	144 – 145
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	✓	30 – 43, 120
	Core indicators – Products and services		
PR2	Policy/procedure related to product information and labelling	✗	
	Core indicators – Respect for privacy		
PR3	Policy/procedure related to customer privacy	✓	88

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	GRI benchmark	Status	Page numbers
	Additional indicators – Customer, health and safety		
PR4	Non-compliance with customer health and safety regulations	✓	121
PR5	Complaints upheld regarding the health and safety of products and services	✗	
PR6	Voluntary code compliance, product labels, or awards with respect to social and or environmental responsibility	✓	30 – 43
PR	Social Performance Indicators – Product responsibility		
	Additional indicators – Products and services		
PR7	Non-compliance concerning product information and labelling	✗	
PR8	Policies/procedures and mechanisms related to customer satisfaction	✓	88
	Additional indicators – Advertising		
PR9	Policies/procedures for adherence to standards and voluntary codes relating to advertising	✓	
	Additional indicators – Respect for privacy		
PR10	Breaches of advertising and marketing regulations	✗	
PR11	Complaints regarding breaches of customer privacy	✗	
	Additional indicators deemed relevant by the group – Social elements of CSI policy		
1	Social elements of CSI policy	✓	223 – 227
2	Structure and relevant CSR responsibilities	✓	223 – 227
	Additional indicators deemed relevant by the group – Internal social performance		
1	Staff turnover	✓	58
2	Remuneration of group executive directors and board of directors	✓	169 – 172
3	Ratio of male versus female	✓	201, 203
4	Employee profile per hierarchy level	✓	211
	Additional indicators deemed relevant by the group – Performance to society		
1	Contributions to charitable causes, community investments and commercial sponsorships	✓	226

✓ Addressed ✗ Not addressed Partial Partly addressed