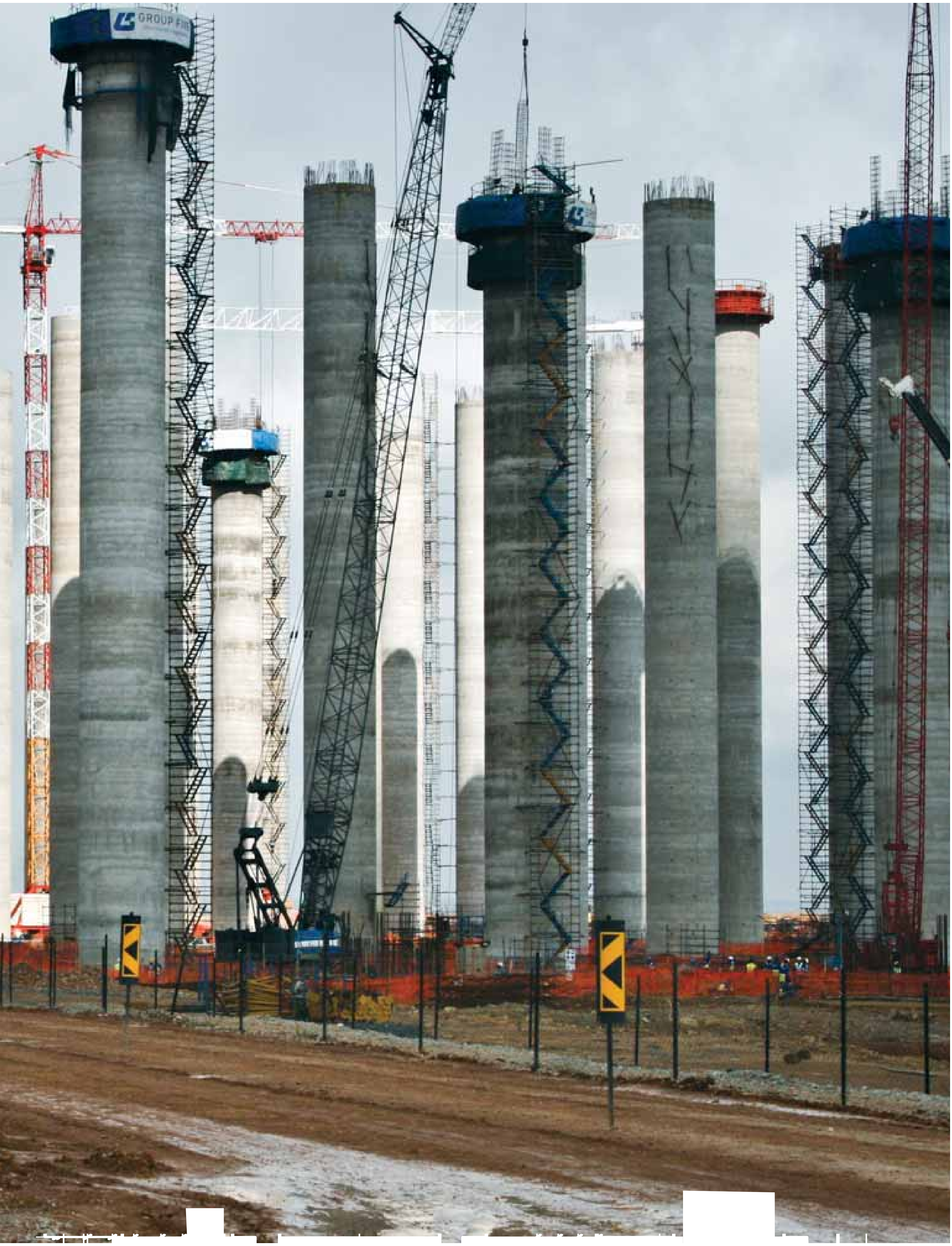
SECTION 04

Annual financial statements

Against tough economic conditions, the group has followed a strategy of focusing on margins and cash while managing the risk of losing key capacity.



STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

for the year ended 30 June 2011

The directors are responsible for the maintenance of proper accounting records and the preparation, integrity and fair presentation of the annual financial statements and group annual financial statements of Group Five Limited and its subsidiaries. The annual financial statements, presented on pages 184 to 255 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 annual financial statements.

The directors acknowledge that they are ultimately responsible for the process of risk management and 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 unmodified audit report is presented on page 183.

The financial statements were prepared by the Chief Financial Officer CA(SA) and approved by the board of directors on 5 August 2011 and are signed on its behalf by:

P (Philisiwe) Buthelezi
Chairperson

5 August 2011

MR (Mike) Upton
Chief executive officer

5 August 2011

CMF (Cristina) Teixeira
Chief financial officer

5 August 2011

REPORT OF THE AUDIT COMMITTEE

for the year ended 30 June 2011

This report is provided by the Audit Committee in compliance with The Companies Act No. 71 of 2008 and as recommended by King III.

Membership

The Audit Committee comprises SG Morris (chairman), LE Bakoro, L Chalker and KK Mpinga, each of whom are independent non-executive directors and who have the requisite financial skills and experience to contribute to the Committee's deliberations. The Committee meets quarterly each year with adhoc special meetings when required and the Chief Executive Officer, the Chief Financial Officer and representatives from external and internal audit, risk and other members of the main board attended each meeting by invitation. Full details on audit committee meetings held and the member's attendance is disclosed on page 27 on the CD contained within this integrated report.

Mandate and terms of reference

Further information with regards to the Audit Committee, including its terms of reference and procedures, is described more fully in the review from the company secretary on page 26 on the CD contained within this integrated report.

Statutory duties

The Committee adopts a work plan annually in advance in order to manage the discharge of its responsibilities under the Companies Act, King III, its own charter and the JSE regulations. In addition the Audit Committee pays particular attention to areas of significant judgement, including contract claims and profit recognition.

The Audit Committee is satisfied that it considered, executed and discharged its responsibilities during the year in accordance with its mandate as described above.

The external and internal auditors have unfettered access to the Audit Committee and its members, and both present formal reports to the Committee. The chairman of the Audit Committee meets quarterly with the Head of Internal Audit and, at least annually, the external auditors meet independently with the Committee.

Internal control

Internal audit provides the board with assurance on the group's system of internal control, and its strategy is that of a risk-based approach along with compliance to policies and procedures. All wholly owned subsidiaries and joint ventures managed by the group are subject to the groups policies and procedures and system of internal control. In limited instances where the group does not operate as the lead partner, management and internal audit are responsible for assessing the adequacy of the control environment of these entities.

Refer to page 9 on the CD contained within this integrated report for disclosure on fraud issues identified within the year and the actions taken by management. The audit committee has considered and approved the group's system of internal control.

Integrated reporting

The integrated report comprises the

- annual report including sustainability information,
- supplementary information to the annual report and
- the annual financial statements.

Following our review, and having regard to all material factors and risks that may impact on the integrity of the integrated report, we accordingly recommend the integrated report and consolidated annual financial statements of Group Five Limited for the year ended 30 June 2011 to the board of directors for approval on the 5th August 2011.

S.G. Morris

SG (Stuart) Morris
Chairperson of the Audit Committee

5 August 2011

STATEMENT OF COMPLIANCE BY THE COMPANY SECRETARY

for the year ended 30 June 2011

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 71 of 2008 in respect of the year ended 30 June 2011, and all such returns are true, correct and up-to-date.

N Katamzi
Company secretary

5 August 2011

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2011

TO THE SHAREHOLDERS OF GROUP FIVE LIMITED

We have audited the group annual financial statements and annual financial statements of Group Five Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2011, and the consolidated and separate income statements and consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 184 to 255.

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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 consolidated and separate financial position of Group Five Limited as at 30 June 2011 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.
Director: AJ Rossouw
Registered Auditor
Sunninghill

10 August 2011

DIRECTORS' REPORT

for the year ended 30 June 2011

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 Listing requirements.

Group results

The loss attributable to equity shareholders of the Group for the year ended 30 June 2011 was R218,1 million (2010: R267,4 million profit) representing a basic loss per share of 227 cents (2010: earnings per share of 280 cents).

During the year the group processed an impairment of R521 million net of tax (2010: R293 million net of tax) to the non-current carrying value of its property, plant and equipment and goodwill assets relating to its Construction Materials segment. This forms the most material reconciling item between earnings and headline earnings. The impairment adjustment is discussed below in more detail. A full reconciliation between earnings and headline earnings is presented in note 7 of the annual financial statements.

Thus headline earnings attributable to equity shareholders of the Group for the year ended 30 June 2011 was R 318,9 million (2010: R585,9 million) representing headline earnings per share of 332 cents (2010: 614 cents). The fully diluted headline earnings per share attributable to equity shareholders of the Group for the year ended 30 June 2011 was 315 cents (2010: 561 cents).

The financial statements on pages 188 to 255 set out fully the financial position, results of operations and cash flows for the group for the financial year ended 30 June 2011. Segmental information as approved by the directors relating to the business of the group is set out on pages 192 to 194.

Subsidiaries, joint ventures and associates

The interest in subsidiaries, joint ventures and associated companies, are set out on pages 251 to 253 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".

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). During the current year the group disposed of its interest in WDC realising a fair value upward adjustment of R13,3 million and net proceeds of R133,3 million.

In the period under review, there were no business combination transactions to report.

The company's interest in aggregate after tax profits and losses in subsidiaries is disclosed on page 251.

Accounting practice requires that the carrying value of non-current assets are reviewed for impairment when there are indicators of impairment. 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 R325,6 million in the prior year and a further R550,5 million in the current financial year. Impairment tests performed at year end indicated that no further impairment adjustments are required. The R550,5 million impairment adjustment includes a R24,9 million goodwill write off relating to the acquisition of the group's cement extender business in the 2008 financial year.

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 191 of this report. The authorised and issued share capital is as follows:

Authorised:

150 000 000 ordinary shares of no par value.

Issued:

121 477 858 ordinary shares of no par value (2010: 120 911 817).

All shares have been fully paid up.

On 1 March 2011 and 10 June 2011, 252 882 shares at a price of R34,05 and 220 468 shares at a price of R28,04 were respectively issued, in terms of the group's BEE external ownership transactions, whereby shares are issued in lieu of dividends. In addition an amount of 92 699 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 25 472 605 (2010: 25 576 174) are held as treasury stock and in trust, in addition, 474 (2010: 473) were held by the share incentive trust at 30 June 2011.

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, 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 2011 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 F2012 financial year once legal formalities have been concluded. The unwinding of the BEE transaction with iLima Consortium is a disappointment to Group Five as the group remains committed to the advancement of broad-based black economic empowerment.

Special resolutions

No special resolutions relating to the capital structure, borrowing powers or any other material matter that affects the understanding of the Group were passed by subsidiary companies during the year under review.

Capital expenditure

Details on capital expenditure by business are set out on page 247 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 addition 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 2011 amounts to R118 million (2010: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

BEE ownership transaction

		September 2005		30 June 2011	
	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%**	**2 347 360**	**1.9%**
Broad-based scheme (refer note 23.4.2)*	575 000	9 217	0.6%	540 081	0.4%
Black management scheme (refer note 23.4.1)	3 791 109	60 772	3.9%	1 807 279	1.5%
The Participants jointly (iLima Mvela Transaction)	**20 957 324**	**335 946**	**21.6%**	**23 125 245**	**19.1%**
iLima	10 478 662	167 973	10.8%	11 015 959	9.1%
Mvelaphanda	10 478 662	167 973	10.8%	12 109 286	10.0%
Total	**25 323 433**	**405 935**	**26.1%**	**25 472 605**	**21.0%**

(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 2011 thus prior to the return of the group's shares held by iLima Consortium.
This table thus reflects the reduction in shares still held in trust from the original transaction date
** As reported on page 54 on the CD contained within this integrated report, during the year the broad-based scheme reached its vesting date. The 540 081 shares reflected at 30 June 2011 is thus expected to be transferred to individual beneficiaries in the new financial year.*

DIRECTORS' REPORT CONTINUED

for the year ended 30 June 2011

(2010: R 54 million). The direct financial assistance, reflected as a current 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 254 of this report.

Dividends

On 5 August 2011, the directors declared a final dividend of 20 cents per ordinary share (2010: 74 cents). This brings the total dividend for the year to 72 cents (2010: 137 cents). In order to comply with the requirements of STRATE the relevant details are:

Event	Date
Last day to trade (cum-dividend)	Friday, 23 September 2011
Shares to commence trading (ex-dividend)	Monday, 26 September 2011
Record date (date shareholders recorded in books)	Friday, 30 September 2011
Payment date	Monday, 3 October 2011

No share certificates may be dematerialised or rematerialised between Monday, 26 September 2011 and Friday, 30 September 2011, 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 reports a decrease in fully diluted headline earnings per share for the year of 43.9% as a result of decreased contract trading within the Construction segment, weak performance by the Manufacturing segment in the second half of the financial year and reported losses in the Construction Materials segment. An impairment of the carrying value of non-current assets held by the Construction Materials segment of R550,5 million, discussed above, is the main difference between the reported earnings loss per share and headline earnings per share for the year. 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, pension fund deficits and non-cash fair value adjustments of R2,89. The total dividend for the year is 72 cents per share (2010: 137 cents). Refer to note 34 in the annual financial statements for additional disclosure.

Directors and secretary

The names and brief CV's of the directors appear on page 34 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 pages 254 and 72 of this report. No contracts in which the directors share an interest were entered into. The policy detailing the procedures for appointment to the board is detailed within the operational review from the company secretary, refer to page 24 on the CD contained within this integrated report. Appointments to the board are recommended by the nominations committee and considered by the Board as a whole.
This involves evaluating the existing balance of skills and experience against the needs of the group. Mr OA Mabandla and Mr DDS Robertson were appointed to the Board on 1 August 2011 and these appointments are subject to shareholder ratification. In terms of the company's Articles of Association, P Buthelezi, LE Bakoro and JL Job retire by rotation. Being eligible, they offer themselves for re-election.

Refer to page 72 of integrated annual report for disclosure on non-executive and executive directors remuneration.

Directors' shareholdings

At 30 June 2011, the number of ordinary shares held beneficially and non-beneficially by the current directors was 160 000 and 1 000 respectively (2010: 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. Refer to Annexure 6 in the annual financial statements for additional disclosure.

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.

Events after reporting date

Other than the declaration of the final dividend for the 2011 financial year on 5 August 2011 and the appointment of Mr OA Mabandla and Mr DDS Robertson as non-executive directors, subject to shareholder approval as mentioned above, the board is not aware of any matter or circumstance arising since the end of the reporting period not otherwise dealt with in the consolidated annual financial statements which significantly affects the financial position of the group as at 30 June 2011 or the results of its operations or cash flows for the year then ended.

Corporate governance

Over the past two years the group has worked closely with the Competition Commission in its investigation into the construction sector. We have been granted conditional leniency by the Commission pending the finalisation of the broader industry investigation. At this stage and on this basis the group does not deem a provision for penalties and fines to be required and has subsequently not raised a provision in these reported results.

Full details on the group's corporate governance policies and procedures are set out in the corporate governance report on page 23 on the CD contained within this integrated report.

Share option schemes

Details of the group's share option schemes are set out on page 71.

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. In the prior year the group settled the GFC1 bullet payment of R300 million via free cash flow. The R550 million bullet payment with respect to the GFC2 bond is due in the coming year in February 2012. In relation to this programme, Global Credit Ratings agency awarded 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

The policy with regard to the non-audit services provided by the external auditors is detailed within the operational review from the company secretary, refer to page 26 on the CD contained within this integrated report. It confirms that the approval of non-audit work to be carried out by the external auditors is the responsibility of the audit committee and this is included within the committee's terms of reference.

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90(6) of the Companies Act. At the annual general meeting shareholders will be requested to appoint PricewaterhouseCoopers Inc. as the group's auditors for the 2012 financial year and it is noted that AJ Rossouw will be the individual registered auditor who will undertake the audit.

Annual general meeting

The AGM will be held at 11:00 on 8 November 2011. Refer to pages 256 to 260 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 2011

R'000	Notes	GROUP 2011	2010
Construction revenue		7 350 583	9 387 636
Invoiced value of goods and services supplied		1 824 626	1 915 308
Property sales and development fees		31 789	34 644
Revenue		9 206 998	11 337 588
Cost of material		1 303 613	1 338 385
Cost of subcontractors		3 320 366	5 224 756
Direct payroll costs	4.1, 23.1	2 419 065	2 045 585
Other staff costs		129 831	99 191
Depreciation	4.2, 8	211 557	245 235
Plant costs		591 207	780 475
Manufacturing distribution costs		123 619	115 508
Site administration costs		364 860	368 871
Other administration costs		244 052	242 687
Operating expenses before fair value adjustments and impairment adjustments		8 708 170	10 460 693
Operating profit before fair value adjustments and impairment adjustments		498 828	876 895
Fair value adjustment relating to investment in property developments		13 265	–
Fair value adjustment relating to investment properties – net		2 419	–
Fair value adjustments relating to investment in service concessions		33 160	13 532
Impairment of property, plant and equipment	4.12	(550 540)	(325 569)
Operating (loss)/profit	4	(2 868)	564 858
Share of profit from associates		820	1 347
Finance income – net	5	18 361	27 871
Finance income		96 060	143 303
Finance costs		(77 699)	(115 432)
Profit before taxation		16 313	594 076
Taxation	6	(158 143)	(258 297)
(Loss)/profit after taxation from continuing operations		(141 830)	335 779
Loss for the year from discontinued operations	33	(17 214)	(22 102)
(Loss)/profit for the year		(159 044)	313 677
(Loss)/profit attributable to:			
Equity shareholders of Group Five Limited		(218 107)	267 377
Non-controlling interest		59 063	46 300
		(159 044)	313 677
(Loss)/earnings per share – basic (Rand)	7.1	(2,27)	2,80
Fully diluted (loss)/earnings per share (Rand)	7.2	(2,27)	2,56

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

R'000	GROUP 2011	2010
(Loss)/profit for the year	(159 044)	313 677
Other comprehensive income		
Exchange differences on translating foreign operations*	(45 948)	(68 889)
Other comprehensive income for the year	(45 948)	(68 889)
Total comprehensive income for the year	(204 992)	244 788
Total comprehensive income attributable to:		
Equity shareholders of Group Five Limited	(264 055)	198 488
Non-controlling interest	59 063	46 300
	(204 992)	244 788

* *with no resultant tax impact*

GROUP STATEMENT OF FINANCIAL POSITION

as at 30 June 2011

		GROUP	
R'000	Notes	2011	2010
Assets			
Non-current assets			
Property, plant and equipment	8	1 380 226	2 039 696
Investment property	9	50 231	66 877
Goodwill	10	–	24 859
Investment in associates	11	22 730	22 847
Investment in service concessions	12	253 100	224 311
Investment in property developments	13	8 691	128 691
Derivative financial instruments	19.1	–	13 178
Pension fund surplus	23.2	121 339	123 007
Deferred taxation	14	83 676	14 886
Total non-current assets		1 919 993	2 658 352
Current assets			
Inventories	15	247 178	273 501
Contracts in progress	16	506 474	754 506
Derivative financial instruments	19.1	22 403	–
Trade and other receivables	17	2 786 918	3 068 892
Bank balances and cash	30	2 234 779	3 129 990
Total current assets		5 797 752	7 226 889
Non-current assets classified as held for sale	33	53 233	65 153
Total assets		7 770 978	9 950 394
Equity and liabilities			
Equity attributable to equity holders of the parent			
Stated capital		1 307 971	1 261 135
Retained earnings		1 028 932	1 368 047
Other components of equity		(188 773)	(142 825)
		2 148 130	2 486 357
Non-controlling interest		117 565	75 055
Total equity		2 265 695	2 561 412
Non-current liabilities			
Interest-bearing borrowings	18.1	232 203	843 244
Provision for employment obligations	23.3	26 756	25 653
Provision for environmental rehabilitation	20	14 743	39 292
Deferred taxation	14	45 827	–
Total non-current liabilities		319 529	908 189
Current liabilities			
Excess billings over work done		492 103	1 043 829
Trade and other payables	21	3 813 995	4 997 188
Derivative financial instruments	19.2	–	2 609
Provision for liabilities and charges	22	80 430	76 974
Current taxation payable	29	71 838	145 480
Current portion of non-current interest-bearing borrowings	18.1	677 532	110 487
Short term borrowings	18.6	49 856	80 053
Bank overdrafts	30	–	24 173
Total current liabilities		5 185 754	6 480 793
Total liabilities		5 505 283	7 388 982
Total equity and liabilities		7 770 978	9 950 394

GROUP STATEMENT OF CASH FLOW

for the year ended 30 June 2011

		GROUP	
R'000	Notes	2011	2010
Cash flow from operating activities			
Profit before working capital changes	27	756 256	1 132 993
Working capital changes	28	(1 237 775)	58 001
Cash (utilised)/generated from operations		(481 519)	1 190 994
Finance income		96 060	143 303
Finance costs		(77 699)	(115 432)
Taxation paid	29	(254 748)	(155 631)
Dividends paid	34	(121 008)	(128 610)
Cash effects of operating activities		(838 914)	934 624
Cash flow from investing activities			
Acquisition of property, plant and equipment		(112 596)	(149 715)
Acquisition of investment property and service concessions		(20 139)	(44 685)
Acquisition of investment in property developments		–	(8 691)
Proceeds on disposal of property, plant and equipment		44 731	32 328
Proceeds on disposal of investment property		21 456	2 025
Proceeds on disposal of investment in property developments		133 265	–
Proceeds on disposal of subsidiaries		2 000	–
Proceeds on disposal of joint ventures		–	250
Cash effects of investing activities		68 717	(168 488)
Cash flow from financing activities			
Changes in associates/non-controlling interest		(18 874)	(14 163)
Long and short term borrowings raised		–	–
Long and short term borrowings repaid		(101 758)	(406 009)
Proceeds on repayment of service concession loans		22 119	11 011
Proceeds from share options		5 704	7 408
Cash effects of financing activities		(92 809)	(401 753)
Cash generated from discontinued operations	33	–	–
Effects of exchange rates on cash and cash equivalents		(8 032)	(36 990)
Net (decrease)/increase in cash and cash equivalents		(871 038)	327 393
Cash and cash equivalents at beginning of year		3 105 817	2 778 424
Cash and cash equivalents at end of year	30	2 234 779	3 105 817

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2011

	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	Distri-butable reserves R'000	Equity share-holders R'000	Non-control-ling interest R'000	Total R'000
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
Issue of shares to share trust in terms of share scheme	92 699	(92 699)	–	–	–	–	–	–	–
Issue of shares from share trust	–	669 609	669 609	5 704	–	–	5 704	–	5 704
Issue of shares in terms of BEE ownership scheme in lieu of dividends	473 342	(473 342)	–	–	–	–	–	–	–
Share option costs	–	–	–	41 132	–	–	41 132	–	41 132
Total comprehensive income	–	–	–	–	(45 948)	(218 107)	(264 055)	59 063	(204 992)
Comprehensive income:									
Net loss for the year	–	–	–	–	–	(218 107)	(218 107)	59 063	(159 044)
Other comprehensive income:									
Translation differences arising from foreign operations	–	–	–	–	(45 948)	–	(45 948)	–	(45 948)
Distribution to non-controlling interests	–	–	–	–	–	–	–	(16 553)	(16 553)
Dividends paid	–	–	–	–	–	(121 008)	(121 008)	–	(121 008)
Balance at 30 June 2011	121 477 858	(25 473 079)	96 004 779	1 307 971	(188 773)	1 028 932	2 148 130	117 565	2 265 695

The foreign currency translation reserve is the result of exchange differences arising from the translation of the group's foreign operations to the functional and presentation currency of the holding company, being Rand.

The group issues equity-settled share-based incentives to certain employees. Equity-settled share-based 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.

As reported on page 54 on the CD contained within this intigrated report, during the year the broad-based scheme reached its vesting date. 540 081 shares included in the number of shares held by shares trusts at 30 June 2011 is thus expected to be transferred to individual beneficiaries in the new financial year.

GROUP SEGMENTAL ANALYSIS

for the year ended 30 June 2011

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
Investments 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 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	– Engineering projects contractor for structural, mechanical, piping and electrical engineering, as well as complete plant construction solutions – Multi-disciplinary project delivery from feasibility through to supporting bankability and front-end design, as well as project management of contracts during execution to completion – Industrial services contractor

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.

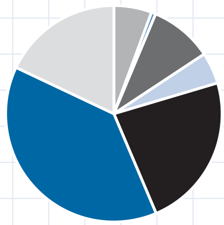
GROUP SEGMENTAL ANALYSIS CONTINUED

for the year ended 30 June 2011

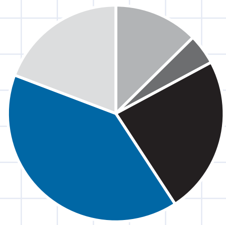
The segmental information presented below includes the reconciliation of IFRS measures presented on the face of the income statement to non-IFRS measures which are used by management to analyse the group's performance.

Financial performance: Group revenue and operating profit

Revenue



Operating profit



Note: Graphs represent F2011 values only.

2011	Gross revenue	Internal revenue	External revenue	Operating profit
R'000				
Operational segments				
Investments and Concessions	554 659	–	554 659	62 624
Infrastructure Concessions	522 870	–	522 870	73 176
Property Developments	31 789	–	31 789	(10 552)
Manufacturing	997 375	(129 852)	867 523	26 342
Construction Materials	514 858	(80 625)	434 233	(68 157)
Construction	7 404 220	(53 637)	7 350 583	480 318
Building and Housing	2 174 074	(31 070)	2 143 004	136 900
Civil Engineering	3 550 849	(2 488)	3 548 361	231 904
Engineering	1 679 297	(20 079)	1 659 218	111 514
	9 471 112	(264 114)	9 206 998	501 127
Adjustment for non-operational items				
Pension fund valuation deficit				(2 000)
Loss on disposal of subsidiary				(299)
Operating profit before fair value and impairment adjustments per income statement				498 828

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
Civil Engineering	4 784 482	(70 995)	4 713 487	290 001
Engineering	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

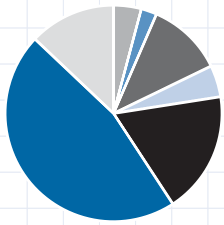
Sales between segments are carried out at arm's length and are reflected above.

GROUP SEGMENTAL ANALYSIS CONTINUED

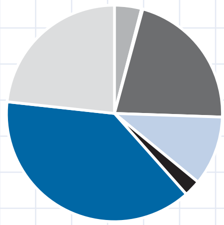
for the year ended 30 June 2011

Financial position: Current assets and capital expenditure

Current assets



Capital expenditure



Note: Graphs represent F2011 values only.

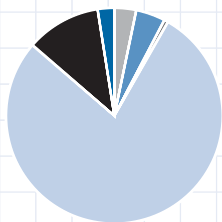
R'000 Operational segments	2011	2010	2011	2010
Investments and Concessions	231 280	148 800	6 376	9 706
Infrastructure Concessions	147 205	63 815	6 081	8 287
Property Developments	84 075	84 985	295	1 419
Manufacturing	402 767	411 673	32 020	23 302
Construction Materials	168 731	169 745	15 616	41 747
Construction	2 760 195	3 366 681	96 340	135 271
Building and Housing	650 514	775 751	3 745	6 622
Civil Engineering	1 649 477	2 009 224	57 596	109 052
Engineering	460 204	581 706	34 999	19 597
	3 562 973	4 096 899	150 352	210 026
Bank balances and cash	2 234 779	3 129 990	–	–
Total current assets per statement of financial position	5 797 752	7 226 889		
Property, plant and equipment – additions (note 8)			150 352	210 026

The measures of current assets and capital expenditure have been disclosed for each reportable segment as these are regularly provided to exco.

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 F2011 values only.

Geographical regions	2011	2010
Eastern Europe	300 358	370 946
Middle East	405 211	768 143
Eastern Africa	25 550	177 600
Southern Africa	7 216 252	9 335 238
Central Africa	1 030 594	447 879
Western Africa	229 033	237 782
	9 206 998	11 337 588
Per income statement	9 206 998	11 337 588

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 pages 244 to 247 for details.

ACCOUNTING POLICIES

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.

The consolidated financial statements include those of the holding company, its subsidiaries, joint ventures and associates.

To assist with improved disclosures some comparatives have been restated. None of these items were material.

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 ventures have been changed where necessary to ensure consistency with policies adopted by the group.

f) 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

ACCOUNTING POLICIES CONTINUED

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 when there is an indication/indicators 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 192.

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 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 and probable 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 and probable mineral reserves. Dumps are depreciated over the period of treatment.

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 three to ten years. The estimated useful lives and residual values are reviewed annually.

f) Computerware and 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

ACCOUNTING POLICIES CONTINUED

lives are generally three years. The estimated useful lives and residual values are reviewed annually.

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. 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 amount 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, and 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 for impairment when there is an indication 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 judgments 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.

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).

ACCOUNTING POLICIES CONTINUED

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.

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 aggregates 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 revenue 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.

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.

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.

ACCOUNTING POLICIES CONTINUED

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 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 251 to 253 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 judgments

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 judgments concerning the future that affect 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 judgments can, by definition, only approximate the actual results. Estimates and judgments 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 judgment 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 and property, plant and equipment

The group continually assesses the recoverability of any goodwill and property, plant and equipment (including mining assets) carried on the statement of financial position. In determining the recoverable amount future cash flows are estimated. Expected cash flows are inherently uncertain and could change over time. They are affected by a number of factors including estimates of cost of production, sustaining capital expenditure and product markets.

The key assumptions for the discounted cash flows are as follows:

Expected volume and expected selling prices: Cash flows are based on financial forecasts approved by management covering the life of the mine and are dependent on achieving these volumes and selling prices. No volume growth or real price increases were assumed after the initial forecast period. Average forecast volumes are substantially in line with existing volumes.

Discount rate: The discount rate of 13.6% is derived from the company's weighted average cost of capital of 12.80% adjusted for specific industry risks.

Inflation rate: Cash flows are based on CPI inflation of 5.5% adjusted for building material inflation.

An impairment of R525,7 million (2010: R325,6 million) has been recognised with respect to property, plant and equipment (refer note 8) and R24,9 million (2010: Rnil) with respect to goodwill (refer to note 10).

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

ACCOUNTING POLICIES CONTINUED

estimate the construction services and activities performed to date as a proportion of the total services and activities to be performed. In addition, judgments 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 15 and 17 for additional disclosure.)

2.8 Estimate of taxation

The group is subject to income tax in numerous jurisdictions. Judgment 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 judgments 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 of 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 notes 23.2 and 23.3.

Where valuations are not performed at year end, a review of key assumptions used in the most recent valuation are performed at reporting date to ensure that no material changes in assumptions have 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 risk free rate of 7.0% (2010: 13.68%) and an average inflation rate of 4.5% (2010: 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 judgment 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

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 32 (Amendment): Financial Instruments: Presentation – Classification of Rights Issues	Amendment	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. No impact on the annual financial statements.
IFRS 2 (Amendment): Share-based Payments – Group Cash-settled Share-based Payment Transactions	Amendment	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. No impact on the annual financial statements.
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	New interpretation	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. No impact on the annual financial statements.
Certain improvements to IFRSs 2009	Improvement	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. No impact on the annual financial statements.
Certain improvements to IFRSs 2010	Improvement	

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Adoption of new accounting standards, amendments to standards and interpretations continued

At the date of issue of these financial statements, the following standards and interpretations were in issue but not effective yet:

Accounting standard/interpretation	Type	Effective date
IAS 1 (Amendment) Presentation of Financial Statements	Amendment	Effective for financial periods beginning on or after 1 July 2012.
IAS 12 (Amendment) Income Taxes – Deferred Tax: Recovery of Underlying Assets	Amendment	Effective for financial periods beginning on or after 1 January 2012.
IAS 19 (Amendment) Employee Benefits	Amendment	Effective for financial periods beginning on or after 1 January 2013.
IAS 24 (Revised): Related Party Disclosures	Amendment	Effective for financial periods beginning on or after 1 January 2011.
IAS 27 (Amended) Separate Financial Statements	Amendment	Effective for financial periods beginning on or after 1 January 2013.
IAS 28 (Amended) Investments in Associates and Joint Ventures	Amendment	Effective for financial periods beginning on or after 1 January 2013.
IFRS 7 (Amendment): Financial Instruments: Disclosures – Transfer of Financial Assets	Amendment	Effective for financial periods beginning on or after 1 July 2011.
IFRS 9: Financial Instruments	New	Effective for financial periods beginning on or after 1 January 2013.
IFRS 9 (Amendment): Financial Instruments	Amendment	Effective for financial periods beginning on or after 1 January 2013.
IFRS 10 Consolidated Financial Statements	New	Effective for financial periods beginning on or after 1 January 2013.
IFRS 11 Joint Arrangements	New	Effective for financial periods beginning on or after 1 January 2013.
IFRS 12 Disclosure of Interest in Other Entities	New	Effective for financial periods beginning on or after 1 January 2013.
IFRS 13 Fair Value Measurement	New	Effective for financial periods beginning 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	Effective for financial periods beginning on or after 1 January 2011.
Improvements to IFRSs 2010	Improvement	Each improvement has its own effective date but the earliest is 1 July 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.

IAS 1 (Amendment) Presentation of Financial Statements – The amendment requires entities to separate items presented in other comprehensive income (OCI) into two groups based on whether or not they may be recycled to profit or loss in the future.

IAS 12 (Amendment) Income Taxes – Deferred Tax: Recovery of Underlying Assets – The amendment provides a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 *Investment Property*. Under IAS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or selling it. However, it is often difficult and subjective to determine the expected manner of recovery when the investment property is measured using the fair value model in IAS 40. To provide a practical approach in such cases, the amendments introduce a presumption that the investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

IAS 19 (Amendment) Employee Benefits – The amendments eliminates the option to defer the recognition of actuarial gains and losses, streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including the requirement that remeasurements be presented in other comprehensive income, and enhances the disclosure requirements for defined benefit plans to provide better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

IAS 24 (Revised): Related Party Disclosures – The revision simplifies the disclosure requirements for government related entities and clarifies the definition of related party.

IAS 27 (Amended) Separate Financial Statements – IFRS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity elects or is required by local regulations to present separate financial statements. The standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments*.

IAS 28 (Amended) Investments in Associates and Joint Ventures – The new IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

IFRS 7 (Amendment): Financial Instruments: Disclosures – Transfer of Financial Assets – The amendment will allow users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. It will also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of the reporting period.

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.

IFRS 9 (Amendment): Financial Instruments – The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39 *Financial Instruments: Recognition and Measurement*, without change, except for financial liabilities that are designated at fair value through profit or loss. The amendment introduces new requirements that address the problem of volatility in profit or loss (P&L) arising from an issuer choosing to measure its own debt at fair value. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income (OCI) section of the income statement, rather than within P&L.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Adoption of new accounting standards, amendments to standards and interpretations continued

IFRS 10 Consolidated Financial Statements – IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities and supersedes IAS 27 *Consolidated and Separate Financial Statements*. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. The revised definition of control focuses on the need to have both power and variable returns before control is present. The standard provides additional guidance to assist in determination of control where this is difficult to assess.

IFRS 11 Joint Arrangements – IFRS 11 establishes principles for financial reporting by parties to a joint arrangement and supersedes IAS 31 *Interests in Joint Venture*. IFRS 11 classifies joint arrangements into joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The focus is no longer on the legal structure. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

IFRS 12 Disclosure of Interest in Other Entities – IFRS 12 is a comprehensive standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard requires entities to disclose information that helps financial statement readers to evaluate the nature, risk and financial effects associated with the entity's interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

IFRS 13 Fair Value Measurement – IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value, and sets out disclosure requirements on fair value measurements.

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.

Improvements to IFRSs 2010 – Improvements to IFRS is a collection of amendments to International Financial Reporting Standards (IFRS). These amendments are the result of conclusions the board reached on proposals made in its annual improvements project.

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.

R'000		GROUP 2011	2010
4.	**Operating profit**		
	Operating profit is stated after charging/(crediting):		
4.1	Staff costs including retirement, benefit contributions (see note 23.1)	2 419 065	2 045 585
4.2	Depreciation	211 557	245 235
	Owner occupied land and buildings	6 315	3 528
	Mining assets and undeveloped mining resources	7 179	15 765
	Factory plant	33 247	35 725
	Mobile plant and vehicles – purchased	88 412	108 477
	Mobile plant and vehicles – leased	41 693	39 640
	Computerware and development costs – purchased	26 264	24 743
	Computerware and development cost – leased	1 079	8 559
	Furniture, fittings and other items – purchased	7 368	8 798
4.3	Profit on disposal of investment property	–	(35)
4.4	Loss/(profit) on disposal of property, plant and equipment	1 156	(336)
4.5	(Profit)/loss on disposal of subsidiary	(1 959)	4 085
4.6	Foreign exchange losses – net	26 643	6 748
4.7	Fair value losses on financial instruments		
	Forward exchange contract	–	1 762
	Ineffectiveness on fair value hedge	–	2 359
4.8	Auditors' remuneration	16 447	15 971
	Audit fees	14 253	12 882
	Fees for other services	2 194	3 089
4.9	Rentals under operating leases	52 092	40 321
	Land and buildings	43 734	37 630
	Other equipment	8 358	2 691
4.10	Remuneration other than to employees	3 410	4 810
	Management services	1 452	1 253
	Technical services	1 958	3 557
4.11	Other site and administration cost		
	Security	51 943	77 438
	Electricity and Water	35 619	35 025
	Safety	47 617	73 530
	Telephone	48 349	40 507
4.12	Impairment of property, plant and equipment – construction materials segment	550 540	325 569
	Mining assets and undeveloped mining resources	419 000	253 944
	Factory plant	74 996	71 625
	Mobile plant and vehicles – purchased	8 081	–
	Mobile plant and vehicles – leased	23 604	–
	Goodwill	24 859	–

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

R'000	GROUP 2011	GROUP 2010
5. Finance income – net		
Finance income:	96 060	143 303
Bank balances	83 312	134 383
Net interest on interest rate swap	12 748	8 920
Finance costs:	(77 699)	(115 432)
Bank overdraft	(1 762)	(1 206)
Unsecured bond interest	(37 852)	(68 700)
Other borrowings	(38 085)	(45 526)
Total finance income – net	18 361	27 871
No interest was capitalised in the current or prior financial year		
6. Taxation		
South African normal taxation		
Current taxation	(91 676)	(143 956)
– current year	(91 016)	(151 332)
– prior year	(660)	7 376
Foreign taxation (including withholding tax)		
Current taxation	(82 333)	(75 896)
– current year	(65 444)	(68 287)
– prior year	(16 889)	(7 609)
Deferred taxation	22 963	(31 638)
– current year	22 963	(31 638)
Secondary Taxation on Companies (STC)	(7 097)	(6 807)
	(158 143)	(258 297)
	%	%
Reconciliation of normal taxation rate	28.0	28.0
South African normal taxation rate		
Adjusted for:		
– Tax at rates in higher tax jurisdictions	1.8	1.0
– Deferred tax assets not raised	3.6	1.6
– Tax over provided in respect of prior years	(1.2)	–
– STC on dividends	1.3	1.1
– Expenses not (taxable)/deductible for tax purposes	(0.5)	1.9
Effective rate of taxation before unusual items	33.0	33.6
Impact of unusual items on current taxation rate	(1 002.4)	9.9
Effective rate of taxation	(969.4)	43.5
Reconciliation of cash tax rate		
Effective rate of taxation before unusual items	33.0	33.6
Temporary differences	5.8	(7.7)
Movement in current taxation payable	6.1	(9.0)
Effective rate of taxation paid before unusual items	44.9	16.9
Estimated taxation losses available for set-off against future taxable income	72 246	34 154
Potential taxation relief at current taxation rates	20 229	9 995

The deferred tax assets depend on sufficient taxable income being earned in future by the subsidiaries concerned.

Unutilised STC credits available R13,3 million (2010: RNil million)

R'000		GROUP 2011	2010
7.	**Earnings per share**		
7.1	**(Loss)/earnings per share – basic**		
	(Loss)/profit for the year – attributable to shareholders	(218 107)	267 377
	Shares outstanding 1 July	95 335	94 614
	Weighted average number of shares issued during the year	779	764
	Weighted average number at end of year	96 114	95 378
	(Loss)/earnings per share (R)	(2,27)	2,80
7.2	**Fully diluted (loss)/earnings per share**		
	(Loss)/profit for the year – income attributable to shareholders	(218 107)	267 377
	Weighted average number of shares issued during the year	96 114	95 378
	Adjusted for:		
	– Inclusion of dilutive shares held by share trusts ('000)	973	1 453
	– Inclusion of dilutive shares in terms of iLima Mvela Transaction (refer to page 185) ('000)	4 050	7 545
	Adjusted weighted average number of shares ('000)	101 137	104 376
	Fully diluted (loss)/earnings per share (R)*	(2,27)	2,56
7.3	**(Loss)/earnings per share from continuing operations**		
	(Loss)/profit after taxation from continuing operations	(141 830)	335 779
	Less: attributable to non-controlling interest	(59 063)	(46 300)
	(Loss)/profit from continuing operations	(200 893)	289 479
	Weighted average number of shares ('000)	96 114	95 378
	(Loss)/earnings per share from continuing operations (R)	(2,09)	3,04
7.4	**Fully diluted earnings per share from continuing operations**		
	(Loss)/profit after taxation from continuing operations	(141 830)	335 779
	Less: attributable to non-controlling interest	(59 063)	(46 300)
	(Loss)/profit from continuing operations	(200 893)	289 479
	Adjusted weighted average number of shares ('000)	101 137	104 376
	Fully diluted (loss)/earnings per share from continuing operations (R)*	(2,09)	2,77

* *As the group report a loss in 2011 the effect of the share trusts and iLima Mvela transaction are anti-dilutive and hence fully diluted loss per share equates the basic loss per share in 2011.*

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

		GROUP			
		2011		2010	
R'000		Gross pre-tax	Net	Gross pre-tax	Net
7.	**Earnings per share** continued				
7.5	**Headline earnings per share**				
	(Loss)/profit for the year		(218 107)		267 377
	Adjusted for:	568 849	536 989	351 385	318 534
	– Loss on disposal of property, plant and equipment and investment property	1 156	832	(371)	(267)
	– Loss on disposal of subsidiary	299	574	4 085	3 567
	– Net profit on fair value adjustment on investment property	(2 419)	(3 252)		
	– Impairment of property, plant and equipment	550 540	521 621	325 569	293 132
	– Losses on disposal of discontinued operations	19 273	17 214	22 102	22 102
	Headline earnings		318 882		585 911
	Weighted average number of shares ('000)		96 114		95 378
	Headline earnings per share (R)		3,32		6,14
7.6	**Fully diluted headline earnings per share**				
	Headline earnings		318 882		585 911
	Adjusted weighted average number of shares ('000)		101 137		104 376
	Fully diluted headline earnings per share (R)		3,15		5,61
7.7	**Headline earnings per share from continuing operations**				
	(Loss)/income available to shareholders from continuing operations		(200 893)		289 479
	Adjusted for headline items		519 775		296 432
	Headline earnings from continuing operations		318 882		585 911
	Weighted average number of shares ('000)		96 114		95 378
	Headline earnings per share from continuing operations (R)		3,32		6,14
7.8	**Fully diluted headline earnings per share from continuing operations**				
	(Loss)/income available to shareholders from continuing operations		(200 893)		289 479
	Adjusted for headline items		519 775		296 432
	Headline earnings from continuing operations		318 882		585 911
	Adjusted weighted average number of shares ('000)		101 137		104 376
	Fully diluted headline earnings per share from continuing operations (R)		3,15		5,61

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 185, 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. Thus, when finalised the fully diluted number of shares reported will reduce. Included in the reported dilution is an amount of 1,9 million shares relating to iLima Consortium.

8. Property, plant and equipment

R'000	GROUP 2011	2010
Total property, plant and equipment		
Cost		
At the beginning of the year	3 342 611	3 215 917
Rehabilitation provision remeasurement	(26 698)	–
Additions	150 352	210 026
Disposals	(114 162)	(83 332)
At the end of the year	3 352 103	3 342 611
Accumulated depreciation		
At the beginning of the year	(1 302 915)	(783 451)
Impairment of asset	(525 681)	(325 569)
Current year charge	(211 557)	(245 235)
Disposals	68 276	51 340
At the end of the year	(1 971 877)	(1 302 915)
Net book value	1 380 226	2 039 696
Owner occupied land and buildings		
Cost		
At the beginning of the year	116 206	102 311
Additions	4 492	6 565
Transfers	2 921	17 275
Disposals	(1 163)	(9 945)
At the end of the year	122 456	116 206
Accumulated depreciation		
At the beginning of the year	(25 787)	(23 451)
Current year charge	(6 315)	(3 528)
Transfers	–	(85)
Disposals	263	1 277
At the end of the year	(31 839)	(25 787)
Net book value	90 617	90 419
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	1 052 465
Rehabilitation provision remeasurement	(26 698)	–
At the end of the year	1 025 767	1 052 465
Accumulated depreciation		
At the beginning of the year	(314 252)	(44 543)
Impairment of mining asset and undeveloped mining resources	(419 000)	(253 944)
Current year charge	(7 179)	(15 765)
At the end of the year	(740 431)	(314 252)
Net book value	285 336	738 213
Capital work in progress		
Cost		
At the beginning of the year	28 934	34 554
Additions	27 937	37 659
Transfers	(21 412)	(43 279)
At the end of the year	35 459	28 934

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

R'000	GROUP 2011	GROUP 2010
8. Property, plant and equipment continued		
Factory plant		
Cost		
At the beginning of the year	485 972	436 057
Additions	14 314	7 522
Transfers	3 527	43 491
Disposals	(4 381)	(1 098)
At the end of the year	499 432	485 972
Accumulated depreciation		
At the beginning of the year	(277 554)	(168 905)
Impairment of asset	(74 996)	(71 625)
Current year charge	(33 247)	(35 725)
Transfers	491	(2 286)
Disposals	221	987
At the end of the year	(385 085)	(277 554)
Net book value	114 347	208 418
Mobile plant and vehicles – purchased		
Cost		
At the beginning of the year	1 064 421	990 483
Additions	66 615	92 438
Transfers	24 579	24 432
Disposals	(61 896)	(42 932)
At the end of the year	1 093 719	1 064 421
Accumulated depreciation		
At the beginning of the year	(479 181)	(383 636)
Impairment of assets	(8 081)	–
Current year charge	(88 412)	(108 477)
Transfers	(8 365)	(9 700)
Disposals	22 045	22 632
At the end of the year	(561 994)	(479 181)
Net book value	531 725	585 240
Mobile plant and vehicles – leased		
Cost		
At the beginning of the year	364 618	374 116
Additions	21 080	46 654
Transfers	(11 915)	(54 090)
Disposals	(4 996)	(2 062)
At the end of the year	368 787	364 618
Accumulated depreciation		
At the beginning of the year	(59 985)	(33 309)
Impairment of assets	(23 604)	–
Current year charge	(41 693)	(39 640)
Transfers	7 874	12 023
Disposals	4 192	941
At the end of the year	(113 216)	(59 985)
Net book value	255 571	304 633

R'000	GROUP 2011	2010
8. Property, plant and equipment continued		
Computerware and development costs – purchased		
Cost		
At the beginning of the year	133 349	108 677
Additions	11 598	13 805
Transfers	2 300	14 314
Disposals	(20 918)	(3 447)
At the end of the year	126 329	133 349
Accumulated depreciation		
At the beginning of the year	(74 302)	(50 240)
Current year charge	(26 264)	(24 743)
Transfers	–	(1 007)
Disposals	20 790	1 688
At the end of the year	(79 776)	(74 302)
Net book value	46 553	59 047
Computerware and development costs – leased		
Cost		
At the beginning of the year	34 666	59 696
Transfers	–	(3 123)
Disposals	(20 119)	(21 907)
At the end of the year	14 547	34 666
Accumulated depreciation		
At the beginning of the year	(30 138)	(44 547)
Current year charge	(1 079)	(8 559)
Transfers	–	1 061
Disposals	20 119	21 907
At the end of the year	(11 098)	(30 138)
Net book value	3 449	4 528
Furniture, fittings and other items – purchased		
Cost		
At the beginning of the year	61 980	57 558
Additions	4 316	5 383
Transfers	–	980
Disposals	(689)	(1 941)
At the end of the year	65 607	61 980
Accumulated depreciation		
At the beginning of the year	(41 716)	(34 820)
Current year charge	(7 368)	(8 798)
Transfers	–	(6)
Disposals	646	1 908
At the end of the year	(48 438)	(41 716)
Net book value	17 169	20 264

Property, plant and equipment is tested for impairment when there is an indication for impairment. This requires an estimation of the recoverable amount. Refer to note 2.3 for details on the estimates used.

The carrying amount of the Construction Materials segment has been reduced to its recoverable amount through a recognition of impairment against property, plant and equipment. This loss has been included in the income statement. This impairment is necessary as a result of a further deterioration of trading conditions and increased uncertainty in the aggregates markets. The reduction in workflow into the Gauteng construction sector has resulted in industry volumes and prices within the aggregates markets dropping substantially below the groups original forecast levels and thus management have deemed it appropriate to impair the property, plant and equipment carried within the construction materials segment.

Refer to note 18.4 for details on the total carrying amount of assets encumbered.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

R'000	GROUP 2011	2010
9. Investment property		
Fair value at the beginning of the year	66 877	12 371
Additions	2 391	16 208
Transfer from property in developments	–	40 288
Fair value adjustment	2 419	–
Disposal	(21 456)	(1 990)
Fair value at end of year	50 231	66 877

Investment properties held on the statement of financial position consist of the following:

30 June

Name	Description	Initial cost	R'000	R'000
Sandton Greenoaks	25% owner of vacant land in Sandton	10 671	–	10 388
Sandton Starleith	25% owner of vacant land in Sandton	9 392	9 392	9 370
Gugulethu Square	18.75% owner of shopping centre in Gugulethu Cape Town	49 205	40 839	47 119
		69 268	50 231	66 877

In assessing the fair value of investment property, valuations consider title deed information, town planning conditions, locality and improvements made to the property. 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.

The income-producing investment property was valued by independent valuator Rode & Associates as at 30 June 2011, who has experience in the valuation of similar investment property. The valuation was performed using the opportunity cash flow method, which is a combination of the capitalisation and discount approaches to investment property valuations. In determining a fair value of the investment property, the assumption was made that the investment property is fully let at open-market related rentals. The gross rental is adjusted for typical market related operating costs as well as for a long term market related vacancy factor. The net market income is capitalised using a market capitalisation rate adjusted for possible risk applicable to the specific investment property. In comparing the carrying value of the income-producing investment property to the independent valuation performed, a fair value downward adjustment was deemed necessary due to movements in market related capitalisation rates.

The determination of a 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 pertaining to the specific investment property.

Internal valuations were performed by management at 30 June 2011 on vacant land investment property. In comparing the carrying value of investment property to the internal valuations performed, using applicable and available market related information, management deems the carrying value of investment property to be market related and no fair value adjustment is deemed necessary.

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 2011)	Increase/(decrease) in fair value and hence profit before taxation as assessed at 30 June 2011 R'000	Increase/(decrease) in fair value and hence profit before taxation as assessed at 30 June 2010 R'000
15.0% increase in vacancy factor (2010: 30.0%)	(344)	(1 140)
15.0% decrease in vacancy factor (2010: 30.0%)	344	1 140
3.2% increase in capitalisation factor (2010: 10.3%)	(1 217)	(5 940)
3.2% decrease in capitalisation factor (2010: 10.3%)	1 297	5 940

R'000	GROUP 2011	2010
10. Goodwill		
Net book value		
– At the beginning of the year	24 859	24 859
– Impairment charge	(24 859)	–
Balance at the end of the year	–	24 859
Cost	24 859	24 859
Accumulated impairment	(24 859)	–
Balance at the end of the year	–	24 859
Per segment		
– Construction Materials	–	24 859
There is no unallocated goodwill.		

Impairment tests are conducted annually or when an indication of impairment exists. This requires an estimation of the recoverable amount. Refer to note 2.3 for details on the estimates used.

The carrying amount of the Construction Materials segment has been reduced to its recoverable amount through a recognition of impairment against goodwill. This loss has been included in the income statement. This impairment is necessary as a result of a further deterioration of trading conditions and increased uncertainty in the aggregates markets. The reduction in workflow into the Gauteng construction sector has resulted in industry volumes and prices within the aggregates markets dropping substantially below the groups original forecast levels and thus management have deemed it appropriate to impair the goodwill carried within the construction materials segment.

R'000	GROUP 2011	2010
11. Investment in associates		
Unlisted associates		
Shares at cost	13 532	13 493
Loan to associates	7 572	6 290
Group's share of distributable reserves	3 884	3 064
Impairment	(2 258)	–
	22 730	22 847
Total non-financial instruments included in investment in associates	15 158	16 557
Total financial instruments included in investment in associates	7 572	6 290
	22 730	22 847

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 253.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

R'000	GROUP 2011	2010
12. Investment in service concessions		
At fair value	253 100	224 311

The investments consist of the group's interest in foreign toll road concessions.

Details of the investments at 30 June 2011 are as follows:

Name of road	Country	Km	% interest	Concession period	Current status	2011	2010
A1 (Phase II)	Poland	61	15	30 years	Construction in progress; operations expected to commence October 2011		
A1 (Phase I)	Poland	90	15	30 years	Operational	168 776	147 800
M6 (Phase III)	Hungary	78	10	28 years	Operational	84 324	76 511
						253 100	224 311

R'000	2011	2010
The movement in investment in service concessions may be summarised as follows:		
Opening balance at the beginning of the year	224 311	186 482
Additions	17 748	35 309
Loans	(22 119)	(11 012)
Fair value adjustments through profit and loss	33 160	13 532
Closing balance at the end of the year	253 100	224 311
The investments in concessions are denominated in the following currencies:		
Hungarian forint	84 324	76 511
Polish Zloty	168 776	147 800
Closing balance at the end of the year	253 100	224 311

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.

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 2011.

The effect, when varying Euro-Rand exchange rates by 10% on fair values of these investments, is R25 million.

Similarly, every 10% increase or decrease in the discount rates used in the of valuation results in a decrease or increase in the valuation of between R18,7 – R21,8 million.

R'000			GROUP 2011	2010
13. Investment in property developments				
At fair value			8 691	128 691
The investments consist of the group's interest in local property development companies. Details of the investments at 30 June 2011 are as follows:				
Name	Country	% interest		
Waterfall Development Company	South Africa	15%	–	120 000
Sandton Wedgewood	South Africa	10.5%	8 691	8 691
			8 691	128 691
The movement in investment in property developments may be summarised as follows:				
Opening balance at the beginning of the year			128 691	120 000
Additions			–	8 691
Fair value adjustments through profit and loss			13 265	–
Disposals			(133 265)	–
Closing balance at the end of the year			8 691	128 691
The investments in property development is denominated in the following currency:				
South African Rand			8 691	128 691
Closing balance at the end of the year			8 691	128 691

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.

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 Limited, held the development rights for approximately 1,4 million square metres of mainly commercial bulk to be developed between Johannesburg and Midrand (the Waterfall Farm). During the financial year under review AIH performed a share buy back to purchase WDC's entire interest held in AIH. The group still expects to extract opportunities for the group from the 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.

The investment in property developments is valued at fair value using the valuation performed by the directors. In comparing the carrying value of the investment in property developments to the internal valuation performed, an upwards fair value adjustment was recognised.

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 three to five 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 2011 R'000	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 (2010: 5.0%)	2 299	4 125
5.0% decrease in developable bulk m^2 (2010: 5.0%)	(4 145)	(4 125)
9.5% increase in market related office stand values (2010: 6.1%)	3 086	5 000
9.5% decrease in market related office stand values (2010: 6.1%)	(7 909)	(5 000)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

R'000	GROUP 2011	GROUP 2010
14. Deferred taxation		
Deferred taxation asset	83 676	25 117
Deferred taxation liability	(45 827)	(10 231)
Net deferred taxation asset at year end	37 849	14 886
Balance at beginning of year	14 886	46 524
Income/(charge) to the income statement	22 963	(31 638)
Balance at end of year	37 849	14 886
The closing balance deferred taxation asset is attributable to the following items:		
Capital allowances	(63 420)	(87 677)
Provisions	69 891	71 497
Contract allowances	(5 072)	(4 389)
Estimated tax losses	36 450	35 455
	37 849	14 886

2011: Deferred taxation reversal	Total deferred taxation asset/(liability)	Expected to reverse in 1 year	2 – 5 years	>5 years
Capital allowances	(63 420)	(4 956)	(58 464)	–
Provisions	69 891	69 891	–	–
Contract allowances	(5 072)	(5 072)	–	–
Estimated tax losses	36 450	11 263	25 187	–

2010: Deferred taxation reversal	Total deferred taxation asset/(liability)	Expected to reverse in 1 year	2 – 5 years	>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	35 455	7 075	28 380	–
	14 886	55 778	(19 751)	(21 141)

R'000	GROUP 2011	GROUP 2010
15. Inventories		
Property developments in progress	67 324	72 888
Consumable stores	34 641	34 044
Manufacturing finished goods	82 335	94 066
Manufacturing work in progress	9 450	13 466
Manufacturing materials	53 428	59 037
	247 178	273 501
Inventory obsolescence (deducted from carrying value of inventories above)		
Balance at end of year	1 295	4 344
No inventories are encumbered		

R'000	GROUP 2011	2010
16. Contracts in progress		
Costs incurred plus profits recognised, less estimated losses relating to contracts in progress at year end	12 520 174	7 503 849
Progress billings	(12 013 700)	(6 749 343)
	506 474	754 506
17. Trade and other receivables		
Trade and other receivables include:		
Financial instruments		
– Contract debtors	1 308 851	1 856 887
– Less provision for impairment of contract debtors	(25 193)	(29 998)
– Trade debtors	547 564	423 190
– Less provision for impairment of trade debtors	(41 462)	(16 333)
– Retention debtors	192 420	187 309
– Other receivables	283 161	342 240
– Amounts owing by joint venture partners	365 020	78 563
– Loan to related party – iLima	117 552	117 552
Total financial instruments included in trade and other receivables	2 747 913	2 959 410
Non-financial instruments		
– Prepayments	39 005	109 482
Total non-financial instruments included in trade and other receivables	39 005	109 482
	2 786 918	3 068 892

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 contract and trade debtors balance are debtors with a carrying amount of R508 million (2010: R484 million) which are past due at the reporting date for which the group has not provided as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The group does not hold collateral over these balances.

R'000	GROUP 2011	2010
Analysis of the age of financial assets that are past due but not impaired		
One month past due	40 354	39 358
Two months past due	23 947	17 034
Three months past due	55 654	11 409
Four months and greater past due	388 105	415 864
Total	508 060	483 665
Analysis of financial assets that are past due but not impaired by region		
– Middle East	330 310	323 888
– Eastern Africa	–	30 000
– Southern Africa	147 414	103 292
– Central Africa	16 923	20 590
– Western Africa	13 413	5 895
	508 060	483 665

In line with IFRS7 par 6, the group discloses trade receivables that are past due but not impaired by region as management monitors the trade receivables on this basis.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

R'000	GROUP 2011	2010
17. Trade and other receivables continued		
Reconciliation of the provision for impairment of trade receivables		
Opening balance	46 331	31 510
Charges against the provision	20 420	18 830
Bad debts written off	(96)	(4 009)
Closing balance	66 655	46 331
Analysis of impaired trade receivables		
Included in the provision for impairment of trade receivables are individually impaired trade receivables with a balance of R72,6 million (2010: R46,6 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	72 678	46 616
Less: impairment loss against these trade receivables	(66 655)	(46 331)
	6 023	285
Analysis of gross value of trade receivables that have been individually impaired by region		
Middle East	9 628	9 473
Southern Africa	55 190	27 532
Central Africa	7 860	9 611
	72 678	46 616
In line with IFRS 7 par 6, the group discloses trade receivables that have been individually impaired by region as management monitors the trade receivables on this basis.		
Ageing of gross value of trade receivables that have been individually impaired		
One month past due	876	1 147
Two months past due	465	532
Three months past due	2 910	602
Four months and greater past due	68 427	44 335
	72 678	46 616
Carrying amount per currency		
The carrying amounts of the group's trade and other receivables are denominated in the following currencies:		
South African Rand	1 629 816	1 685 511
US Dollars	265 831	255 574
United Arab Emirates Dirham	705 510	982 504
Other	185 761	145 303
	2 786 918	3 068 892

GROUP

R'000	2011	2010

18. Borrowings

18.1 Interest-bearing borrowings

	2011	2010
Unsecured bonds (note 18.3)	573 792	569 698
Secured loans bearing variable interest at rates ranging from 6.5% (2010: 7.5%) to 9.0% (2010: 9.0%) per annum	299 807	350 808
Unsecured loans bearing variable interest at rates ranging from 10% to 11% per annum	36 136	33 225
	909 735	953 731
Less: current portion disclosed on face of statement of financial position	(677 532)	(110 487)
	232 203	843 244
Repayable during the years ending 30 June		
2011	–	110 487
2012	677 532	683 094
2013	114 514	76 270
2014	76 078	72 236
2015	19 288	11 644
2016	22 323	–
	909 735	953 731

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	
	2011	2010	2011	2010
Unsecured bonds	–	565 836	–	491 462
Secured loans	204 566	244 413	168 621	197 608
Unsecured loans	27 637	32 995	22 840	28 660
	232 203	843 244	191 461	717 730

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 and hence the fair value of this bond is reflected within the current portion of interest-bearing borrowings

GROUP

18.4 Secured loans

	2011	2010
Secured loans are secured over:		
Mobile plant, vehicles and computer equipment with a net book value of	259 021	309 161

18.5

R'000	Less than one year	Between one and five years	Total
2011			
Minimum lease payments	**111 476**	**228 434**	**339 910**
Lease finance charges	**(16 235)**	**(23 868)**	**(40 103)**
	95 241	**204 566**	**299 807**
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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

R'000	GROUP 2011	2010
18. Borrowings continued		
18.6 Short term borrowings		
Property development borrowings bearing interest at 8.9% pa (2010: 10.49% pa)	49 856	80 053

R'000	GROUP 2011 Assets	2011 Liabilities	2010 Assets	2010 Liabilities
19. Derivative financial instruments				
19.1 Derivatives designated as a hedge				
Total interest rate swaps – fair value hedges	22 403	–	13 178	–
Less: non-current portion: interest rate swaps – fair value hedges	–	–	(13 178)	–
Current portion: interest rate swaps – fair value hedges	22 403	–	–	–
The ineffective portion recognised in profit or loss that arises from fair value hedges amounted to a profit of R5,2 million (2010: R2,4 million loss).				
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
Less: non-current portion: forward foreign exchange contracts – held for trading	–	–	–	–
Current portion: forward foreign exchange contracts – held for trading	–	–	–	2 609

R'000	GROUP 2011	2010
20. Provision for environmental rehabilitation		
At 1 July	39 292	40 550
Unwinding of discount	2 750	5 547
(Reversed)/charged to the income statement	(241)	362
Released from provisions	(360)	(7 167)
Remeasurement against undeveloped mining resources	(26 698)	–
At 30 June	14 743	39 292
The environmental rehabilitation provision consists of R4,9 million (2010: R5,2 million) related to the final closing of asbestos waste dumps at Everite and R9,8 million (2010: R34 million) relating to the closure costs of the Ekurhuleni, Zimbiwa aggregate quarries, Sky Sands and BGM quarry. A risk free rate of 7.0% (2010: 13.68%) and an average inflation rate of 4.5% (2010: 5%) were used in the calculation of the estimated net present value of the rehabilitation liabilities.		
21. Trade and other payables		
Trade and other payables include:		
Financial instruments		
– Accrued expenses	1 628 465	2 372 525
– Trade and other creditors	758 486	763 902
– Subcontractor creditors	405 373	469 973
– Retention creditors	233 375	238 019
Total financial instruments included in trade and other payables	3 025 699	3 844 419
Non-financial instruments		
– Advance payments received	788 296	1 152 769
Total non-financial instruments included in trade and other payables	788 296	1 152 769
	3 813 995	4 997 188

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.)

R'000	Contract provisions	Sundry provisions	Total

22. Provision for liabilities and charges

	Contract provisions	Sundry provisions	Total
Balance at 30 June 2009	37 352	24 081	61 433
Charged to the 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
Charged to the income statement	**23 768**	**3 749**	**27 517**
Provision utilised	**(15 423)**	**(8 638)**	**(24 061)**
Balance at 30 June 2011	**64 269**	**16 161**	**80 430**

Contract provisions:
Contract provisions include amounts for subcontractor estimated billings for which no certification has taken place.

Sundry provisions:
Sundry provisions consist mainly of amounts for costs to be incurred during the contract maintenance periods.

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.

23. Employee benefits

23.1 Staff costs

R'000	GROUP 2011	2010
Wages, salaries and bonuses	2 273 160	1 920 056
Cost of share options	41 132	35 594
Pension costs – defined contribution plans (including industry plans)	107 503	89 412
Pension costs – defined benefit plan (income)/expense	(2 730)	523
Service cost	11 325	11 172
Interest cost	34 784	34 837
Return on plan assets	(48 839)	(45 486)
	2 419 065	2 045 585
Average number of persons employed by the group during the year:	Number	Number
Full-time	6 761	7 257
Part-time	5 236	5 240
	11 997	12 497
South Africa	9 494	10 077
Over-border	2 503	2 420
	11 997	12 497

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

R'000	GROUP 2011	2010
23. Employee benefits continued		
23.2 Pension scheme		
The latest actuarial valuation of the group's defined benefit plan was carried out in March 2011 and was considered by the actuaries to be in a sound financial condition.		
23.2(i) A summary of the valuation is presented below:		
Present value of funded obligations	(431 490)	(420 022)
Fair value of plan assets	557 597	548 129
Surplus	126 107	128 107
Non-current assets	121 339	123 007
Current assets	4 768	5 100
	126 107	128 107
	%	%
The principal assumptions used for accounting purposes were as follows:		
Mortality tables	PA (90)	PA (90)
Discount rate	9.15	8.85
Expected return on assets	9.6	9.4
Future salary increases	7.25	7.25
Future pension increases	4.0	3.7

The legally required surplus apportionment exercise was carried out as at 29 February 2004. The rules of the fund stipulate that additional surplus arising after the surplus valuation date are for the account of the group as are any future deficits. A deficit of R2 million realised in the current year and has been charged to the income statement. During the prior year a surplus of R55,2 million was credited to the income statement. Based on the rules of the fund the company is required to recognise the full asset.

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.

R'000	2011	2010
23.2(ii) A reconciliation of the opening and closing balances of plan assets		
Opening value: 1 April	548 129	1 270 940
– Employee contributions	2 315	4 391
– Company contributions	7 639	6 073
– Benefit payments	(64 377)	(54 448)
– Expected returns (9.4% (2010: 9.8%) per annum)	48 839	45 486
– Expenses	(4 389)	(5 319)
– Settlement cost as at 31 March 2009[2]	–	(782 720)
– Actuarial gain for the year[1]	19 441	63 726
Closing value: 31 March	557 597	548 129

(1) A gain arose during the current year mainly due to the actual investment return of about 12.1% exceeding the expected investment return of 9.4% for the year ending 31 March 2011.

The fund's assets are currently invested in a balanced fund portfolio generally allocated as 30% bonds and 70% in share investments.

R'000	GROUP 2011	2010
23. Employee benefits continued		
23.2 Pension scheme continued		
23.2(iii) Reconciliation of the opening and closing balances of defined benefit obligations		
Projected benefit obligation (PBO): 1 April	420 022	1 197 994
– Service cost	11 325	11 172
– Employee contributions	2 315	4 391
– Benefit payments	(64 377)	(54 448)
– Interest cost 8.85% per annum (2010: 8.85%)	34 784	34 837
– Expenses	(4 389)	(5 319)
– Settlement cost as at 31 March 2009[2]	–	(782 720)
– Actuarial loss/(gain) for the year	31 810	14 115
Projected benefit obligation (PBO): 31 March	431 490	420 022
(2) The fund had 1 400 active pensioners as at 31 March 2009. These pensioners were outsourced. Assets to the value of R783 million (as at 1 April 2009) were transferred in the prior year.		
23.2(iv) Plan assets and defined benefit obligation by category		
Assets		
– Market value	557 597	548 129
Active member liabilities:		
– Active members	322 037	299 965
Pensioner liabilities:		
– Pensioners	27 176	49 729
– Notional Pensioner Account	–	12 815
	27 176	62 544
SAE surplus (surplus as at 29 February 2004 to be apportioned)	82 277	57 513
Total liabilities	431 490	420 022
Surplus	126 107	128 107
Funding level	129.23%	130.50%
23.2(v) Net periodic pension cost		
Service cost (net of employee contribution)	11 325	11 172
Interest cost	34 784	34 837
Expected return on assets	(48 839)	(45 486)
Recognition of actuarial loss/(gain)[3]	12 369	(49 611)
Net periodic pension cost/(gain)	9 639	(49 088)
(3) The company's policy is to recognise actuarial gains or losses in full as they arise. The actuarial gain of R19,4 million on the assets was offset by an actuarial loss of R31,8 million on the liabilities giving rise to an overall actuarial loss of R12,4 million in the current year.		
23.2(vi) Statement of financial position disclosure		
Projected benefit obligation (PBO)	431 490	420 022
Market value of assets: 31 March	557 597	548 129
Status of fund: over funding	(126 107)	(128 107)
Assets	(126 107)	(128 107)
Paragraph 58 limit	(126 107)	(128 107)
Unrecognised due to paragraph 58 limit	–	–
Asset recognised	(126 107)	(128 107)
Recognised asset: 1 April	(128 107)	(72 946)
Net periodic pension cost	9 639	(49 088)
Company contributions	(7 639)	(6 073)
Change in paragraph 58 unrecognised liability	–	–
Recognised asset: 31 March	(126 107)	(128 107)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

R'000	GROUP 2011	2010
23. Employee benefits continued		
23.3 Provision for employment obligations	**26 756**	25 653
The group's accrual for post-employment medical obligations of R26,7 million (2010: R25,7 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 %	**8.8**	9.0
Mortality table	**PA (90)**	PA (90)
Future salary increases %	**7.4**	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.

23.4 Employee share option schemes

The group issues equity–settled incentives to certain employees. Equity-settled payments are measured at fair value at 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.

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 (i.e. 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 allocated 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 could, 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 were accordingly pledged to Group Five as security for such non-disposal and non-encumbrance obligations, until such 5th anniversary had elapsed. There are no other conditions attaching to participation in the Broad-based Scheme.

A minimum of two senior black managers have been selected by the beneficiaries of the Broad-based Scheme to administer the voting of the beneficiaries' shares in accordance with instructions received from each beneficiary in respect of their shares.

23. Employee benefits continued

23.4 Employee share option schemes continued

23.4.3 New Management Incentive Scheme

During the year ended 30 June 2006, developments in the regulatory environment and best practice in local and global share schemes required a review of the Group Five Share Incentive Scheme. The board remuneration committee with the assistance of independent advisors, determined that the scheme in place at that date was no longer effective.

In line with global best practice and emerging South Africa practice, the board remuneration committee and the board of directors recommended the adoption of a scheme, with effect from 1 October 2005, based on equity-settled share appreciation rights (SAR). The New Management Incentive Scheme has the advantages of simpler mechanics, it optimises the tax position of the company and the employee and is easier to administer. The previous Group Five Share Incentive Scheme, which operates as an option scheme will remain in place for options granted under this scheme, until such time as these options are exercised or lapse.

Under this New Management Incentive Scheme, employees of the group are awarded rights to receive shares in the company based on the value of these awards. Employees, as selected by the board remuneration committee, receive grants of SARs. These rights to receive shares equal to the value of the difference between the exercise price and the SAR grant price. The SAR grant price is calculated at the 30-day VWAP prior to the grant with no discount. After vesting, the SAR will become exercisable. Upon exercise by a beneficiary, the company will settle the value of the difference between the exercise price and the SAR grant price, by the delivery of Group Five shares. Group Five may withhold any amounts or make such arrangements as are necessary to meet any liability to taxation or any other liabilities in respect of the SAR grants. The arrangements may include the sale of shares on behalf of the beneficiaries and the use of the proceeds of the sale to meet such liability, or the reduction of the number of shares to which the beneficiaries would otherwise be entitled.

The intention of the New Management Incentive Scheme is to purchase Group Five shares in the market to settle the scheme's benefits, so the New Management Incentive Scheme will not be as dilutive as normal share option schemes. The company will retain the right to issue new shares at its election, 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.*

	New Management Incentive Scheme		Previous Share Option Scheme		Black Management Scheme		Broad-based Scheme	
	Number	Price R	Number	Price R	Number	Price R	Number	Price R
Balance at 30 June 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	–	–
Shares 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	–
New shares granted and accepted	2 385 275	27,85	–	–	247 602	16,03	–	–
Shares paid for/lapsed	(964 193)	28,73	(12 500)	12,55	(608 792)	16,03	(34 919)	–
Balance at 30 June 2011	**11 964 487**	**35,23**	**103 750**	**12,45**	**1 374 674**	**16,03**	**540 081**	**–**
Number of shares vested and exercisable at 30 June 2011	**4 086 405**	**35,23**	**103 750**	**12,45**	**292 332**	**16,03**	**540 081**	**n/a**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. Employee benefits continued

23.4 Employee share option schemes continued

23.4.3 New Management Incentive Scheme continued

	Total R'000	New Management R'000	Previous Management R'000	Black Management Scheme R'000	Broad-based Scheme R'000
Cost of share options year ended 30 June 2011	**41 132**	**30 242**	**–**	**10 890**	**–**
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:

	2011	2010
exercise price R	**27,70 – 34,80**	28,63 – 34,09
volatility %	**25.49 – 24.75**	34.02 – 39.87
risk free interest rate %	**7.76 – 8.03**	7.94 – 8.17

R'000	GROUP **2011**	2010
24. Related party transactions		
24.1 Directors' and senior management emoluments		
Executive directors (refer table on page 73 for individual details)		
For management services, excluding incentives	**4 949**	4 719
Performance incentives	**10 649**	11 537
Paid by subsidiaries	**(15 598)**	(16 256)
	–	–
Non-executive directors (refer table on page 72 for individual details)		
Directors' fees, other fees and expenses	**3 869**	3 335
Paid by subsidiaries	**(3 869)**	(3 335)
	–	–
Prescribed officers (exco) (excluding executive directors) (refer table on page 73 for individual details)		
For management services	**14 018**	12 863
Performance incentives	**24 986**	25 435
Paid by subsidiaries	**(39 004)**	(38 298)
	–	–
Management committee members (manco) (excluding exco members) (refer table on page 73 for individual details)		
For management services	**25 536**	22 304
Performance incentives	**25 121**	26 582
Paid by subsidiaries	**(50 657)**	(48 886)
	–	–

24.2 Subsidiaries, Joint Ventures and Associates

For a list of related parties refer to Annexure 3 – Interest in Subsidiaries, Annexure 4 – Interest in Joint Ventures and Annexure 5 – Investment in Associates.

Apart from advances provided to joint venture partners, no other transaction exist that require additional disclosure. Refer to note 17 of the annual financial statements.

		GROUP	
R'000		2011	2010
25.	**Commitments and contingencies**		
	Fixed asset commitments		
	Contracts placed	27 871	3 200
	Capital expenditure approved by directors but not placed at 30 June	175 874	206 377
		203 745	209 577
	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 one year	43 433	34 526
	Later than one year and not later than five years	105 068	99 840
	Later than five years	1 876	7 369
		150 377	141 735
	Guarantees		
	Total financial institution-backed guarantees provided to third parties on behalf of subsidiary companies amounted to R4 537 million (2010: R5 062 million). The directors do not believe any exposure to loss is likely. Total facilities in this regard amount to R9 047* million (2010: R11 053 million).		
	The issued guarantees have the following expiry dates:		
	Not later than one year	1 243	3 772
	Later than one year and not later than five years	3 203	1 249
	Later than five years	91	41
		4 537	5 062

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.

** At year end reporting date facilities valued at R2 050 million were being renewed but not yet finalised.*

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 2011 the group's strategy, which remains unchanged, is to maintain the gearing ratio below 33%. The gearing ratio at 30 June 2011 and 2010 was as follows:

	GROUP	
R'000	2011	2010
Total interest-bearing borrowings including overdrafts	937 187	1 044 779
Less: cash on hand	(2 234 779)	(3 129 990)
Net debt	(1 297 592)	(2 085 211)
Total equity	2 148 130	2 486 357
Net gearing	–	–

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 2011 R'000	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							
Loan to associate	11	7 572	–	–	–	7 572	n/a
Investment in service concessions	12	–	253 100	–	–	253 100	3
Investment in property developments	13	–	8 691	–	–	8 691	3
Derivative financial instruments – designated as a hedge	19.1	–	–	–	22 403	22 403	2
Pension fund surplus – long term portion	23.2	–	121 339	–	–	121 339	3
Trade and other receivables	17	2 743 145	4 768	–	–	2 747 913	n/a, 3
Cash and cash equivalents	30	2 234 779	–	–	–	2 234 779	n/a
		4 985 496	387 898	–	22 403	5 395 797	

30 June 2011 R'000	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						
Interest bearing borrowings	18.1	232 203	–	–	232 203	n/a
Excess billings over work done		492 103	–	–	492 103	n/a
Trade and other payables	21	3 025 699	–	–	3 025 699	n/a
Current portion of non-current interest-bearing borrowings	18.1	677 532	–	–	677 532	n/a
Short term borrowings	18.6	49 856	–	–	49 856	n/a
Bank overdrafts	30	–	–	–	–	n/a
		4 477 393	–	–	4 477 393	

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. Financial instruments continued

26.3 Categories of financial instruments continued

30 June 2010 R'000	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							
Loan to associate	11	6 290	–	–	–	6 290	n/a
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 – long term portion	23.2	–	123 007	–	–	123 007	3
Trade and other receivables	17	2 954 310	5 100	–	–	2 959 410	n/a, 3
Cash and cash equivalents	30	3 129 990	–	–	–	3 129 990	n/a
		6 090 590	481 109	–	13 178	6 584 877	

30 June 2010 R'000	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 the 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	18.6	80 053	–	–	80 053	n/a
Bank overdrafts	30	24 173	–	–	24 173	n/a
		5 946 205	2 609	–	5 948 814	

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 currency denominated 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 2011 R'000	Note	South African Rand	US Dollar	UAE Dirham	PLN HUF Other	Total
Assets as per the statement of financial position						
Loan to associate	11	7 572	–	–	–	7 572
Investment in service concessions – financial assets designated as fair value through profit and loss	12	–	–	–	253 100	253 100
Investment in property developments – financial assets designated as fair value through profit and loss	13	8 691	–	–	–	8 691
Derivative financial instruments – designated as a hedge	19.1	22 403	–	–	–	22 403
Pension fund surplus – financial assets designated as fair value through profit and loss – long term portion	23.2	121 339	–	–	–	121 339
Trade and other receivables	17	1 608 025	259 508	699 023	181 357	2 747 913
Cash and cash equivalents	30	1 634 085	342 829	12 500	245 365	2 234 779
		3 402 115	602 337	711 523	679 822	5 395 797
Liabilities as per the statement of financial position						
Interest-bearing borrowings	18.1	232 203	–	–	–	232 203
Excess billings over work performed		125 343	344 845	–	21 915	492 103
Trade and other payables	21	1 895 929	174 612	661 772	293 386	3 025 699
Current portion of non-current interest-bearing borrowings	18.1	677 532	–	–	–	677 532
Short term borrowings	18.6	49 856	–	–	–	49 856
		2 980 863	519 457	661 772	315 301	4 477 393
Net exposure		500 037	4 095	49 751	364 521	918 404

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. Financial instruments continued

26.4 Financial risk factors continued

30 June 2010 R'000	Note	South African Rand	US Dollar	UAE Dirham	PLN HUF Other	Total
Assets as per the statement of financial position						
Loan to associate	11	6 290	–	–	–	6 290
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 – long term portion	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	2 274 823	491 346	47 617	316 204	3 129 990
		4 200 320	740 648	958 122	685 777	6 584 877
Liabilities as per the 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	18.6	80 053	–	–	–	80 053
Bank overdrafts	30	–	–	–	24 173	24 173
		4 452 926	384 997	900 589	210 302	5 948 814
Net exposure		(106 609)	209 664	57 533	475 475	636 063

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:

	2011	2010
ZAR: USD	6.87	7.65
ZAR: AED	1.87	2.08

As at 30 June 2011	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		49 718	(49 718)
Current assets		199 371	(199 371)
Denominated: functional currency			
ZAR: USD	10%	60 237	(60 237)
ZAR: UAE	10%	71 152	(71 152)
ZAR: PLN; HUF; Other	10%	67 982	(67 982)
Current liabilities		(149 653)	149 653
Denominated: functional currency			
ZAR: USD	10%	(51 946)	51 946
ZAR: UAE	10%	(66 177)	66 177
ZAR: PLN; HUF; Other	10%	(31 530)	31 530
As at 30 June 2010			
Net movement		88 864	(88 864)
Current assets		238 453	(238 453)
Denominated: functional currency			
ZAR: USD	10%	74 064	(74 064)
ZAR: UAE	10%	95 812	(95 812)
ZAR: PLN; HUF; 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: PLN; HUF; Other	10%	(21 030)	21 030

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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)	550
Start date	27-Feb-07
End date	26-Feb-12
Group Five pays	3-month JIBAR+
	93 basis points nacq (paid quarterly)
Group Five receives	9.20% nacs
A sensitivity analysis has been performed to monitor the effect of changes in interest rates	

The analysis below depicts the effect on profit before taxation assuming changes in interest rates

Description	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	**2011**	2010	**2011**	2010
Assuming a 1% movement in JIBAR rate	**5 500**	5 500	**(5 500)**	(5 500)
Assuming a 1% movement in South African prime borrowing interest rate	**2 998**	3 508	**(2 998)**	(3 508)

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, Middle East 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.

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 2011 or 30 June 2010.

26. Financial instruments continued

26.4 Financial risk factors continued

Cash flow and fair value interest rate risk continued

Credit risk continued

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:

R'000	Number of customers	Value Rm	% of trade and other receivables	% of total revenue
2011	**5**	**R 451,3**	**16.2**	**4.9**
2010	5	R980,3	31.9	8.6
2009	5	R467,8	13.9	3.9

In the prior year the value of the amounts due by the top five debtors as a percentage of trade and other receivables increased from 13.9% to 31.9%. This was as a result of a 10% decrease in trade and other receivables balances on hand as well as a result of an increase in the debtors in the Middle East, due to cancelled contract claims converting to certified work during the year as contract negotiations for settlement of debt progressed. In addition, included in the disclosure of amounts due from top five debtors were balances due by two clients, 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 had been settled subsequently in July 2010. Excluding the debt from these two debtors, the percentage due from the top three remaining debtors, including Middle East, was 16%. The debt due by the Middle East terminated contracts represents 2% of the additional increase.

In the current year the amounts due by the top five debtors at 30 June as a percentage of trade and other receivables is 16.2% which is more comparable to the 2009 reported results.

The group has the following credit risk per geographical segment:

Region	2011	2010
Central Africa	**192 053**	236 716
Eastern Africa	**45 824**	106 968
Eastern Europe	**62 180**	20 797
Middle East	**879 955**	990 220
Southern Africa	**1 557 072**	1 690 255
Western Africa	**49 834**	23 936
Total trade and other receivables	**2 786 918**	3 068 892

Central Africa: Zambia, 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, Zimbabwe

Western Africa: Nigeria, Ghana, Burkina Faso, Sierra Leone

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

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:

30 June 2011 R'000	Note	Within 1 – 6 months	Within 7 – 12 months	Within 1 – 2 years	Within 2 – 5 years	Greater than 5 years	Total
Assets as per the statement of financial position							
Loan to associates	11	–	–	7 572	–	–	7 572
Investment in service concession	12	–	–	–	–	253 100	253 100
Investments in property developments	13	–	–	–	–	8 691	8 691
Derivative financial instruments – designated as a hedge	19.1	–	22 403	–	–	–	22 403
Pension fund surplus – financial assets designated as fair value through profit and loss	23.2	–	–	–	–	121 339	121 339
Trade and other receivables	17	1 756 175	991 738	–	–	–	2 747 913
Cash and cash equivalents	30	2 234 779	–	–	–	–	2 234 779
		3 990 954	1 014 141	7 572	–	383 130	5 395 797
Liabilities as per the statement of financial position							
Interest-bearing borrowings	18.1	–	–	114 514	117 689	–	232 203
Excess billing over work performed		296 727	195 376	–	–	–	492 103
Trade and other payables	21	2 133 441	892 258	–	–	–	3 025 699
Current portion of non-current interest-bearing borrowings	18.1	47 644	629 888	–	–	–	677 532
Short term borrowings	18.6	–	49 856	–	–	–	49 856
		2 477 812	1 767 378	114 514	117 689	–	4 477 393

26. Financial instruments continued

26.4 Financial risk factors continued

Liquidity risk continued

30 June 2010 R'000	Note	Within 1 – 6 months	Within 7 – 12 months	Within 1 – 2 years	Within 2 – 5 years	Greater than 5 years	Total
Assets as per the statement of financial position							
Loan to associate	11	–	–	6 290	–	–	6 290
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
Cash and cash equivalents	30	3 129 990	–	–	–	–	3 129 990
		5 045 403	1 153 479	19 468	–	476 009	6 694 359
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	18.6	–	80 053	–	–	–	80 053
Bank overdrafts	30	24 173	–	–	–	–	24 173
		4 414 650	1 843 689	683 094	160 150	–	7 101 583

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

R'000	GROUP 2011	2010
27. Profit before working capital changes		
Profit before taxation	16 313	594 076
Adjustments for:		
Depreciation and amortisation	211 557	245 235
Fair value adjustments	(48 844)	(13 532)
Impairment adjustment	550 540	325 569
Foreign exchange losses	10 035	8 092
Loss on sale of subsidiaries and joint ventures	1 299	4 085
Loss/(profit) on disposal of property, plant and equipment and investment property	1 156	(371)
Share options	41 132	35 594
Finance income – net	(18 361)	(27 871)
Fair value (profit)/loss on forward exchange contracts and fair value hedge	(16 459)	4 121
Profit from associates	(820)	(1 347)
Pension fund valuation deficit/(surplus)	2 000	(55 161)
Movement in provisions	6 708	14 503
	756 256	1 132 993
28. Working capital changes		
Trade and other payables	(1 753 922)	(327 885)
Trade and other receivables	272 953	253 763
Contracts in progress	219 152	(21 344)
Inventories	24 042	153 467
	(1 237 775)	58 001
29. Taxation paid		
Taxation owing at the beginning of the year	(145 480)	(74 452)
Charge per the income statement	(158 143)	(258 297)
Movement in deferred taxation	(22 963)	31 638
Taxation owing at the end of the year	71 838	145 480
Total paid during the year	(254 748)	(155 631)
30. Cash and cash equivalents at end of year		
Bank balances and cash	2 234 779	3 129 990
Bank overdrafts	–	(24 173)
Cash and cash equivalents at end of year	2 234 779	3 105 817
31. Non-cash transactions (R'000) – cash flow statement		
Excluded from the cash flow statement are additions to fixed assets amounting to R38 million (2010: R60 million) which were funded by finance leases.		
32. Categorisation of cash and cash equivalents		
Cash and cash equivalents held by the group	1 330 924	1 981 306
Cash and cash equivalents held in incorporated and unincorporated joint ventures	903 855	1 124 511
	2 234 779	3 105 817

R'000	GROUP 2011	2010

33. 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.

As at 30 June 2011, the R53 million (2010: R65 million) relates to an amount outstanding in India with respect to the terminated operations and maintenance business which continues to proceed to arbitration.

Below is disclosed the effect of the discontinued operations on the group's financial performance, position and cash

R'000	2011	2010
Income statement relating to the discontinued operations:		
Loss on disposal of operations	(17 214)	(22 102)
Loss for the year from discontinued operations	(17 214)	(22 102)
Statement of financial position relating to the discontinued operations:		
Non-current assets	53 233	65 153
Current assets	–	–
Non-current assets classified as held for sale	53 233	65 153
Interest-bearing borrowings	–	–
Current liabilities	–	–
Liabilities directly associated with non-current assets classified as held for sale	–	–
Net assets	53 233	65 153
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	–	–
Net funding from discontinued operations	–	–

During the current year an amount of R11,9 million (2010: R16 million) has been charged to the income statement being the discount calculation on the claim to reporting date.

34. Dividends paid

	2011	2010
34.1 2010 Final dividend paid: 74 cents (2009: 72 cents) per ordinary share	70 974	68 536
34.2 2011 Interim dividend paid: 52 cents (2010: 63 cents) per ordinary share	50 034	60 074
	121 008	128 610

These dividends are reflected on the group's statement of changes in equity.

On 5 August 2011, the directors proposed a final dividend of 20 cents per share in respect of the financial year ended 30 June 2011 which will absorb an estimated amount of R19,7 million of shareholders' funds. The dividend will be paid on 3 October 2011 to shareholders registered on the shareholder register on 30 September 2011. This dividend is not reflected in the group's annual financial statements. The total dividend for the financial year will thus be 72 cents per share (2010: 137 cents per share). The final dividend for 2011 will have no STC impact as the group has unutilised STC credits.

ANNEXURE 1 – GROUP SEGMENTAL ANALYSIS

for the year ended 30 June 2011

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.

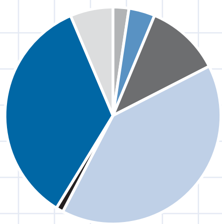
Of primary focus to exco is the revenue, operating profit, capital expenditure and current assets per segment and revenue per geography.

The required segmental reporting disclosures are provided on page 192 of this report.

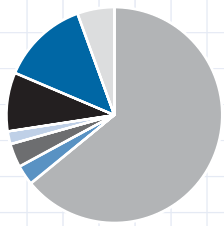
In addition, although exco does not review the information included in this Annexure on a monthly basis in order to take strategic decisions, management provides this additional segmental reporting as it deems this information to constitute further value added disclosure to stakeholders.

Statement of financial position

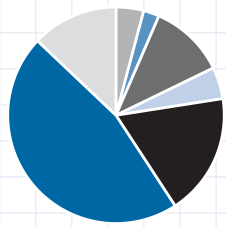
Property, plant and equipment and investment property



Other non-current assets (excluding non-current assets classified as held for sale and deferred taxation)



Current assets (excluding cash and cash equivalents)



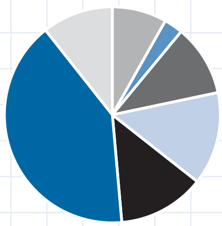
Note: Graphs represent F2011 values only.

	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	2011	2010	2011	2010	2011	2010
Investments and Concessions	90 100	113 806	272 287	364 820	231 280	148 800
Infrastructure Concessions	34 075	41 302	260 109	231 615	147 205	63 815
Property Developments	56 025	72 504	12 178	133 205	84 075	84 985
Manufacturing	160 192	162 781	14 469	11 345	402 767	411 673
Construction Materials	574 879	1 174 578	7 806	31 302	168 731	169 745
Construction	605 286	655 408	111 298	129 426	2 760 195	3 366 681
Building and Housing	15 555	20 181	35 749	41 739	650 514	775 751
Civil Engineering	498 000	552 873	53 040	68 194	1 649 477	2 009 224
Engineering	91 731	82 354	22 509	19 493	460 204	581 706
Total	1 430 457	2 106 573	405 860	536 893	3 562 973	4 096 899

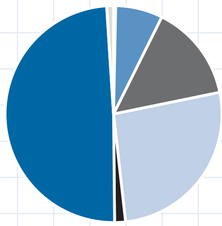
A description of the products and/or services provided by the segments is disclosed under the operational and financial review of this annual report.

Statement of financial position

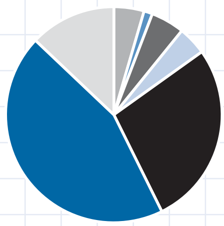
Total assets (excluding non-current assets classified as held for sale, deferred taxation, cash and cash equivalents)



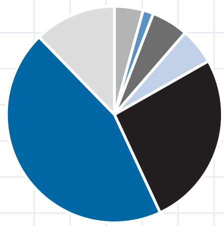
Non-current liabilities (excluding deferred taxation)



Current liabilities (excluding current taxation payable and bank overdrafts)



Total liabilities (excluding deferred taxation, current taxation payable and bank overdrafts)

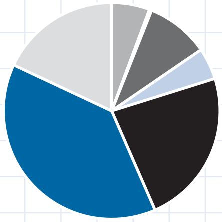


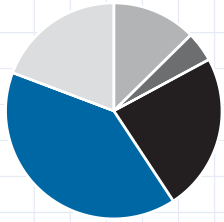
2011	2010	2011	2010	2011	2010	2011	2010
593 665	627 426	20 115	30 170	296 260	262 432	316 374	292 602
441 388	336 732	867	28 404	230 735	170 973	231 602	199 377
152 277	290 694	19 248	1 766	65 525	91 459	84 772	93 225
577 429	585 799	39 515	84 463	256 605	201 060	296 121	285 523
751 417	1 375 625	72 376	175 912	219 533	173 964	291 909	349 876
3 476 779	4 151 515	141 696	617 644	4 341 518	5 673 684	4 483 214	6 291 328
701 818	837 671	4 424	162 408	1 410 284	1 804 556	1 414 708	1 966 964
2 200 517	2 630 291	134 486	379 388	2 271 495	3 189 439	2 405 982	3 568 827
574 444	683 553	2 786	75 848	659 739	679 689	662 524	755 537
5 399 290	6 740 365	273 702	908 189	5 113 916	6 311 140	5 387 618	7 219 329

ANNEXURE 1 – GROUP SEGMENTAL ANALYSIS CONTINUED

for the year ended 30 June 2011

Income statement



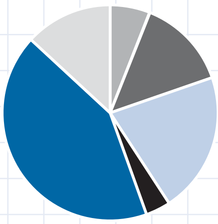
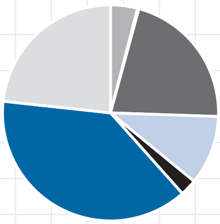
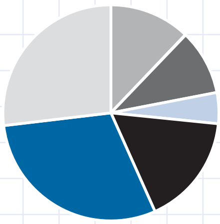


Note: Graphs represent F2011 values only.

R'000	Revenue 2011	Revenue 2010	Operating profit before fair value adjustments and impairment adjustments 2011	Operating profit before fair value adjustments and impairment adjustments 2010
Investments and Concessions	554 659	591 871	60 231	74 926
Infrastructure Concessions	522 870	557 227	73 041	85 615
Property Developments	31 789	34 644	(12 810)	(10 689)
Manufacturing	867 523	866 221	26 187	86 812
Construction Materials	434 233	491 860	(68 157)	20 186
Construction	7 350 583	9 387 636	480 567	694 971
Building and Housing	2 143 004	3 186 142	136 924	236 620
Civil Engineering	3 548 361	4 713 487	232 069	310 655
Engineering	1 659 218	1 488 007	111 574	147 696
Total	9 206 998	11 337 588	498 828	876 895

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

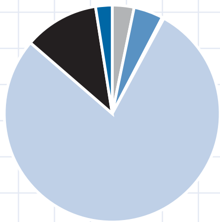
Depreciation		Capital expenditure		Number of employees	
					
2011	2010	2011	2010	2011	2010
12 620	12 963	6 376	9 706	1 460	1 316
12 484	12 814	6 081	8 287	1 453	1 308
136	149	295	1 419	7	8
28 951	20 873	32 020	23 302	1 175	1 166
44 669	62 228	15 616	41 747	557	804
125 317	149 171	96 340	135 271	8 805	9 211
7 871	10 303	3 745	6 622	2 003	1 794
89 676	115 398	57 596	109 052	3 577	5 575
27 770	23 470	34 999	19 597	3 225	1 842
211 557	245 235	150 352	210 026	11 997	12 497

ANNEXURE 1 – GROUP SEGMENTAL ANALYSIS CONTINUED

for the year ended 30 June 2011

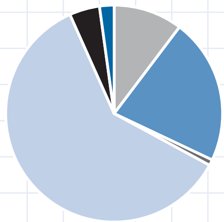
Income statement

Revenue



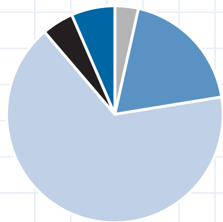
Statement of financial position

Total assets (excluding non-current assets classified as held for sale, deferred taxation and cash and cash equivalents)



Cash flow

Capital expenditure



Note: Graphs represent F2011 values only.

R'000	Income statement 2011	Income statement 2010	Statement of financial position 2011	Statement of financial position 2010	Cash flow 2011	Cash flow 2010
Eastern Europe	300 358	370 946	555 785	465 215	5 277	7 500
Middle East	405 211	768 143	1 173 574	1 524 368	28 469	13 817
Eastern Africa	25 550	177 600	47 186	107 109	–	–
Southern Africa	7 216 252	9 335 238	3 261 856	3 931 929	99 675	166 893
Central Africa	1 030 594	447 879	243 798	621 769	7 126	17 643
Western Africa	229 033	237 782	117 091	89 975	9 805	4 173
Total	9 206 998	11 337 588	5 399 290	6 740 365	150 352	210 026

ANNEXURE 2 – COMPANY FINANCIAL STATEMENTS

at 30 June 2011

	COMPANY 2011	2010
Income statement (refer notes that follow)		
Dividends received from subsidiary	133 000	–
Taxation	–	–
Net profit for the year	133 000	–
Statement of comprehensive income (refer notes that follow)		
Net profit for the year	133 000	–
Other comprehensive income for the year net of tax	–	–
Total comprehensive income for the year	133 000	–
Statement of financial position (refer notes that follow)		
Assets		
Investment in subsidiaries	959 790	900 962
Other investments	–	–
	959 790	900 962
Equity and liabilities		
Stated capital	1 307 971	1 261 135
Accumulated losses	(348 181)	(360 173)
	959 790	900 962

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 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
Issue of shares to share trust in terms of share scheme	92 699	(92 699)	–	–	–	–
Issue of shares from share trust	–	669 609	669 609	5 704	–	5 704
Issue of shares in terms of BEE ownership scheme in lieu of dividends	473 342	(473 342)	–	–	–	–
Share option costs	–	–	–	41 132	–	41 132
Comprehensive income: Net profit for the year	–	–	–	–	133 000	133 000
Dividends paid	–	–	–	–	(121 008)	(121 008)
Balance at 30 June 2011	121 477 858	(25 473 079)	96 004 779	1 307 971	(348 181)	959 790

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 2011

R'000		COMPANY 2011	COMPANY 2010
	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 184 to 247. The accounting policies adopted are set out on page 195.		
2.	**Investment in subsidiaries**		
	Shares at cost	**382 747**	382 747
	Amounts owing by subsidiaries	**577 043**	518 215
		959 790	900 962

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 income received is in the form of dividends.

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 231 for details on guarantees issued.

ANNEXURE 3 – INTEREST IN SUBSIDIARIES

at 30 June 2011

	Issued ordinary share capital		Percentage held		Shares at cost		Amounts owing by subsidiaries	
Direct subsidiaries	**2011 Shares**	2010 Shares	**2011 %**	2010 %	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000
Group Five Construction (Proprietary) Limited	**1 000 000**	1 000 000	**100**	100	**14 177**	14 177	**569 441**	518 215
Everite Limited	**51 191 400**	51 191 400	**100**	100	**368 570**	368 570	**–**	–
					382 747	382 747	**569 441**	518 215

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 Coastal (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 Engineering and Construction (Proprietary) Limited^@
Group Five Engineering (Private) Limited (Zimbabwe)^
Group Five Housing (Proprietary) Limited^@
Group Five Infrastructure Developments (Proprietary) Limited##@
Group Five International Limited (Mauritius, Angola, Algeria, Mozambique, Zimbabwe)^
Group Five International (Proprietary) Limited (Tanzania branch)^
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#
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 R159,0 million loss (2010: R313,7 million profit) 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 2011

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 (%)
Barnes Reinforcing Industries (Proprietary) Limited	South Africa	Steel supply	50
Central Ashanti Gold Joint Venture	Ghana	Construction	50
Group Five Construction LCC	UAE	Construction	49
Group Five – AP Investments (Proprietary) Limited	South Africa	Property Investments	50
Group Five – GCC Four Seasons Hotel Joint Venture	Mauritius	Construction	50
Group Five Motlekar (Proprietary) Limited	South Africa	Construction	51
Group Five Pipe (Proprietary) Limited	South Africa	Pipe manufacturing	50
Group Five Pandev Joint Venture	South Africa	Construction	50
Group Five WBHO Pandev Joint Venture	South Africa	Construction	37,5
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	50
SSL Structural Systems (Africa) (Proprietary) Limited	South Africa	Construction	50
Trade House Joint Venture	South Africa	Construction	34,5
Trotech Joint Venture	South Africa	Construction	50
Vresap Civils Joint Venture	South Africa	Construction	25

The group maintains a register of all its joint ventures for inspection at the registered office of Group Five Limited.

	GROUP	
R'000	2011	2010
Aggregate financial information:		
as at 30 June 2011		
Statement of consolidated financial position		
Group's proportionate share of assets and liabilities:		
Assets		
Non-current assets	121 402	166 028
Current assets	2 773 102	4 033 066
	2 894 504	4 199 094
Equity and liabilities		
Shareholders' equity	930 644	830 551
Non-current liabilities	23 583	706
Current liabilities	1 940 277	3 367 837
	2 894 504	4 199 094
for the year ended 30 June		
Income statement		
Group's proportionate share of income and expenditure:		
Revenue	2 758 692	4 867 092
Profit before taxation	423 964	610 663
Taxation	(123 503)	(185 826)
Profit after taxation	300 461	424 837
Dividends received	305 309	273 859
Statement of cash flow		
Cash flow from operating activities	(748 552)	291 334
Cash flow from investing activities	44 626	(59 259)
Cash flow from financing activities	22 877	(1 198)
Net (decrease)/increase in cash and cash equivalents	(681 049)	230 877

There are no contingent liabilities that the group is aware of that require disclosure which haven't been disclosed in note 25.

ANNEXURE 5 – INVESTMENT IN ASSOCIATES

at 30 June 2011

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	7 816
Jozi Power Limited	South Africa	Power supply	3 720 000 shares of USD 1	34.2	11 719
Metsi Water and Sanitation Company (Proprietary) Limited	South Africa	Water supply	2 250 ordinary shares of R1 each	15*	72
Kayema Energy Solutions (Proprietary) Limited	South Africa	Power supply	408 ordinary shares of R1 each	25.5	63
RFC Developments (Proprietary) Limited	South Africa	Property development	100 ordinary shares of R1 each	14*	3 060
					22 730

* *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	2011	2010
at 30 June		
Aggregate financial information: unlisted investment in associates		
Statement of consolidated financial position		
Group's share of assets and liabilities:		
Assets		
Non-current assets	43 191	33 392
Current assets	9 343	11 411
	52 534	44 803
Equity and liabilities		
Shareholders' interest	18 140	17 331
Non-current liabilities	27 846	22 051
Current liabilities	6 548	5 421
	52 534	44 803
for the year ended 30 June		
Income statement		
Group's share of income and expenditure:		
Revenue	14 528	10 681
Profit before taxation	1 139	2 065
Taxation	(319)	(718)
Profit after taxation	820	1 347
Dividends received	–	–
Statement of cash flow		
Cash flow from operating activities	1 212	15 374
Cash flow from investing activities	9 799	(530)
Cash flow from financing activities	(4 433)	(2 049)
Net increase in cash and cash equivalents	6 578	12 795

There are no contingent liabilities that the group is aware of that require disclosure which haven't been disclosed in note 25.

ANNEXURE 6 – ANALYSIS OF SHAREHOLDERS

1. Shareholder spread

	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	2 251	61.41	894 170	0.74
1 001 – 10 000 shares	998	27.23	3 293 529	2.71
10 001 – 100 000 shares	281	7.67	9 892 389	8.14
100 001 – 1 000 000 shares	119	3.25	38 955 283	32.07
1 000 001 shares and over	16	0.44	68 442 487	56.34
Totals	**3 665**	**100.00**	**121 477 858**	**100.00**

2. Distribution of shareholders

	Number of shareholders	%	Number of shares	%
Banks	68	1.86	8 379 292	6.90
Close corporations	42	1.15	156 716	0.13
Empowerment trusts	2	0.05	25 472 605	20.97
Endowment funds	10	0.27	276 258	0.23
Individuals	2 809	76.64	5 154 252	4.24
Insurance companies	38	1.04	8 752 778	7.21
Investment companies	8	0.22	1 161 553	0.96
Medical schemes	11	0.30	403 956	0.33
Mutual funds	143	3.90	31 021 608	25.53
Nominees & trusts	305	8.32	1 372 208	1.13
Other corporations	25	0.68	29 468	0.02
Private companies	64	1.75	2 470 893	2.03
Public companies	6	0.16	70 263	0.06
Retirement funds	133	3.63	36 755 534	30.26
Share trusts	1	0.03	474	0.00
Totals	**3 665**	**100.00**	**121 477 858**	**100.00**

3. Public/non-public shareholders

	Number of shareholders	%	Number of shares	%
Non-public shareholders	15	0.41	25 804 646	21.24
Directors of the company	2	0.05	161 000	0.13
Executive committee members of the company	4	0.11	131 793	0.11
Management committee members of the company	4	0.11	38 775	0.03
Empowerment trusts	4	0.11	25 472 605	20.97
Share trusts	1	0.03	473	0.00
Public shareholders	3 650	99.59	95 673 212	78.76
Totals	**3 665**	**100.00**	**121 477 858**	**100.00**

4. Beneficial shareholders holding 5% or more

	Number of shares	%
Government Employees Pension Fund	21 730 266	17.89
Coronation Fund Managers	12 792 069	10.53
Mvelaphanda Group Ltd	12 109 286	9.97
Ilima Consortium (Pty) Ltd	11 015 959	9.07
Sanlam	6 830 155	5.62
Totals	**64 477 735**	**53.08**

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 group

	Number of shares	%
P le Sueur	89 982	0.07
AJ McJannet	1 817	0.00
JA Wallace	38 350	0.03
WI Zeelie	1 644	0.00
Totals	**131 793**	**0.10**

7. Management committee members of the group

	Number of shares	%
FH Enslin	30 000	0.02
NM Humphreys	7 000	0.01
C Jessop	775	0.00
MP van Rooyen	1 000	0.00
Totals	**38 775**	**0.03**

8. Top twenty beneficial shareholders by size

Rank	Name of shareholder	Number of shares	%
1	Government Employees Pension Fund	21 730 266	17.89
2	Coronation Fund Managers	12 792 069	10.53
3	Group Five BEE Share Scheme Control Account	24 932 524	20.52
4	Sanlam	6 830 155	5.62
5	Investment Solutions	4 695 754	3.87
6	Old Mutual	3 535 679	2.91
7	Ellerine Brothers	2 144 991	1.77
8	Eskom Pension & Provident Fund	1 941 205	1.60
9	Dimensional Fund Advisors	1 742 631	1.43
10	Charlemagne Capital	1 547 461	1.27
11	Mines Pension Fund	1 364 763	1.12
12	Liberty Group	1 353 574	1.11
13	Mineworkers Provident Fund	1 285 180	1.06
14	Rand Merchant Bank	1 240 589	1.02
15	Metal & Engineering Industries	1 138 774	0.94
16	Absa	991 098	0.82
17	Deutsche Bank	952 724	0.78
18	WisdomTree	898 540	0.74
19	Momentum	821 404	0.68
20	Citadel	821 334	0.68
	Totals	**92 760 715**	**76.36**

9. Top ten countries based on beneficial shareholders

Rank	Name of shareholder	Number of shares	%
1	South Africa	104 434 684	85.96
2	USA	5 115 166	4.21
3	Luxembourg	1 246 200	1.03
4	Isle of Man	1 191 869	0.98
5	Namibia	931 372	0.77
6	UK	834 864	0.69
7	Ireland	603 651	0.50
8	Netherlands	184 852	0.15
9	Australia	145 241	0.12
10	Norway	47 000	0.04
	Totals	**114 734 899**	**94.45**