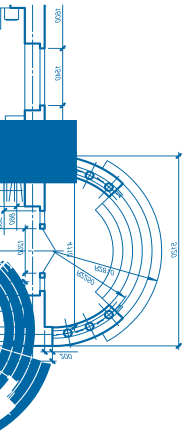
GROUP FIVE
structured ingenuity

INTEGRATED REPORT 2011



This year we produced a condensed printed report outlining the significant issues within our business along with the material matters identified through engagement with stakeholders. We supplement this with more detailed information provided on the CD contained within this integrated report.

SECTION

01 Introduction to the group

02 Delivery during the year

03 Messages from the team

04 Annual financial statements

The group's Code of Ethics can be viewed at **www.groupfive.co.za**

REVIEW FROM THE CEO / Pg 081

Although the construction industry in the group's targeted geographies and sectors still has solid medium and long term prospects, the reality which emerged over the short term is that conditions have been much worse than envisaged during the business planning and budgeting undertaken in F2010.

REVIEW FROM THE CFO / Pg 086

The group had to decide whether it was going to increase order in-take at potentially low margin and cash negative returns to cover unutilised assets or whether it would reduce the asset base and focus on margin and cash retention. The group has clearly communicated its strategy of choosing to focus on margins and cash while managing the risk of losing key capacity.

The group's values are:

People – we strive to be the employer of choice, attracting and retaining skilled people

Excellence – we aim to deliver quality and value through integrated solutions, products and services

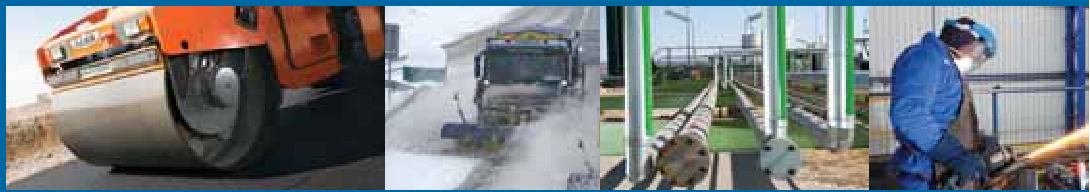
Transformation – we are working towards sustainable and relevant company transformation

Client focus – drawing on our vast multi-disciplinary expertise, we deliver tailor-made solutions to our clients' individual needs

Integrity – based on recognised codes of conduct and a system of accountable and transparent corporate governance, we aspire to maintain our high standards of business integrity

Innovation – we continuously seek to develop and implement new and improved ways to deliver our solutions, products and services

Performance – we aim to provide shareholder growth through a client-centric focus and superior technical and business solutions

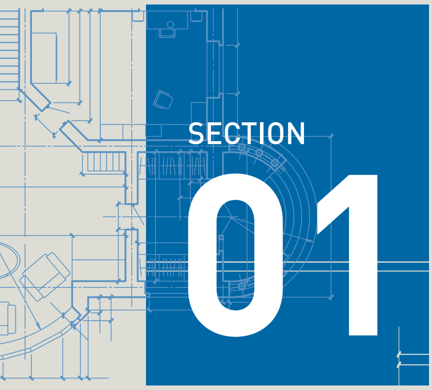


Group Five is a South African multi-disciplinary construction group with an established and growing international client base engaged in resources, energy and infrastructure delivery.

The group has expertise in:

- Construction contracts in the mining, industrial, power, oil and gas, water and environment, real estate and transport sectors
- Building products and construction materials
- The development, investment in and operation of infrastructure concessions and property assets

The group currently operates in South Africa, the rest of Africa, Middle East and Europe.



Introduction to the group

The group's strategy is to secure growth and reduce earnings volatility by capturing multiple margin streams across the infrastructure value chain by:

- Securing and executing large and/or multi-disciplinary contracts
- Optimising the contribution of our Manufacturing and Construction Materials portfolio
- Building an Infrastructure Concessions and Property portfolio
- Expanding our geographic footprint to at least 40% of revenue outside South Africa
- Diversifying across sectors to spread risk and to access stronger growth opportunities

REPORT APPROACH

The group carefully evaluates its reporting to stakeholders each year to continually improve its communication and the focus and relevance of each year's report.

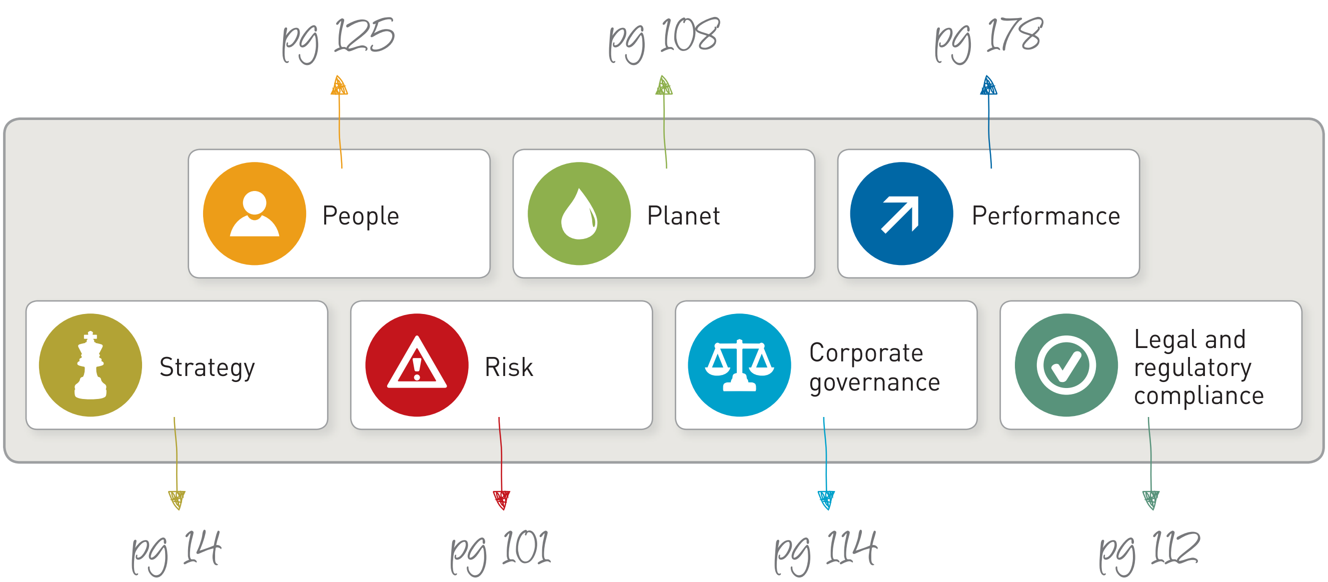
This year we produced a condensed printed report supplemented by information on a CD available at the back of this integrated report.

Our approach was to report only on the significant issues within our business along with the material matters identified through engagement with our stakeholders. We believe that by following this approach we are able to provide stakeholders with information that is pertinent. Our ability to issue our integrated report on the day of our year end results release adds to the value of the report as timeous information enhances relevance.

For feedback on our report please contact us at feedback@groupfive.co.za or +27 11 806 0278.

Internal process followed to identify and manage significant issues

The group's senior management and board members continued to measure the progress against our stated strategy and group objectives. In F2009 we implemented a total quality management system that underpins every aspect of our operations and reinforces the centrality of sustainability. During this year, the group evaluated the components of the **integrated business model** illustrated below as a base from which to extract the material issues across the group.



Against the backdrop of weak trading conditions, the resilience of the group's processes and systems was tested. Implementing a total quality management system allowed us to drive disciplined behaviour through the group to ensure that risk management became the primary driver of the tactical actions taken to mitigate the rapid decline in trading conditions and the extremely volatile and uncertain business climate.

The group's focus has been to develop objective measures to monitor its capacity to absorb risk. Specific risk parameters are used to evaluate the risk-bearing capacity of the group. The group's actual status is benchmarked against its estimated risk-bearing capacity. Where the actual deviates negatively from the hurdle position, it indicates a material elevation of risk. The affected area is monitored and material risks are interrogated and addressed. Material risks are also constantly updated in each business and risks captured on a central risk analysis register to facilitate pro-active management. Lessons learnt are ploughed back into the business to ensure continuous improvement.

The group also has over-arching group measures to ensure consistent and stringent monitoring of performance.

Refer to page 44 to evaluate how we performed against these measures.

The group's material focus areas

The group identified the following material focus areas across its business during the year:

- Weak global market conditions, which included difficult conditions in the group's home market of South Africa, in particular in its materials markets
- The direct impact of the Middle East debt crisis in terms of cancelled contracts and the potential future impact in terms of constrained growth
- The need to expand geographically and the group's ability to do so successfully
- The group's progression to larger engineering, procurement and construction contracts
- Environmental and regulatory compliance at Construction Materials
- Ensuring the group's financial health to deliver against its stated strategy
- The Competition Commission investigation into the construction industry
- The safety performance of the group and its sub-contractors
- Talent retention

Refer to page 6 for a summary of these issues, their effect on the business and how we aim to mitigate them.

External process followed to identify key stakeholder information needs

The internal identification of material issues was supplemented by a focused feedback analysis to identify the core issues for each key stakeholder group.

We identified our key stakeholders as:

- Employees
- Shareholders (equity providers) and analysts
- Financial institutions (debt providers)
- Media
- Credit rating agencies
- Insurers
- Regulatory bodies
- Suppliers
- Clients

Refer to page 8 for a summary of the issues raised.

UNPACKING OUR MATERIAL ISSUES

As outlined on the previous pages, the group followed an internal and external process involving management, the board and key stakeholders to confirm the significant issues for the group. This is not meant to be a comprehensive analysis of all risks, but aimed to provide the reader with the main issues affecting our operations.

Strategy and risk

Material issues	Mitigation	Status
Market weakness		
Construction order book shrinkage	• Geographic expansion • Move to larger multi-disciplinary contracts • Concessions and financial acumen to structure and develop own contracts	• Increase in Construction over-border order book from 24% to 30% • Increase in Construction over-border traded revenue from 18% to 27% • R1,6 billion of multi-disciplinary contracts won in mining and power still to be traded • Concessions business growing strongly, with preferred bidder stage on a number of contracts with a value of over R4 billion
Margin retraction	• Stricter bid filter to ensure correct cost base • Optimised terms with suppliers and sub-contractors • Import lessons learnt from completed contracts • Involve multiple group business units in higher margin, value-added contracts • Shed non-core resources • Cut or delay non-critical expenditure • Rationalise and restructure support functions	• Although Construction margins retracted, they are still within or exceeding guidance given at interim time. These will be under pressure in the short term – Building and Housing 6% (guidance was 4% – 6%) – Civil Engineering 7% (guidance was 5% – 7%) – Engineering 7% (guidance was 6% – 9%) • Margins in Manufacturing and Construction Materials remained under pressure • Loss-maker ratio increased from 13% – 15% • Group employee numbers reduced from 12 497 to 11 997 • Restructuring within affected business areas completed
More onerous commercial terms	• Back to back terms with suppliers • Ensure cash flow plan at bid stage structured to be positive • Bid filter to prevent undue cash absorption in tenders	• Cash decline limited as much as possible • Advance payments still a feature of cash position, although some unwind occurred as expected
Decline in materials volumes	• Re-sized business to suit current and medium term market conditions • Revalued business to align with expected returns of 8% – 10% within a normalised market • Reviewed plant and equipment strategy	• Employee numbers decreased from 804 to 557 • Management mostly changed • Capacity temporarily reduced by 25% • R16 million of capex vs R47 million budgeted
Manufacturing price and margin pressure	• Process technology upgrades to reduce direct costs • Variable costs reduced to suit demand • Market expansion through Advanced Building Technologies (ABT) • Market expansion through new export channels in Everite • Implemented product range expansion	• Volumes were mostly flat against an overall market decline in our primary products of 10% – 15% • Internal inflationary cost pressures were well maintained at 2.4% • Export volumes up 7.4% • Loss-making contract in Steel affected result
Middle East debt crisis		
Terminated and uncompleted contracts	• Agreements reached for payment plans (strong local joint venture partner assisting process) • Back to back payment agreements with suppliers	• Although work in progress, contract values now agreed for material debts and payments have commenced • Back to back agreements in place
No new contracts currently	• Continue to reduce reliance on UAE to focus on other territories in the region • Size business to match activity levels	• New work being bid in Saudi, Qatar, Jordan • Business restructure in progress
Geographic expansion		
Order book decline	• Focus on expansion into new markets • Reduced reliance on domestic market	• Increase in Construction over-border order book from 24% to 30% • Appointment of senior executive to Middle East and North Africa • Deployment of senior executives to African hubs • Seven additional new territories under development

Strategy and risk continued

Material issues	Mitigation	Status
Move to larger and EPC concessions contracts		
Concentration of risk	Introduced risk-bearing capacity tool to establish constraints Enhanced bid risk filter process with board participation Strict bid filter to ensure adherence to schedule, working capital cycle and cash flow assumptions Avoid process design risk	Market weakness constrained opportunities However, EPC capacity building progressed to pre-qualification, bidding and execution on the group's third power plant contract and its first mining plant build Large EPC and multi-disciplinary bids and pre-qualifications increased from 18% to 22% of tendered values in the last year

Planet and compliance

Material issues	Mitigation	Status
Environmental and regulatory compliance at Construction Materials		
Potential suspension or loss of mining licence	Dedicated environmental officer driving compliance Inclusion of mining regulations in group regulatory compliance tracking system Task team involved with conversion of all mining rights	Although formal quality certification processes were put on hold while restructuring took place, the cluster adheres to relevant legislation and requirements. There are a few areas requiring improvement where the group is engaging with the relevant authorities

Performance and risk

Material issues	Mitigation	Status
Financial capacity		
The potential for bank and bond facility reduction dependent on credit view of sector	Increase engagement with financial institutions Transparency in disclosure Demonstrate cash management responsibility Adhere to facility covenants	Engagement with institutions indicates no change to existing facilities Institutions satisfied with level of transparency and access to the group Cash position has been in line with forecasts and as communicated

Compliance and corporate governance

Material issues	Mitigation	Status
Competition Commission investigation		
Potential fines	First to report markers to Competition Commission Achieved conditional leniency	Conditional leniency agreement with the Commission granted and signed in August 2011, pending the completion of the industry investigation

Risk

Material issues	Mitigation	Status
Safety performance of the group and sub-contractors		
A poor safety record could damage competitiveness and lead to the unacceptable loss of lives	Management commitment to safety is embedded in managers' performance appraisals and remuneration	No fatalities of Group Five employees, but six fatalities in sub-contractor base DIFR including sub-contractors worsened to 0.54 from 0.43 Some improvements seen in: – Lost time injuries, which declined from 79 to 53 – Non lost time injuries, which declined from 168 to 140

People

Material issues	Mitigation	Status
Talent retention		
Potential loss of critical capacity	Continue training and maintain competitive remuneration and career path development	No senior manager or key technical employees left the group in the year under review Employee turnover of 6% Employee feedback improved year on year

UNPACKING OUR MATERIAL ISSUES CONTINUED

Stakeholders' requests

Below we outline the key issues our stakeholders wanted us to address and where these are discussed in our integrated report, both in the printed section as well as on the CD contained within the report.

Employees

Reviews where this is discussed:
- Printed: • HR
- CD: • HR

Feedback improved, with an employee satisfaction rating of 67.0% versus 65.8% last year. Some key issues raised which still require attention:

- Rewards, recognition and performance management
  - This measure declined slightly
  - Some business units lack formal performance evaluation processes or personal development plans
  - Employees feel they don't receive sufficient feedback or acknowledgement for performance
- Change and transformation
  - This measure improved
  - Employees requested more information on transformation and the group's progress
- Improved communication
  - This measure improved
  - Group communications rated positively, supported by a strong buy-in from employees for the group brand
  - However, employees would like more direct communication from their own business units and the opportunity to interact with their senior management

Shareholders (equity providers) and analysts

Reviews where this is discussed:
- Printed: • CEO • CFO
- CD: • Risk

- Order book and top line growth
  - Geographic and contract role expansion should be unpacked
  - How the strategy protects against the downturn should be explained
- Operating profit and margins
  - Information on how the group's value-add competencies will support profitability without having to chase margins
  - More detail around value erosion, such as loss-makers, Competition Commission and low-margin contracts
- Cash and related matters
  - Information around the working capital unwind
  - The potential strain on cash resources as concession projects increase and other growth initiatives require funding
- Return on equity (ROE) – Increasing asset utilisation and profitability of capital-intensive materials business units
- Risk – Need to address contract risk, payment risk and country risk
- Impairments of carrying value of assets in Construction Materials cluster – Update on progress required
- Middle East – payment risk, timing of market recovery, diversion of management time and resources

Financial institutions – (debt providers)

Reviews where this is discussed:
- Printed: • CFO • Risk

- Liquidity position going forward
  - Areas of risk and financial loss exposure
  - Competition Commission fines
  - Collectability of Middle East debtors
  - Gearing ratio
  - Interest cover
- Opportunity to provide debt funding to emerging markets on the basis of controlled credit risk

Media

Reviews where this is discussed:
- Chairperson
- CEO
- HR

- Competition Commission update required
- Construction Materials – group strategic intent with this cluster
- How strategy will be refined to ensure the group rides through the market storm
- Expansion in Africa and how risks will be managed
- Views on expectations around public sector spend
- Employment issues in tough market conditions
- Broad-based black economic empowerment position against continued pressure from government on corporates
- Information on current contracts

Credit rating agencies

Reviews where this is discussed:
- CFO
- Risk

- Liquidity position going forward
- Gearing ratio
- Cash availability
- Interest cover
- Areas of risk and financial loss exposure which would affect liquidity and potentially gearing
  - Competition Commission fines
  - Collectability of Middle East receivables

Insurers

Reviews where this is discussed:
- CEO
- Risk
- Risk

- Ability to manage engineer, procure and construct (EPC) risks due to size of contracts and legal liability required to be assumed
- Adequacy of legal expertise to manage EPC contracts
- Increased exposure to Africa, which could result in an increase in plant claims due to a different operating environment

Regulatory bodies

Reviews where this is discussed:
- CEO
- Risk
- Legal

- Transparency of disclosure to Competition Commission on all transgressions
- Transparency of operations within each jurisdiction, adherence to legislation and effective ongoing communication and resolution of all queries and assessments raised
- Disclosure of the group's structures, activities and intention.
- Complete adherence to legislation

Suppliers

Reviews where this is discussed:
- Risk
- Risk
- HR

- Provide information to empower the supplier to perform
- More collaboration on joint initiatives to unlock value to mutual advantage
- Communication regarding the key issues facing Group Five and the role supply partners can play in addressing these
- Information around key safety, health, environment and quality (SHEQ) strategies

Clients

Reviews where this is discussed:
- Chairperson
- SED
- HR

- Ability to perform
- Requirement for performance bonds
- Broad-based black economic empowerment ownership complement within the group
- Socio-economic development and Accelerated and Shared Growth Initiative for South Africa (ASGISA) compliance within tenders

GROUP STRUCTURE

	Business segments	Key competencies
INVESTMENTS AND CONCESSIONS	Infrastructure Concessions	Full concessions and PPP developer, including operations and maintenance
	Property Developments	Development, ownership and management of selected A-grade property assets generating development and investment returns
MANUFACTURING	Fibre Cement	Exterior and interior walling, ceiling boards, roofing systems and pipes, fibre cement-clad steel-framed modular housing systems
	Steel	Large bore steel pipes, fabricated steel structures, scaffolding, formwork and steel reinforcing for use in concrete structures
CONSTRUCTION MATERIALS	Sand and aggregates	Materials used in the construction supply chain
	Readymix and extenders	
	Mining crushing services	
CONSTRUCTION	Building and Housing	Design to build and construction of large buildings and human settlements
	Civil Engineering	Construction of large structures in public and private infrastructure, including heavy civil structures, roads, ports, airports and pipelines
	Engineering	**Projects** Multi-disciplinary plant construction covering structural, mechanical, electrical and piping with a focus on the mining and industrial sectors
		Engineering and Construction* 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

***Engineering and Construction (E+C)**
As communicated to stakeholders, the group's strategy is to establish E+C as a fifth cluster within the group. However, market conditions have slowed the intended growth plan of this business. For F2011 the unit remained managed and reported as part of the Engineering segment.

Key market sectors	Operational experience	Contribution to group: Revenue – 2011 (R'000)	Contribution to group: Operating profit** – 2011 (R'000)
Transport, power and real estate in public and private sectors	Africa and Eastern Europe	6.0% of 9 206 998 554 659 Investments and Concessions	12.1% of 498 828 60 231 Investments and Concessions
Real estate in private sectors	South Africa		
Real estate in public and private sectors	South Africa	9.4% of 9 206 998 867 523 Manufacturing	5.2% of 498 828 26 187 Manufacturing
All sectors	South Africa		
All sectors	South Africa	4.7% of 9 206 998 434 233 Construction Materials	(13.7)% of 498 828 (68 157) Construction Materials
Real estate and related infrastructure in public and private sectors	Southern Africa, Central and West Africa	79.9% of 9 206 998 7 350 583 Construction	96.4% of 498 828 480 567 Construction
All sectors	Africa and Middle East		
Mining, industrial, power and oil and gas in public and private sectors	Africa and Middle East		
Mining, industrial, power, oil and gas and water in public and private sectors	Africa and Middle East		

E+C allows the group to grow by moving up the hierarchy of infrastructure delivery to take on design, build and engineering procurement and construction (EPC).

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

GEOGRAPHIC FOOTPRINT

The group proved its ability to move its focus to over-border countries where some growth was experienced, with the Construction order book having moved from 24% to 30% over-border.

West Africa

COUNTRIES of operation / Burkina Faso 1 / Ghana 2 / Nigeria 3 / Sierra Leone 4

SEGMENTS operating within regions / Building and Housing / Engineering

	F2010	F2011	F2012[1]
Revenue	238	229	273
Employees	215	664	n/a
Sector			
Construction works			
• Private: public	100%:0%	100%:0%	100%:0%
• Mining and industrial	85%	99%	100%
• Power	15%	–	–
• Oil and gas	–	–	–
• Water and environment	–	–	–
• Real estate	–	1%	–
• Transport	–	–	–

Major contracts F2011[2] Mining construction works at open-cast mine, Ayanfuri gold project, Anglogold Ashanti.

Major contracts F2012[1][2] Mining construction works at open-cast mine, Ayanfuri gold project, Anglogold Ashanti.

East Africa

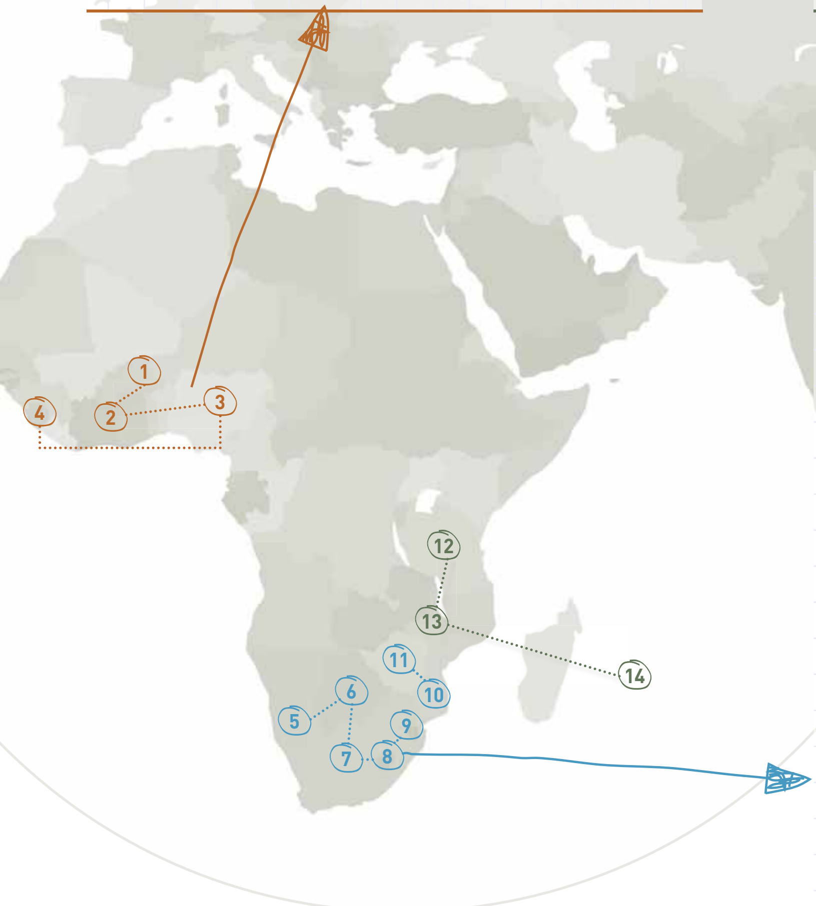
COUNTRIES of operation / Tanzania 12 / Malawi 13 / Mauritius 14

SEGMENTS operating within regions / Civil Engineering / Engineering

	F2010	F2011	F2012[1]
Revenue	178	25	30
Employees	156	110	n/a
Sector			
Construction works			
• Private: public	60%:40%	95%:5%	100%:0%
• Mining and industrial	44%	95%	100%
• Power	6%	5%	–
• Oil and gas	–	–	–
• Water and environment	9%	–	–
• Real estate	41%	–	–
• Transport	–	–	–

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

Major contracts F2012[1][2] North Mara Gold Mine plant upgrade.



Southern Africa

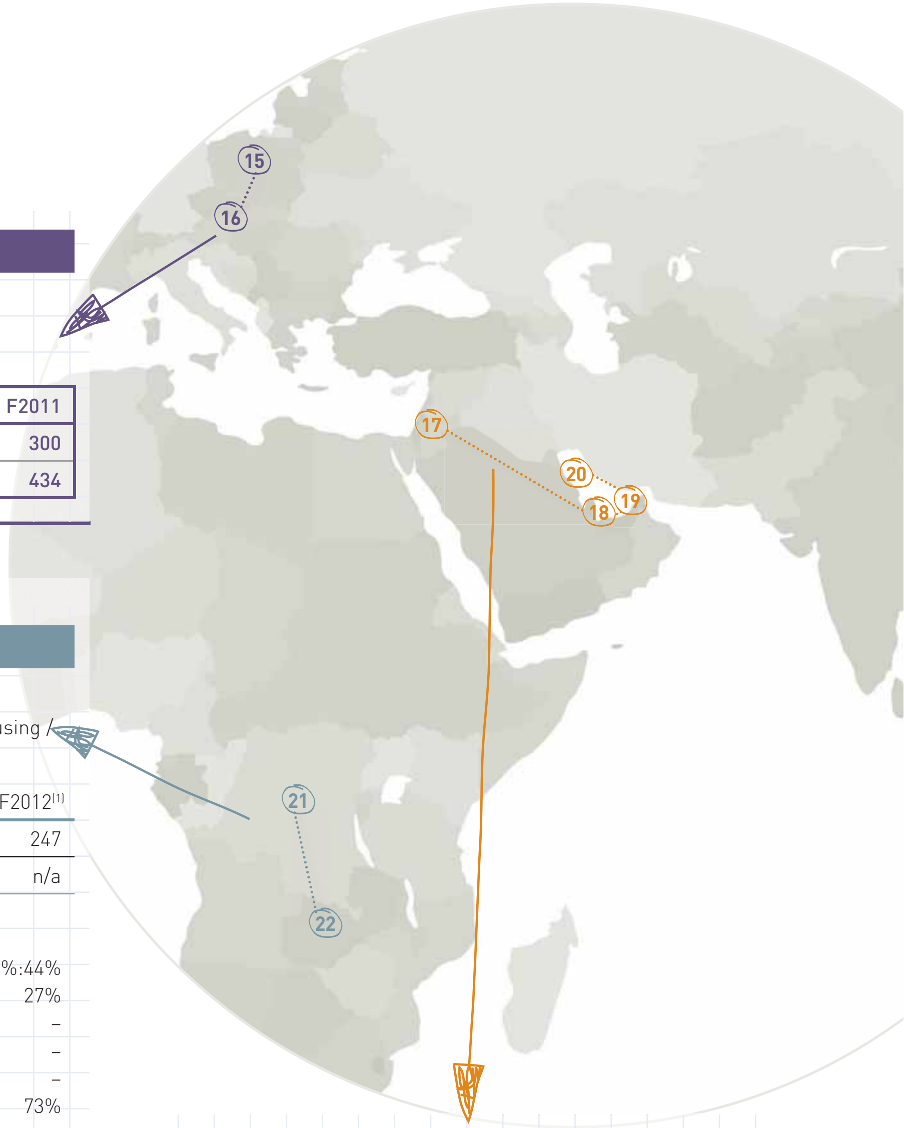
COUNTRIES of operation / Namibia 5 / Botswana 6 / South Africa 7 / Lesotho 8 / Swaziland 9 / Mozambique 10 / Zimbabwe 11

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

	F2010	F2011	F2012[1]
Revenue	9 336	7 217	5 228
Employees	10 287	10 031	n/a
Sector			
Construction works			
• Private: public	29%:71%	29%:71%	28%:72%
• Mining and industrial	7%	12%	9%
• Power	6%	6%	13%
• Oil and gas	16%	11%	21%
• Water and environment	2%	1%	6%
• Real estate	33%	22%	25%
• Transport	36%	48%	26%

Major contracts F2011[2] Koeberg Road Interchange upgrade.

Major contracts F2012[1][2] Zimbabwe Roads Rehabilitation.



Eastern Europe

COUNTRIES of operation / Poland 15 / Hungary 16

SEGMENTS operating within regions / Infrastructure Concessions

	F2010	F2011
Revenue	370	300
Employees	488	434

Central Africa

COUNTRIES of operation / DRC 21 / Zambia 22

SEGMENTS operating within regions / Building and Housing / Civil Engineering / Engineering

	F2010	F2011	F2012[1]
Revenue	448	1 031	247
Employees	341	354	n/a
Sector			
Construction works			
• Private: public	71%:29%	40%:60%	56%:44%
• Mining and industrial	65%	39%	27%
• Power	–	–	–
• Oil and gas	6%	–	–
• Water and environment	–	–	–
• Real estate	29%	61%	73%
• Transport	–	–	–

Major contracts F2011[2] Kinsevere mining copper contract – stage 2.

Major contracts F2012[1][2] Konkola Copper Mine housing contract.

Middle East

COUNTRIES of operation / Jordan 17 / Abu Dhabi 18 / Dubai 19 / Qatar 20

SEGMENTS operating within regions / Civil Engineering

	F2010	F2011	F2012[1]
Revenue	768	405	169
Employees	1 010	404	n/a
Sector			
Construction works			
• Private: public	3%:97%	28%:72%	58%:42%
• Mining and industrial	43%	17%	–
• Power	–	–	–
• Oil and gas	–	–	–
• Water and environment	–	14%	58%
• Real estate	20%	–	–
• Transport	37%	69%	42%

Major contracts F2011[2] Power and industrial work on aluminium smelter for EMAL. Commenced 2009.

Major contracts F2012[1][2] New Doha International Airport (NDIA) passenger rail system station box.

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

DELIVERY ON GROUP STRATEGY

This section indicates how our strategy outlined on page 2 performed against market dynamics and what our expectations are going forward.

CONSTRUCTION

Strategy:

Secure and execute large and/or multi-disciplinary contracts where the group has built capacity and can differentiate itself.

F2011 – Market dynamics	F2012 – Group's market expectations
• Gross capital fixed investment delays in all private sector markets • Severe slowdown in public infrastructure spend • Reduced average size of contracts at lower margins post completion of 2010-related infrastructure spend	• Short term building and civil contracts will be smaller and tendered • Medium/long term expected to favour packaged contracts • Trends in contract size and complexity indicate that clients tend to align with contractors who will relieve them of non-core activities

How strategy performed against market dynamics	Additional actions	Strategic focus
• Strategy buffered some of the worst of the market challenges • Emphasis on securing large, longer term, multi-disciplinary contracts provided some resilience to rapid decline in contract awards	• Focus on concessions offering provided early entry opportunity in future infrastructure contracts such as roads, PPPs and power	• Despite short term hiatus in large contracts, the group has a longer term view on contract flow • The infrastructure backlog (in all our geographies) will require us to continue building large and multi-disciplinary contract capacity • Competence is being established in multiple business units for participation in turnkey and large contracts through cross-group packaging and the growth of engineer, procure and construct (EPC) ability in Engineering and Construction (E+C) – Strategy supports concessions business where bankable EPC package is a pre-requisite to contract closure – It will reduce reliance on single discipline tender market through contracts where more than one group business unit is involved

MANUFACTURING AND CONSTRUCTION MATERIALS

Strategy:
Optimise the contribution of our Manufacturing and Construction Materials portfolio to the group.

F2011	F2012
Market dynamics	**Group's market expectations**
• Volumes and prices declined in manufacturing markets across the board • Construction Materials experienced the worst volumes and prices in decades in line with the construction downturn	**Manufacturing** • Retail market has stabilised, but expected to remain weak for at least another 12 months • Steel demand starting to improve slowly • Infrastructure spend delays continue; timing of low-cost housing still uncertain **Construction Materials** • Market volume decline slowed, but outlook set to remain tough. • Some pricing improvement seen, which will support 12- to 18-month profitability improvement

How strategy performed against market dynamics	Additional actions	Strategic focus
Manufacturing • Product development into new growth niches: new export markets and product range extension • Margin decline; plant process improvements insufficient to prevent margin erosion • Competitive advantage: developed supply chain and distribution excellence • New international technology partnerships in Asia, Australia and South America improved product and process performance	**Manufacturing** • Refined fibre cement strategy to meet tough markets; expanded exports and grew modular housing system offering • Investment in repositioning construction steel product range • Steel fabrication work secured externally	**Manufacturing** • Product development to support growth pockets • Export expansion in Fibre Cement • Greater market penetration with new products, particularly modular housing • Improvement in plant process design • Restructure and reposition Steel business • Further technology injection
Construction Materials Severity of market decline superseded strategy	**Construction Materials** • Worst price and volume declines in decades led to impairment of carrying value of long term assets • Reviewed carrying value of non-current assets in line with outlook • Significant corrective action	**Construction Materials** • Bed down new, refocused structure • Rebuild team • Develop further mining crushing services opportunities within South Africa and over-border

DELIVERY ON GROUP STRATEGY CONTINUED

INVESTMENTS AND CONCESSIONS

Strategy:
Build an infrastructure, concessions and property portfolio.

F2011 – Market dynamics	F2012 – Group's market expectations
Infrastructure Concessions South Africa: – Slowdown in broader public private partnership (PPP) concessions roll out post 2010 FIFA World Cup – Achieved preferred bidder status on two PPPs, but further delays in process – Second phase of CTROM* transport concessions tenders – Power concessions (independent power projects) proposed but framework uncertain Rest of Africa: – Investigating PPPs Central and Eastern Europe: – Weak due to economic pressures and political changes	**Concessions** South Africa: – Requests for proposals expected to be evaluated, with some awards – Traction expected in SA PPP, IPP renewables market and hospital PPPs Rest of Africa: – Growing appetite for PPPs (roads, water, electricity, public buildings and other services); development over one to three years Central and Eastern Europe: – No improvement in market conditions for full concessions until 2013 – Some electronic tolling contracts (ETCs) expected – More countries to adopt PPPs over next three years
Property assets Investment in real estate developments not viable until tenant market demand recovers	**Property assets** Conversion of land assets into developments still challenging Slow and protracted recovery

How strategy performed against market dynamics	Additional actions	Strategic focus
Infrastructure Concessions Concessions portfolio provided some defence against construction downturn	**Concessions** Strategy unchanged: Investing time and resources for additional concessions markets Fair value profit of R33,1 million generated in current year	**Concessions** Strategy directed towards: – Broadening asset classes (PPPs, power, serviced accommodation, power and regional transport) – Expanding geographic spread to reduce concentration in Eastern Europe
Property assets Continued positioning for better quality, core future property development investments	**Property assets** Developed affordable housing project with Group Five Motlekar Secured investment manager role for offshore listed property fund Fair value profit of R15,3 million generated in current year	**Property assets** Continue property portfolio transition strategy to preserve current asset values – with a diversified portfolio of fee-generating work plus longer term equity positioning

* *Comprehensive toll road operations and maintenance.*

EXPANSIONARY GEOGRAPHIC STRATEGY

Strategy:
Expand our geographic footprint to 40% of revenue outside South Africa.

F2011 – Market dynamics	F2012 – Group's market expectations
Global financial crisis reduced Group Five's ability for over-border geographic expansion to 25% of revenue against the targeted 40%	**Africa:** Steady growth in resources with infrastructure to follow over time **Middle East:** Investment in public infrastructure backed by oil price, industrialisation and economic diversification **Eastern Europe:** After two years of contract postponements/ cancellations, expect more countries to adopt PPPs over next three years

How strategy performed against market dynamics	Additional actions	Strategic focus
Geographic diversity provided some relief to deep decline in South African construction sector. • Delayed expansion in territories where the group has built capacity, specifically Middle East and Eastern Europe • Revenue contribution from non-South African markets was: 2011: 25% 2010: 20% 2009: 37% 2008: 34%	Strategy unchanged. • Resources committed to expanding group operations in current regions and entering new territories which fit the group's capabilities and risk criteria	**Africa:** Development of a more permanent presence in three distinct regions of West, East and Central Africa **Middle East:** Specific focus on Saudi Arabia, Qatar, UAE and Jordan • Recovery of debt due to the group, order book growth • Longer term strategy to re-build a sustainable business of relevant size **Eastern Europe:** • Expect to participate in new pre-qualifications in new territories, with a potential beyond roads • Secure Bulgaria IPP bankability and an additional transport concession

DELIVERY ON GROUP STRATEGY CONTINUED

FOCUSED SECTORS: MINING, INDUSTRIAL, POWER, OIL AND GAS, WATER AND ENVIRONMENT, REAL ESTATE AND TRANSPORT

Strategy:
Diversify across sectors to spread risk and access growth areas.

F2011	F2012
Market dynamics	**Group's market expectations**
• 36% of Construction revenue was generated from new sectors penetrated (power and oil and gas) (vs 24% in F2010) • Public sector work in these sectors contributed 30% of Construction revenue compared to the group's traditional private sector role of building/civils/mining contractor • Increased competition and margin pressure	• **Mining:** African mining recovery to continue • **Industrial:** Emerging activity in pulp and paper, minerals benefaction and petrochemical • **Power:** Integrated Resource Plan 2011; REFIT* bid process now in progress; growth market in baseload, independent power projects, renewable, including nuclear – group well positioned • **Oil and gas:** Increased revenue in sector expected • **Water and environment:** Water master plan (Department of Water and Forestry and Trans Caledon Tunnel Authority) – several large contracts in the market • **Real estate:** Slow and protracted recovery; project funding very challenging; increased competition; affordable housing contracts increasing slowly • **Transport:** Steady revenue base with growth through road concessions, port and rail possible; very competitive tender market

* *The Renewable Energy Feed in Tariff.*

FOCUSED SECTORS: MINING, INDUSTRIAL, POWER, OIL AND GAS, WATER AND ENVIRONMENT, REAL ESTATE AND TRANSPORT continued

Strategy:
Diversify across sectors to spread risk and access growth areas.

F2011 – How strategy performed against market dynamics	F2012 – Strategic focus
• Sector strategy unchanged – together with geographic expansion; it mitigated some impact of weak markets (although global economic weakness has delayed some sector development) • Capacity built before the downturn; pre-qualified in the new sectors of power, oil and gas, PPP/EPC, as well as work secured in re-emerging mining sector • Increasing contribution to order book and pipeline shows future value in these sectors	• Diversify earnings between these seven sectors • Timing of PPP roll out is unclear • Demand for infrastructure contracts in our targeted sectors has now become critical
Mining F2010 vs F2011 contribution to: • Construction revenue: 9% vs 11% • Target pipeline*: 12% vs 13%	• Expand Group Five offering to the mining industry by including more group products and services • Growth from strong operational bases established in targeted countries
Industrial F2010 vs F2011 contribution to: • Construction revenue: 4% vs 4% • Target pipeline*: 4% vs 1%	• Use of the group's multi-disciplinary strengths, together with technology packaging capability, to present as a strategic partner
Power F2010 vs F2011 contribution to: • Construction revenue: 7% vs 7% • Target pipeline*: 14% vs 28%	• Continue capacity building and diversification into alternative power sources; clear demand for power in South Africa and other markets • Use Group Five's track record and strong position in this market • Secure power plant contracts in thermal, renewable and nuclear technologies
Oil and gas F2010 vs F2011 contribution to: • Construction revenue: 17% vs 29% • Target pipeline*: 3% vs 2%	• Expansion of services business and packaging of technology within Engineering and Construction (E+C) • Explore over-border business
Water and environment F2010 vs F2011 contribution to: • Construction revenue: 1% vs 2% • Target pipeline*: 7% vs 8%	• Develop design/build competence in water and with technical partners
Real estate F2010 vs F2011 contribution to: • Construction revenue: 27% vs 32% • Target pipeline*: 39% vs 32%	• Order book expansion in Building and Housing in Africa • Development of affordable housing market in South Africa • Design/build in support of concession PPPs
Transport F2010 vs F2011 contribution to: • Construction revenue: 35% vs 15% • Target pipeline*: 21% vs 16%	• Strategic positioning should result in growth as global economy improves and South Africa addresses domestic infrastructure backlog • Secure N1-N2 and new port/rail work in SA • Expand over-border order book

* *Our Target Opportunity Pipeline is the group's indicator of medium to long term opportunities and performance. It represents the group's targeted contracts and includes only the value that could be traded by the group and not total contract values. In addition, it is not to be confused with the secured order book nor does the group expect to secure the full pipeline presented.*

The group's capabilities have been refined to deliver comprehensive infrastructure solutions with high potential.

The next few spreads outline the group's capabilities in its target sectors.

SECTOR FOCUS – MINING

Mining | Industrial | Power | Oil and gas | Water and environment | Real estate | Transport

Key competencies

- Multi-disciplinary international mine and process plant constructor
- Consortium partner in engineer, procure and construct (EPC) mine construction
- Contract crushing and hauling services
- On-site services contractor
- Supply chain logistics into remote sites

Key differentiators

- Experienced African mining and process plant constructor across 20 countries
- Strong repeat business client base
- Reputation for delivery of complex contracts in remote and difficult conditions

2011

Kinsevere – Democratic Republic of Congo

The structural, mechanical, electrical, instrumentation and piping (SMEIP) supply, construct and commissioning of a copper plant to produce 60 000 tonnes per annum grade A copper. A site crew of 500 people achieved 1,35 million lost time injury free hours to complete the contract.

2010

Kayelekera uranium contract – Malawi

Erection of piping, structural and mechanical equipment, heavy lifts and electrical and instrumentation works. The plant consisted of 1 168 tonnes of steelwork, 711 tonnes of plate work, 27 kilometres of piping and 52 site-fabricated tanks.

2009

Tenke Fungurume mining contract – Democratic Republic of Congo

Supply, fabrication and installation of structural steel, platework, piping, electrical cabling and instrumentation, as well as installation of mechanical equipment.

2008

Bogoso sulphide expansion contract – Ghana

This brownfields project to increase output was the largest BIOX plant constructed at the date of completion.

2007

Langer Heinrich uranium contract – Malawi

Supply of 2 100 tonnes of tanking plate work, 4 414 tonnes of steelwork and 1 312 pieces of free issue mechanical equipment.

CASE STUDY

Ayanfuri Gold

Development of an open-cast mining operation, process plant and related infrastructure – Ghana

Group Five Projects and DRA, a South African mining process design group, is involved in this R480 million engineer, procure and construct (EPC) contract for AngloGold Ashanti's process plant and related infrastructure at its open-cast gold mining operations.

Due to Group Five's local presence in Ghana since 1996, the group could ensure the availability of local skills and plant when the contract was awarded. The team was therefore able to start on time in March 2010 and expects to hand over to the client ahead of the contract deadline. Group Five is leading the logistics for the contract and controlled the shipping of items from Canada, China, Brazil, South Africa, Germany, Korea, Thailand, USA and Australia. With the group's logistics experience, materials were cleared from the port in record time so that port demurrage charges were minimised.

The access road from the port was in a very poor condition when the mill was due to be transported to site. The Group Five team repaired the public road to ensure that the mill shells could be safely transported to site.

During the contract, 125 000 cubic metres of earthworks have been moved and 6 500 cubic metres of concrete and 1 100 tonnes of steel used. Platinum awards in safety, quality and project lifecycle audits have been achieved.

SECTOR FOCUS – INDUSTRIAL

Key competencies

- Multi-disciplinary industrial plant constructor
- Factory layout design and build
- Construction services, including civils and building works
- Resident multi-disciplinary maintenance and shutdown services contractor
- Supply of construction materials

Key differentiators

- Track record in civils, heavy mechanical, electrical and piping construction
  - Aluminium, steel, zinc and gold smelting
  - Gold process plants
  - Petrochemical
  - Oil and gas
  - Sugar
  - Paper
  - Cement

2011

Sasol FT wax expansion – South Africa

Demolition of existing structures and the rerouting of services. Construction of bulk earthworks, access roads, underground drainage works, structural foundations and building extensions.

2010

Matola cement mill – Mozambique

Demolition of the existing concrete structures, constructing of new civil structures, installation of mill and associated items, structural steel, mechanical items and piping.

2009

Emirates Aluminium Smelter – UAE

Six packages ranging from a power plant and sub-station building to an anode bake furnace. We also constructed materials handling infrastructure.

2008

Highveld induction furnace – South Africa

Installation of a furnace and the supply of structural steel, handrailing, grating, piping and electrical and instrumentation works.

2007

Mittal stockhouse – South Africa

Installation and commissioning of 1 761 tonnes of structural steelwork, 440 tonnes of mechanical items, 56 tonnes of grating and hand railing, 404 tonnes of lining, 9 087 tonnes of sheeting and 44 tonnes of associated equipment.

CASE STUDY

Matola Cement Plant
Installation of a new mill – Mozambique

This R105 million brownfields contract for Cimentos de Mozambique started in March 2010 and involved mechanical, structural, electrical, civil and piling works. Group Five Projects worked in joint venture with two sub-contractors on this contract. This is a repeat client.

The contract involved major demolition works on very old concrete structures, including two 45-metre chimneys, all very close to the operating plant. This required the team to work extremely carefully to ensure that safety and production was not compromised.

The piling work was particularly challenging as the group worked from a platform very close to the sea level, with tides having to be accounted for. The civil works involved approximately 1 400 cubes of concrete which required an extremely high degree of accuracy.

The 130 tonne mill was installed in December 2010 after which the rest of the process equipment and structural steel for the 43 metre high building was fitted.

The group finished the contract without any labour disputes.

The group managed the logistics on this contract, ensuring that materials were speedily cleared through customs for both road transport from South Africa and from the port of Maputo for the heavy mill and associated equipment sourced from Europe.

Although numerous technical challenges were encountered due to amendments in design specification, the contract was handed over to the client after 13 months.

SECTOR FOCUS – POWER

Mining | Industrial | **Power** | Oil and gas | Water and environment | Real estate | Transport

Key competencies

- Power plant co-developer, equity participant and turnkey design and build contractor
- EPC for thermal, liquid and gas power plants
- Solar, wind and mini hydro power plant contractor
- Construction services in all disciplines
- Supply of construction materials

Key differentiators

- Dedicated power division within Engineering
- Track record in engineer, procure and construct (EPC) power plant delivery in Africa
- Approved EPC contractor to General Electric (GE) and other technology providers
- Capability to co-develop contracts to bankability
- Capability to execute across Africa and Middle East

2011

Kusile power station – South Africa

Construction of site-wide civil works for a coal-fired power station using flue gas desulpherisation technology.

2010

Sasol OCGT contract – South Africa

Engineer, procure, construct and commission, including performance testing the open cycle gas turbines as part of the Combined Cycle Power Generation Project at Secunda.

2009

Orapa Botswana IPP – Botswana

Engineering and design work, including conceptual works, as well as the procurement of two GE LM6 000 gas turbines.

2008

Aba power station – Nigeria

Design, supply and installation of three gas turbines, with a combined output of 120 megawatt for the Aba power station.

2007

Ibom gas-fired power station – Nigeria

A multi-disciplinary contract for the design, supply and construction of a gas-fired power plant.

CASE STUDY

Sasol **gas turbines and heat recovery steam generators** – South Africa

Group Five Engineering and Construction (E+C) was appointed in 2008 to design and build a power plant and install two 9E cycle gas turbines at Sasol's Secunda petrochemical plant in Mpumalanga. It worked together with Group Five Projects, Civil Engineering and Housing during this contract.

The two 120 megawatt turbines are the first privately-owned gas-fired units of its size in South Africa.

During the construction of the first phase, Sasol extended Group Five's scope of work to include the design, procurement, logistics, construction, installation and commissioning of two heat recovery steam generation (HRSG) boilers. The addition of the HRSGs enabled the exhaust gas heat from the turbines to be used to produce steam, which can be used in the Sasol manufacturing process.

The installation of the HRSG units involved working alongside an operating plant whilst ensuring safety to employees and preventing damage to the operating turbines. Group Five handled the logistics of shipping the various components from global factories, as well as the planning of the heavy lifts on site in a very constricted construction area. No lost time injuries were experienced.

The successful completion of this first major gas-fired combined cycle power plant illustrates that Group Five can undertake and successfully complete total EPC contracts by making use of the combined skills of its various business units and packaging them to offer an integrated solution to clients.

SECTOR FOCUS – OIL AND GAS

Mining | Industrial | Power | **Oil and gas** | Water and environment | Real estate | Transport

Key competencies

- Multi-disciplinary plant and infrastructure constructor
- Resident multi-disciplinary services contractor
- Refinery shutdown and turnaround contractor

Key differentiators

- Dedicated oil and gas business within Engineering
- Experienced shutdown and maintenance contractor to all oil and petrochemical majors
- Dedicated piping and steel fabrication facilities in line with ISO 3834 standards
- Tankage and pipeline technology constructor and services

2011

Sasol Alrode tanks – South Africa

Construction of a new fuel storage facility for Sasol in Johannesburg using tank technology from HMT, our US-based liquid storage tank partner.

2010

NMPP pipeline – South Africa

New multi-products pipeline designed to convey various petroleum products between Durban and Johannesburg.

2009

Engen maintenance shutdown – South Africa

Planned plant maintenance and repair.

2008

Chevron maintenance shutdown – South Africa

Planned plant maintenance and repair.

2007

Cabinda gas plant – Angola

Earthworks and piling concrete work for a new gas plant.

CASE STUDY

New **Multi-products** pipeline (NMPP), **pump stations and terminals** – South Africa

Group Five is working in partnership with Spiecapag of France to build a new multi-products 610 mm diameter pipeline from KwaZulu-Natal to Gauteng for Transnet.

In addition to the pipeline, Group Five is the sole contractor of associated pump stations along the pipeline, the construction of the terminals, valve network control blocks and other separately defined packages, as well as storage tanks and associated facilities in partnership with HMT, the group's US tankage partner. The combined value constitutes one of the largest construction contracts undertaken by Group Five.

Works on the contract started in May 2008. Group Five Coastal, Civil Engineering, Projects and the Oil and Gas business unit within Engineering and Construction (E+C) are involved in these contracts.

Pipeline
The pipeline is in its final stages before being commissioned along with the pump stations in September 2011. The pipeline involved a high-speed cross-country pipe laying method unfamiliar to South Africa.

Terminal 1 and pump stations
Construction of the five pump stations started as heavy civil construction contracts and will finish with the erection of major equipment and ancillary piping and electrical services. Although a late design change created significant pressure on the schedule, the contract is on track for completion in October 2011. The pump stations have achieved 1 million lost time injury-free hours.

Terminal 2
Group Five begun construction in March 2010 and is on track for the scheduled completion in July 2012. The contract requires multi-disciplinary expertise involving civil, building, mechanical, electrical and instrumentation construction work. There has been no lost time injury to date.

SECTOR FOCUS – WATER AND ENVIRONMENT

Mining | Industrial | Power | Oil and gas | **Water and environment** | Real estate | Transport

Key competencies

- Multi-disciplinary constructor of bulk water transport, treatment and storage systems
- Engineer, procure and construct (EPC) delivery of bulk water systems
- Design and manufacture of large bore spiral wound water pipes

Key differentiators

- More than 35 years' track record of delivery in water and marine civils sector, which includes some of the largest contracts in the SADC* region
- Dedicated pipe manufacture
- Strong African and Middle East capability

* *Southern African Development Community.*

2011

BG3 pipeline – South Africa

Group Five Pipe was awarded Rand Water's R124 million BG3 pipeline in 2008. It completed the manufacture, coating and lining of the entire pipeline during this year. The pipes were the largest pipes with the thinnest walls ever to have been manufactured by the group, with new coating and lining technology used.

2010

Olifantspoort water treatment works – South Africa

Extension of existing water treatment works for Polokwane to increase capacity by 20 megalitres per day.

2009

Vresap pipeline – South Africa

Supply and installation of 126 kilometres of pipeline as a water supply system for Sasol between the Vaal dam and Secunda.

2008

Berg River dam – South Africa

65 metres high, 990 metres long concrete faced rock fill dam near Franschhoek to augment water supply to Cape Town.

2007

Lusip dam – Swaziland

Construction of three dams, spillway and off-takes for the Lubovane irrigation project.

CASE STUDY

Spring Grove
dam construction – South Africa

The Spring Grove dam construction in KwaZulu-Natal started in April 2011 by the group's Civil Engineering and Coastal businesses in joint venture with Pandev, one of the group's long-standing enterprise development partners. In addition, certain parts of the works have been sub-contracted to local small and medium entities.

Group Five has sound technical knowledge of dam construction and the seasonal impact and risks associated with dam construction. In the 1980s Group Five pioneered roller compacted concrete technology which allows for quicker dam construction. The group remains a leader in this niche market.

The bulk excavation for the foundations of the dam wall is 60% complete, with work on the river bed for the diversion conduit having started. The foundation preparation for the intake tower is in progress and temporary access roads around the site are well advanced. The concrete batch plant has been erected and is ready for commissioning. The earth embankment core trench has also been fully excavated and the concrete aggregates are being crushed using our own plant and construction materials expertise.

The contract is on track for completion in 2013.

SECTOR FOCUS – REAL ESTATE

Mining | Industrial | Power | Oil and gas | Water and environment | Real estate | Transport

Key competencies

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

Key differentiators

- Design to build capability
- In-house financial structuring capability for PPP delivery
- Large building capacity and track record
- International delivery capacity

2011

Khayelitsha District Hospital – South Africa

Construction of a new 230-bed hospital in Cape Town for the Department of Public Works.

2010

Brandvlei Prison – South Africa

Demolition of an existing prison and construction of a new prison for 1 000 inmates.

2009

Moses Mabhida soccer stadium – South Africa

Construction of a 70 000-seater stadium, including hospitality boxes, an athletics track, sports field, basement parking and external works.

2008

Bank of Tanzania – Zanzibar

Construction of the 12 000 m^2 branch office for the Bank of Tanzania, comprising a basement, ground floor and one tower.

2007

Vodacom VI – South Africa

The construction of a 15 000 m^2 mobile switch centre was an addition to the Vodacom suite of buildings.

CASE STUDY

Levy Junction,

mixed-use development – Zambia

Levy Junction is the largest mixed-use development and the first multi-level retail development in Zambia. Group Five Building started this 94 000 m^2 development in the capital of Lusaka in 2009. Delivery date is October 2011.

The R820 million contract consists of a 30 000 m^2 double-level retail centre, 25 000 m^2 of parking, a 130-bedroom hotel, a 5 000 m^2 commercial office block and the associated external works on parking and bulk services.

Group Five Building supplied major plant, including tower cranes, concrete mixing and transportation plant from South Africa as availability in Zambia is extremely limited. Over 60 Group Five management members were relocated to Zambia for the duration of the contract. The safety performance has been excellent, with no lost time injuries experienced to date.

On the back of its success with Levy Junction, the group is currently constructing two other commercial office developments in Lusaka. Group Five Housing has also started on a mine accommodation contract for one of the large mining companies on the copper belt.

To service this country effectively, the group established an administration office in the capital, with a full suite of support services. This office, together with our established office in Chingola on the copper belt, has plant yards for the storage and servicing of construction materials and equipment.

SECTOR FOCUS – TRANSPORT

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

Key competencies

- Co-developer, equity participant and turnkey design and build contractor in transport concessions
- Engineer, procure and construct (EPC) delivery of transport infrastructure
- Multi-disciplinary constructor of roads, railways, ports, harbours and airports

Key differentiators

- International experience across Africa, Middle East and Europe
- Reputation for timeous and technically complex delivery
- Large contract capability
- EPC competence

2011

Gauteng Freeway Improvement Project – package E – South Africa

Extensive lane additions and improvements to interchanges as part of SANRAL's freeway improvements.

2010

Gauteng Freeway Improvement Project – packages A and E – South Africa

Packages included lane additions and improvements to interchanges as part of SANRAL's freeway improvements.

2009

King Shaka International Airport – South Africa

Design and construction of an international airport in KwaZulu-Natal.

2008

Durban harbour entrance widening – South Africa

Durban harbour widening by 100 metres. Removal and replacement of existing northern breakwater, extension of southern breakwater and deepening of harbour entrance by three metres to a depth of 19 metres.

2007

Western freeway upgrade phase 1 – South Africa

Major upgrade and widening of a section of freeway between Khangella and tollgate bridges in KwaZulu-Natal.

CASE STUDY

New Doha

International Airport (NDIA) passenger rail sub-terranean station complex – Middle East

This R650 million contract for the New Doha International Airport is the first contract for the group in Qatar in line with its strategy of expanding its presence in the Middle East outside of Dubai. The contract forms part of the State of Qatar's rail infrastructure system and complements other major infrastructure developments under construction in Qatar.

The project management team within our Middle East business unit has extensive experience in terms of piling, excavation and "top-down" construction. The construction method involves the casting of vertical diaphragm walls into the ground from above and then excavating the material to create a cavern. The team is working in partnership with one of the world's leading piling and diaphragm wall specialists.

The construction of the sub-terranean station complex started in January 2010. The station complex represents roughly 70% of the construction site area and is constrained on three sides by existing structures. This presents many access and coordination issues. As the diaphragm wall's typical panel is seven metres wide and 1,5 metres thick, very sophisticated and sizeable items of plant are required during the enabling works, further complicating the access.

The group has achieved all its milestones on the contract and has received interest from a number of consultants and contractors within the region for similar future contracts. There are more than 60 further sub-terranean stations planned to be constructed in the State of Qatar. Group Five believes it is therefore well placed to secure further contracts.

THE BOARD

The board was further strengthened, with the addition of two new board members. The board is pleased with its current diversity of gender, race and skill.

For CVs of the board members, refer to pages 31 to 32 of the CD enclosed within this integrated report.

Executive committee member

CMF (Cristina) Teixeira (38)
CFO

BCom, BCompt (Hons), CA(SA)

During Cristina's nine years at Group Five, with the last three as CFO, she has demonstrated her ability to manage the group's complex and demanding local and global financial environment. Under her guidance, the group's financial position has been very robust. She is also a valuable member of the group's strategic development team. Cristina has led the group's reporting strategy. This has been recognised through a number of awards for reporting and disclosure, including the Investment Analysts Society (IAS) award in its sector for five years in a row, as well as being the overall South African winner for 2010.

AC

LE (Lindiwe) Bakoro (37)
Independent non-executive director

BCom, Post-graduate diploma in Accounting, CA(SA), HDip Tax Law, MCom

Lindiwe brings strong experience in project finance, with a particular focus on infrastructure projects. She has a questioning mind and strong financial acumen and provides valuable financial advice and guidance in support of the group's financial position.

AC, RC, NOM, SED

Baroness L (Lynda) Chalker of Wallasey (69) (A)
Independent non-executive director

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

Lynda has extensive experience of working in Africa. She has a deep insight into the dynamics of African business and politics and interacts with African governments, resulting in an understanding of their fiscal policies and the regulatory environment. She also has a strong track record in community and social development. With her previous experience in the public sector as well as a director in commodity-driven entities working in Africa, her understanding of the group's sectors and clients provides critical assistance to the group.

RC, REM

Dr JL (John) Job (66)
Independent non-executive director

BSc (Hons), PhD in Physical Chemistry

John brings significant operational, executive and strategic leadership experience to the group. He assists the group and management with evaluating new opportunities and is able to interrogate decisions on a very practical level. He has a particularly strong ability to identify potential problem areas and provide advice on how those should be resolved. During the year he was instrumental in guiding management in the Construction Materials asset valuation assessment process.

NOM

P (Philisiwe) Buthelezi (47)
Chairperson

BA Economics, MSC in Economics, MBA (UK)

Philisiwe provides strategic input to the group through her deep knowledge of broad-based black economic empowerment and transformation issues, as well as her hands-on executive business experience. As a skilled executive in the public sector, she provides insight into the South African landscape, with a particular focus on economic requirements and the strategic direction of policy makers. She has strong international business acumen, which has been very valuable to the group.

RC, REM
Executive committee member

MR (Mike) Upton (56)
CEO

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

Mike adds significant value to the development of the group's strategy through his extensive experience in multi-disciplinary engineering and infrastructure contracts. He has a keen understanding of new business opportunities and how to deliver on them. Mike has an empowering management style, which has produced an inclusive culture enhanced by the diversity of ideas generated from within the group. He encourages the continuous development of employees and has entrenched a performance and quality orientated culture.

AC, RC, REM, NOM

SG (Stuart) Morris (65)
Lead independent non-executive director

BCom, CA(SA)

Stuart is a very experienced executive in South Africa, with an ability to critically assess controls and financial risks and to advise on the adequacy of systems and procedures. He provides a solid sounding board to the group's financial team and the chief financial officer. Stuart is also the board's lead independent non-executive director. During the year, he provided substantial value with respect to some material matters the group had to deal with, including the unwinding of the iLima portion of its BBBEE ownership transaction and the economic issues experienced in the Middle East.

AC, RC, NOM, SED

KK (Kalaa) Mpinga (50) (B)
Independent non-executive director

BSc Agricultural Economics, MSc International Agricultural Development

Kalaa brings significant experience in mining, construction, operational and relationship experience in Africa. He provides a clear understanding of the political and operating environment over-border, with a keen understanding of effective risk management. His experience as an executive and shareholder in his own businesses also offers a constructive perspective to the board and management team. He is a strong supporter of the group's African expansion strategy.

OA (Oyama) Mabandla (48)
Non-executive director

Juris Doctor (JD), BA Political Science

Oyama was appointed in August 2011. He brings strong commercial and legal experience to the board.

DDS (Struan) Robertson (61) (A)
Independent non-executive director

BSc (Mech) Eng MBA

Struan was appointed in August 2011. He brings international and very relevant industrial and engineering experience to the board. His experience of managing a major UK contracting business and his commitment to health and safety in the workplace will be of particular benefit to the board.

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

TEAM PERFORMANCE

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

Key performance areas	How impact is measured	Delivery F2010	Delivery F2011
CHAIRPERSON	**Evaluated by: Independent evaluation by Institute of Directors/shareholders through annual general meeting**		
Focused and unified board	Focused and unified board.	Board is unified and focused.	Board is unified and focused.
No conflicts of interest	No conflicts of interest.	No conflicts of interest declared this year.	No conflicts of interest declared this year.
Breaches of governance/ compliance	Breaches of governance/ compliance.	Integrity and governance confirmed by F2010 board review, current review in progress.	Integrity and governance confirmed by F2011 board review.
Annual work plan delivery and improved board complement	Annual work plan delivery and improved complement of board.	Board schedule met.	Board schedule met.
Ensuring effective board and exco interactions	Adherence to group policy for group strategy setting and budget approval.	The board has interacted with exco through strategy sessions.	In addition to meeting the board schedule, site visits with exco were conducted to the Middle East. A board sub-committee was also established to assist exco to develop a new broad-based black economic empowerment shareholder strategy.
Board review	Board review.	Current board review in progress.	Board review highlighted the need for additional board representation in the areas of law and engineering. Two new board members joined in August 2011.
Completion of CEO appraisal	Completion of CEO appraisal.	CEO appraisal completed.	CEO appraisal completed.
Board attendance	Board attendance.	Board attendance good.	Board attendance good. Refer to page 25 on the CD contained within this integrated report.

Key performance areas	How impact is measured	Delivery F2010	Delivery F2011
CEO			Evaluated by: Chairperson and lead independent non-executive director
Leadership	Employee satisfaction survey.	65.9% employee satisfaction score.	67.0% employee satisfaction score.
BBBEE	Construction Charter scorecard rating.	Level 3 BBBEE contributor.	Level 2 BBBEE contributor.
Safety	Group DIFR and fatalities.	Group DIFR improved from 0.39 to 0.33, but five fatalities, one of which was a Group Five employee.	Group DIFR worsened from 0.33 to 0.36 with six fatalities in our sub-contractor base.
Client focus	Client survey.	Client survey conducted indicated a high client satisfaction.	Formal survey to be undertaken every three years. In the current year, the focus was on building a client sector-focused orientation through the E+C structure and integration of the group's business development. This was achieved.
Capacity building	% of employees trained annually.	Training interventions increased from 8 933 to 14 941.	17 234 training interventions compared to 14 941 last year.
Organisational development, succession and transformation	Structural alignment with strategy and goals.	Structure refined to address regional business focus and launch of E+C.	Further structural changes identified in mitigation of weak markets and group strategy to expand geographically and become more sector focused.
Compliance/risk management	External audit report.	External audits clear.	External audits clear.
Group strategic development	Strength of order book as % of one year's revenue.	Construction order book sustained above a year's revenue.	Construction over-border order book sustained at a year's revenue.
Group financial performance	HEPS/EPS growth.	HEPS growth 10%, but material impairment reduced EPS.	HEPS down 46% based on market decline and poor performance by Manufacturing and Construction Materials. EPS reported loss due to materials impairment.
Stakeholder communication and interaction	Client, investor and board communications feedback.	Several market awards and strong feedback.	The group has won the Investment Analysts Society award for communications and reporting in our sector for five years in a row.
Inter-company initiatives and group procurement	% internal sales.	Manufacturing internal supply 15% and Construction Materials 21.5%.	Manufacturing internal supply 13% and Construction Materials 16%.

TEAM PERFORMANCE CONTINUED

Key performance areas	How impact is measured	Delivery F2010	Delivery F2011
CFO			**Evaluated by: CEO and chair of audit committee**
Leadership	Employee satisfaction survey.	65.9% employee satisfaction score.	67.0% employee satisfaction score.
Group financial performance and position	Actual versus targets to group over-arching financial goals.	HEPS growth of 10%, but material impairment reduced EPS.	HEPS down 46% based on market decline and poor performance by Manufacturing and Construction Materials. EPS reported loss due to Construction Materials impairment.
Financial risk management	GCR rating.	GCR level maintained.	GCR level maintained.
Organisational development, succession and transformation	Construction Charter scorecard rating.	Level 3 BBBEE rating.	Level 2 BBBEE rating.
External and internal compliance management	External and internal audit.	No material adverse internal or external audit findings.	No material adverse internal or external audit findings.
Technology enhancement and development	Extent of connectivity, integration, relevant and reliable management information.	100% site connectivity, disaster recovery plan in place, tested and externally verified as effective.	100% site connectivity, disaster recovery plan in place, tested and externally verified as effective.
Stakeholder communication and interaction	Investor and financial institution feedback.	The group has won the Investment Analysts Society award for communications and reporting in our sector for four years in a row. In F2010 we were also the overall winner.	The group has won the Investment Analysts Society award for communications and reporting in our sector for five years in a row.

Key performance areas	How impact is measured	Delivery F2010	Delivery F2011
NON-EXECUTIVE DIRECTORS — Evaluated by: Independent evaluation by Institute of Directors/review by independent board evaluation service provider/shareholders through annual general meeting			
Skills, experience and technical knowledge on strategy, performance, resources, transformation, standards of conduct and evaluation of performance	Evaluation of board skills against business requirements.	The previous board evaluation found that some skills were needed, which resulted in the nominations committee being mandated to source two additional board members.	Board evaluation found that skills were needed in law and in engineering and construction. Two new board members joined in August 2011.
Level of contribution as a board member	Attendance at required meetings and contribution to meetings.	Current members have significant experience and add value to the board. All board members are members of other committees.	Current members have significant experience and add value to the board. Outside of new members just appointed, non-executive board members are all members of other committees.
Offering sufficient time to Group Five	Number of other commitments and results of annual board evaluation.	Some board members are foreign based and could not attend all meetings in person, but all provided valuable input into board matters.	Some board members are foreign based and could not attend all meetings in person but attended by conference facilities. All provided valuable input into board matters. Refer to page 25 on the CD within this integrated report for attendance register.
COMPANY SECRETARY — Evaluated by: group risk officer			
Ethics and governance	Code of ethics maintenance and communication, effective management of Tip-offs Anonymous line.	Tip-offs line survey results very positive, with broad understanding of the line, code of ethics communicated through the group and employee survey producing good results.	Effective management of increased fraud due to tough economic environment. The group is evaluating the establishment of a social and ethics committee in line with the new Companies Act.
Compliance with laws and regulations	Compliance exceptions, statutory and corporate status.	The group met all required statutes and compliance requirements.	The group met all required statutes and compliance requirements, with corrective action in progress within the Construction Materials cluster.
Directors' duties and induction	% of directors trained/inducted and adherence to laws and requirements.	No formal induction programme in place, although a number of training initiatives for board members took place. This will be addressed in the new year.	Although no formal induction or training initiatives for board members took place, they took part in further education through the Institute of Directors.
Adherence to the Companies Act and JSE Listings Requirements	Status of adherence and discretionary rating by manager.	No adverse findings from the group's sponsor, the JSE Limited or Securities Regulation Panel (SRP).	No adverse findings from the group's sponsor, the JSE Limited or Securities Regulation Panel (SRP).
BEE scheme administration	Effective administration of black management scheme (BMS) and share appreciation rights scheme.	Share schemes running effectively, with 245 black managers having benefited from the black management scheme to date.	Improved alignment of administration of scheme with external service provider required to remove process delays. During the year, the BMS reached maturity, with 58% of employees choosing to continue holding their shares.

TEAM PERFORMANCE CONTINUED

EXECUTIVE COMMITTEE MEMBERS

Evaluated by: CEO

Key performance areas	How impact is measured	Delivery F2010	Delivery F2011
Leadership	Employee satisfaction survey/ group policy set within specialist area.	Employee satisfaction ratings were high.	A 360 degree internal leadership survey was conducted in June. The feedback was generally positive, with "change management" and "dealing with complexities" to be addressed.
Transformation	Achievements of transformation targets and Construction Charter scorecard rating.	The group's largest cluster, Construction, has a Level 4 BBBEE rating and the group has a Level 3 rating.	The group this year focused on a single group scorecard and rating. It achieved a Level 2 contributor rating.
Delivery to the group	Achieved roll out versus budgeted implementation plan.	Strategic and tactical actions implemented.	Construction (with the exception of the Middle East) and Investments and Concessions delivered well against market conditions. Manufacturing and Construction Materials were adversely affected and did not meet expectations largely due to the severe decline in market conditions.
Organisational development and succession	Effectiveness of succession and development plans.	Succession, mentoring and training programmes in place.	Succession planning from junior to senior management was initiated during F2011. Exco succession and development is a focus area for F2012, along with a group structure review.
Technology/skills acquisition and development	Adoption of new technologies.	Several advancements made.	Successful strategic positioning and project development in energy and power sectors and PPPs through the group's increasing relationships with equipment and technology partners and its growing capabilities in concessions and EPC work.
Safety	Group and cluster DIFR and fatalities.	Group DIFR improved.	Group DIFR worsened from 0.33 to 0.36 with six fatalities within the sub-contractor base.
Compliance and quality	Audit reports.	External, internal and ISO audits clear.	External, internal and ISO audits clear.
Group strategic development in area of responsibility	Discretionary rating by manager.	Each exco member assigned strategic tasks with good progress.	Strategy was refined and firm actions delegated amongst exco. Progress in F2011 was slowed somewhat by economic conditions, but long term strategic goals progressed well.

Key performance areas	How impact is measured	Delivery F2010	Delivery F2011
EXECUTIVE COMMITTEE MEMBERS CONTINUED			**Evaluated by: CEO**
Teamwork	Discretionary rating by manager.	Exco teamwork is strong as evidenced by strategy delivery and internal sales.	The leadership and strategy measure in our employee survey this year showed an increase in alignment and teamwork. A 360 degree internal learnership survey was conducted in June. The feedback is generally positive, with "change management" and "dealing with complexities" to be addressed.
Stakeholder relations	Market survey.	Client satisfaction high, with clear areas of improvement identified.	Exco focused mainly on client relationships, which was successful.
MANAGEMENT COMMITTEE MEMBERS			**Evaluated by: relevant executive committee member**
Financial performance	Achievement of financial performance indicators.	Generally achieved.	Not all business units achieved performance indicators due to weak markets. Refer to operational reviews from page 142.
Cash generation	Ratio of profit to cash generation.	Not all business units met their cash targets due to weak markets.	Not all business units met their cash targets.
Inter-company initiatives and group procurement	Rating by CEO based on annual review.	Manufacturing internal supply of 15% and Construction Materials 21.5%.	Manufacturing internal supply of 13% and Construction Materials 16%.
Transformation	Delivery against transformation targets and Construction Charter scorecard rating.	The group's largest cluster, Construction, has a Level 4 BBBEE rating and the group has a Level 3 rating.	The group this year focused on a single group scorecard. It achieved a Level 2 rating.
Individual performance assessment – additional KPAs specific to area of focus	Discretionary rating by manager based on performance.	Performance ratings completed with good to excellent results.	74.5% of employees this year concluded a performance review with their managers compared to 67% in F2010.

SECTION

02

Delivery during the year

The group stringently monitors its performance. This section outlines a number of scorecards to demonstrate how we delivered over the last few years.

DELIVERY AGAINST GROUP MEASURES

Group scorecard

	Medium term target	F2011 actual	F2011 target	F2010 actual	F2010 target	F2009 actual
People						
Employee turnover (permanent employees) – %	10	**6**	< 9	9	10	14
Employee satisfaction rating – %	> 70	**67.0**	> 70	65.9	> 70	64
% of employees trained per annum – %	50	**49**	50	43	65	61
Average training spend per employee	R2 600	**R2 601**	R2 500	R2 132	R3 000	R2 690
Construction Charter BBBEE score – %	> 80	**86**	> 75	79	70	79
Disabling injury frequency rate (DIFR) – employees	–	**0.36**	–	0.33	–	0.39
OHSAS 18001:2007 certification across group – %	100	**73**	100	75	100	85
Planet						
Electricity usage per employee	–[1]	**11.30 MWh[3]**	–[1]	7.20 MWh[4]	–[1]	–[2]
Carbon footprint per employee	–[1]	**21 tonnes CO_2e**	–[1]	13 tonnes CO_2e	–[1]	–[2]
Environmental incidents	0	**0**	0	0	0	0
ISO 14001:2004 certification across group – %	100	**77**	100	71	100	13
Performance						
Revenue per employee – R'000	Increase	**767**	Increase	907	Increase	861
Net (loss)/profit for the year per employee – R'000	Increase	**(13)**	Increase	25	Increase	38
Geographical diversification (revenue from over-border operations) – %	40	**25**	> 33	20	> 33	37
Secured order book (construction budget secured in order book at start of financial year) – %	70 of budget	**58**	75 of budget	75	66 of budget	80
Return on shareholders' equity before impairment adjustment – %	15 – 20	**11,8**	25 medium term	21,8	25 medium term	23,5
Fully diluted headline earning per share (decline)/growth – %	return to growth	**(43,9)**	10% – 15% growth per annum	10	±20 growth per annum	27,6
Product diversification – (total operating profit from non-construction business) – %	≥33	**3,7**	≥33	20,7	≥ 33	28,1
Net gearing – %	< 33 of equity	**–**	< 33 of equity	–	< 33 of equity	–
Cash (utilised)/generated from operations – R million	cash generative	**(482)**	cash generative	1 191	cash generative	1 810
Total operating margin – %	5 medium term	**5,4**	6 – 8 medium term	7,7	6 – 8 medium term	6,6

(1) Whilst the group's goal is to continuously reduce emission intensity and electricity usage, the capturing and reporting of the carbon footprint still needs to reach maturity before formal targets can be set.
(2) The group only started submitting carbon footprint information after F2009.
(3) Information for the year ended 30 June 2010 (part of the 2011 Carbon Disclosure Project report submitted on 31 May 2011).
(4) Information for the year ended 30 June 2009 (part of the 2010 Carbon Disclosure Project report submitted on 31 May 2010).

The group's information for the Carbon Disclosure Project (CDP) is submitted by 31 May each year. The information therefore lags our financial years by a year. F2009 data was restated due to errors identified during preparation of the F2010 footprint.

Even against market pressures, the percentage of employees trained increased.

The group continued with its trend of no environmental incidents.

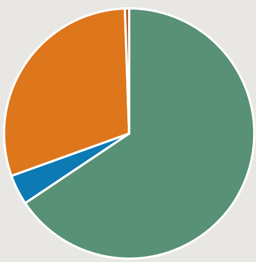
Against extremely tough markets we focused on limiting margin erosion on contracts and preserving cash.

Economic value added

Sustainability indicator	F2011[1] %	F2011[1] (R'000)	F2010[1] %	F2010[1] (R'000)
Revenue		10 514 660		12 364 077
Less: purchased cost of goods and services		(7 763 387)		(9 445 719)
Value added	98.2	2 751 273	99.5	2 918 358
Other income	1.8	49 665	0.5	14 879
Wealth created	100	2 800 938	100	2 933 237
Employees	72.5	2 032 859	57.3	1 680 303
Providers of equity	4.3	121 008	4.4	128 610
Providers of funding	(0.6)	(18 361)	(1.0)	(27 871)
Government	33.1	928 270	32.2	945 026
Funding of discontinued operations	0.6	17 214	0.8	22 102
Reinvested in the group	(9.9)	(280 052)	6.3	185 067
Wealth distribution	100	2 800 938	100	2 933 237
Number of employees		11 997		12 497
Wealth created per employee (R)		233 470		234 715
Weighted average number of shares		96 114		95 378
Wealth created per share (R)		29,14		30,75

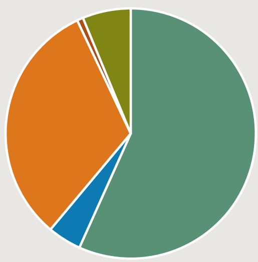
(1) Value added statement depicting distribution to government, including all taxes.

Distribution of wealth created – 2011



- **72.5%** Employees
- **4.3%** Providers of equity
- **(0.6%)** Providers of funding
- **33.1%** Government
- **0.6%** Funding of discontinued operations
- **(9.9%)** Reinvested in the group

Distribution of wealth created – 2010



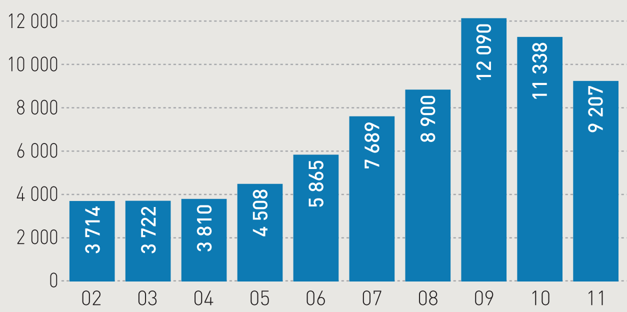
- **57.3%** Employees
- **4.4%** Providers of equity
- **(1.0%)** Providers of funding
- **32.2%** Government
- **0.8%** Funding of discontinued operations
- **6.3%** Reinvested in the group

TEN-YEAR REVIEW

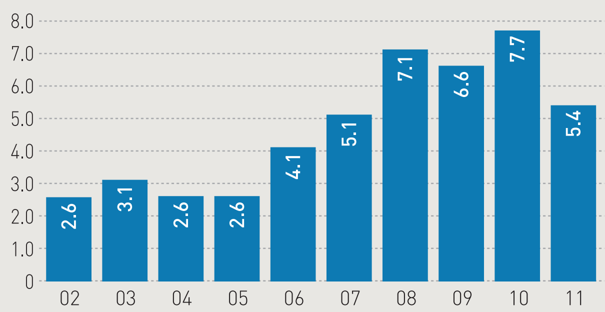
(R'000)	2011	2010	2009	2008
GROUP INCOME STATEMENT				
Revenue	9 206 998	11 337 588	12 090 236	8 899 578
Operating profit*	498 828	876 895	797 182	635 660
Other income – net	48 844	13 532	15 718	111 464
Impairment adjustment	(550 540)	(325 569)	–	–
Operating (loss)/profit	(2 868)	564 858	812 900	747 124
Share of profit/(loss) from associates	820	1 347	(69)	140
Finance income/(costs) – net	18 361	27 871	(30 820)	(81 727)
Profit before taxation	16 313	594 076	782 011	665 537
Taxation	(158 143)	(258 297)	(224 567)	(208 041)
(Loss)/profit from continuing operations	(141 830)	335 779	557 444	457 496
GROUP STATEMENT OF FINANCIAL POSITION				
Interest of equity holders of parent	2 148 130	2 486 357	2 373 477	2 006 664
Non-controlling interest	117 565	75 055	34 366	16 517
Total equity	2 265 695	2 561 412	2 407 843	2 023 181
Non-current liabilities	319 529	908 189	959 936	1 172 949
Liabilities directly associated with non-current assets classified as held for sale	–	–	–	–
Current liabilities	5 185 754	6 480 793	7 005 091	6 053 616
Total liabilities	5 505 283	7 388 982	7 965 027	7 226 565
Non-current assets	1 919 993	2 658 352	2 839 542	2 568 961
Non-current assets classified as held for sale	53 233	65 153	81 170	135 760
Current assets	5 797 752	7 226 889	7 452 158	6 545 025
Total assets	7 770 978	9 950 394	10 372 870	9 249 746

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

Total revenue (R million)

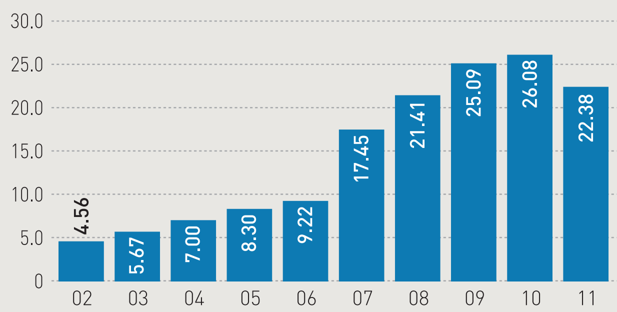


Operating profit margin* (%)

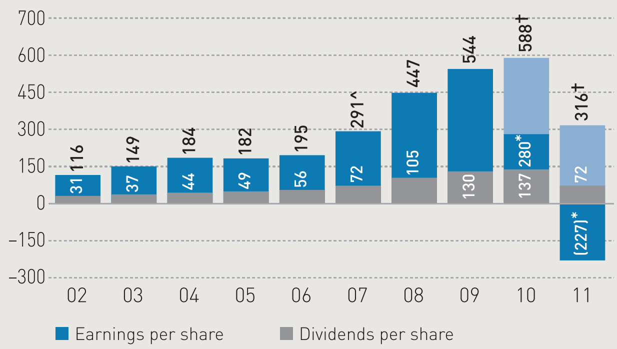


2007	2006	2005	2004	2003	2002
7 689 168	5 864 721	4 508 285	3 809 917	3 721 935	3 714 006
391 624	240 799	115 686	97 951	115 162	94 832
23 620	(69 497)	44 032	49 552	14 970	17 513
–	–	–	–	–	–
415 244	171 302	159 718	147 503	130 132	112 345
–	–	–	–	–	–
(41 953)	(30 329)	(25 922)	(29 780)	(24 913)	(24 148)
373 291	140 973	133 796	117 723	105 219	88 197
(129 560)	(62 754)	(26 199)	(22 294)	(25 876)	(17 962)
243 731	78 219	107 597	95 429	79 343	70 235
1 612 587	681 257	596 912	479 618	380 582	303 243
9 335	1 762	4 306	11 447	9 899	5 949
1 621 922	683 019	601 218	491 065	390 481	309 192
996 622	161 669	148 634	139 927	91 277	92 097
–	148 285	118 205	121 673	66 971	88 032
4 269 230	3 911 429	1 983 247	1 591 731	1 502 223	1 736 891
5 265 852	4 221 383	2 250 086	1 853 331	1 660 471	1 917 020
2 098 216	792 634	675 667	588 973	476 942	420 511
163 967	338 667	249 442	244 507	205 839	185 356
4 625 591	3 773 101	1 926 195	1 510 916	1 368 171	1 620 345
6 887 774	4 904 402	2 851 304	2 344 396	2 050 952	2 226 212

Net asset value per share (R per share)



Profit/(loss) attributable to shareholders (cents)



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

KEY RATIOS

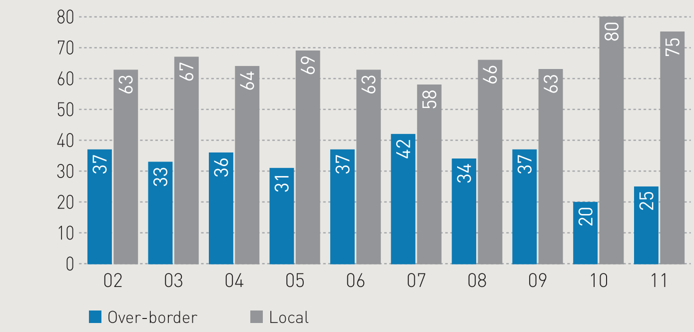
Group performance indicators

R'000	2011	2010	2009	2008	2007	2006
REVENUE						
Investments and Concessions	554 659	591 871	626 795	581 685	533 800	316 217
Infrastructure Concessions	522 870	557 227	527 938	326 554	226 016	189 247
Property Developments	31 789	34 644	98 857	255 131	307 784	126 970
Manufacturing	867 523	866 221	816 132	554 656	523 768	472 975
Construction Materials	434 233	491 860	671 317	689 220	231 081	–
Construction	7 350 583	9 387 636	9 975 992	7 074 017	6 400 519	5 075 529
Building and Housing	2 143 004	3 186 142	2 899 773	2 848 795	3 121 921	2 788 466
Civil Engineering	3 548 361	4 713 487	4 633 259	2 964 184	2 484 293	1 662 700
Engineering	1 659 218	1 488 007	2 442 960	1 261 038	794 305	624 363
Total revenue	9 206 998	11 337 588	12 090 236	8 899 578	7 689 168	5 864 721
OPERATING PROFIT*						
Investments and Concessions	60 231	74 926	81 887	53 482	43 091	37 530
Infrastructure Concessions	73 041	85 615	79 636	30 735	17 927	12 398
Property Developments	(12 810)	(10 689)	2 251	22 747	25 164	25 132
Manufacturing	26 187	86 812	85 964	56 211	66 519	60 205
Construction Materials	(68 157)	20 186	55 835	141 946	45 531	–
Construction	480 567	694 971	573 496	384 021	236 483	143 064
Building and Housing	136 924	236 620	141 032	140 294	84 276	78 903
Civil Engineering	232 069	310 655	225 733	142 857	105 037	50 169
Engineering	111 574	147 696	206 731	100 870	47 170	13 992
Total operating profit	498 828	876 895	797 182	635 660	391 624	240 799
Total operating profit margin (%)	5.4	7.7	6.6	7.1	5.1	4.1
Over-border revenue (%)	25	20	37	34	42	37
Cash (utilised)/generated – millions	(871)	327	954	1 195	60	391
SHAREHOLDER RETURNS						
Earnings per share (R)	(2,27)	2,80	5,44	4,47	2,91	0,72
Headline earnings per share (R)	3,32	6,14	5,68	4,70	2,83	0,69
Earnings per share (R) – before external BEE ownership expense	(2,27)	2,80	5,44	4,47	2,91	1,95
Headline earnings per share (R) – before external BEE ownership expense	3,32	6,14	5,68	4,70	2,83	1,93
Dividend per share (cents)	72,0	137,0	130,0	105,0	72,0	56,0
Net asset value per share (R)	22,38	26,08	25,09	21,41	17,45	9,22
MARKET INDICATORS						
Market price – high (R) per share	41,0	45,20	58,25	73,80	59,50	32,50
Market price – low (R) per share	24,4	31,50	26,70	42,00	27,26	15,20
Market price – year end (R) per share	29,9	34,50	34,70	44,90	54,40	28,75
Market capitalisation – year end (R'millions)	3 632,2	4 171,5	4 167,2	5 350,5	6 443,5	2 867,1
Value of shares traded (R'000)	1 719 970	2 900 378	3 612 810	5 462 078	3 124 034	1 373 898
Number traded ('000)	51 951	79 130	92 297	103 436	67 728	57 970

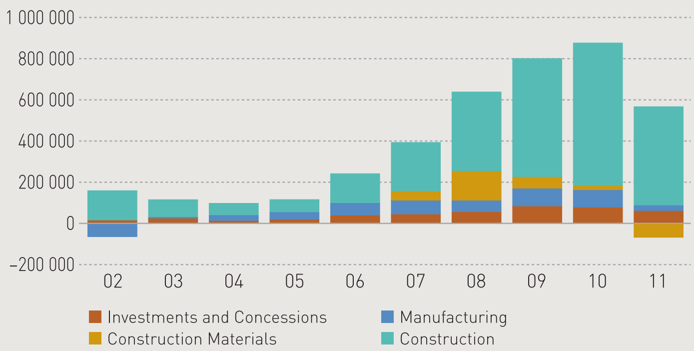
* *Total operating profit before fair value and impairment adjustments.*

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

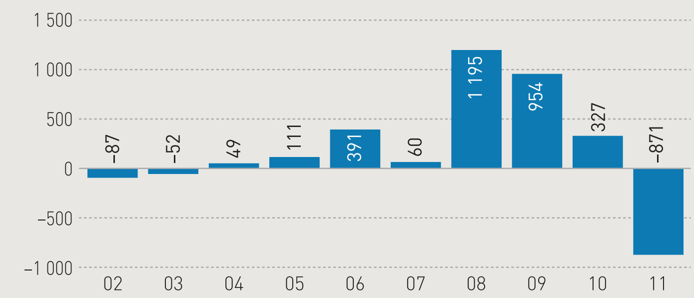
Total revenue – over-border versus local (%)



Operating profit by cluster* (R'000)



Net cash (utilised)/generated for the year (R million)



SUSTAINABILITY REPORTING AND ASSURANCE PRINCIPLES

Evaluating our approach

Three years ago the group reviewed how it manages key risks and issues of sustainability. During our evaluation we found that both our management of these issues, as well as the gathering of information and subsequent reporting were somewhat disconnected from how we were managing and monitoring our strategy.

We therefore commenced a process of integrating our processes and systems to ensure a holistic approach to risk and its impact on our business.

As a management team we also debated how risks fitted into our business model and interrogated whether we truly operate in a sustainable manner. In last year's report we represented the result of these discussions – our integrated business model. This is outlined this year on page 4. This model indicates how sustainability forms a core part of our operations. Our senior management remuneration is linked to performing against both financial and non-financial measures, further driving the centrality of sustainability. We also implemented a group scorecard measuring ratios across people, planet and performance to give an integrated view to the reader of how we perform across the board. Refer to page 44.

Our progression this year

In a further step towards providing stakeholders with an understanding of our key risks and how we manage them, this year we increasingly aligned the content of our integrated report with the needs and interests of stakeholders and with management's view on our key risks and material issues.

The process we followed is outlined on page 4. In summary, we:

- Asked stakeholders what key information they deemed material to the organisation
- Identified the material issues in our business through rigorous internal debate at a senior management and board level
- Included external assurance processes of a number of measures
- Included key performance measures – these have been provided for a number of years, which allows careful tracking of our progress. These are not subjective information, but ratios and percentages which are internally verified by the responsible executive team members

In terms of external assurance by the auditors who also audit our financial information, we again chose two sustainability measures most relevant to our business. The measures assured by PricewaterhouseCoopers were:

- The group's construction secured order book
- Contract profit/loss-maker ratio

These measures were chosen as they provide a key insight into the operations of the group and its sustainability going forward. These measures are also integrally linked to the way the group manages its future income and the risk of loss-making contracts in its core business of Construction.

We are the first construction group to assure its order book.

Focus going forward

Although the group believes that the risks outlined in our integrated report this year are the material issues facing the business and that we have assured the areas we believe are most relevant to our business, in the coming year we need to formalise our assessment processes. This involves finalising a workplan, led by internal audit and assisted by the CFO. The objective will be to:

- Confirm the completeness of our key risks identified
- Assign responsibility, both internally and externally, for the assurance of these
- Ensure all risks are adequately monitored and assured

This is currently work in progress.

In the next integrated report the group will provide stakeholders with a gap analysis and information on any further key assurances obtained.

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

Assurance processes

Business process assured	Output from assurance	Status	Assurance provider	Integrated report disclosure
Operational/risk/financial				
Value of construction works secured to be executed	Construction secured order book confirmation	Assured	PricewaterhouseCoopers Inc.	Page 52
Extent of construction contract profitability	Contract profit/loss maker ratio	Assured	PricewaterhouseCoopers Inc.	Page 52
Fair presentation in all material aspects – financial position and performance of the group and company	External audit report	Assured	PricewaterhouseCoopers Inc.	Page 183
Insurance claims	Insurance claim history report	Assured – determined by external source	Marsh South Africa	CD page 10
Internal audit	Quality review	Assured – determined by external source	Jefferson Wells	CD page 27
Quality				
Quality systems	ISO 9001:2008	Assured – 73% of business units certified	DEKRA	CD page 16
Health and safety				
Disabling injury frequency rate (DIFR)	Verified DIFR statistics	Assured – verified statistics	DEKRA	CD page 3
Procedures and policies	DEKRA certification	Assured – verified procedures	DEKRA	CD pages 2 to 15
Safety systems	OSHAS 18001:2007	Assured – 73% of business units certified	DEKRA	CD page 4
Environment				
Carbon emissions	Confirmed carbon disclosure emission	Assured for F2010, F2011 being audited	Promethium Carbon	CD pages 14 to 15, carbon footprint report on CD
Environmental audits	ISO 14001:2004	Assured – 77% of business units certified	DEKRA	CD page 13
Empowerment				
BBBEE credentials	BBBEE scorecard	Assured	BEE Verification Agency cc	Page 54
Corporate governance				
Evaluation of main board of directors	Evaluation report	Assured via F2011 board evaluation	Institute of Directors Independent service provider	CD page 24
Human resources				
Employee satisfaction	Employee satisfaction survey	Independently verified	SoftCraft Research	CD page 40
Training and HR systems	ISO 9001:2008	Assured – audited processes	DEKRA	CD page 39

ASSURANCE PROCESSES

The group identified two key sustainability measures of its business to be independently assured for the second year in a row.

Independent Assurance Report

to the Directors and Management of Group Five Limited

Introduction

We have been engaged by the Directors of Group Five Limited ("Group Five") to perform an independent assurance engagement in respect of selected Identified Sustainability Information included in Group Five's Group Risk Officer's Review and Operational Executive Team's review incorporated as part of its Annual Report for the year ended 30 June 2011 ("the Report").

Scope and subject matter

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

- Contract Profit/Loss Maker Ratio % (Page 107)
- Construction secured order book (full order book – R'000) (Page 160)

Our responsibilities do not extend to any other information.

Responsibilities of the Directors and Management

Group Five's Directors and Management are responsible for the preparation and presentation of the Identified Sustainability Information, as incorporated in the 2011 Annual Report, in accordance with their internally defined procedures and for maintaining adequate records and internal controls that are designed to support the reporting process.

Responsibility of the independent assurance provider

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

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

Summary of work performed

The defined procedures by which Group Five's Identified Sustainability Information is generated and aggregated have been applied as assurance criteria. Definitions for the Identified Sustainability Information applied are those determined by Group Five and provided in the Report (refer pages 107 and 160).

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

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

Inherent limitations

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

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

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

Conclusion

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Wessie van der Westhuizen

Johannesburg

10 August 2011

SCORECARDS

We believe in tracking our performance, as this supports our quality management philosophy and ensures consistent delivery and continuous improvement.

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

JSE LIMITED SOCIALLY RESPONSIBLE INVESTMENT INDEX (SRI) SCORECARD

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

	F2010*	F2009	F2008
Overall result	**Best performer**	Best performer	Best performer

The JSE only provides an overall result, not a breakdown.
** The JSE will only release 2011 ratings in November.*

> "The group was rated last year for the third year as a "best performer". We were also one of the best performers in the high environmental impact category."

Broad-based black economic empowerment

The empowerment audit is conducted annually in September, verifying the data for the most recent year end completed.

BBBEE SCORECARD (GROUP FIVE LIMITED)

Core components	BBBEE elements	Weighting points	Construction Charter scorecard F2011 %[1]	Construction Charter scorecard F2010 %[2]	Construction Charter scorecard F2009 %[3]
Direct empowerment	Ownership	25	**17.1**	19.55	17.79
	Management control	10	**6.62**	6.97	3.25
Human resource empowerment	Employment equity	10	**9.22**	5.91	2.06
	Skills development	15	**14.41**	12.8	5.53
Indirect empowerment	Preferential procurement	20	**18.43**	15.68	12.15
	Enterprise development	15	**15**	15	15.0
	Socio-economic development	5	**5**	2.9	5.00
Total		100	**85.78**	78.77	60.78
Empowerment level			**2**	3	5

(1) As audited by BEE Verification Agency cc for the year ended 30 June 2010.
(2) As audited by BEE Verification Agency cc for the year ended 30 June 2009.
(3) As audited by BEE Verification Agency cc for the year ended 30 June 2008.

The group is the only large construction group to have achieved a Level 2 rating.

The group achieved 100% in terms of the enterprise development and socio-economic development ratings.

The group was rated as the "best in the industry" in terms of skills development.*

** Financial Mail Top Empowerment Companies survey 2011.*

"During the year, there was an increase in the number of black employees in the group."

EMPLOYMENT EQUITY SCORECARD

Sustainability indicator	F2011	F2010	F2009	F2008	F2007
Total employee headcount (all employees)	11 997	12 497	14 050	13 455	13 928
Number of unionised employees	2 285	2 416	1 752	1 006	1 786
% of permanent employees on medical schemes	45.5	44.2	40.2	49.3	45
% of employees over-border	20.9	16.9	26.4	30.69	40.0
% of black employees within the South African permanent workforce	87.4	78.5	78.4	77.7	66.7
% of black employees in Peromnes grades 1 – 3 (executive and senior management)	13.3	10.0	9.5	5.3	–
Number of black male bursary students	79	73	129	106	71
As a % of total bursary students	43	43	50	59	47.7
Number of black female bursary students	38	35	50	23	34
As a % of total bursary students	21	20	19	18	23

We recruited a large number of black students onto our bursary programmes during the year, creating a strong pipeline of black talent.

Although still an area requiring focus, the number of female black bursary students also improved.

SCORECARDS CONTINUED

SKILLS DEVELOPMENT

Sustainability indicator	2011	2010	F2009	F2008	F2007
a) Annual value spent on training and development programmes – (R million)	37,9	31,5	37,8	23,2	18,6
i) Total number of training interventions*	17 234	14 941	8 933	5 780	6 010
ii) Total number of training interventions – semi-skilled and unskilled*	9 415	5 846	3 729	2 922	3 432
b) Annual value incurred on bursary expenditure – (R million)	6,6	6,0	9,3	6,8	6,5
i) Number of bursary students	183	171	258	178	149
ii) Number of female bursary students	43	40	55	27	37
c) Annual value spent on learnerships and apprenticeships – (R million)	4,9	3,9	3,6	3,7	3,1
i) Learners on learnership and apprenticeship programmes	201	214	231	175	161
ii) Unemployed learners registered on learnership and apprenticeship programmes	128	163	149	45	94
d) Number of students on the Group Five Programme in Management Development (PMD)	20	23	25	17	20
e) Total annual training spend – black employees – (R million)	18,1	14,7	20,2	14,7	14,2

* *For employees.*

The group continued to focus on skills development even against challenging markets, with spend increasing to R38 million.

The training spend on black employees increased to R18 million – around 50% of the total training spend on employees.

Learnership spend increased by 26% during the year and included a learnership to support disabled learners.

"R3,1 billion of total South Africa procurement spend of R5,8 billion was spent on empowered suppliers."

Expenditure with black women-owned businesses increased by more than 70%.

Expenditure with black-owned businesses increased by more than 60%.

PREFERENTIAL PROCUREMENT SCORECARD (GROUP FIVE LIMITED)

Measurement principle	Points	Target per Construction Charter F2013 target	Actual F2011*	Actual F2010**	Actual F2009***	Actual F2008****
Preferential spend with all suppliers	12	50%	55.2%	49.1%	45.1%	34.8%
Preferential spend with qualifying small and emerging micro enterprises	3	10%	19.2%	11.42%	6.3%	5.5%
Preferential spend with enterprises that are more than 50% black owned	3	9%	14.9%	9.2%	7.9%	3.8%
Preferential spend with enterprises that are more than 30% black women owned	2	6%	3.3%	1.9%	0.1%	0.7%
Weighted score	20	~~~	19.10	18.43	15.68	11.49

* *Provisional and unaudited – To be audited in September 2011.*
** *As audited by BEE Verification Agency cc in September 2010 (Group Five).*
*** *As audited by BEE Verification Agency cc in September 2009 (Group Five).*
**** *As audited by BEE Verification Agency cc in August 2008 (Group Five Construction (Pty) Limited).*
~~~ *A weighted score is not done for targets.*
~~~

SCORECARDS CONTINUED

ENTERPRISE DEVELOPMENT SCORECARD

Sustainability indicator	F2011	F2010	F2009[1]	F2008[2]	F2007
Annual value of total direct costs incurred by the group – (R million)	0,5	0,6	–	–	–
Value of funding provided by the group – Total capital due to the group as at 30 June – (R million)#	14,1**	12**	97	60	50
– Financial institution guarantees issued from the group's facilities as at 30 June – iLima*** – (R million)	54	54	75	141	119
Number of black-owned entities with which the group is engaging in significant joint venture partnerships*	12	18	22	25	10
Number of formal enterprise development partnership	9	7	8	2	1
Total value of contracts being executed with black-owned joint venture partners* – (R billion)	2,0	7,8	8,6	13,5	4,1
Construction scorecard points obtained out of 15	15	15	15	15	15

(1) As audited by BEE Verification Agency cc for the year ended 30 June 2009.
(2) As audited by BEE Verification Agency cc for the year ended 30 June 2008.
* *Although not specifically qualifying for enterprise development in terms of the Construction Charter, Group Five has entered into a number of joint venture contracts with black-owned companies. Refer to page 64 on the CD.*
** *Excludes all previous spend on iLima (R117 million) and represents spend on new enterprise development partners.*
*** *Guarantees in issue with respect to iLima.*
# *While financial assistance increased during the year, the majority of this was in the form of loans which are secured against future profit distributions on joint ventures. Where a loan amount is unsecured, we monitor the financial position of the relevant entity on a monthly basis and reserve the right to step in to secure our position when required.*

Five enterprise development partners enhanced their Construction Industry Development Board (CIDB) ratings during the year.

Financial assistance increased, with the majority of loans provided secured against future profit distributions on joint ventures. Refer to note#.

"Formal enterprise development partnerships increased from seven to nine during the year."

"SED spend as a percentage of South African net profit after tax was 2%**."

SOCIO-ECONOMIC DEVELOPMENT (SED) SCORECARD

Sustainability indicator	F2011	F2010	F2009	F2008	F2007
Targeted SED spend as a % of SA operations' net profit after tax	1	1	1	1	n/a*
Actual SED spend as a % of SA operations' net profit after tax	2.0**	4.4	1.2	2.5	n/a*
Total annual spend on SED programmes – (R million)	6,1	7,9	4,5	3,1	2,7
Number of unemployed people trained as part of the People at the Gate programme	207	214	265	117	68
% of unemployed people securing positions after training	95	90	100	89	100
Number of non-profit organisations benefiting from the group's SED programmes	35	48	30	20	14

* *In line with the dti Codes of Good Practice, the target was set as a percentage of net profit after tax and not payroll. In F2007 the Construction Charter was not Gazetted yet.*
** *South African net profit after tax before Construction Materials impairment.*

The number of people securing positions after People at the Gate training increased to 95%.

The group remained committed to SED even against volatile trading conditions, with spend of 2% of net profit after tax.

AWARDS

This spread outlines the key awards received by the group over the last two years.

KEY COMPANY AWARDS 2011

The Investment Analysts Society (IAS)

Best reporting and communications in the Basic Industry and Manufacturing sector of the JSE Limited for the fifth time.

Climate Change Leadership Awards (CCLA)

Special mention in the private sector category for its strategic commitment to building a greener future by developing green building and renewable energy projects and for its contribution to setting the standards for the various green star rating tools.

Nkonki Financial Mail Integrated Reporting Awards

Third place in Industrial sector and fifth place overall for F2010 Annual Report.

CRF Institute Best Employers

Best employer certification.

The National CSI Registrar Awards (Department of Social Development)

Level 3 Gold Community Contributor 2010 award for social upliftment and emphasis on corporate social responsibility as one of the key pillars of BBBEE.

Financial Mail Top Empowerment Survey

Eleventh most empowered company.

Winner in skills development.

Second overall in employment equity.

KEY COMPANY AWARDS 2010

The Investment Analysts Society (IAS)

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

Overall winner.

JSE SRI Index

Best performer.

One of only eight companies to be rated as a best performer on the index for the fourth year in a row.

Chartered Secretaries/JSE Annual Report Awards

Overall winner.

Winner of the best HR report.

Financial Mail Top Empowerment Companies

Ninth most empowered company in South Africa.

Winner in the basic industrials sector.

Third overall for skills development.

Business Initiatives Directions (BID) International Quality Crown Award

Winner of the 2010 International Gold Crown Award (IQC) gold category in recognition of outstanding commitment to quality, leadership, technology and innovation.

CRF Institute Best Employers

Best employer certification.

KEY INDUSTRY AWARDS 2011

Fulton Awards

Bridge jack on Nasweto Highway

Commendation

Master Builders Association's Safety Awards

Ntuzuma Magistrates Court

KwaZulu-Natal MBA Occupational Health & Safety

First Place Regional Award

SAPOA* Awards

University of Western Cape Life Sciences Building

Winner in the category: Other developments

* South African Property Owners Assocation.

KEY INDUSTRY AWARDS 2010

SAICE** KwaZulu-Natal Regional Branch Awards

King Shaka International Airport

Technical Excellence

Moses Mabhida Stadium

Defining Project of the Decade award

Warwick Triangle Viaduct – Outbound

Technical Excellence

** South African Institute of Civil Engineering.

Construction World Best Projects Awards

King Shaka International Airport

Category A: Civil Engineering & Building Contracts

Highly commended

Moses Mabhida Stadium

Category A: Civil Engineering & Building Contracts

Joint winner (with Cape Town Stadium)

Brandvlei Prison

Category D: Afrisam Innovation Award for Sustainable Construction

Highly commended

University of Western Cape Life Sciences Building

Category D: Afrisam Innovation Award for Sustainable Construction

Highly commended

Master Builders Association's Excellence Award

Warwick Triangle Viaduct – Outbound

Supreme Builder of the Year (over R40 million)

Supreme winner

Warwick Triangle Viaduct – Outbound

Industrial Civil Category (over R40 million)

Winner

Moses Mabhida Stadium

Iconic Construction

Supreme winner

Pearl Dawn, Umhlanga

Apartment Buildings

Winner

Professional Management Review (PMR) Awards

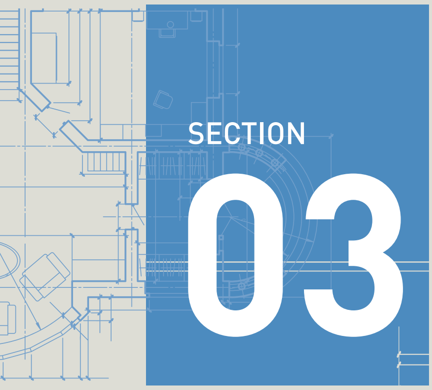
Construction Companies: First overall

Diamond award

Federated Employers Mutual Awards

Award of Excellence (Western Cape Region)

First Place in the category: High Risk Large Employers



Messages from the team

In a difficult year, Group Five adhered to a disciplined and responsible approach to very weak and unpredictable markets. This section outlines reports from our team.


KBJ

REVIEW FROM THE CHAIRPERSON

Philisiwe Buthelezi

Level 2

BBBEE scorecard rating

21%

CAGR* of African investment in African countries

* Seven-year compound average growth rate.

Strategy | Risk | Corporate governance | Legal regulatory & compliance | People | Planet | Performance

In a difficult year for the construction sector, Group Five adhered to a disciplined and responsible approach to very weak and unpredictable markets. I am proud to report that the management team addressed the many challenges posed by current market conditions, while simultaneously positioning the group for future growth opportunities over an expanded geographic footprint.

The macro-economic environment

Global economic recovery has proved more elusive than generally believed 12 months ago, with inflationary pressures and the rising cost of capital likely to dampen public spending and private sector investment in the short to medium term. Although it is disappointing to note that a slower trajectory of global economic recovery is now almost inevitable, the group continues to monitor the variable market conditions through its ongoing risk assessment systems which results in proactive management decisions.

A slower economic recovery has the potential to impact significantly on the group's markets, creating cost pressures and constraining new business. The group's response has been to further diversify its sector focus and its geographical base beyond South Africa, where constraints in public spending have had a particularly negative impact on new contract availability during the period. Group Five now has operational experience across 22 countries in Africa, Eastern Europe and the Middle East. During the year, the group focused on reinforcing its strong foothold in Africa, rebuilding its business in the Middle East and seeking opportunities for expansion into other markets where we have the potential to operate and grow.

Risk management

Strong governance structures, including the effective management of risk, are essential in navigating the business successfully through the uncertain and potentially volatile economic conditions that we believe still lie ahead.

At Group Five, risk assessment is seen as a critical business function and essential in developing a resilient business culture that is risk aware. In Group Five's risk management process, key risks at a macro-economic, business and contract level are identified and their potential impact on the group is continually assessed and monitored. Risk management is not seen as a once-off exercise and is integrated into our business processes and decision making.

An example of the group's approach to managing risk is its decision to proactively engage with the Competition Commission in its investigation into the construction sector. Over the past two years we have worked in close cooperation with the Commission with the aim of expunging historically misguided behaviours from our business

The reviews from the CEO on page 81 and from the CFO on page 86 provide more detail on the group's strategy and financial results.

and the industry. We have been granted conditional leniency by the Commission pending the finalisation of the broader industry investigation. We believe this approach will be to the long term benefit of the group and is in keeping with Group Five's culture of transparency and integrity.

Governance

The group remains committed to meeting the requirements of the King Code of Governance (King III).

Further information on the actions we have taken in this area can be found on page 119.

As reported last year, Group Five manages and reports on financial and sustainability issues in an integrated business model. In this integrated report we have further refined our approach to integrated reporting, as required under King III, by identifying and reporting on the issues which are most material to the group. For the first time we have included reports from the chairpeople of key board committees to strengthen our disclosure on all issues which impact on the group. We welcome feedback on our reporting. This is essential if we are to continue improving in this area.

Our governance protocol includes a board review. An independent review of the board's performance and capacity was conducted in the year. The review process included peer feedback, structured interviews with each board member and formal individual and group feedback.

The board was found to be running effectively overall, although it was recommended that the board supplements its engineering and legal skills capability. To address these gaps, the board approved the appointment of two additional board members through its nominations committee. They joined the board with effect from August 2011.

Transformation, skills development and socio-economic development

I am delighted to record that despite the challenging conditions during the year Group Five has maintained an unwavering commitment to black economic transformation and has shown concrete progress in meeting the provisions of the Construction Charter. Our broad-based black economic empowerment (BBBEE) rating under the Construction Charter improved to a Level 2 contributor. We have been able to achieve this goal despite being in the process of unwinding the ownership transaction undertaken with one of our BBBEE ownership shareholders, the iLima Consortium. In consideration of this unwind the board has mandated management to review and propose a future BBBEE shareholding structure which will be presented to existing shareholders for approval. This process is currently under way.

The broader approach of the group to transformation extends beyond mere compliance and we are now seeing the benefits of this philosophy in the external acknowledgements the group has received.

We currently have the best rating in our sector against the guidelines of the sector scorecard. We have also been rated as the 11th most empowered company in South Africa and the winner in the Basic Industrials Sector by the Financial Mail in its Top Empowerment

REVIEW FROM THE CHAIRPERSON CONTINUED

Companies survey in 2011. Our board comprises a broad spectrum of South Africans, including two black females, one white female, three white males and one black male. The board also comprises three international board members. We are proud of this diversity.

Our socio-economic development (SED) programmes have continued to progress. As we move across the borders of South Africa, this business ethos will continue into the other African countries in which we operate.

We are cognisant of the need to develop the capacity of the technical skills required in our industry and therefore support the government's National Economic Growth Plan (NEGP). The group has a track record of strong skills development in our business and industry, as well as delivering training and development programmes through our SED initiatives. Refer to page 79 for more information. We believe through these initiatives we will make a tangible contribution to achieving the objectives of the NEGP.

Future growth opportunities

In South Africa, the need for public sector spending continues to increase in importance. We are optimistic about the potential of the power sector following the announcement by the South African Department of Energy that it will start consulting with interested parties on the next Integrated Resource Plan (IRP2) for the country's energy future. The timing of the plan's roll out will be important to ensure traction in delivery.

In the rest of Africa, we believe there is strong potential for growth, particularly in the mining, power and transport sectors. Economic fundamentals underpin strong positive sentiment around Africa's growth prospects. According to *The Economist* of January 2011, six African countries were among the top ten fastest-growing countries globally between 2001 and 2010. Capital inflows are forecast to reach US$150 billion per annum by 2015. Africa has a wealth of natural resources in a world that is resource scarce. Most impressively, Africans themselves are leading growth in investment on the continent with African investment in other African countries within a diverse range of sectors and economies increasing by a compound rate of 21% from 2003 to 2010.

Group Five is well positioned to take its place in this new era of African and emerging market growth. Although operating in Africa carries specific risks, these can be managed with proper risk assessment and governance processes. As a group, we have the track record and experience to participate in this "African success story". We have many years of experience on the continent and a clear operating strategy. We believe that our continuing focus on risk management and governance enables us to expand our business on the continent in a way which will generate sustainable value for shareholders and contribute positively to the societies in which we operate.

In the Middle East and North Africa, careful assessment of market conditions is needed given the combined impact of the global economic crisis and recent popular revolutions in the region. The group has chosen to focus on commercial and financial closure of its cancelled Dubai contracts and to limit its business development activities to a small number of territories which meet the group's risk policies.

In Central and Eastern Europe, the concessions markets where we operate through our Intertoll brand have experienced a difficult period due to the economic slowdown and a number of political developments. No significant improvement in market conditions can be anticipated before 2012 or 2013. Against this, Intertoll has been able to extend its footprint into alternative markets in the region, including undertaking some contracts in the Balkans.

Looking forward, we believe that the gradual economic recovery will lead to increasing demand in our sector in the medium term, although we expect the tough conditions to be present for much of the financial year ahead.

Appreciation

As chairperson of the board, it is my pleasure to extend my appreciation to my fellow board members and to thank them for their support during the year. I thank our shareholders, clients, suppliers and business associates for their continued partnership with and support to the group.

The achievements of the management team at Group Five have been significant in challenging circumstances and I acknowledge their hard work and leadership. A special word of acknowledgment to our CEO Mike Upton and his executive team. Credit must also go to the group's employees, who have worked as a cohesive team to ensure the business weathers the current storm.

I am also particularly appreciative of the diversity of thinking displayed by my fellow board members and the executive team. I enjoy and value the constructive discussions around issues which affect the future growth prospects of Group Five and the role it plays in the wider context of our country's economy and society in general.

P (Philisiwe) Buthelezi
Non-executive chairperson

5 August 2011

REVIEW FROM THE CHAIRPERSON OF THE AUDIT AND REMUNERATION COMMITTEES

The group strengthened its forecasting model to monitor its financial strength and capacity to assume risk.

In the current difficult economic environment, ensuring the effective, but responsible, incentivisation of key skills was a core focus.

Stuart Morris

Strategy Risk Corporate governance Legal regulatory & compliance People Planet Performance

A key consideration during the year was the introduction of King III which became effective on 1 March 2010, as well as the promulgation of the new Companies Act 2008, which came into effect from 1 May 2011.

Audit committee

The audit committee considered the requirements of both the Code and the Act in line with its responsibilities. It has amended its board charter and work plan to address these requirements.

Outside of these developments, during the year the audit committee worked closely with the board and risk committee on the key financial aspects of a number of pertinent matters within our business. Although some of these matters are discussed in other reviews in this integrated report, my review aims to address these from a financial and internal control perspective.

Impairment of Construction Materials asset base

The construction industry suffered a substantial slowdown, resulting in excess available capacity, including in the aggregates, sand and readymix concrete markets. This placed extreme downward pressure on volumes and prices within the group's Construction Materials cluster.

Practice requires that the carrying value of non-current assets, including property, plant and equipment and the undeveloped mining resources related to the ore body in the group's fixed quarries are reviewed on an annual basis or when there is an indication of impairment. Estimating the recoverability of undeveloped mining resources in a market which presents little visibility and for an ore body which holds a life in excess of 40 years is therefore very complex.

During the year, the audit committee worked closely with the group's executive management during their process of determining the carrying value of the quarry-related assets and the subsequent verification of the impairment of this carrying value. The audit committee and board are satisfied that due caution was applied to the assessment of this impairment balance.

Middle East – resolution of legacy items and approval of future strategy

The group has an established presence in the Middle East with a track record of profitability and the establishment of an order book in the region of R4 billion as at June 2008. However, in late 2008 the Dubai market practically collapsed due to global market pressure,

Refer to pages 115 to 124 for a review from the company secretary and the group's compliance status in terms of the new Companies Act and King III.

REVIEW FROM THE CHAIRMAN OF THE AUDIT AND REMUNERATION COMMITTEES CONTINUED

resulting in the cancellation of two of the group's major contracts in January 2009.

The impact was not only the loss of future work to be executed, but also the required commercial process to ensure an effective and timeous resolution of amounts due to the group on these contracts. Over the last two financial years, the group has spent a considerable amount of time negotiating with its two main clients on these contracts to ensure that the group is presented with a resolution which is acceptable to the board of directors in the preservation of shareholder value.

Ensuring resolution of the debt payment terms, as well as evaluating the most responsible strategy for the group in the United Arab Emirates (UAE) required a substantial amount of time and resources from both the group's executive and the Middle East business. To effectively understand the numerous challenges in the region and its potential financial impact, the board decided that certain audit and risk committee members should travel to the region to obtain first-hand understanding of the issues.

I therefore travelled with members of the executive team and my fellow board member, John Job, to Dubai, Jordan and Qatar in June to address the following:

- The recoverability of the debts due on the cancelled and legacy contracts in Dubai
- A review of the Jordanian pipeline contract which incurred additional costs to implement corrective action
- The evaluation of business development opportunities in line with the group's strategy to retain a presence in the Middle East

Based on this visit and following continued interaction with the group's executives during the year, the audit committee was comfortable to report back to the board that management's actions to resolve these issues have been sound. It is also supportive of the group's expansion into certain Middle East markets targeted by the group.

Unwinding of a portion of the group's broad-based black economic empowerment (BBBEE) transaction

A key focus area for the group remained the effective management of the legal process relating to the unwind of a portion of its BBBEE ownership transaction held by the iLima Consortium. The challenge during the year was to ensure the group would maintain its BBBEE rating in terms of the Construction Sector scorecard post the unwind. The board allocated the overview of this process to the audit committee which established a sub-committee to consider, advise on and, where necessary, approve:

- The legal actions to be undertaken around the unwind process in the best interest of the group and its stakeholders while remaining sensitive to the imperative to have strong black shareholding
- The investigation into the options for a revised ownership BBBEE structure which will in time be presented to shareholders for final approval

The audit committee considers this responsibility to be one of its key priorities. It is pleased with the progress made so far.

Risk-bearing capacity model

As is mentioned on page 101, during the year the group focused extensively on enhancing its risk management procedures by formalising the application of its risk-bearing capacity model. One of the four pillars of the model relates to the group's financial strength to withstand changes in risk profiles in the group.

The group's finance function has an entrenched forecasting system which caters for the effects of the current order book as well as for opportunities available to the group on cash flow and liquidity. All these are evaluated along with their investment and financing requirements to present a consolidated group financial position.

During the year, under the guidance of both the risk and audit committees, this financial forecasting model was strengthened and closely linked to the group's risk-bearing capacity. This provides a powerful barometer to monitor the group's financial strength and capacity to assume risk.

The audit committee believes this rigorous interrogation of financial robustness and capacity is imperative to cater for the tough trading conditions which will continue to exist in our markets.

Compliance

The group currently operates in 22 countries and is required to adhere to a wide range of laws and regulations. A key focus area of the audit committee is the assessment of compliance with regard to finance and taxation disciplines. Compliance adherence continues to become more onerous on the group as both local and international authorities introduce additional requirements. To adhere to these in the context of a reducing headcount in line with the focus on cost control in difficult trading conditions, placed considerable pressure

on the group. During the year, the audit committee monitored and was comfortable with the group's progress in this regard.

Refer to page 181 for the group's audit committee report contained within the annual financial statements addressing the requirement of Section 94(7)(f) of the new Companies Act.

Remuneration committee

Effective incentivisation

In the current difficult economic environment, ensuring the effective, but responsible, incentivisation of key skills was a core focus for the committee. To ensure the implementation of robust strategies to address this, the committee met quarterly as opposed to three times a year in previous years. Going forward, meetings will continue to be held quarterly.

The committee developed a clear strategy to continue attracting, motivating and retaining key skills in the group against severe pressure on profitability.

In line with this, the committee:

- Reviewed the remuneration incentive programme for the senior management of the group
- Approved payouts on both short and long term incentive programmes
- Approved salaried employees' annual increases

During the year, the committee made progress on all fronts by keeping overhead costs to a minimum through the approval of an annual increase of 6% for the group, which is reflective of weak markets and aligned to the lower end of industry expectations. It also approved reduced incentive payouts and reduced share appreciation rights scheme (SARs) allocations for senior management and a smaller black management share allocation. Employee feedback was generally positive, with employees understanding the constraints of current market conditions.

The committee is in the process of reviewing alternative long term incentive programmes which will allow for more flexibility.

Refer to page 71 for more information.

Share appreciation rights scheme

Another challenge for the committee was the inability of the share appreciation rights scheme to achieve its intended objective of motivating participants towards achieving long term shareholder value creation through sustained company performance due to the current under-performance of the share price. In line with this, a number of alternative incentive structures were proposed to the board post year end.

Black management share scheme

The black management scheme was introduced in 2005 as part of the group's initial broad-based black economic empowerment (BBBEE) ownership structure. This scheme was created to benefit Group Five black managers in senior roles. The shares are held in trust and awarded to black managers on an annual basis. As mentioned, the committee had to approve a reduced allocation of black management shares per beneficiary as the total number of shares available is
limited due to the number of recipients on this scheme increasing. The scheme terminates in calendar 2012 by which time all shares in the trust need to be allocated to black managers. The board is currently reviewing its BBBEE ownership strategy which will include considering options for black management acquisition and retention in the future.

Appreciation

I thank my fellow board members for their valued input and close working relationships. I have enjoyed working with you. To our chief financial officer, Cristina Teixeira, a special word of acknowledgment for the significant work and outstanding effort during the year from both her and her team. I would also like to acknowledge the excellent work achieved by the remuneration committee and the contribution by Junaid Allie, the group human resources director.

The coming year will no doubt continue to present challenges to the group, but I am confident of facing these with the board and management team we have in place.

SG (Stuart) Morris
Non-executive chairperson of the audit and remuneration committees

5 August 2011

REMUNERATION REPORT

This spread supplements the discussion from the chairperson of the remuneration committee on page 67 with detailed information around remuneration practices and board and senior management remuneration.

Introduction

As outlined on pages 36 to 41, the performance of the board and our team is appraised against a set of clear objectives. Executive and senior management are measured and remunerated against a balanced scorecard aligned to people, the environment and group and individual performance.

Remuneration policy

Group Five believes in rewarding performance. Its remuneration policy therefore aims to attract, reward, motivate and retain skilled employees to execute current strategies and deliverables and to create long term organisational growth. It provides an integrated remuneration and reward model which is compared to the market from which it attracts and recruits employees with the skills required by the organisation. Our approach is to pay on the market or above. We offer an integrated approach to remuneration.

Remuneration practices

Below is a summary of the group's remuneration practices.

GROUP FIVE INTEGRATED APPROACH

	Elements	GROUP FIVE	Strategic intent
VARIABLE PAY	**Long term incentive**	Share options	Long term company performance Attraction/retention
VARIABLE PAY	**Short term incentive**	Annual bonus scheme	Company performance Individual performance Attraction/retention
COST TO COMPANY	**Base pay**	Monthly salary Hourly wage	Skills Knowledge Competencies Experience Attraction/retention Individual performance
COST TO COMPANY	**Benefits**	Medical aid Pension fund/providend fund Death benefit Car allowance	
	Tools	Company cars Computers/laptops Cellphones	Job requirement

Variable pay

Long term incentives

The group has long term incentive share schemes in place.

Management share scheme

Share appreciation rights (SARs) are allocated to executive and business unit directors. The intention of this scheme is to attract, retain and reward participants who are able to influence the group's performance. The allocations are based on seniority in accordance to an annual multiple of individual guaranteed earnings.

Employee category	Annual multiple of guaranteed earnings (AMOGE)*
CEO	1.5
Executive committee members	1.2
Managing directors of business units	0.9
Business unit directors (other than managing directors)	0.6

* *The SARs issued are based on AMOGE, which is the value of the shares based on the 30-day volume adjusted weighted average price in the 30 days prior to the issue, expressed as a multiple of the employee's annual cost to company package.*

No specific performance criteria are stipulated, although it is expected that employees who are granted these shares are employees who have and will continue to meet or exceed expectations.

The SARs scheme has been in existence for the last five years. A key issue for the scheme has been the slow appreciation of share value especially in tough market conditions. This lack of share appreciation limits the scheme's intent of motivating and retaining the participants of the scheme. To address this, a number of alternatives have been reviewed to address the current shortcomings of the scheme. These will be discussed further in F2012. Should a conclusion be reached on a new scheme, a circular will be issued to shareholders for their consideration.

Black management share scheme

The black management share scheme formed part of the group's initial BBBEE empowerment transaction in 2005. Allocations in terms of this scheme are made to black (Black, Indian and Coloured) managers in Peromnes grades 8 and higher, which represents middle management and above.

The scheme serves as an attraction to black managers to join and remain with the group. The shares are allocated in accordance with the trust rules set up at the time of launching the scheme. The allocation is based on a targeted annual multiple of guaranteed earnings, which may be adjusted by the remuneration committee based on the availability of shares for allocation and the number of participants.

Peromnes grade	Annual multiple of guaranteed earnings (AMOGE)*
Grade 5	2.0
Grade 6	1.5
Grade 7	1
Grade 8	0.75

* *The shares issued are based on AMOGE, which is the value of the shares based on the 30-day volume adjusted weighted average price in the 30 days prior to the issue, expressed as a multiple of the employee's annual cost to company package.*

As the black management share scheme was part of the group's BBBEE empowerment transaction in 2005, no specific performance criteria was required. However, it is accepted that employees who are granted these shares are employees who have and will continue to meet or exceed expectations. Refer to page 228 of the annual financial statements for additional information.

The scheme terminates in calendar 2012 by which time all shares in the trust need to be allocated to black managers. At that time the board will be required to establish whether to renew the scheme or to create a new programme as part of a future transaction.

Short term incentives

The group grants employees annual performance bonuses. These are based on group, business unit, project and individual performance over the financial year of the company. See pages 40 to 41 for the key performance areas used to assess senior management's incentive bonus entitlement. Employees are measured against a set of individual, job or site-specific criteria. When these are met or exceeded, a bonus is paid. Executives can earn up to three times their cost to company should they exceed their performance targets.

Cost to company

Base pay

Group Five benchmarks its remuneration practices against both the market from which it recruits and the most relevant markets where employees regularly seek alternative employment. We utilise a number of benchmark remuneration surveys to ensure our remuneration packages are both competitive and fair. We aim to pay our executives at the median of the market and employees at the 62th percentile.

The group follows a job grading system, which includes paying salaried employees at a level which meets market expectations for the particular job category. Our wage-based employees are paid either in line with a sectoral determination set out by the Department of Labour or in line with a union-negotiated wage.

Benefits

Group Five offers a number of employee benefits, as approved by the remuneration committee. These include medical aid, pension, provident fund and death benefits. These are also based on market trends and competitiveness.

REMUNERATION REPORT CONTINUED

Director and senior management remuneration

Non-executive directors' fees

Fees, services and expenses	Fees 30 June 2011 (R'000)	Expenses 30 June 2011 (R'000)	Total 30 June 2011 (R'000)	Fees 30 June 2010 (R'000)	Expenses 30 June 2010 (R'000)	Total 30 June 2010 (R'000)
Name						
P Buthelezi	740	–	740	719	–	719
L Chalker	550	223	773	510	214	724
SG Morris	944	–	944	547	–	547
KK Mpinga	494	–	494	383	–	383
MSV Gantsho#	–	–	–	91	–	91
LE Bakoro	394	–	394	318	–	318
JL Job	524	–	524	353	–	353
Z Motshotshisa~††	–	–	–	200	–	200
	3 646	223	3 869	3 121	214	3 335

 # Resigned in January 2010.
~ Appointed in June 2009.
†† Resigned in May 2010.

Non-executive directors' proposed fees F2012, subject to shareholder approval

Position	F2012 proposed fees (R per annum)	Comment	F2011 approved fees (R per annum)
Main board – chairperson	739 450	Includes all board and committee attendances	697 600
Lead independent non-executive director	318 000	Includes basic fee plus attendance fee for four meetings	300 000#
Main board – non-executive director	184 440	Includes basic fee plus attendance fee for four meetings	174 000
Audit committee – chairperson	184 440	Four meetings	174 400
Audit committee – member and attendee	92 430	Four meetings	87 200
Remuneration committee – chairperson	92 430	Four meetings	87 200
Remuneration committee – member and attendee	64 660	Four meetings	46 000
Risk committee – chairperson	122 960	Four meetings	116 000
Risk committee – member and attendee	64 660	Four meetings	61 000
Nominations committee – chairperson*	92 430	Two meetings	87 200
Nominations committee – member and attendee	48 760	Two meetings	46 000
SED committee – chairperson	122 960	Four meetings	116 000
SED committee – member and attendee	64 660	Four meetings	61 000
Extraordinary services – per hour	2 650	Applied for ad hoc and/or non-scheduled meetings. Capped at daily rate of R21 200	2 500

A deduction of R12 000 per meeting will apply for non-attendance at a scheduled meeting and R25 000 will be payable for attendance at a special board meeting.

** Included in chairperson's fee.*
 # A lead independent non-executive director was appointed in F2011.

Executive directors

Name	Salaries (R'000)		Performance and equity incentives (R'000)		Total (R'000)	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
MR Upton	3 109	2 974	7 323	8 527	10 432	11 501
CMF Teixeira	1 840	1 745	3 326	3 010	5 166	4 755
	4 949	4 719	10 649	11 537	15 599	16 256

In line with the requirements of the new Companies Act, the group discloses the remuneration paid to prescribed officers who are defined as the group's executive committee. The three highest paid members of management are also reflected in the table below as per the recommended practice suggested in 2.26.2 of King III.

Executive committee exco members

	Salaries (R'000)		Performance and equity incentives (R'000)		Total (R'000)	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Prescribed officer 1	2 639	2 734	6 052	4 896	8 691	7 630
Prescribed officer 2	2 363	2 086	3 399	4 026	5 761	6 112
Prescribed officer 3	2 156	1 900	3 545	3 926	5 701	5 827
Prescribed officer 4	1 934	1 690	3 364	3 012	5 298	4 702
Prescribed officer 5	1 625	1 516	3 081	3 898	4 707	5 415
Prescribed officer 6	1 756	1 496	2 778	2 800	4 534	4 297
Prescribed officer 7	1 546	1 441	2 766	2 875	4 312	4 316
	14 018	12 863	24 986	25 435	39 004	38 298

Management committee members (excluding CEO, CFO and exco)

	Salaries (R'000)		Performance and equity incentives (R'000)		Total (R'000)	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Total earnings	25 536	22 304	25 121	26 582	50 658	48 886

Details of executive directors' share options and share appreciation rights

Name of director	Options granted – opening balance	Options granted during the current year	Strike price	Options exercised and paid	Options lapsed	Options granted – closing balance	Strike price	Options vested – closing balance
MR Upton								
2010								
	400 000	–	30,44	–	–	400 000	30,44	300 000
	71 000	–	54,81	–	–	71 000	54,81	23 430
	100 000	–	50,20	–	–	100 000	50,20	33 333
	100 000	–	43,07	–	–	100 000	43,07	–
	166 000	–	28,63	–	–	166 000	28,63	–
	–	150 484	34,09	–	–	150 484	34,09	–
	837 000	150 484		–	–	987 484		356 763
2011								
	400 000	–	30,44	–	–	400 000	30,44	400 000
	71 000	–	54,81	–	–	71 000	54,81	47 333
	100 000	–	50,20	–	–	100 000	50,20	66 667
	100 000	–	43,07	–	–	100 000	43,07	33 333
	166 000	–	28,63	–	–	166 000	28,63	55 333
	150 484	–	34,09	–	–	150 484	34,09	–
	–	138 154	27,70	–	–	138 154	27,70	–
	987 484	138 154		–	–	1 125 638		602 666
CMF Teixeira								
2010								
	25 000	–	24,77	–	–	25 000	24,77	25 000
	25 000	–	54,81	–	–	25 000	54,81	8 250
	25 000	–	50,80	–	–	25 000	50,80	8 250
	200 000	–	42,84	–	–	200 000	42,84	–
	72 000	–	28,63	–	–	72 000	28,63	–
	–	71 740	34,09	–	–	71 740	34,09	–
	347 000	71 740		–	–	418 740		41 500
2011								
	25 000	–	24,77	–	–	25 000	24,77	25 000
	25 000	–	54,81	–	–	25 000	54,81	16 667
	25 000	–	50,20	–	–	25 000	50,20	16 667
	200 000	–	42,84	–	–	200 000	42,84	66 667
	72 000	–	28,63	–	–	72 000	28,63	24 000
	71 740	–	34,09	–	–	71 740	34,09	–
	–	66 175	27,70	–	–	66 175	27,70	–
	418 740	66 175		–	–	484 915		149 001

REMUNERATION REPORT CONTINUED

Details of prescribed officers, including three highest paid members of management, share options and share appreciation rights

Prescribed officer	Options granted – opening balance	Options granted during the current year	Strike price	Options exercise and paid	Options lapsed	Options granted – closing balance	Strike price	Options vested – closing balance
Prescribed officer 1								
2010								
	18 750	–	12,55	–	–	18 750	12,55	18 750
	200 000	–	30,44	–	–	200 000	30,44	100 000
	42 000	–	54,81	–	–	42 000	54,81	13 860
	53 000	–	50,20	–	–	53 000	50,20	17 490
	100 000	–	28,63	–	–	100 000	28,63	–
	–	90 818	34,09	–	–	90 818	34,09	–
	413 750	90 818		–	–	504 568		150 100
2011								
	18 750	–	12,55	–	–	18 750	12,55	18 750
	200 000	–	30,44	–	–	200 000	30,44	200 000
	42 000	–	54,81	–	–	42 000	54,81	28 000
	53 000	–	50,20	–	–	53 000	50,20	35 333
	100 000	–	28,63	–	–	100 000	28,63	33 333
	90 818	–	34,09	–	–	90 818	34,09	–
	–	83 377	27,70	–	–	83 377	27,70	–
	504 568	83 377		–	–	587 945		315 416
Prescribed officer 2								
2010								
	18 750	–	12,55	18 750	–	–	12,55	–
	400 000	–	30,44	–	–	400 000	30,44	300 000
	42 000	–	54,81	–	–	42 000	54,81	13 860
	53 000	–	50,20	–	–	53 000	50,20	17 490
	99 000	–	28,63	–	–	99 000	28,63	–
	–	89 762	34,09	–	–	89 762	34,09	–
	612 750	89 762		18 750	–	683 762		331 350
2011								
	400 000	–	30,44	400 000	–	–	30,44	–
	42 000	–	54,81	–	–	42 000	54,81	28 000
	53 000	–	50,20	–	–	53 000	50,20	35 333
	99 000	–	28,63	–	–	99 000	28,63	33 000
	89 762	–	34,09	–	–	89 762	34,09	–
	–	82 408	27,70	–	–	82 408	27,70	–
	683 762	82 408		400 000	–	366 170		96 333
Prescribed officer 3								
2010								
	300 000	–	30,44	175 000	–	125 000	30,44	50 000
	34 000	–	54,81	–	–	34 000	54,81	11 220
	150 000	–	50,20	–	–	150 000	50,20	49 500
	91 000	–	28,63	–	–	91 000	28,63	–
	–	81 842	34,09	–	–	81 842	34,09	–
	575 000	81 842		175 000	–	481 842		110 720
2011								
	125 000	–	30,44	–	–	125 000	30,44	125 000
	34 000	–	54,81	–	–	34 000	54,81	22 667
	150 000	–	50,20	–	–	150 000	50,20	100 000
	91 000	–	28,63	–	–	91 000	28,63	30 333
	81 842	–	34,09	–	–	81 842	34,09	–
	–	75 469	27,70	–	–	75 469	27,70	–
	481 842	75 469		–	–	557 311		278 000

Prescribed officer	Options granted – opening balance	Options granted during the current year	Strike price	Options exercise and paid	Options lapsed	Options granted – closing balance	Strike price	Options vested – closing balance
Prescribed officer 4								
2010								
	12 500	–	12,55	–	–	12 500	12,55	12 500
	25 000	–	24,77	–	–	25 000	24,77	25 000
	100 000	–	54,81	–	–	100 000	54,81	33 000
	39 000	–	50,20	–	–	39 000	50,20	12 870
	75 000	–	28,63	–	–	75 000	28,63	–
	–	72 514	34,09	–	–	72 514	34,09	–
	251 500	72 514		–	–	324 014		83 370
2011								
	12 500	**–**	**12,55**	**12 500**	**–**	**–**	**12,55**	**–**
	25 000	**–**	**24,77**	**–**	**–**	**25 000**	**24,77**	**25 000**
	100 000	**–**	**54,81**	**–**	**–**	**100 000**	**54,81**	**66 667**
	39 000	**–**	**50,20**	**–**	**–**	**39 000**	**50,20**	**26 000**
	75 000	**–**	**28,63**	**–**	**–**	**75 000**	**28,63**	**25 000**
	72 514	**–**	**34,09**	**–**	**–**	**72 514**	**34,09**	**–**
	–	**66 889**	**27,70**	**–**	**–**	**66 889**	**27,70**	**–**
	324 014	**66 889**		**12 500**	**–**	**378 403**		**142 667**
Prescribed officer 5								
2010								
	150 000	–	51,00	–	–	150 000	51,00	49 500
	50 000	–	50,20	–	–	50 000	50,20	16 500
	68 000	–	28,63	–	–	68 000	28,63	–
	–	67 938	34,09	–	–	67 938	34,09	–
	268 000	67 938		–	–	335 938		66 000
2011								
	150 000	**–**	**51,00**	**–**	**–**	**150 000**	**51,00**	**100 000**
	50 000	**–**	**50,20**	**–**	**–**	**50 000**	**50,20**	**33 333**
	68 000	**–**	**28,63**	**–**	**–**	**68 000**	**28,63**	**22 667**
	67 938	**–**	**34,09**	**–**	**–**	**67 938**	**34,09**	**–**
	–	**62 668**	**27,70**	**–**	**–**	**62 668**	**27,70**	**–**
	335 938	**62 668**		**–**	**–**	**398 606**		**156 000**
Prescribed officer 6								
2010								
	37 500	–	18,56	37 500	–	–	18,56	–
	19 000	–	54,81	–	–	19 000	54,81	6 270
	100 000	–	50,20	–	–	100 000	50,20	33 000
	70 000	–	28,63	–	–	70 000	28,63	–
	–	63 362	34,09	–	–	63 362	34,09	–
	226 500	63 362		37 500	–	252 362		39 270
2011								
	19 000	**–**	**54,81**	**–**	**–**	**19 000**	**54,81**	**12 667**
	100 000	**–**	**50,20**	**–**	**–**	**100 000**	**50,20**	**66 667**
	70 000	**–**	**28,63**	**–**	**–**	**70 000**	**28,63**	**23 333**
	63 362	**–**	**34,09**	**–**	**–**	**63 362**	**34,09**	**–**
	–	**58 170**	**27,70**	**–**	**–**	**58 170**	**27,70**	**–**
	252 362	**58 170**		**–**	**–**	**310 532**		**102 667**

REMUNERATION REPORT CONTINUED

Prescribed officer	Options granted – opening balance	Options granted during the current year	Strike price	Options exercise and paid	Options lapsed	Options granted – closing balance	Strike price	Options vested – closing balance
Prescribed officer 7								
2010								
	45 000	–	12,55	–	–	45 000		45 000
	300 000	–	30,44	–	–	300 000	30,44	225 000
	30 000	–	54,81	–	–	30 000	54,81	9 900
	37 000	–	50,20	–	–	37 000	50,20	12 210
	69 000	–	28,63	–	–	69 000	28,63	–
	–	61 672	34,09	–	–	61 672	34,09	–
	481 000	61 672		–	–	542 672		292 110
2011								
	45 000	**–**	**12,55**	**–**	**–**	**45 000**	**12,55**	**45 000**
	300 000	**–**	**30,44**	**150 000**	**–**	**150 000**	**30,44**	**150 000**
	30 000	**–**	**54,81**	**–**	**–**	**30 000**	**54,81**	**20 000**
	37 000	**–**	**50,20**	**–**	**–**	**37 000**	**50,20**	**24 667**
	69 000	**–**	**28,63**	**–**	**–**	**69 000**	**28,63**	**23 000**
	61 672	**–**	**34,09**	**–**	**–**	**61 672**	**34,09**	**–**
	–	**56 619**	**27,70**	**–**	**–**	**56 619**	**27,70**	**–**
	542 672	**56 619**		**150 000**	**–**	**449 291**		**262 667**

Details of share options and share appreciation rights issued to manco (excluding CEO, CFO and exco)

Manco	Options granted – opening balance	Options granted during the current year	Strike price	Options exercise and paid	Options lapsed	Options granted – closing balance	Strike price	Options vested – closing balance
2010								
	12 500	–	12,55	12 500		–	12,55	–
	50 000	–	12,28	10 000		40 000	12,28	40 000
	18 750	–	18,56	18 750		–	18,56	–
	18 750	–	20,00	18 750		–	20,00	–
	25 000	–	20,25	–		25 000	20,25	25 000
	262 500	–	24,77	100 000		162 500	24,77	162 500
	25 000	–	26,39	–		25 000	26,39	25 000
	75 000	–	31,87	–		75 000	31,87	37 500
	267 000	–	54,81	–		267 000	54,81	91 410
	377 000	–	50,20	–		377 000	50,20	124 410
	32 300	12 089	16,03	–		44 389	16,03	–
	100 000	–	33,63	–		100 000	33,63	–
	692 000	42 505	28,63	–		734 505	28,63	–
	–	625 380	34,09	–		625 380	34,09	–
	1 955 800	679 974		160 000		2 475 774		505 820
2011								
	40 000	**–**	**12,28**	**–**	**–**	**40 000**	**12,28**	**40 000**
	75 000	**–**	**20,00**	**–**	**–**	**75 000**	**20,00**	**75 000**
	162 500	**–**	**20,25**	**75 000**	**–**	**87 500**	**20,25**	**87 500**
	350 000	**–**	**24,77**	**–**	**–**	**350 000**	**24,77**	**350 000**
	25 000	**–**	**26,39**	**–**	**–**	**25 000**	**26,39**	**25 000**
	75 000	**–**	**31,87**	**–**	**–**	**75 000**	**31,87**	**75 000**
	277 000	**–**	**54,81**	**–**	**30 000**	**247 000**	**54,81**	**164 667**
	377 000	**–**	**50,20**	**–**	**42 000**	**335 000**	**50,20**	**223 333**
	69 389	**4 147**	**16,03**	**–**	**–**	**69 389**	**16,03**	**27 159**
	100 000	**–**	**33,63**	**–**	**–**	**100 000**	**33,63**	**33 333**
	754 505	**–**	**28,63**	**–**	**98 000**	**656 505**	**28,63**	**14 168**
	714 454	**–**	**34,09**	**–**	**–**	**714 454**	**34,09**	**–**
	–	**577 766**	**27,70**	**–**	**70 755**	**507 011**	**27,70**	**–**
	3 019 848	**581 913**		**75 000**	**240 755**	**3 281 859**		**1 115 160**

REVIEW FROM THE CHAIRPERSON OF THE RISK COMMITTEE

The impairment in Construction Materials indicated a need for more stringent assessment processes.

As a board we monitor the current climate carefully to ensure the business will weather the continuation of the recessionary cycle.

Kalaa Mpinga

Strategy | Risk | Corporate governance | Legal regulatory & compliance | People | Planet | Performance

The last 12 months have continued to be a turbulent period for the global economy. Momentous political change, most notably in North Africa and the Middle East, took place against a backdrop of economic uncertainty underpinned by a profound financial crisis in the Eurozone. These dynamics have led to a more volatile and unpredictable business environment. Group Five has worked hard during the year to understand the implications of recent developments for its markets and operations and to take the actions necessary to adapt to these difficult trading conditions.

The role of the board risk committee is to provide assurance to the board that the risk management policy and strategy set by the board is operating effectively, to ensure that a policy, framework and methodology is in place for the group to identify, analyse and manage risk to comply with statutory laws and regulations and to ensure that management acts on any suspected fraudulent or criminal behaviour. The risk committee also focuses strongly on ensuring that safety is a priority in the group and proactively managed.

During the year, a large range of risks was therefore considered by the committee. The review from the group risk officer on page 101 discusses these in more detail. In this report, I would like to comment on three major issues which were at the forefront of our attention during the year:

- Continued recessionary pressure, which resulted in further weakness in our major markets and fierce price competition
- The potential for geopolitical shifts and changes to territorial and regional stability which threaten our existing operations and strategic growth objectives
- Taking these two issues into consideration, the need to constantly monitor and review the risk-bearing capacity of the group, its risk profile and whether the group is able to effectively manage potential investments or expansions

Continuing recessionary pressure and construction market weakness

Estimates of global recovery are subdued, with policymakers and analysts starting to express concerns over the delayed timing of a recovery and its effect on economic and financial assumptions, job creation and inflationary pressures. Regulators are adopting a cautious approach and continue to recommend tighter capital requirements for banks, which are likely to result in higher lending rates and a decreased appetite for risk.

As a board we are monitoring the current climate carefully to enable the business to weather any continuation of the recessionary cycle. Of significance in the South African market is the current price

Refer to page 2 of the CD contained within this integrated report for more information on our safety performance.

REVIEW FROM THE CHAIRPERSON OF THE RISK COMMITTEE CONTINUED

competition which erodes margins and results in less favourable commercial terms. Cost control, as well as adequate working capital management is therefore critical, particularly given the continuing escalation of input costs, including steel, fuel and labour. Also of concern is the slow progress in the delivery of long-awaited national infrastructure contracts.

As a commodity producer and exporter, South Africa has been shielded from the worst effects of the global recession. However, the South African construction market has remained weak with a lack of spending against previously committed infrastructure budgets and limited private sector spend. Group Five also operates in other markets which have been heavily hit by the downturn and by the depth and length of the recession, particularly Eastern Europe and the Middle East.

Looking forward, however, economic forecasters are bullish about the economic potential of Africa. Foreign direct investment (FDI) growth into Africa is forecast from calendar 2012 onwards, resulting in infrastructure and development initiatives which will create potential opportunities for the group as it seeks to expand its African operations. The group's strong operating track record in Africa and our established risk management framework will position us to take advantage of these opportunities as they arise.

We remain committed to our home country of South Africa and are hopeful that the planned public sector spend will receive impetus going forward to ensure increased contract flow.

Geopolitical trends

Globalisation has brought about both challenges and opportunities. As we have seen with the periods of unrest in North Africa and the Middle East, volatile political circumstances can quickly escalate and amplify political risk across borders. Our strategic growth objectives must therefore be tempered with a clear understanding of trends which can lead to increased political volatility which may result in business risk and employee safety. As a board we regularly review trends and monitor changes in the political landscape in the territories and regions where we operate and those which are strategic targets.

To successfully interpret geopolitical events and identify their potential for impact on our growth objectives, we need to rely on input from external stakeholders and continue to refine our systems for filtering risk. We do this with dedicated resources which continuously assess the risk profiles of the countries where we operate or plan to operate. We are also very conscious of maintaining sufficient flexibility to modify our business strategy as circumstances change to ensure that the business remains sustainable in a changing environment.

Assessing contract risk and group risk-bearing capacity

Each contract and business initiative has to be adequately assessed. The board's capacity to contribute to contract and enterprise risk reviews is therefore an area of continuous focus. Against a climate of reduced capital availability, we have to be particularly cautious that when capital is committed, it is done in a way which maximises returns and ensures business sustainability.

The group's recent impairment of its Construction Materials acquisitions highlighted the need for more stringent assessment processes and board reviews in the application of capital and resources.

Furthermore, it is no longer sufficient to only investigate technical risk. The brief outline of macro-economic and geopolitical trends given in my review shows us that our approach to assessing business initiatives has to be holistic. We need to take into account an increasingly volatile environment and markets which have weakened to such an extent that profit margins and cash flows are under pressure.

Over the last few years, we have made significant progress in this area with further refinement of contract risk assessments, reviews and bid approvals. More of the group's businesses are working internationally and has established its ability to bid for larger contracts with more complexity. The board has thus recognised the need to lead the development of systems and processes to establish measures which indicate the level of risk that is acceptable to the board and can be borne by the group, as well as to ensure the constant monitoring of the group's risk-bearing capacity (RBC).

Appreciation

I thank my colleagues on the board risk committee for their continued engagement in our risk management processes and their contributions and support. I also thank the Group Five risk team under Guy Mottram as group risk officer for continuing to provide excellent quality of risk analysis and reporting.

KK (Kalaa) Mpinga
Non-executive charperson of the risk committee

5 August 2011

REVIEW FROM THE CHAIRPERSON OF THE SED COMMITTEE

R6,1 mllion

SED spend

53%

of budget was spent on education and skills development

Lynda Chalker

Strategy · Risk · Corporate governance · Legal regulatory & compliance · **People** · Planet · Performance

Many communities in South Africa and in the rest of Africa are subject to extreme poverty. Group Five remains committed to effective socio-economic development as a means to contribute to the upliftment of disadvantaged communities through structured programmes.

Group Five's business model, as outlined on page 4, places sustainability issues at the centre of the business' strategy and ensures an integrated approach to manage these aspects. To be successful and sustainable, our work in socio-economic development must be both relevant to Group Five and contribute meaningfully to the advancement of the societies in which we operate.

The role of the socio-economic development (SED) committee of the board is to guide the group's social responsibility activities to ensure their continuing success against both of these parameters. The committee provides strategic direction to management in terms of SED. It formulates and implements policy, approves the budget, evaluates the effectiveness of interventions and ensures centralised reporting.

Within our SED framework, we seek to allocate 55% of spend to education and skills development, 35% to economic development and 10% to social grants and programmes. Even in these difficult economic times, during the year we spent R6,1 million, which is more than the 1% spend of net profit after tax required by the dti Code of Good Practice.

To ensure effective impact, we analyse community needs and the potential involvement of key stakeholders before investing in initiatives. Our charter is to focus on education and the transfer of skills which empower beneficiaries to take control of their future.

Achieving our objective of creating programmes which have a sustainable impact requires more intervention than simply providing once-off grants or donations. It requires us to partner with beneficiaries to strengthen governance and increase capacity in grass roots organisations which are often informally structured to ensure they report back to the board regularly on progress through the SED committee. It also requires us to monitor beneficiaries to ensure that resources are not concentrated in selected projects separately funded by multiple organisations.

However, due to economic challenges in South Africa following the global downturn, the group received a significant increase in applications for emergency social grants. Although we believe that social grants do not create sustainability in the long term, due to the pressure during this time on the most vulnerable of society, we made a conscious decision to temporarily veer away from our long term SED strategy to provide urgent, short term relief to a number of charities. The group also launched an employee assistance programme to support the group's HIV/Aids programme. These programmes were both funded as social spend under the SED programme in line with the dti Code of Good Practice and the Construction Charter. This led to a 38% spend on social grants compared to the 10% target.

Refer to page 65 of the CD contained within this integrated report for more information on SED.

REVIEW FROM THE CHAIRPERSON OF THE SED COMMITTEE CONTINUED

We remain committed to our strategy of creating meaningful impact and long term sustainability. In the new year we will therefore strongly drive alignment to meet this target.

Employee engagement

Over the past year, the group has progressed in terms of involving a broader base of employees in the group's SED initiatives. Employee engagement was encouraged in a number of ways, including:

- Allowing employees time during their normal working hours to be involved in various group community programmes
- Promoting skills transfer and mentoring of community organisations and emerging enterprises

In line with increasing our focus on employee engagement, we have improved our communication of SED programmes to stakeholders. Our website was significantly upgraded with disclosure on community investment and we have worked on raising awareness about the group's programmes to all stakeholders. However, we have a lot more to do around this.

As Group Five's expansion continues beyond South Africa into the rest of Africa, the Middle East and Eastern Europe, we will operate in regions with diverse development priorities. Our SED programmes are a vital offering with this expansion. To remain relevant, our socio-economic development will adapt to local requirements and sustainability objectives. We have a clear strategy in place for this.

Focus areas

During the year, we achieved a number of impacts in the three areas of our SED focus.

Education and skills development programmes

Supporting skills in mathematics and science

The lack of essential maths and science skills is one of the major obstacles to economic growth in South Africa. As such, Group Five has responded to the request by the South African government to industry to support the New Economic Growth Path (NEGP). The NEGP was launched in November 2010 and aims to develop at least 30 000 additional technicians/engineers by 2014 and 50 000 new artisans by 2015. Support for the NEGP is critical in underpinning future growth for Group Five as the skills targeted through the programme are essential for the successful development of our industry.

Projects undertaken by the group in this area include:

- Sponsorship of TRAC mobile science laboratories. These have supported over ten schools with no access to traditional laboratories or basic equipment
- Assistance in maths and education support to over 500 learners in five schools through the Dinaledi schools programme
- Financial and curriculum improvement support to two further education and training (FET) colleges in Gauteng and Western Cape
- The sponsorship of technical laboratories at the University of the Witwatersrand
- The sponsorship of the Women in Engineering and the Built Environment programme at the University of Johannesburg. Through this initiative the university has seen a marked increase of young women enrolling in engineering and construction-related studies

People at the Gate

Unemployment and lack of skills continue to plague many communities. The group launched a unique industry initiative in 2006 called "People at the Gate" with the aim of training unskilled people arriving at construction sites in search of employment. The programme has been very successful, with over 90% of individuals trained attaining employment.

Economic empowerment

Our long term aim in this area is to drive independence in communities through skills transfer and creation of sustainable employment, particularly for women and the youth. As outlined, the group over-spent on its social grant component of the budget, which affected our economic spend during the year. This led to a 9% actual economic spend versus a 35% target. This will receive urgent attention in F2012.

Social support

As outlined, a huge increase in requests for emergency grants was seen during the year. The business units and the group felt it necessary to assist a number of worthy causes. Refer to page 65 on the CD contained within this integrated report for more information.

A key impact in terms of our social support is our employee HIV/Aids programme. Over the last two years, the group rolled out awareness counselling and testing (ACT) programmes to ensure that at least 80% of our employees in South Africa know their HIV status over a two-year period and can take the necessary measures to combat this disease. The group's employee assistance programme also extends to victims of HIV/Aids in various communities, which will make a big difference to employees and family members living with HIV and Aids.

Future focus

In F2012, the committee will build on the progress made in previous years. Particular focus areas will be:

- Skills development and the support of entrepreneurial projects that will empower communities to sustain themselves
- Support for mathematics and science education in selected schools to contribute towards building a pool of quality matriculants who are able to enroll for further studies in tertiary institutions
- Gender transformation and economic empowerment programmes
- Meaningful SED programmes in the various African countries in which Group Five operates
- To sustain and grow the engagement and involvement of employees in SED projects
- To enhance the impact of our SED programmes through improved governance and the more efficient management of SED initiatives and resources
- Closer monitoring and guidance to business units to ensure alignment and spend within the key focus areas of our SED strategy and the targeted spend
- Further communication of SED programmes to ensure external stakeholders understand the group's strategy

Appreciation

I thank all the members of the SED committee of Group Five for their guidance and assistance in achieving these vital goals and to all the employees of Group Five for their continuing involvement in these efforts. A great deal still has to be done to continue to work meaningfully with the communities in our areas of operations. I look forward to enabling further changes through our SED implementation during the coming year.

Baroness L (Lynda) Chalker
Non-executive chairperson of the SED committee

5 August 2011

REVIEW FROM THE CEO

25%

Current over-border revenue

40%

Over-border revenue target

Mike Upton

Strategy Risk Corporate governance Legal regulatory & compliance People Planet Performance

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

Although the construction industry in the group's targeted geographies and sectors still has solid medium and long term prospects, the reality that has emerged over the short term is that conditions have been much worse than envisaged during the business planning and budgeting undertaken in F2010.

Market weakness

The slowdown within the construction sector in the last two years following the global market crisis has worsened trading conditions in the construction and materials markets in which Group Five operates. This has negatively impacted performance in the current year, in contrast to the 2010 financial year when the group still benefited from the majority of large public sector contracts awarded ahead of the 2010 FIFA World Cup. In the interim, to mitigate this environment to the extent possible, the group has successfully re-entered targeted African markets where it has an established track record.

The domestic building and civil engineering tender market has seen limited work flow. There is currently over-capacity in the industry following the completion of large public sector infrastructure contracts awarded up to June 2010. Current contracts are therefore heavily contested by large and small contractors with wide pricing spreads. This results in high risks in terms of sub-standard cost estimating by some and extremely aggressive pricing by others.

The group has well-defined estimating systems and has been able to determine that many bids are being awarded to contractors with limited operational experience and at pricing below cost to execute.

Dealing with the challenges

Against these challenging times, the group has not deviated from its stated strategy, which includes:

- Further geographic expansion into familiar African territories
- Developing our own contracts through the group's capabilities of design and build and concessions
- Turnkey construction supporting technology partnerships, with a particular emphasis on mining, power and transport

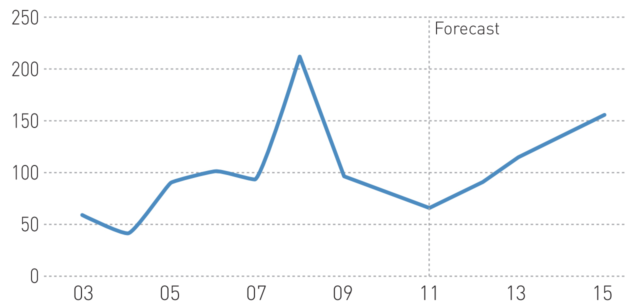
In a purposefully defensive strategy, the group exercised strong discipline during the year to avoid the potential for future losses from low to zero margin work that could be currently secured.

To rebuild order books in a sustainable manner, we have focused on a broader international stance, with an immediate emphasis on a larger African footprint involving more of our businesses re-establishing a viable Middle East business and achieving early wins in the re-emergence of the mining and energy markets in Africa. Establishing a connection to the long term growth prospects in the Australian market as well as China's quest for African resources and infrastructure is work in progress.

REVIEW FROM THE CEO CONTINUED

Our approach to withstand current market conditions is to avoid, for as long as is possible, securing an order book of low margin work with poor cash flows. This has allowed the group to maintain a healthy balance sheet supported with an appropriate gearing and liquidity position.

Capital investment in Africa from new FDI projects (US$ billion)



Source: Oxford Economics/FDI Intelligence.

In line with our strategy of entering alternative markets with stronger margin and cash prospects than domestic tender work, we commenced business development activities and have submitted bids into several new African countries which meet the group's risk requirements. More of the group's business units established themselves in countries where the group has previous operating experience. The migration of resources back into Africa was successful, with the over-border order book increasing from 24% last year to 27% this year.

We also demonstrated our competence in design and build, as well as engineer, procure and construct (EPC) contracting capability. In line with this, we successfully executed the combined power/steam plant for Sasol at Secunda and secured a US$206 million (R1,4 billion) contract financed by the Development Bank of South Africa (DBSA) for the master planning, design, construction and operation of the first phase of a new road transport network for the Zimbabwean National Roads Authority.

The group is hopeful of securing two private public partnership (PPP) contracts in South Africa for the Department of Rural Development and Land Reform's head office and the Tswane Munitoria office precinct. The group has been selected as the preferred bidder on both these contracts.

The Group Five-led consortium was selected as one of two bidders to submit best and final offers (BAFOs) for the significant N1 – N2 Winelands toll road concession in the Western Cape. The group is also on track to develop the Kalahari Solar Energy PPP in the Northern Cape, as well as a gas power PPP in Bulgaria. These are progressing well, although regulatory delays have slowed both programmes.

Internally, attention has been applied to managing costs. Consolidation of certain Construction business units' support structures was completed during the first half of the financial year and an invasive restructuring was completed at all sites and locations of our Construction Materials businesses in the second half. Cost reductions were also implemented in our Manufacturing cluster in parallel with a focus on product export expansion. The group's corporate office cost base was reduced and approved budgets consistently monitored. The group's capital expenditure was reviewed and strictly limited to essential expenditure supported by acceptable returns in line with the group policy implemented a few years ago.

Despite difficult conditions, the group did not reduce its commitment to its knowledge base and sustainable future and maintained its training and skills development budgets.

Operating results

With the exception of the Middle East, the group's largest cluster, Construction, held up well, based on good contract execution and the benefit of a number of longer term and certain African contracts which were strategically secured in previous periods.

The Middle East results were affected by a number of once-off costs. These include resources focused on regional business development and the successful progressive commercial and financial close of

legacy contracts in Dubai, the time discounting effect of reflecting the present value of unchanged certified debt on one of the group's previously reported cancelled contracts and costs for corrective action on a Jordanian pipeline contract.

Manufacturing and Construction Materials suffered from a combination of declining volumes, delayed contract awards, a strong rand and pricing pressures. In addition, the Construction Materials cluster is capital intensive with a material long term asset base. In the financial year the business bore high plant lease costs and suffered an impairment of R550 million, as outlined in February 2011.

In spite of sluggish domestic concessions and PPP activities and the economic pressures in Europe, the performance of our Investments and Concessions cluster remained stable as new toll roads came on line in Eastern Europe and South Africa.

Safety

Group Five further increased its management focus on safety during the reporting period. Tragically, we suffered six fatalities within our sub-contractor base. The group considers zero harm as the only acceptable performance benchmark and is committed to reversing this trend. We empathise with the families of each of the people who so sadly lost their lives.

Refer to page 2 of the CD contained within this integrated report for more information on our safety performance.

With a reduction in the number of man-hours worked this year due to reduced revenue levels and a poor performance stemming from our sub-contractor statistics, the group's disabling injury frequency rate (DIFR), including sub-contractors, worsened to 0.54 (F2010: 0.43). This is unacceptable to the group.

To address the poor sub-contractor safety performance, the group will ensure improved vetting, selection and induction procedures as part of a more vigorous sub-contractor approval process.

Competition Commission

As outlined in the review from the chairperson, we proactively engaged 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. We believe a proactive approach was required to ensure we adhere to our culture of transparency and integrity.

Refer to page 102 for more information.

Outlook

Looking forward, the current market weakness is expected to extend for longer, with a slow rate of a broader market recovery materialising from the second half of F2012, which will inform trading performance for F2013.

The group's expectations are therefore that margins will decline into F2012, with some order book recovery forecast for the second half which would provide a base for margins improving in F2013.

Our Target Opportunity Pipeline (TOP) is the indicator for medium to long term opportunities and performance and is populated with targeted contracts which match the group's capabilities and areas of operation. The pipeline is further filtered as contracts are developed to provide a base for forecasting of financial performance. The profile indicates a substantial reduction in our reliance on the public sector and South Africa. Timing uncertainty, however, is a risk to forecasting at present.

REVIEW FROM THE CEO CONTINUED

Below we outline some key information around the potential for growth existing in Africa.

Africa TODAY

Total population:
1 billion[1]

Population under 15:
41%[2]

Adult literacy:
62%[3]

GDP income per capita is
10th
of world average[4]

Around 45%
living on US$1 a day[5]

Mobile phone subscribers:
37%[6]

Population living in urban areas:
40%[7]

Collective GDP (2008):
US$1,6 trillion[9]

Combined consumer spending (2008):
US$860 billion[9]

Africa TOMORROW

Total population:
1,4 billion[1]
by mid 2025[10]

Total population:
2,1 billion[1]
by mid 2050[11]

128 million
households with discretionary income by 2020[12]

Consumer spending will be
US$1,4 trillion
by 2020[13]

Collective GDP will be
US$2,6 trillion
by 2020[14]

Around 47%
of Africans will be living in cities by 2025[15]

Source: Ernst & Young's 2011 "Africa attractiveness survey".

1. *Demographic Indicators, www.africaneconomicoutlook.org, January 2011.*
2. *2010 PRB World Population data sheet, www.prb.org*
3. *World Bank data, January 2011.*
4. *UN data, http://data.un.org, January 2011.*
5. *Poverty and Income Distribution Indicators, www.africaneconomicoutlook.org, January 2011.*
6. *2010 PRB World Population data sheet, www.prb.org*
7. *The State of African Cities 2010, UN Habitat — Statistical Annex.*
8. *"Africa – Growth Versus Corruption", All Africa, 20 December 2010.*
9. *"Domestic Resources and Diversification Key to Africa's Economic Growth – UN Official", All Africa, 28 October 2010.*
10. *2010 PRB World Population data sheet, www.prb.org*
11. *2010 PRB World Population data sheet, www.prb.org*
12. *"KFC intends to double its restaurants in Africa", The Wall Street Journal Asia, 9 December 2010.*
13. *"In Africa, consumers pick up pace", The Wall Street Journal Europe, 14 January 2011.*
14. *"Business in Africa, a whole new scramble", Financial Mail, 25 June 2010.*
15. *The State of African Cities 2010, UN Habitat — Statistical Annex.*

Construction target opportunity pipeline* – contracts being targeted by the group as at 30 June 2011 by sector

	International			Local			Total
Sector	Private	Public	Total	Private	Public	Total	
Mining	15	–	15	2	–	2	**17**
Industrial	1	–	1	1	–	1	**2**
Power	12	–	12	17	8	25	**37**
Oil and gas	–	–	–	1	1	2	**2**
Water and environment	2	6	8	–	2	2	**10**
Building – Real estate	5	3	8	19	9	28	**36**
Housing – Real estate	2	–	2	3	3	6	**8**
Transport	2	7	9	–	13	13	**22**
Total	**39**	**16**	**55**	**43**	**36**	**79**	**134**

* *Our Target Opportunity Pipeline is the group's indicator of medium to long term opportunities and performance. It represents the group's targeted contracts and includes only the value that could be traded by the group and not total contract values. In addition, it is not to be confused with the secured order book nor does the group expect to secure the full pipeline presented.*

Looking forward

Key focus areas for F2012	Desired results
Focus on improved efficiencies and a more effective operating structure.	Target cost cuts without impacting delivery Implement a revised structure and operating model to enable delivery in tough markets. Entrench the group's sector and geographic focus in line with its strategy
Review portfolio of businesses.	Thoroughly review current portfolio of businesses to ensure that the group consists of businesses in which it can intervene to mitigate market cycles with returns aligned to its group measures
Reduce reliance on the South African market with a sustainable geographic diversification.	The current over-border target for group revenue is 40%. This will be reviewed during F2012 based on markets, capacity and retained business
Improved safety throughout the group.	A 20% improvement in the group's DIFR, including sub-contractors, through a focus on appropriate sub-contractor selection
Expanding contribution from turnkey multi-disciplinary construction.	Demonstrate the group's capability in its target sectors through rebuilding the order book
Continue to deliver on our stated strategy of concessions portfolio growth.	Establish future returns in power, PPP and transport in the Southern African Development Community (SADC) through securing of contract awards where the group is currently a preferred bidder or co-developer

Appreciation

During this year we experienced an unprecedented concentration of market and operational challenges. Huge appreciation must therefore go to the group's stakeholders who have supported the management team in a difficult time.

I also thank the board and my executive management team and their families, all of whom were required to take on multiple additional responsibilities to deliver this year's results.

Lastly, a special thank you to each and every Group Five employee, many of whom worked extraordinary hours in the interest of seeing their Group Five succeed.

MR (Mike) Upton
Chief executive officer

5 August 2011

REVIEW FROM THE CFO

Cristina Teixeira

Against extremely tough markets we focused on limiting margin erosion on contracts and preserving cash.

Ensuring the optimal balance between short term investment and long term returns is constantly evaluated.

Strategy | Risk | Corporate governance | Legal regulatory & compliance | People | Planet | **Performance**

The group defines group goals which provide a dashboard to continuously monitor the group's health, with a particular focus on sustainable shareholder returns. Refer to page 44 of this report. These targets are revised from time to time to take into account changes in the group's strategic outlook. The material issues discussed below are referenced back to the group's delivery against the four primary financial group goals of margin M, cash C, gearing G and return on equity ROE.

Introduction

South Africa has an informal target of increasing gross domestic fixed investment (GDFI) spend to over 25% of gross domestic product (GDP) and maintaining it at that level. Internationally there is a reasonably clear relationship between increased investment spend and sustained GDP, with the level of investment ultimately determining the level of employment. The rapid slowdown in investment activity over the past year in South Africa has therefore meant that investment spending now represents only 18% of local GDP. This is the lowest level since 2006 and at extremely low levels by emerging market standards.*

Managing the downturn M C

Against this economic backdrop, the group had to consider a number of difficult decisions.

Rightsizing the business

A year and a half ago the group identified the need to begin rationalising its operational and support structures in preparation for a reduced construction order book. The decreased activity was pre-empted and based on the completion of mega local public infrastructure contracts and the worsening global economic conditions.

At the time, the group had to decide whether it was going to increase order in-take, at potentially low margin and cash negative returns to cover unutilised assets, or whether it would reduce the asset base and focus on margin and cash retention. The group has clearly communicated its strategy of choosing to focus on operating margins and cash while managing the risk of losing key capacity.

During the last 18 months, the group has therefore successfully:

- Reduced non-core costs
- Retained core skills required in anticipation of a market return
- Consolidated support structures at business unit and corporate level
- Reduced the extent of "holding costs" of unutilised resources which are unable to provide immediate returns

This process is not complete. In support of the group's strategy, in particular its geographic expansion, a restructure of the business and

Readers are requested to review this report along with the consolidated annual financial statements, which are presented on pages 184 to 255.

** Stanlib economic commentary – Kevin Lings – 30 June 2011.*

not only a consolidation thereof is therefore required and will be progressively implemented during F2012

Furthermore, in the last few years the group has served a mainly South African public sector market whereas its traditional client base has previously been private sector oriented with a strong track record of trading over-border. Our businesses must therefore once again structurally adapt to cater for a return to over-border operations. We have started to successfully address this in support of the over-border revenue of 25% in the year under review.

Address non-performing businesses

Construction Materials cluster M C G ROE

As outlined in various reviews in this integrated report, the Construction Materials cluster required substantial management intervention to address its negative returns and cash absorption.

Impairment

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 cautious approach to determining the carrying value of Construction Materials assets.

The group processed an impairment of R325,6 million in the prior year and a further R550,5 million in the current financial year. Tests performed at year end indicated that no further impairment adjustments were 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.

The assessment of the carrying value of assets is dependent on expected cash flows which are inherently uncertain and could change over time. They are affected by a number of factors. These include estimates of costs of production, sustaining capital expenditure and product markets. This assessment required a considerable amount of attention to ensure fair presentation of the financial results.

Operational cash costs

Following a difficult six months to December 2010, as previously reported, management took a conscious decision to refocus the Construction Materials cluster in support of a cash preservation strategy. This required a radical shift in operational structure and significant change management.

A full review of the business and their cost structures was performed with certain functions decentralised to site level and a number of functions consolidated into a group shared services environment. Although this may have introduced additional costs in the short term, in the form of restructuring and impairment charges, the group is confident that these actions were the optimal route to take as cash absorption has reduced and some operational efficiency improvements noted.

However, as a capital intensive group of businesses, this cluster is highly geared and is currently unable to service lease repayments from operational cashflow. This risk is being mitigated by reallocating unutilised financed assets to other segments of the group, such as our plant business, to ensure a return on this investment.

Middle East operations M C

The group experienced operational difficulties on the construction of a pipeline in Jordan. This loss contributed to the increase in the group's loss-making ratio which is currently reported at 15% (2010: 13%). The contract generated negative returns and has required interim funding while it progresses to completion. The extent of recoverability of this loss is being assessed.

Lessons learnt on this contract have been implemented into the group's contract lifecycle to ensure that these risks are mitigated in the future.

Positioning for growth M C G

The group strategy includes geographic expansion and growing the contribution from turnkey multi-disciplinary construction contracts. To support this strategy an assessment of the extent to which costs can be incurred, and resources allocated, without an immediate return on this investment is required.

The group incurred certain business development and administrative costs in the Middle East which have not provided a return to date due to the slow rate of contract awards. In addition, it established a presence in two new countries where contracts are currently being tendered.

During the year, management requested the board's independent assessment of its Middle East strategy. Refer to the review from the chairperson of the audit and remuneration committees for more information.

Some establishment costs were also incurred in Africa as the group re-established itself on the continent.

Going forward, the contribution from turnkey multi-disciplinary contracts as well as private public partnerships (PPPs) and independent power projects (IPPs) will provide margin-enhancing returns for the group. However, the lack of traction and delay in contract delivery in South Africa and other emerging countries, both in the rest of Africa and Eastern Europe, have slowed the growth plans of the group's Engineering and Construction (E+C) business and required the Infrastructure Concessions business to manage its resources effectively in preparation for the recovery of development costs as these long term concession contracts are secured.

Finding the optimal balance between short term investment and long term returns therefore needs to be constantly evaluated in the current uncertain markets. The group is confident of the robustness of its long term strategy.

Monitoring credit risk C

The evaluation of the collectability of the group's trade and contract debtors is particularly relevant during these difficult economic times. Pleasingly, from a concentration of risk perspective, the group's top five debtors (based on value of debt) represent 16.2% of total trade and other receivables compared to 31.9% in the prior year.

As expected, the group's credit risk is concentrated in southern Africa and the Middle East, with 56% and 32% of total trade and other receivable balances in those regions (2010: 55% and 32%) respectively. In addition, the group reported R508 million (2010: R484 million) of debts past due but not impaired. This was largely due to the debtor balances on cancelled contracts to be recovered in the Middle East.

Trade receivables which have been impaired increased from R46 million in the prior year to R73 million in the current year. This is due to an increase in provisioning in southern Africa as a result of a potential bad debt on one specific contract in the Steel business. This credit risk is being carefully monitored and preventative controls have been implemented within the business to ensure that similar exposures do not reoccur.

During the year, substantial commercial resolution was achieved in the close out of our cancelled and almost complete contracts in Dubai. We have now concluded and signed a formal settlement agreement with our one client, Meraas, with a payment schedule spanning five years. Payment commenced in June 2011. No amendment to the previously certified value of the debt was required in the year, although a discounting adjustment to record the debt to present date value was necessary. In addition, the group incurred commercial costs to attend to this resolution for which no additional return will be received. We increased engagement with our client, the Dubai Civil Aviation Authority (DCA), in terms of the commercial resolution of legacy contracts, with constructive steps towards finalisation. The group is satisfied with its

REVIEW FROM THE CFO CONTINUED

progress in this regard and with the support provided by our joint venture partner in the United Arab Emirates.

Managing liquidity C

A key focus area included the management of working capital in a year where previously awarded contracts, secured with advance payments and excess billings, drew to completion and new contract awards were slow to come to market. Although cash from operations for the year discloses an unwind of R481,5 million and a net decrease in cash and cash equivalents of R871,0 million, the group is pleased to report that this cash outflow was in line with the group's expectations and forecasts and incurred mainly within the first half of the financial year. Furthermore, the contracts to which the initial upfront payments relate have been profitable. This working capital change therefore reflects a normalised unwind to completion as opposed to an absorption of cash. With a contracting cycle of between two to three years on large infrastructure contracts, the assessment of working capital on a 12-month basis is not representative of the full cash cycle.

An analysis of the working capital unwind for the year confirms the following:

- Contracts to which the initial upfront payments were received have been profitable. This working capital change therefore reflects a normalised unwind
- Working capital was not applied to fund construction contracts, other than the loss-making contract in the Middle East discussed previously
- Construction contracts with bullet payments on completion have not been entered into and the group continues to adopt unchanged contractual payment regimes
- Cash losses incurred within the Construction Materials cluster resulted in working capital absorption
- Cash losses in the Middle East, with respect to "holding costs", resulted in working capital absorption
- The group continues to structure and receive advance payments and excess billing payments
- Payments received in advance are reported at R788,3 million (2010: R1,1 billion) and excess billings at R492,1 million (2010: R1,0 billion)
- Under-certified contract assets reduced from R754,5 million to R506,5 million

Achieving the required return on equity ROE

The group has not met its return on equity target of 20% with the current return before impairments at 11.8% (2010: 21.8%). This is mainly due to losses from the Construction Materials cluster and a weak performance in the Manufacturing cluster. Continued focus on these businesses' performance will be required. In addition, with weaker market conditions expected to extend for longer, an improvement in returns will require a focus on asset optimisation. This will include a critical assessment of capital expenditure.

Below are the details of the capital expenditure incurred for the year and forecast for F2012.

Capital expenditure by cluster R'000

			Nature of 2011 spend %			
Cluster	Budget 2012	Actual 2011	E	R	S	Budget 2011
Investments and Concessions	35 492	6 376	78%	22%	0%	10 089
Manufacturing	25 244	32 020	83%	17%	0%	46 325
Construction Materials	20 674	15 616	0%	100%	0%	47 000
Construction	122 335	96 340	27%	9%	64%	106 163
Total	203 745	150 352	38%	21%	41%	209 577

** E = expansion, R = replacement, S = contract-specific.*

For additional information on the group's performance please go to our website at www.groupfive.co.za and access the group's year-end results presentation.

Corporate governance and compliance

The group considered a number of issues during the year with respect to corporate governance and compliance matters. These included:

Fraud and ethics

An increase in fraud and ethics-related transgressions occurred in the year. These are fully disclosed in the operational overview from the group risk officer on the CD contained within this integrated report. Where these had a bearing on the group's control environment, it was necessary for the group to evaluate the adequacy of its policies and procedures.

Regulatory compliance

The group currently operates in 22 countries. Each has unique finance and taxation regulatory requirements. Adhering to continually changing and developing regulations has become more onerous, especially as the group focuses on a reduction of resources in managing its costs base. With a strategy of geographic expansion, the challenges will become more prevalent and the group will therefore continue to adequately resource its compliance function.

Competition Commission

As discussed within the review from the chairperson and the review from the CEO, the group proactively engaged 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. On this basis, these financial results do not include any provision for possible fines or penalties levied by the Commission.

Looking forward

Key focus areas for F2012	Desired results
Re-engineer support structures for effective collaboration of group strategy, including geographic expansion.	Structural and effective alignment to the group's stated strategy.
Ongoing working capital and liquidity management.	Adequate liquidity available in line with the board's stated targets on gearing.
Continued focus on credit control and related policies and procedures.	Reduce the risk of irrecoverable debt.
Stringent capital allocation, management and measurement against return on investment and internal rate of return targets.	Maximise return on equity.
Further strengthen finance-related compliance functions within all our countries of operation.	Full compliance to applicable laws and regulations.
Further develop the group's current assurance model.	Full compliance with the recommendations of King III.

Appreciation

This has been a challenging year. I therefore thank my team members for their unwavering commitment in driving our key strategy of cash preservation and margin protection. A special word of thanks to our CEO for his support and leadership. I also wish to express my appreciation to the board for their guidance and continued interrogation of our strategy and deliverables.

CMF (Cristina) Teixeira
Chief financial officer

5 August 2011

OPERATIONAL REVIEW FROM THE CFO

The next few pages provide supplementary information to the review from the CFO. We outline the key financial performance of the group, as well as other key issues under the responsibility of the group CFO.

Year under review

Financial performance

Overview

Against extremely tough markets conditions, as outlined in the review from the CEO and the operational reviews, 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). This represents a basic loss per share of 227 cents (2010: earnings per share of 280 cents).

During the year the group processed an impairment of R521,6 million net of tax (2010: R293,1 million net of tax) against the long term carrying value of its property, plant and equipment and goodwill assets relating to its Construction Materials cluster. This represents the most material reconciling item between earnings and headline earnings. The impairment adjustment is discussed on page 91 in more detail. A full reconciliation between earnings and headline earnings is presented in note 7 on page 211 of the annual financial statements.

Headline earnings for the year ended 30 June 2011 was therefore R318,9 million (2010: R585,9 million). This represents headline earnings per share of 332 cents (2010: 614 cents). The fully diluted headline earnings per share for the year ended 30 June 2011 was 315 cents (2010: 561 cents).

The financial statements on pages 184 to 255 set out 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.

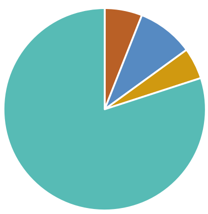
Group revenue decreased by 18.8% from R11,3 billion to R9,2 billion due to a reduction in activity levels within the buildings, housing and civil infrastructure markets, client contract delays and the group's decision not to chase volume at the expense of margin. These conditions, combined with increasing price competition, resulted in operating profit before fair value adjustments and impairment adjustments decreasing by 43.1% from R877 million to R499 million.

The group operating profit margin was 5.4% (2010: 7.7%). This was attributable to the strong results from the Construction cluster and Infrastructure Concessions, which compensated for the poor performances in Construction Materials and Manufacturing.

Further information on each cluster's operating performance for the year can be found from page 141.

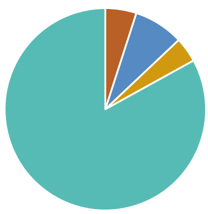
The group's segmental revenue and margin position for the current year and prior financial year are depicted below:

Revenue by cluster 2011



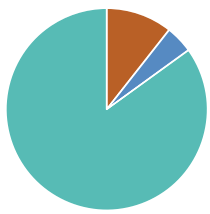
6% Investments and Concessions
9% Manufacturing
5% Construction Materials
80% Construction

Revenue by cluster 2010



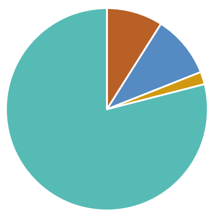
5% Investments and Concessions
8% Manufacturing
4% Construction Materials
83% Construction

Operating profit by cluster 2011



12% Investments and Concessions
5% Manufacturing
(13%) Construction Materials
96% Construction

Operating profit by cluster 2010



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

In the interest of transparent disclosure, the group discloses both its total operating margin, as well as its core operating margin. The core margin is the total operating margin net of any non-core transactions, such as pension fund surpluses and deficits, fair value adjustments, etc. The margin excluding these transactions is therefore deemed to be the pure operational margin. The core margin is also reflected within the annual financial statements with the group's segmental analysis as the executive committee assesses performance of the segments and clusters on this basis.

Operating margin by cluster

Operating margin by cluster %	2011 – total operating profit	2010 – total operating profit	2011 – core operating profit	2010 – core operating profit
Investments and Concessions	10.9%	12.7%	11.3%	12.8%
Manufacturing	3.0%	10.0%	3.0%	9.5%
Construction Materials	(15.7%)	4.1%	(15.7%)	3.6%
Construction	6.5%	7.1%	6.5%	6.9%
Total	5.4%	7.7%	5.4%	7.3%

Fair value adjustments

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

Investment in property developments

On 1 November 2008 the group acquired a 15% interest in the Waterfall Development Company (WDC) for R120 million. Through its 22% investment in Atterbury Investment Holdings, WDC 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, which realised a fair value upward adjustment of R13,3 million.

Investment properties

The group's income-producing investment property was independently valued as at 30 June 2011. In comparing the carrying value to the independent valuation, a fair value downward adjustment of R8,4 million (2010: Rnil) was recorded due to movements in market-related capitalisation rates.

During the year, the group sold its investment in the 114 West contract in Sandton, realising a fair value upward adjustment of R10,8 million (2011: Rnil).

Investment in service concessions

The carrying values of the equity investments in service concessions were assessed. This resulted in upward fair value adjustments of R19,6 million on M6 (Hungary) and R13,5 million on the A1 Phase I and II (Poland) totalling R33,1 million. Refer to page 146 for more details.

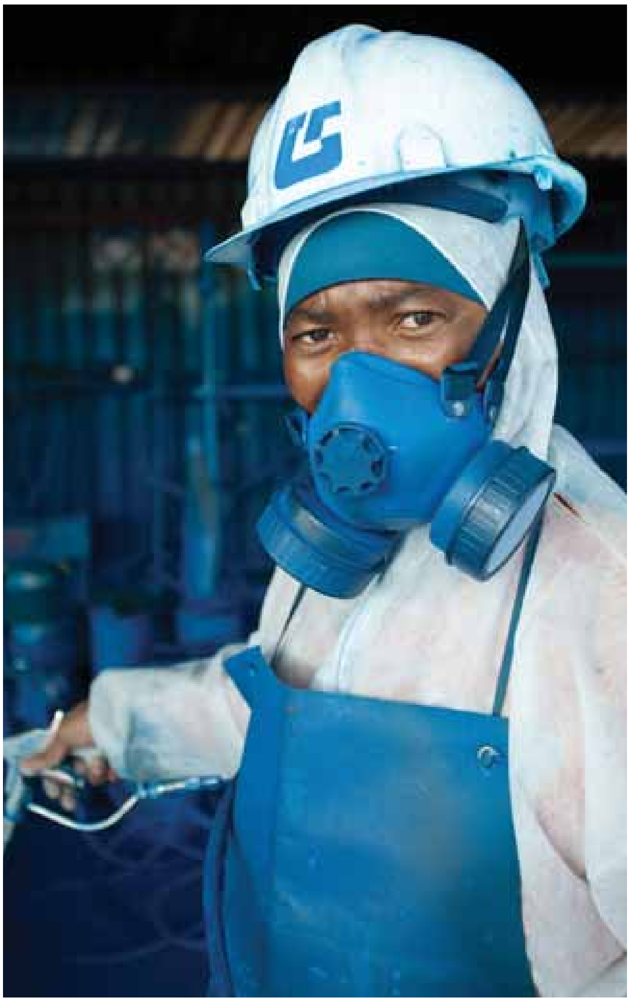
Pension accounting

An amount of R2,0 million pension fund deficit (2010: R55,2 million surplus) was recorded against income in F2011 due to the actuarial valuation performed on the group's defined benefit pension fund as at March 2011. The pension fund is a closed fund. In terms of the fund's rule amendment, additional surpluses and deficits arising after the legally required surplus valuation date are for the account of the group. The group's surplus apportionment exercise and rule amendment were approved by the Financial Services Board (FSB). During the prior year, the group completed the outsourcing of its pensioners from the pension fund. The fund therefore exists with only active members. The fund's overall investment return for the year ended 31 March 2010 was approximately 23% per annum. This was significantly higher than the increase in liabilities for the year, which resulted in a sizeable surplus during the prior year.

Impairment of non-current assets – property, plant and equipment, including intangible mining assets and undeveloped mining resources

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.

Finance income –net

In line with expectations, net finance income of R18,4 million was recorded for the year compared to net finance income of R27,9 million in the prior year. This consisted of a positive impact from stable interest rates and a negative impact from the reduction in cash and cash equivalents. This reduction was mainly realised in the first half of the financial year.

Taxation

The effective tax rate of 33%, before the Construction Materials impairment adjustment, was higher than the South African statutory tax rate of 28%. This was mainly due to Secondary Tax on Companies paid, liabilities in jurisdictions with higher taxation rates and a conservative approach adopted in terms of the raising of deferred taxation assets.

Discontinued operations

During the year, an amount of R17,2 million was charged to the income statement mainly as a result of a prudent treatment on the amount due from contract claims and legal costs incurred on a terminated Indian toll road contract. This balance, which was previously reflected under discontinued operations, continues to proceed to arbitration.

OPERATIONAL REVIEW FROM THE CFO CONTINUED

The group had to decide whether it was going to increase order in-take at potentially low margin and cash negative returns to cover unutilised assets or whether it would reduce the asset base and focus on margin and cash retention. The group has clearly communicated its strategy of choosing to focus on margins and cash while managing the risk of losing key capacity.

Cash flow

Operating activities

The group first applies its cash generated from operations to repay debt and taxation commitments, followed by a return to shareholders in the form of dividends. Any remaining cash is used to fund capital investment programmes. This could be debt funded, as the funding strategy is to match funding to asset type.

During the year, we settled an amount of R254,7 million in taxes. In addition, dividends to the value of R121,0 million were paid. The group generated R756,3 million cash from operations before working capital changes. However, although in line with expectations, working capital absorption of R1,2 billion resulted in a net cash outflow of R871,0 million in the period. The material portion of R706,3 million occurred in the first half of the financial year. As expected and outlined to the market, the finalisation of the large local infrastructure contracts saw the unwinding of advance payments and the settlement of creditor final accounts. Pleasingly, working capital outflows were as a result of the settlement of trade and other payables only. It continued to improve in all other areas of trade and other receivables and management of inventory levels.

At year end, the group reported R788,3 million in advance payments on hand (2010: R1,1 billion). In addition, an amount of R266 million cash was held by joint venture partners on behalf of the group. This is therefore not reflected as cash, but as amounts owing by joint venture partners. This balance can be converted to cash. Work under-certified was collected as the balance decreased from R754,5 million at 30 June 2010 to R506,5 million. Refer to the review from the CFO for details on the changes in working capital structure.

Financing activities

The cash effects of financing activities were due to expansion, as explained in the debt and gearing section.

Debt and gearing

We are very pleased to report a fourth year of 0% net gearing due to favourable bank and cash balances on hand. 33% net gearing remains the group's maximum target, as mandated by the board. Our short term and long term liabilities consist of an unsecured domestic bond, finance leases, property funding and limited bank overdrafts. The debt is mainly variable, linked to JIBAR or prime interest rates. The debt profile matches the assets being funded. Our operating performance reduced the group's dependency on short term borrowing facilities.

As reported previously, in F2007 the group issued two senior unsecured bonds totalling R850 million which were issued under an approved R1 billion listed debt management programme. The first instalment was repayable in February 2010, with the second due in February 2012. Management has considered the bullet repayments in the forward looking three-year cash and profit forecasts. In the prior year, the group settled the GFC 1 bond dated 27 February 2010 for R300 million in cash. Refinancing of these bonds in future may be considered where opportunities for investment are identified.

During the year, our capital investment programmes were reviewed and budgets reduced in light of weak market conditions. Any increase in debt is as a result of a requirement in capital equipment to accommodate specific requirements on recently awarded construction and contract crushing contracts or replacement of capital equipment required.

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

Investing activities

All existing capital investment projects are required to provide a targeted return in excess of current weighted average cost of capital (WACC), which was 12.80% during the year. This rate of return is applied to all existing projects. New projects are assessed on WACC based on the cost of new capital. The central treasury funds all capital projects, which are executed by wholly owned subsidiaries. The central treasury funding requirements are raised from local debt markets and take into account the group's self-imposed net gearing ratio of a maximum of 33%.

Acquisitions and disposals

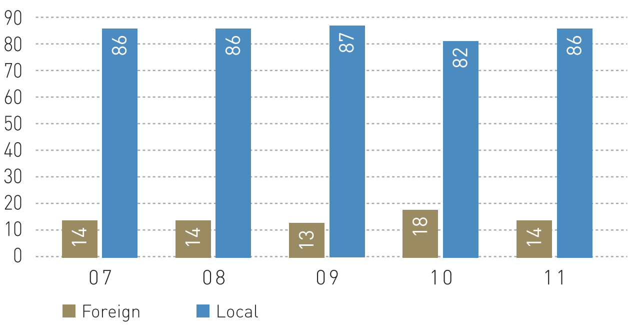
There were no business combinations during the current financial year.

Issued stated capital and share trading

Share trading

Our JSE-listed share trading activity (share code: GRF) decreased during the year, with levels returning to those of F2006. 52 million shares (2010: 79 million) traded in the year, representing a value traded of approximately R1,7 billion (2010: R2,9 billion) at an average price of R33 per share (2010: R36). Our market capitalisation at year end was R3,6 billion (2010: R4,2 billion). The percentage of shares held by South African residents was 86%, an increase from the 82% in the prior year.

Foreign versus local shareholding (%)



Dividends

The group's adopted dividend policy is approximately four times basic earnings per share dividend cover. This policy is subject to review on a semi-annual basis, prior to dividend declaration, as distributions are influenced by business growth, acquisition activity or movements in earnings as a result of fair value accounting adjustments.

In recognition of the non-cash nature of the Construction Materials impairment adjustment, the board approved a dividend based on a cover of four times earnings per share of R2,89 before recording impairment adjustments and pension fund deficits and non-cash fair value adjustments. A final dividend of 20 cents per share (2010: 74 cents) has been declared. This brings the total dividend for the year to 72 cents per share (2010: 137 cents).

Future reduction in issued stated capital

In prior years, shareholders were informed that one of the group's broad-based black economic empowerment (BBBEE) shareholders iLima had not fulfilled certain conditions and/or breached certain terms to which the original ownership transaction was subject to. As a consequence, the iLima portion of the transaction will unwind. This will result in the return of the group's shares held by iLima. The issued stated capital of the group will reduce once the shares are returned and cancelled.

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

There was also no material effect on the basic weighted average number of shares in issue. However, the fully diluted weighted average number of shares in issue will reduce post year end on return of the shares as no future dilution will be incurred relating to this transaction. At year end, the fully diluted number of shares included 1,9 million dilution shares relating to the iLima Consortium.

Effect of significant changes in accounting policies

The group completed a technical review of all statements and interpretations which became effective for the period under review. The full list, as well as their effect on the reported results, is discussed on pages 206 to 208. The accounting effect of the Discussion Paper on Revenue Recognition, as discussed in the prior period, will have a significant impact in future reporting periods.

Conclusion

The group continues to be strategically well positioned in active market sectors. The Construction one-year order book as at 30 June 2011 stands at R5,9 billion (2010: R7,1 billion). The group's total secured Construction order book stands at R8,8 billion (2010: R9,2 billion).

EXECUTIVE COMMITTEE

Our executive team members have been working together for a number of years, with most members having been with the group for over five years.

For CVs of the executive committee members, refer to pages 33 to 34 of the CD contained within this integrated report.

SED

MJ (Junaid) Allie (41)
Group human resources director

BPharm

Junaid has made a material difference in terms of driving a human resources and transformation strategy in the group. He has significantly improved internal communications, with employee feedback and retention improving each year. He has particular experience with managing change within organisations, which he has implemented at Group Five, focusing particularly on instilling a performance management culture and driving transformation initiatives. This has resulted in the group achieving market leader status in terms of its Level 2 BBBEE rating.

P (Paul) le Sueur (54)
Building and Housing and Middle East

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

Paul has significant experience in the South African private and public real estate sector, which brings valuable build and operational knowledge on pricing, managing and delivering on contracts. His knowledge includes a solid understanding of operating in the real estate sector in the rest of Africa. He has recently supported the restructuring of the group's Middle East and Coastal businesses. Paul has sound business development skills and the ability to identify market changes promptly and to proactively adapt through internal restructuring, refocusing of strategy and stakeholder engagement.

AJ (Andrew) McJannet (48)
Civil Engineering (Local and Africa)

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

Andrew has over 20 years of technical and operational expertise in civil construction, with an ingrained ability to deliver highly specialised and complex contracts. He has a keen understanding of integrating businesses, which he has successfully done in the amalgamation of the group's heavy civils, roads and earthworks and over-border civil engineering operations. Andrew has led the delivery of many of the group's iconic 2010-related contracts in the last few years.

RC

GD (Guy) Mottram (45)
Group risk officer

BCom, LLB

Guy has solid experience of commercial matters. This, together with his formal legal training, ensures that opportunities and risks are approached with a business sense while being rooted in an understanding of legal requirements. Guy has successfully driven the development of the group's risk management processes over the last few years and, as a member of the Engineering and Construction Risk Institute, he is able to consider leading global trends for application in the group.

ECJ (Eric) Vemer (46)
Investments and Concessions

BSc Eng (Civil) (Hons), MBA

Eric has very strong skills in financial engineering and structuring and corporate finance. His combination of solid operational and financial experience brings a unique value offering to the group. This is particularly relevant in his business area of Investments and Concessions which allows the group to achieve a strategy of long term annuity income on equity returns. Eric is a valued member of the group's strategic development team.

JA (John) Wallace (53)
Manufacturing and Construction Materials

BCom, Hons Programme in Advanced Marketing and Executive Management Programme

John has an extremely strong strategic ability, which has been invaluable to the group. He is able to identify opportunities in markets and establish businesses which can capitalise on these opportunities and enhance value for the group. He has a particular ability to effect change and repair problem entities. Since assuming leadership responsibility for Construction Materials two years ago, he has focused on implementing a strategy to improve performance in this cluster and to optimise its role within the group against extremely challenging market conditions. John is an active member of the group's strategic development team.

WI (Willie) Zeelie (49)
Engineering: Engineering and Construction

Higher National Diploma Electrical Engineering, Pr Tech Eng, MSAIEE

Willie brings years of experience in multi-disciplinary engineering and infrastructure contracts, with a robust marketing and business development ability. He has an established track record in the power and energy sectors and has successfully led the team who has delivered numerous power plant contracts in both South Africa and the rest of Africa. Willie has been instrumental in developing the group's technical abilities in oil and gas and is leading the establishment of the E+C business.

RC / Risk committee
SED / SED committee

Cluster of responsibility

- Corporate
- Investments and Concessions
- Manufacturing
- Construction Materials
- Construction

MANAGEMENT COMMITTEE

The management committee was further strengthened during the year, with a number of new members joining.

For CVs of the management committee members, refer to pages 34 to 37 of the CD contained within this integrated report.

C (Celia) Becker (38)
Group country risk director

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

Celia is very experienced in the areas of country and contract risk, as well as transaction structuring and country compliance. As the leader of the group's corporate green initiatives, she has added huge value by driving new developments, including green construction and the group's carbon footprint reporting.

RM (Richard) du Toit (48)
Human resources director: operations

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

Richard provides HR support to business units and is especially strong in labour relations and remuneration structuring. He is also solely responsible for the implementation and running of the group's successful enterprise development programme.

SED

FH (Frank) Enslin (55)
Managing director: Housing

BSc (Building Science), PCM, FCIOB

Frank has in-depth experience of the housing market, particularly in the mining sector. More recently, he led initiatives in the public sector with "breaking new ground" and affordable housing developments.

AS (Andrew) Fairfax (36)
Group commercial manager

BSc Civil Engineering (Hons), Henley Certificate in Management

Andrew has a valuable combination of civil engineering skills and commercial experience. This allows him to critically assess commercial risks and opportunities within the businesses. In recent years he has demonstrated the ability to practically address complex commercial matters. He has an ability to implement effective controls.

ME (Malcolm) Farrell (47)
Group supply chain director

BCom, MBA

Malcolm has been instrumental in establishing group-wide supply chain initiatives and strategies, as well as key supply chain structuring for large infrastructure contracts.

G (Greg) Heale (58)
Business development director

BSc Eng (Mech), Cert (Mines and Works), MAP, ASQC (CSIR)

Greg has played a key role in building the group's marketing and business development activities for large contracts. He is currently leading business development for the group's sector focus in the newly-formed business unit of Engineering and Construction (E+C). He has a wide network and key understanding of client needs.

JW (Jon) Hillary (38)
Managing director: Intertoll Group

BCompt (Hons), CA(SA), Advanced Management Programme (Harvard 2010)

Jon has a valuable combination of financial and operational skills. He has a good understanding of the concessions and property businesses, which has enabled him to effectively structure various valuable property transactions for the group. Jon will bring strong skills to his new position as MD of the Intertoll group business covering Europe and Africa.

NM (Mark) Humphreys (44)
Managing director: Engineering (Projects)

Higher National Diploma Quantity Surveying

Mark has significant experience in African mining, with a deep understanding of client needs and an ability to transform that into value-adding solutions for clients. Mark has solid operational experience matched with a demand for quality, timeous delivery and client satisfaction.

SED / SED committee

Cluster of responsibility

- Corporate
- Investments and Concessions
- Manufacturing
- Construction Materials
- Construction

MANAGEMENT COMMITTEE CONTINUED

LMM (Loren) Jackson (41)
Group legal and compliance director

BA, LLB

Loren has been the key role player in building the group's legal and compliance function. Loren also offers very strong litigation skills and significant knowledge of construction law.

CJ (Craig) Jessop (44)
Managing director: Coastal

BSc Quantity Surveying, RQS

Craig brings solid strategic skills to the group, with a deep knowledge of his markets and clients and an ability to implement effective operational controls. He has strong leadership abilities and people skills, which has allowed him to build a very successful Coastal business.

KR (Kushil) Maharaj (41)
Managing director: Property Developments

BSc Civil Engineering, MBA

Kushil has strong property and affordable housing experience, combined with a good understanding of funding models for developments. These skills will be invaluable to the group in its Property Developments strategy of ensuring solid returns on property investments.

SED

IM (Isabella) Makuta (46)
Group communications and corporate affairs director

BA, Post Grad HR, MBA

Isabella brings together the various corporate communications aspects under her control. She has a strong understanding of public sector requirements and a deep commitment to socio-economic development initiatives.

MM (Mark) Mencel (48)
Regional general manager:
Middle East

BSc Civil Engineering, MSc Construction Management

Mark has a good understanding of the Middle East markets, with operational and commercial experience in the region with regard to turnkey contracts. He has the ability to successfully implement operational and quality systems.

SMO (Siegfried) Milbert (50)
Managing director:
Construction Materials

BCom Law, BAcc, CA(SA)

Siegfried has many years of experience in operational process re-engineering and improvement. This has been particularly valuable to the various business units in which he has operated, especially more recently in the restructuring within Construction Materials.

SED

ST (Themba) Mosai (35)
Managing director: Intertoll Africa

MSc Control Engineering, BSc Electrical Engineering (Wits University)

Themba has significant experience in the South African toll road operating concessions market. He has successfully grown the Intertoll Africa business and has positioned it for further growth in the region.

JAE (Jurgen) Stragier (40)
Managing director: Everite & ABT

BSc Aeronautical Engineering

Jurgen has established business development skills with an ability to identify new opportunities and deliver changes to the business to capture those opportunities. He has been instrumental in establishing the advanced building technologies (ABT) business.

SED / SED committee

Cluster of responsibility

- Corporate
- Investments and Concessions
- Manufacturing
- Construction Materials
- Construction

MANAGEMENT COMMITTEE CONTINUED

I (Izak) van der Watt (38)
Group SHEQ manager

BMS 200 Management Diploma

Izak has been instrumental in the implementation of sound SHEQ systems and in developing programmes to continue improving safety within the organisation. Under his guidance the group has implemented a total quality management system and has substantially increased its ISO and OSHAS accreditations. He has also been responsible for improved environmental management systems in the group.

MP (Michael) van Rooyen (54)
Managing director: Building

BSc, Building Management PCM, MCIOB

Michael is an experienced buildings contractor with a significant track record in the South African private and public real estate markets, as well as a sound knowledge of real estate developments in the rest of Africa.

DN (Deon) van Tonder (33)
Group finance: operations director

BCom, BCom (Hons Accounting), CA(SA), BCom (Hons Investment Management)

Deon has strong financial construction experience backed by a thorough understanding of best practice processes. He adds significant value in re-engineering projects due to his ability to support operational change needs with financial knowledge. He has been particularly instrumental at Construction Materials where he has led the financial re-engineering of the cluster.

N (Nonqaba) Katamzi (42)
Company secretary

BA Law, LLB, CIBM

Nonqaba has solid experience in the company secretarial field, with particular knowledge of governance issues and JSE compliance. This allows her to effectively advise the board on all legislative requirements.

SED / SED committee

Cluster of responsibility

- Corporate
- Investments and Concessions
- Manufacturing
- Construction Materials
- Construction

REVIEW FROM THE GROUP RISK OFFICER

The group further refined its risk management by enhancing its risk-bearing capacity model.

In current markets it is crucial to price contracts competitively – but profitably.

Guy Mottram

Strategy Risk Corporate governance Legal regulatory & compliance People Planet Performance

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

Introduction

During the year, the group focused on further refining its established approach to risk management by enhancing our risk-bearing capacity model. This will ensure an advanced methodology with which to identify risks, rate and measure them and be able to make more informed decisions on the group's capacity to take on and manage risk.

As part of this process, key indicators were identified within four core focus areas. These indicators were weighted according to their agreed contribution to the group's risk-bearing capacity. Each indicator has a tolerance level which guides the group's risk appetite at any given time. These indicators are consistently monitored to assess the status of the group against assessed tolerances.

To identify the group's risk-bearing capacity, four core focus areas which govern the group's performance were identified. These are financial, commercial, management and operational.

Financial

Financial capabilities encompass the maximum amount of risk the group can bear before it becomes financially unable to recover to "business as usual".

An integral part of the group's ability to grow sustainably rests on its ability to obtain guarantee facilities required for its construction contracts. Free cash flow, liquidity and the group's credit rating are also central to operations.

Commercial

Commercial capabilities entail the key qualities required by Group Five to ensure it can conduct business. Due to the nature of the current construction market, it is crucial to price contracts competitively – but profitably – and on acceptable commercial terms to ensure quality of delivery.

Management

Management capabilities comprise the most essential management skills which are required to ensure effective operations.

Group Five's core management capabilities are situated in the depth of leadership of its businesses, where critical technical, commercial and operational knowledge resides, its supporting technical experts who are responsible for quality deliverables and the group executive committee where critical corporate memory, financial knowledge and commercial capabilities resides.

A detailed report addressing the operational issues in the risk management portfolio is contained on pages 1 to 22 on the CD enclosed within this integrated report. A table summarising the key delivery areas around risk can be found on pages 104 to 113 of this integrated report.

REVIEW FROM THE GROUP RISK OFFICER CONTINUED

Although we anticipated poor conditions in our Construction Materials business and continued difficulty in the Middle East, the extent of the materials downturn was underestimated and the impact of holding costs in the Middle East was larger than anticipated.

Operational

Operational capabilities relate to the core processes and procedures which need to be in place to ensure Group Five can function and continue with normal business activities.

The adherence to discipline and processes is a prerequisite for Group Five to deliver contracts timeously. Risks are therefore managed as critical business processes and mitigated optimally.

Material issues during the year and how these were managed

The group had to manage several material risks during the year. Fortunately, none of these were unanticipated as our established risk management system had identified these threats. However, although we anticipated poor conditions in our Construction Materials business and continued difficulty in the Middle East, the extent of the materials downturn was underestimated and the impact of holding costs in the Middle East was larger than anticipated.

The continued recessionary pressures and the uncertainty of the timing around an eventual market recovery were obviously key focus areas for management. As this is covered in the review from the CEO and in the review from the chairperson of the risk committee, I will not address it here, but will focus on the company-specific material issues identified.

Construction Materials

The Construction Materials cluster has operated under very difficult market conditions in which both volumes and prices have declined materially. This cluster also experienced a number of operational inefficiencies. The market conditions, combined with internal issues, had a severe impact on results, which included a large impairment of the cluster's asset value. Against this, management acted to rightsize the cluster both in terms of people and mothballing certain underperforming and uneconomical plants and quarries.

The extent of the measures required to reduce losses and marginalise cash outflows within the business were extremely invasive and difficult on employees, which in itself became a risk to manage. Another area which required significant management attention was compliance. South Africa is a highly regulated environment and the group has spent an extensive amount of time and resources to ensure that we adhere to the various regulations that govern the cluster, including stringent mining, environmental, safety and health regulations. We have appointed a specialist team to ensure full compliance at all sites.

Middle East

As communicated previously to stakeholders, we have contract resolution risks to resolve in Dubai following the market collapse. There are two main exposures from contract terminations by our clients Meraas and the Department of Civil Aviation (DCA). We have now concluded and signed a formal settlement agreement with Meraas with a payment schedule spanning five years commencing in June 2011. No amendment to the previously certified value of the debt was required in the year although a discounting adjustment to record the debt in present date value was done. We increased engagement with DCA in terms of the commercial resolution of legacy contracts, with constructive steps towards finalisation. The group is satisfied with its progress in this regard.

Furthermore, our strategy of accessing new markets in the region to replenish order books has been done with a strong awareness of the recent political uncertainties of some territories in the broader Middle East and North Africa (MENA) region. We have approached new territories with due care and consideration. Although we have had some successes in terms of new contracts, this has been at a slower than expected pace and hence in the short term, the group has had to support an overhead in the region to attend to the close out of legacy contracts and to bid for new work without an immediate return on this investment.

Competition Commission

About two years ago management made a decision to proactively cooperate with the Competition Commission in its anticipated investigation into the construction sector. This decision was made in line with the group's zero tolerance to unethical behaviour, its culture of transparency and to proactively manage the potential impact of fines and penalties which could be levied against offending companies. As a consequence, we approached the Commission with a view to mitigate the financial and reputational risk by utilising its leniency policy on companies willing to first report non-compliance. We have spent the last two years cooperating with the Commission in submitting a record of our findings. We have recently been granted conditional leniency pending the finalisation of the broader industry investigation. We are confident that our decision to proactively manage this risk will have the best possible outcome for the group.

Safety

Despite having maintained our lost time injury rates and other health and safety statistics at low levels, we unfortunately had six fatalities this financial year. The losses of life have been exclusively within our sub-contractor base. Although the sub-contractor employees are not employed by Group Five, they operate within our sphere of responsibility. Therefore, to reverse this trend, we are implementing a more vigorous sub-contractor selection and management programme which will assist our sub-contractors to align to our values and standards to ensure the protection of people.

Refer to page 2 on the CD contained within this integrated report for further information.

Looking forward

Key focus areas for F2012	Desired results
Risk-bearing capacity (RBC) model.	The board and executive team will focus on further refining the RBC model to fully entrench the management of the business against the group's tolerance levels and its appetite for risk
Sub-contractor management.	To ensure we manage this stakeholder base more effectively, we will revisit the terms and conditions on which we interact with our sub-contractors. We will also ensure the alignment and monitoring of their health and safety standards on our sites
International expansion.	As we expand our international footprint, it is critical that we maintain our focus on regulatory compliance within these new territories
Middle East and North Africa.	Despite having made progress in minimising our recovery of debt exposure in Dubai, there is still considerable commercial closure required in the next financial year
Competition Commission.	Having secured conditional leniency, the group needs to convert this into a confirmed final leniency position to eliminate exposure to penalty and fines

Appreciation

I thank the risk, legal and regulatory compliance, commercial and safety, health, environment and quality (SHEQ) teams, as well as our company secretary, for the tireless effort this year in trying times and with limited resources. To the board, thank you for your continued support and vision in our quest to establish best practice in the broader risk management arena.

GD (Guy) Mottram
Group risk officer

5 August 2011

OPERATIONAL OVERVIEW FROM THE GROUP RISK OFFICER

The next few pages provide supplementary information to the review from the group risk officer. We outline how we delivered against our objectives in terms of the areas under the group risk officer's responsibility. These include safety, health, risk, environment, quality, commercial, legal and regulatory compliance and company secretarial.

Detailed information around the operational performance within these areas can be found from pages 1 to 40 on the CD contained within this integrated report.

Introduction

The group has a total quality management system in place which underpins every aspect of its operations and reinforces the centrality of sustainability to the business. We aim to certify all business units in accordance with relevant standards of the International Standards Organisation (ISO), as well as other leading standards.

The relevant standards for each category are:

OHSAS 18001	ISO 31000	ISO 14001	ISO 9001
Safety and health	Risk management	Environment	Quality (Business management system)

During the year, the group combined the safety, health and environment functions with quality to ensure an integrated safety, health, environment and quality (SHEQ) function in line with leading global practice.

Safety

The focus remained on living our "zero harm" approach to safety. During the year, our focus ensured that the number of lost time injuries and non lost time injuries declined. Although we achieved this, we sadly and unacceptably had an increase in fatalities, with six fatalities within our sub-contractor base.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Maintain our safety system.	Reduce DIFR to zero and prevent fatalities.	The group's internal and sub-contractor DIFR worsened and six people died within our sub-contractor base.
Implement a behaviour-based safety system.	Visible-felt leadership programme rolled out in all business units during F2011.	This was formally implemented within Civil Engineering to test the effectiveness of the software system before it is implemented in the rest of the group.
Roll out sub-contractor audits in terms of compliance to Group Five standards to further minimise the potential risk in terms of sub-contractors.	All sub-contractors to be exposed to a minimum requirement audit before commencing work with Group Five.	Although the programme was approved, the roll out will take longer than anticipated due to the diverse requirements and nature of the business units. The canvassing of business units is currently taking place to ensure roll out across the group, with full implementation set for early in F2012. This is an urgent priority for the group.
Improve reporting on potential incidents ("near miss incidents").	Improve by a further 20%.	Achieved a 25% improvement in reporting of potential incidents.
Ensure the closing out of at least 85% of matters relating to high-level incidents before due dates.	Maintain at 85%.	100% closed out before due dates.
Continued focus on certification.	All business units to be OHSAS 18001:2007 certified in the coming year.	All business units, with the exception of the Construction Materials cluster due to restructuring, were OHSAS 18001:2007 certified.
Hazard identification and risk assessment reviews to take place across the group, with a focus on catastrophic risk management and implementation of business continuity plans for all business units.	Successful roll out during F2011.	Rolled out in the group.
Increased focus on managing safety from the "top down", with dedicated line manager time on site and management site visits to create a culture of senior management commitment to safety.	Increased presence of senior management on site, with programme being visibly led by management.	Management actively participate in weekly site visits.
Weekly site meetings to determine and remove root causes of serious incidents. Follow up and close out of required actions to improve the prevention of repeat incidents.	Further decline in repeat incidents.	28% decline in incidents.

Looking forward

Key focus areas for F2012	Desired results
Ensure zero harm.	Although a steep target from six fatalities, we are focused on eradicating fatalities as zero harm is the only acceptable goal
Maintain certification on OHSAS 18001:2007.	No major findings in audits
Reduce the combined disabling injury frequency rate (DIFR).	A DIFR of >0.30 from the current combined ratio of 0.54
Compliance against the standard SHEQ audit standards schedule.	Full compliance

OPERATIONAL OVERVIEW FROM THE GROUP RISK OFFICER CONTINUED

Health

Due to legislative changes in the medical and economic climate in South Africa, the control of costs for occupational health programmes and adherence to regulations and laws continued to be an area which required focus. During the year, we also implemented and tracked uniform standards in medical assessments and evaluated the accreditation of service providers to ensure continuity and quality across the group.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
The enhancement of the group's occupational health programme. This will include incorporation of health risk assessments, hygiene measurements, risk rating of all job categories and medical surveillance.	Effective monitoring that allows trend analysis to direct focus areas for the next financial year.	Risk ratings were calculated and applied to all job profiles. High- and medium-risk category individuals were identified and sent for medical assessments in F2009 and F2010, with medicals for low-risk employees rolled out in F2011. An electronic process for booking medicals and capturing results was launched in March 2011, which will ensure improved efficiency and monitoring.
Data on executive medicals supporting disease profiling will be added to the group's central human resources system.	Proactively manage executive health.	This is handled by our HR team. Refer to page 41 of the CD contained within this integrated report.
Although we noted a decreasing trend in absenteeism, we will continue to focus on managing this risk.	As the main cause of absences were due to upper respiratory infections, we have implemented an annual flu vaccination campaign to further decrease absences.	Although we did not roll out this programme through the whole group, a number of business units adopted this policy. In the coming year, a formal group policy will be implemented.

Looking forward

Key focus areas for F2012	Desired results
Intensify and broaden the implementation of proactive health management programmes for the current and most relevant diseases.	Early detection, referral and management
Enhance over-border health management programme to protect employees and to prevent the loss of productivity or the need for treatment of debilitating illnesses contracted during over-border work.	Comprehensive health advice, screening and management to prepare employees for over-border travel and their subsequent return to South Africa
Enhance the group's central occupational health data programme to flag health changes during pre-employment and annual medical assessments.	Until the group's medical system is updated, an additional occupational health nurse or medical practitioner will be appointed to manage central occupational health data for early identification, referral and management of changes in health status
Implement a more rigorous process to assess, report and track prevalence and incidence of community health hazards, such as HIV/Aids, tuberculosis and malaria to prevent the spread to our employees.	Early detection, referral and management in South Africa and over-border

Risk management

The need for effective risk management within the group became even more prevalent given the tough economic times. As the group's risk processes and systems are evaluated on an annual basis, during the year they were further enhanced with the development of a risk tolerance framework.

Delivery

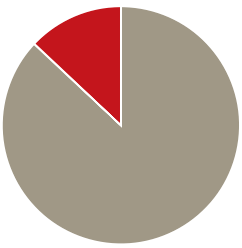
Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Enhanced version of the group's risk and opportunity management system (STARS).	Entrenchment of the system within each business unit and on construction contracts.	Achieved.
Risk reporting capabilities within the system.	Implement reporting tools within the system to enhance risk reporting.	Addressed, although this involves continuous development throughout the group.
Automation of the "lessons learnt" system.	Implement lessons learnt module within the STARS system.	Lesson learnt module was automated and is in the process of being implemented. Due to be completed by October 2011.
Ethics risk management.	Conduct investigations into allegations of unethical behaviour received through the Tip-offs Anonymous line or directly to the risk department.	Investigations were successfully conducted. This will be a continuous process.

Contract profit/loss-maker ratio

A key measure the group monitors on its Construction contracts is the contract profit/loss-maker ratio. It is a ratio of loss-making versus profit-making active contracts with a profit or loss greater than R100 000 for the year. Having achieved progressive improvements in performance over the last few years, the group's loss-maker ratio for the year under review was affected by the costs incurred in the rectification of one pipeline contract in Jordan in the Middle East. Corrective action was successful. As outlined on page 52 this ratio was independently assured by PricewaterhouseCoopers Inc.

Profit- versus loss-making contracts



85% Value of profit-making contracts
15% Value of loss-making contracts

Looking forward

Key focus areas for F2012	Desired results
Implement risk tolerance levels for the group based on the board's risk appetite and the group's risk-bearing capacity.	Key risk indicators and dashboards to monitor actual risks against tolerance levels set by the board
Risk management and internal audit integration.	Further integrate audit findings within the risk management process
Ethics risk management.	Report on ethics in line with the social and ethics requirements as per the new Companies Act. Continue to drive zero tolerance to a lack of ethical behaviour
Risk management processes for non-construction business units.	Contract risk lifecycles in place for non-construction business units
Enhanced commercial and legal acumen and risk mitigation to ensure effective risk management around engineer, procure and construct (EPC) and design-build contracting models.	A suite of risk assessment and contracting standards through which the group will be able to operate within acceptable risks and rewards

OPERATIONAL OVERVIEW FROM THE GROUP RISK OFFICER CONTINUED

Environment

The group further refined its environmental risk identification and assessment programmes. Actual and potential risks were and continue to be assessed and managed. Legal compliance also continued to be a focus area. The group's internal environmental committee has been actively pursuing specific opportunities to reduce the group's direct carbon footprint.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Continue to focus on certification.	Ensure that all business units achieve ISO 14001:2004 certification in F2011.	77% of business units are certified.
Implement a reduction in diesel project.	Around 3% reduction in diesel consumption, as this is the largest overall carbon footprint contributor in the group.	A voluntary research project was conducted with a fuel enhancer on certain of Group Five's equipment and fleet. An average fuel consumption improvement of 4% was seen in initial testing. The product is set to be rolled out in the group in the new year following approval by exco.
Apply for carbon credit certification.	Develop and implement carbon emission reduction targets.	Individual projects that may qualify for carbon credits have been investigated. This includes a project for a fuel switch from coal to biomass in the Everite boilers with an eligibility study finalised. We are currently reviewing the availability of adequate biomass. The switch can only be made once this has been confirmed.
Actively pursue opportunities in the renewable energy sector in southern Africa.	Register Clean Development Mechanisms (CDM) projects in South Africa, which will result in carbon credits.	Projects are still in the development phase, but all Clean Development Mechanisms (CDM) requirements are in place.
Manage regulatory risks and opportunities that include potential carbon taxes on diesel and electricity in certain regions where we operate.	Detailed plans to minimise the risk to Group Five.	The group constantly improves its systems to measure its carbon footprint. This enables us to identify which areas will be taxable if the tax is implemented. In the meantime, a number of initiatives are being driven to further reduce the carbon footprint.
Manage the impact of a potential fossil fuel tax of R100 per tonne CO_2 by the end of calendar 2012 in South Africa.	Effective mitigation through including costs of carbon tax into our pricing models once the tax becomes effective. In the meantime, implementing projects to reduce the group's carbon footprint.	A voluntary research project was conducted with a fuel enhancer on certain of Group Five's equipment and fleet. An average fuel consumption improvement of 4% was seen in initial testing. The product is set to be rolled out in the group in the new year following approval by exco.

Key focus areas	Desired results	Status
Continue improvement through: **– Full compliance to environmental legislation and other applicable requirements** **– Ensuring approval for environmental management plans and reports which are still pending for the group's mining-focused operations** **– Ensuring that performance assessments and audits for mining operations are completed every two years and that specific risks inherent in the mining industry are addressed**	No fines or prosecutions and adhering to required legislation.	No fines or prosecutions received. Some corrective action is taking place in Construction Materials.
Record of decisions for construction contracts.	Action plans developed and in place for all contracts. Regular inspections and audits. Prevent non-compliance notices.	Action plans, inspections and audits in place. No non-compliance notices received.
Manage environmental non-conformances.	No fines or prosecutions.	Corrective and preventive action reports in place and no fines or prosecutions during the year.

Looking forward

Key focus areas for F2012	Desired results
Control and management of radioactive devices used for density and moisture assessment.	Full control and management of radioactive nuclear gauges used for density and moisture assessment to ensure compliance with radiation legislation
Ongoing environmental legal compliance at all construction sites as well as fixed operations.	All actual and potential risks identified, investigated and managed
Register Clean Development Mechanisms (CDM) projects qualifying for carbon credits.	Reduce the group's carbon footprint
Ensure continued adherence to all legislation to prevent fines and prosecutions.	No fines or prosecutions
Progress on developing renewable energy projects.	Registration of Clean Development Mechanisms (CDM) projects in South Africa, which will result in carbon credits. This in turn has a financial gain for the group
Finalise group-wide implementation of the fuel enhancer.	Realisation of at least 3% saving in group-wide diesel consumption

OPERATIONAL OVERVIEW FROM THE GROUP RISK OFFICER CONTINUED

Quality (business management system)

The key focus continued to be the progression from ISO 9001:2000 to ISO 9001:2008 across the group. All business units, outside of Construction Materials where significant restructuring took place, were certified.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Fast-track internal audit programme.	ISO 9001:2008 certification in all business units.	All business units with the exception of the Construction Materials cluster are ISO 9001:2008 certified.
Complete the integration of our SHEQ management system with quality.	Proactive addressing of non-conformances to our quality standards. Enhanced management ability to consistently deliver at pre-determined standards and improved understanding of the specific factors which inhibit consistent delivery.	An integrated SHEQ management system was implemented. An incident management system was updated in line with each business unit's requirements and was tested and implemented throughout Group Five.
Implementation of a new SHEQ structure which will drive one system, managed per cluster.	Full implementation during F2011.	Cluster heads were appointed and are driving the integrated system within each cluster.

Looking forward

Key focus areas for F2012	Desired results
Implement standard audits towards integrated management systems.	Conduct standard internal audits in each certified business unit not yet audited
Roll out a new SHEQ incident management system across all business units.	System implemented, with training on the use of the system to take place in F2012
Analysis of the results of management standards across the group and identification of areas for improvement.	Continuous improvement

Commercial

The commercial function faced challenging conditions this year in maintaining alignment and consistency in the negotiation of the group's preferred commercial terms when concluding contracts under tougher market conditions.

This was addressed through working closely with the group's finance department to ensure that, where concessions to group policy were made, these were executed only with senior approval and only where risks could be mitigated. The group remained committed to adhering to its stated policy of cash and margin preservation.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Increased focus on both basic and specialist commercial training.	Continued improvement around commercial decision making.	Basic training well established, with two courses presented during the year. Specialised training finalised for a number of different contracts.
Alignment of best practice commercial terms to the group's standard agreements.	Ensure best practice on the group's internal systems.	Critical policies and procedures were established. Continuous development takes place on supplementary processes.
Measurement, during contract execution, of adherence to risk processes and decisions made at contract inception. This process is currently monitored manually. Going forward, this will be automated.	Contract execution in line with commercial terms and conditions, as approved at initial risk review meetings. Automated tracking of necessary changes in commercial decisions during negotiation phase and following contract approval dates.	Outcome of initial risk review meetings now tracked and recorded electronically. Audits to be carried out to ensure final contracts are signed and executed in line with approved conditions at initial review stage.

Looking forward

Key focus areas for F2012	Desired results
Improve sub-contractor management by ensuring main contract risk transfer and evaluation of sub-contractor risk capacity.	Ensure alignment of preferred forms of sub-contractor agreements for the key conditions of contracts
Continued alignment of best practice commercial terms to the group's standard agreements.	Augment best practice available on the group's internal systems with identified priorities, such as sub-contractors
Measurement during contract execution of adherence to risk processes and decisions made at contract inception.	Conduct audit of signed contracts to ensure compliance with outcomes of risk process

OPERATIONAL OVERVIEW FROM THE GROUP RISK OFFICER CONTINUED

Legal and regulatory compliance

The legal and regulatory compliance function continued to focus on creating awareness of all relevant statutes and legal developments to ensure continued regulatory compliance. During the year, there were a number of key new legislative changes, including the new Companies Act and the new Consumer Protection Act.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Legal		
Spearheading the drawing up of formal group engineer, procure and construct (EPC) contract parameters for consideration and approval by the board.	This will enable the board to formally determine the group's risk appetite and risk tolerance in respect of EPC contracts, having given due consideration to the group's risk-bearing capacity.	The group delivered EPC parameters which were included in a modified contract lifecycle. This caters for the complexities of EPC contracting and was implemented by the risk team in Engineering and Construction. In addition, in support of the group's strategic objective to participate in more contracts on an EPC basis, the legal department, in conjunction with the Group Five Academy, rolled out a number of seminars raising awareness of the increased risks associated with EPC contracts.
Regulatory compliance		
An anti-corruption drive to support the group's over-border activities in Africa.	Identify and raise awareness of the corruption risks facing the group. Develop comprehensive policies and procedures to manage corruption risk.	Awareness seminars were held during the year to ensure employees are informed of legislation surrounding matters of corruption both locally and abroad. The new Companies Act requires the establishment of a social and ethics committee. One of the key functions of this committee is to monitor the company's efforts towards the reduction of corruption. Refer to page 117.
Focus on proactive involvement with both government and non-governmental anti-corruption agencies, both locally and over-border.	To proactively contribute towards the eradication of corruption in the countries in which the group operates.	The Organisation for Economic Cooperation and Development (OECD) included recommendations made by Group Five in their Phase 2 report which was released in July 2010. In the year under review, the group legal and compliance director represented the group on the task team which was established by the Engineering and Construction Risk Institute (ECRI) charged with preparing a best practice note on corporate corruption.
A focus over the next three years will be the installation of compliance logging and monitoring software (Exclaim) and the training of employees to utilise the software.	The board receives quarterly compliance reports. These are currently compiled manually. The group's new compliance software will enable the creation of online management dashboards and reports, as well as providing employees with online access to relevant statutes to drive compliance throughout the group.	The implementation of the compliance software was achieved in the areas of HR, safety and health and environment in all business units other than Construction Materials due its intensive restructuring.
Close out non-compliances with King III.	The group is striving to achieve compliance with King III.	Numerous non-compliances with King III which were previously identified were closed out during the year. For a table assessing the group's compliance to King III requirements, refer to page 119.

Looking forward

Key focus areas for F2012	Desired results
Legal	
Conduct awareness forums.	Further improve of group-wide awareness of key legal, commercial, compliance and risk issues
Regulatory compliance	
Roll out the compliance software system.	Effective compliance management across all compliance sectors
Assess the group's compliance to the new Consumer Protection Act.	Full compliance
Assess the group's compliance to the new Companies Act.	Full compliance
Continue closing out gaps in compliance to King III.	Full compliance

OPERATIONAL OVERVIEW FROM THE GROUP RISK OFFICER CONTINUED

Company secretarial

A review from the company secretary is contained on page 115. Below we provide our delivery against objectives outlined in our F2010 integrated report.

A detailed operational review from the company secretary can be found on page 23 of the CD contained within this integrated report.

Introduction

The recent changes in the legislative, regulatory and best practice standards of the corporate governance environment in South Africa have necessitated diligent consideration and review of governance policies and procedures by companies

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Companies Act No 71 of 2008, including a review of the terms of reference of the board committees to ensure full compliance with the Act.	To gain full compliance with the new applicable requirements of the Act when it is enacted.	To date, the board has approved an amended board charter and the terms of reference for its various board committees which are in compliance with the new Companies Act and King III. The board has committed to annually review these policy documents.
Evaluation of the board, its committees and individual directors.	An annual evaluation of the effectiveness of the board, committees of the board and the individual contribution of directors.	The board conducted an independent external evaluation. Various initiatives have since been initiated to address the issues raised from this evaluation. The most material issue was broadening the board's skills with the appointment of two additional non-executive directors.
Board succession planning.	Formalise and agree a succession plan for each member of the board.	Although the board has determined its core skills requirements, this process must still be defined and implemented.
Review of governance policies, procedures and relevant codes.	Gain/maintain alignment with the requirements of King III, JSE Listings Requirements and the new Companies Act.	The board has considered and approved various board policies, including an independent director questionnaire and professional advice policy. Group policies and procedures are continuously evaluated to gain alignment with leading governance practices.

Looking forward

Our key corporate governance focus areas for F2012 are outlined in the review from the company secretary on page 118.

REVIEW FROM THE COMPANY SECRETARY

Nonqaba Katamzi

The board accepted and approved a revised board charter and the terms of reference for all board committees in line with King III.

An external appraisal of the effectiveness of the board was conducted during the period.

Strategy Risk Corporate governance Legal regulatory & compliance People Planet Performance

The recent changes in the legislative, regulatory and best practice standards of the corporate governance environment in South Africa necessitated diligent consideration and review of governance policies and procedures. Group Five continuously strives to maintain and enhance sound governance standards through constant review of current and emerging legislation and requirements.

Of particular relevance during the year was the proclamation of the Companies Act No 71 of 2008 and Companies Regulations 2011 in May 2011. The group has also progressed well in terms of addressing non-compliance gaps relating to the implementation of The King Code of Governance for South Africa 2009 (King III). For a summary of the non-compliance issues identified in the prior year and how we have progressed in addressing these, refer to page 119.

Material issues during the year and how these were managed

Companies Act No 71 of 2008 and Regulations (new Companies Act)

With the coming into effect of the new Companies Act, it has been necessary for the group to address certain key governance and/or corporate administrative factors prescribed in the new legislation. At the time of drafting this report, the group was in the process of assessing the Act to determine the extent of non-compliance and to formulate a work plan to address those. On the next two pages we outline initial relevant areas we have identified.

A detailed operational review from the company secretary can be found on page 23 on the CD enclosed within this integrated report.

REVIEW FROM THE COMPANY SECRETARY CONTINUED

Section reference	New Companies Act amendment	Application to the group
Compliant		
Section 29	Annual financial statements to bear, on the first page of the statements, a prominent notice indicating whether the statements are audited or reviewed and who prepared or supervised the preparation of those statements.	A statement confirming these details is disclosed on the first page of the annual financial statements with the statement of responsibility by the board of directors.
Section 30(1)	Preparation of annual financial statements is required within six months after the end of the group's financial year end.	The group's annual financial statements are prepared and released within two months after its financial year end.
Section 30(4)	Companies must include particulars on remuneration (as defined in sub-section (6)) received by each director or individual who holds or has held any prescribed office in the company.	Particulars on the remuneration received by each director and prescribed officer in the group are provided on pages 72 to 76 of this integrated report.
Section 38	The board of a company may resolve to issue shares of the company at any time, but only within classes and to the extent that the shares have been authorised by the Memorandum of Incorporation.	Issue of authorised but unissued shares is subject to consideration and approval of the board.
Section 59	The board of a company may set a record date for the purpose of determining which shareholders are entitled to receive notice of a shareholders' meeting, participate in and vote at a shareholders' meeting, decide any matter by written consent or electronic communication, as contemplated in Section 60; exercise pre-emptive rights, as contemplated in Section 39; receive a distribution; or be allotted or exercise other rights.	The group has set a record date for shareholders' eligibility. Refer to the notice of AGM on page 256.
Section 66(9)	Remuneration of directors may be paid only in accordance with a special resolution approved by the shareholders.	A special resolution for approval by shareholders is included for the forthcoming annual general meeting (AGM) agenda. Refer to page 256.
Section 73(7)	Board resolutions must be dated and sequentially numbered and are effective as at the date of the resolution unless otherwise stated.	Board resolutions are dated and sequentially numbered.
Section 94	The audit committee (comprising at least three members) to be elected at each AGM.	Members of the audit committee are recommended to the AGM for shareholder approval.

Section reference	New Companies Act amendment	Application to the group
In the process of ensuring compliance		
Section 24	Retain the following documents, in written form, for a period of seven years: – Record of directors – Copies of all reports presented at an AGM – Annual financial statements and accounting records – Notices, minutes and resolutions of shareholders' meetings – Notices, minutes and resolutions of all board, audit, committee meetings – Securities register – Registration of company secretary and auditors	The group currently has a five-year record keeping policy in place. This will be addressed immediately.
Section 45	Approval by shareholders via special resolution for the provision of loans and other financial assistance to directors, prescribed officers, related and/or inter-related companies. If the board adopts a resolution it is required to advise shareholders and trade unions within ten days.	The group does not provide financial assistance to directors or to prescribed officers. It does, however, provide financial assistance to its subsidiaries in varying forms. This financial assistance was largely in place by 1 May 2011. The board has included a special resolution for approval by shareholders at the forthcoming AGM requesting general authority to issue such financial assistance. The group notes that there continues to be much debate as to the application of this section. It has developed a work plan to address the Act requirements and has sought external legal advice in support of the workplan.
Section 72(4) to (10)	The Minister of the Department of Trade and Industry may by regulation prescribe that a company or a category of companies must have a social and ethics committee, if it is desirable in the public interest, having regard to its annual turnover, the size of its workforce, or the nature and extent of its activities.	The board has not yet established a committee with a mandate to oversee the responsibilities envisaged by the Act for the social and ethics committee. This forms part of the group's work plan to close out gaps of non-compliance with the Act. The group is required to have addressed this by May 2012.
Section 75(6)	If a director of a company acquires a personal financial interest in an agreement or other matter in which the company has a material interest, or knows that a related person has acquired a personal financial interest in the matter, after the agreement or other matter has been approved by the company, the director must promptly disclose to the board, or to the shareholders in the case of a company, the nature and extent of that interest and the material circumstances relating to the director or related person's acquisition of that interest.	The group maintains a Conflict of Interest Policy. This requires all directors, prescribed officers and business unit directors to confirm any conflict of interest which may arise when the individual acquires a personal financial interest in an agreement or other matter in which the group has a material interest or knows that a related person has acquired a personal interest. This is declared on a quarterly basis. The policy, however, only states that disclosure needs to be made at each quarterly board meeting and not when the conflict arises. The policy has been amended and will be presented to the board for approval and implementation.

The board is of the view that the group is compliant with the Companies Act to the extent required and where practically possible. It has initiated a process of addressing areas of non-compliance to gain full compliance.

King III report

The group continued to address gaps identified through the King III analysis conducted in F2010. Various initiatives implemented by the group in response to these have resulted in the streamlining of governance areas. This includes, for example, the establishment of the IT steering committee, an advisory committee of the group's IT function and management that reports on an annual basis to the audit committee. Other notable changes include the first stages in the development of succession plans for executive directors and a review of the board structure, in particular the composition of board committees, such as the audit committee.

Board processes

An external appraisal of the effectiveness of the board was conducted during the period. The appraisal was benchmarked against the group's strategic requirements to ensure the capacity of the board to deliver these requirements and to strengthen the diversity and sector expertise of directors. The outcome of the appraisal was mainly positive, with the board being reported to be vigilant in terms of its role on governance and strategy. Contributions made by the board to operational issues were, however, found to be reactive. To address this, selected audit

REVIEW FROM THE COMPANY SECRETARY CONTINUED

committee and risk committee members joined executive management on a site visit to the Middle East to independently assess macro risks.

During the period under review, the board also accepted and approved a revised board charter and the terms of reference for all board committees in line with King III requirements. The key areas addressed were the annual appointment of the chairperson of the board and the annual performance review process of board committees. This especially includes the audit committee whose members are subject to formal approval by shareholders at an annual general meeting.

Areas identified for improvement include ensuring the development of a formal induction process, which was not addressed in the period under review, continuing education of directors and a requirement to recruit additional directors with relevant experience and industry-specific expertise to further strengthen the skills of the board. This has been addressed with the appointment in August 2011 of two new directors, Mr OA Mabandla and Mr DDS Robertson. Refer to page 35 on the CD contained within the integrated report for their CVs.

Although directors attend strategy sessions with management twice a year and attend site visits and internal industry-specific awareness programmes from time to time, the group currently does not have a formal induction process. The board's succession plan must also be presented to the board for consideration and approval.

Following the assessment of the main board, in the coming year the group will access the effectiveness of the sub-committees.

Employee share scheme

The company secretary is responsible for administrating the group's broad-based employee share scheme, the share appreciation rights scheme and the black managers' scheme together with an external service provider. During the year, there were a number of issues that required attention. These included errors resulting in delayed delivery of shares to the beneficiaries of these schemes. In the coming year, we will focus on completing an automation process and addressing all administrative issues.

Tip-offs anonymous line

The company secretary is also responsible for administrating the group's Tip-offs Anonymous line. The group experienced an increase in fraudulent and unethical behaviour during the year. Pleasingly, a 48% increase was seen in the number of tip-offs received through the group's ethics line and directly by the risk department. We believe this indicates that increased awareness and training has resulted in employees being more observant and willing to report incidents. Management's swift action in response to unethical acts has also communicated a clear message and potentially increased employee confidence in the process.

Looking forward

Key focus areas for F2012	Desired results
Companies Act No 71 of 2008 and Companies Regulations 2011.	Gain full compliance with the Act
Establishment of a social and ethics committee and management of Tip-offs Anonymous line.	Define and recommend terms of reference, strategic drivers and membership for consideration and approval of the board and effective management of the Tip-offs Anonymous line
King III requirements.	Review and recommend actions to close gaps for consideration and approval of the board
Further improve operational knowledge of the board.	Equip the board with technical knowledge to further improve the quality of guidance given to executives
Address board processes requiring implementation.	Implementation of formal induction and succession plans. Development of a continued education programme for the board
Employee share scheme.	Ensure all administrative issues are addressed

Appreciation

I wish to thank the Group Five board members for their continued support during the year. A special word of appreciation to our chairperson for her sustained focus on strengthening corporate governance. I also thank our group risk officer for his guidance during the year. I look forward to continuing to improve our governance processes in the coming year.

N (Nonqaba) Katamzi
Company secretary

5 August 2011

KING III SUMMARY

In line with the release of the King Report on Corporate Governance (King III), the group evaluated its readiness to comply during F2010. During the year, a number of gaps were closed out. On the next few pages we provide an update on areas we are still addressing, as well as those we closed out during the year.

Update of non-compliances from F2010

Code of governance principles		Gap identified in F2010	Status
Board of directors			
Role and function of the board			
The board and its directors should act in the best interests of the company.	2.14.3 Directors of the board should be permitted to take independent advice in connection with their duties following an agreed procedure.	Although the directors are permitted to take independent advice, the current process should be formalised.	This will be addressed in F2012.
The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fill the role of a chairman of the board.	2.16.1 The members of the board should elect a chairman on an annual basis.	Although the members of the board appoint the chairman and the chairman is evaluated on an annual basis, election only takes place when required.	This will be addressed in F2012.
	2.16.9 The board should ensure a succession plan for the role of the chairman.	Succession planning for the chairman is being considered as part of the current board evaluation.	This will be addressed in F2012.
The board should appoint the chief executive officer and establish a framework for the delegation of authority.	2.17.5 The board should ensure succession planning for the CEO and other senior executives and officers is in place.	Although this is currently being assessed internally for senior management and by the external, independent board advisors for the executive directors, there are no formal succession plans in place.	This will be addressed in F2012.
Director development			
The induction of and ongoing training and development of directors should be conducted through formal processes.	2.20 The board should ensure that a formal induction programme is established for new directors.	No formal induction programme in place.	This will be addressed in F2012.
Company secretary			
The board should be assisted by a competent, suitably qualified and experienced company secretary.	2.21.6 The company secretary should assist with the director induction and training programmes.	No formal director induction programme is currently in place.	This will be addressed in F2012.
	2.21.13 The company secretary should assist with the evaluation of the board, committees and individual directors.	Evaluations are performed by external service providers, with assistance from the human resources department.	This will be addressed in F2012.
Performance assessment			
The evaluation of the board, its committees and individual directors should be performed every year.	2.22.5 The nomination of the re-appointment of a director should only occur after the evaluation of the performance and attendance of the director.	This process needs to be adopted.	Partially compliant, with further action recommended. The directors who are being offered for re-appointment have been evaluated in the current year for performance and attendance. This needs to be formalised to ensure it takes place annually.
Board committees			
	2.23.9 Committees should be free to take independent outside professional advice at the cost of the company, subject to an approved process being followed.	Although general authority is granted, a formal process is not in place.	This will be addressed in F2012.

KING III SUMMARY CONTINUED

Code of governance principles		Gap identified in F2010	Status
Audit committees			
Membership and resources of the audit committee			
	3.2.6 The committee should be permitted to consult with specialists or consultants, subject to a board-approved process.	Although the committee is aware that it may engage with specialists, this process is not formalised or approved by the board.	This will be addressed in F2012.
The governance of risk			
The board's responsibility for risk governance			
The board should be responsible for the governance of risk.	4.1.1 A policy and plan for a system and process of risk management should be developed.	Although the board is apprised of the key risks facing the group and a formal risk-bearing capacity process has been implemented, key risk indicators and dashboards need to be developed and the formal policy needs to be signed off by the board.	Partially compliant, with further action recommended. A risk tolerance framework and model was developed for the group during this financial year, but the policy needs to be ratified by the board.
	4.1.4 The induction and ongoing training programmes of the board should incorporate risk governance.	Although the board is apprised of the key risks facing the group and a formal risk-bearing capacity process has been implemented, key risk indicators and dashboards need to be developed and the formal policy needs to be signed off by the board.	Partially compliant, with further action recommended. A risk tolerance framework and model was developed for the group during this financial year, but the policy needs to be ratified by the board.
	4.1.6 The board should approve the risk management policy and plan.	Although the board is apprised of the key risks facing the group and a formal risk-bearing capacity process has been implemented, key risk indicators and dashboards need to be developed and the formal policy needs to be signed off by the board.	Partially compliant, with further action recommended. A risk tolerance framework and model was developed for the group during this financial year, but the policy needs to be ratified by the board.
	4.1.8 The board should review the implementation of the risk management plan at least once a year.	Although the board is apprised of the key risks facing the group and a formal risk-bearing capacity process has been implemented, key risk indicators and dashboards need to be developed and the formal policy needs to be signed off by the board.	Partially compliant, with further action recommended. A risk tolerance framework and model was developed for the group during this financial year, but the policy needs to be ratified by the board.
	4.1.9 The board should ensure that the implementation of the risk management plan is monitored continually	Although the board is apprised of the key risks facing the group and a formal risk-bearing capacity process has been implemented, key risk indicators and dashboards need to be developed and the formal policy needs to be signed off by the board.	Partially compliant, with further action recommended. A risk tolerance framework and model was developed for the group during this financial year, but the policy needs to be ratified by the board.
The board should determine the levels of risk tolerance.	4.2.1 The board should set the levels of risk tolerance once a year.	Although the board is apprised of the key risks facing the group and a formal risk-bearing capacity process has been implemented, key risk indicators and dashboards need to be developed and the formal policy needs to be signed off by the board.	Partially compliant, with further action recommended. A risk tolerance framework and model was developed for the group during this financial year, but the policy needs to be ratified by the board.

Code of governance principles		Gap identified in F2010	Status
	4.2.2 The board may set limits for risk appetite.	Although the board is apprised of the key risks facing the group and a formal risk-bearing capacity process has been implemented, key risk indicators and dashboards need to be developed and the formal policy needs to be signed off by the board.	Partially compliant, with further action recommended. A risk tolerance framework and model was developed for the group during this financial year, but the policy needs to be ratified by the board.
	4.2.3 The board should monitor that risks taken are within the tolerance and appetite levels.	Although the board is apprised of the key risks facing the group and a formal risk-bearing capacity process has been implemented, key risk indicators and dashboards need to be developed and the formal policy needs to be signed off by the board.	Partially compliant, with further action recommended. A risk tolerance framework and model was developed for the group during this financial year, but the policy needs to be ratified by the board.
The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	4.3.2.1 The risk committee should consider the risk management policy and plan and monitor the risk management process.	Although the board is apprised of the key risks facing the group and a formal risk-bearing capacity process has been implemented, key risk indicators and dashboards need to be developed and the formal policy needs to be signed off by the board.	Partially compliant, with further action recommended. A risk tolerance framework and model was developed for the group during this financial year, but the policy needs to be ratified by the board.
	4.3.3 The performance of the committee should be evaluated once a year by the board.	The board does not formally evaluate the performance of the risk committee. The effectiveness of the main board has been assessed, but not its sub-committees.	This is currently being addressed.
Risk assessment			
The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	4.6.1 The board should ensure that a framework and processes are in place to anticipate unpredictable risks.	Although a formal risk identification and mitigation strategy is in place to identify any gaps, a strategic risk assessment is not in place.	Partially compliant, with further action recommended. The group risk officer provides information to the risk committee on which risks have been identified as key risks within the industry and globally. This is done through research as well as through surveys. However, a strategic review needs to be performed.
Risk response			
The board should ensure that management considers and implements appropriate risk responses.	4.7.2 Management should demonstrate to the board that the risk response provides for the identification and exploitation of opportunities to improve the performance of the company.	Although the board is apprised of the key risks facing the group and a formal risk-bearing capacity process has been implemented, key risk indicators and dashboards need to be developed.	Partially compliant, with further action recommended. A risk tolerance framework and model was developed for the group during this financial year. The key risk indicators and dashboards will be developed within the next financial year.
Risk monitoring			
The board should ensure continual risk monitoring by management.	4.8.2 The responsibility for monitoring should be defined in the risk management plan.	A policy and a plan for a system and process of risk management has been developed but must still be presented to the board. The responsibilities for monitoring are included within the plan.	This is currently being addressed.

KING III GAP SUMMARY CONTINUED

Code of governance principles		Gap identified in F2010	Status
The governance of information technology			
The board should monitor and evaluate significant IT investments and expenditure.	5.4.3 The board should obtain independent assurance on the IT governance and controls supporting outsourced IT services.	Although the full service and support IT functions are outsourced, with a master agreement that governs the outsourced relationship and a service level agreement (SLA) that governs performance expectations, independent assurance has not been obtained.	This will be considered in F2012 with the implementation of a steering committee.
Compliance with laws, rules, codes and standards			
The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	6.2.1 The induction and ongoing training programmes of directors should incorporate an overview of and any changes to applicable laws, rules, codes and standards.	Although the board is informed of relevant laws, rules, codes and standards, including changes, this is not currently done as part of their induction. No formal induction programme is currently in place.	This will be addressed in F2012.
The board should delegate to management the implementation of an effective compliance framework and processes.	6.4.4 Management should establish the appropriate structures, educate and train, and communicate and measure key performance indicators relevant to compliance.	In the year under review, an electronic compliance system was introduced into the group and was rolled out in the human resources, safety and health and environment compliance sectors in all local business units, excluding the Construction Materials cluster.	Partially compliant, with further action recommended. Although the appropriate structures of education, training and communications are in place, the measurements of the key performance indicators relevant to compliance need to be confirmed.
Governing stakeholder relationships			
Dispute resolution			
The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	8.6.1 The board should adopt formal dispute resolution processes for internal and external disputes.	Although a crisis communications plan is in place to ensure that any emergency is communicated appropriately, with internal disputes managed through formal procedures determined by the human resources department and external disputes addressed relevant to each situation, a formal dispute resolution process has not been adopted by the board. The group has attempted to address this by inserting ADR clauses in contracts.	This will be addressed in F2012.

Closing out non-compliances from F2010

Below we outline areas where we addressed non-compliances from last year and when in the year this came into effect.

Code of governance principles		Gap identified in F2010	Status
Board appointment process			
Directors should be appointed through a formal process.	2.19.3 The appointment of non-executive directors should be formalised through a letter of appointment.	Although the appointment is formalised through the nominations committee, no formal letter is provided.	The newly appointed non-executive directors received a formal appointment letter in August 2011.
Director development			
	2.20.4 The board should ensure that directors receive regular briefings on changes in risks, laws and environment.	Although certain internal awareness training has been performed, this process needs to be further improved.	Internal awareness training was delivered during the year on matters which could have a material effect on the group.
Company secretary			
	2.21.11 The company secretary should assist in drafting yearly work plans.	The company secretary currently does not draft annual work plans.	The company secretary assisted in the second half of the year with the drafting of the F2012 annual work plan.
Board committees			
The board should delegate certain functions to well structured committees without abdicating its own responsibilities.	2.23.5 Companies should establish an audit committee and define its composition, purpose and duties in the Memorandum of Incorporation.	Although the group has an established audit committee with defined terms of reference, these terms need to be defined within the Memorandum of Incorporation.	In terms of Section 94(2) of the Companies Act 2008, this requirement is not applicable to the subsidiary companies of the group. The group has appointed an audit committee with defined terms of reference at group level. We complied with this for the full year.
Audit committees			
Membership and resources of the audit committee			
Audit committee members should be suitably skilled and experienced independent non-executive directors.	3.2.1 All members of the audit committee should be independent non-executive directors	MR Upton is an executive member and a member of the audit committee.	The members of the audit committee are non-executive directors. We complied for the full year.
Internal assurance providers			
The audit committee should be responsible for overseeing of internal audit.	7.4.5 The audit committee should be responsible for the appointment, performance assessment and/or dismissal of the chief audit executive (CAE).	Although feedback on performance is provided by the chairman of the audit committee, performance management is conducted by the CFO. The appointment of the current CAE was made with input from both the CFO and the chairman of the audit committee.	Input from the chairman of the audit committee was obtained and this was included in the internal audit charter. We complied for the full year.
The governance of risk			
The board's responsibility for risk governance			
	4.1.5 The board's responsibility for risk governance should manifest in a documented risk management policy and plan.	Although a risk policy has been developed and implemented within the group, a documented risk plan is not available.	The board's responsibility for risk is documented within the board charter and risk committee terms of reference and was presented to the board and approved in the last quarter of the year.

KING III GAP SUMMARY CONTINUED

Code of governance principles		Gap identified in F2010	Status
Risk assurance			
The board should receive assurance regarding the effectiveness of the risk management process	4.9.2 Internal audit should provide a written assessment of the effectiveness of the system of internal controls and risk management to the board.	Although internal audit provides written confirmation on internal controls through its reports to the audit committee in which each business is rated in terms of performance with respect to their control environment, the effectiveness of risk management is not expressly confirmed by the internal audit department.	The internal audit department audited the risk management processes and systems and the audit report was presented at the risk committee. This was complied with in the fourth quarter of the year.
The governance of information technology			
The board should delegate to management the responsibility for the implementation of an IT governance framework.	5.3.2 The board may appoint an IT steering committee of similar function to assist with its governance of IT.	There is currently no IT steering committee in place within the group.	The IT steering committee was formed in the third quarter of the financial year.
Compliance with laws, rules, codes and standards			
	6.4.3 Compliance with laws, rules, codes and standards should be incorporated in the code of conduct of the company.	Although the group currently has a formal code of conduct (the code of ethics), compliance with laws, rules, codes and standards are not expressly stated.	The group has a formal code of conduct, the code of ethics, in which compliance with laws, rules, codes and standards are expressly stated. We complied with this for the full year.
Internal audit			
Internal audit's approach plan			
Internal audit should follow a risk-based approach to its plan.	7.2.3.1 Internal audit should be an objective provider of assurance that considers the risks that may prevent or slow down the realisation of strategic goals.	Although rigorous and entrenched risk management processes are in place, further emphasis needs to be placed on providing assurance on the alignment of the group strategic goals and objectives to the risks facing the group.	The internal audit department reviewed the group-wide risk management process during the fourth quarter of the year. Alignment of group strategic goals and objectives to the risks facing the group is planned for the new financial year.
	7.2.3.2 Internal audit should be an objective provider of assurance that considers whether controls are in place and functioning effectively to mitigate these.	Although controls are in place, the review of the risk management process will include an assessment of controls and an assurance of opportunities available to the group.	Review of the risk management process was undertaken in the fourth quarter of the year and recommendations made are currently being actioned by the risk department.
	7.2.3.3 Internal audit should be an objective provider of assurance that the opportunities that will promote the realisation of strategic goals are identified, assessed and effectively managed by the company's management team.	They are independent assurers, but have not been strictly focusing on opportunity management.	Review of the risk management process was undertaken in the fourth quarter of the year and recommendations made are currently being actioned by the risk department.
The audit committee should be responsible for overseeing internal audit.	7.4.5 The audit committee should be responsible for the appointment, performance assessment and dismissal of the CAE.	Although feedback on performance is provided by the chairman of the audit committee, performance management is conducted by the CFO. Appointment of the current CAE was made with input from both the CFO and the chairman of the audit committee.	Input from the chairman of the audit committee obtained and this was included into the internal audit charter. We complied for the full year.

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REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR

15%

Increase in training interventions

5 767

Health evaluations done

Junaid Allie

Strategy Risk Corporate governance Legal regulatory & compliance **People** Planet Performance

Over the last few years, we have adopted an active approach towards becoming an employer of choice by developing an employment experience which offers meaningful value to our employees and by creating an environment in which all our employees are engaged and able to develop optimally.

The group's commitment to our employees through its corporate values and employment value proposition remained in place during the year and was particularly relevant in the current tough economic environment where retention of key talent becomes even more critical. Our focus on employees continued to pay dividends, with employee retention, individual productivity and employee feedback improving further.

Material issues during the year and how these were managed

Reacting to current market conditions

The previous financial year ended on a high note as the group completed the majority of its large infrastructure contracts linked to the 2010 FIFA World Cup. Delivery of these contracts and others during a period of peak activity required an increase in human capital capacity, which resulted in the group increasing its employee base.

In contrast, the current year saw the need to downsize our workforce as the impact of the local construction recession deepened. This resulted in reduced public and private sector spend and downward pressure on order books in the industry and the group. Our headcount decreased from 12 497 in F2010 to 11 997 in F2011. We aimed to approach all retrenchments in a professional and sensitive manner and with a focus on retaining core skills that will be required when markets return.

Addressing employee feedback

The group has conducted employee feedback surveys for the last few years. In the previous year, a key focus area raised by employees was the need to better understand the group's performance management processes. To address this, we launched a training programme to explain the management process and to clarify our employees' accountability for performance. We also implemented an automated performance management system to ensure an increase in employee feedback and appraisals. We expect that in the coming year this will result in at least 80% of our employees partaking in performance management discussions and maintaining feedback documents at any point in time.

For a detailed report on all aspects of human resources management, turn to page 30 on the CD within this integrated report. A table summarising the key delivery areas around HR can be found on pages 128 to 139 of this integrated report.

REVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Managing core skills and retaining individuals who are in key positions or who may be appointed into core positions in the group is critical to the group's success and delivery on its strategy during tough trading conditions.

Retention of key skills

Managing core skills and retaining individuals who are currently in key positions or who may be appointed into core positions in the group is critical to the group's success and delivery on its strategy during tough trading conditions. To address this, we intensified our focus on succession management. This was formalised throughout the group, with managing directors accepting accountability for their respective business unit succession plans. We continued the roll out of our employment proposition of retaining quality managers and management systems, remunerating employees competitively, developing them through The Group Five Academy and creating development opportunities for different roles in the group.

Managing over-border employees

A key challenge for the group is to increase the mobility of our workforce in support of our geographic expansion. During the year, we therefore reviewed our over-border human capital procedures and enhanced internal awareness of the international work opportunities available. Business units which have retained an over-border presence over the last few years have established a reliable international recruitment database and process to rapidly resource contracts. These databases will be utilised across the group as additional businesses expand geographically.

Formal skills development

Ongoing development of employees through The Group Five Academy remains crucial to the group's employee value proposition. During the year, we further refined our approach to training in the group to ensure we remain efficient in our delivery of development programmes. We increased the number of training interventions delivered from 14 941 in F2010 to 17 234 in F2011.

Broad-based black economic empowerment (BBBEE)

As the group is in the process of unwinding a portion of its BBBEE ownership transaction with one of our shareholders, iLima Consortium, we deemed it prudent to exclude any potential contribution from iLima to the ownership element of the group's BBBEE scorecard during this year's verification audit. Notwithstanding this adjustment, the group is pleased to have improved its overall rating to a Level 2 contributor. This was achieved due to a particularly strong focus on skills development, procurement and the employment equity elements.

However, going forward the group will need to focus its attention on its ownership structure and employment equity targets, specifically amongst senior employees, to ensure it retains its Level 2 rating. The board has mandated management to review and propose a future BBBEE shareholding structure which will be presented to shareholders for approval. This process is currently underway. As outlined earlier in this report, to address the equity target under-performance at management level, the group has implemented a succession management process which will assist in identifying and developing more black talent into management levels.

Managing the health of our employees

Employee wellness was further improved in the year through additional health awareness campaigns. We set a target two years ago to ensure that 80% of our employees are aware of their HIV status over a two-year period. We have achieved this. We also intensified our focus on ensuring improved compliance with occupational health standards by our employees. In line with this, we increased the number of health evaluations from 5 176 to 5 767 in F2011. We also improved employee attendance at primary healthcare medical evaluations.

Looking forward

Key focus areas for F2012	Desired results
Internal HR efficiencies.	Align HR processes across geographies to limit duplication of resources
Succession management.	Actively manage this as an HR process and key management tool
Ensure a cohesive organisational culture.	Uniform standards and behaviours throughout the group to facilitate effective cross-business unit integration on mega-contracts requiring more than one business unit's involvement
Address ownership and employment equity performance.	Improve our BBBEE ownership element to meet both the Construction Charter and Mining Charter requirements Create a more equitable demographic representation at middle and senior management level through succession management, skills development and external recruitment
Effective resourcing of our international operations.	Mobilise resources and fill critical positions in support of the group's geographic expansion

Appreciation

Firstly, I wish to acknowledge the contribution of the group's human resource professionals. This year was particularly difficult and you have dealt with the challenges well. Secondly, the group's Academy has once again improved the customisation and delivery of quality and relevant training programmes linked to the group's needs. I thank you for that. Lastly and importantly, I acknowledge the group's leaders who value the contributions made by the human resources and learning and development functions in the group and who empower their teams to truly live the corporate values of Group Five.

MJ (Junaid) Allie
Group human resources director

5 August 2011

OPERATIONAL OVERVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR

The next few pages provide supplementary information to the review from the group human resources (HR) director. We outline how we delivered against our objectives in terms of the areas under the HR director's responsibility. These include human resource management, employee wellness, employee relations, human capital development and transformation.

Detailed information around operational performance within these areas can be found on pages 38 to 68 on the CD contained within this integrated report.

Human resource management

Over the last few years, we have adopted a proactive approach towards becoming an employer of choice. Our focus on employees continued to pay dividends, with employee retention, individual productivity and employee feedback improving further.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Keep our employees committed and engaged by supporting training, career development and ensuring effective communications.	Motivated employees during the downturn, with preparation in place for the next upturn. Maintain or improve our F2010 employee engagement score of 65.9%.	Our employee engagement score improved for the third consecutive year. Our overall score was 67%, which is within the "Top Company" range for the second consecutive year.
Drive our performance-based culture.	Increased efficiency and delivery against key deliverables to ensure maintenance or improvement of operational results.	While our target remains 100%, we saw a pleasing improvement this year with 74.5% of employees having received a comprehensive performance appraisal. This is a pleasing increase from the 67% achieved last year.
Transformation and succession at senior and executive levels.	Identify opportunities to develop and promote black successors.	Succession planning is a key HR process within the group. While the roll out within business units is still in an early phase, significant improvements are expected from this management tool.
Ensure that our people and systems are geared for international opportunities outside the South African market.	Ensure that we are able to mobilise our people and resources quickly, without detracting from our employee value proposition.	The group's international remuneration policy was reviewed during the year, which resulted in improvements in employee mobility and the HR administration system for the management of expatriate employees.
Manage our industrial and employee relations effectively in a tougher market.	Committed employees, focused on achieving the group's objectives. Resolve potential areas of conflict with least disruption to productivity and employee morale.	Operational downsizing in various areas put pressure on industrial relations. However, our proactive approach ensured that relationships remained constructive in most areas.

Looking forward

Our key human resource management focus areas for F2012 are outlined in the review from the human resources director on page 127.

Employee wellness

During the year, we focused on creating improved awareness around wellness. This included the roll out of our employee assistance programme introduced last year and health campaigns throughout the group.

The group's common chronic medical conditions remained hypertension, cholesterol and diabetes mellitus. Although still within national norms, it is of concern that the percentage of employees diagnosed with these conditions increased across all conditions. We will continue to create awareness through our educational campaigns about health awareness to promote early diagnosis and effective management of medical conditions.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Create health awareness through our employee wellbeing programme.	Health awareness to ensure continued productivity and employee assistance.	In F2010 we introduced an employee assistance programme. The uptake has been encouraging, with 670 employees using the service to date. The key areas of counselling have been personal financial management and relationships. The number of employees counselled on HIV and Aids was also well above the average for the industry. During the year, we focused on actively communicating wellness issues to employees though a poster campaign and employee wellness sessions.
Increase the number of medical evaluations.	Proactively manage identified health issues.	During the year, 5 767 employees completed medical examinations (2010: 5 176) and 99% of our directors attended executive health examinations.
Improve reporting and management of medical surveillance.	Early identification of health trends and intervention to ensure a healthier workforce.	During the year, we integrated our occupational health provider's data with our internal human capital system.
Further rolling out HIV/Aids testing.	Achieve the target of 80% of employees knowing their status over a two-year period.	80% of employees know their HIV/Aids status.

Looking forward

Key focus areas for F2012	Desired results
Ensure increased health and wellness awareness.	A workforce which proactively manages their health and associated safety
Roll out integrated reporting.	Reporting that provides a holistic view of the wellness of our employees to ensure proactive management
Increase occupational wellbeing assessments.	Timely health assessments to ensure we detect, manage and prevent diseases
Improve employee awareness of prevalent diseases within the group, including cholesterol, diabetes mellitus and hypertension, as well as educating employees on personal financial management.	Awareness of health and wellbeing in these areas

OPERATIONAL OVERVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Employee relations

Our employee relations remained robust this year. Although bargaining councils or workplace forums are in place for most of our business areas, progress at an industry level in establishing a bargaining council for the civil construction industry has been slow. This is particularly relevant to us as Civil Engineering is the largest employer of labour in the group. In response to the heightened tensions in the organised labour arena we concentrated on maintaining the integrity of our employee relations and increasing the competence of our managers to deal with the complexities experienced in this field.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Intensify communication with our employees and organised labour on the economic constraints facing the group.	To manage expectations and prevent a deterioration in trust between management and organised labour.	Operational downsizing in various areas placed pressure on our industrial relations. However, our proactive approach ensured that relationships remained constructive with senior management engagement in areas where there were difficulties, such as the Kusile power contract and the Construction Materials cluster.
Ensure that our industrial relations processes are above reproach.	To limit the number of CCMA cases and to maintain our record of success with loss cases remaining very low.	Significant improvements were achieved with the launch of disciplinary, chairman and complaint initiator training.
Evaluate trends in the market in terms of industrial action.	Taking proactive action to prevent similar incidences in our group.	We achieved this, with the number of man-hours lost through industrial action reducing by 43% this year. The group is a signatory to the civil engineering sector agreements. We are in full compliance with its associated timelines and negotiated agreements.
Ensure that all worker representative forums within the group are functioning.	Effective two-way communication.	All business units have functioning worker representative forums in place. Disputes were kept to the minimum. CCMA referrals reduced by 13%, with a loss ratio of less than 2%.
Increase our employee relations capacity.	Ensure that management has permanent, in-house and cost-effective access to labour law services.	A full-time labour law attorney was employed to advise management on labour law and to ensure the group is compliant with labour law.
Introduce an executive review process to ensure that retrenchment-based terminations are carried out within best practice guidelines.	Ensure that management's decisions in this regard are tested internally prior to the launch of the process.	Internal review processes are now in place and resulted in an improvement in the adherence to due process.
Develop the capacity of our HR professionals to equip them to present our cases at the CCMA and training our managers in terms of both drawing up disciplinary charges and chairing disciplinary enquiries.	Effective handling of disciplinary procedures and CCMA representation.	A panel of qualified chairpeople was identified and trained in the requirements and skills needed when presiding over disciplinary enquiries. Cooperation between the HR and internal risk management departments increased to manage employee-related risk issues such as fraud and theft. Refer to page 9 on the CD contained within this integrated report.

Looking forward

Key focus areas for F2012	Desired results
Ongoing focus on enhancing competence in dealing with sensitive employee relations issues.	Ensure that management is able to maintain credibility, discipline and employee engagement in the face of increasingly hostile interventions from organised labour
Continued proactive engagement with organised labour at industry level.	Facilitate a peaceful and mutually acceptable solution to organised labour's drive towards centralised bargaining in the construction industry
A comprehensive understanding of labour laws in the foreign countries in which we operate to ensure compliance.	Maintain good employee relations in our international operations Reduce the number of CCMA referrals in South Africa to below its current levels. Where CCMA cases are unavoidable, we want to achieve a success rate of 100%
To stay abreast of the anticipated changes to labour legislation and develop a strategy in this regard.	Proactive response to anticipated changes in legislation without disruption of the workplace Maintain and improve our current compliance to labour laws

OPERATIONAL OVERVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Human capital development

The Group Five Academy is responsible for the planning and delivery of learning and development across the group, as well as maintaining support systems to track and manage all learning. The Academy also coordinates and manages learning opportunities for enterprise development partners, as well as structured initiatives for the unemployed as part of the group's socio-economic development initiatives.

During the year, we concentrated on increased engagement with business units to ensure training initiatives remain valuable to the achievement of business goals. In spite of tough economic conditions, the overall training spend (including employees, learnerships and bursaries) for the financial year increased from R31,5 million in F2010 to R37,9 million. Employee training interventions increased from 14 941 in F2010 to 17 234 in F2011.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Ensure that training interventions add value to enhance competence and productivity of individuals in the group.	Improved individual competence to deliver on time, within budget and according to specification.	17 234 training interventions were delivered during the year. Programmes continue to be reviewed for effectiveness to ensure they meet group requirements and strategy.
Use e-learning as a method of training to keep productivity on our contracts at the required levels.	An effective training platform which limits on-site downtime and increases the development opportunities of our employees.	The available e-learning modules have increased. Electronic learning will continue to be promoted with a more focused site-specific approach.
Encourage a culture of learning, particularly through the further expansion of mentoring in the group.	Sharing of knowledge and increasing the group's skills base.	Adoption of the formal mentoring model throughout the business is increasing steadily, with 42 mentors trained in the year. The roll out of the group's performance management process will help identify the opportunities to increase the level of mentorship in the group.
Build awareness of our brand at institutions of higher learning to ensure we are viewed as an employer of choice.	Being an employer of choice in the sector and industry.	Consistent engagement with institutions of higher learning resulted in significantly increased attendance at information sessions and recruitment opportunities. We ranked first as an employer of choice in the construction sector in the Magnet Top Employer of Choice awards.

Looking forward

Key focus areas for F2012	Desired results
Skills development	
Fully utilise resources within the Construction Skills Training Academy. **Proactively manage requirements of the new SETA landscape.**	• Practical construction-related training which delivers direct results in terms of improved quality on site • Optimal value within the constraints of various legislative parameters and codes of conduct • Access SETA funding for additional programmes to deliver relevant skills to the group and the sector
Technical and professional competence development	
Initiatives to promote compliance to changes in legislation. **Provide access and support to the development of professional competence programmes.**	• Training which results in an awareness of and adherence to legislation and associated changes in behaviour • Professional qualifications which benefit the group and the individual
Leadership and management development	
Manage transitions in all aspects of work, including technical, cultural or inter-personal. **Mentors to support learners to apply new knowledge and approaches.**	• A culture which is responsive to change and individuals who are resilient to adjustment • Leaders who are self aware and prepared for the challenges within the workplace, the industry and the geographies in which we work
Student management	
Recruitment methodologies. **Build brand awareness to attract the best caliber of students.**	• Ensure that new recruits are matched to the group and its future needs
General	
Take training to the site – either through e-learning or through creative approaches to deliver classroom training at a site level.	• Relevant and timeous development initiatives in the group which have a greater reach and result in better integration of employees from various business units
Establish information system capability to track training initiatives.	• Effectively monitor and report on training initiatives • Engage in sub-contractor training and development to increase quality and safety on site and improve the quality of training done over-border

Transformation

Ownership

Group Five concluded a broad-based black economic empowerment (BBBEE) transaction in September 2005 which resulted in 26.1% of its enlarged share capital being made available to black South Africans. Regrettably, one of our shareholders, the iLima Consortium (iLima), defaulted contractually and this required the unwind of their portion of the initial transaction.

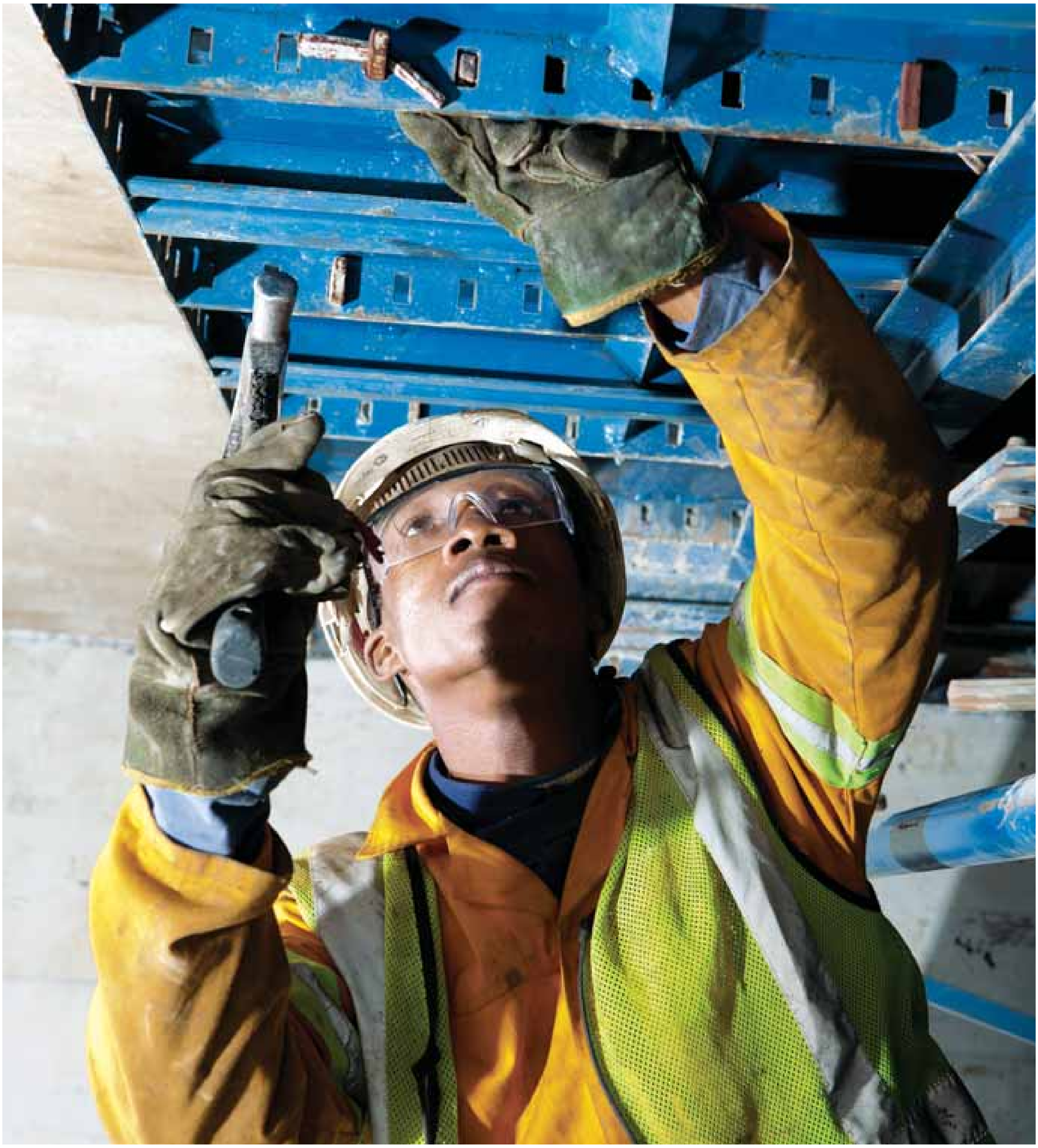
The group excluded any potential contribution from iLima to the ownership element of the group's latest BBBEE scorecard verification audit conducted in September 2010. This resulted in a black shareholding of 25.67%. Notwithstanding this adjustment, the group's overall rating is a Level 2 contributor due to a particularly strong focus on the skills development, procurement and employment equity elements. We are currently the only large construction group with a Level 2 rating.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Partial unwind of initial BBBEE ownership transaction.	Manage the finalisation of the unwind of the iLima Consortium portion of our BBBEE ownership transaction.	The iLima unwind process has continued through the legal process.
Address the group's future black ownership strategy.	The board will evaluate alternatives available with a focus on ensuring a robust strategy to address the intent and spirit of the scorecard, as well as the strategic direction of the group.	The board has initiated an evaluation process.

OPERATIONAL OVERVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED



Looking forward

Key focus areas for F2012	Desired results
Manage the unwind of the iLima portion of our initial ownership transaction.	Timeous exit from the ownership agreement with iLima
Finalise future ownership alternatives and implement when appropriate.	Improve the overall ownership element to meet the 30% Construction Sector Scorecard ownership target, which will be relevant to us in F2013

Management

While we still have significant work to do before our management structures are representative of the South African demographic profile, we have improved our senior management element of the Construction Charter Scorecard from 2,3 points to 6,6 points out of 10 in our last verification audit in September 2010. Our success in terms of developing internal candidates is also demonstrated by the fact that 82% of promotions across the group and 58% at management level were secured by black employees.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Improve transformation at senior levels.	Move towards the sector transformation targets of 35% senior management and 45% for middle management.	Against difficult market conditions, limited opportunities for recruitment and decreased employee turnover, we managed to achieve an increase in the percentage of black representation in the senior management category as per the Employment Equity Act from 11.1% to 16.7%. Modest improvements were seen in middle management and specialist categories. Our internal succession plan revealed a strong pipeline of junior candidates available for advancement.
Ensure that the composition of the board is as diverse as possible.	Functional and diverse board.	The board conducted an assessment which recommended additional international engineering and legal skills. Two new board members were appointed effective August 2011. The diversity of the board is strong.

Looking forward

Key focus areas for F2012	Desired results
Improve transformation at senior management levels.	Progress towards the BBBEE sector targets of 35% senior management and 45% middle management, which come into effect in F2013
Maintain diversity at board level.	A functional and diverse board
Continue to profile the group as an employer of choice.	Ability to attract and retain black talent in the group

OPERATIONAL OVERVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Employment equity

The group is committed to increasing the proportional representation of African, Coloured and Indian employees within the group and to systematically remove any barriers to their advancement.

Notwithstanding the reduction in overall headcount and the slowdown in recruitment, the proportional representation of African, Coloured and Indian employees in the senior management occupational category, as per the Employment Equity Act, increased from 11.1% to 16.7%. The middle management occupational category increased from 16.0% to 18.8% and in the junior management category from 63.2% to 67.0%.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Ensure that our new mentorship programme receives traction in the group and that management is accountable for achieving real results in transformation.	Ensure that black employees are prepared to take on management positions, as and when they arise.	Functioning mentorship programme exists in all major areas of the group. These programmes focus on the accelerated development of our junior management in general and our pool of young black talent in particular. The number of employees being mentored increased from 102 in F2010 to 169 in F2011.
Roll out our diversity programme across the group with a view to achieve a step change.	Greater awareness and tolerance to differences in the workplace and leveraging differences.	The group's diversity programme continues to be well received and attended, with 610 employees having been through the programme to date. Pleasingly, the incidences of racially-based grievances reduced drastically. We have also seen an improvement in employee feedback engagement scores from black and female employees.
Scrutinise all opportunities which become available in terms of vacancies and promotions to give priority to equity candidates.	Create a stronger pool of black candidates to fill vacancies at senior management level.	All vacancies are advertised internally and internal audit processes implemented to highlight non-compliance to equity procedures.
Refine our succession management process.	Create leadership depth and fill identified positions with black or female candidates.	A comprehensive succession management tool kit was implemented in this financial year. Business units are in the process of completing their succession plans for scrutiny by the executive team early in F2012.
Create more momentum and efficiencies in our employment equity committees to impact our equity profile.	Functional equity meetings which drive the demographic change and actively address the employment barriers.	The group has worked closely with business units to result in functional equity meetings and to ensure that required actions are taken. The group was audited by the Department of Labour in line with the South African Employment Equity Act. This compliance included identification of discriminatory practices in our policies, practices and remuneration. At the time of writing, we were awaiting formal feedback from the department.

Looking forward

Key focus areas for F2012	Desired results
Gain further momentum in our mentorship programme.	Prepare black employees for management positions and promotions, as opportunities arise
Prepare a group employment equity plan which will cover targeted affirmative action measures.	Effective affirmative action to address the current slow progress of black South Africans into middle and senior management roles. This will ensure that business units meet their employment equity and BBBEE scorecard requirements
Gain traction in our succession management process.	Create leadership depth and, where possible, fill identified positions with black or female candidates
Continue to scrutinise vacancies and promotions to prioritise equity candidates for these positions.	Create an increasingly stronger pool of black candidates to fill vacancies at management level

Procurement

Group Five continues to focus on the transformation of its procurement profile. Currently, 33% of suppliers have empowerment certificates in place. During the year, R3,1 billion of the group's total South African procurement spend of R5,8 billion was spent on black suppliers. Expenditure with black-owned businesses increased from F2010 by more than 60% and expenditure with black women-owned businesses by more than 70%.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Identify and develop small and medium black-owned and black women-owned enterprises.	Achieve the Construction Charter objectives in the medium to long term.	Expenditure with black-owned businesses increased by more than 60% and expenditure with black women-owned businesses by more than 70%.
Targets have been set for the next year for each of the measurement principles. This will continue to facilitate and promote the preferential procurement strategy.	Ensure that we achieve not only the objectives of the Construction Charter, but also a competitive supplier base which supports quality, safety and environmental requirements of the group.	The set targets were exceeded in each area.

Looking forward

Key focus areas for F2012	Desired results
Stretch targets focusing on the Construction Sector Charter Scorecard final targets, which will be applicable to us in F2013.	At least 10% growth in the use of empowered enterprises
Identify black women-owned enterprises which can be developed.	At least 20% growth in the use of black women-owned enterprises
Develop processes to facilitate the management of valid BBBEE certificates.	Automate the process of retrieving and archiving empowerment certificates which require annual renewal

OPERATIONAL OVERVIEW FROM THE GROUP HUMAN RESOURCES DIRECTOR CONTINUED

Enterprise development

Our inaugural enterprise development programme in 2006 was driven almost exclusively by the group's corporate office. Our focus this year was on maturing these relationships at a business unit level and ensuring that the various management teams take full ownership and accountability for their partnerships.

We managed to achieve 100% of the BBBEE scorecard requirements for enterprise development during our last BBBEE audit in September 2010.

During the year, we entered into two additional formal enterprise development partnerships, which brings the total number of partnerships to nine. With a further two contract-specific partnerships, we have 11 partnerships, which is in line with management's target of engaging with 12 partners by F2012.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Continue building sustainable systems and capacity in our existing seven partners.	To prepare our enterprise development partners for growth by ensuring that they have robust management systems in place.	We continued mentoring our enterprise development partners. Positive feedback was received from our partners on the programme to date.
Increase the number of enterprise development partners to 12 over the next two financial years.	Each business unit to have at least one enterprise development partner to increase our capacity to participate in BBBEE compliant bids, while also reducing our dependence on traditional joint venture partners.	We currently have nine formal enterprise development agreements, with an additional two contract-based agreements.
Offer management development to our enterprise development partners through: **– Exposure to leadership programmes through the Group Five Academy** **– Exposure to the Group Five performance management programme** **– Increased participation in the formal management development programmes offered by the Academy**	Develop sustainable management capacity within enterprise development partners.	Attendance of management development programmes at the Group Five Academy by employees from our enterprise development partners increased during the year.
Offer joint venture contracting opportunities, as these are the most efficient way to transfer practical skills when working with our partners.	Facilitate growth of our partners without risk of over-trading.	All of our partners were engaged in either a joint venture or sub-contract with Group Five business units during the year.
Where financial assistance is provided, an uncompromising reporting regime, together with risk identification, mitigation and remedial actions, will be required.	Ensure no undue exposure to Group Five in terms of non-payment.	Financial assistance granted to the enterprises this year was reviewed by the executive committee. Business unit operational management monitors the enterprise partners' financial management every month.

Looking forward

Key focus areas for F2012	Desired results
Identify and enter into at least three more formal enterprise development relationships which comply with the group's risk selection process during the course of the new financial year.	Increase the formal enterprise development relationships to 12 by the end of F2012
Identify opportunities to provide the required enterprise development support in line with the Construction Charter and with the Group Five risk protocol.	Meet our scorecard requirements without exposing the group to undue risk
Accelerate managerial competency within our enterprise development partners through continued exposure to the various leadership development programmes offered by the Academy.	Develop sustainable management capacity within our partners

Socio-economic development

The biggest socio-economic development (SED) spend continues to be on empowering people with knowledge and skills to create independence. During the year, 53% of the SED budget was spent on education and skills development programmes in various communities around South Africa.

Economic development and entrepreneurship programmes represented 9% of the spend. These programmes assist communities to become self reliant. This was well below our 35% target due to a concentration on the skills development and social grant aspects of the SED strategy. This will receive renewed focus in the new financial year.

Due to economic challenges in South Africa, the group received a significant increase in applications for emergency social grants. The group decided to temporarily veer from its long term SED strategy to provide urgent, short term relief to a number of charities. The group also launched an employee assistance programme alongside its HIV/Aids programme. Both programmes are funded as social spend under the SED programme. This led to 38% of our total SED spent on social grants compared to the 10% target.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Continue to develop local community skills and capacity and partner with local government, traditional leaders and other community leaders to ensure effective implementation of our SED initiatives.	Local government employees and community leaders who are able to assist in sustaining SED initiatives.	Significant in-roads were made in forging links with various communities. However, more focus is still required to result in skills transfer and sustainability of community support programmes.
Manage programmes efficiently, which will involve instituting regular reporting and monitoring systems of our SED programmes.	Efficient internal implementation and monitoring processes of all the group and business unit SED initiatives.	Each business unit submits quarterly reports on their SED participation and spend. The impact in terms of programmes is reported on and monitored at the board SED committee.
Communication of Group Five's community initiatives to various stakeholders.	Stakeholder awareness of Group Five's active role in community development.	Although we made a concerted effort this year to promote our SED initiatives through information programmes, most of our key stakeholders are still not aware of our initiatives.

Looking forward

Key focus areas for F2012	Desired results
Identify and implement entrepreneurial projects which will empower target communities with skills and resources to sustain themselves.	Create economic opportunities in target communities which will assist in reducing poverty and unemployment
Efficient management of current SED initiatives though technology support tools and regular monitoring to ensure containment of costs within the allocated budget.	Improved planning and accuracy of information to assist in monitoring and evaluation of SED programmes and their impact
Ongoing engagement, capacity building and effective monitoring of selected key beneficiaries.	Improved community engagement and self-reliance
Refocus business unit programmes to align with the agreed focus areas and targets and to ensure the effective proportional spend in line with each focus area.	Proportional spend within the set parameters, with a particular focus on achieving the 35% economic development target spend

OPERATIONAL REVIEWS

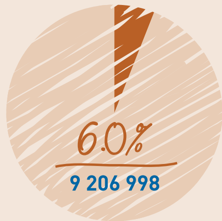
Group structure

Contribution to group revenue (R'000)

Investments and Concessions

Infrastructure Concessions

Property Developments



554 659
Investments and Concessions

Manufacturing

Fibre Cement

Steel

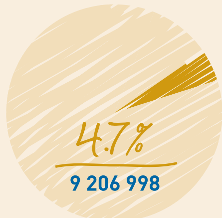
867 523
Manufacturing

Construction Materials

Sand and aggregates

Readymix and extenders

Mining crushing services



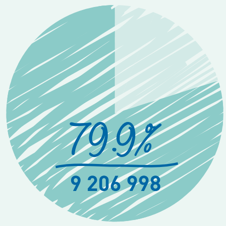
434 233
Construction Materials

Construction

Building and Housing

Civil Engineering

Engineering*



7 350 583
Construction

***Engineering and Construction (E+C)**

As previously communicated, the group's strategy is to establish E+C as a fifth cluster within the group. However, market conditions have slowed the intended growth plan of this business. For F2011 the unit remained managed and reported as part of the Engineering segment.

E+C allows the group to grow by moving up the hierarchy of infrastructure delivery to take on design, build and engineering procurement and construction (EPC).

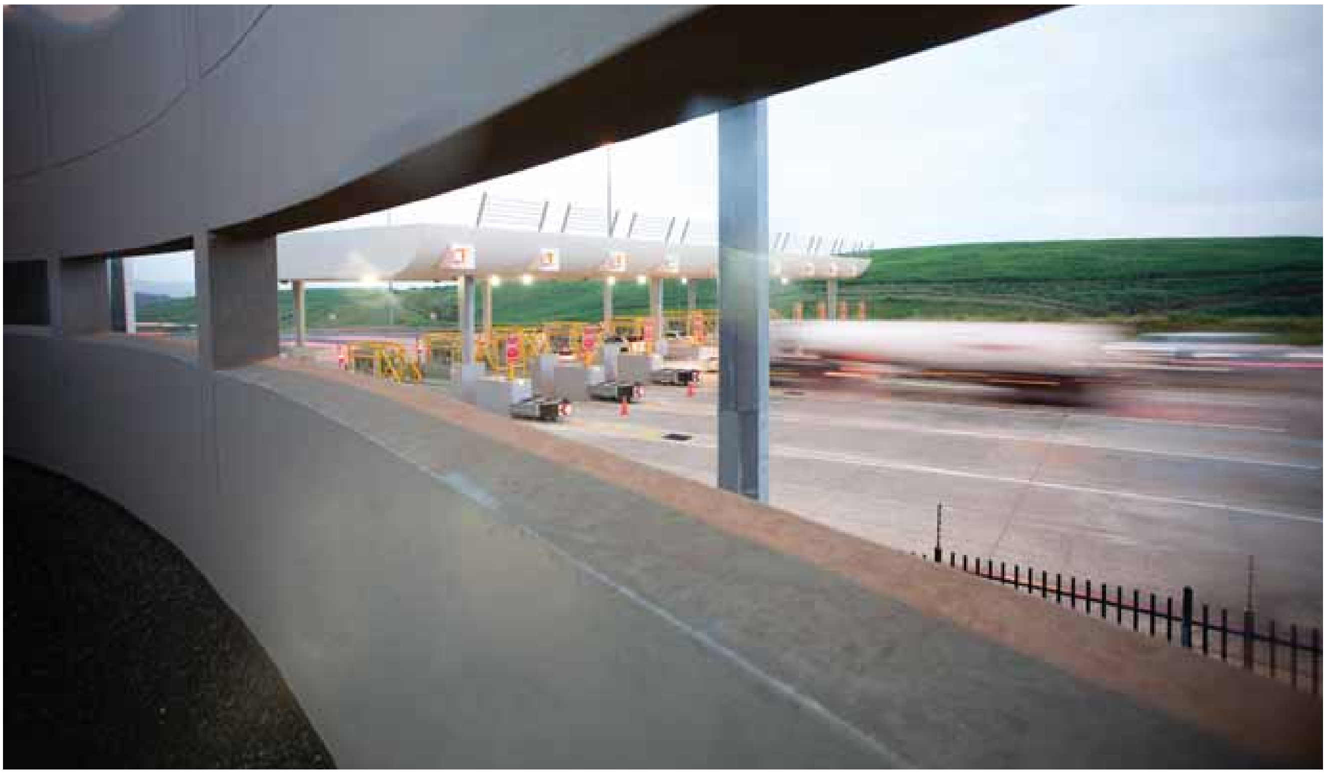
For comparative purposes we provide both the group's total operating margin and the core operating margin in the operational reviews. The core margin is net of all the non-core transactions of pension fund surpluses and deficits, fair value adjustments, impairments etc. Commentary is therefore provided against the core margin, as we believe this is the pure operational margin as reflected in our annual financial statements' segmental report.

OPERATIONAL REVIEW – INVESTMENTS AND CONCESSIONS

Investments and Concessions comprises Infrastructure Concessions and Property Developments.

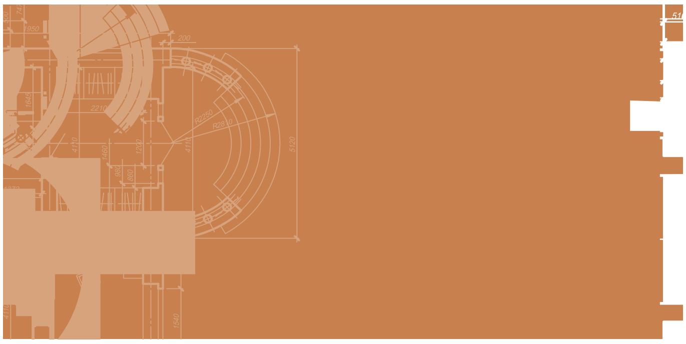
Eric Vemer

Investments and Concessions contributed 6.0% (2010: 5.2%) to group revenue and 12.1% (2010: 8.5%) to group total operating profit.



Infrastructure Concessions

R million	F2011	F2010
Revenue	523	557
Total operating profit	73	86
Core operating profit	73	84
Core operating margin (%)	14	15
Fair value profit	33	14
Investments	253	224
Employees (pax)	1 453	1 308



Infrastructure Concessions contributed 5.7% (2010: 4.9%) to group revenue and 14.6% (2010: 9.8%) to group total operating profit.

The group currently has active concessions in the transport sector under the **Intertoll** brand. The group is developing additional concessions in the power and public real estate sector and is targeting the water sector. This report therefore discusses the **broader concessions** market and focus, as well as the specific **transport concessions** portfolio of Intertoll.

Market review

Concessions

While South Africa still leads the private public partnerships (PPPs) market in Africa, our exposure to countries such as Uganda, Kenya, Mauritius, Zambia, Botswana, Ghana and Zimbabwe highlights the growing trend in Africa to pursue PPPs as a vehicle for delivery of infrastructure.

Across the continent, different forms of PPPs are being considered as a mechanism to provide roads, water, electricity, public buildings and other services. The political will to initiate contracts and fast-track the process wherever feasible is also present. However, as there is a development period associated with new markets, and while the opportunities mature, increasing demands are placed on our limited available resources to assist our clients and partners to put in place the regulatory, commercial and financial frameworks which will ultimately allow these contracts to be brought to an implementation stage.

Although PPPs remain confirmed as imperative in South Africa, subsequent to the 2010 FIFA World Cup, market activity has been very slow, both in finalising existing contracts and in bringing new contracts to market. For example, in the health sector, where five major hospitals were identified by the government as PPPs in 2009, the procurement process has yet to start on any of these, notwithstanding the urgency to improve hospital conditions.

In Eastern Europe, for both financial and political reasons, there was a reduction in the number of new PPP contracts in our targeted transport and power markets.

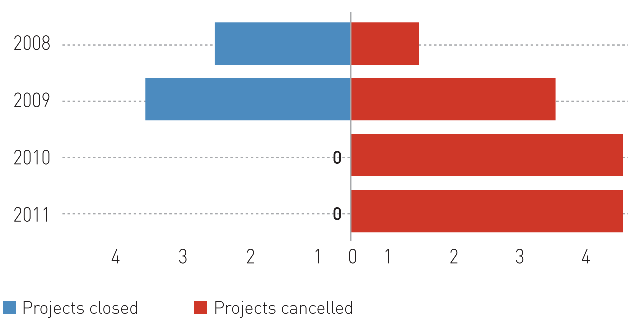
Market review

Transport

Central and Eastern Europe

As a result of the aftermath of the global financial crisis and political developments during calendar 2010/11, Intertoll Europe's traditional market of developing and operating PPP motorway infrastructure concessions in the Central and Eastern European (CEE) region remains depressed with no improvement in market conditions now realistically forecast until calendar 2012/13. The graphic below illustrates this trend with no PPP infrastructure concession motorway contracts in the region achieving financial close during 2010 and none forecast to achieve close in 2011.

Number of projects closed and cancelled – Central and Eastern Europe



OPERATIONAL REVIEW – INFRASTRUCTURE CONCESSIONS CONTINUED

However, budgetary constraints and a future reduction of available funding from the European Union for motorway construction are forecast to result in a reversal of this trend. Poland is expected to lead this change and is scheduled to come to market with at least three contracts by 2013. Other countries within the CEE are expected to follow.

A number of countries, including Slovenia, Bulgaria and Hungary, are scheduled to come to market with electronic toll collection (ETC) truck tolling contracts within the next two to three years.

Intertoll Europe continues with a strong order book and, due to forecasting the depressed market conditions in its earlier business plan, it has pursued alternative markets. These include the upgrade of motorways to tolling standards in Balkan countries and undertaking sub-contracts for tolling operations. One such contract was secured in April 2011.

Africa

The second phase of comprehensive toll road operations and maintenance (CTROM) re-tenders in South Africa was completed in May 2011. Intertoll Africa was successful in securing the N2 North (KwaZulu-Natal), N1 South (Gauteng/Free State) and N4 West Magalies (Gauteng) contracts. The Mariannhill toll plaza (N3, KwaZulu-Natal), Tsitsikamma route (N2, Eastern Cape) and N2 South (KwaZulu-Natal) CTROMs are expected to be re-tendered from calendar 2012.

The N1 – N2 Winelands toll road situated in the Western Cape and the Wild Coast toll road situated in KwaZulu-Natal/Eastern Cape remain focus contracts for the business. New operating contracts are also at an early stage of development in our targeted countries of West and East Africa and Mauritius.

In addition to the above, a partnership with the Zimbabwean National Roads Administration (ZINARA) was secured. Through this PPP, a loan in excess of $200 million was secured for Zimbabwe from the Development Bank of Southern Africa to fund the rehabilitation of the major routes from Plumtree to Harare and Harare to Mutare. Group Five will lead the construction works (valued at R1,4 billion) while engaging closely with local contractors and suppliers. In addition, Intertoll will manage the toll collection and operations on these routes.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Concessions		
The group's strategy is to progressively expand its concessions portfolio in transport, power, water and real estate. **Momentum of concession and PPP contract awards is expected to increase over the next two years.**	The team is conservatively optimistic about securing a number of material awards in F2011.	Group Five submitted 13 responses to requests for proposals (RFPs) in the past two years which have provided a spread of contracts in different stages of maturity. Evaluation delays were experienced, although there is now a positive indication that evaluations will proceed in the year ahead.
Development of independent power projects (IPPs) in South Africa and Eastern Europe.	A key challenge in South Africa is the clarification of the regulatory framework required to implement bankable purchase and operating contracts.	The South African IPP and renewable energy market has been delayed due to a lack of clarity on regulations and tariffs. The group is developing two IPP power contracts in South Africa and Eastern Europe.
The South African government has identified the health sector as a priority focus for the development of PPP contracts.	Group Five is well placed through the solid consortia we have formed for this sector.	Hospital contracts are now anticipated to be tendered in calendar 2012.
South African public building PPPs.	The group's concessions knowledge and its construction capabilities are expected to position the group competitively.	There have been several process and adjudication delays. As disclosed on the South African national PPP unit contract list, Group Five-led consortia were awarded preferred bidder status on two contracts.
Demand for water-related contracts is expected to increase over the next few years, in particular at municipal level.	A key challenge for water markets in Africa is a clarification of the regulatory framework required to implement bankable purchase and operating contracts.	Water contracts have been slow to market, although two contracts are being considered in the Southern African Development Community (SADC) region.

Key focus areas	Desired results	Status
Transport		
Intertoll Europe		
Secure the Polish electronic truck toll contract.	Successful award after pre-qualifying in April 2010. Tender submitted by August 2010.	Our consortium withdrew from the tender process along with a number of others due to unrealistic timeframes and unacceptable risks in the contract documentation. The contract was awarded to a European company in November 2010.
Position for the next major PPP infrastructure contract to be targeted by Intertoll Europe.	Successful positioning when contract comes out, scheduled for the first quarter of F2011.	We are well positioned and involved in the process of the upcoming PPP infrastructure contracts in Poland. A strong consortium was created to tender for these contracts. However, the tender process was delayed by the Polish government by 12 months.
Secure government support for concessions contracts post elections in Slovakia.	Succeed in closing the D1 contract during F2011.	The new coalition government cancelled all PPPs which had not yet achieved financial close in the third and fourth quarters of F2011. This included both D1 concessions. Our consortium was the preferred bidder on one of these.
Intertoll Africa		
Secure a concessions contract for Intertoll Africa.	Target N1 – N2 Winelands as a priority.	Our consortium was selected as one of two bidders to submit best and final offers (BAFOs). Final offers are due at the end of July 2011.
Continue to improve our BBBEE rating.	Achieve Level 2 status.	Level 2 status achieved. Ongoing activities to maintain and enhance this position.
Grow the Intertoll Africa business over-border.	Secure a confirmed position on at least one African contract.	Long term operating contract in Zimbabwe signed. New contracts being targeted in West and East Africa and Mauritius.
Position Intertoll Africa effectively for the CTROM contract re-tenders.	Selected as a winning bidder on CTROM contract re-tenders.	Successfully secured the N2 North (KwaZulu-Natal), N1 South (Gauteng/Free State) and N4 West Magalies (Gauteng). Targeting further CTROM re-tenders in South Africa during calendar 2012.

OPERATIONAL REVIEW – INFRASTRUCTURE CONCESSIONS CONTINUED

Financial overview

	Year ended 30 June 2011	Year ended 30 June 2010
Revenue (R'000)	522 870	557 227
Total operating margin (%)	14.0	15.4
Core operating margin (%)	14.0	15.1

The segment delivered pleasing results in the year under review despite the government's cancellation of the D1 (Slovakia) project, which was a focus contract at the time of setting F2011 forecasts. The strong performance was mainly as a result of an acceleration of the A1 Phase 2 (Poland) project roll out programme and mild European winter conditions.

Revenue, which consists primarily of fees for the operations and maintenance of toll roads, decreased by 6% from R557,2 million to R522,9 million. Despite this, the core operating profit margin decreased only slightly from 15% to 14%, with core operating profit of R73,2 million (2010: R84,0 million). In addition, the segment also recorded fair value upward adjustments of R33,2 million (2010: R13,5 million) on its investments in its Eastern Europe concessions businesses.

Material issues within the business and how these have been managed

Concessions

Adoption of the PPP model

Although the benefits of PPP models are accepted across the world, delays in contract delivery in emerging economies occurred due to a lack of sound regulatory arrangements, with political issues also negatively impacting PPPs in Europe.

Against these challenges, Group Five is well positioned, has the tolerance and long term strategy to tender on and innovatively tackle the major PPP opportunities currently underway or anticipated in our target geographies of South Africa, the rest of Africa and Eastern Europe and in our core target sectors of renewable energy contracts, power plants, new building and hospital contracts and major toll motorways.

Effective human capital management

Our targeted contracts require substantial teams to prepare the technical, environmental, legal and financial submissions. Unforeseen delays continue to be experienced in the rollout of these contracts, particularly in relation to public sector matters. A key challenge for Infrastructure Concessions is therefore to manage our resources efficiently within the context of delays which severely influence the optimal allocation of our limited skilled resources.

By targeting selected contracts with the highest probability of implementation, we have managed to build a portfolio of contracts in various sectors and at various stages within their lifecycle to optimise the opportunity cost of allocated resources.

Geographic and sector spread and focus

The business has qualified and submitted, or is in the process of reviewing, proposals for PPPs in a number of African countries, including Uganda, Kenya, Ghana, Mozambique, Mauritius, Zambia, Namibia and Zimbabwe.

The contracts, as well as their regulatory framework, are unique to each country and sector and require a particular approach in each case. Our established risk management system allows us to manage these potential risks.

Transport

European politics

The last two years have produced a change in political affiliations with nationalistic political parties being voted into power in a number of CEE countries. These political parties have campaigned against foreign domination of certain markets with PPP concessions being one of the areas perceived to be in the domain of foreign players and financial institutions.

This has been particularly evident in Hungary (where three of Intertoll's major contracts are located), Slovakia (which resulted in the cancellation of all contracts in the PPP motorway programme which had not achieved financial close by the third quarter of 2010) and the Czech Republic (which had planned four motorway PPP concessions and was a target area for Intertoll).

To limit risk, Intertoll has been cooperating with our concessions partners to ensure that our performance as concessionaire and operator is beyond reproach.

Diversification

Over the last two years, Intertoll has been cautiously diversifying its business activities and scope to mitigate the risk of adverse developments in specific markets or countries.

The diversification approach has been threefold:

- **Geographic**
  While South Africa and the European Union (EU) still constitute the preferred operating regions, increased emphasis has been placed on investigating new countries, particularly Mauritius, Zimbabwe, Zambia, Ghana, Kenya, the Balkans (Macedonia, Kosovo and Bosnia), Turkey and certain of the Commonwealth of Independent States (CIS) countries.

  The business was successful in securing a significant new long term operating contract in Zimbabwe as a result of these activities.
- **Scope of services**
  In addition to the core road concession business, Intertoll has been actively investigating alternative projects related to our current business. These include the tolling of existing motorways where this is financially viable for countries outside the European Union.

  Tolling sub-contracts, such as those incorporated into the Polish electronic toll collection (ETC) truck toll contract, are also being pursued. Intertoll was successful with the first of these after securing the manual toll operating project for a 100 kilometre section of the Konin-Strykow motorway in Poland.
- **Tolling technology**
  Investigations continue into the viability of developing our own tolling systems. Work has successfully commenced on the development and testing of our own manual toll collection system in South Africa.

Partnering

The currently depressed market conditions in the core European PPP market could potentially create a risk to Intertoll's preferred partner status with many of the major construction companies due to new market strategies being adopted by other tolling industry players. This risk is being mitigated through continued interaction with our partners and by constantly adding value to their activities.

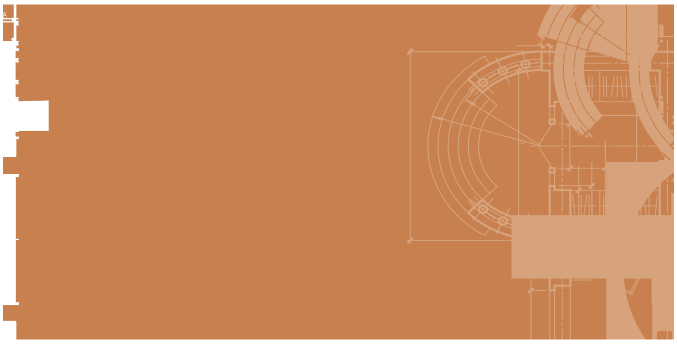
Key achievements

- In South Africa, two major concession projects were adjudicated and preferred bidder status conferred. During the year, the Group Five-led consortia were selected as the winner on both the new headquarters for the Department of Land Reform and Rural Development and the new City of Tshwane municipal offices
- The Group Five consortium was selected as one of the two final bidders to submit best and final offers for the R10 billion N1 – N2 Winelands toll road concession in the Western Cape
- Intertoll Africa secured a new long term operating contract in Zimbabwe for operations and maintenance of the national toll road network on behalf of the Zimbabwean National Road Administration (Zinara). In addition, Intertoll Africa secured a new eight-year operating contract for the N1 South (Johannesburg to Bloemfontein) toll road route in South Africa
- Intertoll Europe successfully continued with the timeous roll out of the second phase of the A1 concession in Poland, with a target date for opening of January 2012. The business also successfully secured a three-year operating contract for a section of the manual tolling system component of the Polish national electronic truck toll system
- In Europe, we are well advanced with putting together a PPP for a gas-fired 115 MW power plant in Bulgaria

Looking forward

Key focus areas for F2012	Desired results
Concessions	
Secure at least two concessions.	Finalise negotiations and obtain financial close on at least two contracts in F2012
Tender on no less than two major PPP requests for proposals.	Submit tenders on at least Mauritius Port Louis bypass toll road, Kalahari Concentrated Solar Project and Baragwanath Hospital
Reduce development costs.	Manage and develop strategic relationships with selected partners, consultants and advisors and optimise resource allocation between contracts, teams and countries
Ensure a geographic spread of contracts.	Continue to develop the contracts being pursued in Eastern Europe, while also developing new PPP opportunities in southern, East and West Africa in line with the group's strategy
Transport	
Intertoll Europe	
Phase 2 of the A1 project in Poland.	Achieve an efficient on-time and on-budget opening in the second quarter of F2012
Electronic toll collection (ETC) development in Poland.	Conclude negotiations with Gdansk Transport Company and the client to award full implementation of the ETC operation of the A1 to Intertoll
New project development in Poland.	Conclude a consortium agreement with preferred partners for new PPP projects, secure pre-qualification and position the consortium as a potential preferred bidder
Manual tolling sub-contracts in Poland.	Commence on-time and on-budget tolling operations of the secured A2 tolling sub-contract and secure at least one additional sub-contract on acceptable commercial terms
Intertoll Africa	
New project roll out in Zimbabwe.	Focus execution resources on implementation of a new long term operating contract in Zimbabwe, with commencement of operations targeted for the first quarter of F2012
N1 – N2 Winelands toll road concession, South Africa.	Secure this concession with our partners, including the long term operations and maintenance and tolling equipment supply contracts
Tolling upgrades and operations.	Pursue possible opportunities in the Balkans and position Intertoll to secure one if these proceed
Truck toll ETC projects.	Position Intertoll to be part of a consortium with preferred partners and a significant contender for ETC projects in our target geographies
Tolling technology platform.	Become an integrated toll system supplier and operator through selective proprietary technology development, acquisition and key industry strategic alliances

Property Developments



R million	F2011	F2010
Revenue	32	35
Total operating loss	(13)	(11)
Core operating loss	(11)	(8)
Core operating margin (%)	–	–
Fair value profit	16	–
Developments in progress	67	73
Employees (pax)	7	8

This segment contributed 0.3% (2010: 0.3%) to group revenue. As it suffered a loss, it did not contribute to group total operating profit in either the current or prior year.

Property Developments develops, owns and services A-grade property assets in South Africa. It focuses on the commercial, industrial and retail markets and selected developments in the residential market.

Market review

Property Developments operates in the South African market. The property sector in South Africa continued to encounter adverse market and operating conditions. Stringent regulations imposed on financial institutions to reserve capital have impeded their ability to fund developments. This often prevents developers from receiving the necessary funding for developments.

In addition, vacancy rates remain high, resulting in lower rental yields. Interest rates are set to increase towards the end of the 2011 calendar year, with the outlook for the sector to remain depressed for the immediate term. The only sectors showing some growth are the affordable housing sector and the retail sector where vacancies are on the decline.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Exit remaining residential portfolio assets in a commercially attractive and sound manner.	To be completed by December 2010.	Positive progress achieved to date, although we have not fully divested of the portfolio as we are committed to realising optimal value. This remains a priority.
Assist with securing tenants across all real estate sectors on Waterfall Farm.	Construction to commence on the Waterfall Farm by January 2011 with the intention of leveraging the construction and materials supply arm of the group.	Construction has commenced. During the period under review, a decision was taken at shareholder level to exit our equity participation for value in line with group returns. We continue leveraging construction and material opportunities.
Secure and conclude three new significant deals during F2011.	Convert acquisitions into development with fee generation and profitability.	Successfully achieved, with Crystal Park, South African Property Opportunities (SAPRO) and Oxford Road concluded. Both SAPRO and Crystal Park are fee-earning transactions.
Commence with construction on the newly-signed Crystal Park affordable housing contract.	To commence construction by the second quarter of calendar 2011.	Infrastructure works are now officially underway, with top structure construction due to commence in August 2011.
Commence construction on one of our located land sites in the Sandton central business district.	To commence construction in the first quarter of calendar 2011.	Due to adverse market conditions, this development will most likely be delayed until F2013.

Financial overview

	Year ended 30 June 2011	Year ended 30 June 2010
Revenue (R'000)	31 789	34 644
Total operating margin (%)	(40.3)	(30.9)
Core operating margin (%)	(33.2)	(23.2)

Property Developments' performance remained in line with expectations as the segment continued to progress its strategy of disinvestment from the residential sector in favour of securing A-grade commercial and retail property development positions in South Africa.

Therefore, as anticipated, Property Developments' revenue decreased by 8% from R34,6 million in F2010 to R31,8 million. The business incurred a core operating loss for the year of R10,6 million (2010: R8,0 million). The segment also recorded fair value upward adjustments of R15,7 million (2010: Rnil). The largest portion of this fair value related to the group's investment in property developments. On 1 November 2008 the group acquired a 15% interest in the Waterfall Development Company (WDC). During the current year, the group disposed of its interest, which resulted in a fair value upward adjustment of R13,3 million and net proceeds of R133,3 million.

Material issues within the business and how these have been managed

Securing income-earning contracts

In October 2010 the group secured the role of investment manager of an offshore listed property fund. The fund, South African Property Opportunities (SAPRO), is invested in a mixed portfolio of assets in South Africa. The total market value of these assets was externally valued at approximately R1,4 billion at December 2010.

Our role as investment manager is to ensure a return to shareholders through managed development and sale of the asset portfolio. Selected assets will be fully developed, whilst others will be made available for sale once the salient rights and zonings are achieved in line with market cycles.

Group Five is remunerated on a monthly basis and has specific incentives linked to returns for SAPRO shareholders.

In addition, the team worked closely with the Group Five Motlekar social and affordable housing joint venture to facilitate the structuring of the Crystal Park affordable housing contract in Gauteng. Construction of a 50 unit show house complex on the site is now underway. Developments to date have been positive, with marketing initiatives due to start shortly. Property Developments will earn a development fee, whilst the construction revenue will be reported through Building and Housing.

Positioning for core future development contracts

During the year, a prime located land parcel in the Melrose area in Johannesburg was secured. With zoning rights anticipated to be obtained before the end of F2012, and with the ability to develop up to 65 000 square metres of bulk on the site in a phased approach, this project contributes significantly to our portfolio of land holding for long term development and ownership.

During the year, it was decided to divest of our equity in 114 West in Sandton. Although we invested in line with our strategy of long term investment, market conditions led to the partners changing the terms of the investment to an individual office sale scheme, which does not offer long term returns. Our decision to divest provided upfront returns and additional headroom to secure further opportunities in the short term.

Realising value from our Waterfall Farm investment

While construction has officially commenced at the Waterfall Farm in Gauteng, the overall development continues to mature at a slower than anticipated basis.

A decision was taken by all the shareholders of the Waterfall Development company to formally exit its equity participation in the Atterbury fund, the developers of the Waterfall Farm. This generated a fair value profit of R13,3 million.

Our preferred construction position for all infrastructure and top structure works as well as specific material supply on the contract remains intact.

OPERATIONAL REVIEW – PROPERTY DEVELOPMENTS CONTINUED

Project conversion to development and/or sale

The conversion of land assets into above-ground developments continues to be a challenge. We remain focused on achieving this as and when key tenants can be identified and engaged on a long term basis. Our assets are situated in prime locations and remain ungeared.

The divestment of our existing residential portfolio has also taken longer than anticipated. This was largely due to the group's strategy of maximising value during the current negative cycle. To achieve returns during this cycle while sales at appropriate returns have not been possible, the group has rented its units on hand. Tenancy levels remain high, with revenues matching expenses.

Property market cycle

Careful and considered management of the downside risks in the real estate sector has played a vital part in achieving the reported results.

With interest rates set to rise towards the end of calendar year 2011 and with an expected slow and protracted recovery, management will continue to focus on managing its portfolio transition strategy through the downturn to preserve current asset values. With a diversified portfolio of fee-generating work, combined with a longer term equity positioning, the segment is positioned for profit growth in the longer term.

Key achievements

- We secured the role of investment manager of an offshore listed property fund, South African Property Opportunities (SAPRO)
- A prime located land parcel in the Melrose area in Johannesburg was secured
- Construction on Crystal Park affordable housing project was started earlier than anticipated with the construction of a 50 unit show house complex

Looking forward

Key focus areas for F2012	Desired results
Exit remaining residential portfolio assets in a commercially attractive and sound manner.	Dispose of assets at the highest value possible while taking cognisance of current tenant levels and market recovery
Secure and conclude three new significant deals for the segment during F2012.	Convert land acquisitions into development fee generation and profitability to match vacancy decline in line with a gradual market recovery
Manage assets effectively and return target value for SAPRO shareholders through progression of zoning rights and through sale of certain identified assets.	Achieve target hurdles by December 2011 and progress planning and zoning processes to satisfaction of client
Rightsize team through expansion to realise and effectively manage secured and pipeline opportunities.	Grow team through additional resourcing in parallel with secured opportunities to maximise value for the group

OPERATIONAL REVIEW – MANUFACTURING

R million	F2011	F2010
Revenue	868	866
Total operating profit	26	87
Core operating profit	26	82
Core operating margin (%)	3	10
PP&E*	160	163
Capital expenditure	32	23
Employees (pax)	1 175	1 166

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

John Wallace

Manufacturing contributed 9.4% (2010: 7.6%) to group revenue and 5.2% (2010: 9.9%) to group total operating profit.

Fibre Cement manufactures a range of fibre cement roofing and cladding products which are used in residential and industrial building applications.

Steel manufactures a range of steel products which are used in applications within the construction industry, as well as spiral-welded steel pipes used for bulk water transfer schemes.

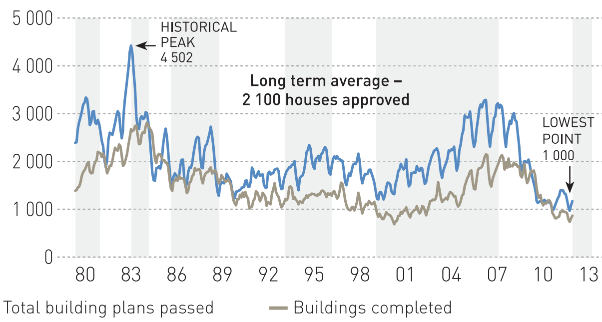
Market review

Fibre Cement

The South African market has remained particularly challenging throughout the financial year as the joint forces of one of the deepest building recessions on record and a continued tightness in bank credit drove volumes and pricing down.

Everite's core market is in the residential sector, which is in one of its most severe downturns (as can be seen from the graph on the right). As building plans passed is a leading indicator of future activity, the expectation is that the residential market will remain subdued for at least the next six to 12 months. The number of buildings completed (larger than 80 m²) is at its lowest point in the past 31 years. The trend for building plans passed, which indicates future activity, is also at a low.

Building plans passed and buildings completed – number of houses larger than 80 m² (three-month moving average)

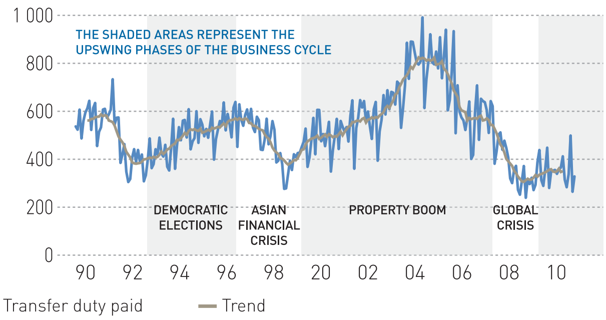


Source: Statistics SA; MFA database.

OPERATIONAL REVIEW – MANUFACTURING CONTINUED

However, it does appear to indicate a bottoming of the decline. The graph below depicts transfer duty paid in constant inflation accounted terms and indicates that the combined effects of the National Credit Act and the global financial meltdown coincided to drive activity in the building market to its lowest point in two decades.

Transfer duty paid in real terms (R million at constant 2010 prices)



Source: Deeds office; Treasury; SARB; MFA database.

Everite also serves the public sector by providing roofing material for low-cost housing and complete modular structures for transitional and temporary solutions for government. Although this sector is less affected by the market downturn, government has missed its committed housing delivery targets, which impacted the number of houses delivered.

The construction downturn has also left the industry with significant over-capacity, which has resulted in pressure on pricing and the potential of business failures and market consolidation.

Market review

Steel

The Steel business unit also suffered from volume and margin pressure which was compounded by the reinforcing steel shortage created by issues at Mittal's Newcastle plant. The shortfall is only expected to be recovered by August 2011. In the interim, many players were forced to import steel to prevent operational delays on construction sites. Steel pricing climbed steadily during the second half of F2011, reflecting the global economic demand and the supply imbalance in South Africa.

The combined impact of reduced activity, price erosion due to Rand strength, growing import competition and an oversupply of locally manufactured products created the perfect storm within the manufacturing sector for building materials. Volumes and margins fell throughout the second semester as the sector attempted to survive through cost control and efficiency gains where possible.

Financial overview

	Year ended 30 June 2011	Year ended 30 June 2010
Revenue (R'000)	867 523	866 221
Total operating margin (%)	3.0	10.0
Core operating margin (%)	3.0	9.5

The cluster produced disappointing results in a market where both private and public sector conditions remained weak.

Revenue remained unchanged at R867,5 million (2010: R866,2 million). The reported core operating profit for the year of R26,3 million was materially lower than the prior year of R82,3 million. This resulted in a core operating margin of 3.0% (2010: 9.5%).

The Fibre Cement business unit achieved reasonable returns by establishing alternative income streams, whilst removing costs within the traditional business model. In the year under review, further progress was made in developing the group's Advanced Building Technologies (ABT) product offering into the housing and building market. This is set to become a significant source of off-take volumes for the Fibre Cement business.

Group Five Pipe benefited from increasing – although still erratic – demand for bulk water transport systems. The group's Structural Steel business unit suffered from low volumes, increasing steel prices and poor results on one contract, which materially affected the cluster's performance.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Fibre Cement/ABT		
Continue to implement process improvements within the Fibre Cement plant, as efficiency gains will be a pre-requisite to maintain margins.	Reduce the cost of production, thereby lowering the breakeven point for the business to ensure margin retention.	Good progress across all factory disciplines led to meaningful cost savings and efficiency gains. This focus area continues to receive attention due to the constant pressure on margins.
Develop ABT market to include focused private market opportunities in South Africa and the rest of Africa for mining and building contracts.	Shed the dependence on pure public sector contract delivery, as well as increase the overall returns from ABT.	Received the required approvals for our permanent structures and progressed to marketing the new offering.
Service excellence through using our developed supply chain model to better serve the fragmented building merchant market.	Protect Fibre Cement from growing import volumes due to the continued strength of the Rand.	We have one of the better service records with our highly fragmented client base and have achieved our "cost to serve" targets.
New product development to create alternative products and structures.	To maintain returns as traditional volumes remain depressed and to position the businesses for growth as the economic recovery takes hold.	We developed a new export range of products specific to country needs, with some early success. We also have a number of new developments in the planning stage.
Seek additional technology partnerships.	Grow our suite of ABT structures, as well as improve current processes to increase overall returns.	We have very successfully developed new international partnerships in Asia, Australia and South America.
Steel		
Improved factory and process controls (physical and ERP upgrades).	Reduced cost of conversion and greater factory recoveries.	Achieved success within BRI and Group Five Pipe, but have struggled with the complexity of three business streams in Structural Steel with reduced market activity impacting economies of scale.
Improved steel procurement practices through optimising hedging opportunities.	Optimised stockholding (while cognisant of working capital levels) in a dynamic pricing environment to protect from margin erosion when steel prices fall and to maximise returns when prices rise.	Reinforcing volumes have grown, which allowed volume leveraging on price where possible. However, the market steel shortage negated many of our efforts as steel had to be imported at short notice.
Develop and grow external client focus based on success of inter-group supply.	Grow business unit volumes and returns due to improving economies of scale as we evolve from an internal transfer pricing model to generating acceptable commercial returns through both internal and external supply.	Work was secured externally. However, excess supply of reinforcing and structural steel led to margins coming under extreme pressure, which negated the expected gains from volume growth.
Grow and develop the mesh business into new market segments.	Further develop the commodity range of products offered, which generates a more predictable return to a pure rebar business.	We acquired additional highly automated capacity and will commission the new equipment in the first quarter of F2012. This will enable entry into a counter-cyclical industry.
Improve health and safety in each business unit.	Achieve group targets.	Disabling injury frequency rate (DIFR) improved across the cluster.

OPERATIONAL REVIEW – MANUFACTURING CONTINUED

Material issues within the business and how these have been managed

Rand strength continued to erode margins

The Rand remained stubbornly strong during the year, with a relative strengthening of around 11%. This was compounded by our internal cost inflation, high wage demands, excessive electricity increases and a cement industry intent on recovering volume declines through price increases.

The challenge to the South African manufacturing industry is to remove cost through efficiency gains and technology improvements in an attempt to compete with import competition. We have mostly succeeded in maintaining our market share, although new importers continually attempt to gain or grow their market share. Strategically, we have continued to improve our service offering and product quality to ensure that price is not the key driver for securing material. We hold strategic stock and have the ability to supply complex orders to any distributor within three days.

Rand/US Dollar – June 2004 to June 2011 (daily average)

Source: SARB; MFA database.

Equipment upgrades as market conditions vary

Our plant capacity of certain products at our Fibre Cement business Everite was under pressure during the year as the demand for flat products grew, while profiled roofing products diminished.

As the factory was built many decades ago, we started to upgrade our factory from 2006 with our first complete new line built. We are progressively upgrading all the factory equipment with internal skills.

Over the past four years, we have improved the output of our flat sheet machines to ensure we have quick change capabilities to manufacture the lower volume range of fibre cement products. In the first quarter of F2012, we will complete an upgrade on our first multi-use machine. This will further reduce complexity and the cost of manufacture at Everite.

New competitors enter the market

During the financial year, a new Chinese competitor entered the South African fibre cement manufacturing market and an over-border competitor introduced non-asbestos technology in an attempt to penetrate the South African market.

To counter the possible impact of this, Everite introduced a highly competitive export-orientated product range to further increase its base outside of South Africa in neighbouring markets. Early indications are positive, with repeat orders having been secured and growth in exports. The business is also focusing on its quality of service to further entrench brand loyalty around our range of products.

The steel pipe market also experienced a new entrant within the spiral weld sector. The impact has been fairly immediate, with tender margins being eroded. However, we are securing good orders with our product differentiators, such as pipe design capability and several coating and lining alternatives.

Within the reinforcing and fabricated steel markets, business failure in the industry is more prevalent as margins and volumes continue to fall. We will be downsizing our business where necessary.

Waste reduction to limit environmental damage and improve returns

The technology team has focused on the closure of the historic waste dump at our Klipriver site. As volumes of waste have been steadily falling, we are now in a position to close and rehabilitate the dump. Our focus on waste minimisation through our operations over the last eight years has resulted in a decrease in the cost of waste treatment, with the resultant decrease in the cost of production. With the dump closure and rehabilitation, the very last of the asbestos legacies at Everite will be finalised.

Troublesome contract in Steel business unit

The Steel business' operating performance was adversely impacted by a poor contract where significant once-off non-recoverable costs were incurred on one contract. Structural changes to mitigate a future occurrence were put in place.

Key achievements

- ✓ We acquired a new, highly automated, mesh manufacturing line within the BRI steel business unit which will be commissioned early in F2012 and will enable the business to enter an exciting and growing counter-cyclical market to reduce its dependence on the highly cyclical construction market
- ✓ We upgraded our coating capability at Group Five Pipe, which has made us market leaders in this particular process
- ✓ During the year, the Advanced Building Technologies (ABT) temporary unit product offering was improved, with a new permanent structure introduced. The business is delivering on its two-pronged strategy of growing the demand for fibre cement volumes and creating good returns to shareholders. The sales team is focusing on developing the product for application in the private sector and has developed the structure to support this drive

Looking forward

Key focus areas for F2012	Desired results
Fibre Cement/ABT	
Develop and grow the Fibre Cement export market into sub-Saharan Africa as local competition intensifies and erodes local volumes.	Increase volumes as local market remains weak to ensure optimal factory recoveries
Further develop the ABT business within export and private markets to grow returns from the unit and to increase off-take of Fibre Cement products.	With the technology well proven and product quality ensured, we expect to grow returns from this business unit
Create greater market penetration with newly-developed Fibre Cement products.	Market growth will create greater economies of scale through the manufacturing process, resulting in improved manufacturing recovery and margins
Steel	
Reposition our Steel business to generate improved returns as the current trading conditions and margins remain unattractive.	Initially shrink the business to balance market volumes to installed capacity to create acceptable returns in recessionary markets Review the business to ensure an optimal structure

OPERATIONAL REVIEW – CONSTRUCTION MATERIALS

R million	F2011	F2010
Revenue	434	492
Total operating (loss)/profit	(68)	20
Core operating (loss)/profit	(68)	18
Core operating margin (%)	–	4
PP&E*	575	1 175
Capital expenditure	16	42
Employees (pax)	557	804

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

John Wallace

Construction Materials contributed 4.7% (2010: 4.3%) to group revenue. As it suffered a loss, it did not contribute to group total operating profit in the current year.

Construction Materials consists of a number of business units which produce sand and aggregates, readymix and extenders, and mining crushing services.

Market review

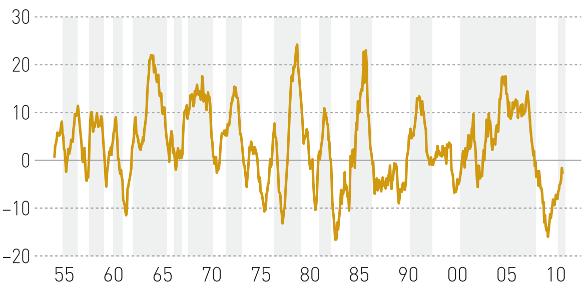
Aggregates and readymix

The markets for both aggregates and readymix were extremely trying in F2011. The economic slowdown was aggressively felt, as these businesses typically do not have a large geographic reach due to their low selling prices and high cost of transport. The excess market capacity which was installed leading up to the peak of the super construction cycle in 2007 is mostly still in place. This exacerbated the already pressured volumes and margins as there is an over-supply of material and resources due to a depressed construction market.

As outlined at interim results time, the incidences of dump rock entering the market continues to increase, with mining companies selling off their dumps mostly through tender bidding. Most recently our East Rand market was impacted by the sale of the Pamodzi dumps to crushing operators. The legislation defining these activities as mining remains unclear and many of these players slip under the radar of the onerous mining legislation. This continues to hamper both pricing and available market.

The graph below demonstrates that the cement industry, which is a relatively good gauge of activity in the construction materials market, is currently going through the deepest recession in the past 57 years. Although cement can be profitably distributed countrywide from a few strategically located plants, aggregates and readymix are only distributed regionally. These markets have therefore been more negatively impacted.

Cement sales annual percentage change 1952 to 2010 – six-month moving average (annual percentage change)



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

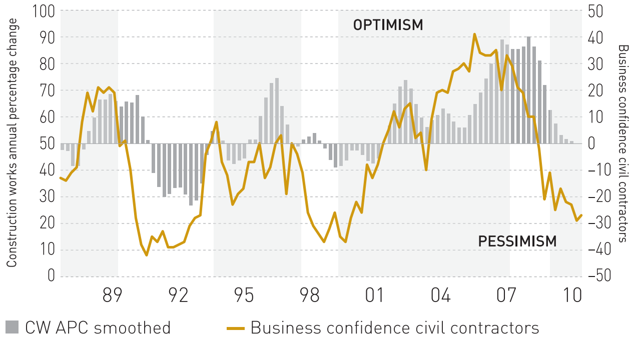
A large portion of our material finds its way into the civils market, which is also experiencing a severe market downturn on the back of the large infrastructure contracts which are now being concluded. There were also only a few sizeable awards during the year. The graph on the right illustrates how confidence levels have plummeted in the civils sector, coupled with the significant fall in actual construction works. This has dragged the entire supply chain for this sector down, including both aggregates and readymix.

Market review

Mining crushing services

The mining crushing services business continues to provide opportunities to employ under-utilised crushing and mining assets during the downturn. However, this market is also suffering from low margins due to companies pricing at lower levels in an attempt to prevent their equipment from standing idle. As such, the tender activity around each contract has increased with more players looking for work and debasing margins. Clients appreciate the over-supply of equipment and the overall market conditions and contracts are therefore typically short term in nature with tough performance targets.

Business confidence civil engineering contractors and construction works annual percentage change (smoothed)



Source: BER; SAFCEC; SARB; MFA database.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Aggregates and readymix		
Further consolidate and rationalise plant within our fixed quarries.	Implement the correct plant in terms of market requirement and cost base.	Plant has been relocated and aligned to the current market demand. Where possible, plant was disposed of or moved to group construction contracts through our plant business.
Further re-engineer and reduce cost within all business units.	Ensure a cash earnings contribution throughout the downturn and position the business for when volumes recover.	Good progress made as plant is returned to original equipment specifications and process flows are de-constrained. This increased product throughput. Quarry yields were also improved to match product output to market requirements. Structurally, costs were removed throughout the cluster as well as significantly reducing central overheads.
Improve its service offering as a differentiator outside of price.	Maintain – and possibly grow – volumes in a declining price environment, without eroding pricing.	Some success was achieved in offering a higher specification product at elevated returns. However, the general decline in market conditions severely undermined gains.
Develop sustainable mine plans for our operations, while taking cognisance of reducing activities.	Ensure appropriate and commercially viable mining and dump recovery in all our fixed quarries.	Mine plans were revisited and quarry shaping and the accessing of ore addressed in line with agreed objectives.
Mining crushing services		
Further develop mine service contracting opportunities within South Africa and over-border.	Improve overall returns and keep assets employed during the downturn to mitigate carrying value impairments.	Three contracts reached the end of their contract period, with one new contract secured. We are looking at contract extensions on one of our haul contracts to fully recover our investment in plant.

OPERATIONAL REVIEW – CONSTRUCTION MATERIALS CONTINUED

Financial overview

	Year ended 30 June 2011	Year ended 30 June 2010
Revenue (R'000)	434 233	491 860
Total operating margin (%)	(15.7)	4.1
Core operating margin (%)	(15.7)	3.6

The cluster experienced a particularly tough trading year, with volumes and prices depressed by the slow roll out of public infrastructure and current recessionary pressures in the residential property market.

In spite of aggressive cost reduction and process improvement measures taken, Construction Materials had to deal with the worst downturn for decades in the aggregates and readymix market.

A core operating loss of R68,2 million in F2011 against a core operating profit of R17,6 million in F2010 was reported, resulting in negative margins compared to the prior year's core operating margin of 3.6%.

During the year, the cluster was re-engineered and rightsized to survive the downturn and to create improved returns when the market recovers. Structural, management and operational changes were implemented and a detailed market validation and asset verification and valuation exercise undertaken. As outlined at interim time, an impairment of R550,5 million was effected. Refer to page 91 for more information.

During the last six months, process costs were reduced and efficiencies gained to limit the margin impact from depressed volumes and prices. A gradual recovery is expected over the next 12 to 18 months.

Material issues within the business and how these have been managed

The quality of fixed plant at quarries not conducive to achieving performance targets

The plant uptime in the first quarter of F2011 was particularly poor, with frequent breakdowns which negatively impacted our ability to serve a market already severely diminished by the construction downturn. During the second and third quarters, repairs and maintenance and plant rebuilds were undertaken to bring the equipment back to original specification. The number of plants was also reduced in line with the decimated market. This allowed the business to improve returns and plant uptime in the fourth quarter.

Further cost reduction by reducing overhead structure

The business was historically structured for volumes significantly above what the current recessionary markets provide. We have therefore had to restructure activities to create a more efficient business without affecting outputs. We are in the process of building a shared services structure across our Manufacturing and Construction Materials segments with one finance director overseeing both. We have also decentralised the mine site structures and resources to improve site administration and technical controls.

Reduce balance sheet gearing and interest cost

The cluster was highly geared at the end of the construction super cycle, with excess plant on lease, resulting in related interest costs. The model going forward will change to one where operating cash will be used to settle plant and equipment leases wherever possible to reduce gearing in a rising interest rate market. The focus is on positioning the business for the next upturn with as lean a balance sheet as possible.

Reposition mining crushing services business

We have identified the importance of obtaining crushing contracts earlier in prospective mine builds to ensure an entrenched position at a mine start up with good client relationships at the time of the mine commissioning. In line with this, we are working closely with our Engineering cluster due to their regular involvement at a mine's build stage. Similarly, we will work with our Civil Engineering cluster to secure contract crushing opportunities within the many new civils opportunities in road building, dams and other large contracts. Group Five will restructure mining crushing services in the new financial year for improved opportunities within our target markets.

Dump recovery redefining the aggregates market

The environmental pressure to rehabilitate several rock waste dumps in Gauteng is gaining momentum and will see the market change over the next five to ten years. A number of tenders are being adjudicated for waste rock recycling at a cost significantly below the cost of drill blast and haul within a typical stone quarry. Group Five is aware of these threats and opportunities and is working in a focused manner to protect our market and to grow our crushing business.

Key achievements

- Improved plant uptime – the primary and secondary crushing equipment was realigned to original specification, resulting in greater material output at reduced costs
- Risk of additional impairments was limited by reducing the quarry breakeven volumes through restructuring and cost minimisation within the drastically reduced volumes of the current recessionary market
- Building a flexible and mobile operating structure within the readymix division which has enabled a smaller team to move from plant to plant as market volumes dictate. This reduced the overall operating cost and the division's breakeven point

Looking forward

Key focus areas for F2012	Desired results
Bed down the new, refocused structure.	Complete outstanding appointments and settle the business at the reduced volumes. The shared services and decentralised strategy will result in further structural cost savings
Grow mining crushing services opportunities.	Fully employ any under-utilised assets and attempt to match contract life to plant availability. The restructured business will grow and develop new contracts and returns
Develop a more integrated offering.	Grow our asphalt business as a subset of our developing road building business and create a greater pull through from our existing quarries or mining crushing services opportunities
Evaluate structuring opportunities.	Aim to optimise shareholder returns through matching the operating and cost structure to the current market conditions. Evaluate any external approaches which seek to add value through merging or disposing current activities
Full Department of Mineral Resources (DMR) compliance throughout our mining operations.	All new order licences awarded and mining charter fully adopted

OPERATIONAL REVIEWS – CONSTRUCTION

Construction is the largest cluster in the group. It includes the business segments of Building and Housing, Civil Engineering and Engineering.

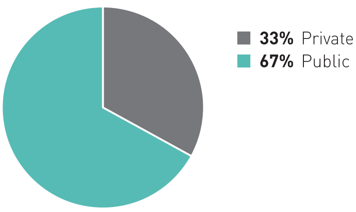
During the year, it contributed 79.9% (2010: 82.8%) to group revenue and 96.4% (2010: 79.3%) to group total operating profit.

Construction traded revenue and secured order book*

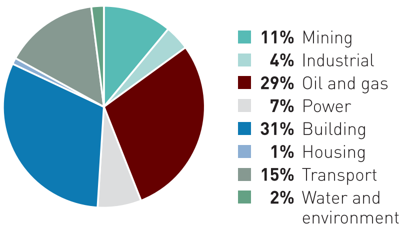
(R million)	Total	Building and Housing	Civil Engineering	Engineering
Year to 30 June 2010 (actual)	9 387	3 186	4 713	1 488
Percentage over-border	18	6	17	50
Year to 30 June 2011 (actual)	7 350	2 143	3 548	1 659
Percentage over-border	27	30	15	48
Year to 30 June 2012 (year order book)[1]	5 947	2 105	2 459	1 383
Percentage over-border	28	12	43	25
Full order book[2]	8 812	3 071	3 686	2 055
Percentage over-border	30	25	42	17

(1) Revenue to be executed in F2012 extracted from the group's full Construction secured order book.
(2) Revenue to be executed from 1 July 2011 based on secured Construction contracts only, ie the group's full Construction secured order book.*

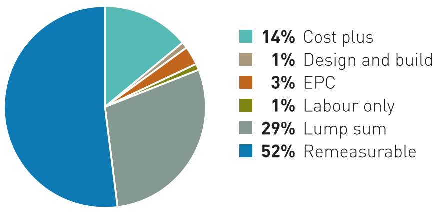
Private vs public Construction revenue
2011 – actual



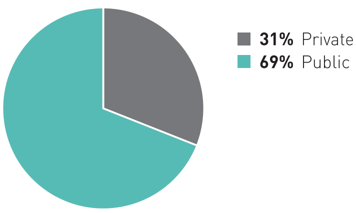
Construction revenue by sector
2011 – actual



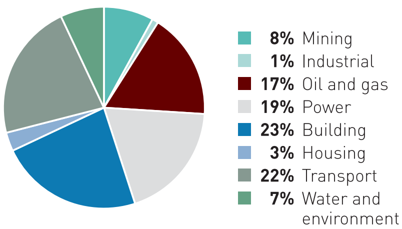
Construction revenue by contract type
2011 – actual



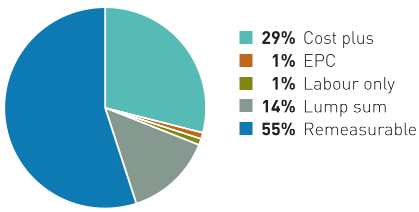
Full order book



Full order book



Full order book



** Construction secured order book is the total value of Construction contracts formally awarded to the group which must still be traded, ie secured work to be executed by the group. It reflects Construction work only and excludes the contribution from the group's other clusters.*

Building and Housing

R million	F2011	F2010
Revenue	2 143	3 186
Total operating profit	137	237
Core operating profit	137	220
Core operating margin (%)	6	7
Current assets	651	776
One-year order book*	2 105	2 598
Employees (pax)	2 003	1 794

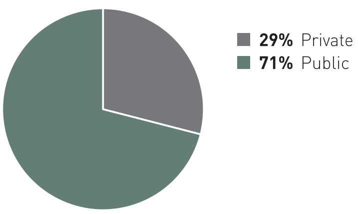
* *F2012 (F2011) secured order book.*

Paul le Sueur

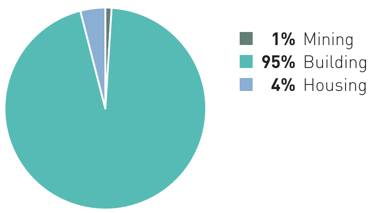
Building and Housing contributed 23.3% (2010: 28.1%) to group revenue and 27.4% (2010: 27.0%) to group total operating profit.

Building constructs a range of facilities, including public buildings and infrastructure, large, commercial and residential complexes, retail shopping centres and industrial premises. **Housing** is involved in the construction of large-scale residential and building contracts for the mining and industrial sectors, corporate and private/public sector housing developments and low-cost and affordable housing schemes.

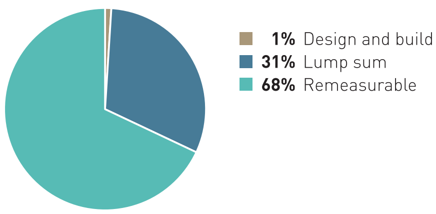
Private vs public Building and Housing revenue
2011 – actual



Building and Housing revenue by sector
2011 – actual



Building and Housing revenue by contract type
2011 – actual



OPERATIONAL REVIEW – BUILDING AND HOUSING CONTINUED

Market review

Public sector

As widely reported, the public sector spend in South Africa has been far slower than anticipated. Significant delays in the awarding of public private partnerships (PPPs) and conventional public sector tenders have been seen.

Against these challenges, Group Five was successful in securing contracts in the South African public sector market in different sectors. These include transportation contracts such as the Bus Rapid Transport and Integrated Rapid Transport contracts, hospitals, prisons, magistrates courts and affordable housing contracts.

Over-border, we have seen an increased spend in the public sector in Africa on real estate contracts, such as mixed-use developments through pension fund investments. We successfully secured retail and commercial building contracts with the government pension funds in Zambia. Although we are seeing increased competition over-border, we are comfortable that the group's experience in Africa and our established risk evaluation and management systems will enable us to compete effectively.

Private sector

The South African private building and housing market experienced a slowdown due to a lower uptake of tenancy in all segments of the market and far more stringent lending requirements from financial institutions. The revised ratio requirements of equity to debt in conjunction with enhanced pre-letting and sales percentages imposed on new developments have made project funding very challenging. Furthermore, there is increased competition and pressure on margins due to the excess construction industry capacity following the completion of large infrastructure contracts.

Our South African order book currently consists of a combination of retail developments, mine housing, industrial and commercial buildings and private hospitals. Although the over-border contribution to the order book is currently still low, our move into Africa during the year from a strong South African-only focus provides a solid start to further grow our international base. The quality contracts we have secured will enable us to increasingly diversify our geographic and sector income streams.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Integrate the KwaZulu-Natal and Western and Eastern Cape regions into one operating unit.	Enhanced economies of scale and a more competitive overhead structure.	The integration of our coastal business units into one business has enabled a more focused strategy in conjunction with enhanced economies of scale, flexibility of movement of resources between areas and a competitive overhead structure.
Pursue and secure PPP bids already submitted.	Secure at least two of the PPP bids submitted.	In collaboration with the group's Infrastructure Concessions segment, we were successful in our strategy in the buildings PPP market by achieving preferred bidder status on the Department of Land Reform's head office and the rebuilding of the Munitoria local municipality offices in Tshwane.
Expand our presence in over-border countries.	Ensure more geographic diversity, as spend has been particularly constrained in the South African market.	Strengthened and grew our position in Zambia and established our presence in Ghana and Nigeria.
Pursue and secure additional contract opportunities on the Waterfall Farm development in Gauteng.	Drive tenancy and feasibility pricing to secure additional tenancy for F2011.	Weak trading conditions in the commercial and industrial sectors due to lower tenant demand have delayed contracts. However, we have successfully completed a retail outlet and a new hospital as part of the Waterfall Farm development in Gauteng. We expect the rate of construction of new commercial buildings to increase during F2012.
Drive our own affordable breaking new ground (BNG) housing developments subsidised by government.	Break ground on two BNG opportunities in the first half of calendar 2011.	We anticipate starting construction of two BNG housing developments, the Waterfall Junction housing contract in Gauteng and the Lincoln Meade development in KwaZulu-Natal during F2012.
Deliver affordable housing contracts.	Partner with financial institutions, mining houses, fund managers and private land owners in affordable housing delivery, including bonded and rental stock.	Involved in affordable housing contracts in Benoni, consisting of over 4 000 bonded, rental and stand sales. The first units to be completed will be included in the order book for F2012.
Partner in the delivery of integrated BNG and rental stock developments.	Partner with provincial and local government and financial institutions.	Integrated development including bonded, rental and BNG units expected to start construction in the fourth quarter of calendar 2011. This consists of three large contracts in Vereeniging, Pretoria and Polokwane.
Strengthen multi-disciplinary capacity and skills by ensuring the appropriate mix of skills.	Secure more multi-disciplinary contracts.	Our team was strengthened in engineer, procure and construct (EPC) and design ability. This has positioned us strongly in this field of real estate development in Africa.
Ensure the most cost-effective overhead structure.	Increase our competitiveness in the current market.	Our overhead structure was reduced and streamlined in accordance with the downturn in the market. We achieved increased competitiveness without reducing levels of efficiency and service.

OPERATIONAL REVIEW – BUILDING AND HOUSING CONTINUED

Financial overview

	Year ended 30 June 2011	Year ended 30 June 2010
Revenue (R'000)	2 143 004	3 186 142
Total operating margin (%)	6.4	7.4
Core operating margin (%)	6.4	6.9

In spite of the private building sector remaining extremely weak, Building and Housing managed to mitigate this impact through the contribution from certain public sector contracts, as well as a focus on over-border opportunities, improved execution and supply chain savings.

Building and Housing revenue decreased from R3,2 billion (94% local) to R2,1 billion (70% local). Core operating profit declined by 38% from R220,0 million to R136,9 million, resulting in the overall core operating margin percentage decreasing from 6.9% to 6.4%. Although the margin declined, it is still at strong levels due to the completion of large contracts, as well as timeously and successfully focusing on securing new over-border and domestic contracts in public buildings and the educational and private healthcare sectors.

The secured one-year order book stands at R2,1 billion (88% local) (2010: R2,6 billion and 78% local) and secured work at R3,1 billion (75% local) (2010: R3,5 billion (77% local)).

Material issues within the business and how these have been managed

Increased competition

The downturn in the Building and Housing market and excess construction capacity in the sector resulted in a dramatic increase in the level of competitiveness in the local market, with certain players accepting contracts at extremely low or negative operating margins to keep resources busy. We have instead focused our bidding strategy on securing contracts with higher barriers to entry. These include PPP opportunities and our re-entry into Africa. In the South African market, we continue to add value to our clients through innovative construction solutions focusing on cost improvement rather than reduced margins, ensuring both parties benefit.

Manage supply chain risk

A downturn in our sector leads to an increase in the potential for inferior delivery standards in our supply chain as suppliers need to reduce costs to remain competitive. This can lead to reduced quality and increased performance failure. The risk to the group is further exacerbated where sub-contractors are unable to secure performance bonds due to tight credit markets.

It is therefore critical to ensure from pre-contract and inception stage that strict risk procedures are adhered to. Our established systems and processes allowed us to manage risks in this regard. Post appointment, the quality and depth of expertise within our management and supervisors continued to ensure that contracts were delivered on time and within budget.

Manage risk in over-border countries

In an effort to offset the downturn in South Africa and following the completion of the 2010 FIFA World Cup programme where key resources were repatriated back to South Africa, we have re-directed our business towards re-entering the rest of Africa, while retaining a strong South African base.

Our return to over-border work provides us with increased access to contracts with enhanced returns. As over-border work often carries more risk, we have focused on adhering to the principles of our country risk procedures and ensuring the effective establishment of our structures, systems and resourcing. The strategy has been successful, with our operations in Zambia excelling from a contract execution perspective and our business development initiatives leading to three additional contracts in the country. In West Africa, our Building and Housing brand has been built in both Ghana and Nigeria. We have secured our first contract in Abuja in Nigeria and are in financial close on various appointments in both countries. It is anticipated that our African strategy will start to bear fruit in F2012.

Optimise opportunities in South Africa's rural areas

Although there was a reduction in new contract opportunities in South African cities in both the private and public sectors, we have seen improved opportunities in rural areas. To capitalise on this, we have:

- Redesigned and improved our systems to ensure early information in respect of planned contracts
- Used our mobile resources which have the ability and expertise to operate and execute logistically challenging contracts in rural areas. This has allowed us to access improved opportunities in an extended local market

EPC and design-to-deliver construction

One of our strengths in the current market is our growing expertise in engineer, procure and construct (EPC) and design-to-deliver construction. This has positioned us well, particularly in supporting the group's position in the private public partnerships (PPPs) market. In line with this, we were declared as preferred bidder on two PPP contracts.

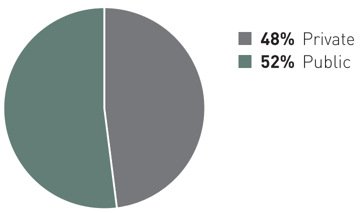
Key achievements

- Together with the Infrastructure Concessions segment, we achieved preferred bidder status on the Department of Land Reform's head office and the rebuilding of the Munitoria local municipality offices in Tshwane
- We strengthened and grew our African base through an expanded position in Zambia and establishing a presence in Ghana and Nigeria
- We were awarded a number of affordable housing contracts
- We improved our offering in engineer, procure and construct (EPC) and design ability, which positions us well as strong market players in Africa

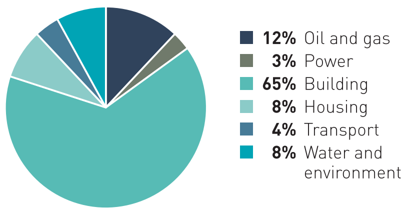
Looking forward

Key focus areas for F2012	Desired results
Progress the Department of Land Reform and Munitoria PPP contracts from preferred bidder status to financial close.	Achieve financial close and commence construction
Continue with our expanded growth into West Africa.	Further enhance our presence in the region by commencing construction on our awarded contracts, achieving financial close on opportunities within our immediate pipeline and securing further opportunities
Pursue and secure additional contract opportunities on the Waterfall Farm development.	Convert existing enquiries into contracts and ensure an increase in construction activity on the development
Drive our BNG housing developments.	Finalise the outstanding development issues on both the Waterfall Junction and Lincoln Meade Housing Developments and commence with construction prior to the end of the 2011 calendar year
Drive our integrated housing contracts.	Finalise the outstanding development issues to start the Cape Town and Vereeniging contracts in the fourth quarter of calendar 2011

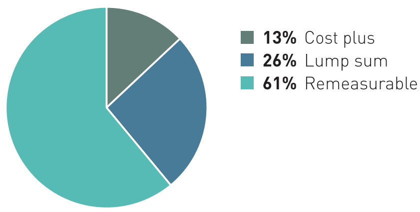
Private vs public Building and Housing revenue
Total order book



Building and Housing revenue by sector
Total order book



Building and Housing revenue by contract type
Total order book



Civil Engineering

R million	F2011	F2010
Revenue	3 548	4 713
Total operating profit	232	311
Core operating profit	232	290
Core operating margin (%)	7	6
Current assets	1 649	2 009
One-year order book*	2 459	3 035
Employees (pax)	3 577	5 575

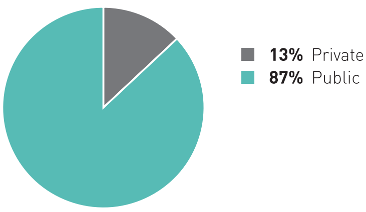
* *F2012 (F2011) secured order book.*

Andrew McJannet

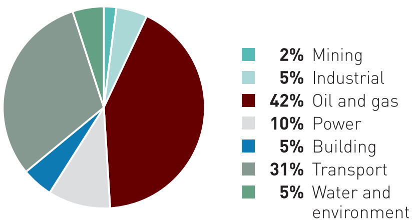
Civil Engineering contributed 38.5% (2010: 41.6%) to group revenue and 46.5% (2010: 35.4%) to group total operating profit.

Civil Engineering undertakes a broad range of contracts for both private and public clients in heavy civils, large concrete structures, mining and industrial infrastructure, roads, rail and earthworks and marine civils and pipelines.

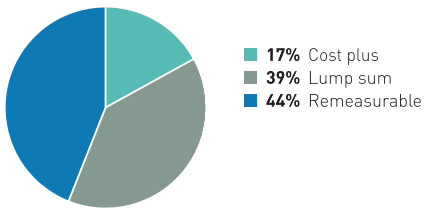
Private vs public Civil Engineering revenue
2011 – actual



Civil Engineering revenue by sector
2011 – actual



Civil Engineering revenue by contract type
2011 – actual



Market review

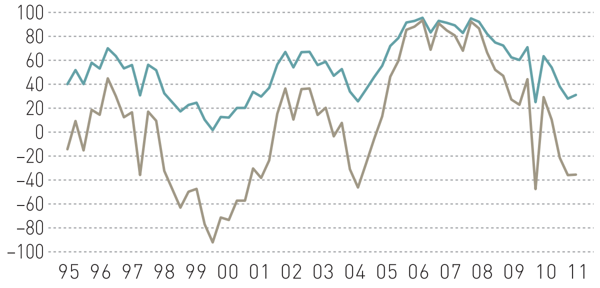
South Africa

In South Africa, expenditure in the public sector was underpinned by some of the major infrastructure contracts which were awarded in previous financial years. These include Eskom power station contracts, the Gauteng Freeway Improvement Project (GFIP) and the Transnet multi-fuel pipeline.

Although the Trans Caledon Tunnel Authority has launched a series of major water storage and transportation contracts, the overall quantity and size of contracts this year was much lower than in recent years. Public spending levels have reduced and are expected to remain at lower levels in the short term. Power, transport and water will continue to be the main areas of expenditure, mostly at a national level.

In the private sector, the main spend has been in the mining and industrial sectors. The need to improve South Africa's power generation capacity is providing impetus to expanding coal mining capacity, where some large contracts are being carried out which require civil infrastructure works. In the industrial sector, companies such as Sasol proceeded with further expansion contracts which also involve civil works. The private power market, although much needed, has been slow to develop. Unless the contract is essentially a captive power plant intended to supply most of its power to the owner, the agreement on the sale of power to the national utility Eskom is fundamental to the success of the contract. Few contracts have been successful to date.

State of order books (per quarter)



Source: SAFCEC.

Rest of Africa and Indian Ocean Islands

In the rest of Africa, although several opportunities are becoming available for partnership with government on major contracts (mostly road and rail), these are very slow to mature. Funding and the subsequent recovery of debt will be key to the success of these contracts. Mauritius is the exception, as there has been a number of public road and airport upgrade contracts awarded in the last year, with further significant contracts currently under adjudication. In the water sector, a number of major dam contracts are being developed, some with hydro-electric capacity. These should commence over the next few years.

The key private spend in other African countries continues to be on mining contracts, which are now rolling out again. Although some of these contracts are influenced by concerns over access to funding and political stability, many will proceed as planned. A potential source of activity is the possibility of long term PPP concessions for road and rail developments.

Middle East

Based on our strategy of regional diversification in the Middle East and North Africa (MENA), we are focusing on new infrastructure contracts in the United Arab Emirates (UAE), Jordan, Qatar and Saudi Arabia, whilst attending to commercial and financial close out on old and cancelled contracts in Dubai.

The market in the UAE has been slow to recover from the downturn and remains very competitive. New contract focus has not been in Dubai, but has moved to the Abu Dhabi region.

Saudi Arabia provides an attractive market for the group as the infrastructure programme is extensive.

Qatar is undergoing large-scale development which will provide long term construction opportunities.

Despite being a small market, we continue to pursue opportunities in Jordan, which will be targeted on a contract by contract basis in the infrastructure sector.

OPERATIONAL REVIEW – CIVIL ENGINEERING CONTINUED

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
South Africa		
Although spending might be slower than anticipated, we will continue to focus on tapping into the planned local expenditure, which will be led by power, water, roads, ports and harbours.	Certain spending areas, such as power and water, are crucial. Our track record of competence and delivery in these sectors positions us well for awards.	Award of public sector contracts continued to be slower than expected. Despite this, we have remained committed to procuring work in these sectors. Tender activity is increasing. We have recently secured a contract for the construction of the R600 million Spring Grove dam in KwaZulu-Natal.
We expect private sector spending to remain constrained, although we are seeing some large enquiries being issued for mining and petrochemical industries. These markets are aligned to our skills.	Regain market share in the recovering private sector markets.	We have procured a number of smaller contracts in mining and petrochemical industries whilst awaiting the larger contracts. We have seen some increase in tender activity.
Support the group's strategy to participate in private investment in electricity-generating capacity, such as captive power plants and the much-anticipated independent power producer (IPP) contracts.	With our recent successful commissioning of the Sasol gas turbine power plant, follow-on work in this sector is expected.	Institutional complexities and government delays have prevented the IPP contracts from finding traction. We remain well positioned to participate in the work in this sector.
Focus on supporting the Construction Materials and Manufacturing businesses of our group.	Adding to their secured order books for the year and increasing inter-group spend.	While we continue to source products and services from our internal supply chain, the reduction in our revenue has had a corresponding reduction in the amount of business we are able to procure internally.
Rest of Africa and Indian Ocean Islands		
Following a quiet period of mining developments and expansions, we are seeing budgets for contracts in numerous countries in Africa being placed for pricing.	Secure contracts based on our established geographic presence and experience in the mining sector.	We priced numerous budgets and several tenders for new mining contracts, but awards have not been finalised to date.
Driven by a recovery in mining and broadening economic activity, demand for infrastructure will be boosted further when contracts in water, power, roads and marine commence.	Broaden the target geographies and secure the kind of work where Civil Engineering has a proven competence in public infrastructure.	We are targeting several major contracts, the first of which has been secured through the Development Bank of South Africa (DBSA) for major road infrastructure in Zimbabwe. Large marine and water contracts were slow to materialise. On the power side, we bid for a contract in Kenya.
Middle East		
Continue to work with our partners in Dubai to successfully close out terminated contracts.	Finalise outstanding issues.	The two cancelled contracts' final values were concluded in the period and payment regimes are being negotiated.
Continue to develop the established relationships with General Electric and other key suppliers and partners.	Successfully develop joint power, water and transmission and distribution (T&D) opportunities.	The UAE market has been weak, but business in power, transmission and distribution and water opportunities will be developed further as we establish in more active markets.
Develop key relationships in the region with other international businesses.	Expand geographic footprint with partners in defined focus areas matched to our skills.	We have established new relationships in both Saudi Arabia and Qatar and continue to support our joint venture relationships in Jordan and the UAE.

Financial overview

	Year ended 30 June 2011	Year ended 30 June 2010
Revenue (R'000)	3 548 361	4 713 487
Total operating margin (%)	6.5	6.6
Core operating margin (%)	6.5	6.2

Revenue was 25% lower from R4,7 billion (83% local) to R3,5 billion (85% local), while core operating profit decreased by 20% to R231,9 million from R290,0 million. Very pleasingly, the core operating margin improved from 6.2% in the prior year to 6.5%.

The improvement was due to the successful execution and effective commercial management of large contracts in both the public and private sector despite additional costs incurred in rectifying a pipeline contract in Jordan. Although tendering activity is high and increasing, awards are still infrequent.

In the Middle East, the group remained conservative in its treatment of the cancelled contracts which continue to progress slowly to resolution. During the year, some cash flow commenced. Geographic expansion in the region is progressing, while taking due cognisance of the risk imposed by the recent political unrest in the region.

The secured one-year order book stands at R2,5 billion (57% local), compared to R3,0 billion (85% local) as at 30 June 2010. The full order book is at R3,7 billion (58% local) (2010: R3,8 billion (80% local)). This is the largest order book of our Construction businesses.

Material issues within the business and how these have been managed

Increased competition

The most material issue affecting the cluster is the increase in competitive bidding on most contracts, with the associated reduction in margins. The current levels of industry pricing are not sustainable, with many players offering lower prices to keep resources busy. As far as possible, we have preferred to adopt these measures as a last resort and to rather focus on more technical contracts and over-border work which still offer a reasonable, although reduced, return. Although this has been at the expense of revenue in the short term, we believe this is the more responsible option for the long term.

Contract delays

The industry suffers continually from delays in contract timeframes. The past year was no different. Many tenders were postponed and several contract awards were made later than planned. This impacts both the industry which anticipates a certain level of workload, as well as the preferred bidder who must hold resources in expectation of an award. As a business, we accommodate this by targeting more contracts than required and by adjusting the release of resources to suit anticipated late awards.

Return to Africa

The mining sector in Africa, which has formed the backbone of civil contracts in recent years, was not a significant portion of the group's Civil Engineering revenue this year. It is therefore important that this sector is rebuilt in the coming year. With the reduction in activity in South Africa, there has been a drive in the industry to seek work in Africa, including firms not familiar with the construction environment outside South Africa. This has led to a tightening of prices over-border. As the rest of Africa is known to have more difficult trading conditions, our challenge will be to develop adequate volumes of work without compromising margins. Our previous experience in the rest of Africa positions us well for this.

Successful close out of mega contracts

The successful close out of some of the group's mega contracts in South Africa which are due to be completed this calendar year is a key focus area. These include the Gauteng Freeway Improvement Project (GFIP) Package E contract, which is due for completion by November 2011 in line with the original programme. A portion of the contract is set to be finalised in time for the implementation of the planned Gauteng Open Road Tolling scheme. Another contract set for completion is the pipeline and pump station components of the Transnet New Multi Product Pipeline (NMPP) contract, due to be handed over in July and September 2011 respectively. The entire construction contract is to be completed by 2013.

Tough conditions in the Middle East

Resolving the legacy of completed and terminated contracts in Dubai has been a significant challenge and has required the application of additional resources to achieve timeous closure. We reached a settlement agreement on the terminated Dubai Police Force Accommodation (DPF) contract with the outstanding debt scheduled to be paid in terms of an agreed payment plan. Pleasing progress was made on the agreement of value on the group's second terminated contract and on the close out of all completed contracts in Dubai. The group is satisfied with its progress in this regard.

Over the course of the year, we had to supply additional unplanned resources to a pipeline contract in Jordan which was running behind schedule. The intervention was successful, although the additional cost was material and had to be expensed and might not be recovered.

Furthermore, due to contract cancellations and weak markets, the group had to deal with severe reductions in its order book and its revenue base. It continued to carry overhead costs in the year to address the timeous closure of the completed and cancelled contracts, which negatively impacted performance in F2011. However, even against these challenges, the Middle East countries continue to invest heavily in infrastructure and the group therefore maintains its strategy of responsibly expanding in the region.

OPERATIONAL REVIEW – CIVIL ENGINEERING CONTINUED

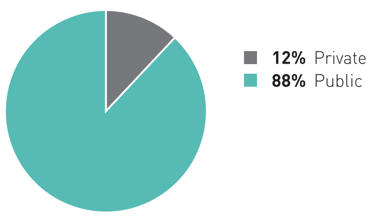
Key achievements

- ✔ Mega contract completions are advancing well and on track for successful handover. The pipeline and pump station components of Transnet's New Multi Products Pipeline is set to be handed over progressively from July 2011 through to 2012. The Gauteng Freeway Improvement Project (GFIP) Package E contract is due for completion in November 2011 in line with the original programme
- ✔ Securing a number of new contracts in target sectors, including the R600 million Spring Grove dam in KwaZulu-Natal, a R1,4 billion roads infrastructure contract in Zimbabwe and a number of smaller contracts in mining and petrochemical industries while waiting for both the public and private sectors to roll out planned contracts in the year ahead
- ✔ Reaching a settlement agreement on the terminated Dubai Police Force Accommodation (DPF) contract with the outstanding debt scheduled to be paid in terms of an agreed payment plan. Pleasing progress was made on the agreement of value on the group's second terminated contract and on the close out of all completed contracts in Dubai
- ✔ Establishing new relationships in both Saudi Arabia and Qatar and continued support from our joint venture relationship in Jordan

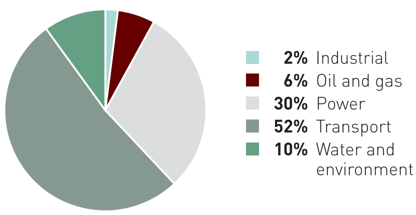
Looking forward

Key focus areas for F2012	Desired results
South Africa	
Following a year of contraction in the sector, a key focus will be to reverse the downward trend in revenue and to start rebuilding the order book.	Significant presence in the rest of Africa and capitalising on the expected growth in activity on the continent without losing capacity in the South African base
Successful completion of the remaining mega contracts, whilst adapting the business to suit a market which offers larger numbers of smaller contracts, with their associated challenges and differing levels of competition.	A more flexible business which is sustainable in an environment that consists of a wider range of contract size
Rest of Africa and Indian Ocean Islands	
Implement a new regional and product-based business development strategy, designed to further improve knowledge across geographies and the full suite of products.	An order book which is less reliant on South Africa and which reflects an expanded geographic footprint and covers more of the group's targeted sectors
Middle East	
Rebuild the Middle East order book in selected territories and sectors.	Secure risk and market-related positive margins and cash flow from a lower revenue and operating base within new territories
Continue to work with our partners in Dubai to successfully close out terminated contracts.	A satisfactory financial outcome to all outstanding contract-related issues
Develop our new business in Saudi Arabia.	Establish our brand in Saudi Arabia and secure our first contract with good returns and cash flows
Develop our new business in Qatar.	Further enhance the reputation we established on the first contract in Doha and secure cash enhancing and profitable contracts for the newly-established business

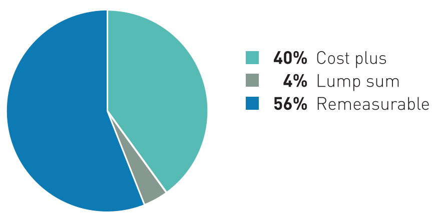
Private vs public Civil Engineering revenue
Total order book



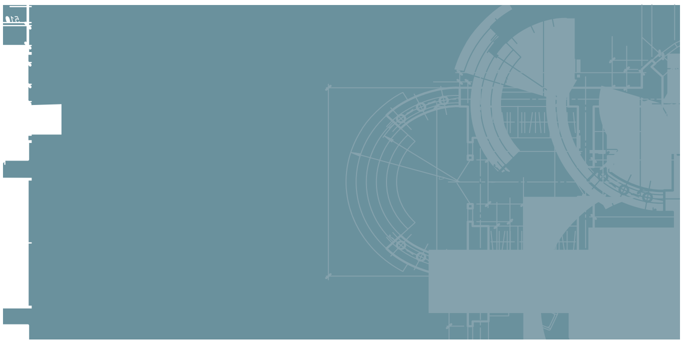
Civil Engineering revenue by sector
Total order book



Civil Engineering revenue by contract type
Total order book



Engineering



R million	F2011	F2010
Revenue	1 659	1 488
Total operating profit	112	148
Core operating margin	112	140
Core operating margin (%)	7	9
Current assets	460	581
One-year order book*	1 383	1 429
Employees (pax)	3 225	1 842

* *F2012 (F2011) secured order book.*

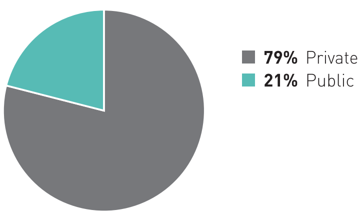
Willie Zeelie

Engineering contributed 18.0% (2010: 13.1%) to group revenue and 22.4% (2010: 16.8%) to group total operating profit.

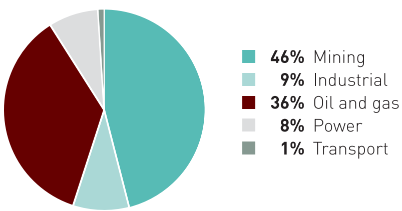
Engineering consists of Projects and Engineering and Construction (E+C). Projects is involved in structural, mechanical, electrical, instrumentation and piping (SMEIP) contracts. It is a total plant builder with a specific focus on the mining sector.

E+C is a developing engineer, procure and construct (EPC) business and is currently involved in power and oil and gas contracts, as well as operations and maintenance services. E+C offers 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.

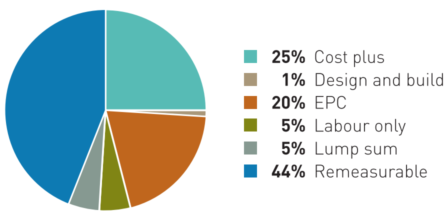
Private vs public Engineering revenue
2011 – actual



Engineering revenue by sector
2011 – actual



Engineering revenue by contract type
2011 – actual



OPERATIONAL REVIEW – ENGINEERING CONTINUED

As communicated previously, the group's strategy is to establish E+C as a fifth cluster of operations within the group. Market conditions have slowed the intended growth plan of this business. For F2011 the unit was therefore still managed and reported as part of the Engineering segment.

Market review

Projects

Projects is a structural, mechanical, electrical, instrumentation and piping (SMEIP) contractor which has traditionally operated within the sub-Saharan African private mining sector. However, in recent times, certain South African public sector work was undertaken for Transnet in the oil and gas sector. In the South African private sector, construction took place for a power plant for Sasol.

Tender activity within the South African public sector remained erratic, with occasional bids for Eskom's Kusile and Medupi power station contracts becoming available. The volatility is expected to continue, although we do expect an increase in private public partnership (PPP) power contracts.

The African mining sector remains our most active market. This is set to continue with the improvement in commodity prices which will fuel further development. We have successfully completed contracts in the Democratic Republic of Congo (DRC), Ghana, Mozambique and Burkina Faso in the year under review. With recent contract awards, we re-entered Namibia, Malawi and Tanzania.

Tender activity within the Zambian/DRC copper belts is at an all-time high and is expected to continue on the back of the favourable copper price. The gold price continues to drive the establishment of new mines, which extends across the African continent. The demand for coal is driving growth in a number of countries, with new contracts coming on stream and some at a planning stage, in particularly Mozambique. The West African iron ore market looks set to expand on the back of continued demand from India and China, with major contracts in the pipeline. The group is also tendering on contracts within the uranium, diamond, zinc and other base metals sectors.

During the year, we followed a focused strategy of re-entering the South African private market. We achieved this with a R330 million contract for Exxaro on the Grootegeluk coal mine expansion and a R30 million contract for Xstrata on their ATCOM mine. Going forward, we expect coal contracts to dominate the local mining market. In contrast, there was not much activity within the industrial sector during the year. The sector is expected to remain relatively slow for at least another 12 to 18 months.

Market review

Engineering and Construction

Engineering and Construction (E+C) focuses on building the capability to deliver turnkey solutions in South Africa, the rest of Africa, Middle East and Eastern Europe. Development of contracts associated with power, oil and gas and the water sectors are particularly evenly spread across local and international markets, with similar distribution between public and private prospects. The business' markets have slowed, with contract awards sporadic and difficult to forecast. However, looking forward, the pipeline of power, oil and gas and water contracts is growing.

In South Africa, the continued slow response by government to initiate and implement a framework to facilitate private and public investment into infrastructure contracts such as PPPs, IPPs and concessions is causing uncertainty and difficulty in planning and implementation. This apparent lack of urgency and direction has also caused international investors and technology suppliers to question their immediate role in the local markets.

In the rest of Africa, the public sector brings a different set of challenges. Although the framework for implementation of contracts is more effective, the complexity of the tender process, off-take agreements, increased competition and compliance processes result in very uncertain finalisation times. Several contracts therefore lose momentum, are cancelled or postponed.

Private sector contracts are more predictable, both in Africa as well as South Africa. Oil and gas contracts tend to be well supported, with clear requirements from the owners. Although these contracts are seldom of a turnkey nature, they remain complex and challenging. Definite growth is envisaged for refined products such as fuels, lubricants and chemicals, which is leading to the increased need for fuel storage capacity both in South Africa and Africa. New oil and gas finds in Uganda and southern Sudan will challenge the traditional African majors of Nigeria and Angola and will provide new growth opportunities for Group Five.

Growth in private power, as well as in captive power plants, is seen throughout South Africa and the rest of Africa. The shortage of power and constant interruptions of supply continues to impact production consistency and therefore profitability of mines, industries and enterprise in most developing countries.

The high price of distillate fuel continues to lead to owners questioning the cost-effectiveness of base load power and high speed diesel engines used as back up. Increased feasibility studies and enquiries therefore continue to be conducted on alternative forms of energy, such as biofuels, off-gas installations, liquid nitrogen gas (LNG) and natural gas. Although renewable energy like solar and wind are being investigated, it is a significant challenge for private power investors and captive power owners to secure debt for contracts of this nature. Lender finance availability is currently more controlled and harder to secure, although access to finance seems to be improving for renewable energy contracts.

Delivery

Find below how we delivered on our objectives outlined in our F2010 integrated report.

Key focus areas	Desired results	Status
Projects		
Further opportunities in new African and Middle East countries.	Secure new contracts in these regions.	Recent awards resulted in our re-entry into Namibia, Malawi and Tanzania. We were successful in accessing the coal mining market in Mozambique for the first time. We expect to enter the West African iron ore market within the near future. We are not actively pursuing contracts in the Middle East and North Africa due to the opportunities within the sub-Saharan mining sector.
Incorporate Electrical and Instrumentation (E&I) into Projects.	Through the new structure, ensure the successful roll out of an SMEIP service to our clients.	Re-integration of E&I was successful and added to our ability to execute a total SMEIP service to our clients.
Secure work within the South African power sector.	Secure new contracts within the sector.	We did not secure work on either of Eskom's Kusile or Medupi contracts. We are actively pursuing contracts within the gas-fired power market on the back of our successful track record.
Roll out an extensive materials tracking system.	Cost savings associated with loss, identification and sequencing of materials.	The system is up and running on its first contract.
Enhance our reputation as SMEIP contractors within the South African oil and gas and power sectors in support of the group's sector strategy.	Successful delivery on the Sasol and New Multi Products Pipeline (NMPP) contracts and new contact awards.	Both contracts at Sasol have been successfully completed and the NMPP contracts are well underway.

OPERATIONAL REVIEW – ENGINEERING CONTINUED

Key focus areas	Desired results	Status
Engineering and Construction (E+C)		
Establish the E+C business.	A permanent structure through which we will develop, bid, secure and execute large multi-disciplinary contracts.	E+C is now a fully integrated business which delivers turnkey solutions to target sectors and geographies. The integration of business development and design and planning is complete. However, market conditions have slowed the intended growth plan for this business.
Expand the group's footprint into new sectors and ensure alignment with technology providers and engineering skills.	Establish the group's position within the strong growth sectors in infrastructure.	Strategic target sectors were identified and structures implemented to maximise opportunities. During the year, the team further aligned itself with technology manufacturers and suppliers associated with its target sectors.
Capacity building in the power sector.	Secure next round of IPP and renewable energy contracts.	In South Africa, there were government delays in the renewables programme. Requests for quotations are expected to be issued during the first quarter of F2012, with possible awards towards the end of F2012. In Africa and Eastern Europe, project finance for contracts have been slow due to the global market slowdown. The finalisation criteria for contracts have also become more stringent and time consuming. However, we expect certain contracts to be awarded in F2012.
Geographic expansion in support of technology partners.	Secure work in additional territories aligned to our group and partner strategy and in terms of the group's pre-determined risk hurdle rates.	In parallel with our strategy of focusing on sectors, we evaluated opportunities to expand certain offerings into new regions. In support of Group Five's identified regional hubs in West, East and Central Africa, we expect improved prospects in oil and gas and the expansion of power. Opportunities were identified in Eastern Europe, specifically in the power sector.

Financial overview

	Year ended 30 June 2011	Year ended 30 June 2010
Revenue (R'000)	1 659 218	1 488 007
Total operating margin (%)	6.7	9.9
Core operating margin (%)	6.7	9.4

Engineering experienced a marked recovery in its markets. Revenue increased by 12% from R1,5 billion (50% local) to R1,7 billion (52% local). However, the increase in the South African content of the revenue at lower margins resulted in a core operating profit decrease of 20% from R139,9 million to R111,5 million. The core operating profit margin decreased to 6.7% (2010: 9.4%).

A recovery in enquiry levels from the sub-Saharan African mining and energy markets is underway, which resulted in new contract awards. This trend is expected to continue in certain minerals categories. There was also significant progression in the South African power, oil and gas and mining markets over the last six months, which augurs well for a sustained recovery ahead, albeit lumpy in nature.

The secured one-year order book remained at R1,4 billion (75% local) compared to 30 June 2010 when 51% was local. The full secured order book stands at R2,1 billion (83% local) (2010: R1,9 billion (64% local).

Material issues within the business and how these have been managed

Projects

Foreign exchange risk

The Rand/Dollar exchange rate remains volatile. As over-border contracts are tendered and priced in foreign currency, fluctuations in exchange rates can materially affect contract profitability from the date of tender through to the date of contract completion. To address this, the business follows the group's internal risk management guidelines and hedging strategies.

African political risk

Due to our focus on over-border mining contracts, we encounter various risks associated with operating on the African continent. These risks can change swiftly without advance indications of change. We manage this through detailed risk reviews on a country by country basis, with security and evacuation plans pertinent to each region in place.

Skills development in South Africa

Within the SMEIP market, skills development is one of the major factors which impacts on our ability to deliver contracts in South Africa due to skills shortages. Although the industry often supplements skills with foreign nationals, this has in the past led to unrest on sites, as recently seen on the Eskom Medupi power station. The group therefore aims to balance skills supply between local skills and specialist imported skills.

Employee retention

Over the last few years, the group has had a good employee retention rate. However, as there is currently a reduced number of opportunities in South Africa and local contractors are tendering over-border, good skills are often targeted by competitors.

To address this, Projects continues to focus on its employees' development and work satisfaction, as well as their performance management through consistent performance appraisals and succession planning.

Transformation

Employment equity remains one of the core focus areas for our business to ensure effective transformation. The group's strategy has been to "grow our own talent". A key area to address is senior employee development and retention due to the demand for senior skills along with other sectors offering attractive opportunities following the downturn in the construction sector.

Projects continues to concentrate on fast-tracking black candidates in its aim to enhance transformation of its senior management.

Engineering and Construction (E+C)

Delays in contracts

The integrated electricity resource plan for South Africa is still awaiting promulgation. Independent power projects, especially those focused on renewable energy, have therefore been delayed. Any further delays will have a material impact on the group's implementation strategy around solar and wind contracts as we have applied resources to develop this market. To mitigate against this, the group is strongly positioned to bid for contracts in the thermal and liquid/gas fuelled private power markets for IPPs, co-generation and captive power plants.

Group Five is also in the process of ensuring nuclear construction readiness in anticipation of the South African nuclear programme, although this is a medium to long term opportunity.

OPERATIONAL REVIEW – ENGINEERING CONTINUED

African political risk

As outlined in Projects, operating in Africa has numerous challenges. The E+C business is exposed to the same risks. To mitigate against these, it closely follows the group's risk management procedures.

Increased competition and margin pressure

The increased interest in African contracts by South African, European and Asian construction companies has significantly increased competition in all our markets and has placed downward pressure on margins. To address this, the group continuously expands its construction offer and develops its technology alliances to enhance its ability to develop bankable packaged solutions with clients.

Building EPC capacity

The group's target markets require design and build, EPC and full service support capability. In the short term, this capacity building is an investment in future growth as this business will not provide an immediate return on its investment due to the current delay in contract awards.

The EPC contracts which have been implemented have all been technically sound and financially beneficial.

Key achievements

Projects

- The consolidation of our operations in the DRC. We launched our small works operation which is developing well, we erected the Kipoi copper concentrate plant in under three months and completed the Kinsevere Stage II contract in the DRC with first copper being produced in May 2011
- Successful construction as the lead partner in an EPC arrangement with a design partner for a gold mining process plant in West Africa. This demonstrates the group's partnering and alliance contracting methodology
- Re-entry into the Southern African Development Community (SADC) mining arena with the successful award of the Grootegeluk and ATCOM coal contracts in South Africa, the award of the Benga coal contract in Mozambique and our return to the Langer Heinrich uranium mine in Namibia

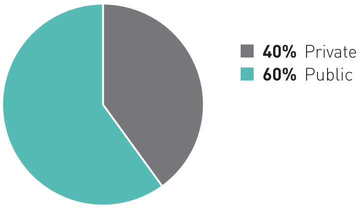
E+C

- E+C's power business unit has now successfully executed 800 MW of power contracts, as well as 350 tonnes/hour of steam generated from combined cycle operations. All of these contracts have been in a turnkey contract environment and are based on EPC commercial terms and guarantees. These contracts have established the group as a solutions provider for power delivery in the African market. Our experience in thermal contracts is now being expanded into Eastern Europe, as well as into solar and wind power contracts
- The oil and gas business unit has successfully progressed into turnkey contracts and storage tank design and construction in South Africa. These contracts are aligned to the industry's plans for capital upgrades and maintenance. To support this scheduled growth, it has become necessary for the business to improve its certification with respect to welding techniques and standards. During the year, it successfully achieved ISO 3938 certification in Cape Town and Durban, a first for a construction company in South Africa
- The creation of a turnkey solutions business within Group Five has allowed E+C to focus on developing world-class systems and resources. During the year, a full suite of contract and project management tools was implemented to ensure efficient and professional execution of turnkey contracts
- In a group-wide and joint effort, we were successfully assessed and achieved conditional certification by Eskom for multi-disciplinary construction within the highly specialised areas of a nuclear facility. The group qualified to execute works in all areas of the Koeberg nuclear plant or any other Eskom nuclear plant

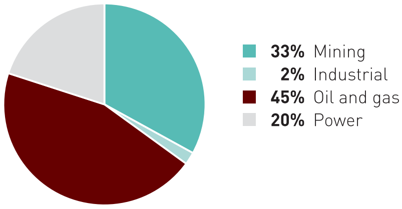
Looking forward

Key focus areas for F2012	Desired results
Projects	
Focus on iron ore contracts in West Africa.	Secure one of the large iron ore contracts
Secure power contracts in South Africa.	Secure further gas-fired power contracts
Target new engineer, procure and construct (EPC) mining opportunities.	Complete our first EPC mining contract and secure new EPC contracts
Address employment equity targets at a senior level.	Continue to hone our strategy in this regard to ensure traction
Engineering and Construction (E+C)	
Expand the oil and gas business unit's geographic footprint into selected over-border markets to take advantage of increased international tender activity.	Increase in contract awards in refinery and fuel storage infrastructure
Establish an independent business focused on renewable power such as wind and solar.	Strengthened capabilities to offer clients, developers and technology providers a turnkey solutions business covering all aspects associated with this sector
Expand geographic footprint in the water sector to the rest of Africa.	Establish Group Five as a solutions provider aligned to various technology partners to offer innovative and cost-effective solutions to the water infrastructure developers in Africa
Diversify and strengthen engineering and design capacity to support improved execution and integration capabilities.	Increase depth of skills in the management of engineering and design Reduction in rework, improvement in quality and process implementation, as well as lower cost

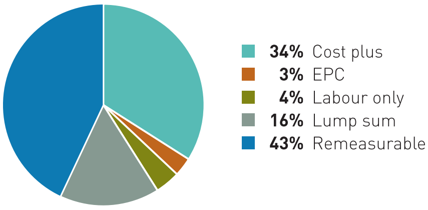
Private vs public Engineering revenue
Total order book



Engineering revenue by sector
Total order book



Engineering revenue by contract type
Total order book

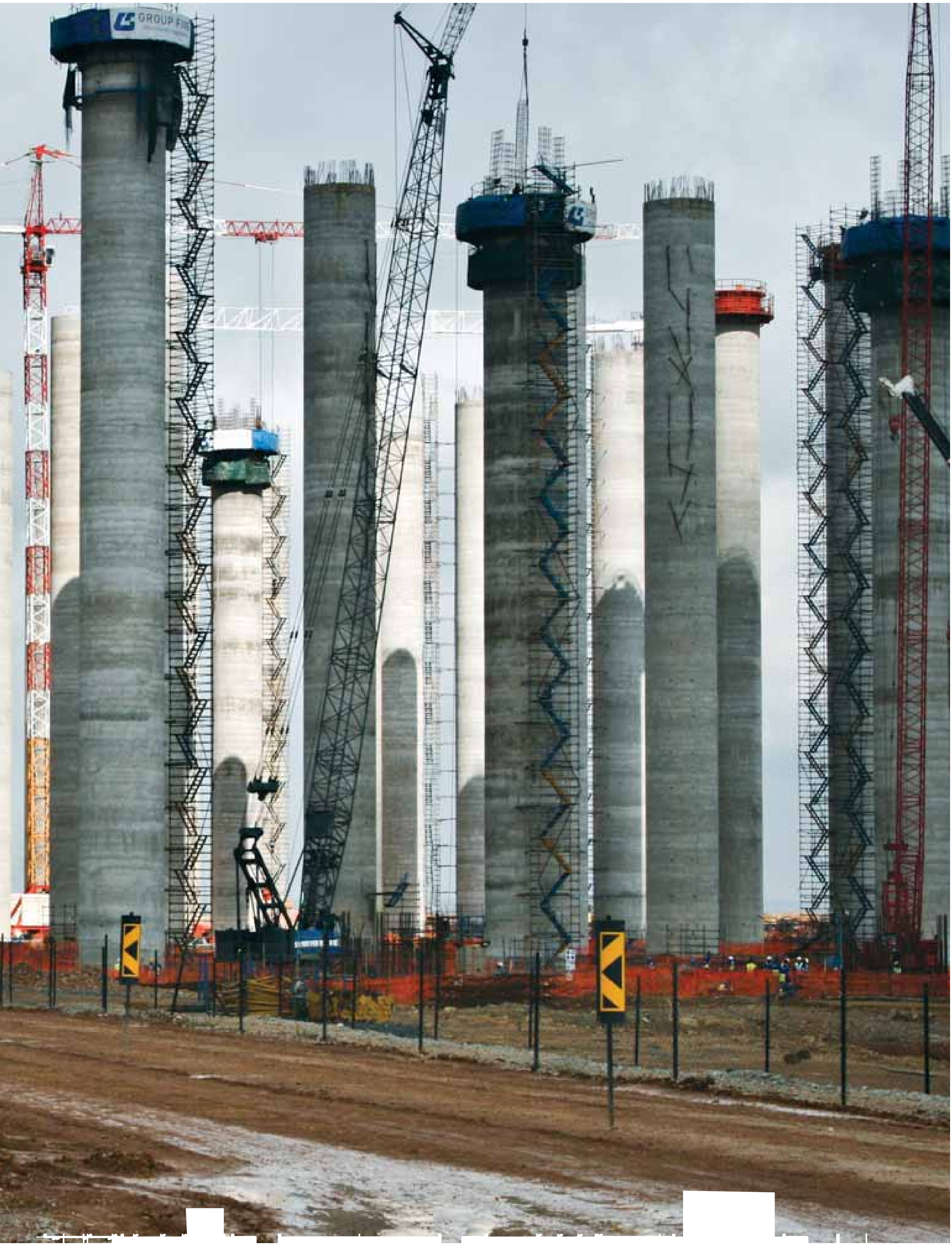


SECTION

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.


GROUP FI

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.

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.

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

R'000	Notes	GROUP 2011	GROUP 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

R'000	Notes	GROUP 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.

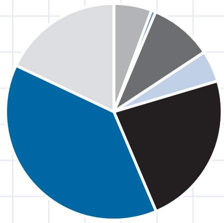
GROUP SEGMENTAL ANALYSIS CONTINUED

for the year ended 30 June 2011

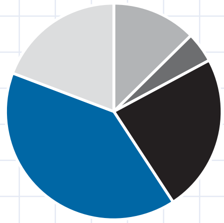
The segmental information presented below includes the reconciliation of IFRS measures presented on the face of the income statement to non-IFRS measures which are used by management to analyse the group's performance.

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

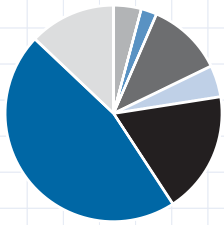
Sales between segments are carried out at arm's length and are reflected above.

GROUP SEGMENTAL ANALYSIS CONTINUED

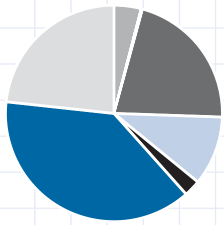
for the year ended 30 June 2011

Financial position: Current assets and capital expenditure

Current assets



Capital expenditure



Note: Graphs represent F2011 values only.

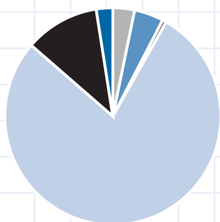
R'000 Operational segments	2011	2010	2011	2010
Investments and Concessions	231 280	148 800	6 376	9 706
Infrastructure Concessions	147 205	63 815	6 081	8 287
Property Developments	84 075	84 985	295	1 419
Manufacturing	402 767	411 673	32 020	23 302
Construction Materials	168 731	169 745	15 616	41 747
Construction	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

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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).

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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.

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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

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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

R'000	2011 Gross pre-tax	2011 Net	2010 Gross pre-tax	2010 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	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	GROUP 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	GROUP 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

	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	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	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	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

R'000	GROUP 2011	GROUP 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

18.4 Secured loans

	GROUP 2011	GROUP 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:

R'000	2011	2010
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.

23.2(ii) A reconciliation of the opening and closing balances of plan assets

R'000	2011	2010
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	GROUP 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.

R'000	GROUP 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	GROUP 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

R'000	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.

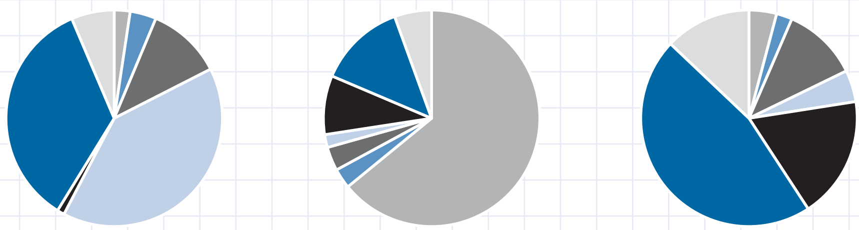
These operating segments are listed below.

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



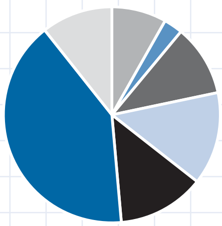
Note: Graphs represent F2011 values only.

	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

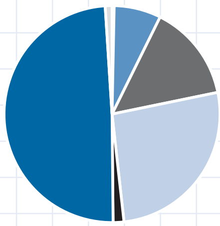
A description of the products and/or services provided by the segments is disclosed under the operational and financial review of this annual report.

Statement of financial position

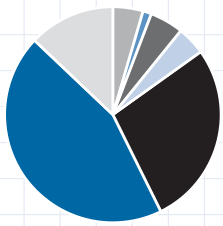
Total assets (excluding non-current assets classified as held for sale, deferred taxation, cash and cash equivalents)



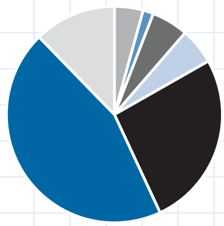
Non-current liabilities (excluding deferred taxation)



Current liabilities (excluding current taxation payable and bank overdrafts)



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



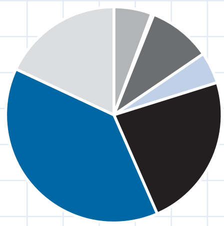
2011	2010	2011	2010	2011	2010	2011	2010
593 665	627 426	20 115	30 170	296 260	262 432	316 374	292 602
441 388	336 732	867	28 404	230 735	170 973	231 602	199 377
152 277	290 694	19 248	1 766	65 525	91 459	84 772	93 225
577 429	585 799	39 515	84 463	256 605	201 060	296 121	285 523
751 417	1 375 625	72 376	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

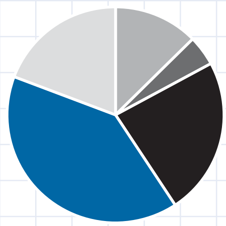
for the year ended 30 June 2011

Income statement

Revenue



Operating profit before fair value adjustments and impairment adjustments



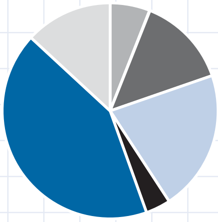
Note: Graphs represent F2011 values only.

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

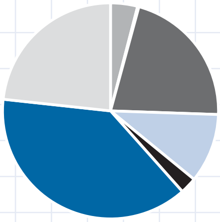
A description of the products and/or services provided by the segments is disclosed under the operational and financial review of this annual report.

Cash flow

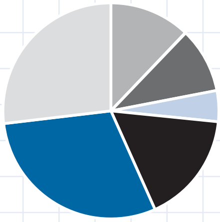
Depreciation



Capital expenditure



Number of employees



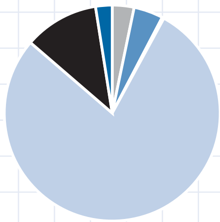
Depreciation 2011	Depreciation 2010	Capital expenditure 2011	Capital expenditure 2010	Number of employees 2011	Number of employees 2010
12 620	12 963	6 376	9 706	1 460	1 316
12 484	12 814	6 081	8 287	1 453	1 308
136	149	295	1 419	7	8
28 951	20 873	32 020	23 302	1 175	1 166
44 669	62 228	15 616	41 747	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

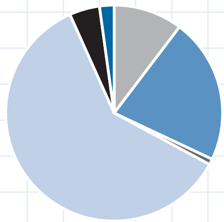
Income statement

Revenue



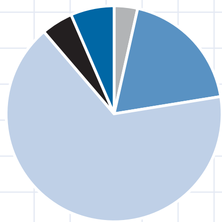
Statement of financial position

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	2011	2010	2011	2010	2011	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	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.*

R'000	GROUP 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**

NOTICE OF THE AGM

Group Five Limited

(Registration number 1969/000032/06)
(Incorporated in the Republic of South Africa)
Share code: GRF ISIN Code: ZAE000027405
("Group Five" or "the company" or "the group")

Notice of annual general meeting

Notice is hereby given that the annual general meeting of shareholders of the company will be held at the registered office of Group Five, 371 Rivonia Boulevard, Rivonia, on Tuesday 8 November 2011 at 11:00, for the purpose of dealing with the following business and considering, and if deemed fit, passing with or without modification, the following resolutions:

1. **ORDINARY RESOLUTION NUMBER 1: approval of annual financial statements**
To receive, consider and approve the annual financial statements of the group for the year ended 30 June 2011, together with the directors' and independent auditors' reports and the audit committee's report.

2. **ORDINARY RESOLUTION NUMBER 2.1 to 2.5: election of directors**
To elect by separate resolutions, directors of the company in accordance with the Companies Act No.71 of 2008 (as amended) ("the Companies Act") and the company's Memorandum of Incorporation which provide that:
   - at least one-third of the directors, being those longest in office at the date of the annual general meeting, should retire, but that such directors may offer themselves for re-election; and
   - the appointment of directors by the board of directors since the previous annual general meeting be ratified by shareholders at the next following annual general meeting.

2.1 **ORDINARY RESOLUTION NUMBER 2.1**
P Buthelezi who retires by rotation and being eligible offers herself for re-election; and

2.2 **ORDINARY RESOLUTION NUMBER 2.2**
LE Bakoro who retires by rotation and being eligible offers herself for re-election; and

2.3 **ORDINARY RESOLUTION NUMBER 2.3**
JL Job who retires by rotation and being eligible offers himself for re-election; and

2.4 **ORDINARY RESOLUTION NUMBER 2.4**
OA Mabandla in ratification of an appointment by the board of directors on August 01, 2011; and

2.5 **ORDINARY RESOLUTION NUMBER 2.5**
DDS Robertson, in ratification of an appointment by the board of directors on August 01, 2011

A brief CV in respect of each director standing for re-election appears on pages 31 and 32 on the CD contained within this integrated report.

3. **ORDINARY RESOLUTION NUMBER 3: re-appointment of auditors**
To re-appoint PricewaterhouseCoopers Inc., with the designated audit partner being Mr AJ Rossouw, as independent auditors of the company for the ensuing year and that the term of engagement and fees be determined by the Audit Committee.

4. **ORDINARY RESOLUTION NUMBER 4: remuneration of non-executive directors**
To ratify the remuneration of non-executive directors for the year ended 30 June 2011 (refer to page 72 of annual report).

5. **SPECIAL RESOLUTION NUMBER 1: authorisation of non-executive directors remuneration**
"**RESOLVED THAT** the proposed remuneration of non-executive directors for the year ended 30 June 2012 be approved as follows:

	F2012	F2011
Main board – chairperson	R739 450	R697 600
Lead Independent Director	R318 000	R300 000
Main board – non-executive director	R184 440	R174 000
Audit committee – chairperson	R184 440	R174 400
Audit committee – member and attendee	R92 430	R87 200
Remuneration committee – chairperson	R92 430	R87 200
Remuneration committee – member and attendee	R64 660	R46 000
Risk committee – chairperson	R122 960	R116 000
Risk committee – member and attendee	R64 660	R61 000
Nominations committee – chairperson (included in chairpersons fee)	R92 430	R87 200
Nominations committee – member	R48 760	R46 000
SED committee – chairperson	R122 960	R116 000
SED committee – member and attendee	R64 660	R61 000
Extraordinary services –per hour	R2 650	R2 500

6. **ORDINARY RESOLUTION NUMBER 5: Control of authorised but unissued shares**
"**RESOLVED THAT** the authorised but unissued shares in the capital of the company be and are hereby placed under the control and authority of the directors of the company and that the directors of the company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors of the company may from time to time and at their discretion deem fit, subject to the provisions of the Companies Act, the Memorandum of Incorporation of the company and the JSE Limited ("JSE") Listings Requirements, when applicable. The issuing of shares granted under this authority will be limited to Group Five's existing contractual obligations to issue shares, including for purposes of the Group Five Share Appreciation Right Scheme approved in October 13, 2010, any scrip dividend and/or capitalisation share award, and shares required to be issued for the purpose of carrying out the terms of the Group Five Share Appreciation Right Scheme.'

7. **ORDINARY RESOLUTION NUMBER 6: Appointment of group audit committee members**
Subject, where necessary, to their reappointment as directors of the company in terms of the resolutions in paragraph 2 above:
"**RESOLVED THAT** the following directors of the company shall comprise the Group Five Audit Committee, being appointed in accordance with the recommendations of King Code of

Governance for South Africa 2009 ("King III") and section 94 of the Companies Act: SG Morris (Chairperson), LE Bakoro, L Chalker, KK Mpinga, all of whom are independent non-executive directors and fulfil the requirements of s94 (4) of the Companies Act."

8. **ORDINARY RESOLUTION NUMBER 7: Approval of remuneration policy**
   "RESOLVED to approve, through a non-binding advisory vote, the company's remuneration policy and its implementation, as set out in the Remuneration Report contained in the annual report."

9. **SPECIAL RESOLUTION NUMBER 2: General authority to repurchase shares**
   "RESOLVED THAT, subject to compliance with the JSE Limited ("JSE") Listings Requirements, the Companies Act and the Memorandum of Incorporation of the company, the directors of the company be and are hereby authorised at their discretion to procure that the company or subsidiaries of the company acquire by repurchase on the JSE ordinary shares issued by the company provided that:
   - the number of ordinary shares acquired in any one financial year shall not exceed 20% of the ordinary shares in issue at the date on which this resolution is passed;
   - this must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party;
   - this authority shall lapse on the earlier of the date of the next annual general meeting of the company or 15 months after the date on which this resolution is passed; and
   - the price paid per ordinary share may not be greater than 10% above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date on which a purchase is made.

Rationale for the authority

The rationale for this special resolution is to authorise the directors, if they deem it appropriate in the interests of the company, to procure that the company or subsidiaries of the company acquire or repurchase ordinary shares issued by the company subject to the restrictions contained in the above resolution.

At the present time the directors have no specific intention with regard to the utilisation of this authority which will only be used if the circumstances are appropriate.

The directors, after considering the effect of a repurchase of up to 20% of the company's issued ordinary shares, are of the opinion that if such repurchase is implemented:

- the company and the group will be able to pay their debts in the ordinary course of business for a period of 12 months after the date of this notice;
- recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements, the assets of the company and the group will exceed the liabilities of the company and the group for a period of 12 months after the date of this notice;
- the ordinary capital and reserves of the company and the group will be adequate for the purposes of the business of the company and the group for a period of 12 months after the date of this notice;
- the working capital of the company and the group will be adequate for the purposes of the business of the company and the group for a period of 12 months after the date of this notice.

The directors undertake that:

- the company or the group will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless the company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant prohibited period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement released on SENS prior to the commencement of the prohibited period;
- when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be made;
- the company will only appoint one agent to effect any repurchase(s) on its behalf; and
- prior to entering the market to repurchase the company's securities, a company resolution to authorise the repurchase will have been passed in accordance with the requirements of s46 of the Companies Act, and stating that the board has acknowledged that it has applied the solvency and liquidity test as set out in s4 of the Companies Act and has reasonably concluded that the company will satisfy the solvency and liquidity test immediately after completing the proposed distribution; and
- the company will not enter the market to repurchase the company's securities until the company's sponsor has provided written confirmation to the JSE regarding the adequacy of the company's working capital in accordance with Schedule 25 of the JSE Listings Requirements.

Other disclosure in terms of Section 11.26 of the JSE Listings Requirements:

- directors (pages 34 and 35);
- major shareholders (page 255);
- directors' interests in securities (page 254); and
- share capital of the company (page 184).

Material changes

There have been no material changes in the affairs or financial position of Group Five and its subsidiaries since 30 June 2011.

Litigation statement

In terms of section 11.26 of the JSE Listings requirements, the directors, whose names are given on pages 34 and 35 of the annual report of which this notice forms part of, are not aware of any legal or arbitration proceedings, including proceedings that are pending, threatened, that may have or have had in the recent past, being at least 12 months, a material effect on Group Five's financial position.

Directors' responsibility statement

The directors whose names appear on pages 34 and 35 of the annual report collectively and individually accept full responsibility for the accuracy of the information pertaining to Special Resolution Number 2 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries at ascertaining

NOTICE OF THE AGM CONTINUED

such facts have been made and that this resolution and additional disclosure in terms of Section 11.26 of the JSE Listings Requirements pertaining thereto contain all information required by law and the JSE Listings Requirements.

10. **SPECIAL RESOLUTION NUMBER 3: General authority to provide financial assistance to related companies and inter-related companies**
"**RESOLVED** as a special resolution that subject to compliance with the JSE Listings Requirements, the Companies Act (specifically the provisions of section 45 of the Companies Act), and the Memorandum of Incorporation of the company, the directors of Group Five be and are hereby authorised to provide direct or indirect financial assistance through the lending of money, the guaranteeing of loans or other obligations and the securing of any debts or obligations, to any related or inter-related company as defined in section 1 of the Companies Act when in their opinion they deem fit, provided that such assistance is furnished in compliance with section 45 of the Companies Act."

The directors undertake that:

- prior to the company providing the financial assistance, the company will have satisfied the solvency and liquidity test as set out in s4 of the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable.

Rationale for the authority

The rationale for Special Resolution number 3 is to grant the directors of Group Five the authority to provide direct or indirect financial assistance through the lending of money, guaranteeing of a loan or other obligation and securing any debt or obligation, to its subsidiaries, associates and inter-related companies.

11. **ORDINARY RESOLUTION NUMBER 8: Authority to sign all documents required**
"**RESOLVED** that any one of the directors or the Group secretary be and is hereby authorised to do all such things and sign all documents and procure the doing of all such things and the signature of all such documents as may be necessary or incidental to give effect to all ordinary and special resolutions to be proposed at the general meeting at which this resolution will be proposed".

Record date

The board of directors of the company have set 10:00 Friday, 4 November 2011, as the record date for determining which shareholders are entitled to participate in and vote at the annual general meeting.

Voting and proxies

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy/proxies to attend, speak, and on a poll, vote in his/her stead. A proxy need not to be a member of the company. A form of proxy is attached for the convenience of any certificated shareholder and own-name registered dematerialised shareholder who cannot attend the annual general meeting, but who wishes to be represented thereat.

Certificated shareholders and dematerialised shareholders with own name registration

Shareholders wishing to attend the annual general meeting have to ensure beforehand with the transfer secretaries of the company that their shares are in fact registered in their own name. Should this not be the case and the shares are registered in another name or in the name of a nominee company, it is incumbent on shareholders attending the meeting to make the necessary arrangements with that party to be able to attend and vote in their capacity.

Dematerialised shareholders

Shareholders who have dematerialised their shares and who wish to attend the annual general meeting have to request their Central Securities Depository Participant ("CSDP") or broker to provide them with a Letter of Representation. Should shareholders who have dematerialised their ordinary shares wish to vote by proxy, they must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between the dematerialised shareholders and their CSDP or broker.

Proxies

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below, by no later than 10:00 on Friday, 4 November 2011. On a poll every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by the shareholder.

By order of the board

N Katamzi
Company secretary
5 August 2011

Registered office
Group Five Limited
371 Rivonia Boulevard
Rivonia Ground Floor
2128

PO Box 3951
Rivonia
2128

Transfer secretaries
Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg 2001

PO Box 61051
Marshalltown
2107

GROUP FIVE LIMITED

(Registration number 1969/000032/06)
(Incorporated in the Republic of South Africa)
Share code: GRF ISIN code: ZAE000027405
("Group Five" or "the company")

Form of proxy

For use at the annual general meeting of the holders of ordinary shares in the company ("Group Five shareholders") to be held at the registered office of Group Five, 371 Rivonia Boulevard, Rivonia on Tuesday 8 November 2011 ("the annual general meeting") at 11:00.

Group Five shareholders who have dematerialised their Group Five shares through a CSDP or broker must not complete this form of proxy and must provide their CSDP or broker with their voting instructions, except for Group Five shareholders who have elected own name registration in the sub-register through a CSDP or broker and certificated shareholders, which shareholders must complete this form of proxy and lodge it with the transfer secretaries.

Holders of dematerialised Group Five shares wishing to attend the annual general meeting must inform their CSDP or broker of such intention and request their CSDP/broker to issue them with the relevant authorisation to attend.

I/We

of (address)

being the registered holder/s of ordinary shares in the capital of the company, hereby appoint (see note 1):

1. or, failing him/her
2. or, failing him/her
3. or, failing him/her

the chairperson of the annual general meeting as my/our proxy to act for me/us at the annual general meeting for the purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s in accordance with the instructions/notes on the reverse side hereof.

	Proposed ordinary/special resolutions		In favour	Against	Abstain
	Ordinary business				
1.	Ordinary resolution number 1:	Receive, consider and approve the annual financial statements for the year ended 30 June 2011			
2.	Ordinary resolution number 2.1:	To re-elect as director by separate resolution – P Buthelezi			
	Ordinary resolution number 2.2:	To re-elect as director by separate resolution – LE Bakoro			
	Ordinary resolution number 2.3:	To re-elect as director by separate resolution – JL Job			
	Ordinary resolution number 2.4:	To confirm by separate resolution the election of OA Mabandla as director			
	Ordinary resolution number 2.5:	To confirm by separate resolution the election of DDS Robertson as director			
3.	Ordinary resolution number 3:	Re-appointment of auditors			
4.	Ordinary resolution number 4:	Ratify the remuneration of non-executive directors for the year ended 30 June 2011			
	Special business				
5.	Special resolution number 1:	Approve the remuneration of non-executive directors for the year ending 30 June 2012			
6.	Ordinary resolution number 5:	Control of authorised but unissued shares			
7.	Ordinary resolution number 6:	Appointment of group audit committee members			
8.	Ordinary resolution number 7:	Approval of remuneration policy			
9.	Special resolution number 2:	General authority to repurchase shares			
10.	Special resolution number 3:	General authority to provide financial assistance to related companies and subsidiary companies			
11.	Ordinary resolution number 8:	Authority to sign all documents			

A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, vote, speak and act in his stead. A proxy need not be a member of the company.

Signed at on 2011

Signature

assisted by me (where applicable)
(State capacity and full name) (see note 10). Please use block letters.

Please read the notes on the reverse side hereof.

NOTES TO PROXY

1. This form of proxy must only be used by certificated ordinary shareholders or dematerialised ordinary shareholders who hold dematerialised ordinary shares with "own name" registrations.
2. Dematerialised ordinary shareholders are reminded that the onus is on them to communicate with their CSDP or broker.
3. A Group Five shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the spaces provided, with or without deleting "the chairperson of the general meeting", but any such deletion must be initialled by the Group Five shareholder concerned.
4. If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the form of proxy, and whose name is not deleted, shall be regarded as the validly appointed proxy.
5. The authority of a person signing a form of proxy in a representative capacity must be attached to the form of proxy unless that authority has already been recorded by the company's transfer secretaries or waived by the chairperson of the annual general meeting.
6 In order to be effective, forms of proxy must reach the registered office of the company or the company's transfer secretaries at least 48 hours before the time appointed for holding the meeting (excluding Saturdays, Sundays and public holidays).
7. Any alteration or correction made to this form of proxy must be initialled by the signatory/(ies).
8. If this form of proxy is returned without any indication as to how the proxy should vote, the proxy will be entitled to vote or abstain from voting as he thinks fit.
9. The delivery of the duly completed form of proxy shall not preclude any member or his duly authorized representative from attending the meeting, speaking and voting instead of such duly appointed proxy.
10. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company.
11. Where there are joint holders of any shares:
    - any one holder may sign this form of proxy; and
    - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

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2001

PO Box 61051
Marshalltown 2107

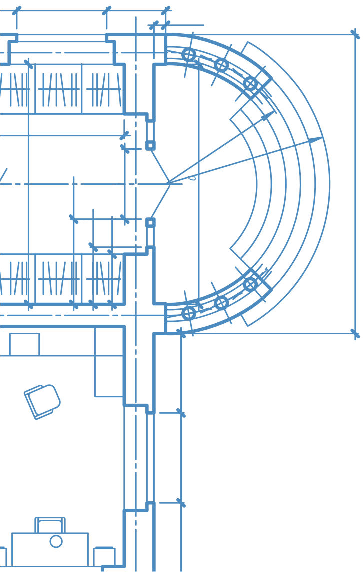
Feedback from stakeholders indicated over the last few years that most readers would like only an abbreviated annual report, which we produced for the first time in F2008.

This year, we only produced a condensed printed report supplemented by information on a CD available at the back of this book. Not printing a detailed report this year has saved 260 750 sheets of paper.

This integrated report is printed on Magno, a paper produced in South Africa. It is certified by the Forest Stewardship Council and Programme for the Endorsement of Forest Certification Schemes (PEFC)/Chain of Custody. The paper is essentially chlorine free and manufactured from acid free pulp. Only wood from sustainable forests is used.

The page size of this report was adjusted to ensure the minimum possible amount of paper wastage.

STUDIO 5



GROUP FIVE
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