GROUP FIVE
structured ingenuity

# ONLINE SECTION OF INTEGRATED REPORT

# Introduction section

01

The group printed only a certain section of its integrated report this year, with additional information provided in an electronic format to support the printed document. This resulted in the same detailed level of disclosure as in the past.

The electronic report contains the following sections:

# Assurance process

Group Five applies a combined assurance model to all the group's assurances activities. The audit committee supervised the development of the combined assurance model of the group, aimed at providing a coordinated approach to all assurance activities in terms of the significant risks facing the group.

The board committees, their structure and manner of engagement ensure that the board members have access to the various internal and independent assurance providers. The material ones are listed below.

| Board committee | Assurance provider |
|---|---|
| **Main board members** | • Executive committee members<br>• Senior management<br>• Independent assurance providers, such corporate sponsors<br>• Specialist advisors on the more material activities undertaken by the group in the year, including the group's bond raising and review of broad-based black economic empowerment (BBBEE) ownership structures<br>• Industry matter specialists, including a Competition Commission advisor |
| **Risk committee members** | • Executive committee members<br>• Senior management<br>• Senior operational management for contract risks review large enough for risk committee approval in terms of the group's pre-set levels of authority<br>• Independent assurance providers on safety, health, environment and quality |
| **Audit committee members** | • Executive committee members<br>• Internal audit<br>• External audit<br>• Independent assurance providers of internal audit, their processes and procedures, strength and weaknesses<br>• Independent assurance providers on Information Technology, their processes, procedures, strengths and weaknesses |
| **Nominations committee** | • Institute of Directors and independent service providers, when required |
| **Remuneration committee** | • Executive committee members<br>• Independent service provider with respect to employee benefits and share incentive schemes |
| **Social and ethics committee** | • Executive committee members<br>• Senior management |

The committees have access to all documents and reports provided by the independent assurers. Internal audit provides a written assurance with regard to governance, control and risk management to the audit committee every year.

Refer to pages 108 – 109 of the printed section of the integrated report for details of the more material business processes assured in the year.

A risk identification exercise was performed in the year, which involved two kinds of reviews:

- **A top-down approach** – updating strategic and operational risks as determined by the group's executive committee members and the members of the main board of directors
- **A bottom-up approach** – identifying operational and contract risks as determined by the individual operational business units

A key success factor for the combined assurance framework was to ensure it was effective, specific and pragmatic to provide most value to the group.

The exercise included the following:

- Identification of the risk
- Identification of the controls
- Identification of the assurance providers
- Assessment of the assurance activities conducted by the providers against controls
- Documenting action plans

This resulted in the development of the group's first combined assurance risk plan. In F2013, the group will enhance its assurance risk plan with control assessments and assurances to ensure maximum effectiveness and to increase the level of external assurance provided, specifically to its material risks. It is anticipated that combined assurance will be fully implemented in F2013.

# Team performance

The group has performance measures in place for its board members and management. Refer to page 102 in the printed section of the report for the delivery of the executive team. This spread outlines the performance of the board and management team.

## Chairperson **Evaluated by:** Independent evaluation by Institute of Directors/shareholders through annual general meeting

| Key performance areas | How impact is measured | Delivery F2012 | Delivery F2011 |
|---|---|---|---|
| **Focused and unified board** | Focused and unified board. | New board members have integrated well and contributed to improving the focus on strategy, safety, health, environment and other sustainability issues, with an emphasis on managing operational and financial risks in changing markets. | 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. | No breaches of governance. Compliance is reviewed by the board quarterly. | 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 and objectives met. Complement of the board deemed appropriate. | Board schedule met. |
| **Ensuring effective board and exco interactions** | Adherence to group policy for group strategy setting, budget approval and regular engagement. | The board meets formally on a quarterly basis with additional strategy sessions every six months involving the executive committee. In addition, the executive committee members attend board meetings when their input is required. Executive committee members are responsible for presenting material contract risk reviews to the board in line with the group's pre-set levels of authority. | 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. | In line with the group's policy of conducting an external evaluation of the board on a two-yearly basis, the next board review will be conducted during F2013. | 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. |

| Key performance areas | How impact is measured | Delivery F2012 | 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 new members appointed last year have strengthened the skills required. All members have added value to the board during the year, particularly in contract reviews, business structuring and managing operational and financial risks in changing markets. | 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. The sub-committees were restructured this year and all non-executive board members are members of other committees, with the allocation based on board members' skills set. | 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 attended by conference facilities. 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. |
| **Company secretary** Evaluated by: Chief financial officer | | | |
| **Ethics and governance** | Code of ethics maintenance and communication, effective management of Tip-offs Anonymous line. | The social and ethics committee was established during the year and the number of cases of fraud decreased. The group conducted formal ethics and governance training for employees. The group's tip-offs line continues to be communicated to employees and improved levels of usage have been noted. | 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's continued operations 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. | Board members were required to attend a formal working session on ethics in preparation for the establishment of the SEC committee. Both newly-appointed non-executive directors attended a formal induction programme. | Although no formal induction or training initiatives for board members took place, they took part in further education through the Institute of Directors. |

| Key performance areas | How impact is measured | Delivery F2012 | Delivery F2011 |
|---|---|---|---|
| **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 and Share Appreciation Right administration.** | Effective administration of black management scheme (BMS) and share appreciation rights scheme. | Continued focus were placed on the administration of the various employee schemes. Certain improvements to processes were implemented in the year. | 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. |

## Management committee members **Evaluated by:** relevant executive committee member

| | | | |
|---|---|---|---|
| **Financial performance** | Achievement of financial performance indicators. | The continuing businesses, except for the Middle East, all achieved acceptable financial results. The group under-performed due to the losses in the discontinued Construction Materials business and in the Middle East. | Not all business units achieved performance indicators due to weak markets. |
| **Cash generation** | Ratio of cash to profit generation. | Only certain businesses were able to meet the ratio of cash to profit. However, except for the Middle East and Construction Materials, the business was able to effectively manage its working capital and debt position to ensure a working capital enhancement for the year. | Not all business units met their cash targets. |
| **Inter-company initiatives and group procurement** | Rating by CEO based on annual review. | Inter-company initiatives and cross-selling improved, with 43% of contracts in the full Construction order book of a multi-disciplinary nature. | Manufacturing internal supply of 13% and Construction Materials 16%. |
| **Transformation** | Delivery against transformation targets and Construction Charter scorecard rating. | The group maintained its level 2 BBBEE rating even against the failure of its one ownership partner iLima. | 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. | 82% of employees this year concluded performance reviews with their managers compared to 75% last year. | 74.5% of employees this year concluded a performance review with their managers compared to 67% in F2010. |

# Delivery section

# 02

# Ten year review

| (R'000) | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|
| **Group Income statement** | | | | |
| **Revenue – continuing operations** | **8 783 378** | 8 772 765 | 10 845 728 | 11 418 919 |
| Operating profit | **331 398** | 605 558 | 870 241 | 757 065 |
| Other income/(expenses) – net | **–** | – | – | – |
| Share of profit/(loss) from associates | **1 163** | 820 | 1 347 | (69) |
| Finance (cost)/income – net | **(3 800)** | 36 960 | 42 541 | (14 835) |
| Profit before taxation | **328 761** | 643 338 | 914 129 | 742 161 |
| Taxation | **(106 032)** | (208 777) | (256 753) | (213 409) |
| **Profit from continuing operations** | **222 729** | 434 561 | 657 376 | 528 752 |
| **Group statement of financial position** | | | | |
| Interest of equity holders of parent | **1 808 736** | 2 148 130 | 2 486 357 | 2 373 477 |
| Non-controlling interest | **67 968** | 117 565 | 75 055 | 34 366 |
| **Total equity** | **1 876 704** | 2 265 695 | 2 561 412 | 2 407 843 |
| Non-current liabilities | **726 590** | 319 529 | 908 189 | 959 936 |
| Liabilities directly associated with non-current assets classified as held for sale | **178 361** | – | – | – |
| Current liabilities | **4 807 515** | 5 185 754 | 6 480 793 | 7 005 091 |
| **Total liabilities** | **5 712 466** | 5 505 283 | 7 388 982 | 7 965 027 |
| Non-current assets | **1 549 986** | 1 919 993 | 2 658 352 | 2 839 542 |
| Non-current assets classified as held for sale | **272 928** | 53 233 | 65 153 | 81 170 |
| Current assets | **5 766 256** | 5 797 752 | 7 226 889 | 7 452 158 |
| **Total assets** | **7 589 170** | 7 770 978 | 9 950 394 | 10 372 870 |

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|
| | 8 210 358 | 7 458 087 | 5 864 721 | 4 508 285 | 3 809 917 | 3 721 935 |
| | 605 178 | 369 713 | 268 722 | 158 078 | 153 230 | 126 687 |
| | – | – | (97 420) | 1 640 | (5 727) | 3 445 |
| | 140 | – | – | – | – | – |
| | (73 739) | (41 268) | (30 329) | (25 922) | (29 780) | (24 913) |
| | 531 579 | 328 445 | 140 973 | 133 796 | 117 723 | 105 219 |
| | (170 533) | (117 003) | (62 754) | (26 199) | (22 294) | (25 876) |
| | 361 046 | 211 442 | 78 219 | 107 597 | 95 429 | 79 343 |
| | 2 006 664 | 1 612 587 | 681 257 | 596 912 | 479 618 | 380 582 |
| | 16 517 | 9 335 | 1 762 | 4 306 | 11 447 | 9 899 |
| | 2 023 181 | 1 621 922 | 683 019 | 601 218 | 491 065 | 390 481 |
| | 1 172 949 | 996 622 | 161 669 | 148 634 | 139 927 | 91 277 |
| | – | – | 148 285 | 118 205 | 121 673 | 66 971 |
| | 6 053 616 | 4 269 230 | 3 911 429 | 1 983 247 | 1 591 731 | 1 502 223 |
| | 7 226 565 | 5 265 852 | 4 221 383 | 2 250 086 | 1 853 331 | 1 660 471 |
| | 2 568 961 | 2 098 216 | 792 634 | 675 667 | 588 973 | 476 942 |
| | 135 760 | 163 967 | 338 667 | 249 442 | 244 507 | 205 839 |
| | 6 545 025 | 4 625 591 | 3 773 101 | 1 926 195 | 1 510 916 | 1 368 171 |
| | 9 249 746 | 6 887 774 | 4 904 402 | 2 851 304 | 2 344 396 | 2 050 952 |

# Key ratios

**Group performance indicators**

| R'000 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|
| **Revenue** | | | | |
| **Investments and Concessions** | **647 739** | 554 659 | 591 871 | 626 795 |
| Infrastructure Concessions | **619 915** | 522 870 | 557 227 | 527 938 |
| Property Developments | **27 824** | 31 789 | 34 644 | 98 857 |
| **Manufacturing** | **1 024 329** | 867 523 | 866 221 | 816 132 |
| **Construction** | **7 111 310** | 7 350 583 | 9 387 636 | 9 975 992 |
| Building and Housing | **2 065 972** | 2 143 004 | 3 186 142 | 2 899 773 |
| Civil Engineering | **2 997 747** | 3 548 361 | 4 713 487 | 4 633 259 |
| Engineering | **2 047 591** | 1 659 218 | 1 488 007 | 2 442 960 |
| **Total revenue – continuing operations** | **8 783 378** | 8 772 765 | 10 845 728 | 11 418 919 |
| **Operating profit** | | | | |
| **Investments and Concessions** | **153 571** | 108 381 | 88 458 | 97 605 |
| Infrastructure Concessions | **144 382** | 105 506 | 99 147 | 95 354 |
| Property Developments | **9 189** | 2 875 | (10 689) | 2 251 |
| **Manufacturing** | **43 480** | 25 392 | 86 812 | 85 964 |
| **Construction** | **134 347** | 471 785 | 694 971 | 573 496 |
| Building and Housing | **57 076** | 134 530 | 236 620 | 141 032 |
| Civil Engineering | **(33 197)** | 227 889 | 310 655 | 225 733 |
| Engineering | **110 468** | 109 366 | 147 696 | 206 731 |
| **Total operating profit – continuing operations** | **331 398** | 605 558 | 870 241 | 757 065 |
| Total operating profit margin (%) | **3.8** | 6.9 | 8.0 | 6.6 |
| Over-border revenue (%) | **26** | 25 | 20 | 37 |
| Cash generated/(utilised) – millions | **24** | (871) | 327 | 954 |
| **Shareholder returns** | | | | |
| Earnings per share (R) | **(2,88)** | (2,27) | 2,80 | 5,44 |
| Headline earnings per share (R) | **1,16** | 3,26 | 6,14 | 5,68 |
| Earnings per share (R) – before external BEE ownership expense | **(2,88)** | (2,27) | 2,80 | 5,44 |
| Headline earnings per share (R) – before external BEE ownership expense | **1,16** | 3,26 | 6,14 | 5,68 |
| Dividend per share (cents) | **36,0** | 72,0 | 137,0 | 130,0 |
| Net asset value per share (R) | **18,72** | 22,38 | 26,08 | 25,09 |
| **Market indicators** | | | | |
| Market price – high (R) per share | **32,0** | 41,0 | 45,20 | 58,25 |
| Market price – low (R) per share | **21,8** | 24,4 | 31,50 | 26,70 |
| Market price – year end (R) per share | **22,8** | 29,9 | 34,50 | 34,70 |
| Market capitalisation – year end (R'millions) | **2 518,2** | 3 632,2 | 4 171,5 | 4 167,2 |
| Value of shares traded (R'000) | **1 083 159** | 1 719 970 | 2 900 378 | 3 612 810 |
| Number traded ('000) | **43 234** | 51 951 | 79 130 | 92 297 |

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|
| | 581 685 | 533 800 | 316 217 | 227 290 | 227 355 | 170 843 |
| | 326 554 | 226 016 | 189 247 | 132 517 | 172 210 | 139 575 |
| | 255 131 | 307 784 | 126 970 | 94 773 | 55 145 | 31 268 |
| | 554 656 | 523 768 | 472 975 | 446 308 | 358 296 | 320 329 |
| | 7 074 017 | 6 400 519 | 5 075 529 | 3 834 687 | 3 224 266 | 3 230 763 |
| | 2 848 795 | 3 121 921 | 2 788 466 | 2 268 610 | 1 917 554 | 1 433 665 |
| | 2 964 184 | 2 484 293 | 1 662 700 | 1 051 679 | 986 836 | 1 290 642 |
| | 1 261 038 | 794 305 | 624 363 | 514 398 | 319 876 | 506 456 |
| | 8 210 358 | 7 458 087 | 5 864 721 | 4 508 285 | 3 809 917 | 3 721 935 |
| | 164 946 | 66 711 | 65 453 | 59 770 | 66 637 | 34 736 |
| | 142 199 | 32 154 | 13 783 | 41 840 | 56 108 | 12 565 |
| | 22 747 | 34 557 | 51 670 | 17 930 | 10 529 | 22 171 |
| | 56 211 | 66 519 | 60 205 | 36 157 | 27 969 | 6 773 |
| | 384 021 | 236 483 | 143 064 | 62 151 | 58 624 | 85 178 |
| | 140 294 | 84 276 | 78 903 | 44 158 | 74 581 | 43 760 |
| | 142 857 | 105 037 | 50 169 | (9 712) | (36 087) | 21 475 |
| | 100 870 | 47 170 | 13 992 | 27 705 | 20 130 | 19 943 |
| | 605 178 | 369 713 | 268 722 | 158 078 | 153 230 | 126 687 |
| | 7.3 | 4.9 | 4.1 | 2.6 | 2.6 | 3.1 |
| | 34 | 42 | 37 | 31 | 36 | 33 |
| | 1 195 | 60 | 391 | 111 | 49 | (52) |
| | 4,47 | 2,91 | 0,72 | 1,82 | 1,84 | 1,49 |
| | 4,70 | 2,83 | 0,69 | 1,43 | 1,48 | 1,20 |
| | 4,47 | 2,91 | 1,95 | 1,82 | 1,84 | 1,49 |
| | 4,70 | 2,83 | 1,93 | 1,43 | 1,48 | 1,20 |
| | 105,0 | 72,0 | 56,0 | 49,0 | 44,0 | 37,0 |
| | 21,41 | 17,45 | 9,22 | 8,30 | 7,00 | 5,67 |
| | 73,80 | 59,50 | 32,50 | 17,00 | 11,00 | 7,71 |
| | 42,00 | 27,26 | 15,20 | 10,00 | 4,95 | 3,40 |
| | 44,90 | 54,40 | 28,75 | 15,39 | 11,00 | 5,20 |
| | 5 350,5 | 6 443,5 | 2 867,1 | 1 132,3 | 809,3 | 382,6 |
| | 5 462 078 | 3 124 034 | 1 373 898 | 536 994 | 229 924 | 199 495 |
| | 103 436 | 67 728 | 57 970 | 39 950 | 28 038 | 34 456 |

# Scorecards

## JSE Limited socially responsible investment index (SRI) scorecard

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

| | F2011* | F2010 | F2009 | F2008 |
|---|---|---|---|---|
| Overall result | **SRI participation**** | Best performer | Best performer | Best performer |

The JSE only provides an overall result, not a breakdown.
* The JSE will only release 2012 ratings in November.
** Although the group continues to operate and report in line with the JSE's required SRI criteria, and although the group qualified as an SRI participant, it was not eligible to be considered a "best performer" as the construction industry remains under the investigation by the Competition Commission.

## BBBEE scorecard (Group Five Limited)

| Core components | BBBEE elements | Weighting points | Construction Charter scorecard F2012 %[1] | Construction Charter scorecard F2011 %[2] | Construction Charter scorecard F2010 %[3] |
|---|---|---|---|---|---|
| Direct empowerment | Ownership | 25 | **21.35** | 17.1 | 19.55 |
| | Management control | 10 | **8.7** | 6.62 | 6.97 |
| Human resource empowerment | Employment equity | 10 | **5.67** | 9.22 | 5.91 |
| | Skills development | 15 | **14.66** | 14.41 | 12.8 |
| Indirect empowerment | Preferential procurement | 20 | **19.2** | 18.43 | 15.68 |
| | Enterprise development | 15 | **15** | 15 | 15 |
| | Socio-economic development | 5 | **5** | 5 | 2.9 |
| Total | | 100 | **89.4** | 85.78 | 78.77 |
| Empowerment level | | | **2** | 2 | 3 |

(1) As audited by BEE Verification Agency cc for the year ended 30 June 2011 (the next audit due in September 2012).
(2) As audited by BEE Verification Agency cc for the year ended 30 June 2010.
(3) As audited by BEE Verification Agency cc for the year ended 30 June 2009.

## Employment equity scorecard

| Sustainability indicator | F2012 | F2011 | F2010 | F2009 | F2008 |
|---|---|---|---|---|---|
| Total employee headcount (all employees) | **10 846*** | 11 997 | 12 497 | 14 050 | 13 455 |
| Number of unionised employees | **2 039** | 2 285 | 2 416 | 1 752 | 1 006 |
| % of permanent employees on medical schemes | **45** | 45.5 | 44.2 | 40.2 | 49.3 |
| % of employees over-border | **25.4** | 20.9 | 16.9 | 26.4 | 30.69 |
| % of black employees within the South African permanent workforce | **88.0** | 87.4 | 78.5 | 78.4 | 77.7 |
| % of black employees in Peromnes grades 1 – 3 (executive and senior management) | **16.7** | 13.3 | 10.0 | 9.5 | 5.3 |
| Number of black male bursary students | **51** | 79 | 73 | 129 | 106 |
| As a % of total bursary students | **44** | 43 | 43 | 50 | 59 |
| Number of black female bursary students | **21** | 38 | 35 | 50 | 23 |
| As a % of total bursary students | **18** | 21 | 20 | 19 | 18 |

* The final headcount includes 432 employees in the Construction Materials cluster. Although this is treated as a discontinued operation in the annual financial statements, these employees remain under the HR management of the group until finalisation of sales transactions.

## Skills development

| Sustainability indicator | F2012 | F2011 | F2010 | F2009 | F2008 |
|---|---|---|---|---|---|
| a) Annual value spent on training and development programmes – (R million) | **32,3** | 37,9 | 31,5 | 37,8 | 23,2 |
| i) Total number of training interventions* | **12 110** | 17 234 | 14 941 | 8 933 | 5 780 |
| ii) Total number of training interventions – semi-skilled and unskilled* | **5 965** | 9 415 | 5 846 | 3 729 | 2 922 |
| b) Annual value incurred on bursary expenditure – (R million) | **4,6** | 6,6 | 6,0 | 9,3 | 6,8 |
| i) Number of bursary students | **115** | 183 | 171 | 258 | 178 |
| ii) Number of female bursary students | **26** | 43 | 40 | 55 | 27 |
| c) Annual value spent on learnerships and apprenticeships – (R million) | **4,0** | 4,9 | 3,9 | 3,6 | 3,7 |
| i) Learners on learnership and apprenticeship programmes | **144** | 201 | 214 | 231 | 175 |
| ii) Unemployed learners registered on learnership and apprenticeship programmes | **99** | 128 | 163 | 149 | 45 |
| d) Number of students on the Group Five Programme in Management Development (PMD) | **22** | 20 | 23 | 25 | 17 |
| e) Total annual training spend – black employees – (R million) | **13,9** | 18,1 | 14,7 | 20,2 | 14,7 |

* For employees.

## Preferential procurement scorecard (Group Five Limited)

| Measurement principle | Points | Target per Construction Charter F2013 target | Provi-sional# F2012 | Actual F2011* | Actual F2010** | Actual F2009*** | Actual F2008**** |
|---|---|---|---|---|---|---|---|
| Preferential spend with all suppliers | 12 | 50% | **61.2%** | 52.8% | 49.1% | 45.1% | 34.8% |
| Preferential spend with qualifying small and emerging micro enterprises | 3 | 10% | **21.2%** | 22.0% | 11.42% | 6.3% | 5.5% |
| Preferential spend with enterprises that are more than 50% black owned | 3 | 9% | **20.1%** | 19.9% | 9.2% | 7.9% | 3.8% |
| Preferential spend with enterprises that are more than 30% black women owned | 2 | 6% | **10.4%** | 3.1% | 1.9% | 0.1% | 0.7% |
| Weighted score | 20 | ~~~ | **20** | 19.02% | 18.43% | 15.68% | 11.49% |

# Provisional and unaudited – to be audited in September 2012.
* As audited by BEE Verification Agency cc in January 2012 (Group Five).
** 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.
~~~

## Enterprise development scorecard

| Sustainability indicator | F2012 | F2011 | F2010 | F2009[1] | F2008[2] |
|---|---|---|---|---|---|
| Annual value of total direct costs incurred by the group – (R million) | **1,5** | 0,5 | 0,6 | – | – |
| Value of funding provided by the group<br>– Total capital due to the group as at 30 June – (R million) | **11,5**** | 14,1** | 12** | 97 | 60 |
| – Financial institution guarantees issued by the group's facilities as at 30 June – iLima*** – (R million) | **57** | 57 | 57 | 75 | 141 |
| Number of black-owned entities with which the group is engaging in significant joint venture partnerships* | **12** | 12 | 18 | 22 | 25 |
| Number of formal enterprise development partnerships | **12** | 9 | 7 | 8 | 2 |
| Total value of contracts being executed with black-owned joint venture partners* – (R billion) | **4.9** | 2,0 | 7,8 | 8,6 | 13,5 |
| 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.
** Excludes all previous spend on iLima (R117 million) and represents spend on new enterprise development partners.
*** Guarantees in issue with respect to iLima.

## Socio-economic development (SED) scorecard

| Sustainability indicator | F2012 | F2011 | F2010 | F2009[1] | F2008[2] |
|---|---|---|---|---|---|
| Targeted SED spend as a % of SA operations' net profit after tax | **1** | 1 | 1 | 1 | 1 |
| Actual SED spend as a % of SA operations' net profit after tax | **2.4** | 2.0* | 4.4 | 1.2 | 2.5 |
| Total annual spend on SED programmes – (R million) | **3,9** | 6,1 | 7,9 | 4,5 | 3,1 |
| Number of unemployed people trained as part of the People at the Gate programme | **43** | 207 | 214 | 265 | 117 |
| % of unemployed people securing positions after training | **100** | 95 | 90 | 100 | 89 |
| Number of non-profit organisations benefiting from the group's SED programmes | **32** | 35 | 48 | 30 | 20 |

* South African net profit after tax before Construction Materials impairment.

# 03 Review from the group risk officer

# Review from the group risk officer

Guy Mottram

The group risk officer's function within Group Five encompasses the disciplines of safety, health, risk, environment, quality, commercial and legal and regulatory. This report addresses all these areas.

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 segments in accordance with relevant standards of the International Standards Organisation (ISO), as well as other standards relevant to our businesses.

The relevant standards for each category are:

| OHSAS 18001 | | ISO 31000 | ISO 14000 | ISO 9001 |
|---|---|---|---|---|
| Safety | Health | Risk management | Environment | Quality (Business management system) |

## Delivery on objectives

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| Sub-contractor commercial management | • To ensure we manage this stakeholder base more effectively, we will revisit the terms and conditions of our sub-contractors. We will also ensure the alignment and monitoring of their health and safety standards at our sites | Substantial progress was made, with the full programme to be implemented by the end of the calendar year. |
| International expansion | • As we expand our international footprint, it is critical that we maintain our focus on regulatory compliance within these new territories | Focused strategy in place to build an appropriate structure with increased administration, compliance and contract support, in line with the group's expansion. This expansion is mainly focused on building on the African base already established over a number of years. |
| Middle East | • Despite progress in minimising our credit risk and maximising our debt recovery in Dubai, there is still considerable commercial closure required in the next financial year | Good progress was made on de-risking the exposure in the Middle East after having reached agreed positions on most of the terminated and completed contracts in the region.<br>We continued receiving payments in line with the agreed payment milestones on the Meraas contract.<br>Final close out of all contracts is expected to be achieved in the 2012 calendar year. |
| Competition Commission | • Having secured conditional leniency, the group needs to convert this into a confirmed final leniency position to mitigate exposure to penalties and fines | The Commission needs to complete the broader industry investigation before finalising the group's leniency position. The timing of the conclusion of the investigation is uncertain. |

## Material issues review

### Safety

Safety remains a crucial focus for Group Five. Last year we suffered an unprecedented six fatalities in our sub-contractor base. As outlined in our report last year, management committed to eradicate workplace fatalities.

> We are extremely pleased to have achieved zero fatalities in the year. Our lost-time injury rate also improved due to a stringent focus on working at heights and managing our sub-contractors. We achieved this through induction training, "on the ground" leadership presence and site-based education and training meetings (toolbox talks).

Although slower than anticipated, substantial progress was made with rolling out a formal sub-contractor safety programme, with a focus on ensuring sub-contractor adherence to the Group Five policies and procedures.

### Market conditions

Weaker market conditions due to the lack of South African infrastructure spend and pressured global financial conditions continued to present challenges to the group. Although more tender opportunities were observed in the second half of the financial year, the timing of awards remains uncertain and competition continues to put strain on Building and Civil Engineering margins. This was exacerbated in the group's South African market due to government's indecisive approach to the promised infrastructure spend and committed budget. This resulted in many large-scale contracts we targeted either being postponed or cancelled, particularly in the public private partnership (PPP) space.

The impact of tough markets also continued to affect our Construction Materials cluster, leading to the board's decision to dispose of this group of businesses or risk further value erosion.

Management focused on the disposal of Construction Materials and de-risking the Middle East business to ensure an improved group performance from F2013.

### New markets and opportunities

Against market challenges, the group explored further expansion in the rest of Africa for more of its business segments into familiar territories and new growth sector opportunities, such as industrial and renewable power. The group expects to secure at least two new renewable energy contracts in the first half of the F2013 year.

The group's primary expansion focus is in Africa. Due to our prior experience on the continent, we believe we are able to manage the higher risk profile of certain over-border markets. During the year, we expanded our presence in both West and East Africa.

Although in the short term there are limited new contracts of scale, the group also continues to develop its established East European concessions market.

> **In terms of the Middle East, the group took a longer term view on the region's recovery and decided to postpone its repositioning there until markets meet acceptable risk and return criteria.**

### Contract performance

Although we experienced continued pressure on contract prices and margins, except for a few isolated contracts, our execution was generally of a high standard. The worst individual contract impact on group results was from the group's DISI contract in Jordan. Refer to page 61 of the printed section of the integrated report. The group therefore reported a contract loss ratio of 27% for the year. Excluding the contract losses generated by the Middle East business, the contract loss ratio is 14%. This is comparable to that of the prior reporting period of 15%.

> Effectively managing contracts will become even more crucial going forward as we enter new markets. Against this, management has spent considerable time assessing the group's operations and ensuring a more seamless approach between segments. In addition, a review of our contract risk assessment regime will take place by early F2013.

Supply chain risk has become more prominent, with many small and mid-sized suppliers and sub-contractors not being able to survive the recession. Failures within our supply chain during a contract can have a severe impact on our ability to deliver. We have therefore implemented more stringent selection criteria as well as carefully evaluating the quality of performance security or guarantees that suppliers provide at the commencement of contracts.

## Skills management

The correct skills to pursue new opportunities are key to mitigate risks. Skills retention is traditionally not a challenge when markets slow down and large-scale retrenchments are taking place. However, the construction industry still experiences shortages in certain specific skills sets.

With our further expansion in Africa, employees who are willing to relocate outside of South Africa's borders for extended periods will be crucial to our success. Furthermore, senior quantity surveyors and engineers remain in short supply, with these positions subject to aggressive head hunting across the industry. In response, the group has revisited remuneration scales to ensure Group Five remains competitive with its packages and ability to retain core resources.

## Transformation

Broad-based black economic empowerment has been a competitive advantage for the group over the last few years as it remains one of only a few level 2 contractors in our sector. Following the unwind of a portion of our ownership structure due to the default of one of our partners, management concentrated on all the parameters of the scorecard to maintain this position, while evaluating alternative ownership transactions.

In consultation with the board and our external corporate sponsors, the group conducted a comprehensive review of the various options available in terms of black ownership transactions.

The group is actively looking at a replacement BBBEE ownership structure with the intention to create truly broad-based empowerment and economic benefits for employees and black individuals, while not causing undue share dilution.

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **Support the finalisation of discontinued operations** | • Successful and timeous disposal of assets within the 2012 calendar year |
| **Close out the group's position with the Competition Commission investigation** | • Close investigation without any fines or penalties |
| **Improve the group's loss-maker ratio** | • Use the group's current systems to monitor the overall risk profile of the group against our risk appetite and capacity<br>• Factor in the lessons learnt from the loss-making contracts into contract bidding risk filter processes<br>• Implement a mid-contract auditing regime against the assumptions made at the bid stage and consider changes in contract environment |
| **Support the resolution of debt collection in the Middle East** | • Commercially close out terminated and completed contracts in the Middle East and secure debt settlement agreements |
| **Support the group's geographic expansion** | • An effective structure, policies, levels of authority and segregation of responsibilities to provide an additional level of control to support the group's expansion strategy |
| **Manage our exposure to the current market conditions** | • With market conditions currently not favouring the contractor, focus will be on both bid selection criteria and execution to mitigate risk to potential contract failures |

# 1 Safety

## Delivery

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| Ensure zero harm | • Although a steep target from six fatalities, we are focused on eradicating fatalities as zero harm is the only acceptable goal | Achieved, with no fatalities. |
| Maintain certification of OHSAS 18001:2007 | • No major findings in audits | Achieved, with no major findings during the year. |
| Reduce the combined disabling injury frequency rate (DIFR) | • A DIFR of <0.30 from the current combined ratio of 0.54 | Achieved, with overall DIFR reducing to 0.21. |
| Compliance against the standard SHEQ audit standards schedule | • Full compliance | Full compliance achieved. |

## Key focus areas

Three years ago, the group lacked visible safety leadership and effective programmes to address safety. With revised safety, health and environmental management practices in place, which are mandated from the CEO's office through a bolstered safety, health, environment and quality (SHEQ) structure, each business segment was required to implement SHEQ systems in line with the group standard to ensure that each segment could be audited.

Now that this uniform standard has been achieved, the group will continue to ensure further alignment across the Construction cluster. This will benefit the group as it increases the number of larger multi-disciplinary contracts it secures which requires integrated and uniform systems across multiple business segments.

To achieve this, during the year, the group focused on rolling out integrated management information systems with respect to SHEQ and compliance. We also focused on implementing processes to achieve a single certification for the combined Construction cluster during the upcoming audit in the new financial year in support of the strategy.

The group made good progress in driving safety awareness and accountability into the business segments. A number of programmes, policies and procedures were formulated during the year to guide employees towards an improved understanding of SHE-related issues. The group is working towards a formal group-wide behaviour-based safety culture. However, as this will take some time, business segment managers received refresher training on the group's minimum standards for SHEQ to reinforce their accountability for the achievement of zero harm targets.

There was a significant improvement from all segments. Very pleasingly, we improved our DIFR to 0.21, which is the group's lowest recorded DIFR. This was achieved by focusing on leading indicators which often pre-empt safety risk, the group's "STOP FOR SAFETY" campaign and addressing potentially dangerous behaviour.

A total of 50 lost-time cases were recorded. A lost-time injury occurs when an employee is absent from work due to work-related injury for at least one full shift.

**Cumulative safety statistics**

| Clusters/business units | Cumulative from July 2011 to June 2012 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Man hours | First aid | FAFR** | Non-lost time injury | MFR | Lost time injury | Occ dis | Fatal | Curr DIFR# | Env inc | Site insp |
| Corporate & Business Services | 668 412 | 0 | 0.00 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0 | 35 |
| **Cluster total** | **668 412** | **0** | **0.00** | **0** | **0.00** | **0** | **0** | **0** | **0.00** | **0** | **35** |
| **INVESTMENTS AND CONCESSIONS** | | | | | | | | | | | |
| Intertoll Africa | 1 304 951 | 6 | 0.91 | 33 | 5.05 | 4 | 0 | 0 | 0.61 | 12 | 78 |
| Property Developments | 11 556 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12 | 132 |
| **Cluster total** | **1 316 507** | **6** | **0.91** | **33** | **5.01** | **4** | **0** | **0** | **0.60** | **24** | **210** |
| **MANUFACTURING** | | | | | | | | | | | |
| Fibre Cement | 1 648 353 | 43 | 5.21 | 18 | 2.18 | 8 | 0 | 0 | 0.97 | 12 | 110 |
| BRI | 278 946 | 59 | 42.30 | 31 | 22.22 | 3 | 0 | 0 | 2.15 | 12 | 130 |
| Pipe | 415 008 | 5 | 2.40 | 4 | 1.92 | 0 | 0 | 0 | 0 | 12 | 90 |
| **Cluster total** | **2 342 307** | **107** | **9.1** | **53** | **4.52** | **11** | **0** | **0** | **0.93** | **36** | **330** |
| **CONSTRUCTION** | | | | | | | | | | | |
| **Building and Housing** | | | | | | | | | | | |
| Building: Coastal | 9 834 211 | 78 | 1.58 | 16 | 0.32 | 11 | 0 | 0 | 0.22 | 12 | 120 |
| Building: National and International | 6 351 445 | 20 | 0.62 | 3 | 0.09 | 7 | 0 | 0 | 0.22 | 12 | 120 |
| Housing | 3 777 365 | 1 | 0.052 | 0 | 0 | 1 | 0 | 0 | 0.05 | 12 | 156 |
| **Civil Engineering** | | | | | | | | | | | |
| Local and Africa | 12 757 136 | 41 | 0.64 | 22 | 0.34 | 12 | 3 | 0 | 0.18 | 12 | 120 |
| Middle East | 1 470 904 | 79 | 10.74 | 5 | 0.67 | 1 | 0 | 0 | 0.13 | 4 | 1 359 |
| Plant and Equipment | 835 172 | 59 | 14.12 | 31 | 7.42 | 3 | 0 | 0 | 0.71 | 12 | 120 |
| **Engineering** | | | | | | | | | | | |
| Engineering & Construction | 2 886 331 | 22 | 1.52 | 9 | 0.62 | 0 | 0 | 0 | 0 | 12 | 120 |
| Projects | 5 437 814 | 96 | 3.53 | 18 | 0.66 | 0 | 35 | 0 | 0 | 0 | 120 |
| **Cluster total** | **43 350 378** | **396** | **1.82** | **104** | **0.47** | **35** | **38** | **0** | **0.16** | **76** | **2 235** |
| **Group total** | **47 677 604** | **509** | **2.14** | **190** | **0.80** | **50** | **38** | **0** | **0.21** | **136** | **2 810** |

* As the Construction Materials cluster is in the process of being disposed of, their results have not been included in the above table.

**Abbreviations:**

FAFR = First-aid frequency rate
Occ dis = Occupational diseases
MFR = Medical cases frequency rate
Env inc = Significant environmental incident
DIFR = Lost time/disabling injury frequency rate
Site Insp = Site inspections
Non-lost time injury = Medical treatment cases

** Number of first-aid cases for cluster x 200 000/total hours for the cluster.
\# Formula = total number of lost time injury cases for cluster x 200 000/total hours for the cluster.

To address weak sub-contractor safety trends and to ensure adherence to Group Five's standards, the sub-contractor procurement and selection process was modified to include a safety focus and evaluation in the group's contract/service agreements. Companies that do not adhere to safety rules and policies are disqualified.

## Key achievements

The group is very proud of achieving zero fatalities for the year, with a number of sites achieving a million hours without any disabling injuries.

As can be seen in the table below, the group's DIFR target of 0.30 was met through a focus on leading indicators that flag potential risk areas and through implementing proactive safety measures. In line with our commitment to zero harm, we will continue to strive for the elimination of all fatal and disabling work accidents. The group's medium term DIFR target has therefore been re-set to 0.15.

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

| Measurement | F2012 | F2011 | F2010 | F2009 | F2008 | F2007 | F2006 | F2005 |
|---|---|---|---|---|---|---|---|---|
| DIFR (permanent employees) | **0.20** | 0.36 | 0.33 | 0.39 | 0.50 | 0.64 | 0.85 | 0.89 |
| DIFR (sub-contractors) | **0.63** | 1.03 | 0.98 | 1.02 | 1.39 | 1.53 | 1.76 | 1.96 |
| Combined | **0.21** | 0.54 | 0.43 | 0.55 | 0.92 | 1.34 | 1.57 | 1.62 |

Following our focus on implementing safety systems and allocating resources to the business over the last few years, the head office safety team was streamlined during the year without impacting the implementation of our safety processes.

The most significant physical injuries, as measured by the frequency of reported incidents during the year, reflected a decrease in the majority of reported areas. The only increase was in lacerations and fractures to fingers, hands and arms.

The 27% increase (from 33% in F2011 to 42% in F2012) in the general safety reporting category, which includes falling from heights, motor vehicle accidents and minor injuries, was partly due to the high level of road building activities undertaken by the group in busy urban areas, the wide distribution of some sites across remote areas with limited infrastructure, as well as isolated incidences of a poor safety culture of sub-contractors working at heights on building contracts.

To address this, individual business segments implemented awareness campaigns to underline the importance of safety.

**Significant risks**

| | F2012 | F2011 | F2010 |
|---|---|---|---|
| Struck by/against accidents | **32%** | 38% | 40% |
| Slips and trips | **17%** | 18% | 20% |
| Inappropriate handling of machinery | **9%** | 11% | 12% |
| General – variety of incidents, including falling from heights, motor vehicle accidents and minor injuries | **42%** | 33% | 28% |

All segments with outstanding certification as reported in the prior year achieved integrated certification on OHSAS 18001:2007, ISO 14001:2004 and ISO 9001:2008. This resulted in 100% of segments achieving full compliance. The focus will now be on achieving a single certificate for the various clusters. This will reduce costs and duplication.

The group follows an integrated safety, health, environment and quality (SHEQ) system.

During the year, the group launched a SHEQ awards and recognition initiative. The categories and winners during the year are listed below:

- **Outstanding performance for a business unit:** Projects
- **Most improved business unit:** Engineering and Construction
- **Sustainable development award:** Plant and Equipment

**OHSAS 18001: 2007 certification status**

| | |
|---|---|
| **Corporate and business services** | 100% certified |
| **Investments and Concessions** | |
| Intertoll Africa | 100% certified |
| Property Developments | 100% certified |
| **Manufacturing** | |
| Fibre Cement | 100% certified |
| Barnes Reinforcing | 100% certified |
| Formwork | 100% certified |
| Pipe | 100% certified |
| **Construction** | |
| Building and Housing: Coastal | 100% certified |
| Building and Housing: National and International | 100% certified |
| Building and Housing: Housing | 100% certified |
| Civil Engineering: Local and Africa | 100% certified |
| Civil Engineering: Middle East | 100% certified |
| Civil Engineering: Plant and Equipment | 100% certified |
| Engineering: Engineering and Construction | 100% certified |
| Engineering: Projects | 100% certified |

* As the Construction Materials cluster is in the process of being disposed of, the results have not been included in the above table.

Other achievements include:

- Number of lost-time injuries declined from 53 to 50
- DIFR improved by 61% from 0.54 to 0.21
- Near miss reporting improved by 27%
- No fines or prosecutions were received

## Key challenges

The discipline and logistics required on many sites in diverse locations to log and close out incidents and lessons learnt on the group's manual reporting system remained a challenge. To address this, we automated the first stage of the group's SHEQ incident management system.

This electronic system now allows Group Five business segments to capture SHEQ incidents on one uniform system. The module of our current system pertaining to the costs associated with incidents or non-conformances requires improvement to accommodate varying client demands and inconsistencies in site reporting. A uniform manner of capturing the information is crucial to improve sub-contractor standards.

The planned enhancements to the system will allow more effective logging of information and tracking of related costs.

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **A full implementation of the "Stop for Safety" campaign in all business segments, with the resultant prevention of fatalities for employees and sub-contractors** | • No fatalities |
| **Following the implementation of an overall behaviour-based system, the group will now aim to implement a peer-on-peer review system in all segments to drive improved behaviour through to all employee levels in the group** | • Implement behaviour-based safety system |
| **Implement awareness training at all segments around effective reporting** | • Improved reporting on potential safety incidents |
| **All sites to maintain ISO 14001:2004, ISO 9001:2008 and OHSAS 18001:2007** | • Ensure all segments maintain certification and timeously address any findings |
| **Further improve DIFR** | • Achieve the new target of 0.15 |

# 2 Health

## Delivery

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas for F2012 | Desired results | Status |
| --- | --- | --- |
| **Intensify and broaden the implementation of proactive health management programmes for the current and most relevant diseases** | • Early detection, referral and management | The most relevant current workforce diseases observed through medical surveillance are chronic conditions such as hypertension, diabetes, asthma and tropical illnesses, such as malaria.<br>To ensure the effective management of these conditions, test results are captured on the group's internal system by an occupational health nurse, while segments track follow-up assessments and outcomes. |
| **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 | During the year, the programme to establish fitness for travel was revised to more appropriately prevent and manage chronic conditions impacting employees on over-border contracts. |
| **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 | An occupational nurse was employed during the year. She manages the group's health information with a focus on implementing an electronic system in the future. |
| **Implement a more rigorous process to assess, report and track prevalence and incidence of community health hazards, such as HIV/AIDS and tuberculosis to prevent the spread to our employees** | • Early detection, referral and management in South Africa and over-border | Health and risk assessments on new contracts are required before commencement of a contract. This includes a review of the community health hazards to which our employees will be exposed to, to allow for more proactive management. |

## Key focus areas

Group Five applies uniform SHEQ standards across all our operations, both locally and abroad.

To further improve our performance in managing occupational health exposures, we regularly test the effectiveness of our control measures to ensure they continue to function as designed. Occupational health exposures are consolidated and reported on a quarterly basis.

The group's largest cluster, Construction, embarked on a more focused medical surveillance programme during the year to ensure zero harm to employees when exposed to site-specific risks for all current and new contracts. The programme consists of site-specific health risk assessments, risk-based medical surveillance and referral for specialist treatment with regard to occupational injury or illness. The initial focus was on high and medium risk employee groups. However, during the year we were also able to attend to lower risk groups.

In line with this focus, we increased awareness of the importance of obtaining hazard identification and risk assessments on sites before any contract is started. It is crucial to identify health risks and to establish the required medical assessments to mitigate possible impacts and ensure optimal productivity. Risk-based medicals also result in cost management and legal compliance.

To drive continual improvement, we are currently investigating the management of chronic conditions for non-medical aid employees and the implementation of compulsory medical surveillance for contractors and sub-contractors.

During the year, the management of one of the group's key occupational health hazards of noise induced hearing loss improved due to the implementation of a detailed diagnostic and intervention process. This is improving tracking and employee registration for compensation through The Federated Employers' Mutual Assurance Company (FEM).

A formal procedure for managing non-work related illnesses and injury cases was drafted, with internal stakeholder input currently being gathered. As an interim measure, individual cases are assessed by the human resources department to proactively manage them.

## Key achievements

The group automated elements of its integrated occupational health monitoring system during the year. This system links individual health measurements and occupational risk exposure levels to the employee's occupational history.

This is a leading initiative in the industry and will allow us to conduct focused, risk-based medicals and improve productivity levels, as well as reduce safety risks and associated medical surveillance costs.

During the year, attendance at medicals increased by 34% and the number of medicals conducted in the year increased by 51% from 5 566 to 8 405. This will result in more effective management of employees' health, which in turn will limit loss of productivity.

**Medicals for employees July 2011 to June 2012**

| | Pre-employment medicals | Periodical medicals | Exit medicals | Travel medicals |
|---|---|---|---|---|
| July 2011 | 245 | 2 076 | 103 | 8 |
| August 2011 | 274 | 237 | 180 | 3 |
| September 2011 | 187 | 356 | 514 | 7 |
| October 2011 | 116 | 155 | 488 | 34 |
| November 2011 | 92 | 178 | 219 | 59 |
| December 2011 | 73 | 19 | 395 | 18 |
| January 2012 | 119 | 106 | 128 | 24 |
| February 2012 | 117 | 205 | 197 | 31 |
| March 2012 | 131 | 312 | 134 | 15 |
| April 2012 | 86 | 74 | 88 | 11 |
| May 2012 | 99 | 131 | 31 | 14 |
| June 2012 | 150 | 115 | 44 | 7 |

The group has implemented a single occupational health standard and system focusing on group employees as well as sub-contractors' employees. This will result in improved measuring and monitoring of sub-contractors.

## Key challenges

Managing employees with chronic conditions remains a challenge as the group relies largely on public healthcare facilities. Employees whose employment terms do not include medical aid cover for chronic diseases are therefore currently referred to provincial clinics. Unfortunately these clinics do not provide effective feedback to the group, which delays fitness status reports. The group is currently evaluating alternatives to ensure consistency of service and costs that are managed.

Despite the continued efforts of our malaria awareness programme and associated control measures, reported cases increased in the year from 32 to 38 due to more contracts secured over-border in higher-risk malaria areas. We will continue to focus on preventative measures.

**Number of malaria cases**

| | F2012 | F2011 | F2010 | F2009 | F2008 | F2009 |
|---|---|---|---|---|---|---|
| Number of malaria cases | 38 | 32 | 50 | 125 | 86 | 38 |

The group secured written consent from employees with medical conditions to disclose their medical information to assist in providing correct medical treatment and subsequent monitoring. The group also ensured that its insurance cover includes medical evacuation.

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **Revision of Group Five employees' occupational health standard conditions against job requirements** | • Risk-based medicals to prevent loss of productivity |
| **Contract/site-specific risk assessments performed and made available to the medical surveillance officer** | • Compilation of a health risk matrix per site and contract to result in improved management |
| **The Occupational Health and Safety and Mine Health and Safety Acts require that the management of chronic diseases form part of occupational health management. The group will therefore continue to focus on counselling employees to deal with chronic conditions, including hypertension, diabetes, epilepsy and asthma** | • To ensure compliance to regulations and to improve the general fitness of our employees to limit absenteeism and resultant costs |

# 3 Risk management

## Delivery

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas for F2012 | Desired results | Status |
| --- | --- | --- |
| 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 | This was established and implemented. Phase two commenced, which involves evaluating risks against the group's risk-bearing capacity. |
| Risk management and internal audit integration | • Further integrate audit findings within the risk management process | Material operational risks were identified through the internal audit reviews conducted in the year. These are entered into the risk registers and tracked accordingly. |
| 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 | Ongoing. All reported incidents are fully investigated by our in-house forensic investigator and appropriate action is taken against the offending individuals. Incidents are reported on a quarterly basis to the group's board of directors. |
| Risk management processes for non-construction segments | • Contract risk lifecycles in place for non-construction business units | Considerable work was performed on our Construction Materials cluster for the first six months of the financial year as it provided the more imminent risk until the decision to dispose of these businesses. |
| 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 | Initial modules were completed and implemented. |
| 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 | The model was refined to cater for the measurement of financial and operational capacity.<br>It is reviewed and monitored quarterly and with each risk assessment on large contracts prior to tendering. |

## Key focus areas

A key focus during the year, was providing risk support for the Construction Materials businesses. The team is now focusing on implementing the risk management processes for non-construction units in the Investments and Concessions cluster, with Manufacturing to follow.

The group's risk-bearing capacity model was refined during the year to cater for the measurement of financial and operational capacity.

Initial modules of a suite of risk assessment and contracting standards were implemented, with the balance to be developed in the forthcoming financial year in line with priority projects. The focus will mainly be on the terms and conditions of contracts.

As a result of changes in market conditions and opportunities, the group continues its diversification in term of regions in which it operates, as well as the nature of product and service offerings. An analysis of the financial risks associated with this change is imperative. The nature of contracts accepted by the group indicates both inherent risks and opportunities. Below is disclosure of the commercial nature of contracts entered into by region.

When compared to the prior year, the group's risk with regards to the type of contracts remained relatively unchanged.

**Full order book by contract type and geography:**

| Region (R'million) | Cost plus | Design and build | EPC | Labour only | Lump sum | Re-measurable | Total |
|---|---|---|---|---|---|---|---|
| Central Africa | 54 | 421 | – | – | – | 1 101 | 1 576 |
| East Africa | – | – | – | – | – | 74 | 74 |
| Middle East | – | – | – | – | 89 | – | 89 |
| Southern Africa | 818 | 244 | 699 | 98 | 1 867 | 5 448 | 9 174 |
| West Africa | – | – | – | – | 51 | 337 | 388 |
| Total | 872 | 665 | 699 | 98 | 2 007 | 6 960 | 11 301 |

Despite ongoing recessionary conditions that often result in an increase in criminal activity, the group's sustained efforts in educating its employees about the nature, impact and consequence of unethical activity contributed to a decrease in the number of reported incidents for the year under review. Another contributing factor was the high success rate of prosecutions and dismissals achieved in reported cases.

Almost two thirds of the issues reported stemmed from our largest cluster of Construction. This will receive stringent focus in the coming year. We have currently scheduled 14 ethics seminars for our Construction segments between August and December 2012.

**Number of completed investigations**

| | |
|---|---|
| Investments and Concessions | 4 |
| Manufacturing | 6 |
| Construction Materials | 5 |
| Construction | 21 |
| Total | 36 |
| Ongoing investigations | 6 |

**Nature of behaviours**

| | F2012 | F2011 |
|---|---|---|
| Abuse of company time | 1 | 8 |
| Bringing the company name into disrepute | – | – |
| Conflict of interest | 1 | 1 |
| Fraud, corruption and dishonest acts | 31 | 27 |
| Gross negligence | – | 2 |
| Governance | – | 1 |
| Misuse of company property | 2 | 5 |
| HR-related complaints | 6 | 5 |
| Industrial espionage | – | 1 |
| Non-compliance to policies and procedures | 1 | 1 |
| Providing false information | – | 1 |
| Sabotage | – | – |
| Security breach | – | 1 |
| Theft and break-ins | – | 19 |
| Total | 42 | 72 |

Despite a small increase in incidents of fraud and corruption, management was pleased to see a 42% decrease in total incidents. There were significant improvements in the reported incidents relating to misuse of company time and assets, which management believe is as a result of the increased training and awareness programmes being rolled out across the group

## Key achievements

Even against restructuring of the risk management team in light of cost cutting initiatives in the group, the group maintained the requisite control and assurance required by the board and risk committee. It was also still able to roll out a number of key initiates, as highlighted in this report.

Our expansion into Africa resulted in a significant increase in capital equipment being exported to other African Countries. Despite this, our claims and premiums remained relatively constant.

The table below confirms that insurance claims made under all classes except professional indemnity insurance, are similar to the previous reporting period. The value reported for the professional indemnity claim was as a result of a single claim for damages incurred following a design error caused by a consultant to the group and for which insurance proceeds were received.

**Insurance costs compared to revenue**

| Financial year | Premium* R'000 | Revenue* R'000 |
|---|---|---|
| 2008 | 14 704 | 8 899 578 |
| 2009 | 17 511 | 12 090 236 |
| 2010 | 16 108 | 11 337 588 |
| 2011 | 15 862 | 9 206 998 |
| **2012** | **18 060** | **9 093 122** |

* Inclusive of Construction Materials cluster for all years.

**Insurance claims summary**

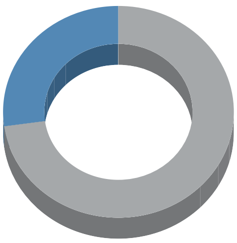
| | 2012/2011 | 2010/2011 | 2009/2010 | 2008/2009 | 2007/2008 |
|---|---|---|---|---|---|
| Assets | **753** | 2 729 | 414 | 2 301 | 2 498 |
| Contract works | **–** | – | – | – | – |
| Contract works – group "blanket cover" | **–** | – | 2 998 | 8 451 | 970 |
| Fidelity guarantee | **–** | – | – | – | 1 398 |
| Group personal accident | **3 169** | 2 000 | 7 500 | 2 936 | 1 124 |
| Liabilities | **5 416** | 5 200 | 1 138 | 6 992 | 114 |
| Professional indemnity | **7 566** | – | – | – | – |
| Motor | **2 384** | 2 118 | 3 130 | 5 626 | 2 880 |
| Total | **19 288** | 12 047 | 15 180 | 26 306 | 8 985 |

## Key challenges

The year under review posed many challenges, with the most significant being the need to restructure the group to cater for current slower market conditions without compromising our ability to take advantage of growth opportunities on the continent. The group's new structure as outlined on page 7 – 8 of the printed section of the integrated report should achieve this.

Although the majority of our Construction contracts performed well, a few problem contracts, especially the DISI pipeline in Jordan, had a negative effect on our loss-maker ratio.

## Profit – versus loss-making contracts



## Looking forward

| Key focus areas for F2013 | Desired results |
| --- | --- |
| **Use the existing risk management system and the risk bearing capacity (RBC) tool as a basis from which to develop an updated risk profile of the group** | • Complete the implementation of the system to allow management to compare and monitor actual values at risk with the group's tolerance levels and desired risk appetite |
| **Key risks to be captured in the group's combined assurance model** | • All key risks incorporated in the group's combined assurance model and the mitigating actions allocated and monitored |
| **Effective contract risk reviews** | • Deploy the correct resources and conduct mid-contract risk reviews of all material contracts to identify potential non-performing contracts at an early stage and to take corrective action to prevent losses |
| **Entrench a culture of learning through disciplined processes to evaluate contracts after completion** | • Entrench the discipline of closing out completed contracts, with formal lessons learnt reviews to be captured and analysed by management and with relevant employees. This information must be incorporated into the risk review process to improve bid selection and delivery on future contracts to reduce our loss-maker ratio |
| **Address resources in light of increased risk profile of markets and target contract types** | • An effective structure, policies, levels of authority and segregation of responsibilities to provide an additional level of control to support the group's expansion strategy |

# 4 Environment

## Delivery

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| **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 | Full compliance with radiation legislation. |
| **Ongoing environmental legal compliance at all construction sites and fixed operations** | • All actual and potential risks identified, investigated and managed | Full compliance. |
| **Register Clean Development Mechanism (CDM) projects qualifying for carbon credits** | • Reduce the group's carbon footprint | Everite is in the process of evaluating a project for a fuel switch from coal to biomass in their boilers. |
| **Ensure continued adherence to all legislation to prevent fines and prosecutions** | • No fines or prosecutions | Full compliance with no fines or prosecutions. |
| **Progress on developing renewable energy projects** | • Registration of Clean Development Mechanism (CDM) projects in South Africa, which will result in carbon credits. This in turn leads to financial gain for the group | Group Five is a partner in the development of the Kathu Solar Project (KSP), a concentrated solar power (CSP) plant in the Northern Cape with the potential to reduce 2,3 million tonnes of $CO_2$ over 10 years.<br>The project is currently in the validation phase for CDM purposes. It is anticipated to be registered before the end of 2012. |
| **Finalise group-wide implementation of the fuel enhancer** | • Realisation of at least 3% saving in group-wide diesel consumption | The product is still under evaluation at head office, with experimental implementation being conducted at one of the business segments. |

## Key focus areas

During the year, the group continued to focus on ensuring that all business segments and the corporate office are ISO 14001: 2004 certified. This was achieved.

During the last financial year the group continued to build its capacity in renewable energy and has tendered for the engineer, procure and construct (EPC) contracts for a number of wind and solar energy projects. Group Five expects to be awarded a number of these renewable energy projects such as wind farms and solar photovoltaic plants under the renewable energy independent power programme (REIPP). The group has also been actively involved in the development of a concentrated solar plant near Kathu in the Northern Cape. The focus on these type of contracts will continue and our involvement expanded to other renewable power opportunities in furnace waste and biomass fuels.

Increased focus will be placed on the reduction of carbon emissions on construction contracts. This will contribute to reduce the group's carbon footprint and provide a competitive advantage.

**ISO 14001: 2004 certification status**

| | |
|---|---|
| **Corporate and business services** | 100% certified |
| **Investments and Concessions** | |
| Intertoll Africa | 100% certified |
| Property Developments | 100% certified |
| **Manufacturing** | |
| Fibre Cement | 100% certified |
| Barnes Reinforcing | 100% certified |
| Formwork | 100% certified |
| Pipe | 100% certified |
| **Construction** | |
| Building and Housing: Coastal | 100% certified |
| Building and Housing: National and International | 100% certified |
| Building and Housing: Housing | 100% certified |
| Civil Engineering: Local and Africa | 100% certified |
| Civil Engineering: Middle East | 100% certified |
| Civil Engineering: Plant and Equipment | 100% certified |
| Engineering: Engineering and Construction | 100% certified |
| Engineering: Projects | 100% certified |

* As the Construction Materials cluster is in the process of being disposed of, their certification results have not been included in the above table.

## Key achievements

An important achievement during the year was being awarded the highest rating of all JSE Top 100-listed construction companies in the 2011 Carbon Disclosure Project (CDP). Group Five was also rated in the top ten of the JSE Top 100 CDP report.

This was achieved due to a strong focus on improved reporting throughout the business.

BRI, a manufacturer and trader of reinforced steel in the group's Manufacturing cluster, produces a minimum of 90% recycled steel, thereby reducing the scope 3 emissions over the lifecycle of steel production by up to 40%.

A Group Five employee was also recently appointed to the board of the Green Building Council of South Africa (GBCSA) and the group remains actively involved in the development of green star rating tools by the GBCSA.

Group Five successfully completed the construction of the 4-star rated Shepstone & Wylie building in Durban during the past year and was appointed as preferred bidder for the Munitoria Civic Centre/Offices and Department of Rural Development and Land Reform buildings, targeted 5-star and 4-star rated buildings respectively.

Another key achievement was further improving the accuracy and reliability of our submission of data for the Carbon Disclosure Project (CDP) and externally verifying the 2011 carbon footprint by an independent carbon auditor for the first time.

## Overall carbon footprint

The carbon footprint data reported is for the year ended 30 June 2011 as the most recent annual Carbon Disclosure Report Project (CDP) report was only due to be submitted prior to the 2012 financial year end. The verified F2012 information is therefore not available as yet.

For improved stakeholder disclosure, the group's report on its carbon footprint reflects both the results as per the CDP report issued, as well as the results excluding Construction Materials to allow benchmarking against the carbon footprint going forward as the group is in the process of disposing of the Construction Materials cluster.

| | F2011 (t $CO_2$e)* | F2011 (t $CO_2$e) Restated* | F2010 (t $CO_2$e) | F2009 (t $CO_2$e) | Emission factor | % of total F2011 |
|---|---|---|---|---|---|---|
| Scope 1 – Diesel, petrol, coal, LPG, etc. | 74 481 | 67 211 | 69 463 | 58 115 | 2.67 kg/litre | 1 |
| Scope 2 – Purchased electricity | 91 349 | 68 832 | 84 484 | 64 696 | 1.03 kg $CO_2$/kWh | 1 |
| Scope 3 – Business travel, deliveries | 7 958 763 | 7 958 181 | 7 891 458 | 13 600 | | 98 |
| Total | 8 124 593 | 8 094 224 | 8 045 405 | 136 410 | | 100 |

* Carbon footprint reflects both the results as per the CDP report and the results excluding Construction Materials, as the group is in the process of disposing of the Construction Materials cluster.
– Scope 1 emissions are direct Group Five emissions only.
– Scope 2 emissions are indirect emissions from the generation of purchased electricity.
– Scope 3 emissions are other indirect emissions as a consequence of the activities of the group, but occur from sources not owned or controlled by the group, e.g. commuting, air travel for business activities, production and transportation of purchased goods, outsourced activities and contractor-owned vehicles.

The general increase in emissions was due to improved reporting processes implemented during the year, including reliance on information that forms part of the verification by external carbon auditors.

Pleasingly, the group's corporate office in Rivonia reported an 11% decrease in electricity usage as a result of energy efficiency initiatives, including the installation of energy efficient light bulbs and motion sensors.

## Footprint per scope

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

LPG is not included this year as the use was insignificant. Sasol gas has been reported for this first time this year.

| Fuels (MWh) | F2011* | F2011* restated | F2010 | F2009 |
|---|---|---|---|---|
| Gas/diesel oil | 200 173 | 172 504 | 158 594 | 103 096 |
| Motor gasoline | 3 436 | 3 436 | 9 527 | 2 013 |
| Bituminous coal | 59 268 | 59 268 | 58 957 | 86 000 |
| Liquefied petroleum gas (LPG) | –[1] | – | 250 | 73 |
| Sasol gas | 4 137[2] | 4 137 | – | – |
| Total | 267 014 | 239 345 | 227 328 | 1 912 |

* Carbon footprint reflects both the results as per the CDP report and the results excluding Construction Materials, as the group is in the process of disposing of the Construction Materials cluster.

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

| | F2011* | | F2011* Restated | F2010 | | F2009 | |
|---|---|---|---|---|---|---|---|
| Cluster | Carbon footprint (t $CO_2$e) | % of total | Carbon footprint (t $CO_2$e) | Carbon footprint (t $CO_2$e) | % of total | Carbon footprint (t $CO_2$e) | % of total |
| Investments and Concessions | 3 689 | 5 | 3 689 | 4 474 | 6 | 520 | 1 |
| Manufacturing | 22 361 | 30 | 22 361 | 21 264 | 31 | 30 299 | 52 |
| Construction Materials | 7 270[1] | 10 | – | 18 218 | 26 | 10 249 | 18 |
| Construction | 41 161 | 55 | 41 161 | 25 507 | 37 | 17 047 | 29 |
| Construction offices | 709 | 1 | 709 | 1 269 | 2 | 124 | – |
| Construction contracts | 40 452 | 54 | 40 452 | 24 238 | 35 | 16 923 | 29 |
| Total | 74 481 | 100 | 67 211 | 69 463 | 100 | 58 115 | 100 |

* Carbon footprint reflects both the results as per the CDP report and the results excluding Construction Materials as the group is in the process of disposing of the Construction Materials cluster.

### Scope 2 purchased electricity emissions – per cluster and contracts

| Cluster | F2011* Carbon footprint ($t\ CO_2e$) | F2011* % of total | F2011* Restated Carbon footprint ($t\ CO_2e$) | F2010 Carbon footprint ($t\ CO_2e$) | F2010 % of total | F2009 Carbon footprint ($t\ CO_2e$) | F2009 % of total |
|---|---|---|---|---|---|---|---|
| Investments and Concessions | **22 238** | **24** | 22 238 | 20 265 | 24 | 8 495 | 13 |
| Manufacturing | **42 097** | **46** | 42 097 | 41 901 | 50 | 42 977 | 66 |
| Construction Materials | **22 517** | **25** | – | 11 520 | 13 | 12 752 | 20 |
| Construction | **4 497** | **5** | 4 497 | 10 798 | 13 | 472 | 1 |
| Construction offices | **3 335**[1] | **4** | 3 335 | 3 185 | 4 | 29 | – |
| Construction contracts | **1 162** | **1** | 1 162 | 7 613 | 9 | 443 | 1 |
| Total | **91 349** | **100** | 68 832 | 84 484 | 100 | 64 696 | 100 |

* Carbon footprint reflects both the results as per the CDP report and the results excluding Construction Materials, as the group is in the process of disposing of the Construction Materials cluster.

### Scope 3 indirect emissions – per cluster and contracts

Scope 3 GHG emissions for F2011 in respect of raw materials and deliveries are lower than F2010 due to the reduced number of construction contracts executed in the year.

However, the overall scope 3 emissions are higher than F2010 due to the carbon footprint of downstream product use, as areas such as the use of completed buildings by clients have been included for the first time this year.

| Cluster | F2011* Carbon footprint ($t\ CO_2e$) | F2011* % of total | F2011* Restated Carbon footprint ($t\ CO_2e$) | F2010 Carbon footprint ($t\ CO_2e$) | F2010 % of total | F2009 Carbon footprint ($t\ CO_2e$) | F2009 % of total |
|---|---|---|---|---|---|---|---|
| Investments and Concessions | **4 325 567** | 54 | 4 325 367 | 5 381 355 | 68 | 271 | 2 |
| Manufacturing | **6 256** | | 6 256 | 67 916 | 1 | 3 550 | 26 |
| Construction Materials | **582**[1] | – | – | 131 916 | 2 | 2 214 | 16 |
| Construction | **3 625 928** | 46 | 3 625 928 | 2 310 271 | 29 | 7 565 | 56 |
| Construction offices | **46 106** | – | 46 106 | 852 | – | 3 974 | 29 |
| Construction contracts | **3 579 822** | 46 | 3 579 822 | 2 309 419 | 29 | 3 591 | 27 |
| Total | **7 958 333** | 100 | 7 957 751 | 7 891 458 | 100 | 13 600 | 100 |

* Carbon footprint reflects both the results as per the CDP report and the results excluding Construction Materials, as the group is in the process of disposing of the Construction Materials cluster.

## Key challenges

During the 2012 South African government's budget speech, the Minister of Finance confirmed that carbon tax will be introduced during calendar 2013/2014. This will be accompanied by mandatory reporting requirements and taxation burdens.

Although the group's accounting system caters for the adequate recording of information required, these changes do bring potential additional tax exposure and increased reporting requirements for the group. The group is currently evaluating its exposure and change in processes required in this regard.

Despite the economic downturn in the construction industry, it is important for the group to remain dedicated to its commitments and allocate adequate resources to green and emission reduction initiatives. A challenge remains for the group to become more focused on dedicating business segment managers who will be responsible for driving these initiatives along specific measurements included in their key performance indicators.

## Looking forward

| Key focus areas for F2013 | Desired results |
| --- | --- |
| **Refine group financial reporting in preparation for mandatory reporting requirements and carbon tax** | • Accurate reporting of the group's carbon footprint and calculation of relevant carbon tax |
| **Implement initiatives to reduce carbon emissions on construction contracts** | • Reduce the carbon footprint and provide a competitive advantage on contracts |
| **Increase involvement in renewable energy projects** | • Expand market share in renewable energy field |
| **Close out tendered Green Building contracts and pursue further opportunities in the Green Building industry** | • Retain leading position in Green Building sector |

## 5 Quality (Business management system)

### Delivery

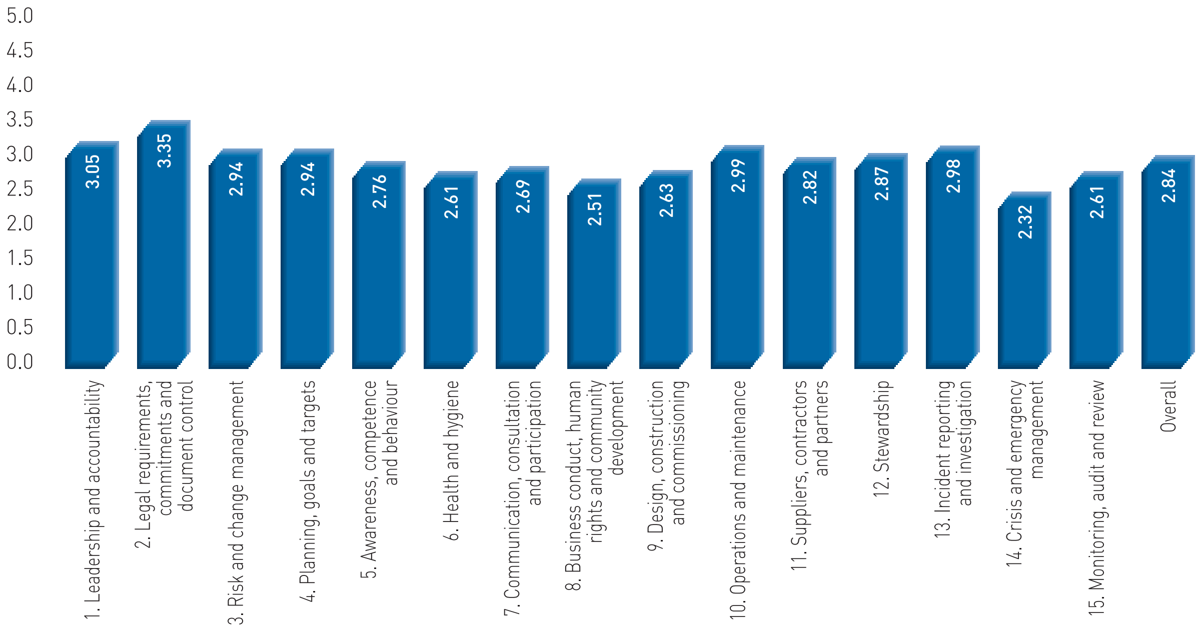
Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| **Implement audits of the group's 15 quality management standards towards integrated management systems** | • Conduct internal audits of the group's quality management standards in each certified business segment | Internal audits of the group's quality management standards were conducted in all segments. |
| **Roll out a new SHEQ incident management system across all segments** | • SHEQ incident management system implemented, with training on the use of the system | Stage one of the SHEQ incident management system was implemented. Training on the use of the system is being rolled out and will continue in the next financial year. |
| **Analysis of the results of the audit of the group's quality management standards across the group and identification of areas for improvement** | • Continuous improvement | The results of the audit of the group's quality management standards were completed and continuous improvement areas identified. |

## Key focus areas

The group has 15 management standards in place which underpin the group's quality management system and provide management with a tool to measure the effectiveness and level of application. These management standards are recorded in the graph below and comprehensively cover the group's management focus areas.

Group Five 15 management standards




The group's improvements against the scores achieved in each of the 15 management standards was reviewed during the year with audit teams from across business segments and sites providing an objective peer to peer evaluation. The results were pleasing.

> Areas which received low scores will be addressed in the coming year through implementation of process improvement plans and follow-up audits at each business segment, including the determination of the effectiveness of corrective actions that were taken.

As outlined on page 64 of the printed section of the integrated report, during the year under review it became apparent that there were significant efficiencies to be gained from structuring the group's various construction businesses into a single Construction cluster.

However, our Integrated Quality Management System supported multiple segments operating independently of one another. The new structure will require a single management system to maximise the potential benefit of the restructuring. One system will ensure single ISO certification and alignment across the whole Construction cluster as we move into larger multi-disciplinary contracts where several segments are required to work alongside each other with integrated and uniform systems.

The revised approach to our quality management system, once fully implemented, will allow management to readily access a more comprehensive overview of key data required to manage the business.

The process of consolidating the SHEQ leadership across the Construction cluster was started in F2011 in preparation of the restructuring initiated in the second half of F2012 for implementation in Q1 F2013. There were a few initial challenges due to the geographic spread of the group's businesses, specifically certain remote sites on the African continent. To address this, the group automated the first stage of its incident management system to more effectively log, consolidate and report on certain key information. The second phase of this initiative will address the improvements mentioned in the key challenges of the safety report.

## Key achievements

ISO certification of all business segments was achieved during the year under review. This will ease the process for obtaining certifications per cluster.

**ISO 9001:2008 certification status**

| | |
|---|---|
| **Corporate and Business Services** | 100% certified |
| **Investments and Concessions** | |
| Intertoll Africa | 100% certified |
| Property Developments | 100% certified |
| **Manufacturing** | |
| Fibre Cement | 100% certified |
| Barnes Reinforcing | 100% certified |
| Formwork | 100% certified |
| Pipe | 100% certified |
| **Construction** | |
| Building and Housing: Coastal | 100% certified |
| Building and Housing: National and International | 100% certified |
| Building and Housing: Housing | 100% certified |
| Civil Engineering: Local and Africa | 100% certified |
| Civil Engineering: Middle East | 100% certified |
| Civil Engineering: Plant and Equipment | 100% certified |
| Engineering: Engineering and Construction | 100% certified |
| Engineering: Projects | 100% certified |

* As the Construction Materials cluster is in the process of being disposed of, their results have not been included in the above table.

Progress was made on the implementation of stage one of the group's internal incident management system. All non-conformances can now be costed and tracked throughout the group.

## Key challenges

Maintaining a disciplined approach to adherence to our quality management system is key to the success of the system. Particular emphasis will be placed on our over-border operations.

There were a few areas where quality processes failed during the year, in particular on the DISI pipeline contract in Jordan, which was the single largest group loss-making contract.

The lessons learnt from the DISI contract highlighted the consequences of not identifying risks early enough, of weak pre-bid local and technical knowledge, weak oversight of management and controls and non-compliant individual behaviour.

We have learnt from these mistakes and have tightened our processes significantly to pick up areas where contracts are not adhering to the group's risk and quality systems. Increased control between the region, the site and the centre in terms of oversight will also be implemented.

Our current group systems relating to the costs associated with incidents and non-conformances require improvements to accommodate varying client requirements. A uniform way of capturing information is crucial to improve sub-contractor standards. This will be a focus area in the coming year.

It is envisaged that an enhancement of the incident management and cost of non-conformance reporting system will be rolled out in the next financial year.

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **Investigate the most appropriate management and storage systems for documents and records** | • A uniform document and record management and storage system across the group |
| **Roll out stage two of the incident management and cost of non-conformance reporting system** | • One electronic incident management system implemented and effective across all areas, including sub-contractors |
| **More effectively capture the cost of non-conformance** | • Establish standards and a dashboard of the cost of non-conformance across the group to better direct management action for continuous improvement |
| **Cluster certification** | • All clusters obtained cluster certification |

# 6 Commercial and legal

## Delivery

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| 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 | Substantial progress was made with refining policies and procedures for best practice. These included preferred sub-contract agreements. These are due for finalisation by the end of the calendar year. |
| 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 | This is ongoing. |
| 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 processes | Informal audits were conducted on an ad hoc basis, with a plan to formalise these in conjunction with mid-contract risk reviews. |
| Conduct awareness forums | • Further improve group-wide awareness of key commercial, legal and risk issues | Ongoing forums were held. |

## Key focus areas

During the year, the legal function was integrated with the commercial function to ensure seamless specialist support to the group's various contracts and to provide coordinated representation on the group's risk review committee. This resulted in more efficient support being provided across the group.

The key focus for the commercial and legal function was to continue with the alignment of best practice and to focus specifically on the practices and procedures relating to sub-contractors and joint ventures. Although substantial progress was made in this regard, this process was not completed during the year due to specialist support required in certain parts of the business. This included support to the Construction Materials cluster in terms of initially improving efficiencies and more recently assisting with various disposal transactions.

The commercial and legal team also supported the Middle East business with the finalisation of terminated contracts, including the loss-making DISI pipeline in Jordan, as well as commercial closure on material contracts during the period.

## Key achievements

Substantial progress was made to improve sub-contractor management by ensuring main contract risk transfer with the associated evaluation of sub-contractors' ability to tolerate risk. Best practice principles are currently being finalised before the end of the calendar year, with implementation across the business set for the next calendar year.

The group's joint venture practices and procedures across the group were evaluated and are currently being improved. This will result in increased alignment and consistency.

A number of historical commercial matters were successfully closed out. These included the resolution of the unwinding of the partnership between the group and one of its black economic empowerment ownership partners, iLima, as well as other minor disputes.

## Key challenges

Agility was required in refocusing resources at short notice to provide necessary support to certain businesses experiencing difficulty in the tougher market conditions. This in particular involved focused support during the disposal of the Construction Materials businesses, which is expected to continue into the next quarter of the new financial year.

Focus on the continued improving and enhancing of the group's internal controls proved difficult against the extensive support required from the group in the period. Against this, efforts were focused on maintaining existing controls.

Continuous review and repositioning of the group's preferred commercial position was required to cater for the changing and geographically diverse market landscape. This was done successfully, with the outcome being applied through the risk review process.

## Looking forward

| Key focus areas for F2013 | Desired results |
| --- | --- |
| **Assist with the close out of historical matters, with a short term focus on the Middle East** | • Minimise further expenses relating to historic matters and maximise recovery of debts |
| **Continued alignment of best practice commercial terms to the group's standard agreements** | • Refinement of sub-contracting terms and joint venture practices |
| **Provide commercial support to the disposal of the Construction Materials businesses** | • Successful close out of sale agreements and related conditions |
| **Negotiation of acceptable contracting terms when forming new relationships with foreign entities through our geographic expansion** | • Sufficient payment security along with tolerable limitations of liabilities |
| **Measurement during contract execution of adherence to risk processes and decisions made at contract inception** | • Mid-term contract audits to ensure compliance with outcomes of risk processes in conjunction with internal auditing processes |

# 7 Regulatory compliance

## Delivery

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| Roll out the group's compliance software system | • Effective compliance management across all compliance sectors | The system is now in place and management has refocused the areas covered in terms of a risk-based approach. |
| Assess the group's compliance with the new Consumer Protection Act | • Full compliance | Full compliance. |
| Continue closing out gaps in compliance with King III | • Full compliance with King III | Material areas complied with. |
| Ethics awareness and training | • Ensure employees are sufficiently informed of all relevant legislation with respect to ethics and governance | A series of training seminars are currently being rolled out. These are compulsory for management. It is our intention to roll this training out over time to all employees. |

## Key focus areas

During the year, all applicable legislation was identified and filtered to highlight pieces of legislation that potentially expose the group to fines, penalties and other criminal sanction. This was completed and a list of priority legislation identified. This will now be proactively monitored to ensure continued compliance.

## Key achievements

With the implementation of the group's new compliance software system, management is now able to evaluate the group's compliance performance in more detail, such as by business segment or region. This is allowing us to identify problem areas more proactively and effectively.

## Key challenges

The key challenge remained ensuring compliance with relevant legislation in all the jurisdictions within which we operate. Although the group has a specialist team that oversees tax and financial issues, it is important to prioritise certain other pieces of legislation to which we may be exposed.

The group's proposed new structure, as outlined on page 64 of the printed report, will include a regional support system that will further improve the monitoring of compliance. Going forward, the group will continue to focus on areas of legislation it may be subject to.

## Looking forward

| Key focus areas for F2013 | Desired results |
| --- | --- |
| **Improve awareness of African compliance requirements** | • Develop broader coverage of applicable legislation |
| **Align compliance to ISO certification** | • Ensure our compliance system meets the ISO standards for certification |
| **Align compliance to the group's risk process** | • Material non-compliances will be captured on the group's risk registers and monitored until addressed |
| **Ensure adherence to the new Companies Act** | • Refer to review from the company secretary |

During the year, there were no key legislative developments that materially impacted on the group. However, we are evaluating the proposed Carbon Tax Act and other amendments to the Tax Act with interest, in particular the proposed amendments to section 45, which involve other further limitations and authority required to reorganise company structures.


# Review from the company secretary

04

# Review from the company secretary

Policies, procedures and structures were further refined in the year to ensure alignment with changes in legislative, regulatory and best practice standards in corporate governance applicable to the group.

## Delivery on objectives

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| Companies Act No 71 of 2008 and Companies Regulations 2011 (Companies Act) | • Gain full compliance with the Act | The compliance of the group to the revised Companies Act is disclosed on page 4. Of significance is the board's adoption of an amended Memorandum of Incorporation, as required before May 2013. This document has been tabled for approval by shareholders at the forthcoming annual general meeting (AGM) in November 2012. |
| 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 | A social and ethics committee (SEC) was established with the related terms of reference approved by the board. The composition of the SEC committee is disclosed on page 10 and the members' CVs are available on page 12. The membership has to be approved and ratified by shareholders at the AGM in November 2012. |
| King Report on Corporate Governance (King III) requirements | • Review and recommend actions to close gaps for consideration and approval of the board | The group continued to close out non-compliant areas. |
| Further improve operational knowledge of the board | • Equip the board with technical knowledge to further improve the quality of guidance given to executives | Training sessions to improve the knowledge of the board were held during the year. Training programmes covered remuneration policies, corporate governance and ethics. |
| Address board processes requiring implementation | • Implementation of formal induction and succession plans. Development of a continued education programme for the board | Directors appointed in August 2011 went through a comprehensive induction programme which involved visits to certain operational sites. The group has since initiated succession planning for senior executives. This programme will be extended to the requirements of the board of directors during F2013, as this was not completed as intended in F2012. |
| Employee share scheme | • Ensure all administrative issues are addressed | Although a few minor issues remain, administration has significantly improved. |

## Material issues review

Last year we committed to resolve areas of non-compliance in terms of King III and the new Companies Act. The board of directors, together with management, supervised the re-organisation of governance processes, as well as the mandates of board committees.

**This resulted in:**

- The adoption of an amended memorandum of incorporation by the board of directors
- The establishment of a social and ethics committee
- Several director training and induction programmes
- The development of a legal compliance register

### Companies Act No 71 of 2008 and Companies Regulations 2011 (the Companies Act)

Compliance with the Companies Act remained a key focus area. Outside of areas of non-compliance identified and reported on in the prior year, there were no further material issues to report for the period under review.

An update on the areas that were not compliant last year is presented below.

| 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:<br>• Record of directors<br>• Copies of all reports presented at an AGM<br>• Annual financial statements and accounting records<br>• Notices, minutes and resolutions of shareholders' meetings<br>• Notices, minutes and resolutions of all board, audit and committee meetings<br>• Securities register<br>• Registration of company secretary and auditors | A document and record management project is underway to formulate a document tracking system, as well as to adhere to the retention policy contemplated by this provision of the Act. This is expected to be implemented in F2013. |
| **Section 45** | Approval by shareholders through a 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. Shareholders approved the special resolution requesting general authority to issue such financial assistance at the 2011 AGM. |
| **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 established a social and ethics committee with a mandate to oversee the responsibilities envisaged by the Act. The membership has to be approved and ratified by shareholders at the AGM scheduled for November 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 segment 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 was amended in the year to ensure that disclosure is made as soon as the conflict arises and not only on a quarterly basis. |

The board maintains the view that the group is compliant with the Companies Act to the extent required and where practically possible.

## King III

The group continues to progressively address the non-compliance gaps relating to the implementation of the King Code of Governance for South Africa 2009 (King III). Throughout this report, reference is made to King III and specific chapters. Our aim is to demonstrate an integrated application of these principles and not to limit reference or explanation to the governance and compliance portion of this report.

In the period under review, the benefits of the newly-established IT steering committee were seen. The formalisation of various group policies, procedures and work plans, including the group's initial combined assurance framework review and the refinement of the group's risk-bearing capacity, resulted in a more integrated comprehension of the group's risk factors and the process flow of its operations. The board considered and approved succession plans for executive directors and also reviewed the board structure, in particular the composition and mandates of the board committees, such as the audit, risk and the social and ethics committee.

## Board processes

In the period under review, internal processes were evaluated to remove duplication and promote efficiencies. This exercise resulted in a review of various operational processes and re-organisation of management structures to achieve optimal and efficient support of the group's strategic requirements and to strengthen the diversity and sector expertise of management.

The board acknowledges that it is ultimately accountable and responsible to its shareholders for the performance and affairs of the company. It has accordingly reviewed the revised operating structures and approved them with effect from 1 July 2012. With the introduction of the social and ethics committee in line with the requirements of King III, the board of directors reviewed each sub-committee's mandate, terms of reference and charter along with its composition. It has recommended changes and realignments of the committees. The memberships to the audit committee and social and ethics committee have been presented to shareholders for their approval at the next annual general meeting in November 2012.

## Employee share scheme

The company secretary, together with an external service provider, is responsible for administrating the group's broad-based employee share scheme, the share appreciation rights scheme and the black managers' scheme. The automation of the administration of this scheme was finalised in the year and is now operational. Unfortunately, the efficiencies realised in the enhancement of this internal process have not conclusively resolved the issues previously identified, with delays in delivery of shares to the beneficiaries of these schemes continuing. This is receiving the necessary attention and will include a review of the services rendered by the external provider.

## Tip-offs anonymous line

The company secretary is also responsible for administrating the group's Tip-offs Anonymous line.

We continue to see increased use of this reporting line. Additional information on the findings is disclosed in the review from the risk officer available in the online section of the integrated report.

During the year, the company delivered various anti-fraud, anti-corruption, corporate governance and ethics training programmes throughout the group in a bid to increase employee awareness. Attendance to these training activities is compulsory.

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **Companies Act** | • Gain full compliance with the Act |
| **JSE Listings Requirements** | • Ensure compliance with the JSE Listings Requirements |
| **King III** | • No remaining King III readiness gaps |
| **Further improve operational knowledge of the board** | • Define and recommend an annual training programme for the board |
| **Address board processes requiring implementation** | • Board succession planning implemented<br>• Board delegation of authority policy and framework reviewed to ensure accountability and execution at the appropriate level<br>• Finalisation of board and committee assessments<br>• Standardisation of corporate business rules |
| **Employee share scheme** | • Enhanced management systems to achieve optimised delivery of shares and/or services<br>• Finalisation of review of services rendered by the external provider to ensure appropriate delivery to the group |

## Operational review

The recent transformation of the legislative, regulatory and best practice standards in the corporate governance environment in South Africa obliges companies to remain steadfastly committed to reviewing corporate governance policies and procedures. This report outlines the processes implemented by the group to respond to these changes.

### Introduction

Group Five remains committed to maintaining a culture of effective corporate governance to ensure long term sustainability of the business. The group ascribes to the recommendations of King III and has appropriately adopted principles that are aligned with its strategic circumstances. In line with the "apply or explain" philosophy of King lll, through continuous assessment and monitoring of its corporate governance framework and processes, the group implemented alternate governance controls and provided opinions on the effectiveness of these controls. The group also implemented several changes required by the Companies Act which came into effect in May 2011.

During the year, and in response to legislative and regulatory amendments, a social and ethics committee was established, with effect from 10 November 2011.

### The board, its governance and fiduciary responsibilities

The board is ultimately responsible for the group's corporate governance standards. Standards of reasonable care, skill and diligence are accordingly exercised by the board in the deliberation and determination of all business judgements. The board of directors' charter articulates the objectives and responsibilities of the board. Likewise, each of the board committees operates in accordance with written terms of reference, which are regularly reviewed by the board.

### The board

Group Five has a unitary board structure, comprising of two executives (the chief executive officer and the chief financial officer), as well as seven independent non-executive directors and one non-executive director. The board has a written charter that governs its powers, functions and responsibilities. It ensures that no one board member has unfettered powers of decision-making. The board charter is subject to the provisions of the new Companies Act, the Listings Requirements of the JSE Limited, the company's memorandum of incorporation and all other applicable legislation. The board is ultimately accountable and responsible to its shareholders for the performance and affairs of Group Five. The board therefore retains full and effective control over Group Five and gives strategic direction to its management.

Appointments to the board are on recommendation by the nominations committee and are considered by the board as a whole. This involves evaluating the existing balance of skills and experience against the needs of the group. Non-executive directors are required to devote sufficient time to the affairs of the group. While no limitations are imposed by the board charter, or otherwise, on the number of other appointments directors may accept, approval from the chairperson must be obtained prior to acceptance of additional commitments which may affect the time directors can devote to the group. There were no changes to the board during the year other than the approval by shareholders of the previously disclosed appointment of Mr OA Mabandla and Mr DDS Robertson with effect from 1 August 2011.

An appraisal of the effectiveness of the board is conducted every alternate year. This took place last year. Following this evaluation, as well as the recommendations made by King III, the group assessed the effectiveness of the board sub-committees. As a result, during the year under review, the board accepted and approved an updated board charter and the terms of reference of all board committees. The board's succession plan was not finalised during the year. This is a focus area for F2013.

Directors do not have a fixed term of appointment and non-executive directors are subject to retirement by rotation and re-election by shareholders. Directors appointed during the year are required to have their appointments ratified at the next AGM. The chairperson is elected by the board at the AGM each year. Executive directors are subject to a three-month notice period. Non-executive directors derive no benefit from the group other than their fees and emoluments as proposed by the board through the remuneration committee (remco) and approved by shareholders at the group's AGM.

The strategy of the group is mapped by the board in conference with the executive committee (exco).

The board and exco meet at least twice a year to formulate, review and agree on the group's strategic intent, as well as the areas of focus and growth. Exco members are required to present the group and individual business segment strategies to the board. All significant transactions, in line with the group's pre-determined levels of authority, are required to be presented to the board. The board extends a standing invitation to exco members to attend meetings of the main board, as required.

The board is responsible for monitoring and reporting on the effectiveness of the company's system of internal control. It is assisted by the audit committee in the discharge of this responsibility.

The group maintains a Conflict of Interest Policy. Every quarter all directors, prescribed officers and business segment directors are required to confirm any conflict of interest which may arise when an individual acquires a personal financial interest in matters in which the group has a material interest or knows of a related person who has acquired a personal interest.

### The chairperson

The chairperson's role is to set the ethical tone for the board and to ensure that the board remains efficient, focused and operates as a unit. Ms P Buthelezi is an independent non-executive chairperson and her role is separate from that of the CEO. Ms Buthelezi provides overall leadership to the board without limiting the principle of collective responsibility for board decisions. Ms Buthelezi chairs the nominations committee, but is not a member of any other sub-committee. The chairperson is also responsible for the annual appraisal of the CEO's performance. During the year, the appraisal of the CEO's performance was conducted by her and referred to the remuneration committee.

## Non-executive directors

Members of the board have a fiduciary responsibility to represent the best interests of the group and its stakeholders. The group's non-executive directors are individuals of high calibre and credibility who make a significant contribution to the board's deliberations and decisions. The diverse backgrounds of the directors ensure a wide range of experience in commerce, industry and engineering. They have the necessary skills and experience to bring judgment to bear, independent of management, on areas such as strategy, performance, transformation, diversity, employment equity, ethics and environmental management. The non-executive directors are P Buthelezi, LE Bakoro, L Chalker, JL Job, OA Mabandla, SG Morris, KK Mpinga and DDS Robertson. SG Morris remains the lead independent non-executive director.

L Chalker confirmed her intention to retire from the board post the annual general meeting in November 2012. She therefore does not offer herself up for re-election. In accordance with our memorandum of incorporation, one third of the directors are required to retire from office at each AGM. Accordingly, KK Mpinga and SG Morris retire, by rotation. Being eligible, they offer themselves for re-election. KK Mpinga has served on the board for a period in excess of nine years. An internal evaluation of his independence, character and judgment was performed and the assessment confirms them to remain unimpaired. CVs of the board members are provided in this review.

The non-executive directors derive no benefit from the group other than their fees and emoluments, as proposed by the board through the remuneration committee (remco) and approved by shareholders at the group's annual general meeting.

## The chief executive officer

The board defines the group's levels of authority, reserving specific powers for the board while delegating others to management. The collective responsibility of management vests in the chief executive officer, Mr MR Upton, who regularly reports to the board on the group's objectives and strategy. Mr Upton is responsible for formulating and recommending strategies and policies to the board and plays a critical role in the operations and success of the company. The CEO is accountable to the board and consistently strives to achieve the group's goals within the framework of delegated authority.

**Board meeting attendance**

| Name | Quarterly meeting 05.08.11 | Quarterly meeting 10.11.11 | Board breakaway meeting 11.11.11 | Quarterly meeting 07.02.12 | Special meeting 09.02.2012 | Board breakaway meeting 24.05.12 | Quarterly meeting 25.05.12 | Period of service; (date of appointment) |
|---|---|---|---|---|---|---|---|---|
| P Buthelezi (chairperson) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 5 years; (4 July 2007) |
| MR Upton | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 5 years 8 months; (17 November 2006) |
| CMF Teixeira | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 4 years; (1 June 2008) |
| LE Bakoro | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 3 years 8 months; (1 November 2008) |
| L Chalker | * | ✓ | ✓ | ✓ | # | ✓ | ✓ | 11 years 5 months; (21 February 2001) |
| JL Job | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 3 years 8 months; (1 November 2008) |
| OA Mabandla | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11 months (1 August 2011) |
| SG Morris | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 7 years; (1 July 2005) |
| KK Mpinga | ✓ | ✓ | ✓ | * | # | ✓ | ✓ | 10 years; (1 July 2002) |
| DDS Robertson | ✓ | ✓ | ✓ | ✓ | # | ✓ | * | 11 months (1 August 2011) |

✓ Present. * Apologies. # Per teleconference.

## The company secretary

The company secretary plays a vital role in the corporate governance of the group. She is responsible for ensuring board compliance with procedures and regulations of a statutory nature. The company secretary ensures compliance with the Listings Requirements and is responsible for the submission of the annual compliance certificate to the JSE Limited.

The company secretary provides the board as a whole and directors individually with guidance on discharging their responsibilities and duties. She provides advice and guidance to the board and to other employees within the company on matters of good governance and changes in legislation. The company secretary ensures that, in accordance with the pertinent laws and regulatory framework, the proceedings and affairs of the board and its members, the company itself and, where appropriate, the owners of securities in the company are properly administered. The appointment and removal of the company secretary is a matter for the board as a whole. The company secretary also administers the group's employee share schemes and is the secretary of all the board committees.

## Board committees

The board has five standing committees through which it operates. These committees play an important role in enhancing good corporate governance and improving internal controls to ensure the sustainable performance of the group. In compliance with the new Companies Act, the board deemed it appropriate to reconstitute the mandate of the socio-economic development committee and absorb it into the areas of responsibility contemplated by section 72 of the Companies Act when establishing the social and ethics committee. This process necessitated a holistic review of the constitution and mandate of each committee of the board. This was finalised during the year. The current board committees and their chairpersons are:

| | |
|---|---|
| Audit committee | SG Morris* |
| Risk committee | KK Mpinga |
| Remuneration committee | JL Job |
| Social and ethics committee | LE Bakoro* |
| Nominations committee | P Buthelezi |

* The recommended membership and chairpersons of the audit committee and social and ethics committee has to be approved by the shareholders at the next annual general meeting.

The chairpersons of the above committees are independent non-executive directors. In the spirit of transparency and full disclosure, each committee's independent chairperson reports formally to the main board after each sub-committee meeting on all matters within its duties and responsibilities, including recommendations on required action items.

## The audit committee

Apart from the statutory duties of the audit committee as set out in the Companies Act, and the provisions of the Listings Requirements of the JSE and King III, the ambit of this committee was expanded during the year. Refer to the table below for the committee's mandate. The audit committee has its own terms of reference to assist members of the committee to understand their roles and enable them to add value in discharging their duties. The review of board committees during the year resulted in some changes to the responsibilities of the audit committee from April 2012.

The board recommends the appointment of Messrs Mabandla and Robertson as additional members with legal and industry experience, respectively, to the audit committee. The audit committee has deemed it appropriate to extend a permanent invitation to the chairperson of the board, Ms P Buthelezi, to its meetings. Membership of this committee will therefore be presented to the shareholders for approval at the next annual general meeting.

The committee has the following responsibilities:

| For the period ended March 2012 | **As at June 2012** |
|---|---|
| Membership | **Membership** |
| SG Morris<br>LE Bakoro<br>L Chalker<br>KK Mpinga | SG Morris<br>LE Bakoro<br>L Chalker (until date of retirement post November 2012 AGM)<br>JL Job~<br>OA Mabandla~<br>KK Mpinga<br>DDS Robertson~ |
| Mandate | **Mandate** |
| • Integrated reporting and overseeing stakeholder requirements<br>• Sustainability reporting<br>• Monitoring the group's system of internal control<br>• Internal audit<br>• Financial reporting risks<br>• External audit<br>• Financial statement approval<br>• Group finance function monitoring<br>• Information Technology<br>• Organisational integrity/ethics<br>• Fraud risks<br>• Risk management<br>• Compliance<br>• General risks | • Integrated reporting and overseeing stakeholder requirements<br>• Sustainability reporting<br>• Monitoring the group's system of internal control<br>• Internal audit<br>• Financial reporting risks<br>• External audit<br>• Financial statement approval<br>• Group finance function monitoring<br>• Combined assurance<br>• Information Technology<br>• Fraud risks<br>• Compliance<br>• General risks |

~ Subject to shareholder approval at the AGM.

The audit committee's terms of reference are reviewed annually and are amended to meet market and regulatory requirements. The audit committee met its responsibilities under the current terms of reference for the year under review.

All members of the audit committee are non-executive directors and are not involved in the day to day running of the group. No members represent a material client or supplier. The chief executive officer (CEO), chief financial officer (CFO), head of internal audit (HOI), group risk officer (GRO) and the external audit partner attend committee meetings by invitation. Attendance by the external auditors to committee meetings is without the right to vote. Shareholder approval of the additional appointments recommended by the board to the audit committee will result in the enhancement of the academic qualifications of the audit committee as follows:

| Discipline | Member* |
|---|---|
| Economics | KK Mpinga |
| Law | OA Mabandla |
| Corporate governance | LE Bakoro<br>SG Morris |
| Finance and accounting | SG Morris<br>LE Bakoro |
| Commerce | All members |
| Industry – specific to the group | LE Bakoro<br>KK Mpinga |
| Public affairs or human resource management | SG Morris |

Meetings of the audit committee are conducted quarterly and are held prior to the main board meetings. The quorum for a meeting is satisfied by a majority of members present for the duration of the meeting in person or through various electronic channels. The chairperson of the committee reports to the main board on the activities and recommendations made by the committee. All minutes of the audit committee are tabled to the board for noting.

During the period under review, the audit committee considered the adequacy and expertise of the group's finance function. It is satisfied with the expertise of the CFO and the group's finance function. The audit committee also recommended, and the main board accepted, a revised internal audit and IT charter, as well as the group's integrated report. The integrated report, including the group's annual financial statements, is issued within two months after the group's financial year end.

The revised terms of reference and annual work plan of the audit committee will be reviewed within the first half of the forthcoming year.

The head of internal audit continues to report to the chairperson of the audit committee and to the CFO on day-to-day matters. His attendance to the audit committee meetings is for the purposes of delivering the quarterly executive summary on internal audit. Internal audit reports are issued to the audit committee on a monthly basis after completion of each internal audit review. Internal audit provides the board with assurance on the group's system of internal control, as its strategy is that of a risk-based approach along with compliance to policies and procedures.

Mapping of the group's assurance processes by internal audit has commenced. An initial assurance risk map was developed, with indications of assurances and lines of defence. This will be further refined in the coming financial year. The group has maintained its standard of assurance through various independent external and internal service provider audits, as disclosed in the integrated report. The internal audit department also supervised a quality assurance review of the group's IT security systems conducted by an external independent assurance provider in the year.

The audit committee reviewed and assessed the external auditor's effectiveness and is satisfied with the objectivity and independence of services rendered. The group's external auditors were appointed to provide independent assurance on certain sustainability indicators. The committee has also reviewed and approved the external auditor's fees for the ensuing year. The committee set and monitors the level of non-audit related fees generated by the external auditors on an annual basis. This is monitored and reported quarterly.

The audit committee considered the disclosure of sustainability issues in the integrated report and is satisfied that these do not conflict with the financial results. The audit committee considered the adequacy of the group's system of internal control and recommends the annual financial statements for approval by the board.

**Audit committee meeting attendance**

| Name | Quarterly meeting 04.08.11 | Quarterly meeting 09.11.11 | Quarterly meeting 06.02.12 | Quarterly meeting 23.05.12 | Period of service; (date of appointment) |
|---|---|---|---|---|---|
| SG Morris (chairperson) | ✓ | ✓ | ✓ | ✓ | 6 years 5 months; (13 February 2006) |
| LE Bakoro | ✓ | ✓ | ✓ | ✓ | 3 years 5 months; (10 February 2009) |
| P Buthelezi† | ✓ | – | – | – | n/a |
| L Chalker | # | ✓ | * | ✓ | 8 years 11 months; (15 August 2003) |
| JL Job† | ✓ | ✓ | ✓ | ✓ | n/a |
| OA Mabandla† | – | ✓ | ✓ | ✓ | n/a |
| KK Mpinga | ✓ | ✓ | * | ✓ | 8 years 11 months; (15 August 2003) |
| DDS Robertson† | ✓ | ✓ | ✓ | ✓ | n/a |
| CMF Teixeira† | ✓ | ✓ | ✓ | ✓ | n/a |
| MR Upton† | ✓ | ✓ | ✓ | ✓ | n/a |

✓ Present. * Apologies. # Per teleconference. † By invitation.

## Risk committee

The group's approach to risk continues to be focused on the management of risk rather than the total elimination. Management of risk therefore remains an integral component of the group's strategic and business processes. The outcome of the board committee review resulted in a redefined focus on the technical aspects of the group's risk management processes. This committee will therefore now also evaluate the inherent technical and/or operational risks of contract execution. The enhanced definition of the risk committee's mandate has also necessitated a review of its constitution. The committee has the following responsibilities:

| For the period ended March 2012 | **As at June 2012** |
|---|---|
| Membership | **Membership** |
| KK Mpinga<br>LE Bakoro<br>L Chalker<br>JL Job<br>OA Mabandla<br>SG Morris<br>GD Mottram<br>DDS Robertson<br>MR Upton | KK Mpinga<br>JL Job<br>AJ McJannet<br>SG Morris<br>GD Mottram<br>DDS Robertson<br>MR Upton |
| Mandate | **Mandate** |
| • Business risks<br>• Risk policy, framework and methodology<br>• Fraud and whistle blowing<br>• Risk assurance to the board<br>• Risk communication<br>• Legislative compliance<br>• Ethics<br>• Safety<br>• Environment | • Technical, operational and contract risk management<br>• Risk policy, framework and methodology<br>• Health, safety and environment<br>• Compliance |

The majority of the risk committee members continue to be independent non-executive directors. These are KK Mpinga (chairperson), JL Job, SG Morris and DSS Robertson. Attendance to the meetings by the CFO is by invitation. Over and above the quarterly meetings, the risk committee meets as and when required to discuss and consider contracts with a value in excess of R600 million.

During the period under review, the group's risk management system, STARS, was further developed to facilitate integrated reporting of all identified risks of the group. The group risk officer presents a comprehensive report on all material risks identified at each meeting. The committee considers all presented reports to determine the effectiveness of overall risk processes. The risk committee has confirmed its acceptance of the group's risk management processes and is satisfied that all risks are appropriately governed. The risk committee considered the effectiveness of the group's fraud and ethics policies, procedures and systems and is satisfied that these are appropriately governed and that adequate steps have been taken on all offences reported. The chairperson of the committee reports to the main board on the activities and recommendations made by the committee. All minutes of the risk committee are tabled to the board for noting.

**Risk committee meeting attendance**

| Name | Quarterly meeting 04.08.11 | Quarterly meeting 09.11.11 | Special meeting 11.01.12 | Quarterly meeting 06.02.12 | Special meeting 14.05.12 | Quarterly meeting 23.05.12 | Period of service; (date of appointment) |
|---|---|---|---|---|---|---|---|
| KK Mpinga (chairperson) | ✓ | # | ✓ | * | * | ✓ | 6 years 11 months; (8 August 2005) |
| LE Bakoro® | – | * | * | * | * | ✓ | 9 months (12 August 2011) |
| L Chalker® | # | ✓ | # | ✓ | # | ✓ | 6 years 9 months; (8 August 2005) |
| JL Job | ✓ | ✓ | # | ✓ | ✓ | ✓ | 3 years 8 months; (1 November 2008) |
| OA Mabandla® | – | ✓ | * | ✓ | ✓ | ✓ | 9 months (12 August 2011) |
| SG Morris | ✓ | ✓ | # | ✓ | ✓ | ✓ | 5 years 5 months; (5 February 2007) |
| GD Mottram | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 6 years 11 months; (8 August 2005 |
| DDS Robertson | – | ✓ | # | ✓ | # | ✓ | 11 months (12 August 2011) |
| CMF Teixeira† | – | ✓ | ✓ | ✓ | ✓ | ✓ | n/a |
| MR Upton | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 5 years 5 months; (15 February 2007) |

✓ Present. * Apologies. # Per teleconference. † By invitation. ® Resigned 23 May 2012.

## The remuneration committee

The constitution of the remuneration committee remained unchanged and continues to consist of three independent non-executive directors, JL Job (chairperson), LE Bakoro and OA Mabandla, as well as one executive director, MR Upton. The human resources director and the human resources director: operations attend meetings of the committee by invitation. MR Upton is recused from all discussions relating to the CEO's remuneration package.

The mandate of the committee continues to comprise the following responsibilities:

- Oversee the implementation of the remuneration policy of the group
- Annually review and approve the remuneration packages for executive directors and determine and approve annual bonuses, performance-based incentives and share incentive schemes
- Review the ongoing appropriateness and relevance of the executive remuneration policy and other executive benefit programmes
- Review and approve the proposed remuneration of senior employees, such as exco and manco
- Approve management's recommendations for the average annual increase per employee
- Evaluate and approve the awarding of additional benefits in terms of the group's share incentive scheme
- Make recommendations to the board on the remuneration of non-executive directors

In compliance with the Companies Act, the group has ensured that the approval of non-executive director remuneration is by shareholders' special resolution. For details of the non-executive directors' fees (including services and expenses, where applicable) refer to page 96 of the remuneration review in the printed section of the integrated report. The fees proposed for non-executive directors for F2013, which is subject to shareholder approval, is also disclosed within the remuneration review. During the period under review, the remuneration committee supervised the formulation of a long term incentive plan for the group, which will be presented to shareholders for approval. The chairperson of the committee reports to the main board on the activities and recommendations made by the committee. All minutes of the remuneration committee are tabled to the board for noting.

Remuneration committee meeting attendance

| Name | Special meeting 09.09.2011 | Quarterly meeting 08.11.11 | Quarterly meeting 09.02.12 | Quarterly meeting 03.05.12 | Special meeting 01.06.12 | Period of service; (date of appointment to main board) |
|---|---|---|---|---|---|---|
| JL Job (chairperson) | ✓ | ✓ | ✓ | ✓ | # | 3 year 11 months; (6 August 2009) |
| LE Bakoro | * | ✓ | ✓ | ✓ | # | 11 months (12 August 2011) |
| OA Mabandla | * | * | ✓ | * | * | 11 months (12 August 2011) |
| SG Morris[R†] | ✓ | ✓ | ✓ | – | # | 5 years; (8 August 2005) |
| MR Upton | ✓ | ✓ | ✓ | ✓ | * | 5 years 5 months; (15 February 2007) |
| MJ Allie[†] | ✓ | # | ✓ | # | ✓ | n/a |
| RM du Toit[†] | ✓ | ✓ | ✓ | ✓ | – | n/a |

✓ Present. * Apologies. # Per teleconference. † By invitation. R Resigned 12 August 2011.

## The social and ethics committee (SEC)

This committee (previously the socio-economic development committee (SED)) was reconstituted as a statutory committee for purposes of assuming the duties contemplated by section 72 of the Companies Act and as a committee of the board for all other duties assigned by the board. The SEC comprises three independent non-executive directors, L Chalker (outgoing chairperson of the SED committee and outgoing board member following the 2012 AGM), L Bakoro (incoming chairperson of the new SEC committee, effective following the 2012 AGM), OA Mabandla, and four executives: MR Upton, CMF Teixeira, MJ Allie and GD Mottram. The purpose of the committee is to monitor the group's activities, taking into account relevant legislation, other legal requirements and/or prevailing codes of best practice with regard to:

- Social and economic development
- Transformation
- Good corporate citizenship
- Reporting on issues around environment, health and public safety, including the impact of the group's activities and its products or services
- Consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws
- Labour and employment
- Ensuring the group's ethics policies are managed effectively

The redefined committee has the following responsibilities:

| For the period ended March 2012 | As at June 2012 |
|---|---|
| Socio-economic development committee (SED) | Social and ethics committee (SEC) |
| Membership | Membership |
| L Chalker<br>KK Mpinga<br>OA Mabandla<br>DDS Robertson<br>MJ Allie<br>K Cumming<br>J Doorasamy<br>FJ Enslin<br>DC la Grange<br>IM Makuta<br>L Molubi<br>ST Mosai<br>N Sukdeo<br>NJ Tlou | L Chalker (interim chairperson)*<br>LE Bakoro (incoming chairperson following 2012 AGM)<br>OA Mabandla<br>MR Upton<br>CM Teixeira<br>MJ Allie<br>GD Mottram |
| Mandate | Mandate |
| • Provide strategic direction in terms of the SED<br>• Formulate and implement an SED policy for the group<br>• Centralise reporting and approve SED spend, projects and initiatives<br>• Evaluate the effectiveness of SED interventions | • Social and economic development in terms of the Act<br>• Integrated and sustainability reporting<br>• Transformation<br>• Labour and employment<br>• Organisational integrity/ ethics<br>• Compliance<br>• Corporate citizenship |

* L Chalker was the chairperson of the SED committee. She is acting in an interim capacity as chairperson of the SEC committee until LE Bakoro's proposed chairpersonship can be ratified by shareholders at the upcoming AGM in November 2012 when L Chalker will be retiring from the board.

The committee will meet four times per annum. The first meeting of the proposed new SEC committee was convened during F2012. The chairperson of the committee provides a quarterly report to the board on the SEC committee and its initiatives. All minutes of the SEC are tabled to the board for noting.

**Socio-economic development committee and social and ethics committee meeting attendance**

| Name | Quarterly meeting 03.08.11 SED committee | Quarterly meeting 08.11.11 SED committee | Quarterly meeting 07.02.12 SED committee | Quarterly meeting 22.05.12 SEC committee | Period of service; (date of appointment) |
|---|---|---|---|---|---|
| L Chalker (outgoing chairperson) | # | ✓ | ✓ | ✓ | 5 years 11 months; (8 August 2005) |
| OA Mabandla∞ | – | ✓ | ✓ | ✓ | 11 months (12 August 2011) |
| KK Mpinga® | ✓ | ✓ | * | ✓ | 4 years 1 months; (22 May 2007) |
| DDS Robertson∞® | – | ✓ | ✓ | ✓ | 10 months (12 August 2011) |
| MJ Allie | ✓ | ✓ | ✓ | ✓ | 3 years 7 months; (30 November 2007) |
| K Cumming® | ✓ | * | ✓ | ✓ | 5 months (25 January 2011) |
| J Doorasamy® | ✓ | ✓ | ✓ | ✓ | 4 years 2 months; (22 May 2007) |
| FJ Enslin® | ✓ | ✓ | * | ✓ | 4 years 2 months; (22 May 2007) |
| DC la Grange® | ✓ | * | ✓ | ✓ | 2 years 2 months; (21 May 2009) |
| IM Makuta® | ✓ | ✓ | ✓ | ✓ | 2 years 2 months; (21 May 2009) |
| L Molubi® | ✓ | * | ✓ | ✓ | 5 months (25 January 2011) |
| ST Mosai® | ✓ | * | ✓ | * | 1 year 9 months; (20 October 2009) |
| N Sukdeo® | ✓ | ✓ | ✓ | * | 4 years 2 months; (22 May 2007) |
| NJ TlouR | ✓ | – | – | – | 1 year 9 months; (21 May 2009) |

✓ Present. * Apologies. † By invitation. ∞ Appointed 12 August 2011. R Resigned 08 November 2011. ® Resigned 22 May 2012.

## Nominations committee

The constitution and mandate of the nominations committee remained unchanged. The nominations committee is responsible for ensuring that the procedures for appointments to the board are formal and transparent. Key responsibilities of this committee include the board evaluation process and identifying and evaluating candidates to be considered for appointment as directors.

The nominations committee is required to recommend all new board appointments to the board to ensure it has the appropriate composition to effectively execute its duties. The committee is required to meet at least twice a year when deemed necessary. The nominations committee is chaired by P Buthelezi. L Chalker, SG Morris and KK Mpinga are members of the committee. L Chalker will retire from the committee following her retirement from the board after the upcoming 2012 AGM. During the year under review, on consideration of the results of the F2011 external board evaluation conducted by an independent service provider, the nominations committee restructured the composition of board committees. The committee also monitored the development and implementation of succession plans for senior executives of the group.

| Name | Meeting held 12.08.11 | Meeting 24.05.12 | Period of service; (date of appointment) |
|---|---|---|---|
| P Buthelezi (chairperson) | # | ✓ | 4 years 7 months; (03 December 2007) |
| L Chalker | – | ✓ | 6 years 11 months (08 August 2005) |
| KK Mpinga | ✓ | ✓ | 6 years 11 months (08 August 2005) |
| SG Morris | – | ✓ | 6 years 11 months (08 August 2005) |

# Board of directors

For further information on the board's value add, refer to page 8 of the printed section of the report.

**P (Philisiwe) Buthelezi (48)**

BA Economics, MSC in Economics
(University of Paris, Sorbonne), MBA (UK)

Chairperson of nominations committee

Philisiwe holds an MBA (Corporate Finance), MSc (Economics: thesis not defended), and was appointed Chief Executive Officer of the National Empowerment Fund (NEF) in July 2005. Prior to joining the NEF, Philisiwe worked for a French investment bank in London, was responsible for risk management control at the South African Reserve Bank and worked in the Treasury division at Standard Corporate and Merchant Bank. She was employed by the dti to promote European investment in South Africa.

In 2002 she returned to South Africa to become the Chief Director of the black economic empowerment unit of the dti, which developed the government's broad-based black economic empowerment strategy, the BBBEE Act and the Codes of Good Practice. Philisiwe also serves on the boards of SANLAM Limited and SANLAM Life Insurance Limited and the Industrial Development Corporation.

Among her recent accolades are: Corporate Business Woman: Year Award 2011, Africa's Business Woman of the Year 2011 by Africa Investor and being appointed "Chevalier de la Legion d'Honneur" (Knight of the National Order of Merit) by the President of France, Nicolas Sarkozy, in recognition of her distinguished achievements.

**MR (Mike) Upton (57)**

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

Executive committee member, member of risk committee, member of social and ethics committee

Mike joined Group Five in 2002. He was appointed to the board in 2006 and as CEO in 2007. He has ten years' experience at Group Five in multi-disciplinary construction, plant engineering and business repositioning, with the last seven years as exco member, executive director and CEO. Before that, Mike was with NEI, Rolls Royce and ABB where he gained over 20 years' experience in manufacturing, engineering, commercial and marketing and international construction and services. He has been operating at an exco and board level since 1994.

**CMF (Cristina) Teixeira (39)**

BCom, BCompt (Hons), CA(SA)

Executive committee member, member of social and ethics committee*

Cristina joined Group Five in 2002. She was appointed to the board and as CFO in 2008. She was at PricewaterhouseCoopers until 2002 where she was a senior audit manager in the energy and mining group. At Group Five she has filled a number of positions in the group. She achieved the position of CFO within six years of joining the group after clearly demonstrating her ability to operate at a very senior level and to effectively manage numerous complicated business and financial issues. She is a non-executive director of digitalME (Pty) Limited.

**LE (Lindiwe) Bakoro (38)**

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

Incoming chairperson of social and ethics committee*, member of audit committee*, member of remuneration committee

Lindiwe was appointed in November 2008 as a non-executive director. Lindiwe is a founder and executive of a property development and investment company, Bakoro Capital Partners.

She has also worked as an independent financial adviser with a focus on project finance and infrastructure-related transactions. She built up extensive merchant banking experience in project and infrastructure finance while working at Rand Merchant Bank. She currently serves as a non-executive director and a member of the audit and risk committees of Woolworths, Sea Harvest, Hyundai Automotive South Africa and Liquid Capital. She is also a member of the investment committee of the National Empowerment Fund (NEF).

**Baroness L (Lynda) Chalker of Wallasey (70) (British)**

Fellow of the Institute of Statisticians, Recipient of nine UK honorary degrees and Doctor of Law of UCT

Interim chairperson of the social and ethics committee, member of audit committee, member of nominations committee

Lynda was appointed in February 2001 as a non-executive director. Lynda was previously an independent adviser to the World Bank and a UK Member of Parliament for Wallasey between 1974 and 1992. She was also a UK government minister for 18 consecutive years. Lynda is a founder trustee of the Investment Climate Facility for Africa and a director of a number of listed and unlisted foreign companies. She is the chairperson of Africa Matters Limited, an advisory company to bring investment to sub-Saharan Africa, a chairperson of Pasco Risk Management (Pty) Ltd and board member of the Global Leadership Foundation and a member of the international advisory board of Lafarge et Cie.

* To be approved at 2012 AGM.

**SG (Stuart) Morris (66)**
BCom, CA(SA)

Chairperson of audit committee*, member of nominations committee, member of risk committee

Stuart was appointed in July 2005 as a non-executive director. Stuart practised at KPMG South Africa for over 30 years, ultimately as CEO. After KPMG, he became group financial director of Nedbank Group. Stuart's other non-executive directorships include City Lodge Holdings where he is chairperson of the audit committee and a member of the risk committee, Hudaco Industries where he is chairperson of the audit and risk committees and a member of the remuneration and nominations committees, Mwana Africa where he is chairperson of the audit committee and a member of the remuneration committee, Rolex Watch Company (South Africa) where he is the local director, Sasol Pension Fund where he is chairperson of the board and of the audit and risk and operations committees, Wits Donald Gordon Medical Centre where he is chairperson of the board, audit committee and of exco, and Zurich Insurance Company (South Africa) where he is chairperson of the audit and risk and remuneration committees.

**Dr JL (John) Job (67)**
BSc (Hons), PhD in Physical Chemistry

Chairperson of remuneration committee, member of audit committee*, member of risk committee

John was appointed in November 2008 as a non-executive director. John has significant experience in large capital projects and business strategy. He was the CEO of Sentrachem Limited from 1991 – 1998 and an executive director of Sappi Limited until his retirement in 2005. After that he served as a non-executive director on Sappi's board until 2006 and was chairperson of Global Forest Products from 2005 – 2007. He has served on a number of boards, including Telkom Limited and Denel. He is a non-executive director of Armscor and a director of a number of unlisted private companies.

**OA (Oyama) Mabandla (49)**
Juris Doctor (Columbia University, New York), BA Political Science (University of California)

Member of audit committee*, member of remuneration committee, member of social and ethics committee*

Oyama was appointed as a non-executive director in August 2011. Oyama is a qualified advocate who practised law in the late 1990s. Before that he worked in corporate finance, including working at global firm UBS as an associate. He joined South African Airways in 2000. In his four years at the group, he was involved in a number of very senior positions, including that of general counsel, deputy CEO and acting CEO. He was in exile with the ANC in the 1980s and in 1992 published a book about the South African freedom struggle titled Comrades Against Apartheid. He was the chairperson of the Vodacom Group from 2006 to 2009 and the chairperson of Consol Glass from 2007 to 2009. He is currently a member of the J.P. Morgan advisory board, the executive chairperson of investment company Langa Group and a director and a member of the audit committee of Mvelaphanda Group Limited, Group Five's BBBEE shareholder.

**KK (Kalaa) Mpinga (51) (Congolese)**
BSc Agricultural Economics, MSc International Agricultural Development

Chairperson of risk committee, member of audit committee*, member of nominations committee

Kalaa was appointed in July 2002 as a non-executive director. Kalaa worked at Bechtel Corporation in San Francisco before joining the LTA Group, a subsidiary of Anglo American Corporation in 1991. In 1995, he joined the new mining business of Anglo American where he was responsible for exploration and the acquisition of resources in Africa. He was appointed as an alternate director of Anglo American Corporation of South Africa in 1997. He left Anglo American in December 2001 and established Mwana Africa Holdings (Mwana) in 2003. The company has since listed on AIM. Kalaa is a director of Global Multi Trade and Mwana, a non-executive director of Freda Rebecca Gold Mine and chairperson of Bindura Nickel, both situated in Zimbabwe.

**DDS (Struan) Robertson (British) (62)**
BSc (Mech) Eng MBA

Member of audit committee*, member of risk committee

Struan was appointed in August 2011 as a non-executive director. Struan has had a long international career with BP. He has lived and worked in South East Asia, Europe and Africa. He was the executive chairperson of BP Asia Pacific and the senior vice president: Technology and Marketing. After retiring from BP he was appointed CEO of the Wates Group Limited, one of the UK's largest privately-owned construction and property groups. He was a director of the UK Major Contractors Group and senior independent director of WS Atkins plc, the UK's largest engineering consultants.

He is currently the chairperson of Eredene Capital plc and senior independent director of Henderson TR Pacific Investment Trust plc and Salamander Energy plc. Struan has extensive international experience in the oil and gas, power, engineering and construction sectors. His experience of managing a major UK contracting business and his commitment to health and safety in the workplace is of great benefit to the board.

* To be approved at 2012 AGM.

# Exco and management team

## Executive management

**MJ (Junaid) Allie (42)**
Group human resources director
BPharm, MBA (2012)
Member of social and ethics committee*

### CV
Junaid joined Group Five in 2007. He was appointed to exco at the same time. Prior to joining Group Five, he was with Eskom as general manager: HR, responsible for group HR strategy. Before that, Junaid headed up the HR function in the Middle East for Lilly Pharmaceuticals. At Group Five, Junaid's focus is on group transformation, the human resources strategy and group marketing. Junaid has more than ten years' experience in HR. He is a director of The Institute of People Management, Forward Films Africa and ALLUYSIE Trading.

### Value-add to group
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. He has implemented this experience 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. During year he also led both the revised Employee Share Scheme project as well the group's proposed BBBEE ownership scheme.

**P (Paul) le Sueur (55)**
Executive – Strategic Project Development
BSc QS, MAQS, RQS, RICS, MSc Building Management

### CV
Paul joined Group Five in 1984 and was appointed to exco in 2004. He served on the Inter-Ministerial Task Committee responsible for the formation of the Construction Industry Development Board. He was a member of the Faculty of Engineering and Built Environment board at the University of the Witwatersrand. Paul has more than 30 years' experience in the construction sector and has developed the group's Building and Housing operations, including regional operations in East Africa, KwaZulu-Natal and Western Cape until his recent appointment as Executive: Strategic Project Development.

### Value-add to group
Paul has been with the group for more than 30 years and has a wealth of construction, project management and commercial knowledge. Over the years he has built strategic relationships with both public and private clients. His experience, relationship building and operational management skills will be of significant advantage in his new role.

**AJ (Andrew) McJannet (49)**
Executive – Construction
BSc Eng (Civil), BA (PPE), MA, Pr Eng, MSAICE
Member of risk committee*

### CV
Andrew joined Group Five in 1987 and was appointed to exco in 2007. He was the MD of Civil Engineering from 2002 until 2005 when his portfolio was expanded to include Civils, Mining and Industrial and Roads and Earthworks. The combined business now operates in South Africa and most of sub-Saharan Africa. Andrew brings a wealth of operational, managerial and leadership experience into his new role as the Head of Construction. He has significant experience in working for both public and private clients both in South Africa, the rest of Africa and the Middle East. Andrew is a council member of the South African Federation of Civil Engineering Contractors (SAFCEC).

### Value-add to group
Andrew has been with the group for just over 25 years and brings a wealth of operational, managerial and leadership experience to his new role as the Executive of Construction. He has significant experience in working for public and private clients in South Africa, the rest of Africa and the Middle East. He has 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.

**GD (Guy) Mottram (46)**
Group risk officer
BCom, LLB
Member of risk committee, member of social and ethics committee*

### CV
Guy joined Group Five in 2001 and was appointed to exco in 2005. His focus area is group risk management. He is also responsible for group quality, risk, safety, health, environment, commercial and legal and regulatory compliance. Guy has more than ten years' experience in his field.

### Value-add to group
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.

* To be approved at 2012 AGM.

**ECJ (Eric) Vemer (47)**

Executive – Investments and Concessions

BSc Eng (Civil) (Hons), MBA

## CV

Eric joined Group Five in 2005. He was appointed to exco at the same time. He was the MD of Infrastructure Development Services and deputy MD of Intertoll before becoming head of Investments and Concessions in 2007. His focus areas are Intertoll, large infrastructure projects, independent power projects, private public partnerships, concessions, property developments and group merger and acquisition activity. Prior to joining Group Five, Eric was with HSBC Bank plc as head of Specialised Finance and Advisory for sub-Saharan Africa. He served on the exco of HSBC Investment Services (Africa) (Pty) Limited.

## Value-add to group

Eric has very strong skills in financial engineering and structuring, as well as 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 (54)**

Executive – Manufacturing

BCom, Hons Programme in Advanced Marketing and Executive Management Programme

## CV

John joined Group Five in 2002 and was appointed to exco in 2004. He led the turnaround of Everite at the group. Prior to joining Group Five, he was managing director of several organisations involved with plastic packaging, chemicals and related fields where he repositioned and turned around poorly-performing entities. John has around 20 years' experience in strategy and the restructuring of businesses.

## Value-add to group

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. John is an active member of the group's strategic development team.

**WI (Willie) Zeelie (50)**

Executive – Engineering and Construction Services (E&CS)

Higher National Diploma Electrical Engineering, Pr Tech Eng, MSAIEE

## CV

Willie joined Group Five in 2003 and was appointed to exco in 2008. Before joining Group Five, Willie spent 20 years in executive roles in the power industry with groups such as Alstom, Eskom, Reyrolle and ABB. He established Power Systems in 2005 and Group Five Energy in January 2007. He established Engineering and Construction Services in 2010 for multi-disciplinary project delivery from feasibility to handover with a focus on the energy, power, oil and gas and water sectors.

## Value-add to group

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 that delivered numerous power plant contracts in 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&CS business.

## Senior management

**RM (Richard) du Toit (49)**
Human resources director: operations

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

Richard provides HR support to business segments 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.

**FH (Frank) Enslin (56)**
Managing director: Housing

BSc (Building Science), PCM, FCIOB

Frank has in-depth experience of the housing market, particularly in the mining sector. He has led the group's initiatives in the public sector with "breaking new ground" and affordable housing developments.

**AS (Andrew) Fairfax (37)**
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 been able to implement effective controls.

**ME (Malcolm) Farrell (48)**
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.

**MW (Wim) Fourie (37)**
Head, Corporate and Business Structuring

BCompt (Hons), CA(SA), H Dip International Tax, MCom Taxation (G)

Wim has been with the group for the past eight years. His last role was that of financial director for the Investments and Concessions segment. His significant financial and taxation knowledge contributed to the success of the cluster. He will be applying this knowledge across the group as he fills the role of Head, Corporate and Business Structuring with effect from 1 July 2012.

**JW (Jon) Hillary (39)**
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.

**NM (Mark) Humphreys (45)**
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.

**CJ (Craig) Jessop (45)**
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.

**JP (John) Lotz (59)**
Head, Africa Project Developments

PrEng B.Sc (Civil Engineering), BCom, MBA (Finance)

John has been with the group for 13 years. More recently he has been the project development director within the Investments and Concessions cluster. He has a deep understanding of the concessions market, as well as the African environment. He has been instrumental in securing a number of material contracts for the group. He will be utilising this experience as he fills the role of Head, Africa Project Development, with effect from 1 July 2012.

**KR (Kushil) Maharaj (42)**
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 are invaluable to the group in its Property Developments strategy of ensuring solid returns on property investments.

**IM (Isabella) Makuta (47)**
Group corporate affairs director

BA, Post Grad HR, MBA

Member of social and ethics committee

Isabella has a strong understanding of public sector requirements and a deep commitment to socio-economic development initiatives.

**ST (Themba) Mosai (36)**
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 (41)**
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.

**I (Izak) van der Watt (39)**
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 group. Under his guidance the group has implemented a total quality management system and has substantially increased its ISO and OHSAS accreditations. He has also been responsible for improved environmental management systems in the group.

**MP (Michael) van Rooyen (55)**
Managing director: Building

BSc, Building Management PCM, MCIOB

Michael is an experienced building contractor with a significant track record in the South African private and public real estate markets. He also has sound knowledge of real estate developments in the rest of Africa.

**DN (Deon) van Tonder (34)**
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 requirements with financial knowledge.

**N (Nonqaba) Katamzi (43)**
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.

# 05 Review from the group HR director

# Review from the HR director

Junaid Allie

The human resources (HR) portfolio within Group Five encompasses human resource management, employee wellness, employee relations, human capital development and transformation. This report addresses all the areas of responsibility.

While this year required a specific focus on systems, processes and organisational efficiencies to eliminate duplication and waste due to tough market conditions, we continued to build on our employee proposition of offering a meaningful employment experience to ensure employees are engaged, able to develop optimally and realise their potential.

## Delivery on objectives

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| Internal HR efficiencies | • Align HR processes across geographies to limit duplication of resources | Standard processes were defined and included in group policies to align execution in the disciplines and regions where we operate.<br>A detailed resource audit was conducted across the group, with corrective action taken where required. |
| Succession management | • Actively manage this as an HR process and key management tool | Succession planning was successfully rolled out in the group. The key focus was at executive management and business segment director level. |
| 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 segment's involvement | Certain key functions were standardised during the year. Change management initiatives are in place in preparation of co-locating the majority of the Gauteng business segment offices into a single building in 2014. |
| Address ownership performance | • Improve our BBBEE ownership element to meet both the Construction Charter and Mining Charter requirements | The ownership element improved in the year, with black voting rights increasing from 25.67% to 27.94%. This was validated during the 2011/2 BBBEE independent verification audit.<br>The group is currently evaluating alternative ownership options to ensure it remains compliant. Refer to page 22. |
| Address employment equity performance | • Create a more equitable demographic representation at middle and senior management level through succession management, skills development and external recruitment | Although low levels of business activity limited opportunities for the recruitment of new talent, business segments focused on the development, coaching and succession management of black talent across the group. The number of black employees at senior levels remains a challenge for the group. |
| Effective resourcing of our international operations | • Mobilise resources and fill critical positions in support of the group's geographic expansion | The group continues to resource its contracts adequately across local and international operations, although contract awards were slow in the year. |

## Material issues review

### Standardisation and efficiencies

Economic conditions were even tougher than expected during the year. Against this, the human resources function reviewed its processes to ensure improved efficiencies, alignment to uniform standards and the standardisation of execution in support of the different business segment disciplines and regions where we operate.

A key focus area was the need to work more seamlessly across business segments and multi-disciplinary contracts. There is currently also too much duplication of certain functions. It was therefore decided to move all Gauteng business segment head offices – with the exception of our manufacturing and plant operations – into a single leased building during 2014. This will not result in any additional rental costs for the group.

Moving into one facility will reduce physical and cultural barriers, which in turn will ensure more effective cross-business interaction, simplification of business processes, improved efficiencies and a reduction in group support costs through shared resources.

### Compliance

A detailed audit of HR processes and support structures was conducted, aligned to uniform HR standards and rolled out in the group. This alignment ensured that the group is better prepared for growth outside of South Africa with the correct HR skills base, as well as being compliant with HR-related aspects of the new Companies Act and the requirements of the newly constituted social and ethics committee.

Key changes implemented during the year included moving towards a single source of data capture to ensure consistency of information, standardisation of job profiles to simplify recruitment processes, as well as the creation of a common recruitment platform and interviewing process.

Broad-based black economic empowerment remains a key focus for the group. Although the group has a level 2 BBBEE rating, ensuring that we maintain or improve this through each audit, remains a focus area. The 2011/2012 audit process was found to be more rigorous as auditors increasingly question information to ensure credibility of audit findings and that true transformation is taking place.

The transformation elements of skills development and ownership were areas of particular focus. The group continued to offer significant training and development opportunities while at the same time improving the capturing and recording of those initiatives. On the ownership front, we had to work more closely with our BBBEE ownership partner to produce the required level of information the auditors required.

During the year, the group had to significantly downsize certain parts of the business, mainly in the Construction Materials cluster and the Middle East. This involved retrenchments, natural attrition and the non-renewal of employment contracts. Where possible, people were redeployed to other parts of the business where there was growth. The group headcount from June 2011 to 2012 reduced from 11 997 to 10 846*.

### Talent and skill management

Against the internal changes, the HR function had to ensure the least amount of disruption to operations. We had to also retain critical employees for future contracts and to maintain sufficient corporate capacity.

To correctly position ourselves when markets start to recover, as well as continue progressing our black economic transformation goals and manage our critical vacancy risk, the group conducted a detailed succession planning review of the top three management levels. The exercise was well received and highlighted reasons for success, as well as key risks relating to critical future vacancies. This process also provided a clear picture of the black management skill currently being developed and identified opportunities for further development.

* The final headcount in the review from the HR director includes 432 employees in the Construction Materials cluster. Although this is treated as a discontinued operation in the annual financial statements, they remain under the HR management of the group until finalisation of the sales transactions.

### Change management

In light of the change management required by the ongoing business transformation of the group into a multi-regional, multi-disciplinary entity with a one-company mindset, the group launched a comprehensive internal programme to improve both the change management and the change readiness of the group. A core group of senior leaders and change agents who will facilitate, implement and monitor any future change processes has been developed internally.

> The group's executives, operational management and change agents have had formal training on change management principles to ensure effective implementation. These initiatives are also set to address the low score in our employee survey related to change management and transformation.

## Employee development

The group continued to enhance its learning and development proposition to its employees through the training it offered in the year. The Academy focused on operational efficiencies and meeting business segments' training and development priorities.

The main focus areas were safety, compliance and change readiness. Market conditions resulted in a prudent approach to spending, with the focus being on core skills and productivity. The overall spend of R32,3 million indicates a consistently strong commitment to skills development by the group and effectively comprises 1.87% of payroll.

Against budget constraints we ensured that a significant number of training programmes were both developed and delivered in-house instead of externally. We also used this period to entrench training programmes through refresher programmes, as well as to enhance our online training offering to employees.

Although skills development spend decreased from last year, it is still a significant accomplishment within the current market constraints.

> The group remained in the top five JSE-listed companies in terms of skills development in the Financial Mail Top Empowerment Companies survey and remained the leader in the construction sector for three years running.

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **Build skills required for the future and retain critical capability** | • As the group invests in certain new sectors where it anticipates growth, we are focusing on the correct balance between investment in the required resources against the expected return |
| **Further improve our BBBEE status** | • We have achieved a level 2 BBBEE rating. We are currently focusing on enhancing the success at individual contract levels, which will improve the quality of our transformation process and meet the group's objectives in terms of its employment equity plan |
| **Culture change to ensure even closer cooperation between business units and the enhancement of a single team culture** | • The ability of the group and its respective disciplines to increasingly operate as a single entity will enhance the group's success on large, multi-disciplinary contracts. This has become even more critical in a market where competition has increased and the margin for error is increasingly becoming smaller |

## Operational review

### Key focus areas

During the year, we focused on the elimination of non-essential HR processes and the standardisation and/or automation of other functions.

The group's automated performance management system was rolled out. This is designed to significantly streamline the administrative processes required in support of the group's performance management initiatives. This involved the detailed review and sign off of individual key performance areas for technical and professional employees, the capture of these onto the group's electronic system, as well as the training of management and employees on the use of this system.

We concentrated on ensuring the correct grading of positions in the group, which involved the development of accurate job profiles and market benchmarking. These initiatives will address efficiencies, as well as talent attraction and retention.

### Key achievements

The team worked hard to ensure that employees are appraised on their individual performance and how that correlates to their individual remuneration. This resulted in a 7.5% increase in employees' performance appraisals.

**Formal performance management sessions completed %***

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|
| % | 82.0 | 74.5 | 67.0 | 52.9 | 45.7 | 44.9 |

Although the employee engagement score achieved in the group's annual employee survey decreased marginally from 67.0% to 66.7%, we believe this is a significant achievement against tough market conditions that required the reduction of headcount in a number of areas in the group.

* Permanent employees.

We maintained our "top company" status in our employee feedback for the third year in a row. We also achieved Best Employer Status in terms of the 2012 Corporate Review Foundation (CRF) "best employers to work for" assessment for the third time.

Significant improvement was seen in the score achieved for "rewards and recognition". At 61% this exceeded the 60% level required to be a "top company" standard for the first time. This improvement is due to a concerted effort to communicate the group's remuneration philosophy and methodology used to pay employees.

The improvement in the score achieved for the "management style" measure from 68.1% to 68.6% was achieved due to the group's focus, on the development of managerial and leadership skills and by raising awareness around the importance of performance management, effective change management and managers' ability to manage change.

Although the rating for communications improved from 51% to 61% over the last four years of the survey, this will remain an area of focus, as we believe we should still improve this.

While expected and still deemed to be at acceptable levels, the decline in the "human capital management" score from 69% to 67% reflects the degree of uncertainty that occurred due to required cost reduction and rationalisation processes. To address this, we will increase our communications about this issue.

**Employee survey results**

| Measure | F2012 – F2011 | % change | F2011 – F2010 | % change | F2009 – F2010 | % change | F2008 – F2009 |
|---|---|---|---|---|---|---|---|
| Overall | **66.7** | **0.7** | 67.0 | 1.1 | 65.9 | 2.00 | 63.9 |
| Communication | **61.4** | **0.1** | 61.3 | 1.2 | 60.1 | 8.5 | 51.6 |
| Relationships and trust | **65.6** | **(0.4)** | 66.0 | 1.4 | 64.6 | 3.1 | 61.5 |
| Strategy and leadership | **69.8** | **(0.2)** | 70.0 | 2.6 | 67.4 | 1.6 | 65.8 |
| Rewards, recognition and performance management | **60.8** | **1.2** | 59.6 | (0.05) | 60.1 | 2.3 | 57.8 |
| Diversity | **68.5** | **(0.3)** | 68.8 | 0.6 | 68.2 | 1.9 | 66.3 |
| Culture and values | **70.7** | **(0.1)** | 70.8 | 1.3 | 69.5 | 1.9 | 67.6 |
| Structures | **72.5** | **0.1** | 72.4 | 2.2 | 70.2 | (0.6) | 70.8 |
| Change and transformation | **62.1** | **(0.3)** | 62.4 | 0.3 | 62.1 | 1.3 | 60.8 |
| Human capital management | **67.2** | **(2.5)** | 69.7 | 1.2 | 68.5 | 0.8 | 67.7 |
| Management style | **68.6** | **0.5** | 68.1 | 0.8 | 67.3 | 0.0 | 67.3 |
| Internal brand awareness | **82.2** | **(1.0)** | 83.2 | 3.7 | 79.5 | new | – |

World-class · Top company · Middle-class/average · Poor

A significant issue in the group remains the disproportionally low representation of female employees in managerial positions. The group has launched the "Basadi Programme", which provides a forum for elected representatives from across the group to highlight and address barriers to the development of women within the group.

## Key challenges

One of the key challenges during the year was ensuring that our core employees were engaged and remained empowered to deliver quality products to our clients without being overly disrupted by the required downsizing in certain areas of the group. The potentially negative effect of the downsizing was aggravated by the reduction in short term incentive payouts and smaller guaranteed income increases, which was necessitated by the depressed market conditions.

To address these issues, the group rolled out a programme of focused retention discussions with core employees regarding their future with the group. We also attempted to address the insecurity created through change by conducting regular group and individual feedback sessions.

A key challenge remained the group's ability to meet its transformation objectives while responding to the business' need to downsize. As shown in the table below, the executive and senior management numbers declined from 127 to 120 during the period. This decline was a combination of natural attrition and planned rationalisation. Notwithstanding this reduction, small improvements were seen in internal female appointments.

**Current executive and senior management appointment split**

| | Female | | | | | | Male | | | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Black | | White | | Total | | Black | | White | | Total | | | |
| Category | **F2012** | F2011 | **F2012** | F2011 | **F2012** | F2011 | **F2012** | F2011 | **F2012** | F2011 | **F2012** | F2011 | **F2012** | F2011 |
| External appointment | **2** | 2 | **2** | 3 | **4** | 5 | **7** | 7 | **14** | 16 | **21** | 23 | **25** | 28 |
| Internal appointment | **2** | 1 | **5** | 4 | **7** | 5 | **13** | 14 | **75** | 80 | **88** | 94 | **95** | 99 |
| Total | **4** | 3 | **7** | 7 | **11** | 10 | **20** | 21 | **89** | 96 | **109** | 117 | **120** | 127 |

## 1 Employee wellness

### Delivery

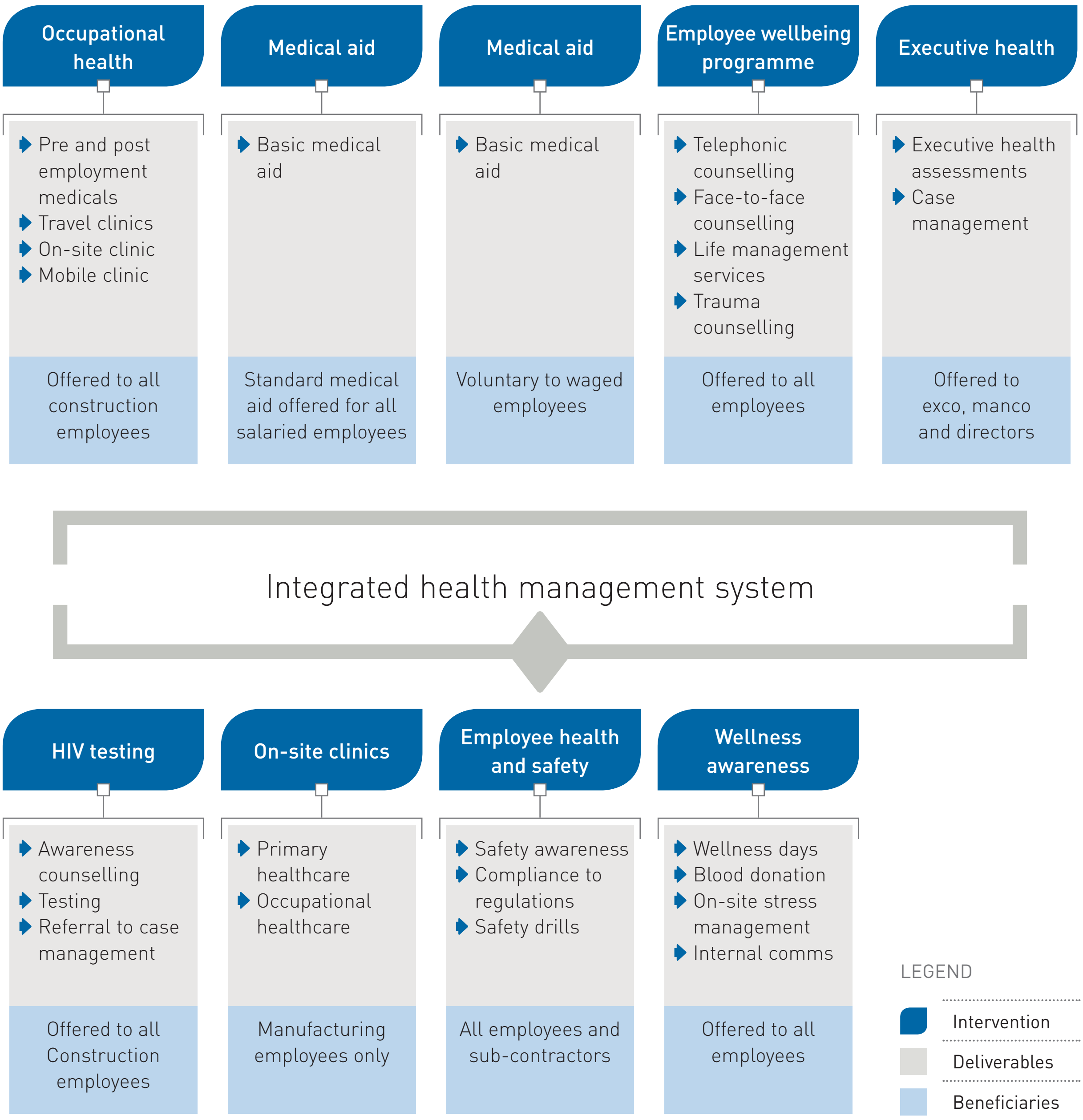
Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas | Desired results | Status |
|---|---|---|
| **Improve employee awareness of health issues, especially the prevalent health issues within the group, including cholesterol levels, diabetes mellitus and hypertension. We also started educating employees on personal financial management** | • A workforce which proactively manages their health and associated safety | We continued to roll out awareness programmes in the group, which included an internet-based employee wellness portal where employees have access to wellness advice on-line and health-related posters on notice boards and in all bathrooms. |
| **Roll out integrated reporting** | • Reporting which provides a holistic view of the wellness of our employees to ensure proactive management | In its evaluation of an integrated reporting process, the group revisited its service provider offerings. It was concluded that we had "best in breed" service providers within the respective specialisations. No additional value would be gained from moving to a single service provider and integrated reporting. |

## Key focus areas

The group believes that healthy and health-conscious employees create healthy and safe companies. We therefore continued creating awareness of health and lifestyle issues. The lifestyle issues include addressing a sedentary lifestyle by ensuring that employees make time to exercise and keep fit.

Through the support of our health providers, we offered a multi-tiered health offering and the associated health and lifestyle awareness.



As HIV and AIDS remains prevalent in our sector and in the organisation, in F2013 HIV and AIDS awareness counselling and testing (ACT) will now be included as an employee benefit under the group's human resources benefit offering. In the past ACT was part of socio-economic development (SED) spend.

**HIV and AIDS awareness training**

| | Number of employees trained (awareness provided) | Number of employees counselled and tested | Prevalence rate |
|---|---|---|---|
| F2009/F2010 | 6 426 | 6 156 | 18% |
| F2010/F2011 | 4 492 | 4 184 | 16.5% |
| **F2011/F2012** | **6 281** | **6 089** | **17.3%** |

## Key achievements

We secured the maximum participation with our executive health assessment.

## Key challenges

As can be seen from the table below, three out of four chronic conditions for employees on our medical aid are lifestyle-related conditions.

**Most common chronic conditions for employees on our medical aid**

| | Diabetes Mellitus type 2 % | Asthma % | Cholesterol % | Hyper-tension % |
|---|---|---|---|---|
| **2012** | **4.7** | **1.2** | **6.2** | **11.0** |
| 2011 | 4.7 | 2.0 | 6.0 | 11.2 |
| 2010 | 4.4 | 1.6 | 5.8 | 11.1 |

A key challenge this year was therefore to continue assisting employees that were identified as people that required an improved health focus in the group's health review last year. Although the prevalence of chronic conditions remained flat with no improvement or decline, the group will continue to educate employees on ensuring that they maintain a healthy lifestyle.

The group will continue to offer programmes to employees that create health awareness. We are also encouraging activities beyond work, such as running or cycling challenges. Employee participation at these events has increased over the last few years. We will continue to offer these sponsorships.

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **Enhance the service offered by Group Five to its employees through the health service providers** | • A healthy workforce through education, health awareness and health initiatives |
| **Continued employee awareness of health and lifestyle issues** | • A continued increase in the awareness of employees around health-related issues and a resultant decrease in the prevalence of lifestyle-related diseases |

# 2 Employee relations

## Delivery

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas | Desired results | Status |
|---|---|---|
| **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 | Almost 70 line managers were trained in the initiation and handling of disciplinary and grievance hearings.<br>The group's industrial relations specialist and the operational HR structures provide support to management in these processes. |
| **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 | The group has a leadership role within the construction industry. It has remained actively involved in industry processes with respect to establishing a statutory bargaining council for the civil engineering industry through our membership and participation in the various industry and business forums. |
| **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 | Business segments are required to complete detailed risk/compliance declarations with respect to the labour and other legislation in countries in which they operate. The group is implementing increased central control to ensure compliance in countries or regions where permanent Group Five offices are established. |
| **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<br>• Maintain and improve our current compliance to labour laws | The group continues to monitor the proposed labour law amendments and has participated actively in the public consultation process through industry bodies. It continued to ensure compliance to all relevant laws. |

## Key focus areas

During this year, the group focused on improving the manner in which sensitive industrial relations were handled. This involved the nomination of suitable line managers in each business segment to receive training on how to handle the initiation and chairing of disciplinary hearings. As a result of this initiative, we now have a panel of skilled officiators available to be called on when serious or complex disciplinary matters arise.

The creation of the panel also resulted in greater internal consistency. While the decision to refer a matter to the CCMA remains in the hands of the employee, the process of defending our actions has become more consistent and increasingly aligned to our value systems and standards.

During the year, the group conducted a detailed evaluation of its compliance to labour and other employee-related legislation in South Africa. While no significant non-compliances were identified, corrective action was taken in certain areas, in particular in terms of regulating overtime. The group also engaged with the Department of Labour to secure exemptions from maximum hour legislation when contract pressures have necessitated this.

Due to the current debate around the use of labour brokers, the group conducted a risk assessment of relevant legislation and its application to the group. This has allowed us to assess the legitimacy of the various forms of temporary work and to take steps to reduce our dependence on suppliers where the required employment standards are not being met.

Based on this assessment, we do not believe that the proposed Labour Law amendments will be as invasive as may initially have been perceived. We therefore do not anticipate the need for significant changes to our method of operating in relation to temporary labour.

## Key achievements

The depressed business environment has moderated the expectations of organised labour. Against this backdrop, we have continued to proactively maintain and build on the constructive relationships developed with the various representative unions and the group's labour force.

While a number of disputes were referred to the CCMA during the period, these were much lower than last year.

All labour issues which occurred were resolved without any time lost due to strikes or other forms of industrial action.

**CCMA cases**

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|
| Referrals (number of cases) | 68 | 95 | 108 | 38 | 48 | 38 | 78 |

At the time of reporting, we had no man-hours lost due to strike action resulting from internal disputes.

## Key challenges

During the year the group saw the emergence of a number of small regionally-based unions that are not aligned to the mainstream organised labour movement. These unions typically have a more militant agenda.

It is anticipated that this trend will continue due to the perception in certain sectors, that the larger unions are unresponsive to members' needs on the ground. We expect this to place increased pressure on our employee relations personnel as they are required to deal with jurisdictional disputes and the confrontational style often adopted by these unions.

**Proportional union representation as a percentage of total South African permanent employees**

| % split | BCAWU | Solidarity | BWAWUSA | NUM | SATWU | NUMSA | GIWUSA | Other* | Total |
|---|---|---|---|---|---|---|---|---|---|
| **2012** | **2** | **0.5** | **0.5** | **13.5** | **2** | **0.5** | **2** | **0.6** | **21.6** |
| 2011 | 3 | 1 | 1 | 26 | 2 | 2 | – | 1 | 33 |
| 2010 | 5 | 0 | 0 | 22 | 1 | 2 | – | 0 | 30 |
| 2009 | 2 | 0 | 2 | 21 | 0 | 1 | | 0 | 26 |

| | |
|---|---|
| BCAWU | Building Contractors and Allied Union Workers |
| BWAWUSA | Building Wood and Allied Workers Union of South Africa |
| NUM | National Union of Mineworkers |
| SATAWU | South African Transport and Allied Workers Union |
| NUMSA | National Union of Metalworkers |
| GIWUSA | General Industries Workers Union of South Africa |
| Solidarity | Solidarity SA |

**Details of other***

| ESWUSA | AUBTWSA | AMCU | CAWU | Total Other |
|---|---|---|---|---|
| 0.3 | 0.03 | 0.25 | 0.02 | 0.6 |

Other

| | |
|---|---|
| ESWUSA | El Shaddai Workers Union of South Africa |
| AUBTWSA | Allied Union of Building Trade Workers of South Africa |
| AMCU | Association of Mineworkers and Construction Union |
| CAWU | Construction and Allied Workers Union |

While the pro-active, constructive relationships maintained with the various unions across the group assisted in the resolution of many issues during the period under review, the main industry wages and conditions of employment agreements are due for negotiation during the course of the coming financial year. The group therefore expects heightened levels of volatility, especially in view of spiralling cost pressures on our lower income earners.

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **To remain pro-actively engaged in the processes aimed at establishing centralised bargaining within the construction industry** | • To ensure that all employers in the industry operate on an equal basis to reduce the need to compete based on wage rates |
| **To equip line managers with the skills and competencies required to handle sensitive employee relations issues** | • To further reduce the occurrence of CCMA referrals. When these do take place, to ensure that the group is in a position to defend itself and secure a positive outcome |
| **To successfully complete the employee-related processes required in terms of the disposal of the entities within Construction Materials and the decrease and postponement of activity in the Middle East** | • To retain jobs through transfer or sale of the business segments as going concerns. Where job losses prove unavoidable, to reach consensus on both the necessity and timing of those job losses to minimise possible referral to the CCMA or labour court |

## 3 Human capital development

### Delivery

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas | Desired results | Status |
|---|---|---|
| **SKILLS DEVELOPMENT** | | |
| **Fully utilise resources within the Construction Skills Training Academy** | • Practical construction-related training which delivers direct results in terms of improved quality on site | Training interventions for the development of employees' core construction skills doubled during the year. |
| **Proactively manage requirements of the new SETA landscape** | • Access SETA funding for additional programmes to deliver relevant skills to the group and the sector | SETA funding was secured for the majority of learners on learnerships. |
| **TECHNICAL AND PROFESSIONAL COMPETENCE DEVELOPMENT** | | |
| **Initiatives to promote group compliance to changes in legislation** | • Training which results in an awareness of and adherence to legislation and associated changes in behaviour | A total of 16 sessions about legislative compliance issues were conducted across all levels in the group, including the board, management and over-border teams. Areas covered included corporate governance and ethics, employment equity and competition law. |
| **Provide access and support to the development of professional competence programmes** | • Professional qualifications that benefit the group and the individual | A total of 22 students attended the Programme in Project Management during the course of the year. A further 33 candidates joined our professional registration mentorship programme. In addition, a number of our internal programmes are registered for continuing professional development points. |

| Key focus areas | Desired results | Status |
|---|---|---|
| **LEADERSHIP AND MANAGEMENT DEVELOPMENT** | | |
| **Manage transitions in all aspects of work, including technical, cultural or inter-personal** | • A culture that is responsive to change and individuals who are resilient to adjustment | As an outcome of our employee climate survey, a change programme was initiated with senior management and continues to be rolled out at all management levels.<br>At an executive and management committee level, a 360º assessment was conducted with comprehensive one-on-one feedback to build competence and awareness of areas for development. |
| **Mentors to support learners to apply new knowledge and approaches** | • Leaders that are self aware and prepared for the challenges within the workplace, the industry and the geographies in which we work | A total of 31 employees were exposed to mentoring skills and were subsequently required to engage with mentees in a practical demonstration of newly-acquired skills. |
| **STUDENT MANAGEMENT** | | |
| **Ensure recruitment methodologies and brand awareness that attract the best calibre of students** | • Match new recruits to the group and its future needs | Feedback from site management indicates an improved culture match. |
| **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 training initiatives with a greater reach and which result in better integration of employees from various business segments | This initiative was welcomed by site management and although a small start, more than 46 employees joined leadership development programmes and workshops at site level and a further 32 completed e-learning modules. |
| **Establish information system capability to track training initiatives** | • Effectively monitor and report on training initiatives<br>• Engage in sub-contractor training and development to increase quality and safety on site and improve the quality of training done over-border | Training data is captured at business segment level. The internal reporting system provides reports in alignment with SETA and business requirements.<br>The Academy assisted the safety team with training programmes for sub-contractors to focus on an improved safety culture. |

## Key focus areas

The Group Five Academy (The Academy) was launched in July 2006. It 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's activities are structured around four areas:

**Skills development**

**Technical and professional competence development**

**Student management**

**Leadership and management development**

During the year, the Academy focused on operational efficiencies and meeting business segments' training and development priorities. The main focus areas were safety, compliance and change readiness.

Market conditions resulted in a prudent approach to spending, with the focus being on developing the group's core skills and ensuring that programmes are centred on productivity improvements across the group.

The overall spend of R32,3 million indicates a continued strong commitment to people development by the group. The spend comprised 1.87% of payroll.

**Overall expenditure per category of spend**

| Categories – R'm | F2012 | F2011 | F2010 | F2009 | F2008 | F2007 |
|---|---|---|---|---|---|---|
| Skills development | **6,6*** | 6,9* | 3,9 | 3,6 | 3,7 | 3,1 |
| Technical and professional competence development | **7,5** | 11,7 | 8,9 | 8,5 | 10,5 | 6,4 |
| Leadership and management development | **3,9** | 3,5 | 2,6 | 4,2 | 2,2 | 2,6 |
| Student management (bursaries) | **4,6** | 6,6 | 6,0 | 9,3 | 6,8 | 6,5 |
| Training support costs | **9,7** | 9,2 | 10,1 | 12,2 | n/a | n/a |
| Total | **32,3** | 37,9 | 31,5 | 37,8 | 23,2 | 18,6 |

* These figures include overheads for our Construction Skills Training Academies. This was not done prior to F2011 as the Development Bank of Southern Africa provided part funding.

The table below indicates spend and number of training interventions per occupational category. Although both spend and interventions decreased, skilled and semi-skilled categories still attracted the largest proportion of development. The spend in the lower-skilled categories is a reflection of the business focus on improving quality and safety standards.

**Spend per occupational category***

| Categories | F2012 Number of training initiatives | F2012 Annual spend Rand R'000 | F2011 Number of training initiatives | F2011 Annual spend Rand |
|---|---|---|---|---|
| Top management | 5 | 0.6 | 3 | – |
| Senior management | 58 | 146 | 48 | 656 |
| Professional and mid-management | 431 | 698 | 667 | 832 |
| Skilled | 5 651 | 7 799 | 7 101 | 9 384 |
| Semi-skilled | 4 719 | 2 145 | 5 919 | 3 580 |
| Unskilled | 1 246 | 733 | 3 496 | 897 |
| Total | 12 110 | 11 521.6 | 17 234 | 15 349 |

* This table does not include learnerships and bursaries as it reflects spend on employees only.

Key training initiatives included business-critical aspects such as corporate governance and ethics, safety, legislative compliance and change management. A number of programmes are facilitated internally and are customised to meet specific sector or organisational development needs. The group strives to provide a learning opportunity for each employee as part of individual development plans.

**Average annual hours of training per employee by employee category**

| Categories | Average hours F2012 | Average hours F2011 |
|---|---|---|
| Top management | 8 | 12 |
| Senior management | 10 | 20 |
| Professional and middle management | 20 | 55 |
| Skilled | 49 | 64 |
| Semi-skilled | 45 | 68 |
| Unskilled | 22 | 13 |

## SKILLS DEVELOPMENT

The development of skills in core sector areas is critical to build competitive advantage through delivery of high quality outputs to meet client requirements. This becomes even more crucial in the current economic climate.

A number of approaches to skills development across different levels are used to improve competence. The main ones include learnerships, apprenticeships and skills programmes which are linked directly to the business' need.

During the year, there was a distinct focus on employed learners, with the largest decline in spend year-on-year on unemployed learners. This continues the trend seen in the previous financial year as the group focused its spend on employees to improve internal skills and productivity.

**Spend on learnerships and apprenticeships**

| | F2012 | F2011 | F2010 | F2009 | F2008 | F2007 |
|---|---|---|---|---|---|---|
| Annual spend on learnerships and apprenticeships – R'm | **4,0** | 4,6 | 3,9 | 3,6 | 3,7 | 3,1 |
| Total number of learners on learnerships and apprenticeship programmes | **144** | 201 | 214 | 231 | 175 | 161 |
| Number of unemployed learners registered on learnership programmes | **99** | 128 | 163 | 149 | 45 | 94 |
| Number of employed learners registered on learnership programmes and apprenticeships | **45** | 73 | 51 | 82 | 130 | 67 |
| Number of disabled unemployed learners registered on learnership programmes | **0** | 18 | 18 | n/a | n/a | n/a |

### Learnerships and apprenticeships – scope and demographics

Skills in key sector disciplines are scarce. Learnerships and apprenticeships continue to be an effective vehicle for the group to develop entry-level skills. 144 individuals participated in learnerships and apprenticeships during the year, down from 201 last year.

In one of the businesses, the group offered a learnership programme to 15 retrenched employees to cross-skill them in the construction field with assistance from the Construction SETA. Eight of the 15 employees that enrolled on a one-year National Certificate in Construction (NQF 2) learnership were deployed on a Group Five housing site in Kempton Park to complete their workplace training.

Four of these learners have found permanent employment with the group, while the others have a qualification that positions them for employment in the construction industry.

| | | Black | | White | | | | |
|---|---|---|---|---|---|---|---|---|
| **Learnerships** | NQF level | Male | Female | Male | Female | Employed | Unemployed | Total |
| Generic management | 3 | 3 | 10 | | | 13 | | 13 |
| Building and Civils | | | | | | | | |
| Carpentry | 3 | 10 | | 1 | | 11 | | 11 |
| Building and Civils | | | | | | | | |
| Painting | 3 | 1 | 5 | | | | 6 | 6 |
| Junior foremen development | 8 | 17 | | 2 | | 11 | 8 | 19 |
| Welding | 2 | 26 | 16 | | | | 42 | 42 |
| Safety learnership | 3 | 7 | 12 | | | | 19 | 19 |
| **Total** | | **64** | **43** | **3** | | **35** | **75** | **110** |

| | Black | | White | | | | |
|---|---|---|---|---|---|---|---|
| **Apprenticeships** | Male | Female | Male | Female | Employed | Unemployed | Total |
| Electrician | 2 | 1 | | | | 3 | 3 |
| Welding | 4 | | | | | 4 | 4 |
| Boilermaking | 6 | 1 | 1 | | 5 | 3 | 8 |
| New boilermaking | 5 | 1 | | | | 6 | 6 |
| New electrician | 2 | | | | | 2 | 2 |
| Earthmoving | 4 | | | | 4 | | 4 |
| Electrician | | 1 | | | 1 | | 1 |
| Fitter and turner | 2 | | | | | 2 | 2 |
| Fitter | 2 | | | | | 2 | 2 |
| Instrument mechanics | 2 | | | | | 2 | 2 |
| **Total** | **29** | **4** | **1** | | **10** | **24** | **34** |

## Construction Skills Training Academy

The trend in enhancing skills by means of skills programmes is reflected in the number of employed learners trained at our Construction Skills Training Academy. A key focus during the year was on improving quality and productivity on site. A notable decrease in unemployed learners and sub-contractor training is as a direct result of a lack of growth in the industry.

| | Black F2012 | | Black F2011 | | White F2012 | | White F2011 | | Total F2012 | | Total F2011 | | Total F2012 | Total F2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Skills programmes | M | F | M | F | M | F | M | F | M | F | M | F | | |
| Employed learners | **218** | **4** | 803 | 26 | **39** | **2** | 18 | – | **257** | **6** | 821 | 26 | **263** | 847 |
| Unemployed learners | **23** | **20** | 257 | 47 | **–** | **–** | – | – | **23** | **20** | 257 | 47 | **43** | 304 |
| Sub-contractors | **10** | **2** | 252 | 44 | **–** | **–** | 6 | – | **10** | **2** | 258 | 44 | **12** | 302 |
| Bursary students | **10** | **7** | 14 | 6 | **13** | **2** | 4 | – | **23** | **9** | 18 | 6 | **32** | 24 |
| External entities | **12** | **2** | 10 | – | **–** | **–** | 7 | – | **12** | **2** | 17 | – | **14** | 17 |
| Total | **273** | **35** | 1336 | 123 | **52** | **4** | 35 | – | **325** | **39** | 1 371 | 123 | **364** | 1 494 |

## TECHNICAL AND PROFESSIONAL COMPETENCE DEVELOPMENT

The Programme in Project Management continues to attract students and deliver according to business needs. Project management has been identified as an essential focus area to address and enhance our ability to deliver on time, within budget and to a high standard. The programme aims to improve planning, execution and the closing out of contracts.

The number of students registered as candidate engineers as part of our Graduate Engineer Development Programme also increased across the business. This is in support of our ongoing drive to deliver to higher standards of technical expertise. Candidate engineers are guided towards professional engineer status with the support of mentors. The number of the group's engineers being mentored increased to 122 – an increase of 37%. Registration is voluntary and conducted under the auspices of the Engineering Council of South Africa or South African Construction and Project Management Professionals Association.

| | F2012 | F2011 | F2010 | F2009 | F2008 | F2007 |
|---|---|---|---|---|---|---|
| Total annual spend R'm | **7,5** | 11,7 | 8,9 | 8,5 | 10,5 | 6,4 |
| Number of students on Programme for Project Management | **28** | 48 | 44 | 56 | 22 | 19 |
| Number of students on Graduate Development Programme | **122** | 89 | 52 | 37 | n/a | n/a |
| Short technical workshop attendance | **10 211** | 16 365 | 9 314 | 8 776 | 4 047 | 6 010 |

Short technical workshops are conducted across all levels. These range from interventions to address skills issues to workshops to support new directors. Whilst numbers and spend have declined in the past year, it is still at levels that indicate a continued area of focus.

Programmes related to legislative compliance continued to be a feature in training interventions. During the year, these were augmented by mandatory workshops on ethics and corporate governance.

**Demographics of technical and professional competence development learners**

| Skills programmes | Black F2012 | | Black F2011 | | White F2012 | | White F2011 | | Total F2012 | | Total F2011 | | Total F2012 | Total F2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | M | F | M | F | M | F | M | F | M | F | M | F | | |
| Programme for project management | 14 | 2 | 23 | 4 | 11 | 1 | 17 | 4 | 25 | 3 | 12 | 21 | 28 | 48 |
| Graduate engineer development programme | 47 | 5 | 35 | 5 | 66 | 4 | 48 | 1 | 113 | 9 | 70 | 49 | 122 | 89 |
| Short technical workshops | 5 798 | 2 371 | 10 255 | 2 765 | 1 442 | 600 | 2 345 | 910 | 2 971 | 7 240 | 13 690 | 3 675 | 10 211 | 16 365 |
| Total | 5 859 | 2 378 | 10 313 | 2 774 | 1 519 | 605 | 2 500 | 915 | 2 983 | 7 378 | 12 813 | 3 689 | 10 361 | 16 502 |

## LEADERSHIP AND MANAGEMENT DEVELOPMENT

Development of leadership and management competence within the group is a key learning priority. Programmes include the Programme for Management Development and our first line manager programme (G5B3). Both these programmes engage learners in a way that ensures real-time learning in the workplace.

| | F2012 | F2011 | F2010 | F2009 | F2008 | F2007 |
|---|---|---|---|---|---|---|
| Total annual spend R'm | 3,9 | 3,5 | 2,6 | 4,2 | 2.2 | 2.6 |
| Number of students on programme in management development | 22 | 20 | 23 | 25 | 17 | n/a |
| Number of students on building business basics (G5B3) programme | 96 | 97 | 150 | 99 | n/a | n/a |
| Number of competence building workshops | 82 | 62 | 50 | 87 | 44 | 81 |

The G5B3 programme continues to deliver against high expectations. It is developing a critical group of engaged managers and supervisors. A total of 96 students attended the programme during the course of the year.

**Number of induction attendees**

| | Black F2012 | | Black F2011 | | White F2012 | | White F2011 | | Total F2012 | | Total F2011 | | Total F2012 | Total F2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | M | F | M | F | M | F | M | F | M | F | M | F | | |
| Number of attendees at corporate induction | 29 | 17 | 32 | 18 | 25 | 14 | 43 | 6 | 54 | 31 | 75 | 24 | 85 | 99 |

To ensure alignment to the group's internal culture, an induction of new professionals is conducted centrally. Insight to the group and the sector is facilitated by exco and department heads. The session also covers all aspects of business and policy. Additional inductions take place at a business segment level to ensure that new employees are provided with the guidelines and information needed to successfully integrate into Group Five.

## STUDENT MANAGEMENT

The group continues to invest in its bursary programme as a valuable pipeline of future talent.

Of the 19 students who completed their studies at the end of 2011, 50% secured employment at Group Five. This, as well as the lower number of new recruits to the 2012 bursary programme, is a clear indication of the impact of the economic slowdown.

Furthermore, unfortunately 14% of our current students did not progress to the next year of study due to difficulties in their social and academic transition from school to university. Remedial programmes have been identified to achieve improved outcomes. These include the implementation of a mentoring programme and additional tuition where necessary.

**Spend on bursaries**

| | **F2012** | F2011 | F2010 | F2009 | F2008 | F2007 |
|---|---|---|---|---|---|---|
| Annual bursary expenditure – R'm | **4,6** | 6,6 | 6,0 | 9,3 | 6,8 | 6,5 |
| Number of bursary students | **115** | 183 | 171 | 258 | 178 | 149 |

**Demographics of bursary students**

| | **Black F2012** | | Black F2011 | | **White F2012** | | White F2011 | | **Total F2012** | | Total F2011 | | **Total F2012** | Total F2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **M** | **F** | M | F | **M** | **F** | M | F | **M** | **F** | M | F | | |
| Demographics of bursary students | **51** | **21** | 79 | 38 | **38** | **5** | 61 | 5 | **89** | **26** | 140 | 43 | 115 | 183 |

### Key achievements

Even against tough market conditions, the Academy achieved 14.66 out of a total of 15 points for skills development in the group's annual broad-based black economic empowerment scorecard audit during the year.

A number of new and business-relevant programmes were rolled out, which included a safety awareness programme and a corporate governance and ethics programme.

A validation by stakeholders and senior management on the return on investment of the Academy was that the Academy team won the annual CEO team award.

### Key challenges

The tough economic conditions impacted training spend and resources, which necessitated a review of how resources are applied to ensure continued impact.

As a level 2 BBBEE contributor, the group experienced a rigorous skills audit as auditors require increased evidence to present accurate and substantive information. Improved storage and information retrieval processes will be implemented to ensure ready access to the relevant evidence for audits.

The next phase of a project to manage data is currently in progress and will be tested in the new financial year. The simplification of data capture of training interventions to ensure one point of data input will allow the team to more accurately track spend and the development of individuals.

The academic progress of bursary students needs attention, especially in the first year of studies. To address this, the Academy is evaluating the barriers to success to assist learners more effectively. Barriers include the transition from school to university from a social and academic perspective.

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **SKILLS DEVELOPMENT** | |
| **Continue to increase site-based programmes** | • Increase the uptake of training interventions by reducing the impact on time and disruption to site-based employees. The focus will be on aspects that will improve productivity and quality |
| **Programmes committed to further improve the culture of safety awareness in the group** | • Continue to build a stronger understanding and awareness of the importance of safety in the business through learning programmes at all levels |
| **TECHNICAL AND PROFESSIONAL COMPETENCE DEVELOPMENT** | |
| **Continue to increase the e-learning drive in business units** | • Building competence and knowledge where learners can train in their own space and time, which is particularly relevant for site-based employees |
| **Programmes that focus on building higher levels of professional competence** | • Increase the flow of professional registrations of engineers and built environment professionals through individual development plans and mentoring |
| **LEADERSHIP AND MANAGEMENT DEVELOPMENT** | |
| **Manage change in the workplace** | • Building resilience and competence to manage change to meet challenges of an increasingly complex business environment. In F2013 the group will focus on ensuring readiness for continued restructuring around structure and efficiencies |
| **Respond to outcomes for employee climate survey and 360º feedback survey** | • Survey results provided a clear idea of the issues to be addressed. The Academy assists the HR team by jointly evaluating survey results and developing an action plan to address required areas |
| **Candidate selection and management** | • Refining selection processes for programmes to increase rate of success, particularly in programmes such as the Programme in Management Development |
| **STUDENT MANAGEMENT** | |
| **Innovative approaches to enhance the success rate of bursary students** | • A reduction in student failure and dropout rates |
| **GENERAL** | |
| **Support the organisation in a time of rapid change** | • Flexibility to deal with areas of priority, with programmes that are appropriate and timeous |
| **Streamline data management systems** | • Minimise the time spent on data capture, resulting in less resources required |

# 4 Transformation

## OWNERSHIP

### Delivery

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas | Desired results | Status |
|---|---|---|
| **Manage the unwind of the iLima portion of our initial ownership transaction** | • Timeous exit from the ownership agreement with iLima | Following successful litigation, the iLima shares have been cancelled and this process is complete. |
| **Finalise future ownership options 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 | Following the cancellation of the iLima shares, we have been exploring a new BBBEE transaction. A separate circular seeking shareholder approval will be issued in due course. |

### Key focus areas

With the completion of the unwind of the iLima share transaction and the cancellation of these shares in May, we are now in a position to progress a review of the group's ownership portion.

In consultation with the board and our external corporate sponsors, the group conducted a comprehensive review of the various options available in terms of BBBEE ownership transactions.

A core focus has been on the creation of a perpetual scheme where shares will be held in a trust with dividends accruing in favour of participant employees rather than the sale or transfer of shares to a third party. The primary intent will be to ensure continued broad-based empowerment of our ownership that ensures the economic benefit to black individuals, while limiting undue share dilution.

### Key achievements

A key achievement during the year was the finalisation of the process of returning the iLima shares to the group after a two year legal process.

The ownership element improved in the year, with black voting rights increasing from 25.67% to 27.94%. This was validated during the 2011/12 BBBEE independent verification audit.

The group maintained its overall level 2 BBBEE certification level, even in the absence of the iLima contribution.

### Key challenges

The challenge this year has been to retain our BBBEE shareholding with the employee broad-based scheme and the black manager scheme (BMS) both reaching their end dates.

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **Implementation of a new transaction to secure permanent or perpetual black shareholding** | • A transaction that meets the intent of the legislation and the beneficiaries with the least impact to shareholders |

**Group Five BBBEE ownership transaction status**

| R'000 | September 2005 Number of shares | Transaction value | Shareholding (post issue of new shares) | 30 June 2012 Number of shares held in trust | Share-holding |
|---|---|---|---|---|---|
| **Employee schemes** | **4 366 109** | **69 989** | **4.5%** | **1 751 378** | **1.58%** |
| Broad-based scheme | 575 000 | 9 217 | 0.6% | – | – |
| Black management scheme | 3 791 109 | 60 772 | 3.9% | 1 751 378 | 1.58% |
| **The participants jointly (iLima Mvela transaction)** | **20 957 324** | **335 946** | **21.6%** | **12 292 908** | **11.1%** |
| iLima | 10 478 662 | 167 973 | 10.8% | – | – |
| Mvelaphanda | 10 478 662 | 167 973 | 10.8% | 12 292 908 | 11.1% |
| **Total** | **25 323 433** | **405 935** | **26.1%** | **14 044 286** | **12.69%** |

## MANAGEMENT

### Delivery

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas | Desired results | Status |
|---|---|---|
| **Improve transformation at senior management levels** | • Progress towards the BBBEE sector targets of 35% senior management and 45% middle management, that become effective in F2013 | Although the group is still not meeting the 2013 sector charter expectations, black representation at executive and management committee level improved from 18% to 20%. Middle management representation improved from 30% to 34%. Progress in this area has been included in the key performance areas of senior management at a group and operational level. |
| **Maintain diversity at board level** | • A fully functional and diverse board | Following the bi-annual board review conducted last year, two new members were added to the board. These new appointments increased diversity and skills.<br>40% of the main board are equity candidates and 40% of the board are female. |
| **Continue to profile the group as an employer of choice** | • Ability to attract and retain black talent in the group | Through a focus on succession planning and talent management, we are advancing our black talent to ensure retention.<br>We have been classified as a Best Employer by the Corporate Research Foundation Institute for the second year and are well on track for 2012. |

### Key focus areas

For significant progress succession planning in the group, positions that are business-critical were identified and a number of employees earmarked for a range of possible future positions. These employees will be groomed carefully to ensure they are ready to take up opportunities when they arise.

The group continued to invest in management development, with a key emphasis on black candidates. This will ensure that we increase the number of employees that are suitably trained and ready to advance into the ranks of management.

## Key achievements

We increased the levels of equity representation in the executive, middle and junior management categories while the senior management category reflected a small decline. This was mainly due to the loss of two black directors through the restructuring and sale of Construction Materials.

**Profile of black management by empowerment category F2007 to F2012 (%)**

| % | F2012 | F2011 | F2010 | F2009 | F2008 | F2007 |
|---|---|---|---|---|---|---|
| Executive directors | **–** | – | – | – | – | – |
| Senior executives | **20.0** | 17.9 | 17.4 | 18.9 | 4.8 | – |
| Senior management | **22.8** | 24.8 | 26.6 | 25.7 | 22.9 | 20.6 |
| Middle management | **34.1** | 30.6 | 28.4 | 28.2 | 19.6 | 17.8 |
| Junior management | **73.7** | 72.3 | 69.3 | 71.9 | 64.8 | 61.8 |

## Key challenges

The pressure on overhead costs due to the tough market conditions hampered the group's ability to create further demographic change in its senior management level. Our succession readiness analysis revealed that for a number of key positions we do not have suitable internal successors in place.

To address this, we are in the process of developing a database of potentially suitable candidates who could be approached when such an opportunity arises. Required equity improvements will be considered as part of this process.

### Vacancy analysis

As the number of vacancies expressed as a percentage of the permanent employees currently employed is less than 1%, it makes appointing black candidates even more challenging. It is anticipated that this low vacancy percentage will increase once the market recovers.

| % | F2012 | F2011 | F2010 | F2009 | F2008 | F2007 | F2006 |
|---|---|---|---|---|---|---|---|
| Vacancy analysis | **<1%** | <1% | 2.0 | 10.0 | 12.2 | 11.7 | 11.9 |

One of the key challenges the group faces is to progress towards the F2013 BBBEE sector targets of 35% black representation in senior management and 45% black representation in middle management. To achieve this, we will focus on ensuring that equity candidates will be advanced where possible without sacrificing managerial competence where vacancies and opportunities for promotion arise.

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **Improve transformation at senior management levels** | • Progress towards the F2013 BBBEE sector targets of 35% black representation in senior management and 45% black representation in middle management |
| **Continue to bed down the succession and talent management process at senior and middle management levels** | • To have suitably skilled and experienced candidates to fill all critical positions, while enhancing the group's transformation at these levels |

## EMPLOYMENT EQUITY

### Delivery

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas | Desired results | Status |
|---|---|---|
| **Gain further momentum in our mentorship programme** | • Prepare black employees for management positions and promotions, as opportunities arise | Our mentorship programme was rolled out across the group during the period under review. This programme was audited and found to comply with the requirements of the BBBEE audit. |
| **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 segments meet their employment equity and BBBEE scorecard requirements | The group's employment equity plan was reviewed during the year. The targets set have been accepted by the Department of Labour and the group is committed to working towards achieving these targets. |
| **Gain traction in our succession management process** | • Create leadership depth and, where possible, fill identified positions with black or female candidates | With the completion of the succession planning process, a number of potential future vacancies were identified as possible opportunities for black candidates in the short to medium term. |
| **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 | All vacancies and promotions are used to identify black employees to fill these management positions. |

### Key focus areas

During the year the group evaluated its compliance with the requirements of the Employment Equity Act. Based on this process and in consultation with the Department of Labour, the group reviewed and updated its employment equity plans in general and its employment equity targets in particular.

The group's updated employment equity plan involved comprehensive employee planning and target setting based on forward-looking estimates of the group's requirements. We also profiled all senior positions in terms of skills and competencies and key performance areas to ensure that those being mentored are adequately prepared for possible positions.

To achieve targets, we have included this in business segment directors' key performance areas. Business segments are required to report quarterly on their progress.

## Total South African workforce

The table below reflects the racial demographics of our South African workforce by occupational level, as defined in the Employment Equity Act. As can be seen, the numbers have remained fairly consistent within the management level (with a small increase in the representation of black candidates in the senior management category from 16.7% to 17.7%). There were significant reductions in the overall numbers of employees in the semi-skilled and lower-skilled categories due to retrenchments and non-renewal of contracts.

| | Total South African workforce F2012 | | | | Total South African workforce F2011 | | | | Variance (%) |
|---|---|---|---|---|---|---|---|---|---|
| | White | BAC* | Total | BAC % of total | White | BAC* | Total | BAC % of total | BAC as a % |
| Executive 1+ (board) | 2 | 0 | 2 | 0 | 2 | – | 2 | 0.00 | 0 |
| Senior management (1 – 3) | 14 | 3 | 17 | 17.65 | 15 | 3 | 18 | 16.7 | 0.98 |
| Middle management (4 – 6) | 104 | 21 | 125 | 16.80 | 104 | 24 | 128 | 18.8 | 1.95 |
| Specialist/skilled (7 – 12) | 780 | 1 601 | 2 381 | 67.24 | 959 | 1 954 | 2 913 | 67.1 | 0.16 |
| Semi-skilled (13 – 16) | 69 | 3 163 | 3 232 | 97.87 | 106 | 3 512 | 3 618 | 97.1 | 0.79 |
| Lower skilled (17 – 19) | 5 | 2 332 | 2 337 | 99.79 | 7 | 2 808 | 2 815 | 99.8 | 0.03 |
| Total | 974 | 7 120 | 8 094 | 87.97 | 1 193 | 8 301 | 9 494 | 87.4 | 0.53 |

* Black, Asian/Indian and Coloured.

The table below reflects a year on year decline in our South African workforce with a reduction of 1 400 employees (14.7%). Of all the group's territories in which it operates, the most retrenchments and non-renewal of employee contracts took place in South Africa.

| | F2012 | F2011 | F2010 | F2009 | F2008 | F2007 |
|---|---|---|---|---|---|---|
| White | 974 | 1 193 | 1 370 | 1 339 | 1 164 | 1 100 |
| African | 6 141 | 7 249 | 8 067 | 7 748 | 6 756 | 6 139 |
| Coloured | 639 | 668 | 624 | 731 | 551 | 342 |
| Indian | 340 | 384 | 329 | 291 | 227 | 191 |
| Total | 8 094 | 9 494 | 10 390 | 10 109 | 8 698 | 7 772 |

## Key achievements

As shown in the table below, 88% of the promotions awarded in the group were secured by employees from designated groups. This increased from 83% in the previous year.

| % | F2012 | F2011 |
|---|---|---|
| White | 12 | 17 |
| African | 76 | 72 |
| Coloured | 8 | 7 |
| Indian | 4 | 4 |
| Total | 100 | 100 |

The improved emphasis on the advancement of female employees is evidenced by the increase in the ratio of women being promoted. Notwithstanding this progress, women still remain significantly under-represented in the group. This will be addressed through the group's internal programme, the Basadi initiative and our diversity management programme.

| % | F2012 | F2011 |
|---|---|---|
| Female | 17.6 | 14 |
| Male | 82.4 | 86 |
| Total | 100 | 100 |

## Key challenges

The low level of employee turnover due to tough markets limits accelerated promotional opportunities to a few areas of growth. Against this, the group is identifying candidates with potential to fill the opportunities which do arise.

Given that a number of our business segments have been trading at levels below their capacity and that the line of sight in respect of market recovery remains unclear, certain employees unfortunately had to be retrenched. While every effort was made to retain core skills, the pressure on remaining employees limited our ability to focus on accelerated development programmes for black individuals.

We are hopeful that both the local market recovery and the award of over-border contracts anticipated in the new year will provide the growth opportunities these employees need to fulfill their potential.

A key barrier to transforming the middle and senior management categories in the group remains the market availability of skilled black and female engineers who want to remain in the construction field.

Our ability to retain individuals who have been developed through the group is also challenging due to the high demand for skilled black individuals. We will continue to focus on the attraction and development of young black talent through competitive job and remuneration practices, where relevant.

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **Address problem areas to ensure the achievement of our employment equity plan** | • To systematically remove all problem areas to result in equitable employment practices across the group |
| **Ensure that business segments remain focused on the achievement of the revised equity targets submitted to the Department of Labour** | • To meet the targets set in our employment equity plans and to meet the transformation targets set in terms of the group's equity plans and the BBBEE charter |
| **Continue the group's succession planning and talent management process to result in increased leadership depth** | • Sufficient depth of talent to fill vacancies with suitably qualified internal candidates in line with our equity plans |

## PROCUREMENT

### Delivery

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas | Desired results | Status |
|---|---|---|
| **Stretch targets focusing on the Construction Sector Charter Scorecard final targets, which will apply to us in F2013** | • At least 10% growth in the use of empowered enterprises | The group's preferential procurement profile improved by 15%. |
| **Identify black women-owned enterprises which may be developed** | • At least 20% growth in the use of black women-owned enterprises | Procurement from black-women owned enterprises grew from 3% to over 10% of total procurement. |
| **Develop processes to facilitate the management of valid BBBEE certificates** | • Automate the process of retrieving and archiving empowerment certificates which require annual renewal | Group Five has partnered with an external industry initiative providing a platform for suppliers to maintain their company profile and ensure that the management of BBBEE scorecards remains current. |

### Key focus areas

The key focus during the year was on achieving the stretch targets required to meet the final procurement targets defined in the Construction Charter. These are due for implementation in calendar 2013.

The group continued to grow procurement through enterprises classified as black women owned.

All elements of the preferential procurement scorecard as contained in the Construction Charter have been included in the group's business intelligence reporting tools. These include the measurement of weighted preferential procurement, procurement from small and micro enterprises and from black-owned and black women-owned enterprises. This has made it possible for the BBBEE procurement reporting to be automated to ensure that at all levels across the organisation all stakeholders can manage their own objectives within the broader group objectives.

## Key achievements

Very pleasingly, all preferential procurement targets set for the year were exceeded. Particularly strong growth was experienced in the black women-owned suppliers due to changing ownership structures across a number of key suppliers. This resulted in growth in this area from 3% to 10%, which exceeded the target expectation of a 20% increase.

**Achievement against Construction Charter principles**

| Measurement principle | Points | Target per Construction Charter F2013 target | **Provisional[#] F2012** | Actual F2011[(1)] | Actual F2010[(2)] | Actual F2009[(3)] | Actual F2008[(4)] |
|---|---|---|---|---|---|---|---|
| Preferential spend with all suppliers | 12 | 50% | **61.2%** | 52.79% | 49.1% | 45.1% | 34.8% |
| Preferential spend with qualifying small and emerging micro enterprises | 3 | 10% | **21.2%** | 22.01% | 11.42% | 6.3% | 5.5% |
| Preferential spend with enterprises that are more than 50% black owned | 3 | 9% | **20.1%** | 19.1% | 9.2% | 7.9% | 3.8% |
| Preferential spend with enterprises that are more than 30% black women owned | 2 | 6% | **10.4%** | 3.05% | 1.9% | 0.1% | 0.7% |
| Weighted score | 20 | * | **20** | 19.02 | 18.43 | 15.68 | 11.49 |

\#   Provisional and unaudited – to be audited in September 2012.
(1)  As audited by BEE Verification Agency cc in January 2012 (Group Five).
(2)  As audited by BEE Verification Agency cc in September 2010 (Group Five).
(3)  As audited by BEE Verification Agency cc in September 2009 (Group Five).
(4)  As audited by BEE Verification Agency cc in August 2008 (Group Five Construction (Pty) Limited).
*   A weighted score is not done for targets

## Key challenges

Due to the cyclical nature of construction, with differing levels of contract flow, realising and maintaining procurement targets require ongoing effort. Despite this challenge, the group once again grew its preferential procurement targets.

Although the group has successfully executed its preferential procurement strategy, the management of vendor information, including the annual update of BBBEE certificates, continues to be a challenge. Focus is now being placed on moving the Group Five suppliers onto an eBusiness platform that will optimise the process of managing key vendor information, including BBBEE certificates.

The final Construction Charter targets will become effective in mid-2013. The team has assessed the challenges and risks associated with maintaining the current preferential procurement growth path, as well as the accelerated growth path required to meet these targets. The achievements during this reporting period demonstrate that the group is well on track to embrace these final targets.

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **Maintain the levels of utilisation in terms of small, micro, black-owned and black women-owned enterprises** | • To repeat the achievement of F2012 in F2013 |
| **Achieve an overall preferential procurement profile of 65%** | • Ensure that Group Five does not drop more than one point in the overall preferential procurement profile when measured against the final targets in F2013 |
| **Automate the management of vendor information** | • At least 50% of Group Five suppliers to manage their company profile and BBBEE certificates through the selected eBusiness platform |

## ENTERPRISE DEVELOPMENT

### Delivery

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas | Desired results | Status |
|---|---|---|
| **Identify and enter into at least another three 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 | We exceeded this target, with 11 formal business segment enterprise development partnerships and two contract-based enterprise development relationships. |
| **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 | To achieve this objective, we conduct an annual needs analysis with each of our partners. All assistance is evaluated for potential risk prior to implementation.<br>The group's contributions in this regard met the sector scorecard requirements. |
| **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 | Employees from our enterprise development partners are regularly invited to attend our in-house development initiatives.<br>We also have mentorship programmes in place between business segment management and our enterprise development partners. |

## Key focus areas

To increase the number of enterprise development partners, we focused on identifying a number of black women-owned enterprises. During the year, we managed to bring three new black women-owned entities into the group's formal enterprise development programme.

**Group Five enterprise development partners**

| Enterprise development partners | Black ownership | Women ownership | Date joined | CIDB LEVEL on joining | Current CIDB level | BBBEE contributor level |
|---|---|---|---|---|---|---|
| BL Williams (Pty) Ltd | 95% | 48% | 2008 | 6 GB – PE | 6 GB – PE | 3 |
| ENZA Construction (Pty) Ltd | 93% | 10.00% | 2009 | 7 GB | 8 GB & 6 CE | 2 |
| Enzani Technologies (Pty) Ltd | 80% | 54% | 2009 | 5 EP – PE | 6 EP – PE<br>5 EB – BE | 1 |
| Inkanyeli Projects (Pty) Ltd | 100% | 19% | 2009 | 4 GB – PE | 4 GB – PE | 2 |
| Pan African Development (Pty) Ltd | 100% | 40% | 2009 | 6 GB – PE | 8 GB – PE<br>6 CE – PE | 2 |
| Siyakhula Engineering (CC) | 100% | – | 2009 | 1 | 1 | 3 |
| UMSO Construction (Pty) Ltd | 89% | – | 2008 | 6 CE – PE | 8 CE – PE | 2 |
| ENM CC | 100% | – | 2010 | 6 GB | 8 GB | 3 |
| Tshepo Ya Rona (Pty) Ltd | 100% | 100% | 2011 | 6 GB | 6 GB – PE | 3 |
| Maono (Pty) Ltd (previously Friedshelf 863 (Pty) Ltd | 100% | 100% | 2011 | 6 CE | 7 CE | 1 |
| Tanenzo Trading Projects (CC) | 100 | 100 | 2012 | Not CIDB Registered | Not CIDB registered | 3 |
| Modisa Risk Solutions (Pty) Ltd | 67% | 0 | 2012 | Not CIDB registered | Not CIDB registered | 3 |

The focus this year with our existing partners was the maximisation of opportunities for both interaction and working together within the limited market conditions. In a number of instances this involved assisting our developing enterprises with rationalisation processes necessitated by the lack of contracts in their businesses and the shortage of significant joint venture opportunities.

Based on the increased requirement to have site-specific enterprise development programmes, the group focused on the development of a model suitable for large contracts. This involved researching best practice in enterprise development and business incubation in other industries.

## Key achievements

The group managed to meet the full enterprise development requirement in terms of the Construction Sector BBBEE Scorecard for the fourth year in a row.

We have also formalised three new enterprise development partnerships across the group. Five of our current partners improved their Construction Industry Development Board (CIDB) registration during the period and four reached the targeted CIDB level 8. Since inception of the group's enterprise development programme in 2008, four partners have increased their CIDB rating to level 8.

### Examples of our enterprise development success include:

- Pandev, that on commencement of our programme in 2009 was considered a small construction company operating in the Durban area. Through our programme they have participated actively in major infrastructure contracts such as the Moses Mabhida 2010 soccer stadium and the King Shaka International Airport. They have increased their CIDB rating from 6 to 8 and have now started moving their operation outside of the Durban area.
- Umso Construction, which was initially established about 15 years ago in collaboration with Group Five and Siyaya Construction in East London, has grown from a small local contractor to a leading local civil contractor. It has participated as a joint venture partner in national joint venture contracts such as the Gauteng Freeway Improvement Programme.

## Key challenges

The absence of significant infrastructure opportunities limited work for our partners as well as joint venture contract opportunities between us. This forced certain of our partners to downsize to remain viable. It is hoped that the government's focus on infrastructure development will yield opportunities for these entities to resume their business growth, job creation and sustained viability.

### Other joint ventures

Group Five has entered into a number of joint venture contracts with black owned companies – both enterprise development partners and other development entities

| Cluster | Partner (P)/ Development Entity (E) | Name of partner/ development entity | Contract/development | Effective partner % holding in venture | Total value of contract (100%) R'000 | Commencement date of contract |
|---|---|---|---|---|---|---|
| CONSTRUCTION | DE<br>P | Bhekimbeko Business Enterprise CC<br>Pandev African Development (Pty) Ltd | Group Five Pandev Bhekimbeko Joint Venture for Ntuzuma Magistrates Offices at Bridge City, Durban, KwaZulu-Natal | 50% | 181 220 | Jan 2010 |
| CONSTRUCTION | DE<br>P | Bhekimbeko Business Enterprise CC<br>Pandev African Development (Pty) Ltd | Group Five GJ Crookes Joint Venture established to construct the GJ Crookes hospital Phases 2,3 and 4 (New casualty, trauma and admissions departments) – Eastern Cape | 60% | 96 440 | Jun 2011 |
| CONSTRUCTION | P | Pandev African Development (Pty) Ltd | Spring Grove Joint Venture established to construct the Spring Grove Dam and Appurtenant Works in Rosetta – KwaZulu-Natal | 10% | 556 651 | Feb 2011 |
| CONSTRUCTION | DE | Bosasa Operations (Pty) Ltd | Brandvlei Prison – Replace existing medium prison with a permanent structure and facility for 1 000 inmates – Western Cape | 10% | 340 200 | Nov 2008 |
| CONSTRUCTION | DE | Umsimbiti Civils (Pty) Ltd | Construction of Main Road P577 in Kwadebeka – KwaZulu-Natal | 15% | 77 203 | Oct 2011 |
| CONSTRUCTION | P | Inkanyeli Projects (Pty) Ltd | Construction of Jabulani Civic Theatre – Gauteng | 30% | 91 656 | Aug 2010 |
| CONSTRUCTION | P | Tsepho Ya Rona Construction and Projects CC | Construction of the Mantsopa Hospital – Free State | 30% | 232 160 | Jul 2010 |
| CONSTRUCTION | P | Enza Construction (Pty) Ltd | Bus Rapid Transport and Integrated Rapid Transport contracts (Phase 2) – Gauteng | 30% | 37 750 | Oct 2011 |
| CONSTRUCTION | P | Umso Construction (Pty) Ltd | Gauteng Freeway Improvements Project Phase 1 – Siyavaya Package E Road upgrade – Gauteng | 4% | 2 182 148 | Jun 2008 |
| CONSTRUCTION | P | Umso Construction (Pty) Ltd | Hopetown road improvement project contract – Northern Cape | 15% | 151 817 | Jun 2011 |
| CONSTRUCTION | P | Umso Construction (Pty) Ltd | Marydale road improvement project contract – Northern Cape | 15% | 54 634 | Jul 2011 |
| INVESTMENTS AND CONCESSIONS (PROPERTY DEVELOPMENTS) | DE | Secunda Business Park Development (Pty) Ltd | Investment in Secunda business park – Mpumalanga | 15% | 80 000 | Apr 2008 |
| INVESTMENTS AND CONCESSIONS (PROPERTY DEVELOPMENTS) | DE | Westside Trading 600 (Pty) Ltd | Investment in Gugulethu Square – Cape Town | 25% | 305 000 | Jan 2008 |
| INVESTMENTS AND CONCESSIONS (PROPERTY DEVELOPMENTS) | DE | Kuvula Trade 12 (Pty) Ltd | Investment in Tygerview (Western Cape), Knightsbridge (Gauteng), The Beacon (Eastern Cape), St Pauls (Gauteng) | 13% | 259 600 | Jan 2008 |
| INVESTMENTS AND CONCESSIONS (PROPERTY DEVELOPMENTS) | DE | Group Five Montagu Developments (Pty) Ltd | Investment in Decor on Zambezi – Gauteng | 13% | 65 000 | Jan 2008 |
| INVESTMENTS AND CONCESSIONS (PROPERTY DEVELOPMENTS) | DE | RFC Developments (Pty) Ltd | Investment in The Core – Gauteng | 13% | 196 000 | Jan 2008 |

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **Accelerate managerial competency within our new and existing enterprise development partners through continued exposure to the various leadership development programmes offered by the group's in-house Academy** | • Develop sustainable management capacity within our partners |
| **Secure contracts where active participation of our partners is both possible and sustainable** | • Provide opportunities for continued development and re-establishment of their capacity |
| **Continue to develop and improve a replicable model for use at contract/community level** | • Have a uniform and repeatable site-based model that meets the increased client requirements for contract-specific enterprise development and the intent of the scorecard |
| **To look for new opportunities to enhance the sustainability and return on investment inherent in our claimable enterprise development contributions** | • To find sustainable and mutually beneficial ways to assist our partners without exposing the group to undue financial risk or resulting in the partners becoming excessively dependent on the group |

## SOCIO-ECONOMIC DEVELOPMENT (SED)

### Delivery

Find below how we delivered on our objectives outlined in our F2011 integrated report:

| Key focus areas | Desired results | Status |
|---|---|---|
| **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 | Although a number of projects were implemented, some anticipated programmes were delayed as the group prioritised its existing programmes due to budget constraints. |
| **Efficient management of current SED initiatives through 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 evaluating of SED programmes and their impact<br>• Accuracy of information and ongoing monitoring of business segments to ensure alignment with target spend and that high impact programmes are implemented | An electronic system was developed, which has significantly improved accuracy of information and overall efficiency. |
| **Ongoing engagement, capacity building and effective monitoring of selected key beneficiaries** | • Improved community engagement and self-reliance | Ongoing contact with beneficiaries was maintained during the year through regular site visits and reports. |
| **Refocus business segment 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 | During the year, a portion of the external funding for the group's HIV/AIDS testing programme was terminated. The group therefore had to shift its internal SED funds to sustain this important programme. This resulted in an unplanned increase of the group's social spend from 10% to 35% as HIV and AIDS awareness spend is currently included in this category. The target spend on economic empowerment therefore could not be achieved. |

## Key focus areas

The group's social and ethics committee was formed during the year in line with the requirement of the Companies Act. The SED committee will no longer be a stand-alone committee, but will form part of the social and ethics committee.

The group's SED programme has three key focus areas:

- **Education and skills development**
  Construction-related skills, mathematics, science, environmental, science and technology education
- **Economic empowerment**
  Promoting sustainable job creation and entrepreneurial projects, particularly within marginalised and unemployed groups such as women and the youth
- **Social development**
  Support grants (financial and in kind) to impoverished communities, such as orphanages, non-profit organisations which work with community programmes, HIV/AIDS awareness and programmes, as well as other cause-related initiatives such as cancer awareness and disaster relief

Employee volunteerism is a central part of our SED programme. Employees are given the opportunity during working hours to involve themselves in our various community initiatives to contribute to charitable causes. A number of internal employee-driven fundraising campaigns to assist the needy in communities became more prominent.

During the year the group spent 2.4% of net profit after tax on SED programmes, with a total of R4 million spent.

During the year, the group exceeded its social spend as it extended more support towards social programmes, the alleviation of poverty and addressing basic survival needs in the current economic downturn. Furthermore, a portion of the external funding for the group's HIV/AIDS testing programme was terminated as the funding changed from awareness, counselling and testing (ACT) to funding treatment campaigns.

As HIV spend is included in SED funding, the group was forced to shift part of its SED funds to sustain the ACT programme. This resulted in an unplanned increase in the percentage of its SED budget on social spend from 10% to 33%. The cost of the ACT programme was R1,1 million and constituted 72% of the social spend. If this funding was excluded from the social spend this year, the group would have been very close to its strategic split.

**Overall performance**

| Focus area | F2012 target | Achievement |
|---|---|---|
| Social | 10% | 33% |
| Economic | 35% | 8% |
| Development | 55% | 59% |

The group will be maintaining the HIV/AIDS programme going forward, but will now budget for this as part of its employee benefits in its human resources budget outside of the SED programme.

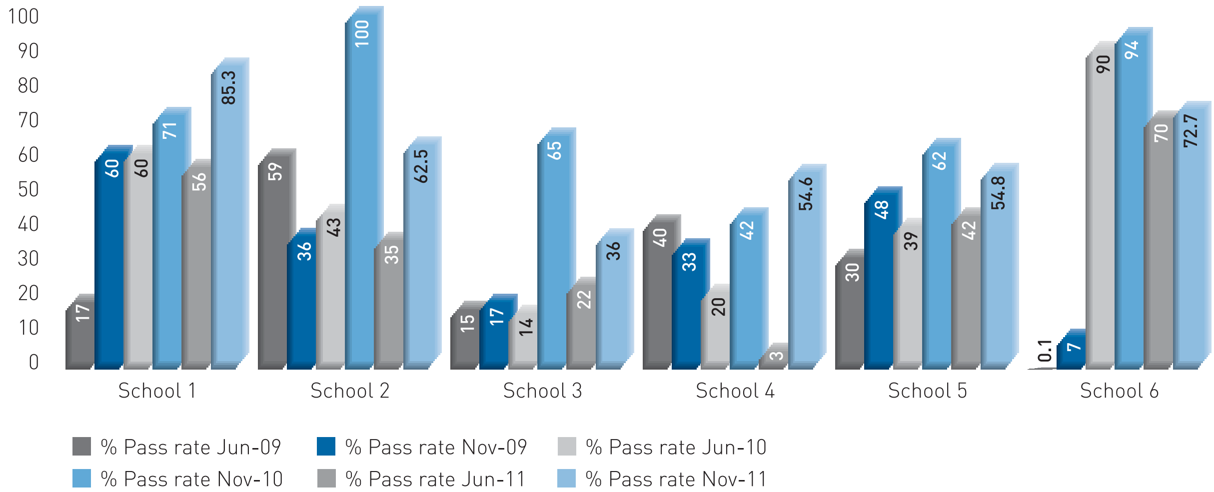
Training and skills development in disadvantaged communities have remained the key focus of the group's SED programme to ensure that current and future economic capability is created in communities. 59% of the total budget was spent in this area.

A number of skills programmes have also been initiated and implemented, benefiting different segments of society. This includes unskilled members of the community, learners in primary and high schools and students in institutions of higher learning. One of our cornerstone training programmes for communities is the "People at the Gate" programme. This programme empowers unskilled people from local communities in the vicinity of our contract sites with skills that enhance their employability on construction contracts or at other groups, as well as starting their own ventures.

Since the beginning of the programme in 2006, more than 1 500 people have been trained, with 100% employed on the various group contracts.

Our partnership with TRAC SA in terms of providing mathematics and science education support to various high schools in South Africa is starting to bear fruit. The graph below indicates improvements in the annual pass rates in five schools, sponsored by Group Five in Bushbuckridge area of the Mpumalanga province:

**Grade 12: Pass rates in Grade 10, 11 and 12**




The overall SED spend per cluster is outlined below. The group spent 2.4% of net profit after tax on SED projects, which is well over the required 1%. As can be seen from the table, the overall SED spend decreased in the year in line with a decreased profit by the group compared to the previous year. However, although individual business segments slowed down on their spend, the corporate office maintained all its key group programmes.

**SED spend per business unit:**

| R'000 | F2012 | F2011 |
|---|---|---|
| **Corporate and Business Services** | 2 513 | 2 860 |
| **Investments and Concessions** | 48 | 358 |
| – Intertoll Africa<br>– Property Developments | 48 | 15<br>204 |
| **Manufacturing** | 43 | 151 |
| – Fibre Cement | 43 | 151 |
| **Construction Materials** | 120 | 315 |
| – Sky Sands<br>– Quarry Cats | <br>120 | –<br>315 |
| **Construction** | 1 240 | 2 464 |
| – Building and Housing<br>– Civil Engineering<br>– Engineering | 247<br>506<br>487 | 726<br>903<br>835 |
| **Total** | 3 964 | 6 148 |

## List of local SED social grants*

The group continued to focus on supporting its target areas of education and skills development.

| Beneficiary | Nature of spend | Province | R'000 |
|---|---|---|---|
| **University of Johannesburg Faculty of Engineering and the Built Environment** | Donation to support mentorship workshops and annual summit for women in the engineering and built disciplines. | Gauteng | 219 |
| **TRAC SA** | Donation towards the payment for science facilitators and mobile laboratories to support underprivileged schools. | Limpopo and Gauteng | 842 |
| **Edendale Technical High School** | Donation towards the purchase of mathematics and science resources. | KwaZulu-Natal | 50 |
| **Beverly Hills High School** | Donation towards the purchase of mathematics and science resources. | Gauteng | 50 |
| **Bonginsimbi Comprehensive High School** | Donation towards the purchase of mathematics and science resources. | Mpumalanga | 50 |
| **Careworks South Africa** | Payment for HIV/AIDS education and testing. | Western Cape | 1 000 |
| **NHBRC/Department of Human Settlements** | Donation for the construction of new houses for disadvantaged women and children in Brandfort. | Free State | 100 |
| **Qoqisizwe High School** | Donation towards the purchase of mathematics and science resources | KwaZulu-Natal | 50 |
| **Navalsig High School** | Donation towards the purchase of mathematics and science resources | Free State | 50 |
| **National Business Initiative (NBI)** | Donation towards technical skills education at Further Education and Training (FET) colleges. | Western Cape and Gauteng | 144 |
| **Mbhekamwa Primary School** | Feeding scheme donation. | Gauteng | 50 |
| **Molimo O Moholo Primary School** | Donation of painting materials. | Gauteng | 10 |
| **Bloemfontein Youth Centre** | Donation of office furniture and equipment. | Free State | 32 |
| **Multiple Sclerosis Association** | Donation to support multiple sclerosis patients. | Gauteng | 10 |
| **Howick Hospice** | Contribution towards purchasing a new house. | Gauteng | 50 |
| **Ithembelihle School for the Disabled** | School property maintenance. | Gauteng | 9 |
| **United Church Schools** | Mathematics teacher sponsorship. | Gauteng | 230 |
| **Pfefferville Primary School** | Material for erection of school feeding centre. | Eastern Cape | 43 |
| **Floradale Primary School** | Material for building additional classrooms. | Eastern Cape | 43 |
| **Noncedo Public School** | Material for building additional classrooms. | Eastern Cape | 43 |
| **Agape inner city projects** | Donation towards payment for construction labour costs. | Gauteng | 115 |
| **Rynsoord community** | Community development project and security services. | Gauteng | 120 |
| **Ethebeni School for the Disabled** | Clothes and food donation. | | 14 |
| **Love of Christ Ministries** | Feeding scheme donation for school children. | | 39 |
| **Waterkloof High School** | Sponsorship fees for orphan learners. | Gauteng | 52 |
| **Tholuthando** | Donation towards school transport for needy school children. | KwaZulu-Natal | 12 |
| **JAM** | School feeding scheme donation | Gauteng | 50 |
| **Sekolo sa Borokgo** | Science teacher sponsorship. | Gauteng | 152 |

* Only donations in excess of R5 000 reflected.

As the group extends its over-border activities it will continue to support SED in various countries on the African continent.

Some of the initiatives supported by the group this year included:

- Group Five Projects joined hands with Brothers And Sisters in Christ Serving International (BASICS), an organisation which helps fight illiteracy, child labour and hunger in Ghana
- Group Five made a financial contribution, assisted in building an ablution facility and supplied lighting at a community development centre in Chorkor, Accra. A total of US$36,000 was spent
- Repairs to a primary school that has 710 pupils and nine classrooms in Benga in Mozambique
- In the absence of a health offering, HIV awareness and testing in Zambia as well as training of 15 peer educators to support site personnel was implemented

Other key achievements include:

- More support programmes implemented for women and youth in particular. According to recent unemployment statistics, women and the youth constitute almost 70% and 25% respectively of the unemployed and the economically inactive population in South Africa. In this regard, the group provided financial support to the Department of Public Work's Youth in Construction programme, as well as the Department of Human Settlement's Women's build
- Improved and streamlined internal processes and an electronic monitoring and reporting system linked to the group's BBBEE scorecard rating process. This has significantly improved the quality and speed of reporting

To ensure an effective return on investment, during the year the group made a concerted effort to assist beneficiaries by increasing their accountability and results on the projects that the group supports. In line with this, we introduced memoranda of understanding (MOUs) with clear performance criteria and measurements, on-site support and guidance through site visits as well as assistance with submitting feedback reports.

**List of international SED social grants**

| Beneficiary | Nature of spend | Country | Actual spend R'000 |
|---|---|---|---|
| Ikhaya Fundisa Techni-skills Academy | Artisan assessment training | Burkina Faso | 52 |
| Benga Primary School | Repairs to a primary school in Benga | Mozambique | R120 |
| Chorkor community development centre | Financial contribution towards the building of a facility. | ACCRA | 304 |

## Key challenges

Key challenges during the year involved continued difficulty with some beneficiary organisations that did not comply with agreed terms of reporting and process controls. As the majority of beneficiaries are non-profit organisations, most require improved project management skills. To address this, the group is planning to implement capacity workshops to teach basic performance and project management skills.

Coordination and monitoring between sponsors, respective national departments and provincial/local structures on certain key programmes, such as the Dinaledi schools, are poor. This has resulted in a lack of accountability from certain schools in terms of sponsorships received from the private sector. To address this, we are meeting with the national department at least once a year, as well as improving engagement with the provincial department of education and the schools.

Our target spend on economic empowerment did not meet our overall objective. The need to continue to seek self-sustaining solutions for communities remains an important part of the group's approach to community development.

The group has made a renewed commitment to depart from its current focus on social programmes that tend to perpetuate dependency of communities on donors to more sustainable and community-driven initiatives.

In the coming year the group will therefore identify and support more appropriate programmes that will improve economic empowerment in communities and increase the economic spend, while maintaining the pace of our skills development programmes. The targets per focus area for the new financial year will therefore be as follows:

| | |
|---|---|
| Social | >35% |
| Economic | <10% |
| Development | 55% |

## Looking forward

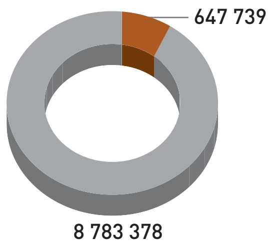
| Key focus areas for F2013 | Desired results |
|---|---|
| **Achieve required spend on areas outside of social grants** | • Ensure more appropriate programmes that will improve economic empowerment and increase economic spend |
| **Play a role in addressing poverty and unemployment through support to women and the youth in particular** | • Assist in empowering more youth and women in communities |
| **Ongoing engagement with government departments at national, provincial and local level** | • Improved cooperation, alignment and coordination of community projects with government structures |
| **Capacity building and increased accountability among beneficiaries** | • Effective and formal report back to the group to ensure monitoring of return on investment |
| **Accuracy of information and ongoing monitoring of business segments to ensure alignment with target spend and ensuring that high impact programmes are implemented** | • Efficient and accurate internal monitoring systems and high impact |
| **Stakeholder communication of the company's community programmes** | • Increased awareness of Group Five's programmes |

# Operational reviews

06

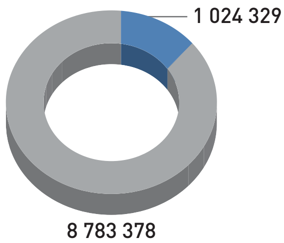
# Contribution to group revenue (R'000)

## Investments and Concessions

| % of group | Cluster revenue |
|---|---|
| 7% |  |

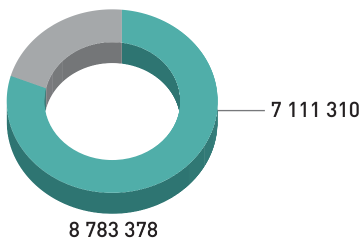


## Manufacturing

| % of group | Cluster revenue |
|---|---|
| 12% |  |

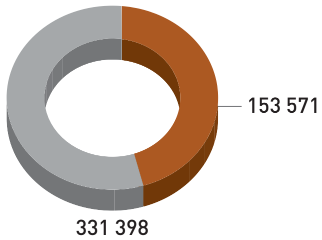


## Construction

| % of group | Cluster revenue |
|---|---|
| 81% |  |

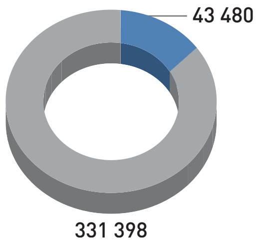
## Contribution to group total operating profit (R'000)

### Investments and Concessions

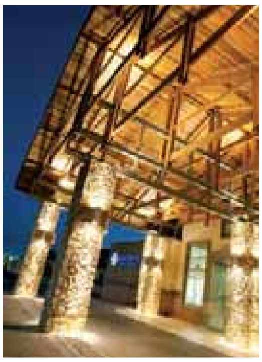
| % of group | Cluster total operating profit |
| --- | --- |
| 46% |  |



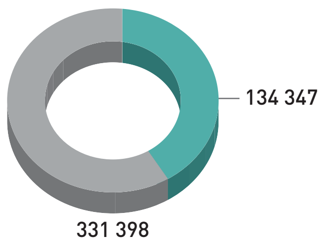
### Manufacturing

| % of group | Cluster total operating profit |
| --- | --- |
| 13% |  |





### Construction

| % of group | Cluster total operating profit |
| --- | --- |
| 41% |  |



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, 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

Eric Vemer

Investments and Concessions comprises Infrastructure Concessions and Property Developments.

Investments and Concessions contributed:

| | |
|---|---|
| **7.4%** to group revenue (2011: 6.3%) | **46.3%** to group total operating profit (2011: 17.9%) |

# Infrastructure Concessions

Infrastructure Concessions contributed:

**7.1%**
to group revenue
(2011: 6.0%)

**43.6%**
to group total operating profit
(2011: 17.4%)

| R million | F2012 | F2011 |
|---|---|---|
| Revenue | **620** | 523 |
| Total operating profit | **144** | 106 |
| Core operating profit | **144** | 106 |
| Core operating margin (%) | **23** | 20 |
| Fair value profit included in total and core operating profit – net | **57** | 33 |
| Investments | **297** | 253 |
| Employees (pax) | **1 219** | 1 453 |

**Infrastructure Concessions** currently has concessions in the transport sector under the Intertoll brand. The group is developing additional concessions in other sectors, including power and public real estate. The report therefore discusses infrastructure concessions developments and Intertoll operations.

## Market review

### South Africa

The PPP market in South Africa over the last year has been dominated by the renewable energy programme. Many planned PPP projects in other sectors have not come to the market within envisaged timelines.

The delays were compounded over the last year by decisions to either reverse or suspend certain projects that were already in the pipeline. A notable example was the PPP for four prison projects. Government aborted the project after four consortiums incurred major bidding costs and put proposals forward in response to the tender programme.

The PPP and concessions market for new privately funded motorways also slowed substantially in South Africa. Uncertainty around the benefits and acceptability of the PPP and tolling model is at an inflection point. Political will has been inconsistent in support of the roll out to implementation of tendered toll road projects, whilst public opinion has largely turned negative.

It is clear that urban road tolling projects within South Africa are no longer a national priority, with the future of inter-city tolling still to be determined.

### Rest of Africa

Prospects for the rest of the African continent have improved, with a clearly identified need and government and public support for private sector financing and development of large-scale infrastructure projects.

### Europe

Intertoll's Central and Eastern European (CEE) concessions and tolling markets remain depressed in terms of new project opportunities. In Hungary, political and financial constraints are severe. The Hungarian government is seeking assistance from the International Monetary Fund for its significant debt to GDP position. It is unlikely that there will be an improvement in market conditions before calendar 2014.

A number of other countries have however identified new motorway infrastructure projects that are PPPs or concessions, including Poland, Albania, Kosovo, Bulgaria and Turkey. In both Hungary and Poland, national truck tolling projects are expected to further advance during calendar year 2013.

## Delivery on objectives

Find below how we delivered on our objectives outlined in our F2011 integrated report.

### Developments

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| Secure at least two concessions | • Finalise negotiations and obtain financial close on at least two contracts in F2012 | Department of Rural Development and Land Reform project progressing, but slowed by commercial and legal process.<br>Munitoria on track, with an objective to close during F2013.<br>N1-N2 Winelands toll concession delayed by Cape Metro legal action. |
| Tender on no less than two major PPP requests for proposals | • Submit tenders on at least Mauritius Port Louis bypass toll road, Kathu Concentrated Solar Project and Baragwanath Hospital | Mauritius bypass bid completed.<br>N1-N2 BAFO completed.<br>Kathu Solar project development continues.<br>Baragwanath Hospital delayed to F2013. |
| Reduce development costs | • Manage and develop strategic relationships with selected partners, consultants and advisors and optimise resource allocation between contracts, teams and countries | Delayed projects have limited reductions in costs, whilst hampering our opportunity for bid cost recovery. |
| 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 | The Africa strategy has been actioned, with key project delivery objectives for targeted markets now defined. |

### Operations (Intertoll)

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| Phase 2 of the A1 project in Poland | • Achieve an efficient on-time and on-budget opening in the second quarter of F2012 | Achieved. Phase 2 opened for traffic ahead of schedule and within budget. |
| Electronic toll collection (ETC) development in Poland | • Conclude negotiations with Gdansk Transport Company (GTC) and the client to secure the implementation of the ETC operation for the A1 Motorway in Poland | Discussions with GTC and the client are ongoing. Commercial offer prepared. Technical issues and interfaces with alternate routes are being clarified. |
| New project development | • Conclude a consortium agreement with preferred partners for new PPP projects. Secure pre-qualification status and position the consortium as a potential preferred bidder on a project of scale | Consortium agreement for the Polish A1 South PPP finalised. Pre-qualification status was achieved on a project in Albania. Seeking to achieve preferred bidder status for a Mauritius tender. |

## Operations (Intertoll) continued

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| Manual tolling sub-contracts | • Commence on-time and on-budget tolling operations of the secured A2 tolling sub-contract in Poland and secure at least one additional sub-contract on acceptable commercial terms | A2 tolling sub-contract started on time and on budget. Focus is now on the next section (the A1 north of Strykow) where Intertoll has first right of refusal. Commencement of operations is scheduled for early calendar 2013. |
| 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 second quarter of F2012 | Roll out of Zimbabwe has commenced, although start was slower than expected. Operations are set to commence in December 2012. Further potential project awards are imminent for remaining toll opportunities. Resources are being put in place and mobilised. |
| 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 | Awarded preferred bidder status. Project currently suspended pending resolution of inter-governmental dispute. |
| Tolling upgrades and operations | • Pursue possible opportunities in the Balkan states and position Intertoll to secure a project, should these opportunities materialise | Various opportunities in a number of geographies are currently being explored. |
| 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 | Two projects have been bid in this area – N1-N2 in South Africa and Port Louis bypass road in Mauritius. We await progress on both. We are busy compiling a consortium for truck tolling in Europe. Discussions are fairly advanced. |
| Tolling technology platform | • Become an integrated toll system supplier and operator through selective proprietary technology development, acquisition and key industry strategic alliances | Toll system has been developed, with testing showing positive results. The system will be rolled out on Zimbabwean projects and in the future utilised for South African projects. |

## Financial overview

| | Year ended 30 June 2012 | Year ended 30 June 2011 |
|---|---|---|
| Revenue (R'000) | 619 915 | 522 870 |
| Total operating margin (%) | 23.3 | 20.2 |
| Core operating margin (%) | 23.2 | 20.2 |

This segment achieved a strong performance despite the continued effects of the deep recession across the European region and the absence of new concessions awards in South Africa. Infrastructure Concessions performed ahead of expectations as new tolling and operations contracts came on line in Eastern Europe.

Revenue, which consists primarily of fees for the operation and maintenance of toll roads, increased by 19% from R522,9 million to R619,9 million. The core operating profit margin increased from 20.2% to 23.2%, with core operating profit of R143,7 million (2011: R105,6 million). This core operating profit includes net upward fair value adjustments of R56,6 million (2011: R33,1 million).

## Material issues within the business and how these have been managed

### Delays in PPPs

Despite the current challenging market environment for new PPP projects, Intertoll continues to perform well off a platform of secured long term contracts that provide sustainable annuity income. This has been achieved due to our flexible approach, which involves applying resources to sectors and markets that enjoy the highest relative probability of success and that are in alignment with the group's geographic and sector strategy. This has enabled us to find viable opportunities notwithstanding the poor deal flow in the South African PPP market.

In the current context, we will continue to monitor and appropriately support our home market of South Africa and pursue a definitive outcome on the N1-N2 Winelands project in the Western Cape where we are a preferred bidder. We will also maximise our position on our current toll road network and grow our market share incrementally where possible.

We have thoroughly investigated entry strategies for various countries in Africa, taking into consideration that the framework for PPP projects is not as formalised as in South Africa.

### Geographic diversification

With financial and political uncertainty now a global reality, we are increasing our geographic footprint beyond those countries where we have achieved success in the past. This mainly focuses on specific countries on the African continent and on extending our reach further eastwards and southwards in Europe. To address the potential additional risk of new market areas, we will diversify in a cautious manner to create new sustainable platforms for growth in the future.

In the next three to five years, our traditional markets in Hungary, Poland and South Africa are still expected to deliver some new projects. We remain well positioned to capitalise on these when they arise.

### Product diversification

To address slow market conditions in the concessions and PPP markets, we are expanding the product portfolio in our operating business Intertoll through investigating the following opportunities:

- Supplementary electronic tolling opportunities (ETC) in Eastern Europe and related markets
- Continually enhancing our skill set to in-source toll plaza maintenance
- Routine road maintenance (RRM) contracting where appropriate

With a solid base from the contracts already secured and by retaining a long term strategy for the PPP and concessions market, Intertoll is well placed to successfully diversify its footprint and product portfolio.

### Technology

Finding optimal technology solutions and maintaining our relative competitive position has been a key challenge for Intertoll over the last few years. As the technology solutions applicable for the African market differ to those required for Europe, this has resulted in specific customised solutions being developed in South Africa.

During the year, a key achievement was the development of our own tolling system. The Intertoll Toll System has been tested over the past six months, with very positive results. Further work is underway to ensure system robustness and consistency across multiple technology interfaces. The system will be used on our secured projects in Zimbabwe and is planned for use on South African projects going forward.

In Europe the migration from manual to open road tolling is happening rapidly. Back-office transaction processing and administrative support is becoming an increasingly important part of tolling solutions. Intertoll will continue to focus on key partner and technology alliances to offer the motorway revenue collection solutions demanded by the tolling market of the future.

## Some key achievements during the year included:

| Europe | Africa |
|---|---|
| Successful opening of the A1 Phase II motorway in Poland – ahead of time and within budget | The award of the N1-N2 Wineland project in the Western Cape (this project is on hold pending the outcome of an inter-governmental dispute) |
| Successful pre-qualification for a motorway project in Albania, together with Strabag S.E. | Bid submission of a concessions project in Mauritius (one of only three pre-qualified bidders). Now selected as one of two BAFOs |
| Completion of a consultancy opportunity on a project in Russia | Continued roll out of the Zinara-Infralink project in Zimbabwe |
| Secure and roll of out a short term maintenance contract in Poland on the A2 Motorway | Opening of the new Brandfort Plaza for the N1 South CTROM, South Africa |
| Resolution of outstanding issues on the M6 Motorway project in Hungary | The successful development and testing of the Intertoll proprietary designed toll system to be utilised in South Africa and in the rest of Africa. This will provide significant market advantage to the business |

## MANAGING SAFETY

### What safety practices do you have in place?

The cluster has an established safety, health and environment (SHE) system in place, which includes regular meetings, training sessions and toolbox talks. Internal audits take place every six months, with external audits conducted once a year. Sub-contractors are also audited to ensure compliance to policies and procedures.

All Intertoll sites operate in line with a standardised integrated safety, health, environment and quality system. The health and safety portion of the integrated system has also been certified and is maintained according to the OHSAS 18001 standards. Annual assessments for legal compliance are conducted by external local service providers.

### What were the main challenges?

Intertoll route patrol vehicles are always present on the toll roads. This results in employees being exposed to the driving behaviours of road users. Intertoll continues to train its drivers to drive defensively by using advanced driving training techniques, as well as being aware of other incidents such as potential hijackings.

With violent crime in South Africa being a factor, particularly at remote plaza sites, Intertoll continuously engages with the South African National Roads Agency to upgrade security by installing bullet proof serving windows. All Intertoll sites have surveillance cameras.

### What were the main achievements during the year?

The cluster maintained its certification of ISO 9001, ISO 14001 and OHSAS 18001. There were no fatalities and the disabling injury frequency rate (DIFR) improved. There was also an increase in the reporting of near misses, which is an important measure to prevent incidents. Over 50% of employees consented to voluntary counselling and testing for HIV/AIDS.

**Combined disabling injury frequency rate (DIFR)**

The DIFR improved from 0.81 last year to 0.61.

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **Developments** | |
| **South Africa – Secure projects which have preferred bidder status** | • Sign two concessions and achieve financial close |
| **African projects** | • Secure development rights to two major projects and achieve financial close on a minimum of one new project |
| **Project selection and risk analysis** | • Further refine our project selection and review process, including regular project risk assessments through the various stages of development |
| **Public infrastructure spend** | • Position Group Five for at least two mega projects in the targeted building, transport and power sectors |
| **Operations (Intertoll)** | |
| **Electronic Toll Collection (ETC) system on the A1 GTC section in Poland** | • Supply, commission and operate the ETC system within budget and within the agreed timeframe |
| **An additional PPP project in Poland** | • Preferred bidder status by H1 F2014 |
| **Operations and maintenance contracts in Poland** | • Award of one of the operations and maintenance projects during F2013 |
| **A new tolling project in the Balkans** | • Preferred bidder by H2 F2014 |
| **African expansion** | • Commence toll plaza and route operations on the Infralink project in December 2012<br>• Commence toll plaza operations on Zinara project by Q4 F2013<br>• Secure preferred bidder status on another project in Africa by the end of F2013 |
| **Finalise toll system** | • Secure acceptance for and implement Intertoll toll system |
| **Maintenance and further diversification within sector** | • In-source electrical and mechanical activities on selected SANRAL contracts<br>• Secure at least one routine road maintenance project in South Africa |

# Property Developments

Property Developments contributed:

**0.3%**
to group revenue
(2011: 0.4%)

**2.8%**
to group total operating profit
(2011: 0.5%)

| R million | F2012 | F2011 |
|---|---|---|
| Revenue | 28 | 32 |
| Total operating profit | 9 | 3 |
| Core operating profit | 10 | 5 |
| Core operating margin (%) | 36 | 16 |
| Fair value profit included in total and core operating profit – net | 11 | 16 |
| Developments in progress | 72 | 67 |
| Employees (pax) | 8 | 7 |

**Property Developments** develops, owns and services A-grade property assets in South Africa. It has also been reviewing potential opportunities in West Africa during the year. This segment focuses on commercial, industrial and retail markets and selected developments in the residential market.

## Market review

Property Developments operates in South Africa, although it has been pursuing potential opportunities in West Africa during the year.

The Nigerian market in particular, with a population of over 150 million people and a high growth rate, is one of the more appealing emerging markets.

The property market in South Africa has been volatile in the year. However, confidence and fundamentals within certain property sectors have showed initial signs of recovery.

Stronger sales growth and indications of consumers returning to discretionary spending assisted capital growth in the retail property sector. Capitalisation rates decreased due to declining vacancies, improved trading densities and commensurate improvement in rentals.

Signs of a possible improvement in investment demand for offices have also been seen. The A-grade office market staged a recovery, as evidenced by the strong performance of the Sandton central business district in 2011 and 2012.

There was no improvement in the industrial market as vacancy rates continued. Distribution and warehousing property sales were active.

The residential market continued to underperform despite historically low interest rates. An exception to this has been the relatively stable performance of affordable housing. The affordable housing backlog in South Africa is approximately 2,3 million units. It is expected that this shortage will continue to provide support to the potential for growth in this component of the property market. The group is cautiously active in the affordable housing market as a constructor and co-developer with funding institutions.

## Delivery on objectives

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| **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 | Disposed of Tygerview, St Pauls, Knightsbridge and Eagle Ridge. Sales at Jackal Creek and The Beacon have been slow, but units are held as rental stock pending sale to mitigate the risk of nil return on investment. |
| **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 gradual market recovery | Currently being finalised. |
| **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 the satisfaction of the client | Concluded sale agreements equating to approximately 20% of the SAPRO portfolio. |
| **Expand team 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 | Two additional development managers appointed. |

## Financial overview

| Financial Overview | Year ended 30 June 2012 | Year ended 30 June 2011 |
|---|---|---|
| Revenue (R'000) | 27 824 | 31 789 |
| Total operating margin (%) | 33.0 | 9.0 |
| Core operating margin (%) | 36.3 | 16.1 |

The group continues to progress its strategy of disinvestment from the traditional residential sector in favour of securing A-grade commercial and retail property development positions in targeted geographies.

Therefore, as expected, Property Developments' revenue decreased by 12% from R31,8 million in F2011 to R27,8 million. The business recorded a core operating profit for the year of R10,1 million (2011: R5,1 million). This core operating profit includes net upward fair value adjustments of R10,9 million (2011: R15,7 million).

## Material issues within the business and how these have been managed

### West African expansionary strategy

As part of Group Five's focused expansionary geographical strategy in Africa, Property Developments entered into an agreement with a multi-national financial company to jointly pursue multiple retail development opportunities in West Africa.

A number of potential projects have already been identified. We are involved as co-developer with the same strategic financial partner and a private equity company on two commercial projects. Development work on the properties has been progressing well and it is anticipated that construction will commence on one of the sites during the fourth quarter of this calendar year. Our role is that of development manager and construction partner, thereby expanding on our aim to extract multiple returns from significant opportunities.

These prospects provide an excellent opportunity to expand our presence into West Africa with reputable partners over the next few years.

### Unlocking contracts identified within the pipeline of opportunities

During the year, Property Developments actively focused on unlocking previously identified projects.

The group's plan to redevelop Everite sites owned in Cape Town, have received unequivocal support from the Kraaifontein Municipality. The project comprises two prime industrial sites of approximately 16 000 m² of industrial bulk and five hectares of residential site that can realise 1 000 mixed-use opportunities.

Retail opportunities in the saturated South African market remain scarce. It was therefore encouraging that outstanding matters impeding the Kalahari Mall project in Upington in the Northern Cape were resolved. The project entails the development of a 30 000 m² mall. Group Five's role is that of co-developer and contractor.

Negotiations for prime land comprising 32 000 m² commercial bulk in the Melrose area in Gauteng within the Gautrain precinct were concluded. A potential tenant for the proposed development was identified and key statutory and regulatory processes commenced.

These projects are in line with Property Developments' strategy of developing A-grade assets in the retail, industrial and commercial segments that provide aligned opportunities for the group's Construction cluster and which will provide a strong underpin for earnings over the medium term.

### Exit of an investment

Group Five has a minority shareholding in Gugulethu Square, a 25 000 m² retail mall located in Gugulethu in Cape Town. The mall was built in 2009 and has recently been trading exceptionally well, with a zero vacancy rate.

A decision was taken by all shareholders to profitably dispose of the asset to a JSE-listed fund. Competition Commission approval of the sale is required. It is therefore estimated that transfer will take place in the third quarter of this calendar year.

### Selling down trading assets

The sale of current residential stock has been relatively slow due to depressed market conditions and the group's strategy of maximising value during this cycle. The negative impact has been mitigated by the renting of vacant units to reduce holding costs. Tenancy levels are high, with income matching costs.

### Income earning contracts

Property Developments is the investment manager for the London Stock Exchange AIM listed South African Property Opportunities (SAPRO) fund. The total value of SAPRO's assets is estimated to be R1,4 billion. The focus over the past year has been on marketing assets identified for sale by SAPRO and progressing the planning and zoning approvals on others. In this regard, good progress was made and a number of sale agreements were finalised.

## Some key achievements during the year included:

- All remaining issues to realise the Kalahari Mall were resolved and construction is expected to commence shortly
- The development framework for the Everite sites in Brackenfell was approved by the local council
- The group secured the right to develop two West African projects with funding partners
- The team finalised negotiations for a prime located land parcel in Melrose in Gauteng

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **Close South African projects currently in pre-construction phase of development** | • Achieve financial close on two approved projects for development in F2013 |
| **Operationalise the West African strategy** | • Secure at least two projects |
| **Maximise sell down of residential portfolio and minimise holding costs of remaining portfolio** | • Dispose of assets in line with F2013 sales targets, without eroding value |
| **Pursue niche residential opportunities in mining and national priority affordable housing projects** | • Position "cradle to grave" offering of co-investment, development management services and construction with mining companies and government |
| **Manage SAPRO portfolio effectively and investigate other portfolio and development management fee opportunities** | • Meet SAPRO target hurdles for F2013<br>• Position the segment as a provider of development and portfolio management services to other property funds |




# Manufacturing

John Wallace

## Manufacturing contributed:

**11.7%**
to group revenue
(2011: 9.9%)

**13.1%**
to group total operating profit
(2011: 4.2%)

| R million | F2012 | F2011 |
|---|---|---|
| Revenue | 1 024 | 868 |
| Total operating profit | 44 | 25 |
| Core operating profit | 46 | 26 |
| Core operating margin (%) | 5 | 3 |
| PP&E* | 212 | 160 |
| Capital expenditure | 25 | 32 |
| Employees (pax) | 1 076 | 1 175 |

* Property, plant and equipment and investment property.

**Fibre Cement** comprises the businesses of Everite and Advanced Building Technologies. This segment manufactures a range of fibre cement roofing and cladding products and modular structures that are used in residential and industrial building applications.

**Steel** comprises the joint venture companies of Barnes Reinforcing Industries (50%) and Group Five Pipe (50%). It manufactures a range of steel reinforcing products that 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 for building materials remained particularly challenging throughout the financial year. Conditions within the industry remain constrained by tight bank credit and continued low activity levels across most construction markets within Southern Africa.

The leading composite indicator of total investment in buildings continues to shift sideways in the recessionary times that continue to prevail. The industry has now experienced three years of negative growth. This impacted a number of sub sectors of the building materials market, with forced downsizing and company closures becoming even more evident.

Everite's core market is in the South African residential sector, which remains in one of its most severe historic downturns. The trend for building plans passed, which indicates future activity, is also at a low.

A positive development within the subdued building materials market has been the Living Standard Measure (LSM) shift amongst consumers. This has primarily been brought about by government's growing public sector wage bill and expanding social grant payout programme. This has created a shift in buying patterns and a rapidly developing rural market for reasonably priced basic building materials. This is evidenced through our sales patterns as well as through the general cement industry, which has also commented recently on these shifting market forces.

The market for alternative building methods is growing, with an increased acceptance of non-brick and mortar structures. Our strategy of moving into designing and developing technologies to serve this market, which potentially consumes fibre cement cladding material, has borne fruit as we have generated additional business by supplying factory-built complete fibre cement panelised structures.

Everite serves the public sector by providing roofing material for low-cost housing and complete modular structures for transitional and permanent housing solutions. Although this sector is less affected by the market downturn, government has not met its committed housing delivery targets, which continues to impact the number of houses delivered and therefore builds a long term demand for housing in the future.

### Steel

The steel sector suffered from volume and margin pressure, as market activity continued to decline. Market consolidation is evident, as initially smaller players and now more significant entities either pare their outputs or shut and permanently remove production capacity. The industry experienced a significant steel mill closure in this reporting period and a number of value-add fabricators and manufacturers exited the market.

Steel pricing has been steadily falling during the reporting period as the primary mills fight for a share of a reducing local market. This also reflects the poor state of the global steel demand as dropping international prices are only somewhat protected by the weakening Rand.

The sustained market weakness continues to create uncertainty in planning for the longer term positioning of manufacturing assets within the building materials market in South Africa. It has been our focus to build a robust strategy within high barrier to entry markets and to continually benchmark efficiencies to defend against foreign threats to the group's existing market position.

Overall, the construction downturn has also left the industry with a significant over-capacity, which has resulted in pressure on pricing and the potential of increased business failures and market consolidation.

## Delivery on objectives

Find below how we delivered on our objectives outlined in our F2011 integrated report.

### Fibre Cement

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| Develop and grow the Fibre Cement export market (into sub Saharan Africa) as local competition intensifies and erodes local volumes | • Increase volumes to ensure optimal factory recoveries as local market remains weak | South African volumes improved due to rural market growth. Export markets were aggressively targeted as planned. Significant growth was experienced in Angola, Zimbabwe and Mozambique and overall total planned volumes for the financial year were exceeded. |
| 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 assured, we expect to grow returns from this business | ABT's planned volumes were achieved in the financial year, with growth in South Africa as well as strong volume growth in materials sold to support modular structures in Angola. |
| Create greater market penetration with the newly-developed Fibre Cement Big Six profiled roof sheet | • Market growth will create greater economies of scale through the manufacturing process, thus improving manufacturing recoveries and margins | Some progress was made with a new shorter length product as well as a lightweight export sheet. New technologies are being finalised to further develop this product range. |

### Steel

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| 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<br>• Review the structure for the steel business units | Exited the Structural Steel business in the first semester and commissioned the new weld mesh line within Barnes Reinforcing Industries (BRI). Focus remains on cost control and cash preservation. |

## Financial overview

| | Year ended 30 June 2012 | Year ended 30 June 2011 |
|---|---|---|
| Revenue (R'000) | 1 024 329 | 867 523 |
| Total operating margin (%) | 4.2 | 2.9 |
| Core operating margin (%) | 4.5 | 2.9 |

The cluster produced pleasing results in a market where both private and public sector conditions continue to be weak. The results also included the closure costs of the steel fabrication business incurred in H1 F2012 of R11 million.

Revenue increased 18% from R867,5 million in 2011 to R1 024,3 million. The reported core operating profit for the year was R46,5 million, which is 82.0% higher than the prior year of R25,5 million, resulting in a core operating margin of 4.5% (2011: 2.9%).

An increase in volumes traded in Everite during the reporting period lifted the manufacturing performance from the last reported results. The Fibre Cement business produced their returns through product range and export and local market extension, whilst continuing to improve production efficiencies.

## Material issues within the business and how these have been managed

### Tight bank credit

The major banks have remained cautious about granting credit in the aftermath of the 2007 National Credit Act, the global banking crisis of 2007/8 and the new Basel III bank capital requirements. A significant household debt overhang remains in place, which is keeping demand for housing developments and purchases extremely weak and creating preference for the rental market.

Over the years Group Five Manufacturing has continually positioned itself in counter-cyclical markets to ensure earnings sustainability. Our market entrance into modular structures (Advanced Building Technologies), the mining industry through Barnes Reinforcing Industries and additional export markets has enabled the division to grow revenue and returns in a particularly challenging environment.

### Equipment upgrades

The focus during the financial year remained on manufacturing efficiencies and balancing market demand to the installed factory capacities. The recent shifts brought about by the growth of the rural and export markets placed additional strain on ageing equipment.

Modernising equipment through planned capital expansion at Everite and BRI enabled the businesses to fully supply market demand and improve efficiencies due to the speed of process improvement of the new or modified equipment. This is expected to continue in the new year.

### Shifts in market dynamics

During the year, competition increased as over-border fibre cement manufacturers actively sought expansion within the South African building materials market. However, the dynamic South African Rand in some ways negated this threat as import costing became less and less predictable.

Within the steel sector, market consolidation was evident in the steel reinforcing industry as the local market shrank and the dynamics of over-capacity severely reduced margins. A new player within the spiral weld steel pipe industry grew market presence by reducing margins initially until the market established a new demand/supply equilibrium.

Our internal strategy has focused on cost reductions and efficiency gains, as well as a stronger export drive. New product development supported our entry into neighbouring territories.

The factories have simplified process flows and removed complexity through technology and the outsourcing of non-critical or non-commodity products.

### Waste reduction

The technology team has focused on both water treatment and the elimination of excess water at our largest facility, Everite. They have also introduced improved controls within the plant to minimise all waste streams. Our focus on waste minimisation in our operations over the last nine years resulted in the decrease in the cost of waste treatment, which reduced the cost of production.

## Some key achievements during the year included:

- We successfully entered new export markets, mostly in sub-Saharan Africa, which enabled the businesses to improve efficiencies through volume throughput in the factories
- We outsourced certain complex and low volume production lines to third party manufacturers to focus on overall factory efficiencies within a more focused high volume environment
- We developed a new modular structure to enter the permanent RDP housing market by supplying government with complete ready-to-build structures. We secured our first significant contract to supply 350 housing units to the Eastern Cape Department of Human Settlements in F2013. We also introduced a permanent classroom structure, which has been well received by both private and public education bodies
- We developed a new composite roof sheet that combines both roof and ceiling board sheets in a composite panel that eases fitment, and improves insulation and sheet strength, which results in reduced costs and complexity for the builder

## MANAGING SAFETY – MANUFACTURING

### What practices do you have in place?

BRI has maintained compliance throughout the financial year to ISO 18000 without a single negative audit finding.

Everite manages safety along the standards and best practices demanded by OHSAS 18001.

### What were the main achievements during the year?

BRI has achieved one million accident free hours within our joint venture at the Kusile power station contract. This contract involves the cutting, bending, delivering and fixing of reinforcing steel.

Everite managed to reduce the lost-time injury frequency rate of its sub-contractor base to a record low of 0. Everite has also embarked on an extensive training programme and employed several industry experts to continuously improve on its safety programme as it undertakes the process of modernising its plant. Everite operates a dedicated on-site health clinic providing primary and secondary healthcare to all its employees, as well as managing the voluntary Asbestos Related Diseases (ARD) programme initiated years ago.

### What were the main challenges?

The safety record at BRI's main plant yard remains a challenge as the DIFR has slipped in F2012. Following management changes, a process has been implemented to address policy adherence through training and discipline.

**Combined disabling injury frequency rate (DIFR)**

The DIFR improved from 0.96 last year to 0.93.

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **Increase capacity at Everite through machine modification and process improvements. There will be a strong focus on capital expenditure balanced against return on investment** | • Build sufficient finished goods capacity to meet demand and to improve service levels. Supply the rapidly developing modular structures and export markets |
| **Continue to seek a strong technology partner for Everite, as the business is driven to rapidly expand its product offering in both the traditional and alternative structures market** | • Improved returns for all stakeholders as we broaden the product offering, whilst reducing cost through technology advancement |
| **Further differentiate the product offering of BRI by reducing its reliance on low-margin contracted steel fixing** | • Grow the mining mesh and trading product activities to reduce the business risk of contracting and to improve overall business returns |
| **Further develop the ABT business through additional product development into pre-fabricated permanent structures as government regions phase out temporary transition structures (TRAs)** | • Grow the fibre cement sheet market in Southern Africa by actively developing and promoting permanent modular structures, which will yield good returns in both Everite and ABT |

# Operational review
## Construction

**Construction** is the largest cluster in the group. It includes the segments of Building and Housing, Civil Engineering and Engineering.

Construction contributed:

**81.0%**
to group revenue
(2011: 83.8%)

**40.5%**
to group total operating profit
(2011: 77.9%)

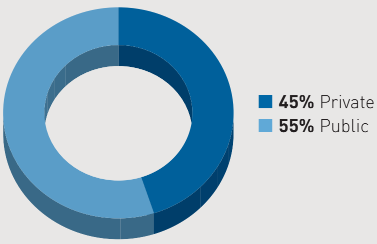
Construction traded revenue and secured order book~

| R'million | Total | Building and Housing | Civil Engineering | Engineering |
|---|---|---|---|---|
| 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 (actual) | 7 111 | 2 066 | 2 998 | 2 047 |
| Percentage over border | 26 | 21 | 17 | 44 |
| Year to 30 June 2013 (year order book)(^) | 8 339 | 2 795 | 3 294 | 2 250 |
| Percentage over border | 40 | 6 | 57 | 57 |
| Full order book** | 11 301 | 3 584 | 4 412 | 3 305 |
| Percentage over border | 38 | 5 | 57 | 50 |

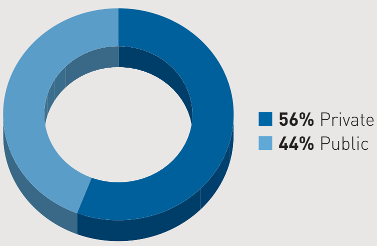
^ Revenue to be executed in F2013 extracted from the group's full Construction secured order book.
** Revenue to be executed from 1 July 2012 based on secured Construction contracts only, i.e. the group's full Construction secured order book.~
~ Construction secured order book is the total value of Construction contracts formally awarded to the group which must still be traded, i.e. secured work to be executed by the group. It reflects Construction work only and excludes the contribution from the group's other clusters.

### Private vs public Construction revenue

2012 – actual

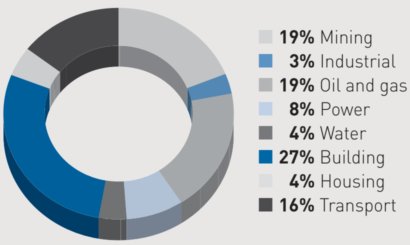



Full order book**

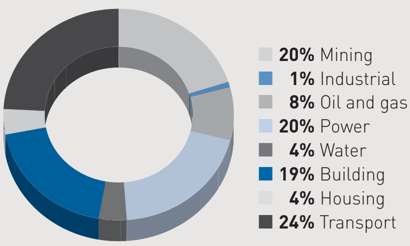



### Construction revenue by sector

2012 – actual

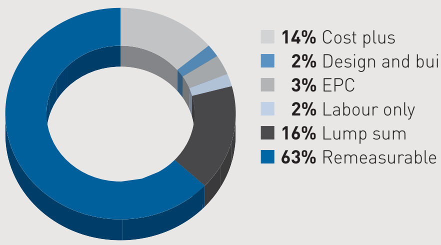



Full order book**

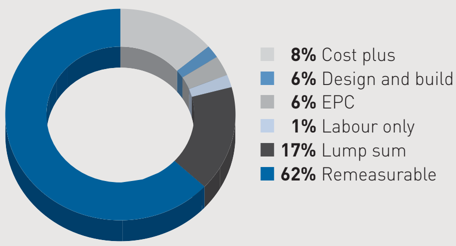



### Construction revenue by contract type

2012 – actual




Full order book**



**Operational review**
Building and Housing

# Building and Housing

Paul le Sueur

Contributed:

**23.5%**
to group revenue
(2011: 24.4%)

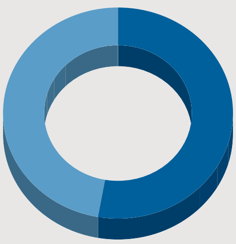
**17.2%**
to group total operating profit
(2011: 22.2%)

| R million | F2012 | F2011 |
|---|---|---|
| Revenue | 2 066 | 2 143 |
| Total operating profit | 57 | 135 |
| Core operating profit | 52 | 135 |
| Core operating margin (%) | 3 | 6 |
| Current assets | 690 | 651 |
| One-year order book* | 2 795 | 2 105 |
| Employees (pax) | 2 189 | 2 003 |

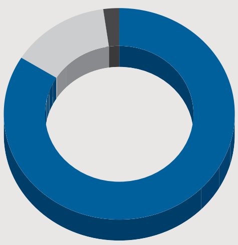
* F2013 (F2012) secured one-year order book. See page 19 for definition.

**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.

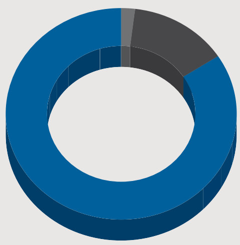
**Private vs public Building and Housing revenue**
2012 – actual




**Building and Housing revenue by sector**
2012 – actual




**Building and Housing revenue by contract type**
2012 – actual



## Market review

### Public sector

South African public sector spend was rather focused on infrastructure contracts in transport, power and fuel transportation than the building and housing market. On a selective bidding basis, we were successful in securing contracts in education, healthcare, integrated public transport systems and social housing markets.

However, private public partnerships (PPPs) in healthcare and government buildings remain uncertain due to government delays.

The timing of human settlement roll-outs also remains uncertain, although this is progressing in the city of Tshwane and the city of Ekurhuleni. Some PPP awards, such as the Department of Rural Development and Land Reform offices and the Tswane Munitoria building are pending.

In the breaking new ground (BNG) affordable housing market, numerous opportunities are available. However, these remain hampered by bureaucratic and inefficient processes which prevent delivery. The contracts we were awarded have been well executed and timeously delivered to the satisfaction of all involved parties.

We have completed the construction of a large commercial, retail and hotel development for the public sector pension funds in Zambia and are in the process of developing further work opportunities for similar clients in Central and West Africa.

In the over-border public sector market, our pre-bid and bid authorisation risk assessment processes continue to be stringently implemented prior to any confirmed participation.

### Private sector

For the majority of the year, trading conditions in South Africa were exceptionally difficult, with decreased volumes of available new contracts at very low margins.

However, we experienced an increase in tender activity in the few weeks prior to our year end. This was especially evident in the A-grade commercial market, although still at unimproved margins due to market over-capacity.

In the mining housing market and predominantly in rural outlying areas, there is strong activity due to the housing requirements of the mining charter. This involves changing the traditional single quarter accommodation into family units. We expect the roll out of this to last for at least the next two years.

Our efforts over-border over the past year have mostly focused on delivering certain commercial and retail contracts in Central Africa, mainly in Zambia. We have completed our first retail contract in Abuja, Nigeria, and expect to secure additional retail and hotel contracts in the region.

## Delivery on objectives

Find below how we delivered on our objectives outlined in our F2011 integrated report.

### Building

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| **Progress the Department of Rural Development and Munitoria PPP contracts from preferred bidder status to financial close** | • Achieve financial close and commence construction | Department of Land Reform: – Expect financial close in H1 F2013. To be followed by a three-month detailed design process and commencement of construction in February 2013.<br>Munitoria: – An early works contract is expected to commence on site in H1 F2013. The start of the full PPP is expected in H2 2013. |
| **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 | We are pursuing a West African Retail Initiative with Group Five's Property Development Services and a financial institution. |

## Delivery on objectives continued

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| **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 | We completed two contracts on the Waterfall site, with three more in progress. We are about to start a further two contracts. |
| **Housing** | | |
| **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 | We are currently exploring housing opportunities in West and East Africa.<br>We have submitted further tenders in Zambia. |
| **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 | Awaiting final environmental impact assessment requirements on the housing contracts, with a marketing study in progress. |
| **Drive our affordable 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 2012 calendar year | This is behind schedule, with Waterfall awaiting environmental impact assessment and a record of decision.<br>Completed 50 units of a 4 223 unit contract at Crystal Park to date and are progressing with the Lincoln Meade contract to financial close. |
| **Drive our integrated housing contracts.** | • Finalise the outstanding development issues to start the Cape Town and Vereeniging contracts in the fourth quarter of calendar 2012 | Budget, bulk services and environmental impact assessment delays are the main reasons why this market remains uncertain.<br>We continue to work towards finalising the Blueberry housing contract in Cape Town and the Unitas development in Vereeniging. |

## Financial overview

| | Year ended 30 June 2012 | Year ended 30 June 2011 |
|---|---|---|
| Revenue (R'000) | 2 065 972 | 2 143 004 |
| Total operating margin (%) | 2.8 | 6.3 |
| Core operating margin (%) | 2.5 | 6.3 |

In spite of the private building sector remaining extremely weak, Building and Housing managed to partially mitigate this impact through the contribution from some public sector contracts, as well as a focus on over-border opportunities, improved execution and supply chain savings.

Building and Housing revenue remained flat at R2,1 billion (79% local) (2011: 70% local). The segment reported a 61.2% decrease in core operating profit from the prior year, with core operating profit decreasing from R134,5 million to R52,1 million. This resulted in the overall core operating margin percentage decreasing from 6.3% to 2.5%.

## Material issues within the business and how these have been managed

### Market competitiveness

The 2011 downturn continued in the current year, with insufficient volumes of new contracts available to the market. Those available were priced extremely competitively at very low margins. As a result of our entrenched risk processes, we only pursued those opportunities that provided us with the best probability of success and which met our internal filters.

Due to the difficult trading conditions, but a more positive medium term outlook, we purposefully retained some under-utilised resources in the year and carried unrecovered development costs incurred due to delayed PPP awards. We were successful in securing a good order intake late in the year against which these resources will be deployed early in F2013.

During the year a strong focus on timeous and improved delivery was achieved, although at reduced margins. This is reflective of the very competitive market conditions, as guided in previous stakeholder engagement.

During the year we remained selective in respect of our supply chain of both sub-contractors and suppliers to avoid under-performance on contracts and additional costs where liquidated sub-contractors need to be replaced.

### Private public partnerships (PPPs)

It has been a challenging time in terms of multi-year delays on PPP contracts. The group is a preferred bidder on The Department of Rural Development and Land Reform and the Munitoria Building in Tshwane. Had the stated adjudication to award schedule been maintained, these large building contracts would have made a significant difference to our secured revenue and performance in the past year.

Nevertheless, there is a commitment by Treasury to ensure execution of these contracts and to develop further contracts, particularly in healthcare.

### Over-border expansion

During the year we focused on building on our recent successful over-border experience in other parts of Africa to extend our presence into West Africa.

We are conscious of the fact that enhanced returns are accompanied by increased risk. To address this, we have followed a cautious expansionary approach, ensuring that we have a thorough understanding of local markets and where we are best positioned. During the year we leveraged off the group's experience and support in Nigeria and Ghana.

We have successfully completed our first retail contract in Abuja, Nigeria, which we have used as an entry contract to obtain an understanding of the local construction market. Following the establishment of a local network in the region, we are well positioned to secure and commence further retail and commercial contracts in the region during F2013.

Due to recent significant domestic order intake, the business segment enters F2013 with an order book strongly weighted towards South Africa. The medium term view, as depicted in the group's target opportunity pipeline on page 36 of the printed section of the integrated report, is reflective of a more balanced position evolving.

### EPC and design-to-deliver construction

We have developed expertise in the engineer, procure and construct (EPC) and design-to-deliver real estate markets, both locally and in a number of African countries. This is an attractive option for clients with African expansion plans.

### Breaking new ground housing opportunities

Although there is tremendous demand for breaking new ground (BNG), or previously unbonded first-time home owner housing in South Africa, the opportunity is being severely hampered by bureaucratic inefficiency and incomplete processes. This is preventing the commencement of construction.

Against this, we have been proactive in assisting government departments to improve their processes. We are hopeful that these measures will lead to an increase in our order book from this particular market. As one of the few mass-housing contractors, we have both the resources and capacity to deliver on the backlog of unfulfilled demand for housing.

## Some key achievements during the year included:

| Building | Housing |
|---|---|
| The very successful completion of the Levy Business Park in Lusaka and the establishment of the Group Five Buildings brand in Zambia | Achieving an incident free year, with no lost-time injuries on any contracts |
| Finalisation of the West African strategy and the establishment of the "West Africa Retail Initiative" with our strategic partners | Successfully completing the Konkola Housing Project in Zambia without any industrial action or incidents |
| Realisation of the Waterfall Development strategy and the successful completion of the initial contracts within the development | Breaking ground on our first own development in affordable housing at Crystal Park and successfully launching sales |
| Achieving one million injury-free hours on three contracts | Doubling our turnover in the past financial year without any negative impact on delivery and quality of contracts |
| Achieving and maintaining a level 2 BBBEE scorecard | |

## MANAGING SAFETY – BUILDING

### What safety practices do you have in place?

The segment follows the group's zero harm programme on all sites, with regular safety meetings and internal safety audits. Safety is a priority and is stringently monitored and measured during contract roll out. This segment will work with the group's safety, health, environment and quality (SHEQ) team towards the certification of one Construction cluster. This will ensure uniform standards and reporting and enhance the group's position to provide a cohesive multi-disciplinary offering.

### What were the main achievements during the year?

Zero fatalities were recorded for the year. We achieved a million hours without disabling injuries on the Waterfall Park Hospital in Gauteng, Levy Business Park in Zambia and Mantsopa Hospital in the Free State.

### What were the main challenges?

Working over-border has presented increasing challenges with respect to changing the mindset of local safety perceptions to accommodate the higher standards required by Group Five.

**Combined disabling injury frequency rate (DIFR)**

The DIFR improved from 0.30 last year to 0.22 this year.

## MANAGING SAFETY – HOUSING

### What safety practices do you have in place?

Like Buildings, the segment follows the group's Zero Harm programme on all sites. The Housing team has entrenched the group's "Stop for Safety" programme and supported many training and awareness programmes and driven proactive reporting of near misses to ensure future serious incidents are prevented. Housing will also work with the group's SHEQ team towards the certification of one Construction cluster.

### What were the main achievements during the year?

We achieved 1,2 million lost-time injury free hours on a contract for Sasol at Twistdraai coal mine in Mpumalanga, as well as 500 000 lost-time injury free hours on the Konkola Mine Buildings contract in Zambia. Overall, our DIFR was 0.50. This achieved the group's target of zero harm this year. We were also successful in passing a stringent Sasol vendor audit.

### What were the main challenges?

Sub-contractor safety performance management was a key challenge due to the unsophisticated nature of sub-contractors offering basic labour-intensive trades to the housing market, particularly outside of urban areas. Against this, we focused on improved selection, induction and training of sub-contractors at site level.

The mining sector remains a challenging client base to service with the continued task of maintaining efficient processes against stringent safety standards imposed by mine safety requirements and the Occupational Safety and Health Act.

**Combined disabling injury frequency rate (DIFR)**

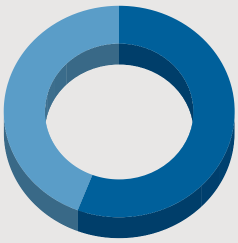
The DIFR improved from 0.69 last year to 0.50 this year.

## Looking forward

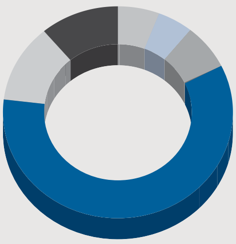
| Key focus areas for F2013 | Desired results |
|---|---|
| **Building** | |
| **Expand African buildings market** | • Bring contracts to fruition through the West African Retail Initiative, as well as build an order book in Central Africa |
| **Waterfall strategy** | • Build on our established track record of delivery in this prestigious development, with a potential build value of R25 billion over 10 – 15 years |
| **Regain local market share** | • Achieve invited bidder status with all domestic developers |
| **Housing** | |
| **Shortage of houses in the resources sector** | • Expand the housing footprint into the Northern Cape and Limpopo regions |
| **BNG housing contracts** | • Secure 30% of Housing turnover on BNG contracts |
| **Africa execution** | • Secure further housing work in Zambia, as well as other selected over-border opportunities |
| **Shortage of capacity and skills** | • Recruit and fill current employee shortages and bolster senior site management |
| **Affordable market** | • Secure and execute another affordable housing contract in collaboration with a financial institution in South Africa |

## Forward looking financial information

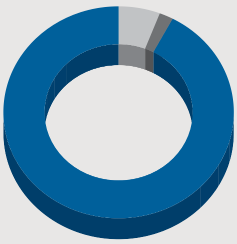
**Private vs public Building and Housing revenue**
Full order book**




**Building and Housing revenue by sector**
Full order book**




**Building and Housing revenue by contract type**
Full order book**




** See page •• for definition of full order book.

# Operational review
## Civil Engineering

# Civil Engineering

Andrew McJannet

Contributed:

**34.1%**
to group revenue
(2011: 40.4%)

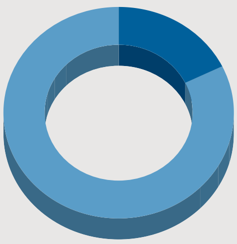
**Nil**
to group total operating profit
(2011: 37.6%)

| R million | F2012 | F2011 |
|---|---|---|
| Revenue | 2 998 | 3 548 |
| Total operating (loss)/profit | (33) | 228 |
| Core operating (loss)/profit | (38) | 228 |
| Core operating margin (%) | – | 6 |
| Current assets | 1 352 | 1 649 |
| One-year order book* | 3 294 | 2 459 |
| Employees (pax) | 3 365 | 3 577 |

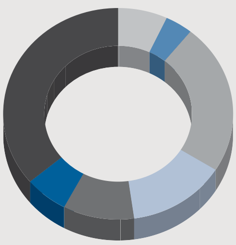
* F2013 (F2012) secured one-year order book. See page 19 for definition.

**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.

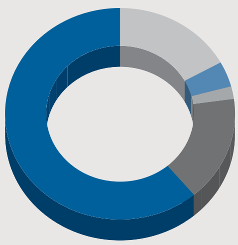
**Private vs public Civil Engineering revenue**
2012 – actual




**Civil Engineering revenue by sector**
2012 – actual




**Civil Engineering revenue by contract type**
2012 – actual



## Market review

### South Africa

Revenue in South Africa was underpinned by some of the major infrastructure contracts that were awarded in previous financial years. These include Eskom power station contracts, a portion of the SANRAL Gauteng Freeway Improvement Project and the Transnet new multi-fuels pipeline (NMPP).

The Trans-Caledon Tunnel Authority launched a series of major water storage and transportation contracts, with further contacts planned. Apart from this, public spending levels remained low and are expected to stay at this level in the short term. Power, transport and water will continue to be the main areas of expenditure, mostly at a national level. Eskom and Transnet have published information on planned expenditure that will include significant spend in the civils sector. SANRAL continues to be active in the tender market, although the concessions projects have been disrupted by the tolling dispute in Gauteng and the Cape Metro challenge to the N1-N2 Winelands project. The lack of policy clarity and unconvincing commitment from government to road concessions is a definite setback.

In the private sector, the main spend has been in the mining and oil and gas sectors. The need to improve South Africa's power generation capacity is providing impetus to expanding coal mining capacity, where some large civil infrastructure works are being carried out. In the oil and gas sector, Sasol proceeded with further expansion contracts which benefited the civils business. The private power market is still expected to provide a substantial amount of construction work, although this has been slow to materialise. A large number of renewable energy independent power projects are due to be awarded under the REIPP programme, but announcements have been delayed to date.

### Rest of Africa and Indian Ocean Islands

In the rest of Africa, a potential source of activity is the possibility of long term PPP concessions for road and rail developments, although these have long gestation periods. In Mauritius, the long-awaited multi-billion roads decongestion programme has advanced to a best and final offer (BAFO) stage with the main construction bid expected to be awarded in the next six to nine months. The group is one of two tenderers invited to make a BAFO submission. In the water sector, several major dam contracts are being developed, some with hydro-electric capacity. These should commence in the next few years.

The main private spend in other African countries continues to be on mining contracts. Although some of these contracts are influenced by concerns over access to funding and political stability, most should proceed as planned.

### Middle East

The tender market in the Middle East region has been quite active. However, due to significant over-capacity, contracts for which we would like to bid which meet our risk and return criteria are very rare. Our traditional base in the United Arab Emirates has been particularly weak.

Saudi Arabia provides a potentially attractive market for the group as the infrastructure programme is extensive. However, timing and contract award processes are uncertain.

Qatar is undergoing large-scale development that will provide long term construction opportunities. However, in the short term the market is over-traded and unattractive.

## Delivery on objectives

Find below how we delivered on our objectives outlined in our F2011 integrated report.

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| **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 | Although revenue declined in F2012, the trend is expected to improve in F2013 as the segment's order book has started to recover. Our presence in Africa has significantly increased. |
| **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 | The mega contracts are almost complete. The business now has a broader range of contract sizes. |
| **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 | The order book has been converted to 57% international. Efforts are being made to expand the number of target sectors. |
| **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 | The order book has continued to decline and the operating base is being downsized accordingly to support a remaining operating contract and close out of completed and terminated contracts. |
| **Continue to work with our partners in Dubai to successfully close out terminated contracts** | • A satisfactory financial outcome to all outstanding contract-related issues | Good progress is being made in closing outstanding payments on legacy contracts. However, material losses were incurred in the year as the group de-risks its remaining legacy contracts in Dubai in an attempt to timeously close out the completion of these. |
| **Develop our new business in Saudi Arabia** | • Establish our brand in Saudi Arabia and secure our first contract with good returns and cash flows | We have established business relationships in Saudi Arabia. However, as the awards outlook is weak, the group has postponed its commitment to this market. |
| **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 | Several unsuccessful bids were submitted in an extremely competitive environment where price takes precedence over performance. The group has therefore postponed its commitment to this market. |

## Financial overview

| | Year ended 30 June 2012 | Year ended 30 June 2011 |
|---|---|---|
| Revenue (R'000) | 2 997 747 | 3 548 361 |
| Total operating (loss)/profit | (33 197) | 227 889 |
| Core operating (loss)/profit | (37 541) | 227 723 |

As the segment reports a loss in F2012, the results are represented by values as opposed to percentages in this review.

Civil Engineering reported a 16% decrease in revenue from R3,5 billion (85% local) to R3,0 billion (83% local), while core operations reported a loss of R37,5 million for the year (2011: R227,7 million profit).

The underlying South African and African business delivered well on contracts executed in the period. Unfortunately the good performance in South Africa and the rest of Africa was severely impacted by the losses reported in the Middle East. These losses relate to downward carrying value adjustments and additional accounting costs incurred from the de-risking action taken in preparation for final commercial close of long-standing legacy and loss-making contracts in the Middle East.

## Material issues within the business and how these have been managed

### Market conditions

The business experienced a decline in revenue, mainly due to postponed contracts, cancelled tenders, delayed awards, slower starts on contracts, client-driven changes and a lack of funding. This affected both the South African and Middle East portions of the business. Due to the general reduction in volumes of available work, margins remain under pressure.

We have deliberately not resorted to bidding for contracts at minimal returns. This resulted in fewer contracts being won. However, to compensate for this, we have been concentrating on rebuilding our order book in the rest of Africa where there is more work and margin scope. As a result, we expect to see an improvement in the order book, and hence in revenue in F2013. Despite the material challenges in the year, the underlying performance of the civils business was good. However, as stated above, the losses and re-risking action to close out the legacy contracts in the Middle East severely impacted the overall Civil Engineering result.

### Middle East strategy

The lack of liquidity post the 2008 debt crisis in Dubai led to a hardening of positions by clients and contractors in seeking closure on old and cancelled contracts. This led to protracted processes and the deployment of costly resources and management time.

We were fortunately able to secure agreements with our clients on the group's two large cancelled contracts in Dubai. We have received regular cash payments in terms of the settlements.

However, there was also a number of old and completed, but not contractually closed, contracts. After several years of focused attention by a dedicated commercial and technical team, the group was able to reach closure and payment on some of these. For the balance, and in collaboration with its JV partner Al Naboodah, the group has been able to reach consensus on the final close out positions that will be agreed with the Dubai client. The group has had to take a pragmatic view in reaching closure to stem the cash drain and management time expended over a number of years.

As outlined on page 61 of the printed book, the group experienced a particularly troublesome contract in Jordan. This contract was eventually terminated earlier this year with the final contract value and commercial obligations agreed with the client and subcontractors. The closure of this contract crystallised a substantial loss, which contributed markedly to the group's poor result this year.

The aggregated result of the de-risking action taken across a number of contracts has unfortunately been a net reversal of positions previously taken and hence a loss on closure.

Based on the group's review of its strategy every six months, and the balance of opportunities against resources, the group has taken a longer term view on the Middle East recovery and has decided to postpone its repositioning there until markets meet acceptable criteria. This will mean a wind down or mothballing of operations at a rate, and to an extent commensurate with, the obligations we have in the region.

### Shortage of raw materials

In South Africa, we have successfully targeted and won several roads contracts, particularly in the Northern Cape. A challenge on all of these, as well as on road contracts in Gauteng, is the lack of availability of suitable bitumen products. Given the change in the source countries of oil that is imported into South Africa, we expect this shortage to continue. We are employing a number of mitigation strategies in this regard, both commercially and in terms of material sourcing.

## Some key achievements during the year included:

**Building**

- The order book has been converted to 57% international
- Contract delivery in South Africa and the rest of Africa remained sound
- DIFR at 0.18 shows progress towards the group's zero harm
- Recent contract awards have been multi-disciplinary in line with the group's strategy (working with Projects, Engineering and Construction and Investments and Concessions)
- Continued collection on Middle East certified debtors from terminated contracts

## MANAGING SAFETY

### What safety practices do you have in place?

Civil Engineering follows OHSAS 18001 standards and best practices and the Group Five zero harm policy on all sites. This segment will work with the group's safety, health, environment and quality (SHEQ) team towards the certification of one Construction cluster. This will ensure uniform standards and reporting and enhance the group's position to provide a cohesive multi-disciplinary offering.

### What were the main achievements during the year?

The group was awarded the Sasol Safety Star Award for the contractor with the best safety record across all its Sasol sites. The segment also led the group's multi-disciplinary contract for Transnet's new multi-products pipeline (NMPP) and pump stations, which achieved a number of safety achievements, including a four million injury-free hours award.

### What were the main challenges?

Challenges continued to be ensuring that Group Five's integrated management of the safety culture and safety systems are used when working in joint ventures with outside parties. Achieving an overall recordable injury rate of no more than 0.3 on Sasol sites is crucial and an ongoing challenge.

**Combined disabling injury frequency rate (DIFR)**

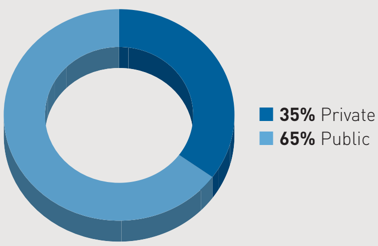
The DIFR worsened slightly from 0.15 last year to 0.18 this year.

## Looking forward

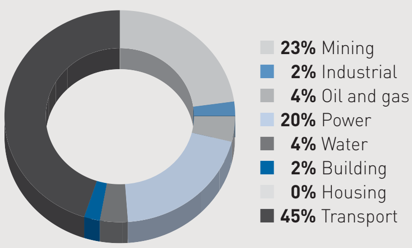
| Key focus areas for F2013 | Desired results |
|---|---|
| **A key focus area remains rebuilding the order book. Whilst the 12-month order book improved significantly, the longer term order book still needs to be improved** | • To grow the F2013 turnover substantially and to build a multi-year order book |
| **Expand our activities in the rest of Africa, focusing particularly on the mining and transport sectors** | • Sustainably exceeding our current minimum target of 40% of work outside South Africa in the selected sectors |
| **Position ourselves to participate in planned major infrastructure contracts in South Africa in the transport and power sectors through strategic partnerships, etc** | • Inclusion of technical and sector experienced partners to secure the opportunity to bid for these works |
| **Manage our local cost base down to remain competitive in the local market, given that the current tight margins are expected to endure for some time** | • Ensure a competitive position to secure around 60% of our order book from the local South African market, whilst meeting group profit and cash targets |
| **Revise the strategy and shed cost base for the Middle East business** | • Wind down or mothball operations at a rate, and to an extent commensurate with, the obligations we have in the region |

## Forward looking financial information

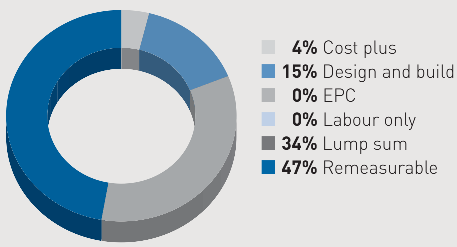
**Private vs public Civil Engineering revenue**
Full order book**




**Civil Engineering revenue by sector**
Full order book**




**Civil Engineering revenue by contract type**
Full order book**




** See page •• for definition of full order book.

# Engineering

Willie Zeelie

Contributed:

**23.3%**
to group revenue
(2011: 18.9%)

**33.3%**
to group total operating profit
(2011: 18.1%)

| R million | F2012 | F2011 |
|---|---|---|
| Revenue | 2 048 | 1 659 |
| Total operating profit | 110 | 109 |
| Core operating profit | 107 | 109 |
| Core operating margin (%) | 5 | 7 |
| Current assets | 762 | 460 |
| One-year order book* | 2 250 | 1 383 |
| Employees (pax) | 2 557 | 3 225 |

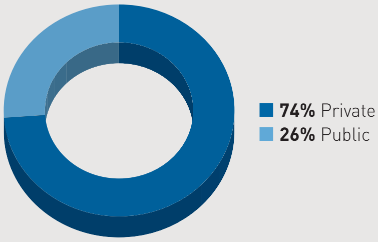
* F2013 (F2012) secured one-year order book. See page 19 for definition.

Engineering consists of Projects and Engineering and Construction (E+C).

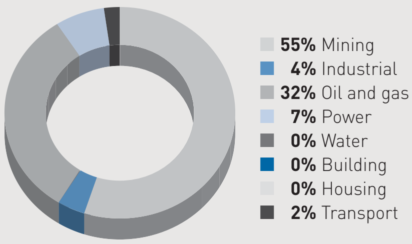
**Projects** is involved in structural, mechanical, electrical, instrumentation and piping (SMEIP) contracts. It is a total plant builder with a specific focus on the mining sector.

**E+C** is a developing engineer, procure and construct (EPC) and services business and is currently focused on the energy sector through its involvement in power and oil and gas contracts, as well as industrial and refinery 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.

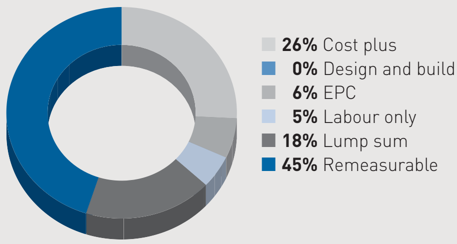
**Private vs public Engineering revenue**
2012 – actual




**Engineering revenue by sector**
2012 – actual




**Engineering revenue by contract type**
2012 – actual




## Market review

### Projects

Projects is a structural, mechanical, electrical, instrumentation and piping (SMEIP) plant building contractor that operates primarily within the sub-Saharan mining and industrial sectors. It has an established presence in over 13 countries across Africa. In the past year the focus was mainly on gold, copper, cobalt, coal and zinc mining in Ghana, the DRC, Tanzania, Mozambique and Burkino Faso.

Although the focus is mainly on the mining sector, this segment achieved recent successes in working with the group's E+C and Civil Engineering businesses in supporting the group's multi-disciplinary activities in the power, oil and gas and industrial sectors in South Africa and over-border. Examples of these are the recently completed gas-fired power plants for Sasol Secunda in South Africa and the Matola cement mill expansion in Mozambique, as well as mining contracts in the DRC.

Tender activity in the South African private market within the local mining sector is dominated by coal mining enquiries in support of the Eskom new build programme. There were a few enquiries for manganese, gold, iron ore and platinum contracts.

Over-border tender activity within the private market continues to be driven by the mining sector. From a geographic perspective, the main drivers in West Africa are gold and iron ore contracts, gold and uranium in East Africa, copper/cobalt, gold and iron ore in Central Africa and coal, uranium and gold within the SADC regions. We have also had enquiries for zinc, diamond, manganese and base metal contracts.

### Engineering and Construction (E+C)

E+C focuses on building the capacity to deliver turnkey energy and utility solutions, mainly in South Africa and the rest of Africa. This includes both upstream and downstream oil and gas installations, as well as power generation and distribution contracts. The business focuses on large, multi-disciplinary contracts normally project financed through international finance institutions.

There was also an increase in activity in the South African power sector, mainly within the renewable energy market, such as solar and wind farm opportunities and some industrial and mining power generation demand. The current Integrated Resource Plan (IRP) for South Africa, initiated by the Department of Energy (DoE), has also laid out the proposed new generation fleet for South Africa for the period 2010 to 2030. This includes nuclear, coal, renewable and other generation sources.

The downturn in the global economy resulted in an increase in international developers and construction companies entering the local power sector, especially since government's renewable energy feed in tariff (REFIT) requirements were published and the Renewable Energy Independent Power Programme (REIPP) announced. Substantial delays in the awarding of these contracts have however been experienced. Contracts are expected to be awarded during F2013, which will signal the beginning of a longer term market opportunity.

The oil and gas sector in South Africa is experiencing a downturn, with most contracts focusing on core maintenance and life extension of existing plant. The government's announcement around the requirement for the production of more environmentally-friendly fuels is expected in the next financial year. This should see new investment requirements within existing South African refineries.

Over-border, the rest of Africa's need for power will have to be satisfied through large new investments due to power availability severely lagging against an increase in industrial and infrastructure demand. Important growth drivers are gas in coastal West and East Africa and coal in southern Africa. Power generation contracts utilising renewable energy sources have already started to present as opportunities within the group's targeted regions. The power sector also experienced growth linked to investment by mining companies in their own captive power plants due to a shortage of grid power.

## Delivery on objectives

Find below how we delivered on our objectives outlined in our F2011 integrated report.

### Projects

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| **Focus on iron ore contracts in West Africa** | • Secure one of the large iron ore contracts | Secured our first iron ore contract in Sierra Leone. |
| **Secure power contracts in South Africa** | • Secure further gas-fired power contracts | Awarded mechanical and electrical construction work for two IPP peaker power projects. |
| **Target new engineer, procure and construct (EPC) mining opportunities** | • Complete the first EPC mining contract and secure new EPC contracts | First contract completed in Ghana. No new EPC awards, but we are actively pursuing further opportunities. |
| **Address employment equity targets at a senior level** | • Continue to hone the group's strategy in this regard to ensure traction | Improved during the year, although further transformation has been targeted. |

### E+C

| Key focus areas for F2012 | Desired results | Status |
|---|---|---|
| **Expand the oil and gas segment'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 | Southern African fuel depot servicing work for an oil major was secured in the period. The discovery of new oil and gas resources in East Africa, together with the group's more aggressive expansion into Africa, will be key to expanding opportunities. |
| **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 | We have, in conjunction with international partners, positioned ourselves strongly in the renewable market. Despite the extremely competitive market, and the response to REIPP enquiries being oversubscribed, the business has secured commitments for work on both wind and solar power contracts. |
| **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 | We have reduced efforts in this sector as opportunities in the power sector demanded full utilisation of all key resources. Group Five Civil Engineering and Group Five Pipe will continue their construction and supply role in this market. |
| **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<br>• Reduce rework, improvement in quality and process implementation, as well as lower cost | Improvement processes have been implemented, including enhanced risk assessment and legal/commercial capacity to cater for an increase in the group's focus on turnkey contacts |

## Financial overview

| Financial Overview | Year ended 30 June 2012 | Year ended 30 June 2011 |
|---|---|---|
| Revenue (R'000) | 2 047 592 | 1 659 218 |
| Total operating margin (%) | 5.4 | 6.6 |
| Core operating margin (%) | 5.2 | 6.6 |

Revenue increased by 23% from R1,7 billion (52% local) to R2,0 billion (56% local). Core operating profit decreased marginally by 2.4% from R109,3 million to R106,7 million. The core operating profit margin percentage decreased to 5.2% (2011: 6.6%).

Although the underlying contract margins are still good, they reflect increased competition. The margin for the period was also impacted by the costs incurred in bidding for the many renewable energy projects against the REIPP programmes and building capacity in nuclear.

## Material issues within the business and how these have been managed

### Projects

#### Securing order book in tough markets

Even against tough market conditions, Projects achieved a record order book. This is due to the business' proven ability to operate under harsh conditions on the African continent. Many of the contracts executed are negotiated rather than tendered based on Projects' position as a preferred contractor with many clients.

#### Maintaining safety and health record

As an operator in difficult and remote conditions, managing safety and health within our operations are always a material issue for management. We have achieved a disabling injury frequency rate (DIFR) of zero for the year. This is particularly pleasing within the SMEIP environment which tends to be onerous given the nature of the work and the remote locations in Africa.

We continue to train and develop our workforce, instilling our "zero harm" commitment and ensuring that accountability is achieved from senior management through to the site. We also acknowledge good behaviour and successes. Over the last few years, we have consistently reduced our malaria cases through implementing best practice that has been developed over many years of operating on the African continent.

#### Poor sub-contractor standards

There is currently a decline in the ability of our structural and platework sub-contractors to perform to the quality standards required. This can have a material impact on our ability to complete contracts on time. As our first choice is to use South African fabricators, we will continue to assist sub-contractors in rectifying their current performance shortfalls through supplier mentoring.

However, against current demand and the lack of ability we have been forced to access international fabrication markets to mitigate this risk in the short-term.

#### Ensuring an effective geographic footprint

Our current workload includes plant building contracts for gold mines in Ghana, DRC and Tanzania, coal mines in Mozambique and South Africa, a zinc contract in Burkina Faso, an iron ore contract in Sierra Leone, copper plant building contracts in the DRC and a uranium and a copper plant construction contract in Namibia.

To limit the concentration on junior mining clients in Africa due to the risk of decreased demand with a change in commodity prices, our focus going forward is to maintain a balance between local and over-border. Our target is 15-25% of revenue to be local work, with the balance over-border.

We will expand our African footprint as we continue to receive enquiries for mining plant building contracts in countries such as Kenya, Sudan, Guinea and Senegal.

Based on our years of experience and lessons learnt in working across many African countries, we are confident that we will be able to successfully execute contracts within new regions, while always being mindful of the inherent risks in managing remote operations.

#### Navigating tax and regulatory environment

One of the key challenges of operating in Africa is navigating an often complex tax and ever-changing regulatory environment. We address this through entrenched and uniform group operating procedures, with a focus on compliance per region.

## Engineering and Construction

### Resourcing for growth

E+C has been successful in expanding its service and product offering in both the power and oil and gas sectors in South Africa and in the rest of Africa. The growth in diverse sectors requires appropriate resourcing, with the correct mix of engineering, construction and commercial employees. In addition to the management resources needed to professionally execute these contracts, specialist skills remain scarce in the South African construction industry. With this in mind, we have been innovative in the continued training of construction skills associated with piping, welding and electrical trades.

### Shifting order book into Africa

In line with our strategy to expand our order book and revenue into Africa, E+C has successfully shifted its order book to reflect larger over-border opportunities. Awards were achieved in Nigeria and Mozambique for power plants with similar opportunities in the group's target markets. We are well placed to participate in the considerable growth seen in energy demand and infrastructure in West and East Africa. The group has prior operational experience in these territories.

### Public sector delivery

Eskom and the Department of Energy have announced numerous enquiries associated with coal, nuclear, renewable and co-generation opportunities. However, allocation of significant time and resources by the public sector to the adjudication of the submissions made in response to these enquires against the REIPP requirements is needed, as delays in policy formulation and awards negatively impact the industry and will affect our ability to forecast revenues.

Delays in the REIPP programme may be partially mitigated by the group's capabilities in industrial and over-border markets and the opportunities available in these markets. During the year we did carry costs incurred in supporting capacity building and bid costs. Eskom's potential announcement of Coal 3, nuclear and other renewable projects will further stimulate the sector for the foreseeable future, although clarity on public sector project development timelines and awards needs to improve.

### Successful execution

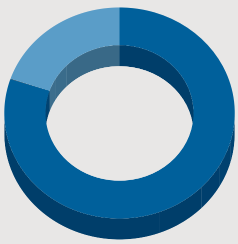
E+C has recently been successful in securing larger engineer, procure and construct (EPC) contracts in the energy sector after a long period of delays in awards. With a good order book and strong pipeline of opportunities, management is now able to focus on implementation and the management of total risk on EPC contracts. All of these initiatives will enhance an already entrenched suite of ISO certification processes.

### Nuclear readiness

As part of our nuclear readiness programme, we have invested in Lesedi Nuclear Services (Lesedi NS). This has boosted the group's engineering and project management capabilities in nuclear and non-nuclear specialised power construction activities. Lesedi NS has been providing technical maintenance and engineering services to Koeberg since its inception in the mid 80s.

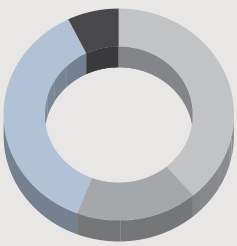
## Forward looking financial information

**Private vs public Engineering revenue**
Full order book**



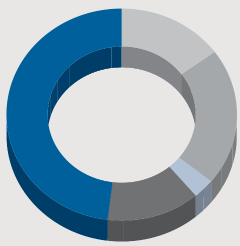
**82%** Private
**18%** Public

**Engineering revenue by sector**
Full order book**



**39%** Mining
**0%** Industrial
**17%** Oil and gas
**37%** Power
**0%** Water
**0%** Building
**0%** Housing
**7%** Transport

**Engineering revenue by contract type**
Full order book**



**15%** Cost plus
**0%** Design and build
**21%** EPC
**3%** Labour only
**13%** Lump sum
**48%** Remeasurable

** See page 19 for definition of full order book.

## Some key achievements during the year included:

| Projects | E+C |
|---|---|
| Establishment of a small works operation in Tanzania | Award of the Namakwa Sands co-generation power project |
| Achieving a DIFR of zero and achieving ten years of no fatalities | Expansion of orders for fuel storage facilities for Shell |
| First-time entry into Sierra Leone | Successful turnaround on the Chevron Refinery in Cape Town |
| Growing a healthy order book during these tough times | Continuation of construction of the 120MW gas-fired power project in Nigeria for Geometric Power |
| Repeat business, indicating strong client relationships and experienced contractor status despite very challenging circumstances | Award of the Kuvaninga gas power project in Mozambique |

## MANAGING SAFETY – PROJECTS

### What safety practices do you have in place?

Projects has a mature health and safety system in place based primarily on OHSAS 18001 standards and best practices. This segment will work with the group's SHEQ team towards the certification of one Construction cluster. This will ensure uniform standards and reporting and enhance the group's position to provide a cohesive multi-disciplinary offering – a growing requirement from the similar clients served by Projects, Civil Engineering and E+C.

### What were the main achievements during the year?

During the year, we achieved over five million hours with no fatalities or disabling injuries, mainly on large contracts in remote locations in Africa.

**Projects received the following internal CEO awards:**

- SHEQ Award for Outstanding Performance as a Business Unit
- SHEQ Award for Outstanding Performance for an Individual
- Ten Years Fatality Free Award

### What were the main challenges?

Operating within Africa requires the ability to manage diversity in terms of language and culture differences. This can impact our safety management if there is a lack of understanding or appreciation of the group's focus on safety. This is mitigated by acknowledging the diversity while applying stringent in-house training and development to all employees to develop their understanding of the risks and the group's requirements. Management teams are also held accountable for driving our "zero harm" commitment.

Continuous focus is placed on malaria prevention through applying our malaria policy and our malaria prevention campaign in regions with extremely high infection rates. Although we have managed to consistently reduce malaria infection rates over the last few years, this year rates did not reduce. We therefore continue to focus on further improvement.

**Combined disabling injury frequency rate (DIFR)**

The DIFR was maintained at a pleasing 0.0.

## MANAGING SAFETY – E+C

### What safety practices do you have in place?

E+C follows OHSAS 18001 standards and best practices. This segment is working with the group's SHEQ team towards the certification of one Construction cluster. This will ensure uniform standards and reporting and enhance the group's position to provide a cohesive multi-disciplinary offering – a growing requirement from the similar clients served by Projects, Civil Engineering and E+C. The business unit also contributes to the group's drive towards "zero harm".

### What were the main achievements during the year?

E+C was the most improved business unit in terms of the group's internal SHEQ audit results during the year.

All sites maintained an internal audit score of more than 75%, with a number of awards received from clients:

- Sappi = Best contractor award
- Sasol and BP = Green Status (First choice vendor with regard to safety)
- Recordable Case Rate (RCR) free achievements:
  - 1 000 000 lost time injuries (LTI) free award – Sappi
  - 500 000 LTI free award – Sasol Alrode
  - 75 000 LTI free award – Shell Alrode
  - 2 000 000 LTI free award – Chevron Refinery

### What were the main challenges?

One of the key challenges was to maintain employee focus on safety, while adhering to tight contract schedules. In recognition of progress, the achievement of green status and a preferred vendor in terms of Sasol's assessment has been an outstanding achievement.

**Combined disabling injury frequency rate (DIFR)**

The DIFR was maintained at a pleasing 0.0.

## Looking forward

| Key focus areas for F2013 | Desired results |
|---|---|
| **Projects** | |
| **Sub-contractor development** | • Develop domestic sub-contractor skills capacity through mentoring programmes |
| **Expand on our service offering within our African permanent establishments** | • Establish smart partnerships within the mining industry by using our in-country presence and knowledge |
| **Investigate alternative sources of supply** | • Identify international suppliers based on cost, capacity and turnaround time without compromising quality |
| **Focus on new geographic territories** | • Pursue mining and industrial opportunities within certain countries in West and East Africa |
| **Address reliance on over-border new build African mining** | • Target 15-25% of turnover on South African contracts, expand mining services, and support the group's multi-disciplinary projects, while also evaluating opportunities in other over-border sectors |
| **E+C** | |
| **Execution of renewable projects**<br>– Wind projects (round 1, 2 and 3)<br>– Solar PV projects (round 1, 2 and 3)<br>– Operations and maintenance for wind and PV solar | • Convert commitments made by developers for the construction of photo-voltaic solar and wind projects in Round 1 of the REIPP programme. These projects include both long term operations and maintenance contracts. This will represent the first step in establishing a sustainable business in the renewable sector |
| **Capacity building for oil and gas growth**<br>– New structure to ensure operational excellence<br>– Growth by client and product<br>– Geographic expansion | • The successful implementation of a focused oil and gas structure to expand the client base to all of the South African market. Progress on geographic expansion outside of South Africa to be achieved based on existing oil major relationships and service successes |
| **Estimating excellence with respect to:**<br>– Procedures and processes<br>– Standard software tools<br>– Norms and costing standards | • Demonstrate good execution on the EPC/EPCM contracts won<br>• Measure performance of the project management systems and processes implemented to ensure adequate risk mitigation during bid submission and execution phases |
| **Refocus gas turbine offering into Africa** | • Continued progress and building on the contracts secured in Nigeria and Mozambique<br>• Ensure further order book growth into over-border markets in F2013 |
| **Renew and revisit nuclear strategy and change as needed** | • Secure first multi-disciplinary contracts for nuclear projects with Lesedi Nuclear services |
| **Strategy needed for:**<br>– Eskom's renewable build<br>– Department of Energy – Co-generation feed in tariff (COFIT) programme | • Secure an industrial COFIT contract |

# Annual financial statements

# 07

# Statement of responsibility by the board of directors

for the year ended 30 June 2012

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 4 to 80 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., which has 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 10.

The financial statements were prepared by the Chief Financial Officer CA(SA) and approved by the board of directors on 3 August 2012 and are signed on its behalf by:

**P (Philisiwe) Buthelezi**
Chairperson

3 August 2012

**MR (Mike) Upton**
Chief executive officer

3 August 2012

**CMF (Cristina) Teixeira**
Chief financial officer

3 August 2012

# Report of the audit committee

for the year ended 30 June 2012

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 for the year under review comprised 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 members' attendance are disclosed in the corporate governance section of the online 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 corporate governance section of the online 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.

The committee has satisfied itself that the external auditor was independent of the company, as set out in section 94(8) of the Companies Act 71 of 2008, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board of Auditors.

## 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 the review from the group risk officer in the online 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

- printed section of the integrated report, including
- the online section of the integrated report,
- 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 2012 to the board of directors for approval on 3 August 2012.


**SG (Stuart) Morris**
Chairperson of the Audit Committee

3 August 2012

# Statement of compliance by the company secretary

for the year ended 30 June 2012

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 2012, and all such returns are true, correct and up-to-date.

**N Katamzi**
Company secretary

3 August 2012

# Directors' report

for the year ended 30 June 2012

## 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 2012 was R278,4 million (2011: R218,1 million loss) representing a basic loss per share of 288 cents (2011: loss per share of 227 cents).

During the year the board of directors approved the disposal of the group's Construction Materials cluster of business. The cluster has thus been disclosed as a discontinued operation. The cluster assets and liabilities were transferred to non-current assets classified as held for sale and liabilities associated with non-current assets classified as held for sale. Prior to year end the group processed an impairment to the carrying value of its non-current assets classified as held for sale of R340,8 million net of taxation relating to the Construction Materials cluster and a R53,2 million net of tax impairment against the carrying value of a contract claim in India currently in arbitration. In the prior year the group processed an impairment of R521 million net of taxation to the non-current carrying value of its property, plant and equipment and goodwill assets relating to its Construction Materials cluster prior to the group's decision to dispose of these assets. These form 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 2012 was R111,6 million (2011: R313,6 million) representing headline earnings per share of 116 cents (2011: 326 cents). The fully diluted headline earnings per share attributable to equity shareholders of the Group for the year ended 30 June 2012 was 115 cents (2011: 310 cents). The financial statements on pages 11 to 80 set out fully the financial position, results of operations and cash flows for the group for the financial year ended 30 June 2012. Segmental information as approved by the directors relating to the business of the group is set out on pages 15 to 17.

## Subsidiaries, joint ventures and associates

The interest in subsidiaries, joint ventures and associated companies, are set out on pages 76 to 78 of this annual report.

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 prior 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.

Prior to year end the group disposed of two of the construction materials businesses reported as non-current assets classified as held for sale in December 2011, Bernoberg and BGM, for a net profit of R1,4 million.

In the year 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 76.

Accounting practice requires that the carrying value of non-current assets are reviewed for impairment when there are indicators of impairment. In the prior year 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 R550,5 million in the prior financial year. In the current year a review of the carrying value of the non-current assets classified as held for sale on a fair value less cost to sell basis was performed and an additional impairment of R340,8 million net of taxation was processed.

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

### Authorised:

150 000 000 ordinary shares of no par value.

### Issued:

110 645 521 ordinary shares of no par value (2011: 121 477 858).

All shares have been fully paid up. On 19 October 2011 and 29 June 2012, 93 304 shares at a price of R25,96 and 90 318 shares at a price of R29,72 respectively were issued, in terms of the group's BEE external ownership transactions, whereby shares are issued in lieu of dividends. In addition no shares (2011: 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 14 044 286 (2011: 25 472 605) are held as treasury stock and in trust, in addition, 474 (2011: 474) were held by the share incentive trust at 30 June 2012.

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 held by iLima was returned to Group Five and cancelled in the current year. The capital of the group has been reduced. 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

Other than the authorisation to repurchase shares, approval of non-executive directors' remuneration and authority to provide financial support to subsidiary companies, no special resolutions relating to the capital structure, borrowing powers or any other material matter that affects the understanding of the Group.

## Capital expenditure

Details on capital expenditure by business are set out on page 17 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 was the majority shareholder of the iLima Consortium which was 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 was 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 amounted to R118 million. The total indirect financial assistance provided to iLima, in the form of bonds and guarantees, which remain in issue, amounts to R54 million (2011: R54 million). The direct financial assistance was reflected as a current asset at 30 June 2011. The receivable was realised on the return of the Group's shares by iLima described above. These shares were held as security against the financial assistance provided to iLima.

| | September 2005 | | | 30 June 2012 | |
|---|---|---|---|---|---|
| R'000 | Number of shares | Transaction value[1] | Shareholding (post issue of new shares) | Number of shares held in trust[2] | Shareholding |
| **Employee schemes** | **4 366 109** | **69 989** | **4.5%** | **1 751 378** | **1.58%** |
| Broad-based scheme (refer note 23.4.2) | 575 000 | 9 217 | 0.6% | – | – |
| Black management scheme (refer note 23.4.1) | 3 791 109 | 60 772 | 3.9% | 1 751 378 | 1.58% |
| **The Participants jointly (iLima Mvela Transaction)** | **20 957 324** | **335 946** | **21.6%** | **12 292 908** | **11.1%** |
| iLima | 10 478 662 | 167 973 | 10.8% | – | – |
| Mvelaphanda | 10 478 662 | 167 973 | 10.8% | 12 292 908 | 11.1% |
| **Total** | **25 323 433** | **405 935** | **26.1%** | **14 044 286** | **12.69%** |

(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 2012.
This table thus reflects the reduction in shares still held in trust from the original transaction date.

## Shareholder spread

Details of shareholder categories are set out on page 79 of this report.

## Dividend declaration

On 3 August 2012, the directors declared a gross dividend of 14.0 cents per ordinary share (14.0 cents per ordinary share net of dividend withholding tax and STC credits) (2011: 20 cents). This brings the total dividend for the year to 36 cents (2011: 72 cents).

The dividend has been declared from income reserves.

In terms of the new Dividends Tax effective 1 April 2012, the following additional information is disclosed:

- The dividend is subject to dividend withholding tax at 15%. In determining dividend withholding tax, STC credits must be taken into account.
- The STC credits utilised per share amounts to 14 cents per share.
- There is no tax payable which results in a net dividend of 14 cents per share to shareholders who are not exempt from dividends withholding tax.
- The amount of shares in issue at the date of this declaration is 110 645 521 (96 600 761 exclusive of treasury shares) and the company's tax reference number is 9625/077/71/5.

To comply with the requirements of STRATE, the relevant details are:

| Event | Date |
|---|---|
| Last day to trade (cum-dividend) | Thursday, 20 September 2012 |
| Shares to commence trading (ex-dividend) | Friday, 21 September 2012 |
| Record date (date shareholders recorded in books) | Friday, 28 September 2012 |
| Payment date | Monday, 1 October 2012 |

No share certificates may be dematerialised or rematerialised between Friday, 21 September 2012 and Friday, 28 September 2012, 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 62.9% as a result of operating losses from Construction Materials cluster and losses reported by the group's Middle East construction operations. The construction materials business is reflected as a discontinued operation after the board decision in December 2011 to dispose of this business from the group's portfolio of businesses. The group reports a decrease in fully diluted headline earnings per share from continuing operations for the year of 52.0%

An impairment of the carrying value of non-current assets classified as held by the Construction Materials cluster of R340,8 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/surpluses and non-cash fair value adjustments of 14,0 cents. The total dividend for the year is 36 cents per share (2011: 72 cents).

Refer to note 34 in the annual financial statements for additional disclosure.

## Directors and secretary

The names and brief CVs of the directors appear on page 8 of Group Five's 2012 Integrated report, available with the annual financial statements on the group's website. Further information on the directors, including their interest in the shares of the company and share-based remuneration schemes are provided on pages 96 to 98 of Group Five's 2012 Integrated report as well as Annexure 6 and note 24 of the annual financial statements. 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 review from the company secretary that can be found on the online section of the report at **www.groupfive.co.za**. 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. In terms of the company's Articles of Association, L Chalker, SG Morris, KK Mpinga retire by rotation. L Chalker will retire from the board following the next annual general meeting in November 2012 and thus does not offer herself up for re-election. Being eligible, SG Morris and KK Mpinga offer themselves for re-election. Refer to page 96 of Group Five's 2012 Integrated report for disclosure on non-executive and executive directors' remuneration.

## Directors' shareholdings

At 30 June 2012, the number of ordinary shares held beneficially and non-beneficially by the current directors was 160 000 and 1 000 respectively (2011: 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.

## Memorandum of Incorporation

As required by the Companies Act (2008) the group has updated its Memorandum of Incorporation and presents the revised Memorandum for approval to its shareholders. Refer to Annexure 1 of the printed section of the integrated report for a summary of the salient features of this memorandum.

## 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 2012 financial year on 3 August 2012, 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 2012 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 of the group's online supplementary information to its integrated annual report.

## Share option schemes

Details of the group's share option schemes are set out on page 51.

## 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 settled in February 2010. The R550 million bullet payment with respect to the GFC2 bond was due in February 2012 and was settled.

The JSE Limited granted a listing to the group in respect of two senior unsecured notes issued under the groups R1 billion Domestic Medium Term Note Programme. Two unsecured bonds were issued on 11 April 2012 as follows:

- GFC03: R220 million, three-year, 7.35% floating (3 month Jibar) interest rate payable quarterly. The bond settlement due date is 10 April 2015
- GFC04: R280 million, five-year, 9.4850% fixed interest rate payable semi-annually. The settlement date for this bond is 11 April 2017

The primary application of these funds is intended to finance equity investments in Power, Transport, Real Estate opportunities and concessions.

Global Credit Ratings agency awarded the group a long term credit rating of A and a short term credit rating of A1.

## Auditors

The policy with regard to the non-audit services provided by the external auditors is detailed within the review from the company secretary that can be found on the online section of the report at **www.groupfive.co.za**. 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 2013 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 6 November 2012. Refer to pages 81 to 85 of the group's integrated annual report 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.

# Independent auditor's report

for the year ended 30 June 2012

## To the shareholders of Group Five Limited

We have audited the consolidated and separate financial statements of Group Five Limited set out on pages 11 to 80, which comprise the statements of financial position as at 30 June 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Group Five Limited as at 30 June 2012, 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.

### Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2012, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc

**PricewaterhouseCoopers Inc.**
Director: AJ Rossouw
Registered Auditor
Sunninghill

10 August 2012

# Group income statement

for the year ended 30 June 2012

| (R'000) | Notes | GROUP 2012 | GROUP Restated 2011 |
|---|---|---|---|
| Construction revenue | | 7 111 310 | 7 350 583 |
| Invoiced value of goods and services supplied | | 1 644 244 | 1 390 393 |
| Property sales and development fees | | 27 824 | 31 789 |
| **Revenue – continuing operations** | | 8 783 378 | 8 772 765 |
| Cost of material | | 1 370 182 | 890 308 |
| Cost of subcontractors | | 3 216 699 | 3 320 366 |
| Direct payroll cost | 4.1, 23.1 | 2 232 800 | 2 296 314 |
| Other staff cost | | 254 902 | 221 074 |
| Depreciation | 4.2, 8 | 165 356 | 167 875 |
| Plant costs | | 555 363 | 583 137 |
| Manufacturing distribution cost | | 132 197 | 120 348 |
| Site administration costs | | 389 637 | 364 149 |
| Other administration cost | | 202 361 | 252 480 |
| **Operating expenses before fair value adjustments** | | 8 519 497 | 8 216 051 |
| **Operating profit before fair value adjustments** | | 263 881 | 556 714 |
| Fair value adjustment relating to investment in service concessions | 12 | 56 652 | 33 160 |
| Fair value adjustment relating to investment properties – net | 9 | 10 865 | 2 419 |
| Fair value adjustment relating to investment in property developments | 13 | – | 13 265 |
| **Operating profit** | 4 | 331 398 | 605 558 |
| Share of profit of associates | | 1 163 | 820 |
| Finance (cost)/income – net | 5 | (3 800) | 36 960 |
| Finance cost | | (79 487) | (66 595) |
| Finance income | | 75 687 | 103 555 |
| **Profit before taxation** | | 328 761 | 643 338 |
| Taxation | 6 | (106 032) | (208 777) |
| **Profit after taxation from continuing operations** | | 222 729 | 434 561 |
| **Loss for the year from discontinued operations** | 33 | (452 841) | (593 605) |
| **Loss for the year** | | (230 112) | (159 044) |
| (Loss)/profit attributable to: | | | |
| Equity shareholders of Group Five Limited | | (278 405) | (218 107) |
| Non-controlling interest | | 48 293 | 59 063 |
| | | (230 112) | (159 044) |
| Loss per share – basic [Rand] | 7.1 | (2,88) | (2,27) |
| Fully diluted loss per share – basic [Rand] | 7.2 | (2,88) | (2,27) |
| Earnings per share from continuing operations [Rand] | 7.3 | 1,81 | 3,91 |
| Fully diluted earnings per share from continuing operations [Rand] | 7.4 | 1,80 | 3,71 |

# Group statement of comprehensive income

for the year ended 30 June 2012

| (R'000) | GROUP 2012 | GROUP 2011 |
|---|---|---|
| Loss for the year | (230 112) | (159 044) |
| Other comprehensive income | | |
| Exchange difference on translating foreign operations* | 68 411 | (45 948) |
| **Other comprehensive income/(loss) for the year** | 68 411 | (45 948) |
| **Total comprehensive loss for the year** | (161 701) | (204 992) |
| **Total comprehensive (loss)/profit attributable to:** | | |
| Equity shareholders of Group Five Limited | (209 994) | (264 055) |
| Non-controlling interest | 48 293 | 59 063 |
| | (161 701) | (204 992) |

* With no resultant tax impact.

# Group statement of financial position

as at 30 June 2012

| (R'000) | Notes | GROUP 2012 | GROUP 2011 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 884 367 | 1 380 226 |
| Investment property | 9 | 9 025 | 50 231 |
| Investment in associates | 11.1 | 33 892 | 15 158 |
| Loan to associates | 11.2 | 8 314 | 7 572 |
| Investments in service concessions | 12 | 296 635 | 253 100 |
| Investment in property developments | 13 | 8 716 | 8 691 |
| Pension fund surplus | 23.2 | 137 049 | 121 339 |
| Deferred taxation | 14 | 55 743 | 83 676 |
| Non-current trade receivables | 17 | 116 245 | – |
| Total non-current assets | | 1 549 986 | 1 919 993 |
| **Current assets** | | | |
| Inventories | 15 | 288 181 | 247 178 |
| Contracts in progress | 16 | 541 869 | 506 474 |
| Derivative financial instruments | 19.1 | – | 22 403 |
| Trade and other receivables | 17 | 2 667 980 | 2 786 918 |
| Cash and cash equivalents | 30 | 2 268 226 | 2 234 779 |
| Total current assets | | 5 766 256 | 5 797 752 |
| **Non-current assets classified as held for sale** | 33 | 272 928 | 53 233 |
| **Total assets** | | 7 589 170 | 7 770 978 |
| **Equity and liabilities** | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Stated capital | | 1 219 119 | 1 307 971 |
| Retained earnings | | 709 979 | 1 028 932 |
| Other components of equity | | (120 362) | (188 773) |
| | | 1 808 736 | 2 148 130 |
| **Non-controlling interest** | | 67 968 | 117 565 |
| **Total equity** | | 1 876 704 | 2 265 695 |
| **Non-current liabilities** | | | |
| Interest-bearing borrowings | 18.1 | 613 464 | 232 203 |
| Provision for employment obligations | 23.3 | 33 935 | 26 756 |
| Provision for environmental rehabilitation | 20 | 4 000 | 14 743 |
| Deferred taxation | 14 | 15 921 | 45 827 |
| Non-current trade payables | 21 | 59 270 | – |
| Total non-current liabilities | | 726 590 | 319 529 |
| **Current liabilities** | | | |
| Excess billings over work | | 828 113 | 492 103 |
| Trade and other payables | 21 | 3 778 412 | 3 813 995 |
| Derivative financial instruments | 19.2 | 854 | – |
| Contract related provisions | 22 | 59 294 | 80 430 |
| Current taxation payable | 29 | 38 956 | 71 838 |
| Current portion of non-current interest-bearing borrowings | 18.1 | 63 240 | 677 532 |
| Short term borrowings | 18.6 | 38 646 | 49 856 |
| Total current liabilities | | 4 807 515 | 5 185 754 |
| **Liabilities associated with non-current assets classified as held for sale** | 33 | 178 361 | – |
| **Total liabilities** | | 5 712 466 | 5 505 283 |
| **Total equity and liabilities** | | 7 589 170 | 7 770 978 |

# Group statement of cash flow

for the year ended 30 June 2012

| R'000 | Notes | GROUP 2012 | GROUP Restated 2011 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash from operations before working capital changes | 27 | **424 692** | 769 979 |
| Working capital changes | 28 | **154 460** | (1 240 003) |
| Cash generated/(utilised) from operations | | **579 152** | (470 024) |
| Finance income received | | **75 687** | 103 555 |
| Finance costs paid | | **(77 201)** | (71 449) |
| Taxation paid | 29 | **(107 921)** | (254 748) |
| Dividends paid | 34 | **(40 548)** | (121 008) |
| Cash effects of operating activities (discontinued operations) | 33 | **(18 290)** | (25 240) |
| **Cash effects of operating activities** | | **410 879** | (838 914) |
| **Cash flow from investing activities** | | | |
| Acquisition of property plant and equipment | | **(303 162)** | (97 129) |
| Acquisition of investment property and service concessions | | **(11 653)** | (20 139) |
| Proceeds on disposal of property plant and equipment | | **102 854** | 24 704 |
| Proceeds on disposal of subsidiaries | | **–** | 2 000 |
| Proceeds on disposal of investment property | | **13** | 21 456 |
| Proceeds on disposal of property developments | | **–** | 133 265 |
| Cash effects of investing activities (discontinued operations) | 33 | **19 184** | 4 560 |
| **Cash effects of investing activities** | | **(192 764)** | 68 717 |
| **Cash flow from financing activities** | | | |
| Changes in associates/non-controlling interest | | **(103 601)** | (18 874) |
| Proceeds on repayment of service concessions loans | | **24 745** | 22 119 |
| Long term interest-bearing borrowings raised | | **500 000** | – |
| Long and short term interest-bearing borrowing repaid | | **(646 428)** | (56 262) |
| Proceeds from share options | | **–** | 5 704 |
| Cash effects of financing activities (discontinued operations) | 33 | **(44 882)** | (45 496) |
| **Cash effects of financing activities** | | **(270 166)** | (92 809) |
| **Effects of exchange rates on cash and cash equivalents** | | **76 205** | (8 032) |
| **Net increase/(decrease) in cash and cash equivalents** | | **24 154** | (871 038) |
| Cash and cash equivalents at beginning of year | | **2 234 779** | 3 105 817 |
| **Cash and cash equivalents at end of year** | | **2 258 933** | 2 234 779 |
| Included in cash and cash equivalents per the statement of financial position | 30 | **2 268 226** | 2 234 779 |
| Included in non-current assets classified as held for sale | 33 | **(9 293)** | – |
| | | **2 258 933** | 2 234 779 |

# Group statement of changes in equity

for the year ended 30 June 2012

| | Number of ordinary shares issued | Number of shares held by share trust | 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-controlling interest R'000 | **Total R'000** |
|---|---|---|---|---|---|---|---|---|---|
| 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)** |
| Net loss for the year | – | – | – | – | – | (218 107) | **(218 107)** | 59 063 | **(159 044)** |
| 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** |
| Issue of shares from share trust | – | 595 982 | 595 982 | – | – | – | **–** | – | **–** |
| Cancellation of shares | (11 015 959) | 11 015 959 | – | (117 945) | – | – | **(117 945)** | – | **(117 945)** |
| Issue of shares in terms of BEE ownership scheme in lieu of dividends | 183 622 | (183 622) | – | – | – | – | **–** | – | **–** |
| Share option costs | – | – | – | 29 093 | – | – | **29 093** | – | **29 093** |
| Total comprehensive income | – | – | – | – | 68 411 | (278 405) | **(209 994)** | 48 293 | **(161 701)** |
| Net loss for the year | – | – | – | – | – | (278 405) | **(278 405)** | 48 293 | **(230 112)** |
| Translation differences arising from foreign operations | – | – | – | – | 68 411 | – | **68 411** | – | **68 411** |
| Distribution to non-controlling interests | – | – | – | – | – | – | **–** | (97 890) | **(97 890)** |
| Dividends paid | – | – | – | – | – | (40 548) | **(40 548)** | – | **(40 548)** |
| Balance at 30 June 2012 | 110 645 521 | (14 044 760) | 96 600 761 | 1 219 119 | (120 362) | 709 979 | **1 808 736** | 67 968 | **1 876 704** |

### Share capital

There was no movement in authorised share capital of 150 000 000 ordinary shares during the year. On 19 October 2011 and 29 June 2012, 93 304 shares at a price of R25,96 and 90 318 shares at a price of R29,72 respectively, were issued, in terms of the group's BEE external ownership transactions, whereby shares are issued in lieu of dividends.

### Non-controlling interest

Non-controlling interest mainly relates to profit share of joint ventures controlled by the entity.

# Group segmental analysis

for the year ended 30 June 2012

## Segment information

Operating segments reflect the management structure of the group for the period under review 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 for the year under review 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<br>– 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** | |
| – 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<br>– 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<br>– Industrial services contractor |

The group is focused by discipline and each discipline is led 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. This measurement basis excludes the effects of non-operational income and expenditure from the operating segments such as pension fund valuation surplus 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 and fair value adjustments on service concessions, investment in property development and investment property are not adjusted as these are deemed to be in the segments' core operational control. The operating profit does not include any impairment adjustments. As exco reviews operating profit the results of discontinued operations are not included in the measure of operating profit.

Management does 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.

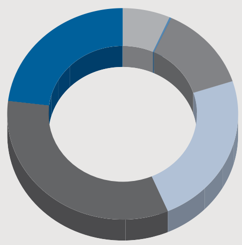
The group is also considered by geographical segment due to the extensive geographic footprint maintained by the group. The geographies are grouped into regions for reporting purposes as the group moves towards establishing operational hubs for management of regions.

The prior year comparatives have been restated to adjust for the exclusion of the construction material business now reflected as a discontinued operation and the inclusion of all fair value adjustments as these are deemed to be in the segments core operational control.

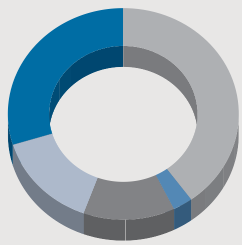
The segmental information presented below includes the reconciliation of IFRS measures presented on the face of the income statement to non-IFRS measures which are used by management to analyse the group's performance.

## Financial performance: Group revenue and operating profit

Revenue



Operating profit



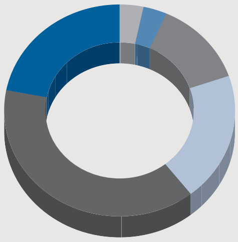
*Note: Graphs represent F2012 values only.*

| 2012 | Gross revenue | Internal revenue | External revenue | Operating profit |
|---|---|---|---|---|
| R'000 | | | | |
| Operational segments | | | | |
| **Investments and Concessions** | 647 739 | – | 647 739 | 153 795 |
| Infrastructure Concessions | 619 915 | – | 619 915 | 143 708 |
| Property Developments | 27 824 | – | 27 824 | 10 087 |
| **Manufacturing** | 1 164 849 | (140 520) | 1 024 329 | 46 490 |
| **Construction** | 7 204 326 | (93 016) | 7 111 310 | 121 315 |
| Building and Housing | 2 139 449 | (73 477) | 2 065 972 | 52 133 |
| Civil Engineering | 2 998 800 | (1 053) | 2 997 747 | (37 541) |
| Engineering | 2 066 077 | (18 486) | 2 047 591 | 106 723 |
| | 9 016 914 | (233 536) | 8 783 378 | 321 600 |
| *Adjustment for non-operational items* | | | | |
| Pension fund valuation surplus | | | | 15 790 |
| Impairment of investment in associate – Investments and Concessions | | | | (1 399) |
| Remeasurement of employment obligation | | | | (4 593) |
| Operating profit per income statement | | | | 331 398 |

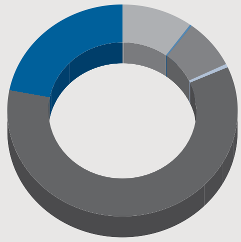
| 2011 Restated | Gross revenue | Internal revenue | External revenue | Operating profit |
|---|---|---|---|---|
| R'000 | | | | |
| Operational segments | | | | |
| **Investments and Concessions** | 554 659 | – | 554 659 | 110 774 |
| Infrastructure Concessions | 522 870 | – | 522 870 | 105 641 |
| Property Developments | 31 789 | – | 31 789 | 5 133 |
| **Manufacturing** | 997 375 | (129 852) | 867 523 | 25 547 |
| **Construction** | 7 404 220 | (53 637) | 7 350 583 | 471 536 |
| Building and Housing | 2 174 074 | (31 070) | 2 143 004 | 134 506 |
| Civil Engineering | 3 550 849 | (2 488) | 3 548 361 | 227 723 |
| Engineering | 1 679 297 | (20 079) | 1 659 218 | 109 307 |
| | 8 956 254 | (183 489) | 8 772 765 | 607 857 |
| *Adjustment for non-operational items* | | | | |
| Pension fund valuation deficit | | | | (2 000) |
| Loss on disposal of subsidiary | | | | (299) |
| Operating profit per income statement | | | | 605 558 |

## Financial position: Current assets and capital expenditure

Current assets



Capital expenditure



*Note: Graphs represent F2012 values only.*

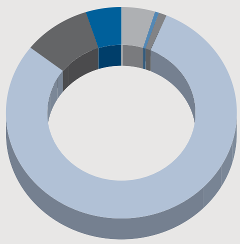
| Operational segments (R'000) | 2012 | 2011 | 2012 | 2011 |
|---|---|---|---|---|
| **Investments and Concessions** | 234 850 | 231 280 | 34 922 | 6 376 |
| Infrastructure Concessions | 118 916 | 147 205 | 34 820 | 6 081 |
| Property Developments | 115 934 | 84 075 | 102 | 295 |
| **Manufacturing** | 459 931 | 402 767 | 25 368 | 32 020 |
| **Construction Materials** | – | 168 731 | – | 15 616 |
| **Construction** | 2 803 249 | 2 760 195 | 278 632 | 96 340 |
| Building and Housing | 689 507 | 650 514 | 2 638 | 3 745 |
| Civil Engineering | 1 352 077 | 1 649 477 | 201 851 | 57 596 |
| Engineering | 761 665 | 460 204 | 74 143 | 34 999 |
| | 3 498 030 | 3 562 973 | 338 922 | 150 352 |
| Bank balances and cash | 2 268 226 | 2 234 779 | – | – |
| Total current assets per statement of financial position | 5 766 256 | 5 797 752 | | |
| Property, plant and equipment – additions (note 8) | | | 338 922 | 150 352 |

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 F2012 values only.*

| Geographical regions (R'000) | 2012 | 2011 |
|---|---|---|
| Eastern Europe | 433 948 | 300 358 |
| Middle East | 43 805 | 405 211 |
| Eastern Africa | 85 986 | 25 550 |
| Southern Africa | 6 962 809 | 6 782 019 |
| Central Africa | 830 197 | 1 030 594 |
| Western Africa | 426 633 | 229 033 |
| | 8 783 378 | 8 772 765 |
| Per income statement | 8 783 378 | 8 772 765 |

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 69 to 73 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, the Companies Act of South Africa and the accounting policies 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.

During the year the board of directors approved the disposal of the group's Construction Materials segment of business. The segment has thus been disclosed as a discontinued operation and consequently the prior year income statement and their related notes have been restated. Its assets and liabilities were transferred to non-current assets classified as held for sale and liabilities associated with non-current assets classified as held for sale.

### 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 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 15.

During the year the group amended its segmental report to include fair value adjustments relating to its investment and concessions business as these are deemed to be in the segments core operational control. Prior year comparatives have been restated.

## 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 adjustments on property developments and impairment adjustments are considered to be a part of operating profit but are separately disclosed for additional disclosure as they are transactions in addition to the underlying operating activities of the business units albeit still in the segments core operational control.

## 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 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).

### 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) classified as 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.

In the current year an impairment of R394 million has been charged against income constituting a net impairment of R340,8 million relating to the construction materials assets being disposed of and R53,2 million relating to the impairment of India claim currently in arbitration. Refer to note 33 for details.

## 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.

## 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. The net cost of share options, issued after 7 November 2002, calculated as the difference between the fair value of such options at grant date and the price at which the options were granted (calculated at the 30-day volume weighted average price at grant date), are expensed over their vesting periods on a straight-line basis. The fair value of the share options is measured using the Black-Scholes pricing model. These share options are not subsequently revalued.

Options exercised are equity settled through a fresh issue of shares or through a repurchase and re-issue of shares by the group.

### e) Profit sharing and bonus plans

A liability for employee benefits, in the form of profit sharing and bonus plans, is recognised in trade and other payables when there is no realistic alternative but to settle the liability and if at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are capable of being reliably estimated; or
- past practice has created a valid expectation by employees that they will receive a bonus/profit sharing and amounts can be determined before the time of issuing the financial statements.

## 1.26 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 1.27 Environmental rehabilitation

Estimated long term environmental obligations, comprising rehabilitation, mine and asbestos dump closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

The net present value of expected rehabilitation cost estimates are recognised and provided for in full in the financial statements. The estimates are reviewed annually and are discounted using rates that reflect inflation and the time value of money.

Annual changes in the provision consist of finance costs relating to the change in the present value of the provision and inflationary increases in the provision estimate, as well as changes in estimates. The present value of environmental disturbances created are capitalised to mining assets against an increase in the rehabilitation provision. The rehabilitation asset is amortised as noted in the group's accounting policy. Rehabilitation projects undertaken, included in the estimates, are charged to the provision as incurred.

### 1.28 Leased assets

Where assets are acquired under finance lease agreements that transfer to the group substantially all the risks and rewards of ownership, they are capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The capital element of the leasing commitment is disclosed under current and 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 directors.

### 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 76 to 78 of this annual report. All transactions entered into with subsidiaries and associated companies were under terms no more favourable than those with third parties and have been eliminated in the consolidated group accounts. Director 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 in the prior year were 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.

In the prior year an impairment of R525,7 million was recognised with respect to property, plant and equipment (refer note 8) and the total carrying value of R24,9 million with respect to goodwill was impaired (refer to note 10).

In the current year a portion of the property, plant and equipment was transferred to non-current assets classified as held for sale following the decision by the board to dispose of these assets. The recoverable amount of these asset groups held for sale were calculated with reference to offers received for these assets. The remaining assets were evaluated with reference to external valuations and confirmations to support the reasonableness of carrying values as part of the assets annual evaluation process.

### 2.4 Estimate regarding the recognition and measurement of financial instruments

The fair value of the forward foreign exchange contracts described in note 19.2 is calculated based on the present value of the estimated future cash flows.

### 2.5 Fair value of investment properties, investment in service concessions and investments in property developments

The fair value of these items, which are not traded in an active market, is determined by using valuation techniques. The group uses a variety of methods, including discounted cash flow analysis and makes a variety of assumptions that are mainly based on market conditions existing at statement of financial position date. (Refer notes 9, 12 and 13 for valuation methodology and significant assumptions used.)

### 2.6 Construction contract revenue recognition and profit taking

The group uses the percentage-of-completion method in accounting for its construction contracts. Use of the percentage-of-completion method requires the group to estimate the construction services and activities performed to date as a proportion of the total services and activities to be performed. In addition, 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% (2011: 7.0%) and an average inflation rate of 6.0% (2011: 4.5%) 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/interpretations | Type | Description |
|---|---|---|
| IAS 24 (Revised): Related Party Disclosures | Amendment | The revision simplifies the disclosure requirements for government related entities and clarifies the definition of related party. No impact on the annual financial statements. |
| IFRS 7 (Amendment): Financial<br><br>Instruments: Disclosures – Transfer of Financial Assets | Amendment | The amendment allows 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 also required additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of the reporting period. No impact on the annual financial statements. |
| IFRIC 14 (Amendment): The Limit on a Defined Benefit Asset, Minimum Funding<br><br>Requirements and their Interaction – Prepayment of minimum funding requirements | Amendment | Prepayment of minimum funding requirements – This amendment applies in 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. No impact on the annual financial statements. |
| 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:

| Accounting Standard/interpretation | Type | Effective date |
|---|---|---|
| IAS 1 Presentation of Financial Statements | Amendment | Effective for financial periods beginning on or after 1 July 2012 |
| IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets | Amendment | Effective for financial periods beginning on or after 1 July 2012 |
| IAS 19 Employee Benefits | Amendment | Effective for financial periods beginning on or after 1 January 2013 |
| IAS 27 Separate Financial Statements | New | Effective for financial periods beginning on or after 1 January 2013 |
| IAS 28 Investments in Associates and Joint Ventures | New | Effective for financial periods beginning on or after 1 January 2013 |
| IAS 32 Offsetting of Financial Assets and Financial Liabilities | Amendment | Effective for financial periods beginning on or after 1 January 2014 |
| IFRS 7: Financial Instruments: Disclosures – IFRS 9 Transitional Disclosures | Amendment | Effective for financial periods beginning on or after 1 January 2015 |
| IFRS 7: Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities | Amendment | Effective for financial periods beginning on or after 1 January 2013 |
| IFRS 9: Financial Instruments | New | Effective for financial periods beginning on or after 1 January 2015 |
| 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 20 Stripping Costs in the Production Phase of a Surface Mine | New | Effective for financial periods beginning on or after 1 January 2013 |
| Annual Improvements 2009 – 2011 Cycle | Improvements | Effective for financial periods beginning on or after 1 January 2013 |
| IFRS 10: Consolidated financial statements | Amendment | Effective for financial periods beginning on or after 1 January 2013 |
| IFRS 11: Joint Arrangements | Amendment | Effective for financial periods beginning on or after 1 January 2013 |
| IFRS 12: Disclosure of interest in other entities | Amendment | Effective for financial periods on or after 1 January 2013 |

## 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. *Disclosure impact only.*

**IAS 12 (Revised) 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. *Immaterial impact only.*

**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. *No impact.*

**IAS 27 (Revised) 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. No impact.*

**IAS 28 (Revised) 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. *The group is still assessing the impact on certain joint venture agreement.*

**IAS 32 (Amendment) Offsetting of Financial Assets and Financial** – The application guidance of IAS 32 has been amended to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amendments do not change the current offsetting model in IAS 32, but clarify that the right of set-off must be available today – that is, it is not contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also clarify that gross settlement mechanisms (such as through a clearing house) with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances. Master netting agreements where the legal right of offset is only enforceable on the occurrence of some future event, such as default of the counterparty, continue not to meet the offsetting requirements. *Disclosure impact only.*

**IFRS 1 (Amendment): First-time Adoption of International Financial Reporting Standards** – Guidance on Government Loans. The amendment provides guidance on how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. *Not applicable.*

**IFRS 7 (Amendment): Financial Instruments: Disclosures – IFRS 9 Transitional Disclosures** – The amendment requires additional disclosure on the transition from IAS 39 to IFRS 9. This additional disclosure is only required when an entity adopts IFRS 9 for financial periods beginning on/after 1 January 2013. If an entity adopts IFRS 9 for financial periods beginning on/after 1 January 2012 and before 1 January 2013, the entity can either provide the additional disclosure or restate prior periods. The additional disclosure highlights the changes in classification of financial assets and financial liabilities upon the adoption of IFRS 9. *Disclosure impact only.*

**IFRS 7 (Amendment): Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities** – The amended disclosures will require more extensive disclosures than currently required under IFRS. The disclosures focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. *Disclosure impact only.*

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

**IFRS 9: Financial Instruments:**

- IFRS 9 published in November 2009, 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. *No impact expected.*
- IFRS 9 was amended in October 2010 to incorporate financial liabilities. 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. *No impact expected.*
- In December 2011, the effective date of IFRS 9 was delayed. The original effective date for annual periods beginning on/after 1 January 2013 has been delayed to annual periods beginning on/after 1 January 2015. The amendment also modifies the relief from restating prior periods, in that if IFRS 9 is adopted for reporting periods: beginning before 1 January 2012, comparatives need to be restated nor does the additional disclosure requirements of IFRS 7 need to be provided; beginning on/after 1 January 2012 and before 1 January 2013, either the additional disclosure required by IFRS 7 must be provided or the prior periods need to be restated; beginning on/after 1 January 2013, the IFRS 7 additional disclosure is required but the entity need not restate prior periods. *No impact expected.*

**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. *No impact expected.*

**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. *The group is still assessing the impact on certain joint venture agreements.*

**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. *Disclosure impact only.*

**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. *Disclosure impact only.*

**IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine** – The Interpretations Committee was asked to clarify when and how to account for stripping costs (the process of removing waste from a surface mine in order to gain access to mineral ore deposits) to address diversity in practice. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. *No impact.*

**Annual Improvements 2009 – 2011 Cycle** – 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 significant impact expected.*

**IFRS 10: Consolidated Financial Statements (Amendment), IFRS 11: Joint Arrangements (Amendment) and IFRS 12: Disclosure of interests in other entities (Amendment)** – The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted – for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment. The amendment also requires certain comparative disclosures under IFRS 12 upon transition.

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

continued

The key changes in the amendment are:

- If the consolidation conclusion under IFRS 10 differs from IAS 27/SIC 12 as at the date of initial application, the immediately preceding comparative period (that is, 2012 for a calendar-year entity that adopts IFRS 10 in 2013) is restated to be consistent with the accounting conclusion under IFRS 10, unless impracticable.
- Any difference between IFRS 10 carrying amounts and previous carrying amounts at the beginning of the immediately preceding annual period is adjusted to equity.
- Adjustments to previous accounting are not required for investees that will be consolidated under both IFRS 10 and the previous guidance in IAS 27/SIC 12 as at the date of initial application, or investees that will be unconsolidated under both sets of guidance as at the date of initial application.
- Comparative disclosures will be required for IFRS 12 disclosures in relation to subsidiaries, associates, and joint arrangements. However, this is limited only to the period that immediately precedes the first annual period of IFRS 12 application. Comparative disclosures are not required for interests in unconsolidated structured entities.

*No impact expected.*

| | | GROUP | |
|---|---|---|---|
| | R'000 | 2012 | Restated 2011 |
| **4.** | **Operating profit** | | |
| | Operating profit is stated after charging/(crediting): | | |
| **4.1** | **Staff costs including retirement, benefit contributions (see note 23.1)** | 2 232 800 | 2 296 314 |
| **4.2** | **Depreciation** | 165 356 | 167 874 |
| | Owner occupied land and buildings | 2 274 | 2 134 |
| | Factory plant | 22 813 | 22 069 |
| | Mobile plant and vehicles – purchased | 86 423 | 80 072 |
| | Mobile plant and vehicles – leased | 29 146 | 33 117 |
| | Computerware and development costs – purchased | 19 203 | 23 801 |
| | Computerware and development cost – leased | 358 | 1 079 |
| | Furniture, fittings and other items – purchased | 5 139 | 5 602 |
| **4.3** | **Loss on disposal of property, plant and equipment** | 6 515 | 117 |
| **4.4** | **Profit on disposal of subsidiaries** | – | (1 959) |
| **4.5** | **Foreign exchange losses – net** | 12 488 | 26 643 |
| **4.6** | **Fair value losses on financial instruments** | | |
| | Forward exchange contract | 854 | – |
| **4.7** | **Auditors' remuneration** | 16 221 | 14 658 |
| | Audit fees | 15 008 | 12 464 |
| | Fees for other services | 1 213 | 2 194 |
| **4.8** | **Rentals under operating leases** | 49 998 | 50 816 |
| | Land and buildings | 39 142 | 42 578 |
| | Other equipment | 10 856 | 8 238 |
| **4.9** | **Remuneration other than to employees** | 5 518 | 3 410 |
| | Management services | 1 707 | 1 452 |
| | Technical services | 3 811 | 1 958 |
| **4.10** | **Included in other site and administration cost** | | |
| | Security | 29 381 | 42 915 |
| | Electricity and Water | 47 218 | 34 604 |
| | Safety | 11 828 | 29 635 |
| | Telephone | 36 910 | 45 993 |

| R'000 | GROUP 2012 | Restated 2011 |
|---|---|---|
| **5. Finance (costs)/income – net** | | |
| **Finance income:** | 75 687 | 103 555 |
| Bank balances and cash | 52 474 | 84 836 |
| Other finance income | 13 201 | 5 971 |
| Net interest on interest rate swap | 10 012 | 12 748 |
| **Finance costs:** | (79 487) | (66 595) |
| Unsecured bond interest | (49 640) | (45 349) |
| Other borrowings | (29 847) | (21 246) |
| Total finance (costs)/income – net | (3 800) | 36 960 |
| Interest of R542k was capitalised in the current year at a borrowing rate of 7.5% (2011: nil) | | |
| **6. Taxation** | | |
| **South African normal taxation** | | |
| Current taxation | (53 922) | (114 343) |
| – current year | (21 069) | (111 753) |
| – prior year | (32 853) | (2 590) |
| **Foreign taxation (including withholding tax)** | | |
| Current taxation | (29 080) | (82 333) |
| – current year | (43 034) | (65 444) |
| – prior year | 13 954 | (16 889) |
| **Deferred taxation** | (23 030) | (5 004) |
| – current year | (50 835) | (41 210) |
| – prior year | 27 805 | 36 206 |
| Secondary Taxation on Companies (STC) | – | (7 097) |
| | (106 032) | (208 777) |
| | % | % |
| Reconciliation of normal taxation rate | 28 | 28 |
| South African normal taxation rate | | |
| Adjusted for: | | |
| – Tax at rates in (lower)/higher tax jurisdictions | (7.2) | 2.5 |
| – Deferred tax assets not raised | 18.1 | 0.9 |
| – Tax over provided in respect of prior years | (7.5) | (0.1) |
| – STC on dividends | – | 1.1 |
| – Expenses not deductible for tax purposes | 0.9 | – |
| Effective rate of taxation | 32.3 | 32.4 |
| Reconciliation of cash tax rate | | |
| Effective rate of taxation | 32.3 | 32.4 |
| Temporary differences | (9.4) | 6.4 |
| Movement in current taxation payable | 10.0 | 6.1 |
| Effective rate of taxation paid | 32.9 | 44.9 |
| Estimated taxation losses available for set-off against future taxable income | 249 818 | 72 246 |
| Potential taxation relief at current taxation rates | 37 690 | 20 229 |

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

Dividends received available for set-off against future dividend tax liability amounts to R92,7 million.

| R'000 | GROUP 2012 | Restated 2011 |
|---|---|---|
| **7. Earnings per share** | | |
| **7.1 Loss per share – basic** | | |
| Loss for the year – attributable to shareholders | (278 405) | (218 107) |
| Shares outstanding 1 July ('000) | 96 005 | 95 335 |
| Weighted average number of shares issued during the year ('000) | 540 | 779 |
| Weighted average number at end of year ('000) | 96 545 | 96 114 |
| Loss per share (R) | (2,88) | (2,27) |
| **7.2 Fully diluted loss per share** | | |
| Loss for the year – income attributable to shareholders | (278 405) | (218 107) |
| Weighted average number of shares issued during the year | 96 545 | 96 114 |
| Adjusted for: | | |
| – Inclusion of dilutive shares held by share trusts ('000) | 401 | 973 |
| – Inclusion of dilutive shares in terms of Mvela Transaction (refer to page 8) ('000)** | – | 4 050 |
| Adjusted weighted average number of shares ('000) | 96 946 | 101 137 |
| Fully diluted loss per share (R)* | (2,88) | (2,27) |

* Fully diluted loss per share limited to loss per share for the year.
** There is no effect on the fully diluted number of shares as these share instruments are anti-dilutive in the period.

| R'000 | GROUP 2012 | Restated 2011 |
|---|---|---|
| **7.3 Earnings per share from continuing operations** | | |
| Profit after taxation from continuing operations | 222 729 | 434 561 |
| Less: attributable to non-controlling interest | (48 292) | (59 063) |
| Profit from continuing operations | 174 437 | 375 498 |
| Weighted average number of shares ('000) | 96 545 | 96 114 |
| Earnings per share from continuing operations (R) | 1,81 | 3,91 |
| **7.4 Fully diluted earnings per share from continuing operations** | | |
| Profit after taxation from continuing operations | 222 729 | 434 561 |
| Less: attributable to non-controlling interest | (48 292) | (59 063) |
| Profit from continuing operations | 174 437 | 375 498 |
| Adjusted weighted average number of shares ('000) | 96 946 | 101 137 |
| Fully diluted earnings per share from continuing operations (R) | 1,80 | 3,71 |

| R'000 | GROUP 2012 Gross pre-tax | GROUP 2012 Net | GROUP 2011 Restated Gross pre-tax | GROUP 2011 Restated Net |
|---|---|---|---|---|
| **7. Earnings per share** continued | | | | |
| **7.5 Headline earnings per share** | | | | |
| Loss for the year | | (278 405) | | (218 107) |
| Adjusted for: | 410 814 | 389 982 | 561 496 | 531 695 |
| – Loss on disposal of property, plant and equipment | 6 301 | 3 675 | 1 156 | 832 |
| – Impairment and (profit)/loss on disposal of subsidiary | (36) | (36) | 299 | 574 |
| – Net profit on fair value adjustment on investment property | (10 865) | (7 720) | (2 419) | (3 252) |
| – Impairment of property, plant and equipment | – | – | 550 540 | 521 621 |
| – Impairment of non-current assets classified as held for sale | 415 414 | 394 063 | 11 920 | 11 920 |
| Headline earnings | | 111 577 | | 313 588 |
| Weighted average number of shares ('000) | | 96 545 | | 96 114 |
| Headline earnings per share (R) | | 1,16 | | 3,26* |
| **7.6 Fully diluted headline earnings per share** | | | | |
| Headline earnings | | 111 577 | | 313 588 |
| Adjusted weighted average number of shares ('000) | | 96 946 | | 101 137 |
| Fully diluted headline earnings per share (R) | | 1,15 | | 3,10* |
| **7.7 Headline earnings per share from continuing operations** | | | | |
| Income available to shareholders from continuing operations | | 174 437 | | 375 499 |
| Adjusted for headline items | | (2 644) | | (1 846) |
| Headline earnings from continuing operations | | 171 793 | | 373 653 |
| Weighted average number of shares ('000) | | 96 545 | | 96 114 |
| Headline earnings per share from continuing operations (R) | | 1,78 | | 3,89 |
| **7.8 Fully diluted headline earnings per share from continuing operations** | | | | |
| Income available to shareholders from continuing operations | | 174 437 | | 375 499 |
| Adjusted for headline items | | (2 644) | | (1 846) |
| Headline earnings from continuing operations | | 171 793 | | 373 653 |
| Adjusted weighted average number of shares ('000) | | 96 946 | | 101 137 |
| Fully diluted headline earnings per share from continuing operations (R) | | 1,77 | | 3,69 |

* Restated by 5 cents, which represents the prior year's operating loss on discontinuance regarding an India claim.

| R'000 | GROUP 2012 | GROUP 2011 |
|---|---|---|
| **8. Property, plant and equipment** | | |
| **Total property, plant and equipment** | | |
| Cost | | |
| At the beginning of the year | 3 352 103 | 3 342 611 |
| Rehabilitation provision remeasurement | – | (26 698) |
| Additions – continued operations | 338 922 | 150 352 |
| Additions – discontinued operations | 8 920 | – |
| Disposals | (186 294) | (114 162) |
| Transferred to non-current assets classified as held for sale | (1 600 392) | – |
| At the end of the year | 1 913 259 | 3 352 103 |
| Accumulated depreciation | | |
| At the beginning of the year | (1 971 877) | (1 302 915) |
| Impairment of asset | – | (525 681) |
| Current year charge – continued operations | (165 356) | (211 557) |
| Current year charge – discontinued operations | (23 502) | – |
| Disposals | 77 400 | 68 276 |
| Transferred to non-current assets classified as held for sale | 1 054 443 | – |
| At the end of the year | (1 028 892) | (1 971 877) |
| Net book value | 884 367 | 1 380 226 |
| **Owner occupied land and buildings** | | |
| Cost | | |
| At the beginning of the year | 122 456 | 116 206 |
| Additions | 9 542 | 4 492 |
| Transfers | – | 2 921 |
| Disposals | (450) | (1 163) |
| Transferred to non-current assets classified as held for sale | (42 705) | – |
| At the end of the year | 88 843 | 122 456 |
| Accumulated depreciation | | |
| At the beginning of the year | (31 839) | (25 787) |
| Current year charge | (2 871) | (6 315) |
| Transfers | – | – |
| Disposals | 32 | 263 |
| Transferred to non-current assets classified as held for sale | 5 386 | – |
| At the end of the year | (29 292) | (31 839) |
| Net book value | 59 551 | 90 617 |
| *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 | 1 025 767 | 1 052 465 |
| Rehabilitation provision remeasurement | – | (26 698) |
| Transferred to non-current assets classified as held for sale | (1 025 767) | – |
| At the end of the year | – | 1 025 767 |
| Accumulated depreciation | | |
| At the beginning of the year | (740 431) | (314 252) |
| Impairment of mining asset and undeveloped mining resources | – | (419 000) |
| Current year charge | (990) | (7 179) |
| Transferred to non-current assets classified as held for sale | 741 421 | – |
| At the end of the year | – | (740 431) |
| Net book value | – | 285 336 |
| **Capital work in progress** | | |
| Cost | | |
| At the beginning of the year | 35 459 | 28 934 |
| Additions | 35 149 | 27 937 |
| Transfers | (37 714) | (21 412) |
| Transferred to non-current assets classified as held for sale | (23 042) | – |
| At the end of the year | 9 852 | 35 459 |

| R'000 | GROUP 2012 | GROUP 2011 |
|---|---|---|
| **8. Property, plant and equipment** continued | | |
| **Factory plant** | | |
| Cost | | |
| At the beginning of the year | 499 432 | 485 972 |
| Additions | 11 573 | 14 314 |
| Transfers | 8 425 | 3 527 |
| Disposals | (22 429) | (4 381) |
| Transferred to non-current assets classified as held for sale | (265 676) | – |
| At the end of the year | 231 325 | 499 432 |
| Accumulated depreciation | | |
| At the beginning of the year | (385 085) | (277 554) |
| Impairment of asset | – | (74 996) |
| Current year charge | (33 113) | (33 247) |
| Transfers | – | 491 |
| Disposals | 13 908 | 221 |
| Transferred to non-current assets classified as held for sale | 208 596 | – |
| At the end of the year | (195 694) | (385 085) |
| Net book value | 35 631 | 114 347 |
| **Mobile plant and vehicles – purchased** | | |
| Cost | | |
| At the beginning of the year | 1 093 719 | 1 064 421 |
| Additions | 244 328 | 66 615 |
| Transfers | 49 833 | 24 579 |
| Disposals | (149 967) | (61 896) |
| Transferred to non-current assets classified as held for sale | (105 015) | – |
| At the end of the year | 1 132 898 | 1 093 719 |
| Accumulated depreciation | | |
| At the beginning of the year | (561 994) | (479 181) |
| Impairment of assets | – | (8 081) |
| Current year charge | (91 145) | (88 412) |
| Transfers | (9 850) | (8 365) |
| Disposals | 52 598 | 22 045 |
| Transferred to non-current assets classified as held for sale | 28 323 | – |
| At the end of the year | (582 068) | (561 994) |
| Net book value | 550 830 | 531 725 |
| **Mobile plant and vehicles – leased** | | |
| Cost | | |
| At the beginning of the year | 368 787 | 364 618 |
| Additions | 32 828 | 21 080 |
| Transfers | (20 543) | (11 915) |
| Disposals | (6 768) | (4 996) |
| Transferred to non-current assets classified as held for sale | (110 548) | – |
| At the end of the year | 263 756 | 368 787 |
| Accumulated depreciation | | |
| At the beginning of the year | (113 216) | (59 985) |
| Impairment of assets | – | (23 604) |
| Current year charge | (34 640) | (41 693) |
| Transfers | 9 850 | 7 874 |
| Disposals | 4 621 | 4 192 |
| Transferred to non-current assets classified as held for sale | 52 351 | – |
| At the end of the year | (81 034) | (113 216) |
| Net book value | 182 722 | 255 571 |

| R'000 | GROUP 2012 | 2011 |
|---|---|---|
| **8. Property, plant and equipment** continued | | |
| **Computerware and development costs – purchased** | | |
| Cost | | |
| At the beginning of the year | 126 329 | 133 349 |
| Additions | 6 269 | 11 598 |
| Transfers | 103 | 2 300 |
| Disposals | (2 466) | (20 918) |
| Transferred to non-current assets classified as held for sale | (10 934) | – |
| At the end of the year | 119 301 | 126 329 |
| Accumulated depreciation | | |
| At the beginning of the year | (79 776) | (74 302) |
| Current year charge | (20 212) | (26 264) |
| Transfers | – | – |
| Disposals | 2 466 | 20 790 |
| Transferred to non-current assets classified as held for sale | 8 748 | – |
| At the end of the year | (88 774) | (79 776) |
| Net book value | 30 527 | 46 553 |
| **Computerware and development costs – leased** | | |
| Cost | | |
| At the beginning of the year | 14 547 | 34 666 |
| Additions | 3 051 | – |
| Transfers | – | – |
| Disposals | (53) | (20 119) |
| Transferred to non-current assets classified as held for sale | (2 102) | – |
| At the end of the year | 15 443 | 14 547 |
| Accumulated depreciation | | |
| At the beginning of the year | (11 098) | (30 138) |
| Current year charge | (358) | (1 079) |
| Transfers | – | – |
| Disposals | 53 | 20 119 |
| Transferred to non-current assets classified as held for sale | – | – |
| At the end of the year | (11 403) | (11 098) |
| Net book value | 4 040 | 3 449 |
| **Furniture, fittings and other items – purchased** | | |
| Cost | | |
| At the beginning of the year | 65 607 | 61 980 |
| Additions | 5 102 | 4 316 |
| Disposals | (4 265) | (689) |
| Transferred to non-current assets classified as held for sale | (14 603) | – |
| At the end of the year | 51 841 | 65 607 |
| Accumulated depreciation | | |
| At the beginning of the year | (48 438) | (41 716) |
| Current year charge | (5 529) | (7 368) |
| Disposals | 3 722 | 646 |
| Transferred to non-current assets classified as held for sale | 9 618 | – |
| At the end of the year | (40 627) | (48 438) |
| Net book value | 11 214 | 17 169 |

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

| R'000 | | | GROUP 2012 | 2011 |
|---|---|---|---|---|
| **9. Investment property** | | | | |
| Fair value at the beginning of the year | | | **50 231** | 66 877 |
| Additions | | | **–** | 2 391 |
| Fair value adjustment | | | **10 865** | 2 419 |
| Disposal | | | **(13)** | (21 456) |
| Transfer to non-current assets classified as held for sale | | | **(52 058)** | – |
| Fair value at end of year | | | **9 025** | 50 231 |

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

30 June

| Name | Description | Initial cost | R'000 | R'000 |
|---|---|---|---|---|
| Sandton Starleith | 25% owner of vacant land in Sandton | 9 392 | **9 025** | 9 392 |
| Gugulethu Square | 18.75% owner of shopping centre in Gugulethu Cape Town | 49 205 | **–** | 40 839 |
| | | 58 597 | **9 025** | 50 231 |

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.

Fair value of the income-producing investment property was determined using the capitalisation of income method, whereby net income is capitalised at an appropriate capitalisation rate. Lease information incorporated into the valuation is considered market related. The determination of a capitalisation rate requires the consideration of a number of factors, including 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.

The last external valuation of the income-producing investment property was performed by independent valuator Rode & Associates at 30 June 2011. During the year it was valued by management. In comparing the carrying value of the income-producing investment property to the internal valuation performed, a fair value upward adjustment of R11 million was deemed necessary due to movements in market related capitalisation rates.

In addition, during the year, the group decided to sell its stake in the Gugulethu Shopping Centre. The asset has therefore been transferred at its fair value to non-current assets classified as held for sale, refer to note 33.

Internal valuations were performed by management at 30 June 2012 on the vacant land investment property. In comparing the carrying value of investment property to the internal valuation performed, using applicable and available market related information, a fair value downward adjustment of R367k was deemed necessary due to movements in comparable market information.

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 the investment property.

| R'000 | Increase/(decrease) in fair value and hence profit before taxation as assessed at 30 June 2012 | 30 June 2011 |
|---|---|---|
| 10.0% increase in vacancy factor (2011: 15.0%) | **(475)** | (344) |
| 10.0% decrease in vacancy factor (2011: 15.0%) | **475** | 344 |
| 7.7% increase in capitalisation factor (2011: 3.2%) | **(3 886)** | (1 217) |
| 7.7% decrease in capitalisation factor (2011: 3.2%) | **4 534** | 1 297 |

| R'000 | | GROUP 2012 | GROUP 2011 |
|---|---|---|---|
| **10.** | **Goodwill** | | |
| | Net book value | | |
| | – At the beginning of the year | – | 24 859 |
| | – Impairment charge | – | (24 859) |
| | Balance at the end of the year | – | – |
| | Cost | – | 24 859 |
| | Accumulated impairment | – | (24 859) |
| | Balance at the end of the year | – | – |
| | Per segment | | |
| | – Construction Materials | – | – |
| | There is no unallocated goodwill. | | |
| | In the prior year, the carrying amount of the Construction Materials segment was reduced to its recoverable amount through a recognition of impairment against goodwill. This loss was included in the income statement. This impairment was 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 had resulted in industry volumes and prices within the aggregates markets dropping substantially below the group's original forecast levels and thus management deemed it appropriate to impair the goodwill carried within the construction materials segment. | | |
| **11.** | **Associates** | | |
| **11.1** | **Investment in associates** | | |
| | Unlisted associates | | |
| | Shares at cost | 32 502 | 13 532 |
| | Group's share of distributable reserves | 5 047 | 3 884 |
| | Impairment | (3 657) | (2 258) |
| | Total non-financial instruments | 33 892 | 15 158 |
| | The impairment relates to associates for which the recoverability of investment will only be deemed probable once start up of operations is complete and performance profitability established. | | |
| **11.2** | **Loan to associates** | | |
| | Loan to associate | 8 314 | 7 572 |
| | Total financial instruments | 8 314 | 7 572 |
| | Total | 42 206 | 22 730 |

Loan to associates bear interest at an average borrowing rate of 10% and are subject to an estimated repayment term of 24 months.

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 78.

| R'000 | | | | | | | GROUP 2012 | GROUP 2011 |
|---|---|---|---|---|---|---|---|---|
| **12. Investment in service concessions** | | | | | | | | |
| At fair value | | | | | | | **296 635** | 253 100 |
| The investments consist of the group's interest in foreign toll road concessions. Details of the investments at 30 June 2012 are as follows: | | | | | | | | |
| | Name of road | Country | Km | % interest | Concession period | Current status | | |
| | A1 (Phase II) | Poland | 61 | 15 | 30 years | Operational | **228 585** | 168 776 |
| | A1 (Phase I) | Poland | 90 | 15 | 30 years | Operational | | |
| | M6 (Phase III) | Hungary | 78 | 10 | 28 years | Operational | **68 050** | 84 324 |
| | | | | | | | **296 635** | 253 100 |
| The movement in investment in service concessions may be summarised as follows: | | | | | | | | |
| Opening balance at the beginning of the year | | | | | | | **253 100** | 224 311 |
| Additions | | | | | | | **11 628** | 17 748 |
| Proceeds on investments in service concessions | | | | | | | **(24 745)** | (22 119) |
| Fair value adjustments through profit and loss | | | | | | | **56 652** | 33 160 |
| Closing balance at the end of the year | | | | | | | **296 635** | 253 100 |
| The investments in concessions are denominated in the following currencies: | | | | | | | | |
| Hungarian Forint | | | | | | | **68 050** | 84 324 |
| Polish Zloty | | | | | | | **228 585** | 168 776 |
| Closing balance at the end of the year | | | | | | | **296 635** | 253 100 |

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 & 2 road projects 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 all these projects.

A basic sensitivity analysis, calculating the effect on investment valuation from differing exchange rates, on the fair value of investment in these service concessions was performed at 30 June 2012.

The effect, when varying Euro-Rand exchange rates by 10% on fair values of these investments, is R29,6 million (2011: R25 million).

Similarly, every 10% increase or decrease in the discount rates used in the discounted cash flow basis of valuation results in a decrease or increase in the valuation of between R29,9 – R35,2 million (2011: R18,7 – R21,8 million).

| R'000 | GROUP 2012 | GROUP 2011 |
|---|---|---|
| **13. Investment in property developments** | | |
| At fair value | 8 716 | 8 691 |
| The investments consist of the group's interest in local property development companies. Details of the investments at 30 June 2012 are as follows: | | |

| Name | Country | % interest | 2012 | 2011 |
|---|---|---|---|---|
| Sandton Wedgewood | South Africa | 10.50% | 8 716 | 8 691 |
| | | | 8 716 | 8 691 |

| R'000 | 2012 | 2011 |
|---|---|---|
| The movement in investment in property developments may be summarised as follows: | | |
| Opening balance at the beginning of the year | 8 691 | 128 691 |
| Additional investment | 25 | – |
| Fair value adjustments through profit and loss | – | 13 265 |
| Disposals | – | (133 265) |
| Closing balance at the end of the year | 8 716 | 8 691 |
| The investments in property development are denominated in South African Rand | 8 716 | 8 691 |
| Closing balance at the end of the year | 8 716 | 8 691 |

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.

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, no fair value adjustment was deemed necessary.

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 metres 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.

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 prior year AIH performed a share buy back to purchase WDC's entire interest in AIH. The group still expects to extract opportunities for the group from the construction from this development. The project development scope is targeted to roll out over the next 12 to 15 years, with an overall project value estimated at some R25 billion.

The investment is valued at fair value using the valuation performed by management of the property development 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.

| R'000 | Increase/(decrease) in fair value and hence profit before taxation as assessed at 30 June 2012 | 30 June 2011 |
|---|---|---|
| 10% increase in developable bulk $m^2$ (2011: 5%) | 3 524 | 2 299 |
| 10% decrease in developable bulk $m^2$ (2011: 5%) | (8 407) | (4 145) |
| 14.5% increase in market related office stand values (2011: 9.5%) | 4 312 | 3 086 |
| 14.5% decrease in market related office stand values (2011: 9.5%) | (8 716) | (7 909) |

| R'000 | GROUP 2012 | GROUP 2011 |
|---|---|---|
| **14. Deferred taxation** | | |
| Deferred taxation asset | 55 743 | 83 676 |
| Deferred taxation liability | (15 921) | (45 827) |
| Net deferred taxation asset at year end | 39 822 | 37 849 |
| Balance at beginning of year | 37 849 | 14 886 |
| (Credit)/charge to the income statement – continued operations | (23 030) | 22 963 |
| Charge to the income statement – discontinued operations | 53 045 | – |
| Transfer to non-current assets held for sale | (393) | – |
| Disposal of subsidiaries | (27 649) | – |
| Balance at end of year | 39 822 | 37 849 |
| The closing balance deferred taxation asset is attributable to the following items: | | |
| Capital allowances | (56 293) | (63 420) |
| Provisions | 65 172 | 69 891 |
| Contract allowances | 10 475 | (5 072) |
| Estimated tax losses | 20 468 | 36 450 |
| | 39 822 | 37 849 |

| 2012: Deferred taxation reversal R'000 | Total deferred taxation asset/ (liability) | Expected to reverse in 1 year | 2 – 5 years | >5 years |
|---|---|---|---|---|
| Capital allowances | (56 293) | (26 799) | (29 494) | – |
| Provisions | 65 172 | 65 172 | – | – |
| Contract allowances | 10 475 | 10 475 | – | – |
| Estimated tax losses | 20 468 | 10 610 | 9 858 | – |
| | 39 822 | 59 458 | (19 636) | – |

| 2011: Deferred taxation reversal R'000 | 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 | – |
| | 37 849 | 71 126 | (33 277) | |

| R'000 | GROUP 2012 | GROUP 2011 |
|---|---|---|
| **15. Inventories** | | |
| Property developments in progress | 71 647 | 67 324 |
| Materials on site | 24 504 | – |
| Consumable stores | 35 067 | 34 641 |
| Manufacturing finished goods | 91 080 | 82 335 |
| Manufacturing work in progress | 11 684 | 9 450 |
| Manufacturing materials | 54 199 | 53 428 |
| | 288 181 | 247 178 |
| Inventory obsolescence (deducted from carrying value of inventories above) | | |
| Balance at end of year | 5 397 | 1 295 |

No inventories are encumbered.

| R'000 | GROUP 2012 | GROUP 2011 |
|---|---|---|
| **16. Contracts in progress** | | |
| Costs incurred plus profits recognised, less estimated losses relating to contracts in progress at year end | 15 905 092 | 12 520 174 |
| Progress billings | (15 363 223) | (12 013 700) |
| | 541 869 | 506 474 |
| **17. Trade and other receivables** | | |
| Trade and other receivables include: | | |
| **Financial instruments** | | |
| – Contract debtors | 1 681 086 | 1 308 851 |
| – Less provision for impairment of contract debtors | (18 132) | (25 193) |
| – Trade debtors | 353 369 | 547 564 |
| – Less provision for impairment of trade debtors | (6 880) | (41 462) |
| – Retention debtors | 177 746 | 192 420 |
| – Other receivables | 301 429 | 283 161 |
| – Amounts owing by joint venture partners | 159 286 | 365 020 |
| – Loan to related party – iLima | – | 117 552 |
| **Total financial instruments included in trade and other receivables** | 2 647 904 | 2 747 913 |
| Non-financial instruments | | |
| – Prepayments | 20 076 | 39 005 |
| **Total non-financial instruments included in trade and other receivables** | 20 076 | 39 005 |
| | 2 667 980 | 2 786 918 |

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).

R116,2 million of trade receivables that are subject to a repayment plan in excess of twelve months have been classified as non-current. The counterparty has consistently complied with the repayment criteria.

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 R730 million (2011: R508 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 | 2012 | 2011 |
|---|---|---|
| **Analysis of the age of financial assets that are past due but not impaired** | | |
| One month past due | 109 776 | 40 354 |
| Two months past due | 38 777 | 23 947 |
| Three months past due | 5 973 | 55 654 |
| Four months and greater past due | 574 979 | 388 105 |
| Total | 729 505 | 508 060 |
| **Analysis of financial assets that are past due but not impaired by region** | | |
| – Central Africa | 58 659 | 16 923 |
| – Eastern Africa | 5 676 | – |
| – Eastern Europe | 27 005 | – |
| – Southern Africa | 248 469 | 147 414 |
| – Western Africa | 45 253 | 13 413 |
| – Middle East | 344 443 | 330 310 |
| | 729 505 | 508 060 |

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.

| R'000 | GROUP 2012 | GROUP 2011 |
|---|---|---|
| **17. Trade and other receivables** continued | | |
| **Reconciliation of the provision for impairment of trade receivables** | | |
| Opening balance | 66 654 | 46 331 |
| Transfer to non-current assets classified as held for sale | (25 210) | – |
| (Releases from)/charges against the provision | (3 812) | 20 420 |
| Bad debts written off | (12 620) | (96) |
| Closing balance | 25 012 | 66 655 |
| **Analysis of impaired trade receivables** | | |
| Included in the provision for impairment of trade receivables are individually impaired trade receivables with a balance of R26,3 million (2011: R72,6 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 expenses. | | |
| **Gross value of trade receivables that have been individually impaired** | 26 327 | 72 678 |
| Less: impairment loss against these trade receivables | (25 012) | (66 655) |
| | 1 315 | 6 023 |
| **Analysis of gross value of trade receivables that have been individually impaired by region** | | |
| Central Africa | – | 7 860 |
| Southern Africa | 13 838 | 55 190 |
| Middle East | 12 489 | 9 628 |
| | 26 327 | 72 678 |
| 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 | 102 | 876 |
| Two months past due | 398 | 465 |
| Three months past due | 401 | 2 910 |
| Four months and greater past due | 25 426 | 68 427 |
| | 26 327 | 72 678 |
| **Carrying amount per currency** | | |
| The carrying amounts of the group's trade and other receivables are denominated in the following currencies: | | |
| **South African Rand** | 1 752 233 | 1 629 816 |
| **US Dollars** | 410 728 | 265 831 |
| **United Arab Emirates Dirham** | 258 157 | 705 510 |
| **Other** | 246 862 | 185 761 |
| | 2 667 980 | 2 786 918 |

| R'000 | GROUP 2012 | GROUP 2011 |
|---|---|---|
| **18. Borrowings** | | |
| **18.1 Interest-bearing borrowings** | | |
| Unsecured bonds (note 18.3) | 508 289 | 573 792 |
| Secured loans bearing variable interest at rates ranging from 6.5% (2011: 6.5%) to 9.0% (2011: 9.0%) per annum | 168 283 | 299 807 |
| Unsecured loans bearing variable interest at rates ranging from 10% to 11% per annum | 132 | 36 136 |
| | 676 704 | 909 735 |
| Less: current portion disclosed on face of statement of financial position | (63 240) | (677 532) |
| | 613 464 | 232 203 |
| Repayable during the years ending 30 June | | |
| 2012 | – | 677 532 |
| 2013 | 63 240 | 114 514 |
| 2014 | 68 588 | 76 078 |
| 2015 | 240 192 | 19 288 |
| 2016 | 9 343 | 22 323 |
| 2017 | 285 904 | – |
| 2018 | 9 437 | – |
| | 676 704 | 909 735 |

### 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 2012 | Carrying amount 2011 | Fair value 2012 | Fair value 2011 |
|---|---|---|---|---|
| Unsecured bonds | 499 143 | – | 495 339 | – |
| Secured loans | 114 321 | 204 566 | 110 373 | 168 621 |
| Unsecured loans | – | 27 637 | – | 22 840 |
| | 613 464 | 232 203 | 605 712 | 191 461 |

### 18.3 Unsecured bonds

The JSE Limited granted a listing to the group in respect of two Senior Unsecured notes issued under the groups R1 billion Domestic Medium Term Note Programme.

The two unsecured bonds were issued on 11 April 2012 as follows:

GFC03: R220 million, three-year 7.35% floating (3 month Jibar) interest rate payable quarterly. The bond settlement due date is 10 April 2015 and hence the fair value of this bond is reflected within the long term portion of interest-bearing borrowings.

GCF04: R280 million, five-year, 9.485% fixed interest rate payable semi-annually. The settlement date for this bond is 11 April 2017 and hence the fair value of this bond is reflected within the long term portion of interest-bearing borrowings.

| R'000 | GROUP 2012 | GROUP 2011 |
|---|---|---|
| **18.4 Secured loans** | | |
| Secured loans are secured over: | | |
| Mobile plant, vehicles and computer equipment with a net book value of | 186 762 | 259 021 |

| R'000 | Less than one year | Between one and five years | Total |
|---|---|---|---|
| **18. Borrowings** continued | | | |
| **18.5 2012** | | | |
| **Minimum lease payments** | **63 671** | **125 424** | **189 095** |
| **Lease finance charges** | **(9 708)** | **(11 104)** | **(20 812)** |
| | **53 963** | **114 320** | **168 283** |
| 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 |

| R'000 | GROUP 2012 | GROUP 2011 |
|---|---|---|
| **18.6 Short term borrowings** | | |
| Property development borrowings bearing interest at 9.57% pa (2011: 8.9% pa) | **38 646** | 49 856 |

| R'000 | GROUP Assets 2012 | Liabilities 2012 | Assets 2011 | Liabilities 2011 |
|---|---|---|---|---|
| **19. Derivative financial instruments** | | | | |
| **19.1 Derivatives designated as a hedge** | | | | |
| Total interest rate swaps – fair value hedges | **–** | **–** | 22 403 | – |
| Less: non-current portion: interest rate swaps – fair value hedges | **–** | **–** | – | – |
| 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 loss of R1,9 million (2011: R5,2 million profit). | | | | |
| **19.2 Derivatives classified as held for trading with fair value through profit and loss** | | | | |
| Total forward foreign exchange contracts – held for trading | **–** | **854** | – | – |
| Less: non-current portion: forward foreign exchange contracts – held for trading | **–** | **–** | – | – |
| Current portion: forward foreign exchange contracts – held for trading (purchase of €6 million at weighted average rate of R10,73) | **–** | **854** | – | – |

| R'000 | GROUP 2012 | GROUP 2011 |
|---|---|---|
| **20. Provision for environmental rehabilitation** | | |
| At 1 July | **14 743** | 39 292 |
| Unwinding of discount | **832** | 2 750 |
| Reversed to the income statement | **(1 238)** | (241) |
| Released from provisions | **(6)** | (360) |
| Remeasurement against undeveloped mining resources | **–** | (26 698) |
| Disposal of subsidiary | **(2 860)** | – |
| Transferred to non-current assets classified as held for sale | **(7 471)** | – |
| At 30 June | **4 000** | 14 743 |

## 20. Provision for environmental rehabilitation continued

In the prior year the environmental rehabilitation provision consisted of R4,9 million related to the final closing of asbestos waste dumps at Everite and R9,8 million relating to the closure costs of the Ekurhuleni, Zimbiwa aggregate quarries, Sky Sands and BGM quarry.

In the current the year the group disposed of the BGM quarry resulting in a reduction in the rehabilitation provision required.

In addition, following a decision by the Board of Directors to dispose of the all its business within the Construction Materials segment, the environmental rehabilitation provision relating to the remaining quarries of Ekurhuleni, Zimbiwa and Sky Sands, has been transferred to Liabilities associated with non-current assets classified as held for sale. Refer to note 33.

The remaining environmental rehabilitation provision relates to Everite. A risk free rate of 7.0% (2011: 7.0%) and an average inflation rate of 6.0% (2011: 4.5%) were used in the calculation of the estimated net present value of the rehabilitation liabilities.

| | GROUP | |
|---|---|---|
| R'000 | 2012 | 2011 |

## 21. Trade and other payables

| R'000 | 2012 | 2011 |
|---|---|---|
| Trade and other payables include: | | |
| **Financial instruments** | | |
| – Accrued expenses | 1 168 837 | 1 510 136 |
| – Trade and other creditors | 866 050 | 758 486 |
| – Sub-contractor creditors | 513 109 | 405 373 |
| – Retention creditors | 225 738 | 233 375 |
| – Amounts owning to joint venture partners | 298 363 | 118 329 |
| **Total financial instruments included in trade and other payables** | 3 072 097 | 3 025 699 |
| **Non-financial instruments** | | |
| – Advance payments received | 706 315 | 788 296 |
| **Total non-financial instruments included in trade and other payables** | 706 315 | 788 296 |
| | 3 778 412 | 3 813 995 |

R59,2 million of trade payables with payment terms greater than one year disclosed under non-current payables.

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.)

## 22. Contract related provisions

| R'000 | Contract provisions | Sundry provisions | Total |
|---|---|---|---|
| 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 |
| **Charged to the income statement** | 10 375 | 5 308 | 15 683 |
| **Provision utilised** | (29 687) | (7 132) | (36 819) |
| **Balance at 30 June 2012** | 44 957 | 14 337 | 59 294 |

**Contract provisions:**
Contract provisions include amounts for sub-contractor 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.

| R'000 | GROUP 2012 | Restated 2011 |
|---|---|---|
| **23. Employee benefits** | | |
| **23.1 Staff costs** | | |
| Wages, salaries and bonuses | 2 096 558 | 2 157 356 |
| Cost of share options | 29 093 | 41 132 |
| Pension costs – defined contribution plans (including industry plans) | 110 562 | 100 556 |
| Pension costs – defined benefit plan income | (3 413) | (2 730) |
| Service cost | 10 436 | 11 325 |
| Interest cost | 36 827 | 34 784 |
| Return on plan assets | (50 676) | (48 839) |
| | 2 232 800 | 2 296 314 |
| Average number of persons employed by the group during the year: | Number | Number |
| Full-time | 5 333 | 6 311 |
| Part-time | 5 081 | 5 129 |
| | 10 414 | 11 440 |
| South Africa | 7 662 | 8 968 |
| Over-border | 2 752 | 2 472 |
| | 10 414 | 11 440 |
| **23.2 Pension scheme** | | |
| The latest actuarial valuation of the group's defined benefit plan was carried out in March 2012 and was considered by the actuaries to be in a sound financial condition. | | |
| **23.2(i) A summary of the valuation is presented below:** | | |
| Present value of funded obligations | (408 530) | (431 490) |
| Fair value of plan assets | 550 427 | 557 597 |
| Surplus | 141 897 | 126 107 |
| Non-current assets | 137 049 | 121 339 |
| Current assets included in trade and other receivables | 4 848 | 4 768 |
| | 141 897 | 126 107 |
| | % | % |
| The principal assumptions used for accounting purposes were as follows: | | |
| Mortality tables | PA (90) | PA (90) |
| Discount rate | 8.70 | 9.15 |
| Expected return on assets | 9.60 | 9.60 |
| Future salary increases | 7.00 | 7.25 |
| Future pension increases | 3.52 | 4.00 |

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 gain of R15,7 million was realised in the current year and has been credited to the income statement. During the prior year a loss of R2,0 million was charged against the income statement. Based on the rules of the fund the company is required to recognise the full asset.

IFRIC Interpretation 14 provides guidance on how to assess the limit in IAS 19 on the amount of pension fund surplus that can be recognised as an asset, specifically in respect of statutory or contractual minimum funding requirements. The interpretation's requirements have been considered and applied in determining the pension fund surplus calculated as part of the fund's statutory actuarial valuation.

The trustees decided to outsource the fund's pensioners with effect from 1 March 2009. The entire assets in the fund attributable to pensioners as at 31 March 2009 has been utilised in this regard. The Section 14 transfer application to outsourcing active pensioners has been approved by the Financial Services Board and the pensioner assets and liabilities outsourced from the fund.

| R'000 | GROUP 2012 | GROUP 2011 |
|---|---|---|
| **23. Employee benefits** continued | | |
| **23.2 Pension scheme** continued | | |
| **23.2(ii) A reconciliation of the opening and closing balances of plan assets** | | |
| Opening value: 1 April | 557 597 | 548 129 |
| – Employee contributions | 2 236 | 2 315 |
| – Company contributions | 8 146 | 7 639 |
| – Benefit payments | (68 660) | (64 377) |
| – Expected returns (9.6% (2011: 9.4%) per annum) | 50 676 | 48 839 |
| – Expenses | (2 952) | (4 389) |
| – Actuarial gain for the year[1] | 3 384 | 19 441 |
| Closing value: 31 March | 550 427 | 557 597 |
| **23.2(iii) Reconciliation of the opening and closing balances of defined benefit obligations** | | |
| Projected benefit obligation (PBO): 1 April | 431 490 | 420 022 |
| – Service cost | 10 436 | 11 325 |
| – Employee contributions | 2 236 | 2 315 |
| – Benefit payments | (69 031) | (64 377) |
| – Interest cost 9.15% per annum (2011: 8.85%) | 36 827 | 34 784 |
| – Expenses | (2 952) | (4 389) |
| – Actuarial (gain)/loss for the year | (476) | 31 810 |
| Projected benefit obligation (PBO): 31 March | 408 530 | 431 490 |
| **23.2(iv) Plan assets and defined benefit obligation by category** | | |
| Assets | | |
| – Market value | 550 427 | 557 597 |
| Active member liabilities: | | |
| – Active members | 303 378 | 322 037 |
| Pensioner liabilities: | | |
| – Pensioners | 18 556 | 27 176 |
| | 18 556 | 27 176 |
| SAE surplus (surplus as at 29 February 2004 to be apportioned) | 86 596 | 82 277 |
| Total liabilities | 408 530 | 431 490 |
| Surplus | 141 897 | 126 107 |
| Funding level | 134.7% | 129.23% |
| **23.2(v) Net periodic pension cost** | | |
| Service cost (net of employee contribution) | 10 436 | 11 325 |
| Interest cost | 36 827 | 34 784 |
| Expected return on assets | (50 676) | (48 839) |
| Recognition of actuarial (gain)/loss[2] | (3 860) | 12 369 |
| Net periodic pension (gain)/cost | (7 273) | 9 639 |

(1) An actuarial gain arose during the year mainly due the actual investment return of 10.8% exceeding the expected investment return of 9.6% for the year ending 31 March 2012.

(2) The company's policy is to recognise actuarial gains or losses in full as they arise. The actuarial gain of R3,4 million (2011: R19,4 million gain) on the assets and the actuarial gain of R0,5 million (2011: R31,8 million loss) on the liabilities gave rise to an overall actuarial gain of R3,9 million (2011: R12,4 million loss) in the current year.

| R'000 | | GROUP 2012 | GROUP 2011 |
|---|---|---|---|
| **23.** | **Employee benefits** continued | | |
| **23.2** | **Pension scheme** continued | | |
| 23.2(vi) | Statement of financial position disclosure | | |
| | Projected benefit obligation (PBO) | 408 530 | 431 490 |
| | Market value of assets: 31 March | 550 427 | 557 597 |
| | Status of fund: over funding | (141 897) | (126 107) |
| | Assets | (141 897) | (126 107) |
| | Paragraph 58 limit | (141 897) | (126 107) |
| | Unrecognised due to paragraph 58 limit | – | – |
| | Asset recognised | (141 897) | (126 107) |
| | Recognised asset: 1 April | (126 107) | (128 107) |
| | Net periodic pension cost | (7 273) | 9 639 |
| | Company contributions | (8 517) | (7 639) |
| | Change in paragraph 58 unrecognised liability | – | – |
| | Recognised asset: 31 March | (141 897) | (126 107) |
| **23.3** | **Provision for employment obligations** | 33 935 | 26 756 |
| | The group's accrual for post-employment medical obligations of R33,9 million (2011: R26,7 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 % | 8.475 | 8.8 |
| | Mortality table | PA (90) | PA (90) |
| | Future salary increases % | 7.075 | 7.4 |

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 R161k (2011: R161k) 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.

## 23. Employee benefits continued

### 23.4 Employee share option schemes continued

#### 23.4.1 The Black Management Scheme (3.2% of enlarged share capital) continued

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 lapsed. There are no other conditions attached 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.

#### 23.4.3 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.

# 23. Employee benefits continued

## 23.4 Employee share option schemes continued

### 23.4.3 New management Incentive Scheme continued

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%** | 2 years – 33.3% |
| | **3 years – 75%** | 3 years – 66.6% |
| | **4 years – 100%** | 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 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 | (699 301) | 28,73 | (12 500) | 12,55 | (542 000) | 16,03 | (34 919) | – |
| Shares lapsed | (264 892) | 28,73 | – | – | (66 792) | 16,03 | – | – |
| **Balance at 30 June 2011** | 11 964 487 | 35,23 | 103 750 | 12,45 | 1 374 674 | 16,03 | 540 081 | – |
| New shares granted and accepted[1] | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Shares paid for | **–** | **–** | **–** | **12,55** | **(55 901)** | **16,03** | **(285 976)** | **–** |
| Shares lapsed | **(958 758)** | **33,68** | **–** | **–** | **(4 009)** | **16,03** | **–** | **–** |
| **Balance at 30 June 2012** | **11 005 729** | **35,37** | **103 750** | **12,45** | **1 314 764** | **16,03** | **254 105** | **–** |
| Number of shares vested and exercisable at 30 June 2012 | **6 392 431** | **35,37** | **103 750** | **12,45** | **617 868** | **16,03** | **254 105** | **n/a** |

| R'000 | Total | New Management Scheme | Previous Management Scheme | Black Management Scheme | Broad-based Scheme |
|---|---|---|---|---|---|
| **Cost of share options year ended 30 June 2012** | **29 093** | **19 329** | **–** | **9 764** | **–** |
| Cost of share options year ended 30 June 2011 | 41 132 | 30 242 | – | 10 890 | – |

The cost of share appreciation rights issued during the year ended 30 June 2012 and 30 June 2011 were costed using a Black-Scholes option model and the following factors:

| | **2012** | 2011 |
|---|---|---|
| • exercise price R[1] | **–** | 27,70 – 34,80 |
| • volatility %[1] | **–** | 25.49 – 24.75 |
| • risk free interest rate %[1] | **–** | 7.76 – 8.03 |

[1] No shares were issued during F2012 in terms of the provisions of the company's share incentive schemes.

| R'000 | GROUP 2012 | GROUP 2011 |
|---|---|---|
| **24. Related party transactions** | | |
| **24.1 Directors' and senior management emoluments** | | |
| **Executive directors (for individual details refer to the table on page 96 of Group Five's 2012 Integrated report available with the annual financial statements on the group's website)** | | |
| For management services, excluding incentives | 5 966 | 5 818 |
| Performance incentives | 7 805 | 10 649 |
| Paid by subsidiaries | (13 771) | (16 467) |
| | – | – |
| **Non-executive directors (for individual details refer to the table on page 96 of Group Five's 2012 integrated report available with the annual financial statements on the group's website)** | | |
| Directors' fees, other fees and expenses | 4 766 | 3 869 |
| Paid by subsidiaries | (4 766) | (3 869) |
| | – | – |
| **Prescribed officers (exco) (excluding executive directors) (for individual details refer to the table on page 97 of Group Five's 2012 integrated report available with the annual financial statements on the group's website)** | | |
| For management services | 16 483 | 16 554 |
| Performance incentives | 16 158 | 24 985 |
| Paid by subsidiaries | (32 641) | (41 539) |
| | – | – |
| **Senior management as depicted on group structure page 6 of the printed section of the integrated report (excluding exco members) (for individual details refer to the table on page 97 of Group Five's 2012 integrated report available with the annual financial statements on the group's website)** | | |
| For management services | 24 932 | 26 318 |
| Performance incentives | 15 272 | 25 121 |
| Paid by subsidiaries | (40 204) | (51 439) |
| | – | – |

Details of share options and share appreciation rights to Executive Directors and Prescribed Officers are disclosed on pages 97 to 101 of Group Five's integrated report available with the annual financial statements on the group's website.

## 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 and 21 of the annual financial statements.

## 24.3 Loan to Ilima

The capital amount outstanding on loans due by iLima Group (Pty) Ltd to the group as at 30 June 2011 amounted to R118 million. The total indirect financial assistance provided to iLima, in the form of bonds and guarantees, which remain in issue, amounts to R54 million (2011: R54 million). The direct financial assistance, reflected as a current asset at 30 June 2011. The receivable was realised on the return of the group's shares. These shares were held as security against the financial assistance provided to iLima.

| R'000 | GROUP 2012 | GROUP 2011 |
|---|---|---|
| **25. Commitments and contingencies** | | |
| **Fixed asset commitments** | | |
| Contracts placed | **48 237** | 27 871 |
| Capital expenditure approved by directors but not placed at 30 June | **345 353** | 175 874 |
| | **393 590** | 203 745 |
| 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 | **49 129** | 43 433 |
| Later than one year and not later than five years | **94 263** | 105 068 |
| Later than five years | **4 119** | 1 876 |
| | **147 511** | 150 377 |
| **Guarantees** | | |
| Total financial institution-backed guarantees provided to third parties on behalf of subsidiary companies amounted to R4 310 million (2011: R4 537 million). The directors do not believe any exposure to loss is likely. Total facilities in this regard amount to R10 147 million (2011: R9 047 million). | | |
| The issued guarantees have the following expiry dates: | | |
| Not later than one year | **3 295** | 1 243 |
| Later than one year and not later than five years | **958** | 3 203 |
| Later than five years | **57** | 91 |
| | **4 310** | 4 537 |

**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.

Refer to page 9 for an update on the Competition Commission investigation into the construction industry.

## 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 2012 the group's strategy, which remains unchanged, is to maintain the gearing ratio below 33%. The gearing ratio at 30 June 2012 and 2011 was as follows:

| R'000 | 2012 | 2011 |
|---|---|---|
| Total interest-bearing borrowings including bank overdrafts | 715 350 | 937 187 |
| Cash on hand | (2 268 226) | (2 234 779) |
| Net debt | (1 552 876) | (1 297 592) |
| Total equity | 1 808 736 | 2 148 130 |
| Gearing ratio | – | – |

## 26. Financial instruments continued

### 26.3 Categories of financial instruments

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 2012<br>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 | 11.2 | 8 314 | – | – | – | 8 314 | n/a |
| Investment in service concessions | 12 | – | 296 635 | – | – | 296 635 | 3 |
| Investments in property developments | 13 | – | 8 716 | – | – | 8 716 | 3 |
| Pension fund surplus – long term portion | 23.2 | – | 137 049 | – | – | 137 049 | 3 |
| Trade and other receivables – long term portion | 17 | 116 245 | – | – | – | 116 245 | n/a |
| Trade and other receivables – HFSA* | 33 | 39 913 | – | – | – | 39 913 | n/a |
| Trade and other receivables | 17 | 2 643 056 | 4 848 | – | – | 2 647 904 | n/a, 3 |
| Cash and cash equivalents | 30 | 2 268 226 | – | – | – | 2 268 226 | n/a |
| | | 5 075 754 | 447 248 | – | – | 5 523 002 | |

| 30 June 2012<br>R'000 | Note | Financial asset at amortised cost | Financial liabilities held for trading | Derivatives used for hedging | Total | Level |
|---|---|---|---|---|---|---|
| **Liabilities as per the statement of financial position** | | | | | | |
| Interest-bearing borrowings | 18.1 | 613 464 | – | – | 613 464 | n/a |
| Excess billings over work done | | 828 113 | – | – | 828 113 | n/a |
| Trade and other payables – long term portion | 21 | 59 270 | – | – | 59 270 | n/a |
| Trade and other payables – HFSA* | 33 | 85 115 | – | – | 85 115 | n/a |
| Trade and other payables | 21 | 3 072 097 | – | – | 3 072 097 | n/a |
| Current portion of interest-bearing borrowings | 18.1 | 63 240 | – | – | 63 240 | n/a |
| Current portion of interest-bearing borrowings – HFSA* | 33 | 37 456 | – | – | 37 456 | n/a |
| Short term borrowings | 18.6 | 38 646 | – | – | 38 646 | n/a |
| Short term borrowings – HFSA* | 33 | 4 532 | – | – | 4 532 | n/a |
| Derivative financial instruments | 19.2 | – | 854 | – | 854 | 2 |
| Bank overdrafts – HFSA* | 33 | 9 293 | – | – | 9 293 | n/a |
| | | 4 811 226 | 854 | – | 4 812 080 | |

* Non-current assets classified as held for sale and liabilities associated with non-current assets classified as held for sale.

## 26. Financial instruments continued

### 26.3 Categories of financial instruments continued

| 30 June 2011<br>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 | 11.2 | 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<br>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 statement of financial position** | | | | | | |
| 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 |
| | | 4 477 393 | – | – | 4 477 393 | |

## 26. Financial instruments continued

### 26.4 Financial risk factors continued

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 currency other than functional currency 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. Limited 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:

**Foreign currency risk**

| 30 June 2012<br>R'000 | Note | South African Rand | US Dollar | AED | Other | Total |
|---|---|---|---|---|---|---|
| **Assets as per the statement of financial position** | | | | | | |
| Investment in service concessions | 12 | – | – | – | 296 635 | 296 635 |
| Investments in property developments | 13 | 8 716 | – | – | – | 8 716 |
| Loan to associate | 11.2 | 8 314 | – | – | – | 8 314 |
| Pension fund surplus – long term portion | 23.2 | 137 049 | – | – | – | 137 049 |
| Trade and other receivables – long term portion | 17 | – | – | 116 245 | – | 116 245 |
| Trade and other receivables – HFSA* | 33 | 39 913 | – | – | – | 39 913 |
| Trade and other receivables | 17 | 1 738 696 | 410 391 | 253 131 | 245 686 | 2 647 904 |
| Cash and cash equivalents | 30 | 1 606 898 | 391 967 | 22 721 | 246 640 | 2 268 226 |
| | | 3 539 586 | 802 358 | 392 097 | 788 961 | 5 523 002 |
| **Liabilities as per the statement of financial position** | | | | | | |
| Interest-bearing borrowings | 18.1 | 613 464 | – | – | – | 613 464 |
| Derivative financial instruments | 19.2 | 854 | – | – | – | 854 |
| Excess billings over work done | | 505 938 | 276 751 | – | 45 424 | 828 113 |
| Trade and other payables | 21 | 2 229 280 | 353 384 | 115 357 | 374 076 | 3 072 097 |
| Trade and other payables – long term portion | 21 | – | – | 59 270 | – | 59 270 |
| Trade and other payables – HFSA* | 33 | 85 115 | – | – | – | 85 115 |
| Current portion of interest-bearing borrowings | 18.1 | 63 240 | – | – | – | 63 240 |
| Current portion of interest bearing borrowings – HFSA* | 33 | 37 456 | – | – | – | 37 456 |
| Short term borrowings | 18.6 | 38 646 | – | – | – | 38 646 |
| Short term borrowings – HFSA* | 33 | 4 532 | – | – | – | 4 532 |
| Bank overdrafts – HFSA* | 33 | 9 293 | – | – | – | 9 293 |
| | | 3 587 818 | 630 135 | 174 627 | 419 500 | 4 812 080 |
| Net exposure | | (48 232) | 172 223 | 217 470 | 369 461 | 710 922 |

* Non-current assets classified as held for sale and liabilities associated with non-current assets classified as held for sale.

## 26. Financial instruments continued

### 26.4 Financial risk factors continued

| 30 June 2011<br>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 | 11.2 | 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 | | 421 252 | 82 880 | 49 751 | 364 521 | 918 404 |

## 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:

| | 2012 | 2011 |
|---|---|---|
| ZAR: USD | 8.46 | 6.87 |
| ZAR: AED | 2.30 | 1.87 |

| | 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 |
|---|---|---|---|
| **As at 30 June 2012** | | | |
| **Net movement** | | 75 916 | (75 916) |
| *Current assets* | | 198 342 | (198 342) |
| Denominated functional currency | | | |
| ZAR: USD | 10% | 80 236 | (80 236) |
| ZAR: UAE | 10% | 39 210 | (39 210) |
| ZAR: OTHER | 10% | 78 896 | (78 896) |
| *Current liabilities* | | (122 426) | 122 426 |
| Denominated functional currency | | | |
| ZAR: USD | 10% | (63 013) | 63 013 |
| ZAR: UAE | 10% | (17 463) | 17 463 |
| ZAR: OTHER | 10% | (41 950) | 41 950 |
| **As at 30 June 2011** | | | |
| **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 |

## 26. Financial instruments continued

### 26.4 Financial risk factors continued

### Cashflow 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.

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:

| | | |
|---|---|---|
| Notional amount (R million) | 220 | 280 |
| Start date | 10 April 2012 | 11 April 2012 |
| End date | 10 April 2012 | 11 April 2017 |
| Group Five pays | 3 month Jibar | Fixed |
| | +175 basis points nacq paid quarterly | |

| Description (R'000) | Decrease in rate resulting in an increase in profit before taxations 2012 | 2011 | Increase in rate resulting in a decrease in profit before taxations 2012 | 2011 |
|---|---|---|---|---|
| Assuming 1% movement in JIBAR rate | 5 000 | 5 500 | (5 000) | (5 500) |
| Assuming 1% movement in SA Prime borrowing rate | 1 683 | 2 998 | (1 683) | (2 998) |

**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. With regards to 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 2012 or 30 June 2011.

## 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 |
|---|---|---|---|---|
| **2012** | **5** | **R472,0** | **17.0** | **5.4** |
| 2011 | 5 | R451,3 | 16.2 | 4.9 |

In the current year the amounts due by the top five debtors at 30 June as a percentage of trade and other receivables is 17.0% which is comparable to the 2011 reported results.

The group has the following credit risk per geographical segment:

| Region (R'000) | 2012 | 2011 |
|---|---|---|
| Central Africa | **259 662** | 192 053 |
| Eastern Africa | **30 034** | 45 824 |
| Eastern Europe | **23 018** | 62 180 |
| Middle East | **303 632** | 879 955 |
| Southern Africa | **1 894 784** | 1 557 072 |
| Western Africa | **156 850** | 49 834 |
| Total trade and other receivables | **2 667 980** | 2 786 918 |

Central Africa: Zambia, DRC

Eastern Africa: Malawi, Mauritius, Tanzania

Eastern Europe: Hungary, Poland

Middle East: Dubai, Abu Dhabi, Jordan, Qatar, Oman

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.

## 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 2012<br>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** | | | | | | | |
| Investment in service concessions | 12 | – | – | – | – | 296 635 | 296 635 |
| Investments in property developments | 13 | – | – | – | – | 8 716 | 8 716 |
| Loan to associate | 11.2 | – | – | 8 314 | – | – | 8 314 |
| Pension fund surplus – long term portion | 23.2 | – | – | – | – | 137 049 | 137 049 |
| Trade and other receivables | 17 | 1 394 824 | 1 253 080 | – | – | – | 2 647 904 |
| Trade and other receivables – long term portion | 17 | – | – | 55 116 | 61 129 | – | 116 245 |
| Trade and other receivables – HFSA* | 33 | 39 913 | – | – | – | – | 39 913 |
| Cash and cash equivalents | 30 | 2 268 226 | – | – | – | – | 2 268 226 |
| | | 3 702 963 | 1 253 080 | 63 430 | 61 129 | 442 400 | 5 523 002 |
| **Liabilities as per the statement of financial position** | | | | | | | |
| Interest-bearing borrowings | 18.1 | – | – | 399 893 | 355 930 | – | 755 823 |
| Excess billings over work done | | 278 705 | 549 408 | – | – | – | 828 113 |
| Trade and other payables | 21 | 1 869 724 | 1 202 373 | – | – | – | 3 072 097 |
| Trade and other payables – long term portion | 21 | – | – | 23 613 | 35 657 | – | 59 270 |
| Trade and other payables – HFSA* | 33 | 85 115 | – | – | – | – | 85 115 |
| Current portion of interest-bearing borrowings | 18.1 | 58 107 | 58 107 | – | – | – | 116 214 |
| Current portion of interest-bearing borrowings – HFSA* | 33 | 37 456 | – | – | – | – | 37 456 |
| Short term borrowings | 18.6 | – | 38 646 | – | – | – | 38 646 |
| Short term borrowings – HFSA* | 33 | 4 532 | – | – | – | – | 4 532 |
| Derivative financial instrument | 19.2 | – | 854 | – | – | – | 854 |
| Bank overdrafts – HFSA* | 33 | 9 293 | – | – | – | – | 9 293 |
| | | 2 342 932 | 1 849 388 | 423 506 | 391 587 | – | 5 007 413 |

* Non-current assets classified as held for sale and liabilities associated with non-current assets classified as held for sale.

## 26. Financial instruments continued

### 26.4 Financial risk factors continued

Liquidity risk continued

| 30 June 2011<br>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 | 11.2 | – | – | 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 |

### Managing of liquidity risk

The group manages liquidity risk by managing its working capital, capital expenditure and cash flows. In addition, detailed cash flow forecasts are regularly prepared and reviewed by Treasury. The cash needs of the group are managed according to its requirements. The group finances its operations through a mixture of retained earnings and short and long term bank funding. Adequate banking facilities and borrowing capacities are maintained.

| R'000 | | Note | GROUP 2012 | GROUP Restated 2011 |
|---|---|---|---|---|
| **27.** | **Cash from operations before working capital changes** | | | |
| | Profit before taxation | | 328 761 | 643 338 |
| | Adjustments for: | | | |
| | Depreciation | 8 | 165 356 | 167 875 |
| | Fair value adjustments | | (67 517) | (48 844) |
| | Foreign exchange (profits)/losses | | (9 582) | 10 035 |
| | Impairment/loss on sale of subsidiaries and joint ventures | 4.3 | 1 399 | 1 299 |
| | Loss on disposal of property, plant and equipment | | 6 515 | 2 195 |
| | Share options | 24.4 | 29 093 | 41 132 |
| | Finance cost/(income) – net | 5 | 3 800 | (36 960) |
| | Fair value loss/(profit) on forward exchange contracts and fair value hedge | 19.2 | 854 | (16 459) |
| | Share of profit from associates | | (1 163) | (820) |
| | Pension fund valuation (surplus)/deficit | | (15 710) | 2 000 |
| | Movement in provisions | | (17 114) | 5 188 |
| | | | 424 692 | 769 979 |
| **28.** | **Working capital changes** | | | |
| | Trade and other payables | | 508 449 | (1 750 542) |
| | Trade and other receivables | | (254 219) | 266 649 |
| | Contracts in progress | | (35 044) | 219 152 |
| | Inventories | | (64 726) | 24 738 |
| | | | 154 460 | (1 240 003) |
| **29.** | **Taxation paid** | | | |
| | Taxation owing at the beginning of the year | | (71 838) | (145 480) |
| | Charge per the income statement | | (106 032) | (158 143) |
| | Movement in deferred taxation | | 23 030 | (22 963) |
| | Transferred to non-current assets classified as held for sale | | 7 963 | – |
| | Taxation owing at the end of the year | | 38 956 | 71 838 |
| | Total paid during the year | | (107 921) | (254 748) |
| **30.** | **Cash and cash equivalents at end of year** | | | |
| | Bank balances and cash | | 2 268 226 | 2 234 779 |
| | Bank overdrafts | | – | – |
| | Cash and cash equivalents at end of year | | 2 268 226 | 2 234 779 |
| **31.** | **Non-cash transactions – cash flow statement** | | | |
| | Excluded from the cash flow statement are additions to fixed assets amounting to R35 million (2011: R38 million) which were funded by finance leases. | | | |
| **32.** | **Categorisation of cash and cash equivalents** | | | |
| | Cash and cash equivalents held by the group | | 1 769 380 | 1 330 924 |
| | Cash and cash equivalents held in incorporated and unincorporated joint ventures | | 498 846 | 903 855 |
| | | | 2 268 226 | 2 234 779 |

## 33. Non-current assets classified as held for sale and 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 relates to an amount outstanding in India with respect to the terminated operations and maintenance business which continues to proceed to arbitration. Although the claim continues to be actively managed through its arbitration process and the groups legal position is sound, due to the protracted timeframe required to settle this claim, the group impaired the full value of this amount.

During the year the board of directors approved the disposal of one of its investment properties. Refer to note 9. This asset and its related liabilities has been transferred to non-current assets classified as held for sale. The sale is expected to be completed by December 2012.

In addition, during the current year the board of directors resolved to dispose of the businesses that constitute the Construction Materials cluster. The Construction Materials businesses comprise of sand and aggregates, readymix and extenders and mining crushing services. The results of this cluster is thus reported as discontinued operations and the assets and related liabilities have been transferred to non-current assets classified as held for sale.

Two of the construction materials businesses previously reported as held for sale, Bernoberg and BGM, have been sold for a net profit of R1,4 million prior to year end.

The group is engaging with parties who have expressed an interest in the various remaining businesses and assets. An impairment has been recorded at year end to restate the sale assets to fair value less cost to sell. The sale of the remaining businesses is expected to be completed by December 2012.

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

| | GROUP | |
|---|---|---|
| R'000 | 2012 | 2011 |
| **Income statement relating to the discontinued operations that include Construction Materials and India claim:** | | |
| Revenue from discontinued operations | 309 743 | 434 233 |
| Operating loss before impairment adjustments | (81 129) | (65 238) |
| Impairment of non-current assets classified as held for sale | (415 414) | (562 460) |
| Operating loss after impairment adjustments | (496 543) | (627 698) |
| Finance costs – net | (7 442) | (18 600) |
| Loss before taxation | (503 985) | (646 298) |
| Taxation | 51 144 | 52 693 |
| **Net loss for the year from discontinued operations*** | (452 841) | (593 605) |
| * None of the loss for the year from discontinued operations is attributable to non-controlling interest. | | |
| Loss per share from discontinued operations (R) | (4,69) | (6,18) |
| Fully diluted loss per share from discontinued operations (R) | (4,69) | (6,18) |

| R'000 | GROUP 2012 | GROUP 2011 |
|---|---|---|
| **33. Non-current assets classified as held for sale and discontinued operations** continued | | |
| **Statement of financial position relating to the discontinued operations:** | | |
| **Non-current assets** | 207 852 | – |
| Property, plant and equipment | 155 401 | – |
| Investment Property | 52 058 | – |
| Deferred taxation | 393 | – |
| **Current assets** | 65 076 | 53 233 |
| Inventory | 25 163 | – |
| Trade and other receivables | 39 913 | 53 233 |
| **Non-current assets classified as held for sale** | 272 928 | 53 233 |
| **Non-current liabilities** | 37 670 | – |
| Interest-bearing borrowings | 28 627 | – |
| Provision for environmental rehabilitation | 9 043 | – |
| **Current liabilities** | 140 691 | – |
| Trade and other payables | 85 115 | – |
| Current taxation payable | 4 295 | – |
| Current portion of interest-bearing borrowings | 37 456 | – |
| Short term borrowings | 4 532 | – |
| Bank overdraft | 9 293 | – |
| **Liabilities directly associated with non-current assets classified as held for sale** | 178 361 | – |
| **Net assets** | 94 567 | 53 233 |
| **Cash flows relating to discontinued operations are presented below:** | | |
| Net cash outflow from operating activities | (18 290) | (25 240) |
| Net cash generated from investing activities | 19 184 | 4 560 |
| Net cash outflow from financing activities | (44 882) | (45 496) |
| Net funding from discontinued operations | (43 988) | (66 176) |
| **34. Dividends paid** | | |
| 34.1 2011 Final dividend paid: 20 cents (2010: 74 cents) per ordinary share | 19 309 | 70 974 |
| 34.2 2012 Interim dividend paid: 22 cents (2011: 52 cents) per ordinary share | 21 239 | 50 034 |
| | 40 548 | 121 008 |

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

On 3 August 2012, the directors proposed a final dividend of 14 cents per share in respect of the financial year ended 30 June 2012 which will absorb an estimated amount of R13,5 million of shareholders' funds. The dividend will be paid on 1 October 2012 to shareholders registered on the shareholder register on 28 September 2012. This dividend is not reflected in the group's annual financial statements. The total dividend for the financial year will thus be 36 cents per share (2011: 72 cents per share).

# Annexure 1 – Group segmental analysis

for the year ended 30 June 2012

Operating segments reflect the management structure of the group in the year under review 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.

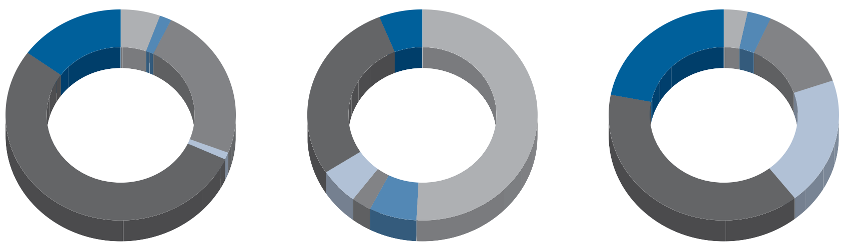
These operating segments for the year under review are listed below.

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 15 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 F2012 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 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| **Investments and Concessions** | 65 164 | 90 100 | 346 613 | 272 287 | 234 850 | 231 280 |
| Infrastructure Concessions | 50 401 | 34 075 | 306 710 | 260 109 | 118 916 | 147 205 |
| Property Developments | 14 763 | 56 025 | 39 903 | 12 178 | 115 934 | 84 075 |
| **Manufacturing** | 211 927 | 160 192 | 16 648 | 14 469 | 459 931 | 402 767 |
| **Construction Materials** | – | 574 879 | – | 7 806 | – | 168 731 |
| **Construction** | 616 301 | 605 286 | 237 590 | 111 298 | 2 803 249 | 2 760 195 |
| Building and Housing | 10 422 | 15 555 | 33 577 | 35 749 | 689 507 | 650 514 |
| Civil Engineering | 472 079 | 498 000 | 168 343 | 53 040 | 1 352 077 | 1 649 477 |
| Engineering | 133 800 | 91 731 | 35 670 | 22 509 | 761 665 | 460 204 |
| Total | 893 392 | 1 430 457 | 600 851 | 405 860 | 3 498 030 | 3 562 973 |

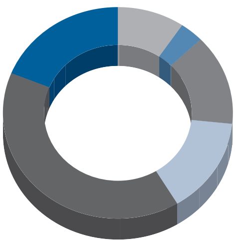
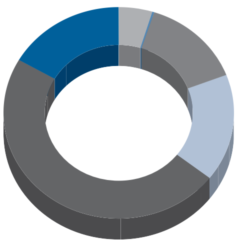
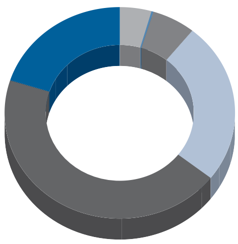
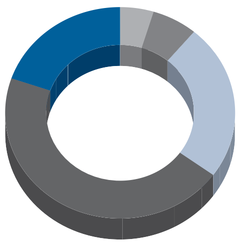
A description of the products and/or services provided by the segments is disclosed under the operational and financial review of this annual report.

The prior year comparatives have been restated to adjust for the exclusion of the construction materials business now restated as a discontinued operation and the inclusion of all fair value adjustments as these are deemed to be in the segments core operational control.

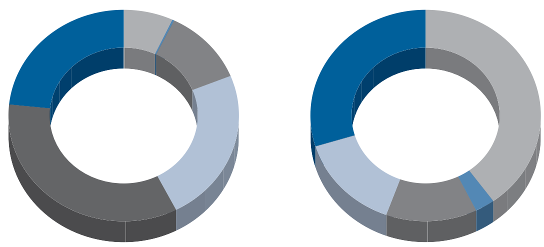
The balance sheet comparatives have not been restated as the Construction Materials cluster was only transferred to non-current assets classified as held for sale in December 2011.

## 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) | | Total liabilities (excluding deferred taxation, current taxation payable and liabilities associated with non-current assets classified as held for sale) | |
|---|---|---|---|---|---|---|---|
| 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| 646 627 | 593 667 | 36 996 | 20 115 | 225 404 | 296 260 | 262 400 | 316 375 |
| 476 027 | 441 389 | 35 407 | 867 | 224 747 | 230 735 | 260 154 | 231 602 |
| 170 600 | 152 278 | 1 589 | 19 248 | 657 | 65 525 | 2 246 | 84 773 |
| 688 506 | 577 428 | 99 232 | 39 515 | 295 033 | 256 605 | 344 265 | 296 120 |
| – | 751 416 | – | 72 376 | – | 219 533 | – | 291 909 |
| 3 657 143 | 3 476 779 | 574 441 | 141 696 | 4 248 122 | 4 341 518 | 4 822 563 | 4 483 214 |
| 733 506 | 701 818 | 117 999 | 4 424 | 1 184 508 | 1 410 284 | 1 302 507 | 1 414 708 |
| 1 992 502 | 2 200 517 | 339 494 | 134 486 | 2 122 484 | 2 271 495 | 2 461 978 | 2 405 981 |
| 931 135 | 574 444 | 116 948 | 2 786 | 941 130 | 659 739 | 1 058 078 | 662 525 |
| 4 992 273 | 5 399 290 | 710 669 | 273 702 | 4 768 559 | 5 113 916 | 5 479 228 | 5 387 618 |

## Income statement

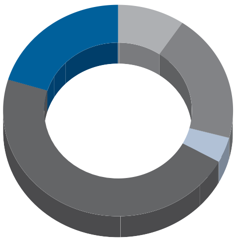
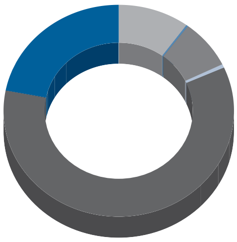
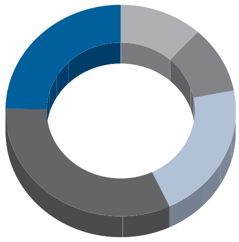



*Note:*
*Graphs represent F2012 values only.*

| R'000 | 2012 | Restated 2011 | 2012 | Restated 2011 |
|---|---|---|---|---|
| Investments and Concessions | 647 739 | 554 659 | 153 795 | 110 774 |
| Infrastructure Concessions | 619 915 | 522 870 | 143 708 | 105 641 |
| Property Developments | 27 824 | 31 789 | 10 087 | 5 133 |
| **Manufacturing** | 1 024 329 | 867 523 | 46 490 | 25 547 |
| Construction | 7 111 310 | 7 350 583 | 121 315 | 471 536 |
| Building and Housing | 2 065 972 | 2 143 004 | 52 133 | 134 506 |
| Civil Engineering | 2 997 747 | 3 548 361 | (37 541) | 227 723 |
| Engineering | 2 047 591 | 1 659 218 | 106 723 | 109 307 |
| Total | 8 783 378 | 8 772 765 | 321 600 | 607 857 |

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

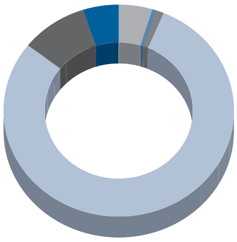
| Depreciation | Capital expenditure | Number of employees |
|---|---|---|
|  |  |  |

| 2012 | Restated 2011 | 2012 | 2011[1] | 2012 | Restated 2011 |
|---|---|---|---|---|---|
| 15 975 | 12 620 | 34 922 | 6 376 | 1 227 | 1 460 |
| 15 821 | 12 484 | 34 820 | 6 081 | 1 219 | 1 453 |
| 154 | 136 | 102 | 295 | 8 | 7 |
| 32 446 | 28 951 | 25 368 | 32 020 | 1 076 | 1 175 |
| 116 935 | 126 304 | 278 632 | 96 340 | 8 111 | 8 805 |
| 6 400 | 7 871 | 2 638 | 3 745 | 2 189 | 2 003 |
| 77 227 | 90 663 | 201 851 | 57 596 | 3 365 | 3 577 |
| 33 308 | 27 770 | 74 143 | 34 999 | 2 557 | 3 225 |
| 165 356 | 167 875 | 338 922 | 134 736 | 10 414 | 11 440 |

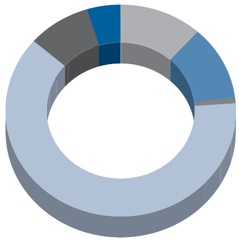
[1] Capital expenditure excludes Construction Materials spend of R15,6 million.

## Annexure 1 – Group segmental analysis
continued

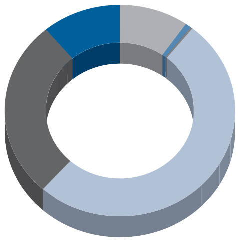
### Income statement
Revenue



### 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 F2012 values only.*

| R'000 | 2012 | Restated 2011 | 2012 | 2011 | 2012 | 2011 |
|---|---|---|---|---|---|---|
| Eastern Europe | **433 948** | 300 358 | **585 954** | 555 785 | **33 653** | 5 277 |
| Middle East | **43 805** | 405 211 | **573 531** | 1 173 574 | **2 706** | 28 469 |
| Eastern Africa | **85 986** | 25 550 | **39 914** | 47 186 | **660** | – |
| Southern Africa | **6 962 809** | 6 782 019 | **3 125 496** | 3 261 856 | **172 275** | 99 675 |
| Central Africa | **830 197** | 1 030 594 | **436 040** | 243 798 | **92 878** | 7 126 |
| Western Africa | **426 633** | 229 033 | **231 338** | 117 091 | **36 750** | 9 805 |
| Total | **8 783 378** | 8 772 765 | **4 992 273** | 5 399 290 | **338 922** | 150 352 |

# Annexure 2 – Company financial statements

at 30 June 2012

| R'000 | COMPANY 2012 | 2011 |
|---|---|---|
| **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 taxation | – | – |
| Total comprehensive income for the year | – | 133 000 |
| **Statement of financial position (refer notes that follow)** | | |
| Assets | | |
| Investment in subsidiaries | 830 390 | 959 790 |
| Other investments | – | – |
| | 830 390 | 959 790 |
| Equity and liabilities | | |
| Stated capital | 1 219 119 | 1 307 971 |
| Accumulated losses | (388 729) | (348 181) |
| | 830 390 | 959 790 |

## Statement of changes in equity

| | Number of ordinary shares | 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 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 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** |
| Issue of shares from share trust | – | 595 982 | 595 982 | – | – | |
| Cancellation of shares | (11 015 959) | 11 015 959 | – | (117 945) | – | (117 945) |
| Issue of shares in terms of BEE ownership in lieu of dividends | 183 622 | (183 622) | – | – | – | – |
| Share option costs | – | – | – | 29 093 | – | 29 093 |
| Dividends paid | – | – | – | – | (40 548) | (40 548) |
| **Balance at 30 June 2012** | **110 645 521** | **(14 044 760)** | **96 600 761** | **1 219 119** | **(388 729)** | **830 390** |

## Notes to the financial statements

| R'000 | COMPANY 2012 | COMPANY 2011 |
|---|---|---|
| **1. Principal accounting policies** | | |
| These financial statements should be read together with the group financial statements set out on pages 4 to 80. The accounting policies adopted are set out on page 18. | | |
| **2. Investment in subsidiaries** | | |
| Shares at cost | **382 747** | 382 747 |
| Amounts owing by subsidiaries | **447 543** | 577 043 |
| | **830 290** | 959 790 |

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 55 for details on guarantees issued.

The company also provides financial guarantees for certain exposures of its subsidiaries. The most significant one relates to Group Five Construction (Proprietary) Limited with respect to two unsecured bonds that were issued on 11 April 2012 totalling R500 million.

No fair value was attributed to these guarantees issued.

### 6. Related parties:

Subsidiaries: Refer to Annexure 3 for subsidiaries and loans to subsidiaries.
Joint ventures: Refer to Annexure 4.
Associates: Refer to Annexure 5.
Key management: Refer to note 24 of the group financial statements.

Apart from dividends received and loans granted to subsidiaries, were there no transactions with related parties.

# Annexure 3 – Interest in subsidiaries

at 30 June 2012

| Direct subsidiaries | Issued ordinary share capital 2012 Shares | 2011 Shares | Percentage held 2012 % | 2011 % | Shares at cost 2012 R'000 | 2011 R'000 | Amounts owing by subsidiaries 2012 R'000 | 2011 R'000 |
|---|---|---|---|---|---|---|---|---|
| Group Five Construction (Proprietary) Limited | 1 000 000 | 1 000 000 | 100 | 100 | 14 177 | 14 177 | 447 543 | 577 043 |
| Everite Limited | 51 191 400 | 51 191 400 | 100 | 100 | 368 570 | 368 570 | – | – |
| | | | | | 382 747 | 382 747 | 447 543 | 577 043 |

## Principal subsidiaries direct and indirect

Bernoberg Millings (Proprietary) Limited
BGM Company Limited
Cosmos Building Supplies (Proprietary) Limited
Everite (Proprietary) Limited
Everite Pipes (Proprietary) Limited
Group Five Al-Qathani Construction LLC
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 (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, Jordan, Dubai, Oman)
Group Five International (Proprietary) Limited (Tanzania branch)
Group Five Lesotho (Proprietary) Limited
Group Five Mauritius Limited
Group Five Oil & Gas (Proprietary) Limited
Group Five Plant & Equipment (Proprietary) Limited
Group Five Power Projects Limited (Nigeria)
Group Five Projects (Proprietary) Limited
Group Five Property Developments (Proprietary) Limited
Group Five Sierra Leone Ltd
Group Five Swaziland (Proprietary) Limited
Group Five Tanzania Limited
Group Five (Zambia) (Proprietary) Limited
Intertoll Holdings (Proprietary) Limited

## Nature of business

Manufacture of building products
Sold during the year
Plant ownership and hire
Infrastructural developments
Construction activities
Property developments
Infrastructure concessions
Construction material supply
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 R278,4 million loss (2011: R218,1 million loss) 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 2012

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 |
| GPS Joint Venture S.P.R.L | DRC | Construction | 33 |
| Group Five Al Ansari Joint Venture | Oman | Construction | 50 |
| Group Five – AP Investments (Proprietary) Limited | South Africa | Property Investments | 50 |
| Group Five Al-Qahtani Construction Company | Saudi Arabia | Construction | 65 |
| Group Five Construction LCC | UAE | Construction | 49 |
| Group Five Mid Contracting Joint Venture | Jordan | 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 |
| 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.

| R'000 | 2012 | 2011 |
|---|---|---|
| **Aggregate financial information** | | |
| **Statement of consolidated financial position as at 30 June** | | |
| Group's proportionate share of assets and liabilities: | | |
| Assets | | |
| Non-current assets | 60 396 | 121 402 |
| Current assets | 2 198 379 | 2 773 102 |
| Non-current assets classified as held for sale | 52 058 | – |
| | 2 310 833 | 2 894 504 |
| **Equity and liabilities** | | |
| Shareholders' equity | 784 593 | 930 644 |
| Non-current liabilities | 5 347 | 23 583 |
| Current liabilities | 1 457 927 | 1 940 277 |
| Liabilities associated with non-current assets classified as held for sale | 62 966 | – |
| | 2 310 833 | 2 894 504 |
| **Income statement for the year ended 30 June** | | |
| Group's proportionate share of income and expenditure: | | |
| Revenue | 1 663 589 | 2 758 692 |
| Profit before taxation | 20 562 | 423 964 |
| Taxation | (39 136) | (123 503) |
| (Loss)/profit after taxation | (18 574) | 300 461 |
| Dividends received | 282 393 | 305 309 |
| **Statement of cash flow for the year ended 30 June** | | |
| Group's proportionate share of cash flows | | |
| Cash flow from operating activities | (402 193) | (748 552) |
| Cash flow from investing activities | 8 949 | 44 626 |
| Cash flow from financing activities | 44 730 | 22 877 |
| Net decrease in cash and cash equivalents | (348 514) | (681 049) |

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

# Annexure 5 – Investment in associates

at 30 June 2012

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 shares held (%) | Carrying value 2012 R'000 | Carrying value 2011 R'000 |
|---|---|---|---|---|---|---|
| Amanz' Abantu Services (Proprietary) Limited | South Africa | Water Supply | 100 ordinary shares of R1 each | 25.5 | 3 379 | 7 816 |
| Jozi Power Limited | South Africa | Power Supply | 3 720 000 shares of USD 1 | 34.2 | 17 336 | 11 719 |
| Metsi Water and Sanitation Company (Proprietary) Limited | South Africa | Water Supply | 2 250 ordinary shares of R1 each | 15.0* | – | 72 |
| Kayema Energy Solutions (Proprietary) Limited | South Africa | Power Supply | 408 ordinary shares of R1 each | 25.1 | 40 | 63 |
| RFC Developments (Proprietary) Limited | South Africa | Property Development | 100 ordinary shares of R1 each | 14.0* | 3 060 | 3 060 |
| Enzani Technologies (Proprietary) Limited | South Africa | Power Supply | 240 ordinary shares of R1 each | 15.0* | 2 391 | – |
| Lesedi Nuclear Services (Proprietary) Limited | South Africa | Power Supply | 14 000 ordinary shares of R0.10 each | 16.05* | 16 000 | – |
| | | | | | 42 206 | 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 | 2012 | 2011 |
|---|---|---|
| **Aggregate financial information: unlisted investment in associates** | | |
| **Statement of consolidated financial position at 30 June** | | |
| Group's share of assets and liabilities | | |
| Assets | | |
| Non-current assets | 53 911 | 43 191 |
| Current assets | 60 221 | 9 343 |
| | 114 132 | 52 534 |
| **Equity and Liabilities** | | |
| Shareholder's interest | 33 789 | 18 140 |
| Non-current liabilities | 37 363 | 27 846 |
| Current liabilities | 42 980 | 6 548 |
| | 114 132 | 52 534 |
| **Income Statement for the year ended 30 June** | | |
| Group's share of income and expenditure | | |
| Revenue | 25 551 | 14 528 |
| Profit before taxation | 1 615 | 1 139 |
| Taxation | (452) | (319) |
| Profit after taxation | 1 163 | 820 |
| Dividends received | – | – |
| **Statement of cash flow for the year ended 30 June** | | |
| Group's share of cash flows | | |
| Cash flow from operating activities | (5 788) | 1 212 |
| Cash flow from investing activities | (4 173) | 9 799 |
| Cash flow from financing activities | 7 895 | (4 433) |
| Net (decrease)/increase in cash and cash equivalents | (2 066) | 6 578 |

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

# Annexure 6 – Analysis of shareholders

at 30 June 2012

| | No of shareholders | % | No of shares | % |
|---|---|---|---|---|
| **1. Shareholder spread** | | | | |
| 1 – 1 000 shares | 3 760 | 74.14 | 1 063 481 | 0.97 |
| 1 001 – 10 000 shares | 880 | 17.35 | 2 892 878 | 2.61 |
| 10 001 – 100 000 shares | 297 | 5.86 | 9 996 486 | 9.03 |
| 100 001 – 1 000 000 shares | 119 | 2.35 | 38 827 548 | 35.09 |
| 1 000 001 shares and over | 15 | 0.30 | 57 865 128 | 52.30 |
| **Totals** | **5 071** | **100.00** | **110 645 521** | **100.00** |
| **2. Distribution of shareholders** | | | | |
| Banks | 55 | 1.08 | 5 648 883 | 5.11 |
| Close corporations | 31 | 0.61 | 77 083 | 0.07 |
| Empowerment trusts | 2 | 0.04 | 14 044 286 | 12.69 |
| Endowment funds | 17 | 0.34 | 492 637 | 0.45 |
| Individuals | 4 235 | 83.51 | 5 170 687 | 4.67 |
| Insurance companies | 44 | 0.87 | 8 965 627 | 8.10 |
| Investment companies | 13 | 0.26 | 1 715 794 | 1.55 |
| Medical schemes | 11 | 0.22 | 376 266 | 0.34 |
| Mutual funds | 130 | 2.56 | 33 446 142 | 30.23 |
| Nominees & trusts | 308 | 6.07 | 1 314 479 | 1.19 |
| Other corporations | 17 | 0.34 | 18 586 | 0.02 |
| Private companies | 55 | 1.08 | 2 523 373 | 2.28 |
| Public companies | 5 | 0.10 | 60 263 | 0.05 |
| Retirement funds | 147 | 2.90 | 36 790 941 | 33.25 |
| Share trust | 1 | 0.02 | 474 | 0.00 |
| **Totals** | **5 071** | **100.00** | **110 645 521** | **100.00** |
| **3. Public/non-public shareholders** | | | | |
| Non-public shareholders | 11 | 0.22 | 14 303 971 | 12.93 |
| Directors of the company | 2 | 0.04 | 161 000 | 0.15 |
| Executive committee members of the company | 4 | 0.08 | 66 211 | 0.06 |
| Management committee members of the company | 2 | 0.04 | 32 000 | 0.03 |
| Empowerment trusts | 2 | 0.04 | 14 044 286 | 12.69 |
| Share trusts | 1 | 0.02 | 474 | 0.00 |
| Public shareholders | 5 060 | 99.78 | 96 341 550 | 87.07 |
| **Totals** | **5 071** | **100.00** | **110 645 521** | **100.00** |

| | No of shares | % |
|---|---|---|
| **4. Beneficial shareholders holding 5% or more** | | |
| Government Employees Pension Fund | 19 496 694 | 17.62 |
| Coronation Fund Managers | 13 708 595 | 12.39 |
| Mvelaphanda Group Ltd | 12 292 908 | 11.11 |
| Sanlam | 9 505 022 | 8.59 |
| **Totals** | **55 003 219** | **49.71** |
| **5. Directors of the company** | | |
| MR Upton | 160 000 | 0.14 |
| CMF Teixeira | 1 000 | 0.00 |
| **Totals** | **161 000** | **0.14** |

| | | No of shares | % |
|---|---|---|---|
| **6.** | **Executive committee members of the group** | | |
| | P Le Sueur | 44 000 | 0.04 |
| | AJ McJannet | 1 817 | 0.00 |
| | JA Wallace | 18 750 | 0.02 |
| | WI Zeelie | 1 644 | 0.00 |
| | **Totals** | **66 211** | **0.06** |
| **7.** | **Management committee members of the group** | | |
| | FH Enslin | 25 000 | 0.02 |
| | NM Humphreys | 7 000 | 0.01 |
| | **Totals** | **32 000** | **0.03** |
| **8.** | **Empowerment trusts** | | |
| | Mvelaphanda Group Ltd | 12 292 908 | 11.11 |
| | Black Management Scheme | 1 751 378 | 1.58 |
| | **Totals** | **14 044 286** | **12.69** |
| **9.** | **Share trust** | | |
| | Rivonia Share Scheme Services (Pty) Ltd | 474 | 0.00 |
| | **Totals** | **474** | **0.00** |

**10. Top twenty beneficial shareholders by size**

| Rank | Name of shareholder | No of shares | % |
|---|---|---|---|
| 1 | Government Employees Pension Fund | 19 496 694 | 17.60 |
| 2 | Group Five BEE Share Scheme Control Account | 14 044 286 | 12.64 |
| 3 | Coronation Fund Managers | 13 708 595 | 12.39 |
| 4 | Sanlam | 9 505 022 | 8.58 |
| 5 | Investment Solutions | 5 374 202 | 4.85 |
| 6 | Eskom Pension & Provident Fund | 3 197 588 | 2.89 |
| 7 | Old Mutual | 3 118 583 | 2.81 |
| 8 | Dimensional Fund Advisors | 2 288 407 | 2.07 |
| 9 | Ellerine Brothers | 2 144 991 | 1.94 |
| 10 | Absa | 2 072 478 | 1.87 |
| 11 | Metal & Engineering Industries | 2 066 585 | 1.87 |
| 12 | Allan Gray | 1 824 900 | 1.65 |
| 13 | Namibian Government Institutions Pension Fund | 1 356 255 | 1.22 |
| 14 | Transnet Pension Fund | 1 250 011 | 1.13 |
| 15 | Charlemagne Capital | 1 200 100 | 1.08 |
| 16 | Momentum Investments | 958 277 | 0.86 |
| 17 | Strategic Investment Service Management Company | 829 476 | 0.75 |
| 18 | PPS | 692 481 | 0.62 |
| 19 | Element Investment Managers | 681 379 | 0.61 |
| 20 | Mineworkers Provident Fund | 655 280 | 0.59 |
| **Totals** | | **86 465 590** | **78.02** |

**Top ten countries based on beneficial shareholders**

| Rank | Name of shareholder | No of shares | % |
|---|---|---|---|
| 1 | South Africa | 95 679 133 | 86.47 |
| 2 | USA | 4 371 589 | 3.95 |
| 3 | Namibia | 1 538 045 | 1.39 |
| 4 | Isle of Man | 906 492 | 0.82 |
| 5 | Ireland | 869 690 | 0.79 |
| 6 | Luxembourg | 319 225 | 0.29 |
| 7 | Botswana | 144 966 | 0.13 |
| 8 | Australia | 141 673 | 0.13 |
| 9 | Portugal | 129 000 | 0.12 |
| 10 | Bermuda | 80 000 | 0.07 |
| **Totals** | | **104 179 813** | **94.16** |

# 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 6 November 2012 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 2012, together with the directors' and independent auditors' reports and the audit committee's report.

2. **ORDINARY RESOLUTIONS NUMBER 2.1 TO 2.3: Re-election of directors**
   To re-elect by separate resolutions, directors of the company in accordance with the Companies Act 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:

   2.1 **ORDINARY RESOLUTION NUMBER 2.1**
   Stuart Morris who retires by rotation and being eligible offers himself for re-election; and

   2.2 **ORDINARY RESOLUTION NUMBER 2.2**
   Kalaa Mpinga who retires by rotation and being eligible offers himself for re-election.

   A brief CV in respect of each director standing for re-election appears on page 8 of this annual report as well as in the online section of the integrated report.

3. **ORDINARY RESOLUTION NUMBER 3: 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** an audit committee comprising independent, non-executive directors, as provided in section 94(4) of the Companies Act, set out below be and is hereby appointed by way of a separate resolution and in terms of section 94(2) of the Companies Act to hold office until the next annual general meeting and to perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and King III and to perform such other duties and responsibilities as may from time to time be delegated by the board of directors for the company and all subsidiary companies:

   3.1. SG Morris (chairperson);

   3.2. LE Bakoro (member);

   3.3. JL Job (member);

   3.4. OA Mabandla (member);

   3.5. KK Mpinga (member); and

   3.6. DDS Robertson (member)"

4. **ORDINARY RESOLUTION NUMBER 4: Appointment of group social and ethics committee members**
   "**RESOLVED THAT** a social and ethics committee, as provided in section 72(4) of the Companies Act and regulation 43 of the Companies Regulations, 2011 ("Regulations"), set out below be and is hereby appointed by way of a separate resolution and in terms of regulation 43(2) of the Regulations to hold office until the next annual general meeting and to perform the duties and responsibilities stipulated in regulation 43(5) of the Regulations and to perform such other duties and responsibilities as may from time to time be delegated by the board of directors for the company and all subsidiary companies:

   4.1. LE Bakoro (chairperson);

   4.2. OA Mabandla (member);

   4.3. MR Upton (member);

   4.4. C Teixeira (member);

   4.5. J Allie (member); and

   4.6. G Mottram (member)"

5. **ORDINARY RESOLUTION NUMBER 5: 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 on page 90 of this annual report."

6. **ORDINARY RESOLUTION NUMBER 6: Re-appointment of auditors**
   To re-appoint PricewaterhouseCoopers Inc., with the designated audit partner being Mr A 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.

7. **ORDINARY RESOLUTION NUMBER 7: 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."

8. **ORDINARY RESOLUTION NUMBER 8: Authority to sign all documents required**
   "**RESOLVED THAT** any one of the directors and/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 annual general meeting at which this resolution will be proposed."

9. **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 2013 be approved as follows:

| | F2013 | F2012 |
|---|---|---|
| Main board – chairperson | R782 800 | R739 450 |
| Main board – non-executive director | R195 500 | R184 440 |
| Lead independent director | R337 000 | R318 000 |
| Audit committee – chairperson | R195 000 | R184 440 |
| Audit committee – member | R98 000 | R92 430 |
| Remuneration committee – chairperson | R130 400 | R92 430 |
| Remuneration committee – member | R68 600 | R64 660 |
| Risk committee – chairperson | R130 400 | R122 960 |
| Risk committee – member | R68 600 | R64 660 |
| Nominations committee – member | R51 700 | R48 760 |
| Social and ethics committee – chairperson | R130 400 | R122 960 |
| Social and ethics committee – member | R68 600 | R64 660 |
| Extraordinary services – per hour | R2 800 | R2 650 |

10. **SPECIAL RESOLUTION NUMBER 2: General authority to repurchase shares**

**"RESOLVED THAT,** subject to compliance with the 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% (twenty percent) 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% (ten percent) 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% (twenty percent) 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;
- the recognised and measured assets of the company and the group in accordance with the accounting policies used in the latest audited annual group financial statements, 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;
- an announcement will be made when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter;
- 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 section 46 of the Companies Act, and stating that the board has acknowledged that it has applied the solvency and liquidity test as set out in section 4 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.

## Disclosures required in terms of the JSE Listings Requirements

The following information is provided in accordance with paragraph 11.26 of the JSE Listings Requirements and relates to Special Resolution number 2 above.

## Litigation statement

Other than disclosed or accounted for in the annual financial statements, the directors of the company, whose names are given on page 8 of this report, are not aware of any legal or arbitration proceedings, pending or threatened against the group, which may have or have had a material effect on the group's financial position in the 12 months preceding the date of this notice of annual general meeting.

## Directors' responsibility statement

The directors, whose names are given on page 8 of this report, collectively and individually accept full responsibility for the accuracy of the information given in 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 statements false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this resolution and additional disclosure in terms of paragraph 11.26 of the JSE Listings Requirements pertaining thereto contain all information required by law and the JSE Listings Requirements.

## Material changes

Other than the facts and developments reported on in these annual financial statements, there have been no material changes in the affairs, financial or trading position of the group since the signature date of this annual report and the posting date thereof.

The following disclosures required in terms of the JSE Listings Requirements are set out in accordance with the reference pages in the report of which this notice forms part

- directors and management (pages 6 and 8);
- major shareholders of the company (page 123);
- directors' interests in securities (page 122); and
- share capital of the company (page 117)

11. **SPECIAL RESOLUTION NUMBER 3: General authority to provide financial assistance to related companies and inter-related companies**
    **"RESOLVED** as a special resolution in terms of the Companies Act that the provision by the company of any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any 1 (one) or more related or inter-related companies of the company, be and is hereby approved, provided that:
    1. (i) the specific recipient or recipients of such financial assistance;
       (ii) the form, nature and extent of such financial assistance;
       (iii) the terms and conditions under which such financial assistance is provided
       are determined by the board of directors of the company from time to time;
    2. the board has satisfied the requirements of section 45 of the Companies Act in relation to the provision of any financial assistance;
    3. such financial assistance to a recipient thereof is, in the opinion of the board of directors of the company, required for the purpose of
       (i) meeting all or any of such recipient's operating expenses (including capital expenditure), and/or
       (ii) funding the growth, expansion, reorganisation or re-structuring of the businesses or operations of such recipient; and/or
       (iii) any other purpose, which in the opinion of the board of directors of the company, is directly or indirectly in the interests of the company; and
    4. the authority granted in terms of this special resolution shall end 2 (two) years from the date of adoption of this special resolution."

## 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.

12. **SPECIAL RESOLUTION NUMBER 4: Adoption of Memorandum of Incorporation**
    **"RESOLVED** to approve a new Memorandum of Incorporation, which has been harmonised with the Companies Act and schedule 10 of the JSE Listings Requirements."

    The Memorandum of Incorporation has been initialled by the chairman for identification purposes and is available for inspection at the registered office of the company at 371 Rivonia Boulevard, Rivonia, Sandton 2128, during normal office hours from the date of issue of this notice of annual general meeting up to and including the date of the annual general meeting or any adjourned meeting.

    The minimum percentage of voting rights that is required for this special resolution to be adopted, is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

    A summary of the new Memorandum of Incorporation is attached to this notice of the annual general meeting as Annexure 1.

13. **To transact such other business as may be transacted at an annual general meeting.**

## Record date

The board of directors of the company have set 10:00 Friday, 26 October 2012, 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.

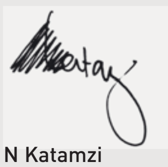
## Dematerialised shareholders

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 de-materialised 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 Friday, 2 November 2012. 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
3 August 2012

**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

# Form of proxy

## Group Five Limited

(Registration number 1969/000032/06)
(Incorporated in the Republic of South Africa)
Share code: GRF ISIN Code: ZAE000027405
("Group Five" or "the company" or "the group")

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, 6 November 2012 ("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 note1):

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 |
|---|---|---|---|
| 1. **Ordinary Resolution number 1:** Receive, consider and approve the annual financial statements for the year ended 30 June 2012 | | | |
| 2. **Ordinary Resolution number 2:** Re-election of directors<br>2.1. Re-election of SG Morris as director<br>2.2. Re-election of KK Mpinga as director | | | |
| 3. **Ordinary Resolution number 3:** Appointment of group audit committee members:<br>3.1. election of SG Morris as member and chairperson of group audit committee<br>3.2. election of LE Bakoro as member of group audit committee<br>3.3. election of JL Job as member of group audit committee<br>3.4. election of OA Mabandla as member of group audit committee<br>3.5. election of KK Mpinga as member of group audit committee<br>3.6. election of DDS Robertson as member of group audit committee | | | |
| 4. **Ordinary Resolution number 4:** Appointment of group social and ethics committee members:<br>4.1. election of L Bakoro as member and chairperson of group social and ethics committee<br>4.2. election of OA Mabandla as member of social and ethics committee<br>4.3. election of MR Upton as member of social and ethics committee<br>4.4. election of C Teixeira as member of social and ethics committee<br>4.5. election of J Allie as member of social and ethics committee<br>4.6. election of G Mottram as member of social and ethics committee | | | |
| 5. **Ordinary Resolution number 5:** Approval of remuneration policy | | | |
| 6. **Ordinary Resolution number 6:** Re-appointment of auditors | | | |
| 7. **Ordinary Resolution number 7:** Control of authorised but unissued shares | | | |
| 8. **Ordinary Resolution number 8:** Authority to sign all documents | | | |
| Special business<br>9. **Special Resolution number 1:** Authorisation of non-executive directors' remuneration | | | |
| 10. **Special Resolution number 2:** General authority to repurchase shares | | | |
| 11. **Special Resolution number 3:** General authority to provide financial assistance to related companies and inter-related companies | | | |
| 12. **Special Resolution number 4:** Adoption of Memorandum of Incorporation | | | |

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 2012

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 authorised representative from attending the meeting, speaking and voting instead of such duly appointed proxy.
10. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company.
11. Where there are joint holders of any shares:
    - any one holder may sign this form of proxy; and
    - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

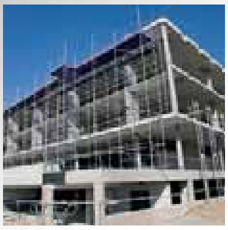
**Registered office**
371 Rivonia Boulevard
Rivonia Ground Floor
Sandton
2128

PO Box 3951
Rivonia 2128

**Transfer secretaries**
Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg
2001

PO Box 61051
Marshalltown 2107

GROUP FIVE
structured ingenuity



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Fax: +27 11 803 5829 | email: info@groupfive.co.za

www.groupfive.co.za