



# SUPPLEMENTARY INFORMATION TO THE INTEGRATED ANNUAL REPORT

# 2013

# 01

SECTION 1

# Introduction

# STAKEHOLDER ENGAGEMENT

The group canvassed stakeholders on their information needs. By concentrating on key stakeholder requests, we were able to further refine our disclosure. The reader will find actual questions submitted by key stakeholders throughout the integrated annual report, with management's responses. This spread outlines the key stakeholder issues raised.

## Employees

| Communication channels | Key issues raised |
|---|---|
| • Group Five Intranet<br>• Internal magazine and newsflashes<br>• Bulk mobile communications<br>• Bi-annual CEO feedback<br>• Management feedback at monthly team meetings<br>• Annual employee survey | • Requirement for more group updates on matters such as new contract awards<br>• Competition Commission issues and the group's position<br>• Policies, practices and employee benefit information<br>• Remuneration practices<br>• The group's new head office programme<br>• Structural changes and new appointments<br>• Health and safety issues<br>• Access to service providers and services offered<br>• The ability of the company to continue its employee value proposition, including training and quality of leadership and management<br>• Company and team performance<br>• Transformation and broad-based black economic empowerment transaction<br>• Job security<br>• Communication, rewards and recognition<br>• Management style<br>• Change management |

## Shareholders, analysts and media

| Communication channels | Key issues raised |
|---|---|
| • Stock exchange news service (SENS)<br>• Annual investor and financial analysts and media day<br>• Integrated annual report and supplementary information, including detailed annual financial statements<br>• One-on-one meetings with management throughout the year<br>• Investor conferences<br>• Results presentations and question and answer sessions<br>• Site visits<br>• Telephonic conferencing with shareholders<br>• Website | • Financial measures, such as order book, margins, cash flows and cost management<br>• Levels of executive remuneration<br>• Risks posed by current labour unrest and unrealistic demands<br>• Competition Commission outstanding fines and risk of further legal action from other parties<br>• How the multi-disciplinary full-service approach will create value<br>• Update on discontinued operations<br>• African strategy and requirement to set up a permanent presence<br>• Effect of carbon tax on operations<br>• Update on the exit from the Middle East<br>• Update on the renewable energy independent power programme 2 & 3<br>• BBBEE ownership elements and potential dilution |

## Financial institutions (debt providers) and credit rating agencies

| Communication channels | Key issues raised |
|---|---|
| • Annual credit reviews<br>• Results presentations and question and answer sessions<br>• Management access to relationship managers<br>• Detailed annual financial statements<br>• One-on-one meetings with management throughout the year | • Labour unrest<br>• Loss-making ratio and loss-making contracts<br>• Risk-bearing capacity and controls in place with early warning systems and lessons learnt<br>• Risk management, including sub-contractors and African strategy<br>• Protection of capital and equity investments into Africa<br>• Risk of changed balance sheet structure and weakening of liquidity profile following limited market activity<br>• Managing the operational losses and the impairment in Construction Materials<br>• Managing the Middle East<br>• Managing contingent risks<br>• Competition Commission process |

## Insurers

| Communication channels | Key issues raised |
|---|---|
| • Annual insurance review<br>• Management access by request<br>• Case matters | • Change in risk profile as business offering changes from single discipline to multi-disciplinary, as well as an increase in different offerings such as engineer, procure and construct (EPC) contracting<br>• Protection of capital investments into Africa |

## Regulatory bodies

| Communication channels | Key issues raised |
|---|---|
| • South African Revenue Services – proactive annual review meetings<br>• Annual Department of Labour BBBEE review<br>• South Africa Reserve Bank – mandatory application submissions and voluntary annual engagement meeting | • Transparent disclosure on levels of compliance with regulations<br>• Evidence of transformation in line with commitments, both in terms of BBBEE and employment equity |

## Government

| Communication channels | Key issues raised |
|---|---|
| • Regular engagement through the group's government relations manager<br>• One-on-one meetings with various key officials in government and state-owned enterprises<br>• Annual programme of engagements at executive and board level<br>• Participation in government publications<br>• Collaboration in various government programmes and socio-economic development initiatives<br>• Website communications | • Perception of lack of transformation and commitment to empowering/developing black companies and small and medium enterprises<br>• Low trust levels/poor co-operation between government and business, particularly after the Competition Commission findings in the industry<br>• Job creation and youth unemployment<br>• Extent of skills transfer and development<br>• Delivery of the infrastructure development programme and delays in implementation and need for defining funding models |

## Suppliers

| Communication channels | Key issues raised |
|---|---|
| • Annual supplier day<br>• Supplier development programme<br>• Formalised enterprise development programme<br>• Daily interaction on progress in line with project management principles | • Group strategy and opportunities for growth with the group<br>• Extent of enterprise development initiatives<br>• Earlier engagement on project management actions |

## Clients

| Communication channels | Key issues raised |
|---|---|
| • Contract meetings<br>• Face-to-face meetings<br>• Participation in trade media<br>• Participation in trade events and speaking engagements<br>• Strategic business development resources and planned engagements<br>• Annual client networking function<br>• Presentations<br>• Website communications | • Competition Commission findings, with clients reacting strongly in terms of past collusion<br>• The group's ability to manage labour volatility on sites<br>• Public sector client focus on BBBEE credentials, specifically black leadership, women-owned businesses, enterprise development and supply chain development<br>• Execution and delivery performance track record<br>• The group's ability to deliver large, complex and EPC contracts<br>• Safety credentials and track record<br>• The group's appetite to take on a project development role with equity and operations and management responsibility<br>• International strategy, particularly African capabilities<br>• The group's ability to bring funding and implementation capability to African infrastructure delivery<br>• Strategy and capacity around renewable energy and nuclear contracts |

Tonkolili Iron Ore, stage 1b scrubber, Sierra Leone

# ASSURANCE

Group Five employs a combined assurance model, which seeks to optimise the assurance obtained from management, internal audit and external assurance providers.


**The main areas of assurance delivered by the three providers include:**

**Management**

Provide the board with assurance that it has:
- implemented and monitored the group's risk controls,
- including adequate policies and procedures,
- and that these are active on a day-to-day basis

Management are responsible for monitoring and implementing all necessary controls

**Internal audit**

The internal audit function is overseen by the group's audit committee
Its responsibility is to assess the effectiveness of:
- the group's system of internal control
- the group's risk management practices

**External assurance**

The group receives external assurance on a number of aspects deemed significant to the business. These are listed on page 118 of the group's integrated annual report. These are:

| | |
|---|---|
| PricewaterhouseCoopers Inc. | Value of construction work secured to be executed<br>Extent of construction contract profitability<br>Economic value added<br>Fair presentation in all material aspects – financial position and performance of the group and company |
| DEKRA | Quality systems<br>Lost-time injury frequency rate<br>Health and safety procedures and policies<br>Safety systems<br>Environmental audits |
| Promethium Carbon | Carbon emissions |
| BEE Verification Agency cc | BBBEE credentials<br>Training and HR systems |
| Heindrick & Struggles | Board review |
| Janette Minnaar, contractor to the Ethics Institute of South Africa | Ethics training |

## ENGAGEMENT WITH THE AUDIT COMMITTEE

**During the year:**

The group's combined assurance risk plan (GCARP) was presented to the audit committee for review in August 2012.

The committee reviewed the plan and assessed it for completeness.

Subject to the adjustment of the plan for specific additional risks identified, the committee approved the plan.

The finalised GCARP was ratified at the November 2012 audit committee meeting, including the controls to be implemented to ensure risks are managed and monitored The key risks identified within the GCARP include:

- Resilience and relevance of strategy
- Business structure to support the strategy
- Transformation
- Resource management
- Execution risk
- Over-border complexity
- Market conditions
- Ensuring return on investment

These key risks were employed in the determination of the material issues to be addressed within this year's integrated annual report.

## THE GROUP'S RISK DEPARTMENT

**The audit committee agreed that the group's risk department:**

Will be responsible for the roll out of the combined assurance risk plan to each business.

Should oversee the implementation of the documented controls.

Should ensure its continued management.

## THE GROUP'S EXECUTIVE COMMITTEE

**The group's executive committee assumed responsibility for the implementation of the GCARP, including:**

The continual assessment of key risks.

The implementation of the risk action plans use to mitigate risks allocated to the three levels of defence established.

## IMPLEMENTATION OF THE PLAN

**During the third quarter of F2013, the GCARP was firstly implemented within the Construction and Engineering & Construction (E+C) clusters due to their materiality to the group. This process included:**

Ensuring management were made aware of the GCARP and group risks identified – *"the top down approach"*.

Evaluating adequacy of action plans in place within the business to address risks through feedback from operational management.

Implementing the group-determined action plans where action plans were not already implemented. Ensuring that significant risks identified by business segment management were included within the GCARP – *"the bottom up approach"*.

The GCARP will be introduced and presented to the Manufacturing and Investments and Concessions clusters in the first quarter of F2014. The same process will be followed to that of Construction and E+C.

An updated GCARP that will include the risks identified by the business segments will be completed in F2014.

This will include the presentation of the group's combined assurance processes plan, which details the key processes within the group.

**Some of the key processes include:**

Mergers and acquisitions.

Human capital management.

Commercial and risk management.

Regulatory compliance.

Treasury management.

Environmental compliance.

## INTERNAL AUDIT

Internal audit was tasked with undertaking a review of business segments' progress against implementation of the GCARP action plans during F2013. A key focus will be to ensure that the quality of assurance provided by the group's three levels of defence remains acceptable to mitigate identified risks.

# 02

SECTION 2

# Year under review

# TEN YEAR REVIEW

| (R'000) | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| **GROUP INCOME STATEMENT** | | | | |
| **Revenue – continuing operations** | **11 130 863** | 8 783 378 | 8 772 765 | 10 845 728 |
| Operating profit | **555 867** | 331 398 | 605 558 | 870 241 |
| Other (expenses)/income – net | **–** | – | – | – |
| Share of profit/(loss) from associates | **10 936** | 1 163 | 820 | 1 347 |
| Finance (cost)/income – net | **(8 265)** | (3 800) | 36 960 | 42 541 |
| Profit before taxation | **558 538** | 328 761 | 643 338 | 914 129 |
| Taxation | **(211 884)** | (106 032) | (208 777) | (256 753) |
| **Profit from continuing operations** | **346 654** | 222 729 | 434 561 | 657 376 |
| **GROUP STATEMENT OF FINANCIAL POSITION** | | | | |
| Interest of equity holders of parent | **2 154 544** | 1 808 736 | 2 148 130 | 2 486 357 |
| Non-controlling interest | **71 855** | 67 968 | 117 565 | 75 055 |
| **Total equity** | **2 226 399** | 1 876 704 | 2 265 695 | 2 561 412 |
| Non-current liabilities | **801 645** | 726 590 | 319 529 | 908 189 |
| Liabilities directly associated with non-current assets classified as held for sale | **31 054** | 178 361 | – | – |
| Current liabilities | **5 744 941** | 4 807 515 | 5 185 754 | 6 480 793 |
| **Total liabilities** | **6 577 640** | 5 712 466 | 5 505 283 | 7 388 982 |
| Non-current assets | **1 699 584** | 1 549 986 | 1 919 993 | 2 658 352 |
| Non-current assets classified as held for sale | **108 177** | 272 928 | 53 233 | 65 153 |
| Current assets | **6 996 278** | 5 766 256 | 5 797 752 | 7 226 889 |
| **Total assets** | **8 804 039** | 7 589 170 | 7 770 978 | 9 950 394 |

| 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| 11 418 919 | 8 210 358 | 7 458 087 | 5 864 721 | 4 508 285 | 3 809 917 |
| 757 065 | 605 178 | 369 713 | 268 722 | 158 078 | 153 230 |
| – | – | – | (97 420) | 1 640 | (5 727) |
| (69) | 140 | – | – | – | – |
| (14 835) | (73 739) | (41 268) | (30 329) | (25 922) | (29 780) |
| 742 161 | 531 579 | 328 445 | 140 973 | 133 796 | 117 723 |
| (213 409) | (170 533) | (117 003) | (62 754) | (26 199) | (22 294) |
| 528 752 | 361 046 | 211 442 | 78 219 | 107 597 | 95 429 |
| 2 373 477 | 2 006 664 | 1 612 587 | 681 257 | 596 912 | 479 618 |
| 34 366 | 16 517 | 9 335 | 1 762 | 4 306 | 11 447 |
| 2 407 843 | 2 023 181 | 1 621 922 | 683 019 | 601 218 | 491 065 |
| 959 936 | 1 172 949 | 996 622 | 161 669 | 148 634 | 139 927 |
| – | – | – | 148 285 | 118 205 | 121 673 |
| 7 005 091 | 6 053 616 | 4 269 230 | 3 911 429 | 1 983 247 | 1 591 731 |
| 7 965 027 | 7 226 565 | 5 265 852 | 4 221 383 | 2 250 086 | 1 853 331 |
| 2 839 542 | 2 568 961 | 2 098 216 | 792 634 | 675 667 | 588 973 |
| 81 170 | 135 760 | 163 967 | 338 667 | 249 442 | 244 507 |
| 7 452 158 | 6 545 025 | 4 625 591 | 3 773 101 | 1 926 195 | 1 510 916 |
| 10 372 870 | 9 249 746 | 6 887 774 | 4 904 402 | 2 851 304 | 2 344 396 |

# KEY RATIOS

**Group performance indicators**

| R'000 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| **REVENUE** | | | | |
| **Investments and Concessions** | **728 517** | 647 739 | 554 659 | 591 871 |
| **Engineering & Construction** | **1 170 220** | 631 180 | 493 635 | 807 205 |
| **Manufacturing** | **1 061 257** | 1 024 329 | 867 523 | 866 221 |
| **Construction** | **8 170 869** | 6 480 130 | 6 856 948 | 8 580 431 |
| Buildings and Housing | **3 236 000** | 2 065 972 | 2 143 004 | 3 186 142 |
| Civil Engineering | **3 217 121** | 2 997 747 | 3 548 361 | 4 713 487 |
| Projects | **1 717 748** | 1 416 411 | 1 165 583 | 680 802 |
| **Total revenue – continuing operations** | **11 130 863** | 8 783 378 | 8 772 765 | 10 845 728 |
| **OPERATING PROFIT** | | | | |
| **Investments and Concessions** | **173 216** | 153 570 | 108 381 | 88 458 |
| **Engineering & Construction** | **29 907** | 6 167 | (778) | 25 546 |
| **Manufacturing** | **77 793** | 43 480 | 25 392 | 86 812 |
| **Construction** | **274 951** | 128 181 | 472 563 | 669 425 |
| Building and Housing | **42 954** | 57 076 | 134 530 | 236 620 |
| Civil Engineering | **113 881** | (33 197) | 227 889 | 310 655 |
| Projects | **118 116** | 104 302 | 110 144 | 122 150 |
| **Total operating profit – continuing operations** | **555 867** | 331 398 | 605 558 | 870 241 |
| Total operating profit margin (%) | **5.0** | 3.8 | 6.9 | 8.0 |
| Over border revenue (%) | **32** | 26 | 25 | 20 |
| Cash generated/(utilised) – millions | **710** | 24 | (871) | 327 |
| **SHAREHOLDER RETURNS** | | | | |
| Earnings/(loss) per share (R) | **2,79** | (2,88) | (2,27) | 2,80 |
| Headline earnings per share (R) | **2,98** | 1,16 | 3,26 | 6,14 |
| Earnings per share (R) – continuing operations | **3,28** | 1,81 | 3,91 | – |
| Dividend per share (cents) | **67,0** | 36,0 | 72,0 | 137,0 |
| Net asset value per share (R) | **21,65** | 18,72 | 22,38 | 26,08 |
| **MARKET INDICATORS** | | | | |
| Market price – high (R) per share | **38,04** | 32,00 | 41,00 | 45,20 |
| Market price – low (R) per share | **22,05** | 21,80 | 24,40 | 31,50 |
| Market price – year end (R) per share | **36,70** | 22,76 | 29,90 | 34,50 |
| Market capitalisation – year end (R'millions) | **4 079,2** | 2 518,2 | 3 632,2 | 4 171,5 |
| Value of share traded (R'000) | **1 392 096** | 1 083 159 | 1 719 970 | 2 900 378 |
| Number traded (R'000) | **44 197** | 43 234 | 51 951 | 79 130 |

| 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| 626 795 | 581 685 | 533 800 | 316 217 | 227 290 | 227 355 |
| 980 374 | 409 235 | - | - | - | - |
| 816 132 | 554 656 | 523 768 | 472 975 | 446 308 | 358 296 |
| 8 995 618 | 6 664 782 | 6 400 519 | 5 075 529 | 3 834 687 | 3 224 266 |
| 2 899 773 | 2 848 795 | 3 121 921 | 2 788 466 | 2 268 610 | 1 917 554 |
| 4 633 259 | 2 964 184 | 2 484 293 | 1 662 700 | 1 051 679 | 986 836 |
| 1 462 586 | 851 803 | 794 305 | 624 363 | 514 398 | 319 876 |
| 11 418 919 | 8 210 358 | 7 458 087 | 5 864 721 | 4 508 285 | 3 809 917 |
| 97 605 | 164 946 | 66 711 | 65 453 | 59 770 | 66 637 |
| 43 161 | 16 789 | - | - | - | - |
| 85 964 | 56 211 | 66 519 | 60 205 | 36 157 | 27 969 |
| 530 335 | 367 232 | 236 483 | 143 064 | 62 151 | 58 624 |
| 141 032 | 140 294 | 84 276 | 78 903 | 44 158 | 74 581 |
| 225 733 | 142 857 | 105 037 | 50 169 | (9 712) | (36 087) |
| 163 570 | 84 081 | 47 170 | 13 992 | 27 705 | 20 130 |
| 757 065 | 605 178 | 369 713 | 268 722 | 158 078 | 153 230 |
| 6.6 | 7.3 | 4.9 | 4.1 | 2.6 | 2.6 |
| 37 | 34 | 42 | 37 | 31 | 36 |
| 954 | 1 195 | 60 | 391 | 111 | 49 |
| 5,44 | 4,47 | 2,91 | 0,72 | 1,82 | 1,84 |
| 5,68 | 4,70 | 2,83 | 0,69 | 1,43 | 1,48 |
| 130,0 | 105,0 | 72,0 | 56,0 | 49,0 | 44,0 |
| 25,09 | 21,41 | 17,45 | 9,22 | 8,30 | 7,00 |
| 58,25 | 73,80 | 59,50 | 32,50 | 17,00 | 11,00 |
| 26,70 | 42,00 | 27,26 | 15,20 | 10,00 | 4,95 |
| 34,70 | 44,90 | 54,40 | 28,75 | 15,39 | 11,00 |
| 4 167,2 | 5 350,5 | 6 443,5 | 2 867,1 | 1 132,3 | 809,3 |
| 3 612 810 | 5 462 078 | 3 124 034 | 1 373 898 | 536 994 | 229 924 |
| 92 297 | 103 436 | 67 728 | 57 970 | 39 950 | 28 038 |

# GROUP SCORECARDS

The group has reported against a number of scorecards for several years to allow readers to track our progress.

## JSE LIMITED SOCIALLY RESPONSIBLE INVESTMENT INDEX (SRI) SCORECARD

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

| | **F2012*** | F2011 | F2010 | F2009 |
|---|---|---|---|---|
| Overall result | **SRI participation**** | SRI participation** | Best performer | Best performer |

*The JSE only provides an overall result, not a breakdown.*
* *F2013 results will only be available post year-end when the JSE releases its updated index.*
** *Although the group continues to operate and report in line with the JSE's required SRI criteria and qualified as an SRI participant, it was not eligible to be considered a "best performer" until the Competition Commission finalises its settlement with the group after its investigation of anti-competitive behaviour in the sector.*

## BBBEE SCORECARD (GROUP FIVE LIMITED)

| | | | **Construction Charter scorecard** | Construction Charter scorecard | Construction Charter scorecard |
|---|---|---|---|---|---|
| Core components | BBBEE elements | Weighting points | **F2013[1] %** | F2012[2] % | F2011[3] % |
| Direct empowerment | Ownership | 25 | **21.37** | 21.35 | 17.1 |
| | Management control | 10 | **8.54** | 8.70 | 6.62 |
| Human resource empowerment | Employment equity | 10 | **5.73** | 5.67 | 9.22 |
| | Skills development | 15 | **14.16** | 14.16 | 14.41 |
| Indirect empowerment | Preferential procurement | 20 | **20** | 19.2 | 18.43 |
| | Enterprise development | 15 | **15** | 15 | 15 |
| | Socio-economic development | 5 | **5** | 5 | 5 |
| **Total** | | 100 | **89.79** | 89.40 | 85.78 |
| **Empowerment level** | | | **2** | 2 | 2 |

*(1) As audited by BEE Verification Agency cc for the year ended 30 June 2012 (the next audit due in September 2013).*
*(2) As audited by BEE Verification Agency cc for the year ended 30 June 2011.*
*(3) As audited by BEE Verification Agency cc for the year ended 30 June 2010.*

## EMPLOYMENT EQUITY SCORECARD

| Sustainability indicator | **F2013** | F2012 | F2011 | F2010 | F2009 |
|---|---|---|---|---|---|
| Total employee headcount (all employees) | **13 659**** | 10 846* | 11 997 | 12 497 | 14 050 |
| Number of unionised employees | **2 120** | 2 039 | 2 285 | 2 416 | 1 752 |
| % of permanent employees on medical schemes | **49** | 45 | 46 | 44 | 40 |
| % of employees over-border | **25** | 25 | 21 | 17 | 26 |
| % of black employees within the South African permanent workforce | **89** | 88 | 87 | 79 | 79 |
| % of black employees in Paterson grades F and E (executive and senior management) | **19** | 17 | 13 | 10 | 10 |
| Number of black male bursary students | **42** | 51 | 79 | 73 | 129 |
| As a % of total bursary students | **55** | 44 | 43 | 43 | 50 |
| Number of black female bursary students | **12** | 21 | 38 | 35 | 50 |
| As a % of total bursary students | **16** | 18 | 21 | 20 | 19 |

* *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.*
** *Excludes 60 employees in the Construction Materials cluster, as the business is in the last stages of being sold.*

## SKILLS DEVELOPMENT

| Sustainability indicator | F2013 | F2012 | F2011 | F2010 | F2009 |
|---|---|---|---|---|---|
| a) Annual value spent on training and development programmes – (R million) | **37,1** | 32,3 | 37,9 | 31,5 | 37,8 |
| i) Total number of training interventions* | **9 125** | 12 110 | 17 234 | 14 941 | 8 933 |
| ii) Total number of training interventions – semi-skilled and unskilled* | **4 007** | 5 965 | 9 415 | 5 846 | 3 729 |
| b) Annual value incurred on bursary expenditure – (R million) | **5,1** | 4,6 | 6,6 | 6,0 | 9,3 |
| i) Number of bursary students | **76** | 115 | 183 | 171 | 258 |
| ii) Number of female bursary students | **15** | 26 | 43 | 40 | 55 |
| c) Annual value spent on learnerships and apprenticeships – (R million) | **3,6** | 4,0 | 4,9 | 3,9 | 3,6 |
| i) Learners on learnership and apprenticeship programmes | **90** | 144 | 201 | 214 | 231 |
| ii) Unemployed learners registered on learnership and apprenticeship programmes | **66** | 99 | 128 | 163 | 149 |
| d) Number of students on the Group Five Programme in Management Development (PMD) | **21** | 22 | 20 | 23 | 25 |
| e) Total annual training spend – black employees – (R million) | **15,4** | 13,9 | 18,1 | 14,7 | 20,2 |

* *For employees.*

## PREFERENTIAL PROCUREMENT SCORECARD (GROUP FIVE LIMITED)

### Achievement against Construction Sector Charter principles

| Measurement principle | Points | **Target per Construction Charter F2013 target** | Actual F2013[1] | Actual F2012[2] | Actual F2011[3] | Actual F2010[4] | Actual F2009[5] |
|---|---|---|---|---|---|---|---|
| Preferential spend with all suppliers | 12 | **70%** | 62.2% | 52.79% | 49.1% | 45.1% | 34.8% |
| Preferential spend with qualifying small and emerging micro enterprises | 3 | **15%** | 28.1% | 22.0% | 11.4% | 6.3% | 5.5% |
| Preferential spend with enterprises that are more than 50% black-owned | 3 | **12%** | 20.9% | 19.1% | 9.2% | 7.9% | 3.8% |
| Preferential spend with enterprises that are more than 30% black women-owned | 2 | **8%** | 8.6% | 3.0% | 1.9% | 0.1% | 0.7% |
| Weighted score | 20 | **–*** | 20.0% | 19.0% | 18.4% | 15.7% | 11.5% |

*(1) As audited by BEE Verification Agency cc for the year ended 30 June 2012 (Group Five).*
*(2) As audited by BEE Verification Agency cc for the year ended 30 June 2011 (Group Five).*
*(3) As audited by BEE Verification Agency cc for the year ended 30 June 2010 (Group Five).*
*(4) As audited by BEE Verification Agency cc for the year ended 30 June 2009 (Group Five).*
*(5) As audited by BEE Verification Agency cc for the year ended 30 June 2008 (Group Five Construction (Proprietary) Limited).*
** A weighted score is not done for targets.*

## ENTERPRISE DEVELOPMENT SCORECARD

| Sustainability indicator | **F2013** | F2012 | F2011 | F2010 | F2009[1] |
|---|---|---|---|---|---|
| Annual value of total direct costs incurred by the group – (R million) | **0,9** | 1,5 | 0,5 | 0,6 | – |
| Value of funding provided by the group – Total capital due to the group as at 30 June – (R million) | **9,8** | 11,5 | 14,1 | 12 | 97 |
| Number of black-owned entities with which the group is engaging in significant joint venture partnerships* | **15** | 12 | 12 | 18 | 22 |
| Number of formal enterprise development partnerships | **13** | 12 | 9 | 7 | 8 |
| Total value of contracts being executed with black-owned joint venture partners* – (R billion) | **5.9** | 4.9 | 2,0 | 7,8 | 8,6 |
| 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.*

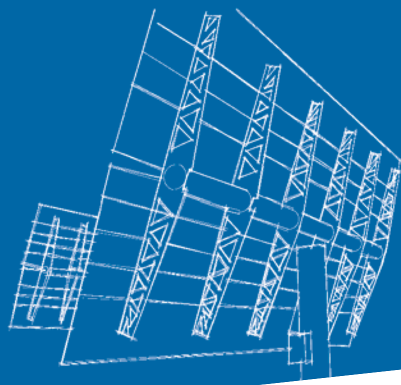
## SOCIO-ECONOMIC DEVELOPMENT (SED) SCORECARD

| Sustainability indicator | **F2013** | F2012 | F2011 | F2010 | F2009 |
|---|---|---|---|---|---|
| Targeted SED spend as a % of SA operations' net profit after tax should exceed 1% | **yes** | yes | yes | yes | yes |
| Total annual spend on SED programmes – (R million) | **5,6** | 3,9 | 6,1 | 7,9 | 4,5 |
| Number of unemployed people trained as part of the People at the Gate programme | **524** | 43 | 207 | 214 | 265 |
| % of unemployed people securing positions after training | **80** | 100 | 95 | 90 | 100 |
| Number of non-profit organisations benefiting from the group's SED programmes | **38** | 32 | 35 | 48 | 30 |

New Central Basin acid mine drainage, Gauteng, South Africa

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

The material issues review takes the reader through the key risk focus areas this year, with the operational review providing more information around the operational aspects of the risk function.



## INTRODUCTION

The group has a total quality management system in place, which underpins every aspect of its operations and reinforces the centrality of sustainability to the business. We aim to certify all business 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** | Safety<br>Health |
| **ISO 31000** | Risk management |
| **ISO 14001** | Environment |
| **ISO 9001** | Quality<br>(Business management system) |

### Delivery on objectives

Find below how we delivered on our objectives outlined in our F2012 integrated annual report.

| Key focus areas for F2013 | Desired results | Status |
|---|---|---|
| **Safety** | | |
| **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. | The group continued to drive its "Stop for Safety" campaign. Unfortunately, it experienced a sub-contractor fatality. All sites were stopped and refresher training conducted. This resulted in an improvement in the lost-time injury rate (LTIFR) in the last quarter. |
| **Following the implementation of an overall behaviour-based system, the group will implement a peer-on-peer review system in all segments to drive improved behaviour through to all employee levels in the group.** | Implement a behaviour-based safety system. | Phase one was completed, which focused on instilling an understanding of the behaviour-based principles amongst employees. |

| Key focus areas for F2013 | Desired results | Status |
|---|---|---|
| **Further improve LTIFR.** | Achieve the target of 0. | Combined LTIFR (employees and sub-contractors) worsened during the year from 0.21 to 0.27. |
| **Risk** | | |
| **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 to the group's tolerance levels and desired risk appetite. | An updated risk profile of the group was finalised. |
| **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. | All key risks were included in the combined assurance risk framework. The controls identified to mitigate risks are currently being implemented, with a review by internal audit due in the coming year. |
| **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. | The mid-term review team was created and mid-term audits of material contracts were undertaken during the year. |
| **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 to be captured and analysed. 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. | This process has started, but will be further entrenched on implementation of the new risk structure and updated policies and procedures within the group. Experienced, retired contract directors are used to carry out reviews and post mortems. |
| **Support the finalisation of discontinued operations.** | Successful and timeous disposal of assets in Construction Materials within the 2012 calendar year. | Legislative requirements have delayed the transfer of ownership. A dedicated team monitors and mitigates the group's exposure until transfers become unconditional. |
| **Close out the group's position with the Competition Commission investigation.** | Close investigation without any fines or penalties. | The group is still in discussions with the Commission around four contracts in which it was allegedly implicated. |
| **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 the contract environment. | The group's risk-bearing capacity model is currently being updated. A mid-contract review team was formed and a review of contracts was started in the current financial year. The overall loss-making ratio improved. |

| Key focus areas for F2013 | Desired results | Status |
|---|---|---|
| **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. | A revised risk structure to support the group's expansion strategy was completed and approved by the group risk committee. |
| **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 the risk of potential contract failures. | A mid-term review team is involved in the risk review process and the mid-term review of contracts to ensure that bid selection risk and execution risk are adequately mitigated. |
| **Environmental** | | |
| **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. | The group submits information as part of its voluntary carbon disclosure report. Potential carbon tax was calculated as part of this process and found that the potential payment levels can be accommodated by the group even at the maximum proposed levels. |
| **Increase involvement in renewable energy contracts.** | Expand market share in the renewable energy field. | Four contracts in the renewable energy field were awarded to Group Five. |
| **Close out tendered Green Building contracts and pursue further opportunities in the Green Building industry.** | Retain leading position in Green Building sector. | The group has constructed two green buildings and is currently working on three other green buildings. |
| **Quality** | | |
| **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. | Reporting of the cost of non-conformance across the group improved in the year, but will be a focus area for the group in F2014. |
| **Regulatory and compliance** | | |
| **Improve awareness of African compliance requirements.** | Develop broader coverage of applicable legislation. | The group has compliance reporting structures in place. Compliance is seen as a senior management responsibility across the group. Regional expansion will require increased local regional compliance capability in future. This will include permanent employees and external advisors based in-country. |

# MATERIAL ISSUES REVIEW

## SAFETY

The safety of our people remains a key focus area for the group's board and management.

Despite this, we suffered a fatality on one of our sites in South Africa in January 2013 when a sub-contractor tragically fell to his death. This was one of several safety incidents that took place during the start-up period after the end-of-year break. These incidents were due to a number of new contracts starting with new employees, as well as a lack of reinforcing safety awareness with returning employees after the break. As a consequence, our combined lost-time injury frequency rate (LTIFR) increased year-on-year from 0.21 to 0.27*. The Group Five employee-only LTIFR was 0.21 from 0.20 last year. This excludes sub-contractors.

In response to this, management strengthened the focus on safety awareness and renewed the impetus on the group's zero harm "Stop for Safety" campaign. Each Group Five site was instructed to schedule a time where work was stopped and refresher training conducted on the group's zero harm safety philosophy and safety non-negotiables.

The management team was tasked with performing a six-point check of all sites to ensure our minimum safety standards were in place.

All sites reported their findings to the CEO and corrective actions were implemented, where necessary. It was pleasing to note that since this intervention, our safety records have shown an immediate improvement, with our LTIFR improving over the last quarter from 0.45 to 0.27 at year-end.

* *The group moved to the industry standard of lost-time injury frequency rate versus disabling injury frequency rate used in previous years.*

## CONTRACT SAFETY PERFORMANCE

Pleasingly, during the year a number of contracts with significant complexity in their execution achieved a million man hours without a disabling injury. These included 13 of the group's construction contracts which recorded a zero LTIFR record. All these contracts support management's view that our target of zero harm is possible.

| Date | Contract | LTI-free hours | Country |
|---|---|---|---|
| **Civil Engineering** | | | |
| July 2012 | Sasol FT Wax | 1 million LTI-free hours | South Africa |
| December 2012 | NMPP Terminal 2 | 4 million LTI-free hours | South Africa |
| | NMPP | 3,5 million LTI-free hours | South Africa |
| March 2013 | Zimbabwe Roads | 1 million LTI-free hours | Zimbabwe |
| | Sasol FT Wax | 1 million LTI-free hours | South Africa |
| | Hopetown road improvement | 1 million LTI-free hours | South Africa |
| May 2013 | Kibali Gold | 1 million LTI-free hours | DRC |
| **Building and Housing and Coastal operations** | | | |
| May 2013 | Mantsopa contract | 1 million LTI-free hours | South Africa |
| | Waterfall Park contract | 1 million LTI-free hours | South Africa |
| April 2013 | TM1 contract | 3,3 million LTI-free hours | South Africa |
| | Khumani Housing contract | 1,8 million LTI-free hours | South Africa |
| | Akyem Gold contract | 1,9 million LTI-free hours | Ghana |
| | Kibali Gold contract | 1 million LTI-free hours | DRC |

Management continue to use "near miss" statistics as a leading indicator of trends and to direct management to where corrective action is required. During the year under review, there were a few incidents on road sites in both South Africa and in the rest of Africa where employees narrowly escaped serious injury. Road markings and traffic warning signs were enhanced as a result.

Working at heights will always be a risk in the construction industry and the group has reinforced its zero tolerance towards employees who do not make proper use of safety equipment supplied.

## INDUSTRIAL RELATIONS RISK

The tragic events at Marikana in South Africa during the year forever changed the industrial relations environment in the country. During the year under review, we experienced several strikes across the sectors in which we operate. Management will continue to proactively engage with unions and employees in an attempt to avert unnecessary strikes wherever possible.

Refer to the human resources review on page 62.

## COMPETITION COMMISSION INVESTIGATION

The Competition Commission launched an investigation into anti-competitive behaviour within the construction industry in 2008. We adopted a proactive stance from the start.

As part of its proactive internal investigation, the board and management of Group Five identified that the group operated within a collusive industry to which it had contributed through incidents of anti-competitive behaviour. We have on a number of occasions in our public statements over the last four years expressed our deep regret at the anti-competitive behaviour that we found to be present in our business and in the wider industry. The Commission's findings have resulted in substantial reputational damage to the sector and the groups operating in the sector. Our commitment is to continue to drive the group's ethics and compliance programmes, including training for all employees, and to ensure adherence to the group's enhanced risk review processes. These specifically include pre-bid reviews on contracts with respect to compliance with competition legislation and the CEO's approval on the establishment of all joint venture arrangements.

The group believes that its most telling response has been its proactive stance against corruption in taking an industry-leading position in supporting the Competition Commission's process to rid the industry of collusive activities. We took immediate and decisive steps from 2009 to gather the necessary information of such behaviour from employees and used this to implement internal corrective action. Group Five considered it appropriate to approach the Commission with the information it had gathered internally regarding past anti-competitive behaviour by its employees and those of other construction companies. We were therefore the whistle-blower on the industry and provided the Commission with much of the information which allowed it to prosecute the construction industry, collect penalties and fines and eliminate the collusive behaviour in the country. Our significant co-operation since 2009 and the provision of vital evidence of the industry's behaviour, as well as our own contraventions, resulted in us becoming the primary leniency candidate.

We are continuing our discussions with the Commission and remain committed to resolving the outstanding matters related to four contracts which were not discovered in our own investigation and where the group is allegedly implicated. The group will engage with our clients individually to address concerns they might have around the group's commitment to ethical business, which is embedded in our core values.

Over and above the actions mentioned, the following measures were also implemented from 2009 to minimise risk of reoccurrence:

- Various competition law awareness and training sessions were held to enable employees to understand how competition law applies to daily business and how to avoid transgressions.
- The implementation of a Group Five competition policy throughout the company.
- Repeated and ongoing encouragement of employees to fully disclose all potential transgressions.
- A review of our joint venture arrangements and other co-operation arrangements with competitors to ensure consistent compliance with the competition legislation.
- A zero tolerance policy towards anti-competitive conduct, which is consistent with the company's general policy of good governance and ethical business principles.

Aside from competition compliance, we are mindful of compliance with all applicable legislation that seeks to prevent bribery and corruption.

## MARKET RISK

The South African private sector remained relatively weak, which was exacerbated by government failing to deliver on its planned infrastructure spend. Against increased competition in mainly the building market, Group Five remained focused on its strategy of margin protection at the expense of top-line growth.

The rest of Africa's infrastructure spend showed considerable growth and we were able to take advantage of this. The group's value proposition in Africa has always been focused on higher risk for higher return. As increased competition will put pressure on this, management will carefully consider this aspect in the group's roll out of its African strategy.

The European markets were at a historic low. Competition from large European contractors, as well as a handful of South African contractors that are looking for new markets, increased.

As the group moved into new markets in the rest of Africa and Europe, we have had to ensure that our risk management framework is robust enough to identify, prevent and/or manage these new risks. The key focus areas have been:

### Contract risk and execution

During the year, management focused on the growth and increasing scale and complexity of our Construction and Engineering & Construction clusters. This involved an increase in larger, more complex multi-disciplinary contracts and expanding in new African territories and in the group's chosen sectors, most notably the power sector in South Africa and the rest of Africa.

During the year under review, we secured several larger multi-disciplinary contracts, such as a gold mine and purification plant at Kibali in the DRC and re-commencing with the delayed new Multi-Products Pipeline terminal contract in South Africa for Transnet.

In addition to having an experienced base in thermal power, our new Engineering & Construction cluster secured four contracts in the renewable energy sector (two wind and two solar contracts). These are multi-disciplinary engineer, procure and construct (EPC) contracts with new clients.

In light of the geographic, sector and cluster spread, the group further reviewed its entire contract risk management framework. A "clearing house" was created to ensure an earlier and more rigorous filter process for potential contracts to identify high-level risks even before the tender preparation and detailed risk review process can commence.

We have traditionally focused on the strength of our balance sheet and its ability to protect the group from failed contracts. This year we focused on the potential "at risk" values of all our contracts. This allows us to assess the relative strength of our balance sheet against our entire contract portfolio and the potential risk, not only in terms of our current position, but also relating to forecasting.

A number of other initiatives were introduced to support management in identifying and mitigating risks through the contract lifecycle. These include improved tender close-out procedures, interim contract reviews by senior management and formal post mortems of completed contracts.

The combined effects of the above focus and efforts by management helped to contribute to an improved performance in very tough conditions over the past year. We are particularly proud of the loss ratio (which indicates our loss-making contracts). This improved from 27% last year to 13% this year.

The group also renewed its focus on its ability to get the right team to travel to remote areas on the continent, to properly support and motivate them and to manage counterparty risk. One of our key risk mitigation strategies when entering new markets is to ensure we select the right partners to work with. It is critical to properly understand our client, partner or major supplier's culture and capacity to deliver on their obligations, particularly their financial capacity, before committing ourselves to a contract. On renewable energy contracts, we have partnered with one of the largest and most experienced renewable energy developers in the world.

In support of the group's honed African strategy, we will progressively be implementing lean, in-country regional support structures to assist with monitoring and managing compliance and on-the-ground operations. Refer to pages 34 to 35 of the integrated annual report.

### Resources

Due to the low level of automation in construction activity where the outcome of a contract is heavily dependent on the quality and quantity of the skills of a construction company's employee base, the group continually seeks to attract and retain a high calibre of employee. This challenge was escalated in the year under review, as we experienced continued growth in our order book.

Refer to the human resources review on page 62.

### Compliance risk

As operating in numerous new territories requires compliance to an increasing number of legal requirements, the group adopted a risk-based approach rather than attempting to achieve coverage of all legislation.

The chosen legislation was prioritised on a risk basis by considering the group's potential exposure to fines, penalties and other criminal sanction.

The group's internal IT risk information system is used to capture the responses of the various business segments and/or department heads to determine the level of compliance to specific pieces of legislation. The system provides a consolidated picture of compliance, which allows the compliance officer to report on non-conformances and corrective actions.

The group is currently evaluating how this system can most successfully be used in other regions of operation.

### Financial risk

Refer to pages 78 to 90 of the integrated annual report.

## CONSTRUCTION MATERIALS

As previously communicated, the board made a strategic decision to withdraw from the construction materials sector in 2012. Divesting from our investments in this sector continued to be a key focus area. During the year, negotiations were concluded with interested parties against continuing operating losses and the risk of valuation erosion in a depressed market. These transactions only become unconditional once the Department of Minerals and Resources confirms the transfer of the applicable mining rights. The environmental compliance responsibilities therefore remain with Group Five until these transfers take place. As this could take several months, we have maintained a core team to oversee matters relating to safety, environment and other mining-specific issues until the assets are formally transferred.

## LOOKING FORWARD

The key risks outlined in this integrated annual report to execute a growing regional and multi-disciplinary order book will remain key focus areas. Against these, there will be three new areas of risk management in the coming year:

- The continued process with the Competition Commission.
- The impact of the new Carbon Tax Regulations.
- The possible impact of not achieving employment equity targets.

### COMPETITION COMMISSION

The group has consistently advised stakeholders that, although it received conditional leniency, a zero fine could not be guaranteed until the full industry investigation was concluded.

In late June 2013, it came to our attention that the Commission is seeking a proposed administrative penalty on four contracts which the group did not discover in its own investigation and where the group is allegedly implicated. Based on evidence intimated by the Commission and their actions taken in late June 2013, the probability of an administrative penalty now materialised and its substantiation and measurability needed to be considered.

Supported by its internal risk assessment and independent senior counsel opinion, the group has made provision for a potential fine. The value is not disclosed at this time, but the effects are included in the reported results.

Stakeholders' attention is drawn to the contingent risk of potential civil claims being lodged against the group and other construction companies that have been party to the anti-competitive behaviour following the Competition Commission release of its findings in June 2013 and the public interest reported in recent months. To date, no claim has been instituted against the group.

We are continuing our discussions with the Commission and remain committed to resolving the outstanding matters.

### CARBON TAX

It is the intention of National Treasury to implement a carbon tax in 2015, which involves taxing companies based on their levels of carbon emissions. The group has been monitoring this legislation for a number of years. We have established a data collection system that will allow us to conduct a more detailed analysis of the potential impact based on the recently-released proposed tax rates. During this process we will also continue to refine our governance structure and strategy with respect to our Carbon Disclosure Project Report.

Refer to the Carbon Disclosure Project Report at **www.groupfive.co.za** for more information.

We will investigate the potential of new contracts to qualify for carbon offset credits, as well as continue implementing energy reduction and carbon emission reduction targets to minimise the financial impact of the legislation.

### EMPLOYMENT EQUITY

In light of potential new broad-based black economic empowerment (BBBEE) scorecard changes, construction companies now need to meet more stringent targets. There are potentially severe penalties for failing to achieve stated targets. Up to a maximum of 10% of revenue can be levied, although this would be unlikely as a first-time offender. However, management are reviewing the group's strategy and tactical objectives to ensure we avoid penalties.

Refer to the human resources review on page 62.

# OPERATIONAL RISK REVIEW

## Safety, health, risk, environment and quality (SHREQ)

Group Five has established policies and objectives in place. The policy is communicated to all employees and the effectiveness of the group's integrated SHREQ management system is evaluated annually during management review meetings.

During these sessions, SHREQ measures are evaluated against established objectives, with improvements considered. Further SHREQ planning also occurs annually to establish whether the group has the required resources in place to continue delivering on objectives.

Management ensure that any legal, statutory and regulatory requirements relevant to its operations and to the quality of its services are identified and met. The requirements are included in the group's processes to monitor their adherence. The integrated management processes are measured against regulatory standards, such as the International Organisation for Standardisation (ISO) and Occupational Health and Safety Advisory Services (OHSAS).

Training is provided to employees to ensure they understand the policy and procedures.

# Safety

Safety remains a crucial focus for Group Five. In F2011, the group suffered an unprecedented six fatalities in its sub-contractor base. Management committed to eradicate workplace fatalities, with no fatalities experienced in F2012.

As outlined on page 28, unfortunately, this year we suffered a fatality on one of our sites in South Africa in January 2013 when a sub-contractor tragically fell to his death. The group's combined lost-time injury frequency rate (LTIFR) therefore increased year-on-year from 0.21 to 0.27. Excluding sub-contractors, LTIFR was 0.21 from 0.20 last year.

Corrective actions were implemented on a number of sites. Since this intervention, our safety records have shown an immediate improvement.

**Group cumulative safety statistics**

| | Cumulative from July 2012 to June 2013 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Clusters/business segments** | **Man hours** | **First aid** | **FAFR**** | **Non-lost-time injury** | **MFR** | **Lost-time injury** | **Occ dis** | **Fatal** | **Curr LTIFR#** | **Env inc** | **Site insp** |
| **CORPORATE** | | | | | | | | | | | |
| Corporate & Business Services | 608 412 | 0 | 0.00 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0 | 455 |
| **Cluster total** | 608 412 | 0 | 0.00 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0 | 455 |
| **INVESTMENTS AND CONCESSIONS** | | | | | | | | | | | |
| Intertoll Africa | 1 368 035 | 2 | 0.29 | 14 | 2.05 | 4 | 0 | 0 | 0.58 | 0 | 72 |
| Property Developments | 11 580 | 0 | 0.00 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0 | 132 |
| **Cluster total** | 1 379 615 | 2 | 0.29 | 14 | 2.03 | 4 | 0 | 0 | 0.58 | 0 | 204 |
| **ENGINEERING & CONSTRUCTION** | | | | | | | | | | | |
| Engineering & Construction | 1 329 729 | 20 | 3.01 | 10 | 1.50 | 0 | 0 | 0 | 0.00 | 0 | 97 |
| **Cluster total** | 1 329 729 | 20 | 3.01 | 10 | 1.50 | 0 | 0 | 0 | 0.00 | 0 | 97 |
| **MANUFACTURING** | | | | | | | | | | | |
| Fibre Cement | 2 505 320 | 17 | 1.36 | 12 | 0.96 | 14 | 1 | 0 | 1.12 | 3 | 105 |
| BRI | 332 701 | 39 | 23.44 | 4 | 2.40 | 3 | 0 | 0 | 1.80 | 0 | 23 |
| Pipe | 369 883 | 5 | 2.70 | 2 | 1.08 | 4 | 0 | 0 | 2.16 | 0 | 53 |
| **Cluster total** | 3 207 904 | 61 | 3.80 | 18 | 1.12 | 21 | 1 | 0 | 1.31 | 3 | 181 |
| **CONSTRUCTION** | | | | | | | | | | | |
| **Building and Housing** | | | | | | | | | | | |
| Building: Coastal | 10 669 550 | 171 | 3.21 | 76 | 1.42 | 13 | 0 | 0 | 0.24 | 2 | 120 |
| Building: National and International | 6 245 228 | 105 | 3.36 | 14 | 0.45 | 14 | 0 | 1 | 0.45 | 0 | 108 |
| Housing | 3 695 543 | 14 | 0.76 | 4 | 0.22 | 1 | 0 | 0 | 0.05 | 0 | 156 |
| **Civil Engineering** | | | | | | | | | | | |
| Local and Africa | 24 291 130 | 161 | 1.33 | 68 | 0.56 | 24 | 66 | 0 | 0.20 | 5 | 114 |
| Middle East | 316 990 | 0 | 0.00 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0 | 138 |
| Plant and Equipment | 729 487 | 42 | 11.51 | 9 | 2.47 | 1 | 0 | 0 | 0.27 | 0 | 64 |
| **Projects** | | | | | | | | | | | |
| Projects | 6 855 154 | 132 | 3.85 | 16 | 0.47 | 3 | 110 | 0 | 0.09 | 0 | 94 |
| **Cluster total** | 52 803 082 | 625 | 2.37 | 187 | 0.71 | 56 | 176 | 1 | 0.21 | 7 | 794 |
| **Group total** | **59 328 742** | **708** | **2.39** | **229** | **0.77** | **81** | **176** | **1** | **0.27** | **10** | **1 731** |

* *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
**LTIFR** : Lost-time 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.*

## INVESTMENTS AND CONCESSIONS

Investments and Concessions had an LTIFR of 0.58 from 0.60 in F2012. Although an improvement, this remains high and is indicative of the risk of roadside working and the relatively low man hours in Intertoll.

| **Achievements:** |
|---|
| Maintained certification on ISO 14001, 9001 and OHSAS 18001. |
| **Challenges:** |
| Armed robberies, unsecured structures and motor vehicle incidents at Intertoll.<br>– Against this, the cluster continues to focus on engaging with the client during contract meetings to upgrade toll booth structures and ensure increased security at plazas. Lanes are also being upgraded with rumble strips for speed reduction and increased signage for motorist awareness<br>– Route patrol drivers and employee transporters are trained in advanced driving courses |

## ENGINEERING & CONSTRUCTION

Engineering & Construction had no lost-time injuries and maintained its LTIFR of 0 from last year. This is a huge achievement, as the cluster operates in sectors where safety standards are extremely stringent. One of its clients, Sasol, also recognised the cluster as the best contractor in terms of safety.

| **Achievements:** |
|---|
| Maintained certification on ISO 14001, 9001 and OHSAS 18001. |
| The Stop for Safety campaign was successfully implemented across the cluster and it was the first cluster to implement and roll out the group's new electronic management system. |
| **Challenges:** |
| To achieve the stringent objectives and targets for F2014. |
| To formulate and implement a scheduled audit plan for the monitoring and measuring of standards. |

## MANUFACTURING

The LTIFR was 1.31 from 0.93 last year due to incidents in all three segments of this cluster. This remains an area of concern as management strives to beat the manufacturing industry accepted norm of achieving an LTIFR of less than one. In Everite, incidents have historically led to relatively minor injuries caused by employee neglect in adhering to agreed processes and instructions. To address this, safety awareness at the plant was improved through the adoption of behaviour-based safety regimes. Management focused on correcting the causes of injuries and introduced awareness training to complement physical equipment or process changes. Stringent reporting of all events, including near misses, delivered an improved result in the second quarter. BRI also had a disappointing year, with a number of minor, yet concerning, incidents. This became a significant focus for the entire team, with benefits experienced in the latter part of the year. At Group Five Pipe, management increased its focus on all elements of safety, with additional shop floor safety officers appointed and increased training conducted. This resulted in the LTIFR improving from the second quarter to the end of the year.

| **Achievements:** |
|---|
| The cluster maintained all current certifications. |
| **Challenges:** |
| Understanding the root causes of near misses and incidents and using the information to prevent serious injuries. |
| Continuing to reduce the frequency of injuries, particularly in departments/operations that achieved low injury frequency rates in the past. |

## CONSTRUCTION

Construction's LTIFR worsened from 0.16 to 0.21 following an increase in incidents in all segments, mainly due to the increase in active contracts and the related increase in employees, sub-contractors and local labour utilisation.

Very sadly, following a year of no fatalities, this year a sub-contractor fell to his death on a Building and Housing site in Gauteng in South Africa when two contractors were busy erecting edge protection and barricading when the decking boards they were standing on, collapsed. This resulted in both employees falling off the deck and one sustaining fatal injuries.

Management stopped operations on all Group Five sites across operations and introduced refresher safety training.

Furthermore, although there was a stringent focus on the group's safety campaign in Civil Engineering, with the LTIFR for the segment improving from 0.22 last year to 0.22, regrettably, a fatality was recorded on a site in the DRC where we work in a joint venture entity in which we have a 30% stake. Safety statistics in this entity are independently recorded and do not form part of the group's safety statistics. We worked with our joint venture partner on ensuring a renewed focus on safety on the site.

**Achievements:**

The refreshed "Stop for Safety" campaign resulted in as much as a 50% reduction in injuries in some cases.

The increased safety awareness, accountability, visible-felt leadership and drive towards zero harm resulted in 13 contracts achieving in excess of one million LTI-free work hours, with the most significant being four million LTI-free hours.

**Challenges:**

The selection of suitable and competent sub-contractors and the management of sub-contractor employees remain major challenges in our endeavour to ensure a zero harm work environment for our employees and sub-contractor employees.

Working at heights is an extremely high-risk activity which requires continuous monitoring and evaluation from leadership and employees. This challenges the way we operate and seeks continual improvement within these high-risk activities.

Creating a more collaborative, challenging and learning culture by ensuring an environment where employees feel comfortable raising health, safety and environmental issues and can participate in solving problems.

## LTIFR – EMPLOYEES AND SUB-CONTRACTORS (ROLLING 12 MONTHS)

Combined LTIFR worsened due to a number of incidents at the start of the year following the end-of-year construction break. Although sub-contractor LTIFR improved, this remains an area to monitor carefully, especially as there was a fatality in the sub-contractor base during the year.

| Measure | F2013 | F2012 | F2011 | F2010 | F2009 | F2008 | F2007 | F2006 |
|---|---|---|---|---|---|---|---|---|
| LTIFR (permanent employees) | **0.21** | 0.20 | 0.36 | 0.33 | 0.39 | 0.50 | 0.64 | 0.85 |
| LTIFR (sub-contractors) | **0.33** | 0.63 | 1.03 | 0.98 | 1.02 | 1.39 | 1.53 | 1.76 |
| Combined | **0.27** | 0.21 | 0.54 | 0.43 | 0.55 | 0.92 | 1.34 | 1.57 |

## SIGNIFICANT RISKS

The percentages of significant risks remained largely similar to last year.

| | F2013 | F2012 | F2011 |
|---|---|---|---|
| Struck by/against accidents | **31%** | 32% | 38% |
| Slips and trips | **13%** | 17% | 18% |
| Inappropriate handling of machinery | **15%** | 9% | 11% |
| General – variety of incidents, including falling from heights, motor vehicle accidents and minor injuries | **41%** | 42% | 33% |

## ISO 18001:2007 CERTIFICATION

All segments achieved integrated certification on OHSAS 18001:2007, ISO 14001:2004 and ISO 9001:2008. This resulted in full compliance and single certification for the various clusters. This reduced costs and duplication.

| | |
|---|---|
| **CORPORATE** | |
| Corporate and business services | 100% certified |
| **INVESTMENTS AND CONCESSIONS** | |
| Intertoll Africa | 100% certified |
| Property Developments | 100% certified |
| **ENGINEERING & CONSTRUCTION** | |
| Engineering & Construction | 100% certified |
| **MANUFACTURING** | |
| Fibre Cement | 100% certified |
| BRI | 100% certified |
| Pipe | 100% certified |
| **CONSTRUCTION** | |
| Building: Coastal | 100% certified |
| Building: National and International | 100% certified |
| Housing | 100% certified |
| Local and Africa | 100% certified |
| Middle East | 100% certified |
| Plant and Equipment | 100% certified |
| 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.*

# Health

Group Five applies uniform standards across all its operations, both locally and over-border. 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 implemented a single occupational health standard and system in the previous year for employees and sub-contractor employees. This resulted in improved measuring and monitoring. Occupational health standards are revised annually to ensure continual improvement and contractor fitness certificates are evaluated for authenticity and applicability to ensure fitness is proven against site-specific risks.

## MEDICAL SURVEILLANCE

An external service provider offers a comprehensive and cost-effective healthcare solution to the group. To enhance the quality of service, during the year there was a focus on risk-based medicals.

**Challenges included:**

| |
|---|
| Management of an ageing workforce with a prevalance to chronic conditions. |
| Preparing employees to work over-border. |
| Contractor fitness management to ensure a "fit to work" workforce. |
| Accuracy of information recorded within the electronic data management system. |

To address the challenges, we focused on effective referral and follow up with employees of concern to ensure return to work at the earliest possible date.

### Medicals for employees F2013

During the year, medicals increased by 19%.

| | Pre-employment medicals | Periodical medicals | Exit medicals | Travel medicals |
|---|---|---|---|---|
| July 2012 | 283 | 98 | 235 | 13 |
| August 2012 | 171 | 142 | 192 | 15 |
| September 2012 | 83 | 169 | 88 | 14 |
| October 2012 | 296 | 333 | 42 | 23 |
| November 2012 | 398 | 352 | 56 | 19 |
| December 2012 | 73 | 31 | 54 | 7 |
| January 2013 | 474 | 136 | 32 | 9 |
| February 2013 | 527 | 186 | 27 | 5 |
| March 2013 | 252 | 351 | 112 | 7 |
| April 2103 | 357 | 184 | 69 | 2 |
| May 2013 | 308 | 84 | 43 | 7 |
| June 2013 | 136 | 141 | 25 | 3 |

### Investments and Concessions

| Focus areas | Number of medicals |
|---|---|
| Pre-employment medicals | 40 |
| Periodical medicals | 379 |
| Exit medicals | 7 |
| Travel medicals | 3 |
| **Main concerns** | Hypertension |

### Engineering & Construction

| Focus areas | Number of medicals |
|---|---|
| Pre-employment medicals | 992 |
| Periodical medicals | 80 |
| Exit medicals | 210 |
| Travel medicals | 22 |
| **Main concerns** | Hypertension<br>Hearing loss |

## Manufacturing

| Focus areas | Number of medicals |
|---|---|
| Pre-employment medicals | 164 |
| Periodical medicals | 616 |
| Exit medicals | 36 |
| **Main concerns** | Asbestosis Mesothelioma<br>Hypertension<br>Cardio-vascular conditions<br>Turberculosis |

## Construction

| Focus areas | Number of medicals |
|---|---|
| Pre-employment medicals | 1 958 |
| Periodical medicals | 1 420 |
| Exit medicals | 780 |
| Travel medicals | 142 |
| **Main concerns** | Hypertension<br>Hearing loss |

## MANAGEMENT OF MEDICAL CONCERNS

Employees of concern are identified by the medical surveillance office based on electronic management system statistics. The causes of concern are investigated and the business segment is contacted to ensure the employee attends his/her referral appointment and receive the required treatment. A doctor's report is also obtained to finalise a fitness certificate.

In the case of possible hearing loss, an investigation is requested to identify the root cause. The employee is referred for assessment by an occupational medical practitioner to exclude clinical causes and referred for a diagnostic audiogram to confirm or exclude occupational causes. Noise-induced hearing loss is registered for employee compensation in line with the Compensation for Occupational Injuries and Diseases Act.

Employees whose employment terms do not include medical aid cover for chronic diseases are referred to provincial clinics. Unfortunately, these clinics do not provide effective feedback to the group, which delays fitness status reports. The group is evaluating alternatives to ensure consistency of service.

### Hypertension

Employees identified with hypertension are either referred to their own medical practitioners or provincial clinics for those with no medical aid. A medical report is received from the treating doctor to enable the medical service provider to issue a "certificate of fitness".

### Hearing loss

Employees identified with not more than 5% hearing loss are referred to an Occupational Medical Practitioner. The business segment is required to investigate the matter and to implement corrective action. The root causes are identified and the most effective process implemented to mitigate site-specific risks and prevent further hearing loss.

Employees identified with not more than 7.5% hearing loss follow the same process, with an additional diagnostic audiogram and specialist evaluation.

Employees identified with not more than 10% hearing loss follow the same process, with support provided to the employee throughout the process to register a compensation claim with the Federated Employers' Mutual assurance company.

Monthly meetings take place with the occupational health practitioner, service providers and business segments regarding employees of concern. Specific case discussions also take place between the medical surveillance service provider and the specific business segment safety officer, as well as the human resources officer, to identify the best control measure to mitigate risk and prevent deterioration in health.

### Hypertension/cardiovascular disease

Employees identified with hypertension are referred to their own medical practitioners or to a provincial clinic if the employee has no medical benefits. Once a medical report is received from the treating doctor, the service provider issues a certificate of fitness. Monthly monitoring is carried out by the group's occupational health nurse on these individuals to ensure compliance. The same procedure is followed for employees.

### Tuberculosis (TB)

Employees with a compromised immune system, with TB confirmed through x-rays, are referred for treatment and issued with a certificate of fitness for local employment only.

### Asbestosis Mesothelioma

Although the group's operations have been asbestos-free for almost ten years, employees who were previously exposed to asbestos are encouraged to return for medical examinations on an annual basis at the various clinics countrywide. Those with signs of asbestos-related illness are referred to the Compensation Commissioner in terms of the Compensation for Occupational Injuries and Diseases Act (COIDA). Although the group was released from any further legal liability arising from asbestos in terms of a Constitutional Court Ruling, we continue to voluntarily supplement the pensions paid to affected employees.

The company also remains committed to carrying out screenings for all current and past employees. Asbestos Regulation 155 of 2001 regulates identification, referral, treatment and registration for possible compensation according to the Compensation for Occupational Injuries and Diseases Act.

Cases are identified during medical assessment, referred to an occupational medical practitioner for assessment and to a specialist for confirmation. Compensation Commissioner documents are completed and registered for assessment.

## MALARIA

There was a significant increase in over-border employees due to the group's African expansion strategy. This resulted in an increase in malaria cases during the year. Group Five is committed to actively participate and promote an effective programme to minimise malaria infection to employees.

**Number of malaria cases**

| | **F2013** | F2012 | F2011 | F2010 | F2009 | F2008 |
|---|---|---|---|---|---|---|
| Number of malaria cases | **176** | 128 | 32 | 50 | 125 | 86 |

**The group's malaria policy embraces the following principles:**

- Systems to continuously identify and assess occupational health hazards and impacts to mitigate or control these elements.
- Encouraging employees to actively participate in achieving the required health control measures.
- Ongoing communication and training programmes to increase individual awareness levels towards employee health, responsibility and accountability.
- Promoting responsible actions to exercise care in conserving a sustainable environment of acceptable health standards.

Group Five recognises that the realisation of our policy is only possible with the correct attitude of employees in terms of individual personal discipline and conforming behaviour. With this in mind, employees who repeatedly become infected with malaria are counselled and, if necessary, removed from site to protect their own health.

# Risk management

The group's risk management philosophy focuses on the management of risk rather than the total elimination, as the sectors we operate in make total risk elimination impossible. However, we balance our reward to the risk we take to ensure a sustainable business model.

To this end, our combined assurance model ensures that key risks are identified and mitigated. Refer to pages 6 to 7. The mitigation strategies are all subject to three levels of assurance to ensure the group is adequately protected.

**The determination of risks is based on two methods:**

The first is a bottom-up approach where risks from our contracts and business segments are captured on a database and consolidated through the cluster to group level. Material and/or recurring risks are extracted and prioritised.

The second involves senior management identifying key threats to the cluster and group's strategy.

The output of these two processes are analysed and consolidated into our combined assurance model. Internal audit, together with external assurance providers, review the mitigation strategies and report back to the executive team and the board on their effectiveness.

Key assets in the group are protected under a comprehensive insurance portfolio that is managed jointly by the CFO and the group risk officer. Cover in the different categories of insurance is assessed annually and adapted, where appropriate. Intangible assets are backed up at an off-site disaster recovery site. This forms a key component of our business continuity programme. All business segments have a business continuity programme that is verified by internal audit. Our disaster recovery plan is governed by a specific group policy and service level agreement with the applicable service provider. These are tested annually.

Risks specific to social, environmental and ethical issues are reported to the board through the risk committee and social and ethics committee.

The board risk committee deals primarily with risk management across the group. The group risk officer presents a risk plan each year to the board which highlights the key initiatives and ongoing coverage to be achieved. The board risk committee approves this plan, together with any policies and procedures governing risk management in the group.

Quarterly reports covering safety statistics, together with key risks, including strategic, operational, financial and IT, are assessed by the board. The board provides guidance to management on whether this is appropriate. The board also gives guidance on the group's risk appetite, tolerance and risk-bearing capacity.

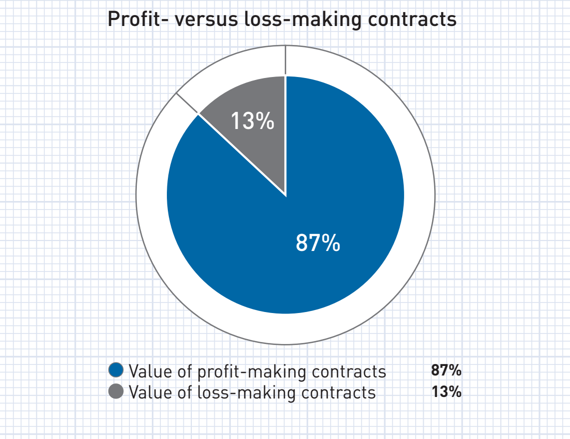
The group's risk-bearing capacity model was refined last year to cater for the measurement of financial and operational capacity. Initial modules of a suite of risk assessment and contracting standards were implemented, with the balance to be developed in the coming financial year in line with priority projects.

## ORDER BOOK RISK PROFILE

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

| R'million | Lump sum | Re-measurable | EPC | Labour-only | Design and build | Cost plus | Total |
|---|---|---|---|---|---|---|---|
| Central Africa | – | 475 | – | – | 359 | 80 | 914 |
| East Africa | – | 139 | – | – | – | – | 139 |
| West Africa | 25 | 245 | – | – | – | – | 270 |
| Southern Africa | 1 541 | 6 766 | 2 628 | 903 | 250 | 821 | 12 909 |
| **Total** | **1 566** | **7 625** | **2 628** | **903** | **609** | **901** | **14 233** |

## LOSS RATIO




Efforts by management helped to contribute to an improved performance in very tough conditions over the past year. We are particularly proud of the profit- versus loss-making contracts, which improved from 73% of profit-making contracts and 27% of loss-making contracts last year to 87% profit-making contracts and 13% loss-making contracts this year.

## ETHICS

Integrity is one of the cornerstones of the group's seven values. The group's ethics standards are set out in a Code of Ethics. This code covers, amongst other things, a commitment to legal and regulatory compliance, prohibiting giving or receiving bribes and/or facilitation of payments and conflicts of interest. Separate policies dealing with the giving or receiving of gifts are also in place. This code is supported by several policies governing issues such as sexual harassment, equality and diversity, fraud and corruption, as well as anti-competitive behaviour.

WWW Refer to **www.groupfive.co.za** for a copy of the Code of Ethics.

The board of Group Five has a directive in place that confirms that contributions to political parties are not supported.

During the year under review, a policy was developed to address our relationship with partners and agents who represent our interests in foreign countries to ensure alignment to regulations when they act or make representations on our behalf.

The reporting of any violation of the above policies is facilitated by an anonymous tip-off line, managed by an external party, governed by a specific policy that protects whistle blowers. All tip-offs are investigated in a non-discriminatory manner and information is kept strictly confidential. The group's tip-off line number is 0800 00 48 11.

A quarterly report on all tip-offs, together with the outcome of the findings and any subsequent disciplinary hearings, are reported to the board through the group risk officer who takes responsibility for the group ethics framework.

Management are acutely aware of the importance of having the right ethics culture throughout the group. As such, ethics training is a key component of our ethics framework. Training varies depending on the level of employee. It is compulsory, with attendance records kept. Specific training courses are also held when management deem them necessary. The subject choice of these seminars is often identified through anonymous employee surveys carried out regularly to gain a sense of the culture of the group and the specific concerns of our employees. During the last few years, a number of competition law seminars were held after the Competition Commission launched an investigation into the industry.

During the year under review, a permanent and internal forensic investigative officer was appointed. This resulted in improved coverage in the group and even more focus being placed on our ethics drive. An increased number of incidents were detected and investigated, predominantly in the Construction cluster.

### Nature of behaviours

The sharp increase in fraud was as a result of 54 incidents related to the same practice where a doctor in KwaZulu-Natal was issuing false sick notes at a particular site over a four-month period. Excluding this, the incidents of fraud decreased due to our ongoing ethics awareness campaigns.

Improved monitoring and an increase in successful prosecution of offenders also acted as a deterrent.

| | **F2013** | F2012 | F2011 |
|---|---|---|---|
| Abuse of company time | **2** | 1 | 8 |
| Bringing the company name into disrepute | **2** | 0 | 0 |
| Conflict of interest | **5** | 1 | 1 |
| Fraud | **68** | 31 | 27 |
| Gross negligence | **0** | 0 | 2 |
| Governance | **0** | 0 | 1 |
| Misuse of company property | **4** | 2 | 5 |
| HR-related complaints | **6** | 6 | 5 |
| Non-compliance to policies and procedures | **3** | 1 | 1 |
| Providing false information | **1** | 0 | 1 |
| Theft | **8** | 0 | 19 |
| **Total** | **99** | 42 | 70 |

# Environment

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 previous financial year, the group continued to build on its capacity in renewable energy and tendered for the EPC contracts for a number of wind and solar energy contracts. During the year, Group Five was awarded a number of these, 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 types 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.

During the year, there was a significant reduction in emissions produced across the group. This was largely due to the nature, number, size and reporting of the contracts undertaken. Improved monitoring and practices also reduced the total emissions produced.

## ISO 14001:2004 CERTIFICATION

All segments achieved integrated certification on OHSAS 18001:2007, ISO 14001:2004 and ISO 9001:2008. This resulted in full compliance and single certification for the various clusters. This has reduced costs and duplication.

| | |
|---|---|
| **CORPORATE** | |
| Corporate and business services | 100% certified |
| **INVESTMENTS AND CONCESSIONS** | |
| Intertoll Africa | 100% certified |
| Property Developments | 100% certified |
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| Building: Coastal | 100% certified |
| Building: National and International | 100% certified |
| Housing | 100% certified |
| Local and Africa | 100% certified |
| Middle East | 100% certified |
| Plant and Equipment | 100% certified |
| 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.*

## CARBON DISCLOSURE PROJECT

The group has voluntarily submitted information to the Carbon Disclosure Project for a number of years.

For the group's full integrated annual report, refer to **www.groupfive.co.za**.

The carbon footprint data reported is for the year ended 30 June 2012, as the most recent annual CDP report submission date is just prior to the 2013 financial year-end. The verified F2013 information is therefore not available as yet.

## Group Five's carbon footprint

In preparation for the introduction of carbon tax on emissions it was important to understand and define our liability with regard to scope 1 and scope 2 emissions. Lessons learnt from previous footprints identified areas of double counting of emissions, which skews not only our liability, but also the total emissions generated by Group Five and our clients. The new methodology implemented has gone a long way in improving the accuracy of our footprint and our potential liability.

## Footprint per scope

| | F2012 (t $CO_2$e) | F2011 (t $CO_2$e) | F2010 (t $CO_2$e) | F2009 (t $CO_2$e) | Emission factor | % of total F2012 |
|---|---|---|---|---|---|---|
| Scope 1 – Diesel, petrol, coal, LPG, etc. | **50 593** | 74 481 | 69 463 | 58 115 | 2.67 kg/litre | 6 |
| Scope 2 – Purchased electricity | **62 071** | 91 349 | 84 484 | 64 696 | 0.99 kg $CO_2$/kWh | 7 |
| Scope 3 – Business travel, deliveries | **793 752** | 7 958 763 | 7 891 458 | 13 600 | – | 87 |
| **Total** | **906 416** | 8 124 593 | 8 045 405 | 136 410 | – | 100 |

- *Scope 1 emissions are direct Group Five emissions only.*
- *Scope 2 emissions are indirect emissions from the generation of purchased electricity.*
- *Scope 3 emissions are other indirect emissions as a consequence of the activities of the group, but occur from sources not owned or controlled by the group, e.g. commuting, air travel for business activities, production and transportation of purchased goods, outsourced activities and contractor-owned vehicles.*

## Footprint per scope

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

The increase in gas/diesel oil was largely due to pipe and pump priming on the group's New Multi-Products Pipeline contract for Transnet. The pipeline from Durban to Gauteng consists of several pumping stations along the route and terminals within Gauteng, all of which required priming during the construction phase. Liquefied petroleum gas (LPG) usage increased due to more comprehensive and detailed reporting and the nature of contracts during the reporting period.

| Fuels (MWh) | F2012 | F2011 | F2010 | F2009 |
|---|---|---|---|---|
| Gas/diesel oil | **105 372** | 200 173 | 158 594 | 103 096 |
| Motor gasoline | **4 810** | 3 436 | 9 527 | 2 013 |
| Bituminous coal | **61 744** | 59 268 | 58 957 | 86 000 |
| Liquefied petroleum gas (LPG) | **31** | – | 250 | 73 |
| Sasol gas | **4 137** | 4 137 | – | – |
| **Total** | **176 094** | 267 014 | 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

Scope 1 emissions per cluster and contract saw a significant decrease in the Construction Materials cluster due to the phased closing of certain assets within the cluster. Engineering & Construction contains no data yet, as the cluster was created as a separate cluster during F2013. It had not yet produced measurable scope 1 emissions during the F2012 period.

There was a general decline in emissions across the group due to the way in which we report our joint venture emissions. For example, we previously did not differentiate between diesel supplied by the client and diesel Group Five purchased on site. This led to double counting of emissions as the quantity used was recorded against the client's scope 1 emissions, as well as Group Five's. Furthermore, the implementation of technology that improves the efficiency of diesel consumption on mobile plant was introduced.

| | F2012 | | F2011 | | F2010 | | F2009 | |
|---|---|---|---|---|---|---|---|---|
| Cluster | Carbon footprint (t $CO_2$e) | % of total | Carbon footprint (t $CO_2$e) | % of total | Carbon footprint (t $CO_2$e) | % of total | Carbon footprint (t $CO_2$e) | % of total |
| Investments and Concessions | **2 303** | **5** | 3 689 | 5 | 4 474 | 6 | 520 | 1 |
| Engineering & Construction | **–** | **–** | – | – | – | – | – | – |
| Manufacturing | **23 900** | **47** | 22 361 | 30 | 21 264 | 31 | 30 299 | 52 |
| Construction Materials | **4 428** | **9** | 7 270 | 10 | 18 218 | 26 | 10 249 | 18 |
| Construction | **19 962** | **39** | 41 161 | 55 | 25 507 | 37 | 17 047 | 29 |
| **Total** | **50 593** | **100** | 74 481 | 100 | 69 463 | 100 | 58 115 | 100 |

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

There were reductions in emissions due to a change in reporting methodology, with only electricity paid for by Group Five calculated. This is to prevent double counting of emissions on joint ventures with other construction companies, as well as sites where the client also calculates their own footprint. For example, where there is a 50/50 joint venture, Group Five is only responsible for 50% of the scope 2 emissions on that project. On sites where the client does not invoice Group Five for electricity, but assumes ownership of the emissions, usage will be calculated under their scope 2.

As previously mentioned, the Engineering & Construction cluster was created within the F2013 reporting year. As they occupied office space in F2012, they produced measureable scope 2 emissions that could be included in our measures.

| | F2012 | | F2011 | | F2010 | | F2009 | |
|---|---|---|---|---|---|---|---|---|
| Cluster | Carbon footprint (t $CO_2e$) | % of total | Carbon footprint (t $CO_2e$) | % of total | Carbon footprint (t $CO_2e$) | % of total | Carbon footprint (t $CO_2e$) | % of total |
| Investments and Concessions | 8 811 | 14 | 22 238 | 24 | 20 265 | 24 | 8 495 | 13 |
| Engineering & Construction | 386 | 1 | – | – | – | – | – | – |
| Manufacturing | 40 160 | 65 | 42 097 | 46 | 41 901 | 50 | 42 977 | 66 |
| Construction Materials | 9 384 | 5 | 22 517 | 25 | 11 520 | 13 | 12 752 | 20 |
| Construction | 3 330 | 15 | 4 497 | 5 | 10 798 | 13 | 472 | 1 |
| Total | 62 071 | 100 | 91 349 | 100 | 84 484 | 100 | 64 696 | 100 |

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

There was a significant reduction in Construction, largely due to fewer contracts being undertaken, as well as contract periods coming to an end during the F2012 reporting period. Various Investments and Concessions contracts within Europe also came to an end. Construction Materials showed an increase in reported emissions due to the change in reporting methodology adopted for the current Carbon Disclosure Project.

| | F2012 | | F2011 | | F2010 | | F2009 | |
|---|---|---|---|---|---|---|---|---|
| Cluster | Carbon footprint (t $CO_2e$) | % of total | Carbon footprint (t $CO_2e$) | % of total | Carbon footprint (t $CO_2e$) | % of total | Carbon footprint (t $CO_2e$) | % of total |
| Investments and Concessions | 667 464 | 84 | 4 325 567 | 54 | 5 381 355 | 68 | 271 | 2 |
| Engineering & Construction | 44 | – | – | – | – | – | – | – |
| Manufacturing | 5 008 | 1 | 6 256 | – | 67 916 | 1 | 3 550 | 26 |
| Construction Materials | 2 010 | – | 582 | – | 131 916 | 2 | 2 214 | 16 |
| Construction | 119 227 | 15 | 3 625 928 | 46 | 2 310 271 | 29 | 7 565 | 56 |
| Total | 793 753 | 100 | 7 958 333 | 100 | 7 891 458 | 100 | 13 600 | 100 |

## Climate change

Group Five's business strategy is influenced by climate change on two levels:

| |
|---|
| Sourcing new business and contracts from opportunities generated by both climate change mitigation (renewable energy, green buildings etc.) and by climate change adaptation (infrastructure contracts, etc.). |
| Optimising existing contracts in respect of climate change (fuel efficiency on site, safeguarding sites against flash floods, etc.). |

Climate change is integrated into the business strategy, with a specific focus on addressing the issues mentioned above. This also resulted in the formation of the group's Green Team a number of years ago. This team is responsible for addressing and implementing climate-related issues on a group-wide basis. The group risk officer ensures that the environmental issues are monitored as part of the group's risk management process.

Monthly review meetings are held to monitor and report progress on potential climate change risks and opportunities. Monthly feedback on climate-related issues is communicated within the company through an environmental section on the company Intranet and articles in the company magazine.

Climate change risks are separated into three categories, which are risks driven by regulation, risks driven by changes in physical climate parameters and risks driven by changes in other climate-related developments.

Regulatory risks, such as carbon tax, emission-reporting obligations, product efficiency regulations and standards, have the potential to lead to operational costs. Increased environmental reporting resulted in rising costs associated with climate change monitoring and reporting requirements within every business segment.

Risks driven by change in the physical climate parameters include changes in precipitation extremes and drought, changes in precipitation patterns and induced changes in natural resources. These risks have the potential to lead to reduced production capacity or disruption in production. For example, some contracts experienced more than average rain delays, which resulted in increased contract costs for either Group Five or the client.

Finally, risks due to changes in climate–related developments have the potential to lead to a reduced demand for goods/services.

During the year, none of these impacts had a material effect on the group.

# Quality

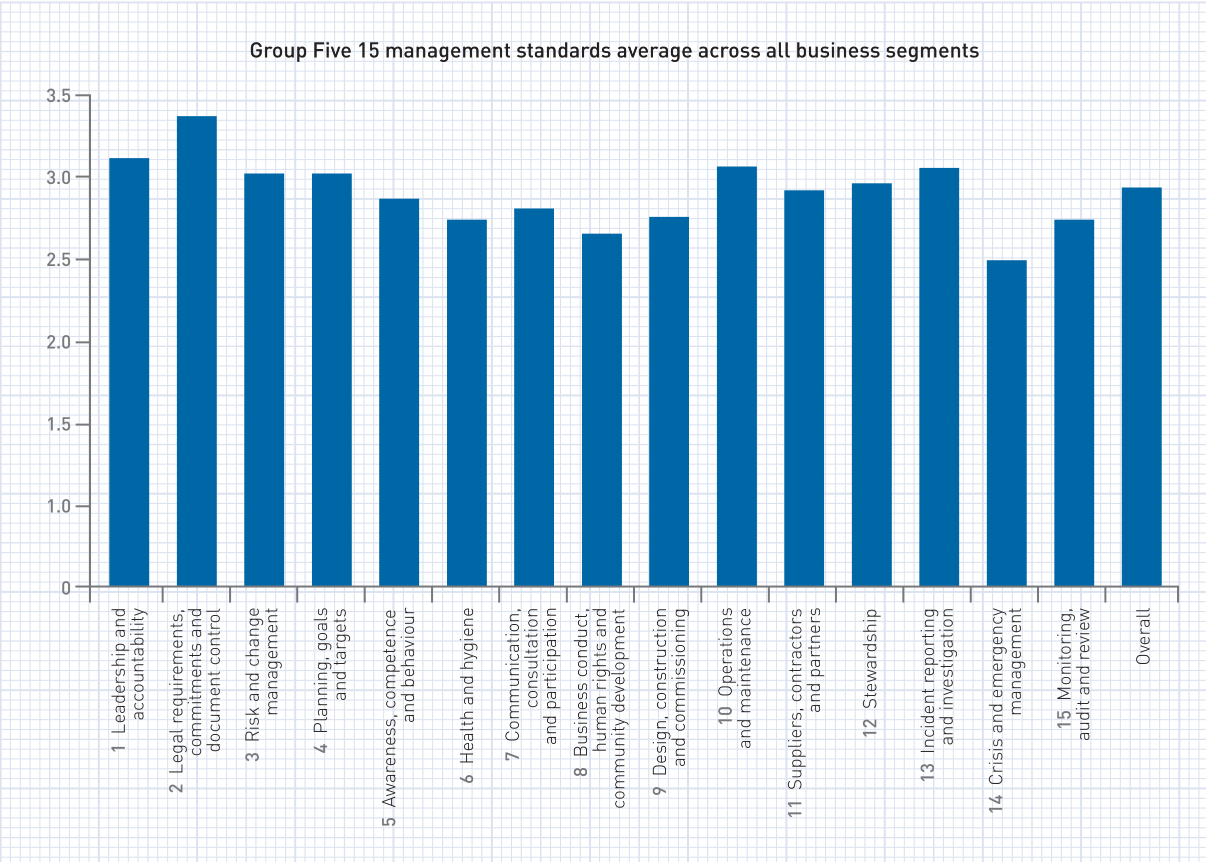
The group has a quality management process in place. This is continuously measured and is aligned to ISO 9001:2008 requirements. To ensure an integrated approach, it has also been designed to cater for the ISO 14001:2004 and OHSAS 18001:2007 management system requirements.

The corporate office conducts a comprehensive review of the application of the system across all the clusters every three years. The first review conducted during the previous financial year had satisfactory results, with all business segments assessed retaining their certification, with minimal corrective and preventive actions to be addressed.

To ensure focus on the management requirements to maintain integrated certification, annual surveillance audits are conducted by an accredited certification body. To date, Group Five continues to maintain certification.

## GROUP FIVE MANAGEMENT STANDARDS

As seen in the graph, the overall score remained below our medium term target of 4.0, which is receiving attention.




0 – The need for the performance requirement is not recognised and there are no plans for the performance requirement to be met.
1 – The need for the performance requirement is recognised and plans exist for the performance requirement to be met.
2 – The need for the performance requirement is recognised, and systems are being developed and implemented to address the performance requirement.
3 – The performance requirement is developed and implemented, and partially effective, and is only met in some parts of the site/operation/business.
4 – The performance requirement is developed, implemented, fully effective across the entire site/operation/business, is integrated into management decisions and business functions and demonstrates continual improvement.
5 – The performance requirement is implemented and effective across the entire site/operation/business, demonstrates continual improvement and represents excellence and/or industry leadership.

## ISO 9001:2008 CERTIFICATION STATUS

All segments achieved integrated certification on OHSAS 18001:2007, ISO 14001:2004 and ISO 9001:2008. This resulted in full compliance and single certification for the various clusters. This reduced costs and duplication.

| | |
|---|---|
| **CORPORATE** | |
| Corporate and business services | 100% certified |
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| Middle East | 100% certified |
| Plant and Equipment | 100% certified |
| 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.*

## PRODUCT CERTIFICATION

Product certification in the context of the construction of a contract, which is the core of our business, is different to that of Manufacturing and other production-type industries. In Construction, a monthly sign off of the works completed is conducted by the client's representative. At the end of the contract, the client issues a final completion certificate verifying that the contract was delivered according to specifications. At that time, the contract is formally handed over.

The Manufacturing cluster within Group Five has a set standard for servicing and product labelling. Colour coding on products is applied after final inspection has taken place. Specific import and export requirements are applied accordingly. A unique labelling process is applied.

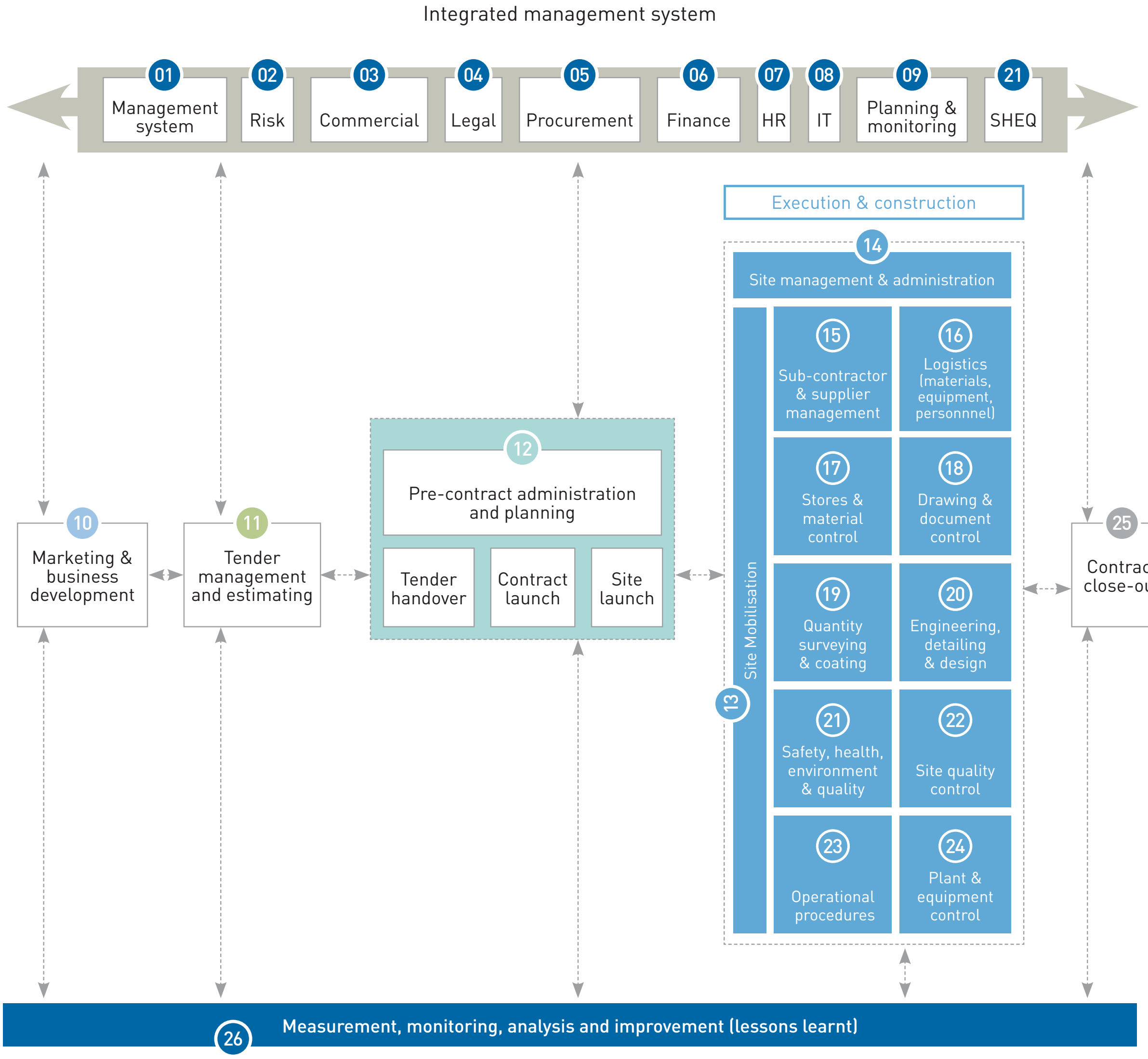
**This typically consists of:**

| |
|---|
| Product name. |
| Manufacture date. |
| Production week number. |
| Production number, type and size. |
| Packed quality. |
| Work order number. |

## CONTRACT LIFECYCLE

Our contract lifecycle (shown below) is incorporated within our integrated management system. This ensures a disciplined framework and defined responsibility assigned to the various functions that enables the group to successfully deliver on contracts.

The measure of success is the group's loss-maker ratio. Refer to page 34.




**The benefits of the contract lifecycle approach include:**

| |
|---|
| Systematic approach to contract implementation that enables functions to deliver the right information on time and in the right place. |
| The correct inputs and outputs for each cluster. |
| Support activities and resources that are aligned to the contract lifecycle process. |
| Process excellence that is continuously improved by reducing possible business inefficiencies and rework levels. |
| Service excellence through determining precise links between the internal and external client preferences, including the framework of the Group Five service level agreements. |
| Optimisation of the daily business practice of identifying, monitoring and continuously improving on the Group Five method of application. |

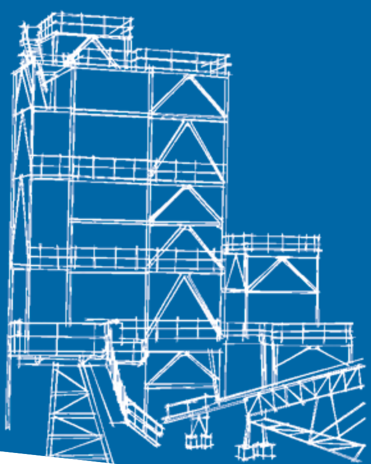
## NON-CONFORMANCES

There was an overall improvement in the reporting of non-conformances this year due to a focus on driving improved reporting at cluster and business segment level. The reporting of non-conformances will continue to be improved in F2014.

| | | | F2013 | | | |
|---|---|---|---|---|---|---|
| | F2012 | **F2013** | Q1 | Q2 | Q3 | Q4 |
| Number of non-conformances | 2 445 | **2 383** | 669 | 371 | 566 | 777 |
| Cost of non-conformances | R24,6 million | **R15,1 million** | R6,2 million | R3,8 million | R2,1 million | R3,0 million |

The current group reporting systems were replaced with an electronic system that can accommodate safety and quality reporting and management. This incident management and reporting tool will assist in maintaining the uniformed approach to the monitoring of SHREQ within the group on a real-time basis.

# REGULATORY COMPLIANCE



The group's ethics philosophy is premised on our people and entities being law-abiding citizens. Against this, the management team attempts to ensure compliance with all applicable legislation governing the group's activities.

The group focuses on the most relevant legislation relating to safety, health and environment, labour legislation and IT, finance and the Companies Act, together with industry-specific legislation. This will be broadened over time to cover other legislation deemed applicable.

The chosen legislation has been prioritised on a risk-basis, taking into consideration the group's potential exposure to fines, penalties and other criminal sanction.

The group's internal IT system is used to capture the responses of the various business segments and/or department heads to determine the level of compliance to these specific pieces of legislation. The system captures, consolidates and reports. The group compliance officer then creates an exception report of non-conformances, with corrective actions.

We are currently evaluating how the group's new regional structure will allow us to duplicate this approach throughout the regions in which we operate.

It is pleasing to note that in the year under review there were no material non-compliances.

## LEGISLATION WHICH MAY HAVE A MATERIAL EFFECT ON GROUP FIVE

The following legislation (all in draft format and not yet promulgated) may have a material effect on the business conducted by Group Five:

### Draft Infrastructure Development Bill

The bill provides for the continued existence of the Presidential Infrastructure Coordinating Commission (the Commission). The relevant objectives of this Commission include ensuring that infrastructure development in respect of any strategic integrated project (SIP) is given priority in planning, approval and implementation, designating SIPS and ensuring co-operation between organs of state affected by projects undertaken.

The contracts which may be designated as SIPS are very wide ranging and cover most activities undertaken by Group Five.

Once a contract has been designated, the bill provides that an inter-governmental steering committee must be established for the contract. The bill provides for various feasibility and project management functions to be performed by the steering committee in respect of the contract and for regular progress reporting to the Secretariat of the Commission on the progress of the contract.

The bill does not provide for any change to the decision-making required in terms of other existing legislation for approvals for the contract, but does require members of the various departments involved in decision-making to sit on the steering committee for the contract. While specific timeframes for decision-making are spelled out in the bill, these are unlikely to be enforceable or to override the framework for decision-making prescribed in terms of the specific empowering legislation. It is therefore difficult to assess whether or how the bill will assist with the roll out of infrastructure. Criticisms have also related to government's involvement in infrastructure and possible misallocation of capital.

### Special Economic Zones Bill

The bill is aimed at identifying special economic zones in South Africa, such as Upington as a centre for solar energy, the Dube trade port in Durban for imports and exports and Saldanha Bay as a hub for the oil and gas industry. Ten potential zones have been identified and public entities and public private partnerships can apply for a specified area to be designated as zones. The bill seems to mainly affect industrial infrastructure, although this may have a positive impact on Group Five, as it will create new business hubs requiring infrastructure spend in areas where Group Five can participate.

### Broad-Based Black Economic Empowerment Amendment Bill 2012

One of the aims of the bill is to strengthen the evaluation and monitoring of compliance with the Act, for which the bill proposes setting up a broad-based black economic empowerment commission. The bill also introduces offences and penalties for those engaged in fronting practices – a fine of 10% of turnover is suggested. Convicted parties cannot contract with any organ of the state or public entity. Management are reviewing the group's strategy and tactical objectives to ensure we avoid penalties.

Refer to the human resources review on page 62.

### Carbon Tax Policy Paper 2013

The policy paper is an update of the carbon tax discussion paper and is open for comment. The paper sets out South Africa's plans to mitigate its greenhouse gas emissions by implementing a phased-in tax of R120 per ton of $CO_2$ or an equivalent above the tax-free threshold, increasing by 10% per year during the first five-year phase.

Offsets will be used and the paper gives some guidance on the types of credits that can be used.

**The key features of the tax are:**

- A phased approach to the implementation of the carbon tax.
- Cognisance of possible carbon leakage and competitiveness concerns.
- Application of a percentage-based threshold of actual emissions, instead of absolute emission thresholds, below which the tax will not be payable during the first phase.
- Due consideration for sectors where the potential for emission reduction is limited due to either technical or structural reasons (initial consideration suggests that this will include the cement, iron and steel, aluminium and glass sectors).
- Additional relief for trade-exposed sectors.
- Offsets that could be used by firms to reduce their carbon tax liability up to a limit.

### The Protection of Personal Information Bill

The bill is intended to promote the protection of personal information, to provide for the rights of people regarding unsolicited electronic communications and automated decision-making and to regulate the flow of personal information across the borders of South Africa. Businesses will have a year to be compliant, after which they could be fined or become liable for damages.

# CORPORATE GOVERNANCE REVIEW

The group continues to operate in line with a high standard of corporate governance against prevailing legislative and regulatory requirements. The year was characterised by the implementation of revised policies, procedures and structures developed in response to 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 F2012 integrated annual report.

| Key focus areas for F2013 | Desired results | Status |
|---|---|---|
| **Companies Act** | Gain full compliance with the Act. | During the year, an amended memorandum of incorporation (MOI) was registered in compliance with the Act. Registration of the MOI for the group subsidiaries is presently in progress and will be completed in F2014.<br>Disclosure on matters outstanding to ensure full compliance with the Companies Act is detailed in the material issues section later in this integrated annual report. |
| **JSE Listings Requirements** | Ensure compliance with the JSE Listings Requirements. | The group continues to adhere to a high standard of compliance with the JSE Listings Requirements. There are no known positions of non-compliance with this regulatory framework. |
| **King III** | No remaining King III readiness gaps. | The group continues to uphold its performance standards against King III. There are no known positions of non-compliance to report for the period. |

| Key focus areas for F2013 | Desired results | Status |
|---|---|---|
| **Further improve operational knowledge of the board** | Define and recommend an annual training programme for the board. | In addition to the bi-annual engagements with executive management, the board visited a number of operational sites in the period under review.<br>A formalised annual training programme is yet to be defined and recommended to the board. This will remain a focus for F2014. |
| **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. | Succession plans for the board and senior executives are at an advanced stage and are expected to be implemented in F2014.<br>The board reviewed the terms of reference of its committees by delineating the areas of authority that it reserves upon itself. Management defined its authority matrix for the execution and reporting on matters within its remit.<br>Performance assessments of the board and its committees were conducted with the assistance of an external service provider.<br>The group is in the process of reviewing its business rules, including its policies and procedures and support structures, in alignment with its new operating structure. Standardisation of corporate business rules has to date seen the implementation of a refined contract selection and pre-bid approval process, standardised profit recognition policy and capital expenditure policy. This remains a key focus area for F2014. |
| **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 service provider to ensure appropriate delivery to the group. | Enhancement of the group's management systems vis-à-vis employee share scheme administrative processes resulted in effective delivery of shares and services to participants.<br>A review of the service level agreement between the company and the external service provider was conducted to gain alignment with recent amendments to the legislative framework. |

## MATERIAL ISSUES REVIEW

We committed in the previous year to resolve areas of non-compliance in terms of King III and the new Companies Act. The board of directors, together with executive management, supervised the re-organisation and improvement of governance processes, including the mandates of the board committees.

**This resulted in:**

| |
|---|
| The adoption of an amended memorandum of incorporation (MOI). |
| Several director training events. |
| Review of each sub-committee's charter. |
| Implementation of an electronic board pack system for all board and sub-committee meetings. This was extended into the organisation for application to executive meetings. |

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

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

An update on the areas of non-compliance from the prior 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 annual general meeting (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 | The group is largely compliant with this requirement, as all statutory documents are retained for a seven- year period.<br>Implementation of the document and information management system, which incorporates document tracking, is in progress and will be concluded in F2014. |
| 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.<br>If the board adopts a resolution, it is required to advise shareholders and trade unions within ten days. | The group reaffirms that it does not provide financial assistance to directors or to prescribed officers.<br>Financial assistance provided by the board to its subsidiaries is on the strength of shareholder approval by special resolution.<br>Although the board has on each instance satisfied itself that the company will, *inter alia*, satisfy the solvency and liquidity test, it is yet to define a process of disclosing the extent of such financial assistance, as contemplated by section 45(5) of the Act. This will be addressed in F2014. |
| Section 61(10) | Every shareholders' meeting of a public company must be reasonably accessible within the Republic for electronic participation by shareholders in the manner contemplated in section 63(2), irrespective of whether the meeting is held in the Republic or elsewhere. | Currently, the group does not have the appropriate facilities available to allow for electronic participation by shareholders at its meetings. This issue will be addressed in F2014. |

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

## King III

With the identified non-compliance gaps relating to the implementation of the King Code of Governance for South Africa 2009 (King III) satisfactorily addressed, a key focus will now be the monitoring and maintaining of standards of compliance.

The group's information technology (IT) steering committee continued to meet and significant value was realised with the alignment of business needs to information technology investment principles and return requirements. The steering committee provided the audit committee with an additional level of comfort and assurance on the effectiveness of the IT controls and systems.

## Board processes

In the period under review, internal processes were evaluated to ensure alignment with the group's revised operating structure. This resulted in a reduction of duplication, as well as promoting efficiencies.

In addition, with a review of the terms of references of its committees, the board also revised the levels of authority delegated to management, with specific reference to the group's risk management processes. The revised mandate resulted in, amongst other items, a standardised contract profit recognition policy and a standardised capital investment policy. It also led to further refinement of the group's risk-bearing capacity undertaken in support of the group's focus on engineering, procure and contract (EPC) contracts.

From an administrative perspective, the board re-arranged the meeting schedule of its committees to enhance the flow of information from these forums.

To enhance administration efficiencies and reduce the impact on the environment with regard to board pack preparation and distribution, an in-house electronic board pack delivery system was developed and implemented.

## Employee share scheme

On 27 November 2012, the shareholders considered and approved a revised BBBEE ownership transaction. This included the creation of two trusts, namely the Black Professionals Share Scheme and the Izakhiwo Imfundo Trust. The transaction was concluded and implemented in the second half of the financial year. The shareholders also adopted the group's revised long term incentive programme. The period under review was therefore spent on executing the various administrative and regulatory requirements needed to establish the trusts and the employee plan. Trustees were appointed to administer and manage each trust, with both forums holding their inaugural meeting before the end of this financial year.

In the year ahead, sufficient focus will be allocated to ongoing training with regard to trustees' responsibilities.

Having successfully automated the administrative processes of the Black Management Scheme, the company secretary will continue to review its effectiveness.

## 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. In line with its zero tolerance policy, the group has advocated anti-fraud, anti-corruption, corporate governance and ethics training programmes throughout the group aimed at increasing employee awareness. Attendance to these training activities remains compulsory.

## LOOKING FORWARD

| | |
|---|---|
| **Protection of Personal Information Bill** | Ensure compliance with the bill on promulgation. |
| **Amended Broad-Based Black Economic Empowerment Codes of Good Practice 2013** | Gain full compliance with the amended Codes of Good Practice. |
| **Financial Markets Act**<br>**This Act replaces the Securities Services Act which regulates and controls trading in securities, etc.** | Ensure compliance to the Act. |
| **Consumer Protection Act** | Ensure compliance to the Act. |
| **Companies Act** | Monitor compliance to the Act. |
| **King III** | Monitor performance against recommendations. |
| **JSE Listings Requirements** | Ensure compliance with the regulatory requirements. |
| **Annual training programme for the board** | Define, recommend and implement a formalised annual training programme to the board. |
| **Board succession planning** | Succession plans for the board and senior executives are at an advanced stage and will be implemented in F2014. |
| **Standardisation of corporate business rules** | The group is in the process of reviewing its business rules, including its policies and procedures and support structures, in alignment with its new operating structure. This process will be completed in F2014. |
| **Document retention and information management** | Implementation of the document and information management system, which incorporates document tracking, will be concluded in F2014. |
| **Compliance with Section 45 of the Companies Act** | Define a process of disclosing the extent of financial assistance, as contemplated by section 45(5) of the Act. This will be addressed in F2014. |
| **Access for electronic participation by shareholders for every shareholders' meeting in the manner contemplated in section 63(2) of the Companies Act, irrespective of whether the meeting is held in the Republic or elsewhere** | The group currently does not have the appropriate facilities available to allow for electronic participation by shareholders at its meetings. This issue will be addressed in F2014. |
| **Employee share scheme** | Appropriate training programme established and implemented with regard to trustees' responsibilities on existing and newly-established trusts. |
| **Administrative processes of the Black Management Scheme** | Continued review of its effectiveness. |

## OPERATIONAL REVIEW

The continued 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 integrated annual 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 continues to implement the changes required by the Companies Act, which came into effect in May 2011. The group will continue to address outstanding matters, as outlined earlier in this review.

### 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. The objectives and responsibilities of directors are articulated in the board charter. Each of the board committees operates in accordance with written terms of reference, which are reviewed by the board annually.

### The board

Group Five continues to maintain a unitary board structure, comprising of two executives (the chief executive officer (CEO) and the chief financial officer (CFO)), as well as six independent non-executive directors. During the period under review, L Chalker retired from the board at the annual general meeting held on 6 November 2012 and OA Mabandla resigned as a non-executive director on 6 May 2013. The board has a written charter that succinctly governs its powers, functions and responsibilities. The charter further safeguards the maintenance of a balance of power in the board by ensuring that no one director has unfettered powers of decision-making. The board charter is subject to the provisions of the 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 provides 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. Other than the retirement of L Chalker and the resignation by OA Mabandla, there were no further changes to the board during the year.

During the year under review, the board accepted and approved an updated board charter and the terms of reference of all board committees. An independent external appraisal of the effectiveness of the board, its committees and members was conducted in June 2013. The results will be considered and reviewed by the board at its next board meeting scheduled for November 2013. The board's succession plan was not finalised during the year. It is envisaged that a review of the results from the independent assessment will provide guidance on any shortfalls and changes required, which in turn will assist with succession planning. This is a core focus for F2014.

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 following annual general meeting (AGM). The chairperson is elected by the board at the first meeting following the AGM of each year. The retirement age for executive directors is 60 years and these officers are subject to a three-month notice period in the case of resignation. 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 finalised 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. A standing invitation is extended by the board 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 discharging this responsibility.

The group maintains a conflict of interest policy and sustains its corporate culture through a documented code of ethics. 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 of the board and to ensure that the board remains efficient, focused and operates as a unit. Mrs P Mthethwa (nee Buthelezi) is an independent non-executive chairperson and her role is separate from that of the CEO. Mrs Mthethwa provides overall leadership to the board without limiting the principle of collective responsibility for board decisions. Mrs Mthethwa chairs the nominations committee, and is not a member of any other sub-committee. Through membership of the nominations committee, the chairperson is also responsible for the annual appraisal of the CEO's performance along with the lead independent non-executive director, as well as participating in the succession planning of executive directors. During the year, the appraisal of the CEO's performance was conducted 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, business development, transformation, diversity, employment equity, ethics and environmental management. The non-executive directors are P Mthethwa (nee Buthelezi), LE Bakoro, JL Job, SG Morris, KK Mpinga and DDS Robertson. SG Morris remains the lead independent non-executive director.

L Chalker retired at the AGM held on 6 November 2012. OA Mabandla tendered his resignation from the board on 6 May 2013. In accordance with our memorandum of incorporation, one third of the directors are required to retire from office at each AGM. Accordingly, P Mthethwa (nee Buthelezi) and DDS Robertson 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 him to have remained unimpaired. It is anticipated that the results of the externally-facilitated board evaluation will confirm the findings of this internal evaluation. CVs of the board members, detailing their value-add to the group are provided in the group's integrated annual report. Refer to pages 124 to 125. For full CVs, refer to pages 58 to 59 of this review.

## 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 for the executive management of the company's operations 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.

## The company secretary

The appointment and removal of the company secretary is a matter for the board as a whole. She is not a director of the company. The board of directors annually considers and satisfies itself that the company secretary is properly qualified and experienced to carry out the duties and responsibilities of company secretary and that there is an arm's-length relationship between itself and 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 requirements of a regulatory and statutory nature.

The company secretary is responsible for the submission of the annual compliance certificate to the JSE Limited, the filing of statutory documents, as prescribed by legislation and for ensuring compliance to the Listings Requirements.

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 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 are:**

- Audit committee.
- Risk committee.
- Remuneration committee.
- Social and ethics committee.
- Nominations committee.

The function of these committees is focused on assisting the board to realise best corporate governance practices for the sustainable performance of the group. During the period, the board received, reviewed and approved the terms of reference and annual work plan of each committee. The current board committees and their chairpersons are listed below.

The chairpersons of the committees are independent non-executive directors. In the spirit of transparency and full disclosure, each committee's 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. All minutes of committee proceedings are also tabled to the main board on all matters within its duties and responsibilities, including recommendations on required action items.

**Board meeting attendance**

| Director | | P Mthethwa (nee Buthelezi) (chairperson) | MR Upton | CMF Teixeira | LE Bakoro | L Chalker | JL Job | OA Mabandla | SG Morris | KK Mpinga | DDS Robertson |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Period of service (Date of appointment)** | | 6 years (04.07. 07) | 6 years 8 months (17.11. 06) | 5 years (01.06.08) | 4 years 8 months (01.11.08) | 12 years 5 months (21.02.01) Retired 06.11.12 | 4 years 8 months (01.11.08) | 1 year 9 months (01.08. 11) Resigned 06.05.13 | 8 years (01. 07.05) | 11 years (01.07.02) | 1 year 10 months (01.08.11) |
| **Chairperson** | | MB<br>NC | | | SEC from 06.11.12 | SEC to 05.11.12 | REM | | AC | RC | |
| **Member** | | | MB<br>RC<br>SEC | MB<br>SEC | MB<br>REM<br>AC | MB<br>AC<br>NC | MB<br>AC<br>RC | MB<br>AC<br>REM<br>SEC | MB<br>NC<br>RC | MB<br>AC<br>NC | MB<br>AC<br>RC<br>SEC |
| **Attendee** | | | AC<br>REM . | AC<br>RC | | | | | | | |
| Meeting date | Meeting type | | | | | | | | | | |
| 18.07.2012 | REM | | | | | | | A | | | |
| 01.08.2012 | SEC | | A | A | | | | | | | |
| 02.08.2012 | AC | | | | | | | | | | |
| 02.08.2012 | RC | | | | | | | | | | |
| 03.08.2012 | MB | | | | | | | | | | |
| 07.09.2012 | REM | | A | | | | | A | | | |
| 11.09.2012 | MBS | A | | | | A | A | R | | VC | A |
| | | | | | | | | | | | |
| 06.11.2012 | AGM | | | | | | | A | | A | |
| | | | | | | | | | | | |
| 06.11.2012 | SEC | | | | | | | A | | | |
| 06.11.2012 | REM | | | | | | | A | | | |
| 07.11.2012 | AC | | | | | | | A | | | |
| 07.11.2012 | RC | | | | | | | | | | |
| 08.11.2012 | MB | | | | | | | A | | | |
| 08.11.2012 | STRT | | | | | | | A | | | |
| 09.11.2012 | STRT | | | | | | | A | | | |
| 27.11.2012 | SGM | A | | | A | | | A | | A | A |
| | | | | | | | | | | | |
| 07.02.2013 | RC | | | | | | | | | A | |
| 07.02.2013 | AC | | | | | | | | | A | |
| 08.02 2013 | SEC | | | A | | | | | | | |
| 07.02.2013 | REM | | | | | | | | | | |
| 08.02 2013 | MB | A | | | | | | | | | |
| 13.02.2013 | REM | | A | | A | | | | | | |
| 28.03.2013 | RCS | | A | | | | | | | A | VC |

| Director | | P Mthethwa (nee Buthelezi ) (chairperson) | MR Upton | CMF Teixeira | LE Bakoro | L Chalker | JL Job | OA Mabandla | SG Morris | KK Mpinga | DDS Robertson |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Period of service (Date of appointment) | | 6 years (04.07. 07) | 6 years 8 months (17.11. 06) | 5 years (01.06.08) | 4 years 8 months (01.11.08) | 12 years 5 months (21.02.01) Retired 06.11.12 | 4 years 8 months (01.11.08) | 1 year 9 months (01.08. 11) Resigned 06.05.13 | 8 years (01. 07.05) | 11 years (01.07.02) | 1 year 10 months (01.08.11) |
| Chairperson | | MB NC | | | SEC from 06.11.12 | SEC to 05.11.12 | REM | | AC | RC | |
| Member | | | MB RC SEC | MB SEC | MB REM AC | MB AC NC | MB AC RC | MB AC REM SEC | MB NC RC | MB AC NC | MB AC RC SEC |
| Attendee | | | AC REM . | AC RC | | | | | | | |
| Meeting date | Meeting type | | | | | | | | | | |
| 29.04.2013 | RCS | | | | | | | | A | VC | VC |
| 03.05.2013 | REM | | | | VC | | | A | | | |
| 20.05.2013 | RC | | | | | | | | | | |
| 20.05.2013 | NC | | | | | | | | | | |
| 20.05.2013 | AC | | | | | | | | | | |
| 21.05.2013 | STRT | | | | | | | | | | |
| 22.05.2013 | SEC | | | | | | | | | | |
| 22.05.2013 | MB | | | | | | | | | | |

AC – Audit committee
AGM – Annual general meeting
MB – Main board meeting
MBS – Main board special meeting
NC – Nominations committee
RC – Risk committee
RCS – Risk committee special meeting
REM – Remuneration committee
SGM – General meeting for approval of revised broad-based black economic empowerment (BBBEE) ownership transaction and implementation of management's long term incentive plan
SEC – Social and ethics committee
STRT – Main board breakaway meeting

In attendance
Not applicable
A Absent
R Recused
VC Present via video conferencing or teleconference

### Sub-committee mandates

The tables below list the key areas of focus for each of the board's sub-committees.

| Purpose | Quorum | Frequency & reporting |
|---|---|---|
| **Audit committee** | | |
| **Acts in terms of a board-approved charter to provide guidance on:**<br>• Internal control systems<br>• Internal audit and monitoring the effectiveness of the internal audit activities<br>• External audit and oversight of the group's relations with the external auditors<br>• Oversight on stakeholders as they relate to the company's accounting, auditing, internal control and financial reporting practices<br>• Sustainability reporting<br>• Going concern status<br>• Combined assurance<br>• Information technology<br>• Group finance function monitoring | Majority of members. | Meets quarterly. |
| **Risk committee** | | |
| **Acts in terms of a board-approved charter to consider, evaluate and report on:**<br>• Technical, operational and contract risk management<br>• Risk policy, framework and methodology<br>• Health, safety and environment<br>• Compliance | A majority of committee members ensured that at least two non-executive directors are present in present in person or through video conferencing, closed circuit television or telecommunication facilities. | Meets quarterly and as and when required to review major contracts. |
| **Remuneration committee** | | |
| **Acts in terms of a board-approved charter to assist in the following:**<br>• Setting and oversight of the remuneration policy of the group<br>• Annually review and approve the remuneration packages for executive directors and determine and approve annual bonuses, performance-based incentives and share incentive schemes<br>• Review the ongoing appropriateness and relevance of the executive remuneration policy and other executive benefit programmes<br>• Review and approve the proposed remuneration of senior employees, such as exco and manco<br>• Approve management's recommendations for the average annual increase per employee<br>• Evaluate and approve the awarding of additional benefits in terms of the group's share incentive scheme<br>• Make recommendations to the board on the remuneration of non-executive directors | A majority of committee members ensured that at least two non-executive directors are present in present in person or through video conferencing, closed circuit television or telecommunication facilities. | Meets quarterly. |

| Purpose | Quorum | Frequency & reporting |
|---|---|---|
| **Social and ethics committee** | | |
| **Acts in terms of a board-approved charter to monitor the group's activities on:**<br>• 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>• Legal compliance<br>• Corporate citizenship | A majority of committee members ensured that at least two non-executive directors are present in present in person or through video conferencing, closed circuit television or telecommunication facilities. | Meets quarterly. |
| **Nominations committee** | | |
| **Acts in terms of a board-approved charter to:**<br>• Make recommendations on the composition of the board in general and any adjustments that are deemed necessary, including the balance between executive, non-executive and independent non-executive directors<br>• Make recommendations on the skills required on the board<br>• Ensure that the directors are appointed through a formal process and that the appointment is formalised through an agreement between the company and the director<br>• Oversee the development of a formal induction programme for new directors<br>• Be responsible for succession planning, in particular for the chairperson and executive directors and senior management appointments<br>• Agree, and put in place, a performance contract with the chief executive officer<br>• Formalise the annual performance reviews of the board as a whole, the respective board committees and individual board members | Majority of members. | Meets bi-annually. |

## 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 on page 54 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 audit committee's terms of reference are reviewed annually and are amended to meet market and regulatory requirements. A review was conducted during the year, which was presented and recommended revised terms of reference and an annual work plan to the board for approval. The audit committee met its responsibilities under the current terms of reference for the year under review and within the timeframe stipulated in the annual work plan.

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 of the company. The CEO, CFO, head of internal audit (HOI), group risk officer (GRO) and the external audit partner attend committee meetings by invitation. All attendees at the meetings of the audit committee are precluded from voting on the matters presented for its consideration. The audit committee has deemed it appropriate to extend a permanent invitation to the chairperson of the board, Mrs P Mthethwa (nee Buthelezi), to its meetings. Membership of this committee will be presented to the shareholders for approval at the next AGM.

**The board acknowledges the skills shortage within the qualification complement of its audit committee and has, through the nominations committee, undertaken to augment its membership to address the weaknesses highlighted in the table below:**

| Discipline | Member |
|---|---|
| **Economics** | KK Mpinga |
| **Law** | Vacant – see above |
| **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.

In the meetings held 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 and experience 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 annual report. The integrated annual report, including the group's annual financial statements, is issued in less than two months after the group's financial year-end.

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 purpose 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.

The group's assurance processes by internal audit was updated in the year and the defined indications of assurance and lines of defence were accordingly implemented. In addition, the group continues to maintain its standard of assurance through various independent external and internal service provider audits, as disclosed in the integrated annual report.

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 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 annual 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.

## 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 redefined constitution and mandate of this committee resulted in a deeper appreciation of the inherent technical and/or operational risks of contract execution.

The risk committee has its own terms of reference formulated to assist members to understand their roles and enable them to add value in discharging their duties. These terms of reference are further supported by an annual work plan which outlines the annual schedule to be satisfied by the committee in carrying out its mandate. The committee met its responsibilities under the current terms of reference for the year under review and within the timeframe stipulated in the annual work plan. The majority of the risk committee members continue to be independent non-executive directors. The CEO, group risk officer and the executive committee member responsible for the Construction cluster represent executive members, in addition to the chairperson and members listed in the table on pages 52 to 53. 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 processes were 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 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.

## The remuneration committee

The chairperson and members are listed in the table on pages 52 to 53. The committee currently consists of two non-executive directors. The CEO, human resources directors and the human resources director: operations attend meetings of the remuneration committee by invitation. This committee has its own terms of reference, which outlines its mandate, as outlined in the table on page 54. The committee met its responsibilities under the current terms of reference for the year under review and within the timeframe stipulated in the annual work plan.

During the period under review, the remuneration committee facilitated the group's conversion from the Peromnes job grading system to the Paterson job grading system. The committee also formulated the performance matrix to be applied in determining benefits accruing to participants under the long term incentive plan approved at a special general meeting held in November 2012.

In compliance to the Companies Act, the group 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 159 of the remuneration review in the integrated annual report. The fees proposed for non-executive directors for F2014, which is subject to shareholder approval, is also disclosed within the remuneration review.

The remuneration committee also provides guidance to the board on the group's remuneration policy for presentation as a non-binding advisory vote for consideration by shareholders at the AGM. 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.

## The social and ethics committee (SEC)

This committee is constituted 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 chairperson and members are listed in the table on pages 52 to 53.

The mandate of this committee is outlined in its own terms of reference, which define the roles and responsibilities of its members. This is further supported by an annual work plan that guides on the timeframe within which the committee has to carry out its mandate. The committee met its responsibilities under the current terms of reference for the year under review and within the timeframe stipulated in the annual work plan.

During the financial year, the committee reviewed the group's policies and procedures established to govern the matters that fall within the scope of this committee's mandate with a specific focus on addressing areas of non-compliance or inadequacy of control. Focus was placed on addressing adequacy of engagement with stakeholders, including employees, clients and suppliers. In addition, the committee satisfied itself that adequate processes exist within the group to drive compliance with the legislative and regulatory requirements of the matters falling within the scope of its mandate. The committee has further undertaken to commission an external professional advisor to evaluate the standard of its performance following its first year of existence.

The committee meets quarterly. 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. This committee is also required to report on the matters within its mandate to shareholders at the AGM.

## Nominations committee

The chairperson of the main board also chairs the nominations committee and has two non-executive directors as its members, as detailed in the table on pages 52 to 53. The mandate of the nominations committee remained unchanged and is documented in its own terms of reference.

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, succession planning for the board and the executives, as well as identifying and evaluating the CEO's performance. During the period under review, the committee recommended commissioning the services of an independent external provider to evaluate the board's performance. The board will consider the results of this evaluation within the F2014 financial year.

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 or when deemed necessary. Only one meeting was convened during the period under review. It is envisaged that the committee's engagement will increase, as it sets out to implement the recommendations of the board evaluation.

During the year under review, the committee monitored the development and implementation of succession plans for senior executives of the group. Succession plans for executive management are almost complete and will be finalised within F2014. The committee also committed to formulate a succession plan for the board in F2014.

## Board of directors

For further information on the board's value-add, refer to pages 124 to 125 of the integrated annual report.

### P (PHILISIWE) MTHETHWA (49)

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

Chairperson of main board and 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 (58)

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 (40)

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 (39)

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

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 and is a non-executive director of Sea Harvest, Hyundai Automotive South Africa and Liquid Capital. She is also a director of Vega Capital Partners and a member of the investment committee of the National Empowerment Fund (NEF).

### DR JL (JOHN) JOB (68)

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 nonexecutive 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.

### SG (STUART) MORRIS (67)

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. He is also a director of Nederberg Chalets.

### KK (KALAA) MPINGA (52) (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, member of social and ethics 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 a senior independent director of Asian Total Return Company 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.

## Executive management

For further information on executive management's value-add, refer to pages 130 to 131 of the integrated annual report.

### MJ (JUNAID) ALLIE (43)

Group human resources director

BPharm, MBA (2012)

Member of social and ethics committee

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.

### P (PAUL) LE SUEUR (56)

Executive – Strategic Project Development

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

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 appointment as Executive: Strategic Project Development.

### AJ (ANDREW) MCJANNET (50)

Executive – Construction

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

Member of risk committee

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).

### GD (GUY) MOTTRAM (47)

Group risk officer

BCom, LLB

Member of risk committee, member of social and ethics committee

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.

### ECJ (ERIC) VEMER (48)

Executive – Investments and Concessions

BSc Eng (Civil) (Hons), MBA

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.

### JA (JOHN) WALLACE (55)

Executive – Manufacturing

BCom, Hons Programme in Advanced Marketing and Executive Management Programme

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.

### WI (WILLIE) ZEELIE (51)

Executive – Engineering & Construction (E+C)

Higher National Diploma Electrical Engineering, Pr Tech Eng, MSAIEE

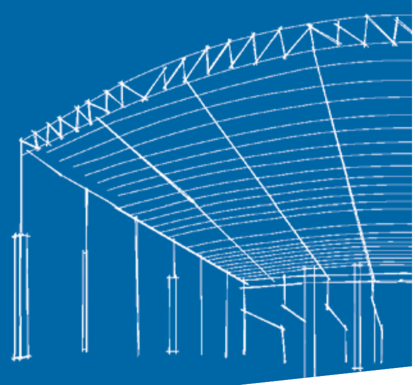
Willie joined Group Five in 2003 and was appointed to exco in 2008. Before joining Group Five, Willie spent 20 years in executive roles in the power industry with groups such as Alstom, Eskom, Reyrolle and ABB. He established Power Systems in 2005 and Group Five Energy in January 2007. He established Engineering and Construction Services in 2010 for with a focus on the energy, power, oil and gas and water sectors. He assumed the role of Executive: Engineering & Construction during F2012.

Welgedacht Water Care Works, Gauteng, South Africa

# HUMAN RESOURCES REVIEW

The human resources (HR) portfolio within Group Five encompasses human resource management, employee wellness, employee relations, human capital development and broad-based black economic empowerment. This report addresses all these areas of responsibility.

The material issues review takes the reader through the main human resources focus areas this year, with the operational review providing more information around the operational aspects of the human resources function.



## Delivery on objectives

Find below how we delivered on our objectives outlined in our F2012 integrated annual report.

| Key focus areas for F2013 | Desired results | Status |
|---|---|---|
| **Employee engagement** | | |
| **Build skills required for the future and retain critical capability.** | As the group invests in new sectors where growth is anticipated, we focused on achieving the correct balance between investment in the required resources and the expected return. | A centralised recruitment office was established with a focus on effective and efficient recruitment.<br>We have been successful in sourcing the key skills required to make inroads into the identified sectors. |
| **Culture change to ensure even closer co-operation between business segments and the enhancement of a single team culture.** | To operate as a single entity 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. | 38% of the group revenue was delivered through multiple business segment co-operation.<br>The group is running a comprehensive change management programme in preparation for the re-location of all the group's Gauteng businesses into a single co-located office in 2014. |
| **Employee wellness** | | |
| **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. | There was an increase in the use of the group's health offering achieved through improved employee education. |
| **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. | Business segment feedback was provided on health trends to allow for targeted interventions.<br>A number of employee interventions were offered to ensure employees are provided with the information required to manage their health issues. |

| Key focus areas for F2013 | Desired results | Status |
|---|---|---|
| **Employee relations** | | |
| **To remain proactively 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. | The South African Federation of Civil Engineering Contractors (SAFCEC) made significant progress with the establishment of a bargaining council. The first negotiations in the bargaining council are expected to take place in August 2013. We have representation at a management and HR committee level within SAFCEC. |
| **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. | Group Five trained a number of employees to act as chairpersons in labour disputes. They are required to keep abreast of labour legislation.<br><br>We completed the design of a site-based industrial relations programme aimed at increasing management sensitivity to handling issues at site and community level. This will be rolled out in the next 12 months. |
| **Human capital development** | | |
| **Skills development** | | |
| **Continue to increase site-based construction skills programmes.** | Improve the level of movable skills at site level to increase production and quality, as well as to improve livelihoods. | A number of programmes were rolled out at site level, including over-border. These were well attended. |
| **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 throughout our operations through learning programmes at all levels. | A safety learnership was conducted, with a total of 18 learners. These learners were successfully deployed to site as junior safety officers at the end of their training. 2 694 employees were trained on safety programmes. This included first-aid and working at heights training. |
| **Technical and professional competence development** | | |
| **Continue to increase the e-learning drive in the group.** | Building competence and knowledge where learners can train in their own space and time, which is particularly relevant for site-based employees. | E-learning continues to gain acceptance. The group is focusing on site-based employees for an improvement in uptake. |
| **Programmes that focus on building higher levels of professional competence that underpin transformation and succession.** | Increase the flow of professional registrations of engineers and build environment professionals through individual development plans and mentoring. | The group continued to refine and develop its mentorship programme. A large intake is expected in F2014. |

| Key focus areas for F2013 | Desired results | Status |
|---|---|---|
| **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. | The group adopted a change management model that is currently being rolled out. 145 managers have been trained. An internal change champion team was formed and each business segment has a specific change management team. |
| **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. | Succession plans were developed to address the group structure change and the loss of some senior managers through retirement. |
| **Student management** | | |
| **Innovative approaches to enhance the success rate of bursary students.** | A reduction in student failure and dropout rates. | A mentoring programme for students was implemented in June 2013. |
| **BBBEE** | | |
| **Ownership** | | |
| **Support the group's design and implementation of a new transaction to secure permanent or perpetual black shareholding.** | A transaction that meets the intent of the legislation, with the least impact on external shareholders and a particular emphasis on promoting the shareholding of black professional employees and supporting education and training. | The new transaction was unanimously supported by shareholders. Refer to page 82. |
| **Management** | | |
| **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. | The management team has not made significant progress with this, as external recruitment was limited. |
| **Employment equity** | | |
| **Address problem areas to ensure the achievement of our employment equity plan.** | To systematically remove all problem areas/barriers to the existence of equitable employment practices across the group. | Barriers were identified and business segments are addressing these. A significant barrier is the retention of black professionals and the recruitment of black professionals in a slow market. |

| Key focus areas for F2013 | Desired results | Status |
|---|---|---|
| **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 Sector Charter. | In the last few years, certain business segments have significantly slowed down their recruitment and instituted retrenchments, which prevented targets from being met.<br>With the anticipated increased levels of recruitment going forward, we should have greater opportunities to recruit black professionals. |
| **Continue implementing 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. | Succession plans now exist in all business segments. Support needs to be provided to succession candidates to prepare them for their future roles. |
| **Procurement** | | |
| **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. | Achieved. This has also been implemented as part of government's tender requirements. |
| **Achieve an overall preferential procurement profile of 65% in terms total local procurement.** | 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. | Achieved. The group started measuring the business segments against the seven-year Construction Charter targets during the second half of the year. |
| **Enterprise development** | | |
| **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. | Resource constraints have impacted on our partners and numbers attending training interventions decreased.<br>The group plans to increase the focus in this area in F2014 in keeping with the increased national focus on enterprise development proposed in the new BBBEE legislation. |
| **Secure contracts where active participation of our partners is both possible and sustainable.** | Provide opportunities for continued development and re-establishment of their capacity. | With the slowing of contracts awarded in the public sector, there has been a limited number of opportunities for joint ventures. |
| **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. | Government tenders increasingly require site-based enterprise development. To date, we have exceeded expectations on contracts.<br>The greater frequency of this requirement necessitates a more focused and formalised implementation of policies and procedures. |

| Key focus areas for F2013 | Desired results | Status |
|---|---|---|
| **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 dependent on the group. | New legislation will include enterprise development and preferential procurement as a single element called supplier development. The group is currently identifying the best approach to this. |
| **Socio-economic development (SED)** | | |
| **Achieve required spend on areas outside of social grants.** | Ensure appropriate programmes that will improve economic empowerment and increase economic spend. | In line with our strategy, we focused more on education and skills development. However, meaningful economic empowerment initiatives have not been as successful as planned, largely due to their resource and capital intensiveness. This will receive focus going forward. |
| **Continue to play an active role in addressing poverty and unemployment through support to women and the youth in particular.** | Assist in empowering more youth and women in communities. | The group has sponsored small businesses owned by women in the construction sector to enroll on business programmes. This will be expanded in the coming year.<br><br>Further initiatives to economically empower young people and women entrepreneurs (particularly those outside urban areas) will be implemented.<br><br>A number of schools focused on mathematics and science were adopted and receive regular financial support. Our assistance has also included opportunities for work exposure for learners. |
| **Ongoing engagement with government departments at national, provincial and local levels.** | Improved co-operation, alignment and co-ordination of community projects with government structures. | The group made good inroads during the year in engaging with government and in supporting various SED campaigns in the public sector. |
| **Capacity building and increased accountability among beneficiaries.** | Effective and formal report back to the group. | Memorandums of understanding were entered into with each of our main beneficiaries. Progress on performance against our SED objectives is tracked quarterly through site visits and reporting. Annual training workshops were instituted as part of ongoing capacity building and sustainability of programmes, with a focus on educators and heads of schools. |
| **Stakeholder communication of the company's community programmes.** | Increased awareness of Group Five's programmes. | The group compiled an SED booklet showcasing the various programmes we support. The focus going forward will be on improving communications of our over-border programmes. |

# MATERIAL ISSUES REVIEW

## LABOUR VOLATILITY

The South African industrial relations environment is currently very volatile. The market is characterised by tensions in the mining sector, the formation or strengthening of new or previously peripheral unions by disenfranchised union members, the decrease in the membership of traditional unions and a change in the age profile of the general workforce.

South Africa has also experienced increased service delivery protests, as government and municipalities are deemed to have under-delivered on social infrastructure and the maintenance of current infrastructure. The combination of increased union movement, dissatisfaction in communities and companies' historic dependence on negotiating with limited or single unions has left the workplace within the sector subject to increased industrial action.

As a sector traditionally responsible for job creation and employment, the year under review saw a significant increase in union militancy, resulting in industrial action and illegal strike action on mostly large public sector contracts. As government is the client on these contracts, it has expressed its intent to improve the lives of people working on these contracts and has intervened to try to address the labour and union tension.

With Eskom, this process resulted in a social pact between Eskom, organised labour and the contractors on site where the client sets the wages and conditions of employment on its sites. While it is hoped that this social pact will reduce the volatility on these major infrastructure contracts, the impact of this intervention on the industry at large has yet to materialise.

### Group Five's level of unionisation of the total workforce (F2009 – F2013)

**The table below reflects the decrease in union membership from F2009 to F2013:**

| | **F2013** | F2012 | F2011 | F2010 | F2009 |
|---|---|---|---|---|---|
| Total employee headcount (all employees) | **13 659** | 10 846 | 11 997 | 12 497 | 14 050 |
| Number of unionised employees | **2 120** | 2 039 | 2 285 | 2 416 | 1 752 |
| Union membership as % of total workforce | **15%** | 18% | 19% | 19% | 12% |

The multiplier effect of an increase in non-unionised employees, an increase in the number of unions present in the group (refer to page 75) and the militancy of the unions made negotiations more challenging. The group experienced a large number of incidents of industrial action in F2013. As outlined on page 76, the majority of strikes, and associated days lost, occurred on large public sector infrastructure contracts, such as Eskom's Kusile power station and Transnet's New Multi-Products Pipeline. These mega contracts have historically attracted strike action due to their size, public profile and national priority.

A number of the strike-related issues were substantive issues usually negotiated at a sector level or prescribed by law. This makes finding solutions at a site level difficult. To address the volatility on these sites, we increased the number of employee relations representatives to ensure that we address labour concerns before they become disruptive, as well as monitoring management, worker and union conduct in the workplace.

We also strengthened relationships with clients to ensure that solutions are dealt with as a team.

Although over-border labour disruptions have been minimal, we have seen a recent increase. Where a few incidents occurred, we managed to address those amicably with minimum work stoppages. Ensuring a proactive approach over-border will remain a focus for the group.

## GROUP RESTRUCTURE

The group's revised operating structure, as depicted on pages 32 to 33 of the integrated annual report, was implemented in the first half of F2013. Adequate time and attention was allocated to this change to ensure effective transition to the new structure. Early wins have already been realised, such as ease of communication and speed of implementation of the strategy across the group.

## RESOURCING THE GROUP

### Addressing growth

Gaps in resources were identified following the group's new operating structure, an increase in multi-disciplinary work and growth in certain markets targeted by the group, such as renewable power contracts and the establishment of a nuclear energy contracting capacity. People were recruited from internal and external sources and deployed across the different business segments. Certain roles required the re-evaluation of job grades to ensure appropriate remuneration.

Refer to page 139 of the integrated annual report.

During the year, the group also centralised its recruitment resources and processes. This included unifying its approach to managing bursary students and in-training graduates, as well as consolidating the recruitment of critical roles and central succession planning to provide a clear view of the resourcing requirements for contracts being bid or already awarded. Skills that remain on our shortage list include building artisanal skills, experienced project management skills and welding and piping skills.

### Over-border resourcing

As the group continues to diversify its order book to include a strong over-border component, the ability to deploy resources has become more critical. During the year, we reviewed our international remuneration policy to ensure we are able to attract and deploy the correct resources on all sites.

In parallel with this, the group strengthened local recruitment drives in countries of operation to attract and build local capability through the recruitment of in-country nationals by establishing local training programmes to enhance in-country skills. The group has had some success with this process already, with its first over-border training centre having been built and opened in the DRC in March 2013. The group spent R1 million on the centre where technical, management and leadership training will take place. This investment will result in efficiency improvements on site and is a clear indication of the group's commitment and presence in the DRC.

### Diversity of resources

Diversity in the workplace that is reflective of the South African racial and gender composition is critical. This is particularly relevant in the context of the country's Employment Equity Act, the Broad-Based Black Economic Empowerment (BBBEE) Act, changes in the Construction BBBEE Charter, transformation drivers in South Africa and specific client requirements regarding equitable and diverse teams.

With the market slowdown in the prior year resulting in the downsizing of certain segments of the business, the opportunity to accelerate racial and gender transformation was limited.

However, during F2013 the human resources team and line managers focused on using recruitment opportunities to employ black people and on reducing the percentage of black professionals exiting the group. This pleasingly decreased to 8% from 14% during the year and resulted in increases in black employees at all management levels. During the year, 58% of professionals recruited were black, up from 50% last year.

As outlined in the looking forward section, employment equity will remain a focus.

### Succession planning

During the year, the group focused on its group-wide succession planning processes. This commenced with a review of the adequacy of succession plans in place for senior management. The executive team is responsible for ensuring that key positions are identified and appropriate succession candidates identified. Where internal candidates are not available in the short term, management are tasked with developing or recruiting suitable candidates into the group.

## SKILLS DEVELOPMENT AND RETENTION

The group established its corporate university, the Group Five Academy, in 2006. The Academy offers continuous professional development, as well as junior to senior management development and leadership skills programmes required to execute group strategy. The continuous development offering of the Academy has also acted as one of the group's retention offerings to employees and has been instrumental in reducing employee turnover rate.

A key focus of the Academy this financial year was on-site technical, welding, operator and safety skills training. The Academy differentiated itself through the learnerships it offers, with priority learnerships for welding and safety skills. Supervisor development also ensured that we have stronger controls in place, with 375 having been developed through the programme since inception in 2009.

In conjunction with the group's internal efficiency programme, the Academy launched a change management programme to assist the group's executives and management in communicating and managing change. To date, 145 executives and managers have attended this programme. In addition, certain employees were identified as change agents to support managing directors and executives in implementing change.

During the year, the group also extended its mentoring programme to include formal skills transfer from experienced employees who are approaching or who have reached retirement age.

## REMUNERATION ENGAGEMENT

Following the request to the group's shareholders to approve a revised long term incentive plan for executives and senior managers, as well as the group's weak operating performance in the F2012 financial year, there was an increased level of feedback from shareholders and other stakeholders with respect to executive remuneration.

The group therefore augmented its level of disclosure to address external stakeholder information requirements. This disclosure was added to the group's remuneration report in the integrated annual report. In addition, the group reviewed its remuneration policy against market best practice. This included seeking the approval from shareholders on the group's updated remuneration philosophy.

Refer to pages 134 to 165 of the integrated annual report.

## BBBEE OWNERSHIP

Approval from shareholders was obtained in November 2012 for the group's new BBBEE ownership transaction. The new structure was implemented in the second half of F2013. This involved the establishment of two trusts, the Black Professionals Staff Trust (BPST) and the Izakhiwo Mfundo Trust. These trusts purchased the shares held by the group's previous BBBEE ownership shareholder, Mvelaphanda. The BPST participants will receive annual dividends from the trust. The Izakhiwo Mfundo Trust will receive dividends that will be used to fund bursaries for black individuals interested in studying in a field related to the business and skills requirements of Group Five. The group was very pleased with the almost 100% approval from shareholders to implement this transaction.

The financial effects of this transaction are disclosed on page 82 of the integrated annual report.

## LOOKING FORWARD

### Resourcing

Correctly resourcing contracts and business areas of growth will remain a focus for the group, as well as continuing to implement and improve our employee proposition, with a focus on talent management and retention.

### Labour volatility

Labour volatility will remain a key area, both locally and within the rest of Africa. More active engagement with all stakeholders on sites, including surrounding communities, will be required. In South Africa, the group started with education campaigns to improve the skills set of marginalised and new unions on labour law regulations and industry agreements. It will continue to seek ongoing active engagement with current unions in addition to that required at the time of annual negotiations or when demands are not met. Management will also be constantly updated on changes in the labour law and industrial relations environment, with training provided to ensure improved partnerships between management, workers and unions.

Labour negotiations in all of our business segments in South Africa are expected to be robust this year, with negotiations likely to be protracted. Requested wage levels will also be higher in the context of looming deadlines on large infrastructure-related contracts. Although this will put additional pressure on our wage bill, these cost increases are generally recoverable through the escalation clauses in contracts, or are considered in tender estimates.

### Co-location

One of the elements of the group's efficiency programme is the co-location of all the business segments and Gauteng-based offices to a single head office in F2014. Approximately 900 employees will relocate to one building. The single head office environment lends itself to more efficient processes and shorter timeframes to implement operational changes.

### Broad-based black economic empowerment

Based on the upcoming four- to seven-year Construction Sector Charter targets, companies are now faced with more stringent targets on the elements of ownership, employment equity and preferential procurement. From F2014, the group will be benchmarked against these targets.

The group currently has an effective black shareholding of 26.9%. Excluding free-traded shares in the hands of black people, the group is 21% black-owned. The new target requires a 30% direct black ownership by 2016. The group is aware that the ownership element requires attention and will consider this in the new financial year.

Despite progress being made in the last two years, the group's most significant area of under-performance on the Construction Sector Charter remains race and gender transformation at a senior and middle management level. This will continue to be a focus area into the foreseeable future, especially in light of changes in employment equity target requirements set by the Department of Labour and stricter targets being enforced through the Construction Charter.

The four- to seven-year scorecard targets and our current status are reflected in the table below:

| Management level | Revised scorecard target | Group status |
|---|---|---|
| Top management | 40% | 11.0% |
| Senior management | 60% | 22.5% |
| Middle management | 75% | 26.8% |

Although good progress was achieved in the preferential procurement element performance against targets, the group is aware that it must continue to focus on this area to ensure it remains competitive. The group's achievement in this category reflects its commitment to procuring from local and black suppliers. This also supports government's initiatives to address unemployment through direct and indirect job creation and the support and development of black enterprises.

# OPERATIONAL REVIEW

During the year, the group remained focused on all elements of its employee value proposition. These include:

1 Quality management and management systems

2 Continuous development through our training programmes

3 Competitive remuneration

4 Career development opportunities

5 Talent management

## 1 Employee engagement

Over the last few years, the group has conducted an annual employee engagement survey. The overall score was maintained over the last four years, with individual factor results showing a consistent level of employee engagement. This is particularly pleasing, as we commenced the process during the construction boom in 2008 and continued it during the downturn over the last few years, which at times necessitated redeployment or a reduction in employee numbers.

The latest survey was concluded in the last quarter of this year. The results were very encouraging, given that this was the first survey conducted after the start of the disposal of the Construction Materials cluster, as well as group-wide restructuring and consolidation during the second half of the previous financial year.

### Employee survey results

| Measure | F2013 – F2012 | % change | F2012 – F2011 | % change | F2011 – F2010 | % change | F2009 – F2010 | % change | F2008 – F2009 |
|---|---|---|---|---|---|---|---|---|---|
| Overall | **66.6** | **(0.1)** | 66.7 | 0.7 | 67.0 | 1.1 | 65.9 | 2.00 | 63.9 |
| Communication | **61.9** | **0.5** | 61.4 | 0.1 | 61.3 | 1.2 | 60.1 | 8.5 | 51.6 |
| Relationships and trust | **65.9** | **0.3** | 65.6 | (0.4) | 66.0 | 1.4 | 64.6 | 3.1 | 61.5 |
| Strategy and leadership | **69.4** | **(0.4)** | 69.8 | (0.2) | 70.0 | 2.6 | 67.4 | 1.6 | 65.8 |
| Rewards, recognition and performance management | **60.9** | **0.1** | 60.8 | 1.2 | 59.6 | (0.05) | 60.1 | 2.3 | 57.8 |
| Diversity | **68.8** | **0.3** | 68.5 | (0.3) | 68.8 | 0.6 | 68.2 | 1.9 | 66.3 |
| Culture and values | **68.3** | **(1.4)** | 70.7 | (0.1) | 70.8 | 1.3 | 69.5 | 1.9 | 67.6 |
| Structures | **72.2** | **(0.3)** | 72.5 | 0.1 | 72.4 | 2.2 | 70.2 | (0.6) | 70.8 |
| Change and transformation | **62.5** | **0.4** | 62.1 | (0.3) | 62.4 | 0.3 | 62.1 | 1.3 | 60.8 |
| Human capital management | **67.1** | **(0.1)** | 67.2 | (2.5) | 69.7 | 1.2 | 68.5 | 0.8 | 67.7 |
| Management style | **68.1** | **(0.5)** | 68.6 | 0.5 | 68.1 | 0.8 | 67.3 | 0.0 | 67.3 |
| Internal brand awareness | **79.5** | **(0.7)** | 82.2 | (1.0) | 83.2 | 3.7 | 79.5 | new | – |

World-class  Top company  Middle-class/average  Poor

Key focus areas will remain communication, performance management and rewards, as well as culture and values. An additional focus will be to restore the brand following negative publicity after the Competition Commission industry findings in the sector. Improvements in all areas will be achieved through focused business segment interventions to address the underlying reasons for employees' views.

In line with feedback received through this survey, we are constantly seeking ways to enhance the employee benefit proposition. In line with this, we recently increased the maternity benefit paid to employees to four months at 75% of cost to company. We also agreed service-related enhanced leave benefits for all employees, provided group personal accident cover to all employees, introduced an employee assistance programme for all employees and significantly increased the focus on personal development of all employees. We also provided training to managers to ensure consistent leadership through the introduction of mandatory training in management fundamentals. These include leadership, change management and diversity management.

During the year, we also achieved Best Employer Status for the fourth year in a row in the Corporate Review Foundation (CRF) "best employers to work for" assessment.

The group is committed to the total eradication of all forms of unfair discrimination. Its employment practices aim to address the barriers to the achievement of these objectives. The group regularly reviews its policies to ensure it is compliant with international and local labour practices and that its practices are compliant with the ten United Nations Global Compact principles. We focus on eradicating all forms of gender or racial bias/discrimination relating to remuneration, conditions of employment and access to employment. We recently introduced a degree of flexibility in working arrangements by allowing employees with family commitments to work flexi-time wherever practical. We will also be providing childcare facilities at the group's new head offices.

## FORMAL PERFORMANCE MANAGEMENT SESSIONS

The group continued to focus on providing performance management, with 83% of employees receiving a performance management session during the year.

| | **2013** | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|
| % | **83.0** | 82.0 | 74.5 | 67.0 | 52.9 | 45.7 | 44.9 |

## CURRENT EXECUTIVE AND SENIOR MANAGEMENT APPOINTMENT SPLIT

The most reliable indicator of the success of an organisation's succession planning is its ability to fill the vacancies that arise with internal candidates. Group Five focuses on growing its own talent. This is achieved through proactive succession planning and focused employee development. The table reflects the relative success of this strategy by indicating the number of current incumbents in executive and business segment senior management/director positions who were promoted into their current roles internally rather than being sourced from outside the group.

| | Female | | | | | | Male | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Black | | White | | Total | | Black | | White | | Total | | Total | |
| Category | **F2013** | F2012 | **F2013** | F2012 | **F2013** | F2012 | **F2013** | F2012 | **F2013** | F2012 | **F2013** | F2012 | **F2013** | F2012 |
| External appointment | **1** | 2 | **2** | 2 | **3** | 4 | **13** | 7 | **8** | 14 | **21** | 21 | **24** | 25 |
| Internal appointment | **1** | 2 | **8** | 5 | **9** | 7 | **10** | 13 | **63** | 75 | **73** | 88 | **82** | 95 |
| **Total** | **2** | 4 | **10** | 7 | **12** | 11 | **17** | 20 | **75** | 89 | **92** | 109 | **106** | 120 |

## VACANCY ANALYSIS

The table reflects the level of vacancies in the group in the skilled and more senior categories as a percentage of the total employees in that category. The increase in vacancies year-on-year is indicative of the increased levels of activity across the group.

Although our vacancies as a percentage of employee numbers at year-end were at 8%, it did peak at just over 10% in January this year. In light of this, we embarked on a focused recruitment campaign to proactively secure a steady and timeous inflow of talent into the required positions. This, coupled with our renewed focus on succession planning and the effective delivery of our employee value proposition, will allow us to procure and retain the requisite levels of talent.

| % | **F2013** | F2012 | F2011 | F2010 | F2009 | F2008 | F2007 | F2006 |
|---|---|---|---|---|---|---|---|---|
| Vacancy analysis | **8.0** | <1 | <1 | 2.0 | 10.0 | 12.2 | 11.7 | 11.9 |

# 2 Employee wellness

Employee wellbeing results in higher production. To this effect, the group continues to use a range of specialist service providers to offer occupational and primary healthcare, counselling, health insurance, executive health and HIV and Aids awareness.

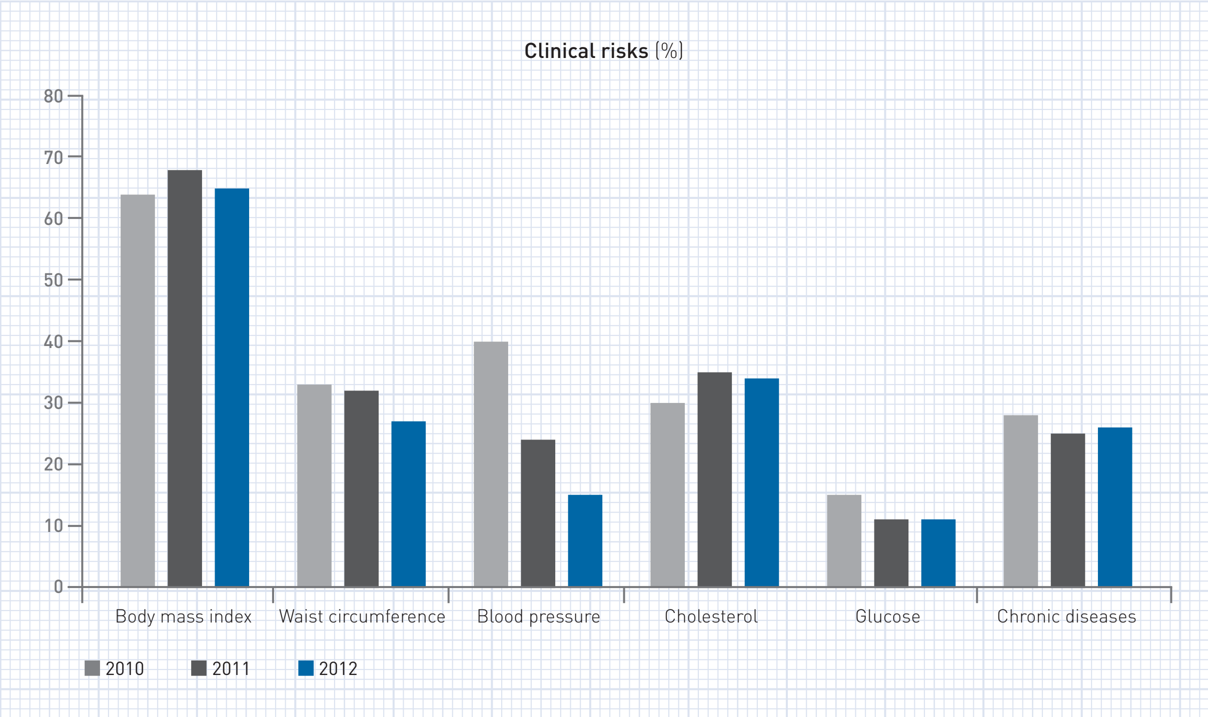
Refer to the risk review on pages 30 to 32 for information around occupational health-related issues.

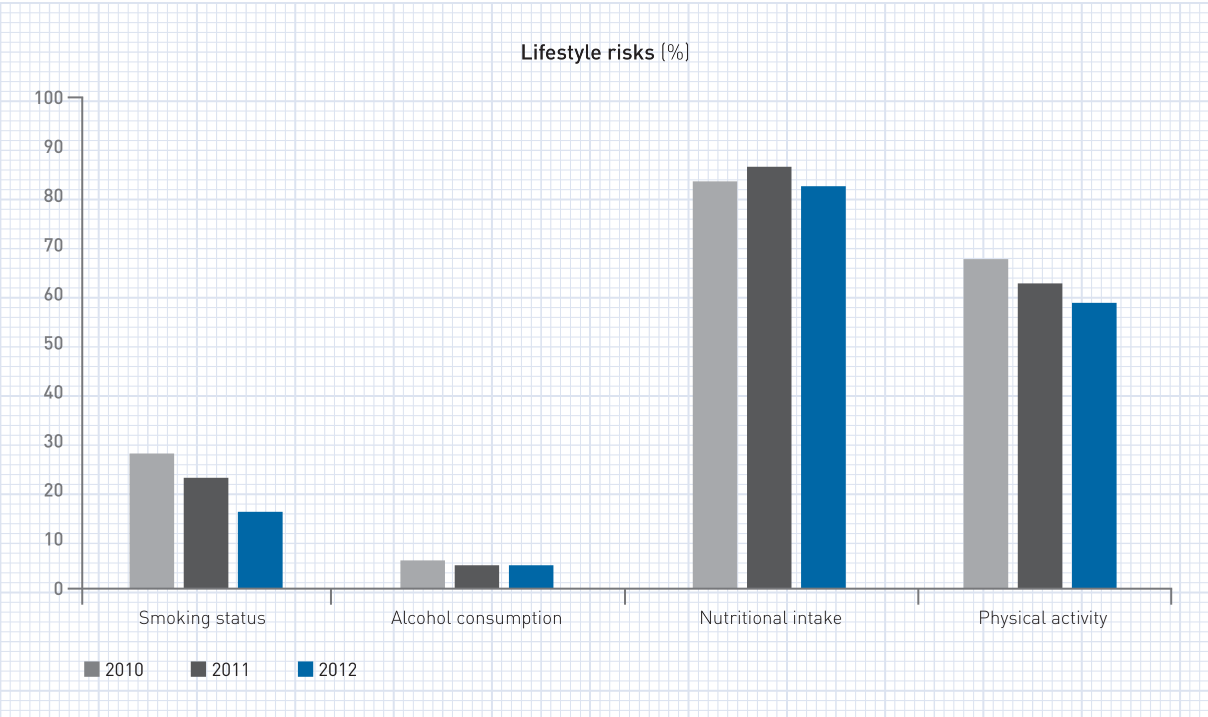
| | | | | | |
|---|---|---|---|---|---|
| Intervention | **Occupational health** | **Medical aid** | **Medical aid** | **Employee wellbeing programme** | **Executive health** |
| Deliverables | Pre- and post-employment medicals<br>Travel clinics<br>On-site clinics<br>Mobile clinics | | | Telephone counselling<br>Face-to-face counselling<br>Life management services<br>Trauma counselling | Executive health assessments<br>Case management |
| Beneficiaries | Offered to all construction employees | Standard medical aid offered for all salaried employees | Voluntary to waged employees | Offered to all employees | Offered to exco, manco and directors |

Integrated health management system

| | | | | |
|---|---|---|---|---|
| Intervention | **HIV testing** | **On-site clinics** | **Employee health and safety** | **Wellness awareness** |
| Deliverables | Awareness counselling<br>Testing<br>Referral to case management | Primary healthcare<br>Occupational healthcare | Safety awareness<br>Compliance to regulations<br>Safety drills | Wellness days<br>Blood donation<br>On-site stress management<br>Internal comms |
| Beneficiaries | Offered to all Construction employees | Manufacturing employees only | All employees and sub-contractors | Offered to all employees |

The most prevalent medical conditions faced by our employees are reflected in the graphs below. Although hypertension remains a prominent condition, it is pleasing to see that there was a significant decline in employees who have presented with hypertension or elevated blood pressure-related ailments. There was an improvement in blood glucose, although elevated cholesterol levels remained flat. The effectiveness of our lifestyle, health awareness and medical surveillance programmes can be seen in the sharp decline in the number of employees who smoke and the steady decline in the percentage of employees at risk due to inadequate levels of physical activity.



## HIV AND AIDS AWARENESS TRAINING

As HIV and Aids remain prevalent in our sector and in the group, HIV and Aids awareness counselling and testing (ACT) was included as an employee benefit last year under the group's human resources benefit offering. During the year, the group spent over R1 million on creating awareness and on counselling and testing campaigns.

Prevention, education, awareness, counselling and condom distribution for employees form an integral part of the group's health and wellness awareness strategy. During the two-year implementation cycle, 9 919 employees have been trained in HIV/Aids awareness.

The group monitors voluntary counselling and testing in two-year cycles. Our target of 80% of employees knowing their HIV/Aids status over the two-year period of 2011 to 2013 was exceeded, with 87% of employees tested. The number of trained workplace peer educators increased to 306.

Group Five provides treatment, care and support benefits to employees directly through the group's medical aid scheme or indirectly through facilitating access to government programmes in countries where these are available. We also continue to provide an employee assistance programme focusing on overall wellness (EAP), which works alongside our HIV/Aids programme.

There was a reduction in the HIV prevalence rate from 18% in 2010 to 15% in 2013. This can be mainly attributed to the group's active awareness programme, an increase in the number of workplace peer educators, and testing, as well as the support of line managers.

| | Number of employees trained (awareness provided) | Number of employees counselled and tested | Prevalence rate |
|---|---|---|---|
| F2009/F2010 | 6 426 | 6 156 | 18.0% |
| F2010/F2011 | 4 492 | 4 184 | 16.5% |
| F2011/F2012 | 6 281 | 6 089 | 17.3% |
| **F2012/F2013** | **9 919** | **8 905** | **15.0%** |

# 3 Employee relations

The group's employee relations strategy and policy is founded on the principles of proactive engagement. It is regulated by best practice policies and procedures based on legislation and the legal environment in which we operate.

The employee relations function is managed by the group executive director of HR. He is supported at a corporate level by the HR director of operations and services and an industrial relations specialist who is a practicing labour attorney. The central resources are supported at site level by a number of experienced industrial relations practitioners. The group this year employed additional community liaison officers to ensure an improved understanding of the social issues employees may be facing in their communities and to assist or bring about harmony in the workplace, where required. The group is represented on all major industry negotiating forums.

During the year, the group conducted training and refresher programmes at site level on handling grievance and disciplinary hearings and managing site-level interaction through mandatory liaison committee structures. The training programmes were aimed at improving the relationships with both organised and non-unionised labour at site level. All policies relating to effective employee relations and workplace harmony are published both at sites and are available on our intranet, which is freely accessible to employees.

The benefits of the group's focused strategy can be seen through the steady decline in Commission for Conciliation, Mediation and Arbitration (CCMA) referrals since 2010. All matters referred to the CCMA in this reporting period were successfully defended by Group Five, an indication that our internal processes are effective and just.

## CCMA CASES

| | **F2013** | F2012 | F2011 | F2010 | F2009 | F2008 | F2007 | F2006 |
|---|---|---|---|---|---|---|---|---|
| Referrals (number of cases) | **53** | 68 | 95 | 108 | 38 | 48 | 38 | 78 |

## PROPORTIONAL UNION REPRESENTATION AS A PERCENTAGE OF THE SOUTH AFRICAN WORKFORCE

The table below reflects the overall level of unionisation across the group. This has remained fairly consistent at about 21%. There has been steady erosion in the number of members represented by the major construction unions, with an increase in the number of new unions. This increased the complexity of negotiating with multiple unions and a more militant non-unionised workforce, which poses the risk of further industry volatility.

| % split | AMCU | AUBTWSA | BCAWU | BWAWUSA | GIWUSA | NUM | NUMSA | MEPHAWU | SACWU | SATAWU | TUZ | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2013** | **0.09** | **0.01** | **1.66** | **0.48** | **1.8** | **11.86** | **0.36** | **1.03** | **0.4** | **2.8** | **0.84** | **21.3** |
| 2012 | 0.25 | 0.1 | 2 | 0.5 | 2 | 13.5 | 0.5 | 0 | 0 | 2 | 0 | 21.6 |
| 2011 | 0 | 0.3 | 3 | 1 | 0 | 26 | 2 | 0 | 0 | 2 | 0 | 33 |
| 2010 | 0 | 0.5 | 5 | 0 | 0 | 22 | 2 | 0 | 0 | 1 | 0 | 30 |
| 2009 | 0 | 0.5 | 2 | 2 | 0 | 21 | 1 | 0 | 0 | 0 | 0 | 26 |

*AMCU – Association of Mineworkers and Construction Union*
*AUBTWSA – Allied Union of Building Trade Workers of South Africa*
*BCAWU – Building Contractors and Allied Union Workers*
*BWAWUSA – Building Wood and Allied Workers Union of South Africa*
*GIWUSA – General Industries Workers Union of South Africa*
*NUM – National Union of Mineworkers*
*NUMSA – National Union of Metalworkers*
*MEPHAWU – Metal Plant Hire and Allied Workers Union*
*SACWU – SA Chemical Workers Union*
*SATAWU – South African Transport and Allied Workers Union*
*TUZ – Trade Union of Zimbabwe*

## INDUSTRIAL ACTION

While it was anticipated that industrial relations would be difficult this year, the volatility that followed the events in the mining sector was more pronounced than expected.

As can be seen from the table below, the group experienced a significant increase in industrial action across the group. This included the construction, transport and manufacturing sectors. The group experienced 13 strikes involving almost 4 500 employees and the loss of 18 870 man-days of labour.

Of the 13 strikes, only one was carried out in compliance with the Labour Relations Act (LRA) and five took place without the involvement of a union. The other 12 strikes were unprotected wild cat strikes that were not preceded by any form of deadlock having been reached with management. This situation indicates a higher level of militancy and the propensity to strike versus reaching agreement through a negotiated settlement. This will require that the group focuses on community liaison as much as formalised union relationships.

### Number of strikes and type of disputes

| Reason for strike | Procedural – Yes/No | Number of days | Number of participants | Duration of strike in working hours | Total working hours lost | Total man days lost |
|---|---|---|---|---|---|---|
| Request for labour to work past 15 December shutdown date | No | 1 | 426 | 18 | 4 047 | 852 |
| Community unrest | No | 3 | 260 | 24 | 6 240 | 780 |
| Substantial issues | Yes | 28 | 187 | 336 | 62 832 | 5 236 |
| Saturday working hours | No | 0,5 | 318 | 4 | 1 272 | 159 |
| Wage demands | No | 1 | 290 | 8 | 2 320 | 290 |
| End of contract benefits | No | 8 | 520 | 64 | 33 280 | 4 160 |
| Wage demands | No | 4 | 232 | 36 | 8 352 | 932 |
| Project bonus | No | 3 | 264 | 24 | 6 336 | 792 |
| Hostel services | No | 8 | 265 | 64 | 16 960 | 2 120 |
| New workers' forum committee making new demands pertaining to project bonus and increases | No | 3 | 265 | 24 | 6 360 | 795 |
| Disciplinary action against union members | No | 1,5 | 448 | 12 | 5 376 | 672 |
| Project bonus and wage demands | No | 4 | 265 | 32 | 8 480 | 1 060 |
| Wages/allowances/job titles/ payment for absence during strike action | No | 2,5 | 160 | 25 | 4 000 | 500 |
| **Total impact on the group** | | 67,5 | 3 900 | 671 | 165 855 | 18 348 |

## Decent work conditions

The table below outlines the breakdown by geography and gender between permanent employees and contract-specific employees. The group makes extensive use of contract-based employees in the delivery of its contracts and makes use of local labour wherever possible.

Through specific policies such as our "People at the Gate Programme" we attempt to transfer skills and up-skill the local communities where we operate to create sustainable employment opportunities for the members of these communities. Details of these programmes are available in the group's SED documentation at www.groupfive.co.za. Benefits enjoyed by these employees would be at least the minimum set by the sectoral determination under the civil industry wage determination and the various agreements between the South African Federation of Civil Engineering Contractors (SAFCEC) and organised labour or the Metal and Engineering Industries Bargaining Council (MEIBC).

### Breakdown by geography and gender (permanent and contract-specific employees)

| | Male | Female | Total |
|---|---|---|---|
| **International** | **3 029** | **346** | **3 375** |
| Contract-specific | 2 771 | 328 | 3 099 |
| Permanent | 258 | 18 | 276 |
| **South African** | **8 591** | **1 693** | **10 284** |
| Contract-specific | 5 274 | 919 | 6 193 |
| Permanent | 3 317 | 774 | 4 091 |
| **Total** | **11 620** | **2 039** | **13 659** |

During the year, the civil engineering sector registered the Bargaining Council for the Civil Engineering Industry (BCCEI). Negotiations will now be facilitated through this council. It is anticipated that the BCCEI will be empowered to extend its requirements and agreements to all employers in the civil engineering environment. Currently, only members of SAFCEC are bound by the civil sector negotiated agreements. The BCCEI will provide much-needed structure and regulation in the civil engineering industry.

# 4 Human capital development

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
- Student management
- Technical and professional competence development
- Leadership and management development

The focus on operational efficiencies continued in this financial year, with expenditure on training focused on key priority areas. Total spend pleasingly increased from R32,3 million last year to R37,1 million. It reflects a 1.6% of payroll spend and an average of R1 100 per employee spend compared to R2 435 per employee last year.

The skills development programmes and technical and professional development programmes support the group's requirements, but also address government's national initiatives to up-skill workers.

## OVERALL EXPENDITURE PER CATEGORY OF SPEND

| Categories – R'm | **F2013** | F2012 | F2011 | F2010 | F2009 | F2008 | F2007 |
|---|---|---|---|---|---|---|---|
| Skills development | **8,2** | 6,6* | 6,9* | 3,9 | 3,6 | 3,7 | 3,1 |
| Technical and professional competence development | **9,6** | 7,5 | 11,7 | 8,9 | 8,5 | 10,5 | 6,4 |
| Leadership and management development | **5,3** | 3,9 | 3,5 | 2,6 | 4,2 | 2,2 | 2,6 |
| Student management (bursaries) | **5,1** | 4,6 | 6,6 | 6,0 | 9,3 | 6,8 | 6,5 |
| Training support costs | **8,9** | 9,7 | 9,2 | 10,1 | 12,2 | n/a | n/a |
| **Total** | **37,1** | 32,3 | 37,9 | 31,5 | 37,8 | 23,2 | 18,6 |

* *These numbers 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.*

## SPEND PER OCCUPATIONAL CATEGORY*

Although training initiatives declined, spend increased. This reflects attention given to increasing technical competence, particularly in the professional and mid-management category.

| | **F2013** | | F2012 | | F2011 | |
|---|---|---|---|---|---|---|
| Categories | **Number of training initiatives** | **Annual spend Rand R'000** | Number of training initiatives | Annual spend Rand R'000 | Number of training initiatives | Annual spend Rand R'000 |
| Top management | **11** | **20** | 5 | 0.6 | 3 | – |
| Senior management | **53** | **510** | 58 | 146 | 48 | 656 |
| Professional and mid-management | **640** | **2 472** | 431 | 698 | 667 | 832 |
| Skilled | **4 414** | **8 215** | 5 651 | 7 799 | 7 101 | 9 384 |
| Semi-skilled | **3 296** | **3 030** | 4 719 | 2 145 | 5 919 | 3 580 |
| Unskilled | **711** | **779** | 1 246 | 733 | 3 496 | 897 |
| **Total** | **9 125** | **15 026** | 12 110 | 11 521 | 17 234 | 15 349 |

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

## AVERAGE ANNUAL HOURS OF TRAINING PER EMPLOYEE BY EMPLOYEE CATEGORY

The average number of hours of training per employee increased at most occupational levels, with an 80% increase at the professional and mid-management level due to a focus on programmes that impact management style, ethics and corporate governance. Semi-skilled training also increased with a focus on safety awareness and technical skills.

| Categories | F2013 Average hours | F2013 Average hours (female) | F2013 Average hours (male) | F2012 Average hours | F2011 Average hours |
|---|---|---|---|---|---|
| Top management | **9** | **8** | **9** | 8 | 12 |
| Senior management | **14** | **13** | **14** | 10 | 20 |
| Professional and mid-management | **37** | **13** | **43** | 20 | 55 |
| Skilled | **36** | **27** | **40** | 49 | 64 |
| Semi-skilled | **51** | **46** | **53** | 45 | 68 |
| Unskilled | **38** | **44** | **37** | 22 | 13 |

## SKILLS DEVELOPMENT

### Spend on learnerships and apprenticeships

The expenditure on learnerships and apprenticeships declined for the second year in a row, largely due to continued difficulties with the Sector Education and Training Authority (SETA) to which the group is affiliated. These difficulties included extended delays and lack of decision-making during the period the SETA was under financial administration, with the subsequent absence of clear direction or funding disbursements. During the year, no discretionary grant funds were received from the group's main SETA. Of the number of learners on learnerships or apprenticeships during the year, 86 of the 90 learners were black.

| | F2013 | F2012 | F2011 | F2010 | F2009 | F2008 | F2007 |
|---|---|---|---|---|---|---|---|
| Annual spend on learnerships and apprenticeships – R'm | **3,6** | 4,0 | 4,6 | 3,9 | 3,6 | 3,7 | 3,1 |
| Total number of learners on learnerships and apprenticeship programmes | **90** | 144 | 201 | 214 | 231 | 175 | 161 |
| Number of unemployed learners registered on learnership programmes | **66** | 99 | 128 | 163 | 149 | 45 | 94 |
| Number of employed learners registered on learnership programmes and apprenticeships | **24** | 45 | 73 | 51 | 82 | 130 | 67 |
| Number of disabled unemployed learners registered on learnership programmes | **–** | – | 18 | 18 | n/a | n/a | n/a |

### Learnership and apprenticeship scope and demographics

Taking a longer term perspective, the group continued its drive to increase technical skills. Three key learnerships were initiated during the year. These include boilermaking for our Oil and Gas segment in Engineering & Construction, production technology in our Manufacturing cluster and a safety learnership to meet requirements across the group. The development of artisan skills through the provision of apprenticeships continued. During the year, 34 apprentices were working towards trade tests, of which 32 are black and two are women.

| Learnerships | NQF level | Black Male | Black Female | White Male | White Female | Em-ployed | Unem-ployed | Total |
|---|---|---|---|---|---|---|---|---|
| Junior foremen development – Employed – Civils | 2 | 7 | – | – | – | 7 | – | 7 |
| Junior foremen development – Employed – Civils | 4 | 2 | – | 1 | – | 3 | – | 3 |
| Boilermaking – Oil and Gas | 3 | 12 | 2 | – | – | – | 14 | 14 |
| Safety learnership – Unemployed – various segments | 3 | 7 | 11 | – | – | – | 18 | 18 |
| Production technology | 3 | 9 | 4 | 1 | – | 14 | – | 14 |
| **Total** | – | 37 | 17 | 2 | – | 24 | 32 | 56 |

| Apprenticeships | Black Male | Black Female | White Male | White Female | Em-ployed | Unem-ployed | Total |
|---|---|---|---|---|---|---|---|
| Electrician | 1 | – | – | – | – | 1 | 1 |
| Welding | 3 | – | – | – | – | 3 | 3 |
| Boilermaking | 2 | – | 1 | – | – | 3 | 3 |
| New Boilermaking | 5 | 1 | – | – | – | 6 | 6 |
| New Electrician | 2 | – | – | – | – | 2 | 2 |
| Earthmoving | 9 | – | 1 | – | – | 10 | 10 |
| Fitter and Turner | 1 | – | – | – | – | 1 | 1 |
| Electrician | 1 | 1 | – | – | – | 2 | 2 |
| Fitter and Turner | 2 | – | – | – | – | 2 | 2 |
| Fitter | 2 | – | – | – | – | 2 | 2 |
| Instrument Mechanics | 2 | – | – | – | – | 2 | 2 |
| | 30 | 2 | 2 | – | – | 34 | 34 |

## Construction & Engineering Skills Training Academies

The group continues to offer programmes through its two Construction & Engineering Skills Training Academies. Training increased from 364 employees trained in F2012 to 1 620 in F2013. The group will be expanding the programmes to include training not only for its own needs, but also training on a commercial basis for the construction sector that is aligned to government's infrastructure programme. These programmes have been well received by some of our clients who have made use of these initiatives.

| Skills programmes | Black | | | | | | White | | | | | | Total | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | | 2012 | | F2011 | | F2013 | | F2012 | | F2011 | | F2013 | | F2012 | | F2011 | | F2013 |
| | M | F | M | F | M | F | M | F | M | F | M | F | M | F | M | F | M | F | |
| Employed learners | **846** | **73** | 218 | 4 | 803 | 26 | 88 | 3 | 39 | 2 | 18 | – | 934 | 76 | 257 | 6 | 821 | 26 | **1 010** |
| Unemployed learners | **407** | **117** | 23 | 20 | 257 | 47 | 0 | – | – | – | – | – | 407 | 117 | 23 | 20 | 257 | 47 | **524** |
| Sub-contractors | **0** | **0** | 10 | 2 | 252 | 44 | 0 | – | – | – | 6 | – | – | – | 10 | 2 | 258 | 44 | **0** |
| Bursary students | **9** | **1** | 10 | 7 | 14 | 6 | 1 | – | 13 | 2 | 4 | – | 10 | 1 | 23 | 9 | 18 | 6 | **11** |
| External entities | **72** | **2** | 12 | 2 | 10 | – | 1 | – | – | – | 7 | – | 73 | 2 | 12 | 2 | 17 | – | **75** |
| **Total** | **1 334** | **193** | 273 | 35 | 1 336 | 123 | 93 | – | 52 | 4 | 35 | – | 1 427 | 193 | 325 | 39 | 1 371 | 123 | **1 620** |

*M = Male.*
*F = Female.*

## TECHNICAL AND PROFESSIONAL COMPETENCE DEVELOPMENT

Spend on developing technical and professional skills increased by 35%. A renewed focus on supporting graduates to achieve professional registration in the group's core areas of competence led to the introduction of a series of working sessions facilitated by mentors. There are 75 candidates within the group working towards professional registration. This year, a group of 22 students joined the Programme in Project Management. This is a customised programme for Group Five employees conducted in partnership with the University of Pretoria.

| | **F2013** | F2012 | F2011 | F2010 | F2009 | F2008 | F2007 |
|---|---|---|---|---|---|---|---|
| Total annual spend – R'm | **9,6** | 7,5 | 11,7 | 8,9 | 8,5 | 10,5 | 6,4 |
| Number of students on Programme for Project Management | **22** | 28 | 48 | 44 | 56 | 22 | 19 |
| Number of students on Professional Registration Development Programme | **75** | 122 | 89 | 52 | 37 | n/a | n/a |
| Short technical workshop attendance | **6 275** | 10 211 | 16 365 | 9 314 | 8 776 | 4 047 | 6 010 |

## Demographics of technical and professional competence development learners

Short technical training and on-the-job training took precedence this year in support of building a technically-sound workforce.

| | Black F2013 | | Black Total | White F2013 | | White Total | Total |
|---|---|---|---|---|---|---|---|
| Skills programmes | F | M | F2013 | F | M | F2013 | F2013 |
| Programme for Project Management | – | 8 | 8 | – | 14 | 14 | 22 |
| Graduate Engineer Development Programme | 8 | 33 | 41 | – | 34 | 34 | 75 |
| Short technical workshops | 1 507 | 3 637 | 5 144 | 410 | 721 | 1 131 | 6 275 |

## LEADERSHIP AND MANAGEMENT DEVELOPMENT

Considerable focus was placed during the year on building capacity to manage the change the organisation is going through. Expenditure in leadership and management development grew by 36%. Workshops and programmes are now more frequently conducted on site, including over-border sites. This prevents employees from being off work for training for prolonged times.

Corporate governance and ethics remained a focus, as the group continues to set new standards and behaviours in the workplace with the provision of workshops conducted throughout the group, including at over-border sites. The corporate governance and ethics workshops are facilitated by senior management and an external advisor. Employees are provided with the group's Code of Ethics and training includes guidance on the whistle-blowing process, legal and regulatory compliance, group-specific policies pertaining to gifts, payments, bribes, conflicts of interest, anti-competitive practices and corporate governance for people in director positions. 499 employees attended training workshops on ethics and corporate governance.

The aim of the Programme in Management Development is to build leadership skills in high-level management and to support the growth of the future leadership talent in the group. The demand for our junior management programme (G5B3) continued this year, with an additional 115 managers trained in basic management skills.

| | F2013 | F2012 | F2011 | F2010 | F2009 | F2008 | F2007 |
|---|---|---|---|---|---|---|---|
| Total annual spend – R'm | 5.3 | 3,9 | 3,5 | 2,6 | 4,2 | 2.2 | 2.6 |
| Number of students on Programme in Management Development | 21 | 22 | 20 | 23 | 25 | 17 | n/a |
| Number of students on building business basics (G5B3) programme | 115 | 96 | 97 | 150 | 99 | n/a | n/a |
| Number of competence building workshops | 133 | 82 | 62 | 50 | 87 | 44 | 81 |

## STUDENT MANAGEMENT

### Spend on bursaries

The 20 bursary students who graduated at the end of the 2012 calendar year were employed in the business. Unfortunately, six did not progress to their next academic year. A student mentoring programme was introduced this year to assist in reducing student failure rates of current and future recruits. After a careful screening and selection process, the group recruited 25 additional students at the beginning of this year, bringing the total of bursary students to 76, of which 22 are University of Technology students. The spend on students increased from R4,6 million to R5,1 million.

| | F2013 | F2012 | F2011 | F2010 | F2009 | F2008 | F2007 |
|---|---|---|---|---|---|---|---|
| Annual bursary expenditure – R'm | 5,1 | 4,6 | 6,6 | 6,0 | 9,3 | 6,8 | 6,5 |
| Number of bursary students | 76 | 115 | 183 | 171 | 258 | 178 | 149 |

### Demographics of bursary students

Of the 76 bursary students, 71% are black and 20% are women against 62% and 22% last year. The students were recruited in core areas of the group's business, such as engineering, construction management and quantity surveying.

| | Black | | | | White | | | | Total | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | F2013 | | F2012 | | F2013 | | F2012 | | F2013 | | F2012 | | | |
| | M | F | M | F | M | F | M | F | M | F | M | F | F2013 | F2012 |
| Demographics of bursary students | 42 | 12 | 51 | 21 | 19 | 3 | 38 | 5 | 61 | 15 | 89 | 26 | 76 | 115 |

*M = Male.*
*F = Female.*

# 5 Broad-based black economic empowerment (BBBEE)

## OWNERSHIP

The group remains committed to achieving the required levels of black ownership without causing undue dilution of the Group Five share capital, while also striving to ensure that our employees benefit from economic wealth creation. The table below shows the various shareholdings from the group's empowerment transactions. As can be seen from the declining shareholding in the Black Management Share (BMS) scheme trust, the BMS scheme is drawing to an end. The remaining shares in this trust are bespoke in the form of share options issued to the participating beneficiaries. This trust will therefore be wound down over the next four years, as the options vest.

During the year, the group implemented a new BBBEE ownership transaction through the introduction of two perpetual trusts, the Black Professionals Staff Trust and the Izakhiwo Imfundo Trust.

The Black Professionals Staff Trust is a perpetual scheme where the beneficiaries benefit from the dividends of shares held in trust. The participants in this trust are black professionals in middle to senior management grades.

The Izakhiwo Imfundo Trust operates in a similar way to the Black Professionals Staff Trust, with the proceeds from the shares used to fund bursaries for prospective entrants into the industry. It is anticipated that the first bursaries will be awarded by the trust in November 2013 for the 2014 academic year.

The table below discloses that group's BBBEE ownership at year-end. It excludes any black ownership as a result of purchases of the group's shares on the open market. Total black ownership is assessed for purposes of the group's BBBEE ownership scorecard.

| | 30 June 2013 | | 30 June 2012 | |
|---|---|---|---|---|
| | Number of shares held in trust '000 | Shareholding % | Number of shares held in trust '000 | Shareholding % |
| **Employee schemes** | **11 634 512** | **10.47** | 1 751 378 | 1.58 |
| Black Management Scheme | **1 277 647** | **1.15** | 1 751 378 | 1.58 |
| Black Professionals Staff Trust | **10 356 865** | **9.32** | – | – |
| **Bursary scheme*** | **2 000 000** | **1.80** | – | – |
| Izakhiwo Imfundo Trust* | **2 000 000** | **1.80** | – | – |
| **The participants jointly (iLima Mvela transaction)** | **–** | **–** | 12 292 908 | 11.1 |
| Mvelaphanda | **–** | **–** | 12 292 908 | 11.1 |
| **Total** | **13 634 512** | **12.27** | 14 044 286 | 12.69 |

* *At year-end these shares were held by the Black Professionals Staff Trust on behalf of the Izakhiwo Imfundo Trust.*

## MANAGEMENT

The tables on page 83 show the group's progress made in the advancement of black employees (Black, Asian and Coloured) in the various management and employment categories, as measured and reported in terms of the Employment Equity Act and the Construction Charter.

Although progress is slow, there were significant strides in the level of black representation at all levels of management. Improvements were seen in the executive (+11%), senior management (+5%), middle management (+10%) and junior management (+7%) categories. These improvements are due to a concerted effort on employing more black people into the group and a reduction in turnover of black employees.

### Profile of black management by empowerment category F2012 to F2013 (%)

| | Total South African workforce F2013** | | | | Total South African workforce F2012*** | | | | Variance (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | White | BAC* | Total | BAC % of total | White | BAC* | Total | BAC % of total | BAC as a % | Industry targets |
| Executive (Paterson F-Band (Executives and board) | **8** | **1** | **9** | **11%** | 2 | 0 | 2 | 0% | 11% | 30% |
| Senior management Paterson E- Band (BU MDs and group directors | **21** | **6** | **27** | **22.52%** | 14 | 3 | 17 | 17.65 | 4.87% | 60% |
| Middle management Paterson D-Band business unit directors and department heads and skilled professionals | **294** | **108** | **402** | **26.87%** | 104 | 21 | 125 | 16.80 | 10.07% | 76% |

* *Black, Asian and Coloured.*
** *Based on Paterson grades.*
*** *Based on Peromnes grades.*

## EMPLOYMENT EQUITY

The group is an equal opportunity employer and is committed to achieving gender and racial equity. It is accepted that this will only be achieved through focused preferential recruitment aimed at achieving a more demographically representative workforce in each region of our operations.

### Demographic distribution and composition of the South African workforce

The table below gives a detailed breakdown of the composition of our South African workforce. This table shows strong growth in all categories resultant from the increase in headcount achieved in the latter part of the year. We have also changed the basis of our reporting from the Peromnes grading system to the more widely accepted Paterson grading system. In the process of this change, we undertook a major re-grading of all management positions. To ensure consistency of grading both internally and in line with the industry, we worked with external specialists to realign the profiles of all senior management positions.

**Total South African workforce**

| | White | | Black | | Coloured | | Asian | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | F2013 | F2012 | F2013 | F2012 | F2013 | F2012 | F2013 | F2012 | F2013 | F2012 |
| Top management (F-Band) | **8** | 2 | **1** | 0 | **0** | 0 | **0** | 0 | **9** | 2 |
| Senior management (E-Band) | **22** | 14 | **3** | 2 | **0** | 0 | **2** | 1 | **27** | 17 |
| Middle management/professional (D-Band) | **297** | 104 | **40** | 6 | **27** | 5 | **46** | 10 | **410** | 125 |
| Junior management/skilled (C-Band) | **724** | 780 | **1 415** | 1 044 | **530** | 318 | **242** | 239 | **2 911** | 2 381 |
| Semi-skilled (B-Band) | **90** | 69 | **3 718** | 2 974 | **220** | 107 | **92** | 82 | **4 120** | 3 232 |
| Unskilled (A-Band) | **13** | 5 | **2 525** | 2 115 | **254** | 209 | **15** | 8 | **2 807** | 2 337 |
| **Total** | **1 154** | 974 | 7 702 | 6 141 | 1 031 | 639 | 397 | 340 | 10 284 | 8 094 |

### Total South African workforce

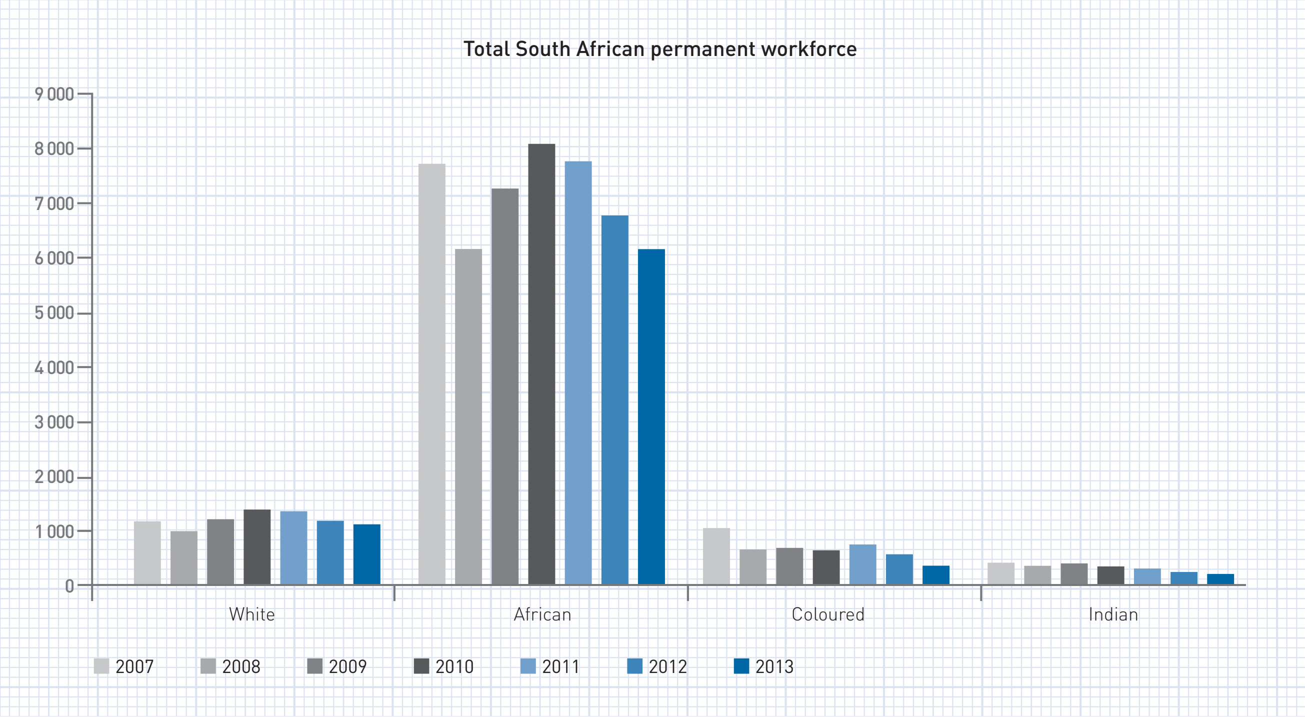
The table below shows the group's progress in respect to the advancement of black employees in the various employment categories, as reported in terms of the requirements of the Employment Equity Act and the Construction Charter.

| | Total South African workforce F2013 | | | | Total South African workforce F2012 | | | | Variance (%) | Industry targets |
|---|---|---|---|---|---|---|---|---|---|---|
| | White | BAC* | Total | BAC % of total | White | BAC* | Total | BAC % of total | BAC as a % | % |
| Executive (Paterson F-Band) (Executives and board) | 8 | 1 | 9 | 11 | 2 | 0 | 2 | 0 | 11 | 30 |
| Senior management Paterson E-Band (BU MDs and group directors | 21 | 6 | 27 | 22.52 | 14 | 3 | 17 | 17.65 | 4.87 | 60 |
| Middle management Paterson D-Band segment directors and department heads and skilled professionals | 297 | 113 | 411 | 27.49 | 104 | 21 | 125 | 16.80 | 10.07 | 76 |
| Specialist/skilled (Paterson C-Band 2) | 724 | 21 867 | 2 911 | 75.13 | 780 | 1 601 | 2 381 | 67.24 | 6.87 | 80 |
| Semi-skilled (Paterson B-Band) | 90 | 4 030 | 4 120 | 97.82 | 69 | 3 163 | 3 232 | 97.87 | (0.07) | n/a |
| Lower skilled (Paterson A-Band) | 13 | 2 794 | 2 807 | 99.54 | 5 | 2 332 | 2 337 | 99.79 | (0.21) | n/a |
| **Total** | 1 154 | 9 130 | 10 284 | 88.78 | 974 | 7 120 | 8 094 | 87.97 | 1.03 | n/a |

* *Black, Asian/Indian and Coloured.*

### Demographic representation of total South African workforce

The graph below shows the decline in employment post the 2010 construction boom created by the FIFA Soccer World Cup and the rapid growth in our employment numbers in the latter part of this financial year to service increased work secured in Engineering & Construction and Civil Engineering.



## Promotions

An analysis of promotions within the group – defined as the advancement of at least one Paterson Grade – reflects that while the majority of senior management positions are still held by white employees, 83% of the promotions during the year was awarded to black employees. Notwithstanding significant interventions introduced to address gender equity in the group, the number of promotions awarded to female employees still requires further improvement.

To address the advancement of women in the group, we launched a women's programme, the Basadi initiative, last year. This provides a forum for elected representatives from across the group to highlight and address barriers to the development of women. This, together with our diversity management programme, created more awareness of gender-related issues.

| % | F2013 | F2012 |
|---|---|---|
| White | 17 | 12 |
| African | 73 | 76 |
| Coloured | 5 | 8 |
| Indian | 5 | 4 |
| Total | 100 | 100 |

| % | F2013 | F2012 |
|---|---|---|
| Female | 15.8 | 17.6 |
| Male | 84.2 | 82.4 |
| Total | 100.0 | 100.0 |

## PREFERENTIAL PROCUREMENT

During the year, internal measurement against the final procurement targets of the Construction Sector Charter was implemented. Whilst the group achieved a full 20 points on its procurement scorecard, it is expected that this will drop by approximately one point when measuring the new year's targets against the updated targets of the Construction Sector Charter. The group will continue with its procurement transformation strategy which will now focus on aspects of supplier development to continue on the path of excellence to date.

Although the nature of procurement for F2013 resulted in a decline in percentage terms in the areas of small and more than 50% black-owned enterprises, in real terms these procurement areas continue to exceed the final targets defined in the Construction Sector Charter.

Approximately 1 000 of the group's top suppliers now manage their company profile through an online procurement portal, which facilitates the management of supplier information from an eBusiness perspective. This process will continue in F2014 to achieve full automation of supplier profile management.

### Achievement against Construction Sector Charter principles

| Measurement principle | Points | Target per Construction Charter F2013 target | Actual F2013[1] | Actual F2012[2] | Actual F2011[3] | Actual F2010[4] | Actual F2009[5] | Actual F2008[6] |
|---|---|---|---|---|---|---|---|---|
| Preferential spend with all suppliers | 12 | 70% | 62.6% | 62.2% | 52.79% | 49.1% | 45.1% | 34.8% |
| Preferential spend with qualifying small and emerging micro enterprises | 3 | 15% | 21.9% | 28.1% | 22.01% | 11.42% | 6.3% | 5.5% |
| Preferential spend with enterprises that are more than 50% black-owned | 3 | 12% | 19.2% | 20.9% | 19.1% | 9.2% | 7.9% | 3.8% |
| Preferential spend with enterprises that are more than 30% black women-owned | 2 | 8% | 10.3% | 8.6% | 3.05% | 1.9% | 0.1% | 0.7% |
| Weighted score | 20 | –* | 18.7% | 20.0% | 19.02% | 18.43% | 15.68% | 11.49% |

*(1) Unaudited.*
*(2) As audited by BEE Verification Agency cc in January 2012 (Group Five).*
*(3) As audited by BEE Verification Agency cc in January 2011 (Group Five).*
*(4) As audited by BEE Verification Agency cc in September 2010 (Group Five).*
*(5) As audited by BEE Verification Agency cc in September 2009 (Group Five).*
*(6) As audited by BEE Verification Agency cc in August 2008 (Group Five Construction (Proprietary) Limited).*
** A weighted score is not done for targets*

## ENTERPRISE DEVELOPMENT

The group's enterprise development strategy is to partner with majority black-owned companies that have the capacity to develop into strategic business partners, while achieving the objectives set in the Construction Sector Scorecard. To this end, we place significant emphasis on facilitating the development and growth of these organisations, as measured by the Construction Industry Development Board.

The tables below reflect the development of our partners from the time they were incorporated into our programme to date. As can be seen, the majority of these companies have moved at least one or two CIDB levels, which we believe is testimony to the success of our programme.

### Enterprise development partners

| Enterprise development partners | Black ownership | Women ownership | Date joined | CIDB LEVEL on joining | Current CIDB level | BBBEE contributor level |
|---|---|---|---|---|---|---|
| BL Williams (Proprietary) Limited | 95% | 48% | 2008 | 6 GB – PE | 6 GB – PE | 3 |
| ENZA Construction (Proprietary) Limited | 93% | 10% | 2009 | 7 GB | 8 GB & 6 CE | 2 |
| Enzani Technologies (Proprietary) Limited | 80% | 54% | 2009 | 5 EP – PE | 6 EP – PE<br>5 EB – BE | 1 |
| Inkanyeli Projects (Proprietary) Limited | 100% | 19% | 2009 | 4 GB – PE | 4 GB – PE | 2 |
| Pan African Development (Proprietary) Limited | 100% | 40% | 2009 | 6 GB – PE | 8 GB – PE<br>6 CE – PE | 2 |
| Siyakhula Engineering (CC) | 100% | – | 2009 | 1 | 1 | 3 |
| UMSO Construction (Proprietary) Limited | 89% | – | 2008 | 6 CE – PE | 8 CE – PE | 2 |
| ENM CC | 100% | – | 2010 | 6 GB | 8 GB | 3 |
| Tshepo Ya Rona (Proprietary) Limited | 100% | 100% | 2011 | 6 GB | 6 GB – PE | 3 |
| Maono (Proprietary) Limited (previously Friedshelf 863 (Proprietary) Limited | 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 (Proprietary) Limited | 67% | –% | 2012 | Not CIDB registered | Not CIDB registered | 3 |

### 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 (DE) | 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 (Proprietary) Limited | Group Five Pandev Bhekimbeko joint venture for Ntuzuma Magistrates Offices at Bridge City, Durban, KwaZulu-Natal | 50% | 189 539 | Jan 2010 |
| | DE<br>P | Bhekimbeko Business Enterprise CC<br>Pandev African Development (Proprietary) Limited | 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% | 94 003 | Jun 2011 |
| | P | Pandev African Development (Proprietary) Limited | Spring Grove joint venture established to construct the Spring Grove Dam and appurtenant works in Rosetta – KwaZulu-Natal | 10% | 608 086 | Feb 2011 |

| Cluster | Partner (P)/ develop-ment entity (DE) | Name of partner/ development entity | Contract/development | Effective partner % holding in venture | Total value of contract (100%) R'000 | Commence-ment date of contract |
|---|---|---|---|---|---|---|
| CONSTRUCTION | DE | Bosasa Operations (Proprietary) Limited | Brandvlei Prison – Replace existing medium prison with a permanent structure and facility for 1 000 inmates – Western Cape | 10% | 343 064 | Nov 2008 |
| | DE | Umsimbiti Civils (Proprietary) Limited | Construction of Main Road P577 in Kwadebeka – KwaZulu-Natal | 15% | 83 035 | Oct 2011 |
| | P | Inkanyeli Projects (Proprietary) Limited | Construction of Jabulani Civic Theatre – Gauteng | 30% | 91 572 | Aug 2010 |
| | P | Tsepho Ya Rona Construction and Projects CC | Construction of the Mantsopa Hospital – Free State | 30% | 261 180 | Jul 2010 |
| | P | Enza Construction (Proprietary) Limited | Bus Rapid Transport and Integrated Rapid Transport contracts (Phase 2) – Gauteng | 30% | 137 107 | Oct 2010 |
| | P | Umso Construction (Proprietary) Limited | Gauteng Freeway Improvements Project Phase 1 – Siyavaya Package E Road upgrade – Gauteng | 4% | 2 438 148 | Jun 2008 |
| | P | Umso Construction (Proprietary) Limited | Hopetown road improvement contract – Northern Cape | 15% | 172 672 | Jun 2011 |
| | P | Umso Construction (Proprietary) Limited | Marydale road improvement contract – Northern Cape | 15% | 54 634 | Jun 2011 |
| | P | E N M Trading CC | Re-measurable, building of Bophelong Psychiatric Hospital – North-West | 30% | 392 295 | Nov 2012 |
| | P<br>P | Trendcon Construction (Proprietary) Limited<br>Imbani Construction (Proprietary) Limited | Rebuild of the Munitoria Building – Gauteng | 36% | 55 548 | Nov 2012 |
| | DE<br>P | Bhekimbeko Business Enterprise CC<br>Pandev African Development (Proprietary) Limited | Construction of the Pomeroy Community Health Centre – KwaZulu-Natal | 40% | 118 897 | Mar 2012 |
| | DE<br>P | Bhekimbeko Business Enterprise CC<br>Pandev African Development (Proprietary) Limited | Repairing and renovations to the Durban Central Police Station – KwaZulu-Natal | 50% | 149 725 | May 2012 |
| | P | Umso Construction (Proprietary) Limited | Kakamas | 20% | 62 123 | Aug 2012 |

| Cluster | Partner (P)/ development entity (DE) | Name of partner/ development entity | Contract/development | Effective partner % holding in venture | Total value of contract (100%) R'000 | Commencement date of contract |
|---|---|---|---|---|---|---|
| INVESTMENTS AND CONCESSIONS (PROPERTY DEVELOPMENTS) | DE | Secunda Business Park Development (Proprietary) Limited | Investment in Secunda business park – Mpumalanga | 15% | 80 000 | Apr 2008 |
| | DE | Kuvula Trade 12 (Proprietary) Limited | Investment in Tygerview (Western Cape), Knightsbridge (Gauteng), The Beacon (Eastern Cape), St Pauls (Gauteng) | 13% | 259 600 | Jan 2008 |
| | DE | Group Five Montagu Developments (Proprietary) Limited | Investment in Decor on Zambezi – Gauteng | 13% | 65 000 | Jan 2008 |
| | DE | RFC Developments (Proprietary) Limited | Investment in The Core – Gauteng | 13% | 196 000 | Jan 2008 |

## SOCIO-ECONOMIC DEVELOPMENT

Group Five's socio-economic development has three key focus areas:

| | |
|---|---|
| **1 Education and skills development** | Construction-related skills, mathematics, science, environmental, science and technology education. |
| **2 Economic empowerment** | Promoting sustainable job creation and entrepreneurial projects, particularly within marginalised and unemployed groups, such as women and the youth. |
| **3 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. |

The interventions are implemented in various communities throughout South Africa and in the rest of Africa where the group operates.

The group spent R5,6 million this year on SED, compared to R4 million spent last year. Over 30 beneficiary organisations were assisted.

## SED – OVERALL PERFORMANCE

| Focus area | F2013 Spend | Actual % | F2013 Target % |
|---|---|---|---|
| Economic | **1 912 233** | **34** | 35 |
| Development | **3 427 778** | **62** | 55 |
| Social | **230 447** | **4** | 10 |

The group monitors the ongoing effectiveness and impact of its community initiatives. Through consultation with local community representatives, government and other key stakeholders before investing in initiatives, the group ensures the implementation of relevant programmes with long term impact against providing once-off grants or donations. Our beneficiary organisations, which often do not have adequate training and capacity, are provided with the skills and resources to assist them to effectively manage their organisations. Accountability is also ensured through service level agreements with the group, site visits and regular progress reporting to the board through the social and ethics committee.

## EDUCATION AND SKILLS DEVELOPMENT

The group progressed well in this area, with 62% of its spend directed to education and training, as planned.

**Initiatives include:**

Adoption of several Dinaledi Schools in various provinces for a five-year period as part of its support for the National Department of Education Dinaledi schools programme. This programme aims to increase mathematics and science matriculants. Following a period of close monitoring and support, the number of Dinaledi schools was reduced from five to three during the previous year due to poor performance and a lack of governance. Further schools in the Mpumalanga province were adopted and sponsored under TRAC SA, a project that supplies mobile science laboratories to schools without the necessary infrastructure.

The group continues to support the "People at the Gate" programme which is aimed at providing accredited basic construction skills training to unemployed job seekers arriving at the group's construction sites and other projects. Since inception in 2005, all trainees have been employed on the company's construction sites.

The group is a major sponsor of the University of Johannesburg's Women in Engineering and the Built Environment, an initiative aimed at attracting young women to pursue studies in engineering and the built environment.

Group Five donated R1,5 million as part of the Exxaro Chairman's Fund to bolster education initiatives in the Lephalale area.

## ECONOMIC EMPOWERMENT

| Focus area | **F2013 target** | **Achievement** | F2012 target | Achievement |
|---|---|---|---|---|
| Economic | **35%** | **34%** | 35% | 8% |

The group's spend improved significantly in this area in line with the targeted spend, with 34% directed to economic-related projects against the target of 35%. Most of the spend was towards uplifting school infrastructure. Going forward, this will be expanded to focus on economic empowerment programmes for the youth and women.

## SOCIAL DEVELOPMENT

The group made a decision to significantly reduce its social grants in favour of more self-sustaining programmes that relate to skills development/education and economic empowerment. This aim was achieved, as only 4% of spend was directed to donations or grants. These have mainly been financial and in-kind contributions to charities and non-profit organisations.

| Focus area | **F2013 target** | **Achievement** | F2012 target | Achievement |
|---|---|---|---|---|
| Social | **10%** | **4%** | 10% | 33% |

## EMPLOYEE VOLUNTEERISM, GIFTS IN KIND AND PAYROLL GIVING

The group believes and practices active engagement on all its community initiatives, not only though the company's financial contribution, but also through encouragement of employee volunteers. The group's volunteer programme has grown significantly this year and resulted in a substantial number of our employees having been involved in one or more of the group initiatives.

Employees also continue to be allowed time during their normal working hours to be involved in various group community programmes and to promote skills transfer and mentoring of community organisations and emerging enterprises. For example, 25 women from Group Five volunteered their time and were involved in the building of houses in Newcastle in KwaZulu-Natal as part of the Department of Human Settlement's Women's Build initiative.

## BUSINESS SEGMENT SED SPEND

The group's overall spend was in line with budget. Below is the breakdown of this year's SED spend per cluster and segment:

| Clusters | Rand SED spend |
|---|---|
| CONSTRUCTION | |
| Building | 16 000 |
| Civil Engineering | 267 645 |
| Coastal | 817 866 |
| Housing | 189 990 |
| Plant and Equipment | 3 347 |
| Projects | 1 396 114 |
| **Total cluster** | **2 690 962** |
| ENGINEERING & CONSTRUCTION | |
| Power | 170 320 |
| Oil & Gas | – |
| Nuclear Construction Services | – |
| **Total cluster** | **170 320** |
| INVESTMENTS AND CONCESSIONS | |
| Infrastructure Development Services | 16 170 |
| Transport (Intertoll) | 16 000 |
| Real estate (Property Development Services) | 164 370 |
| **Total cluster** | **196 540** |
| MANUFACTURING | |
| Everite | 380 455 |
| Pipe | – |
| BRI | 16 240 |
| **Total cluster** | **396 695** |
| Central Business Services | 2 070 941 |
| **Total** | **5 570 458** |

## OVER-BORDER SOCIO-ECONOMIC DEVELOPMENT

| Brief project description | Country | Amount spend (R) |
|---|---|---|
| Renovations of Mfayana School and purchasing of equipment | Zimbabwe | 253 870 |
| Building of a Technical Training School | DRC | 1 047 020 |
| Donation of ambulances | Burkino Faso | 94 000 |
| | | 1 394 890 |

Group Five new head office, Waterfall estate, Gauteng, South Africa

# ADDITIONAL OPERATIONAL INFORMATION

The operational reports provide additional information to that in the operational reviews disclosed in the group's integrated annual report on pages 38 to 73.

## Investments and Concessions


### DELIVERY ON OBJECTIVES

| Key focus areas for 2013 | Desired results | Status |
|---|---|---|
| **TRANSPORT (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. | Process to install ETC commenced with the government of Poland and the GTC concession company. We expect an 18- to 24-month development programme to installation date. |
| An additional PPP contract in Poland | Preferred bidder status by H1 F2014. | New contracts in Poland not available in the short term.<br>Focus on new contracts in Africa and elsewhere in Eastern Europe. |
| Operations and maintenance contract in Poland | Award of one operations and maintenance contract during F2013. | Successfully secured the S8 maintenance contract, which started in November 2012. |
| A new tolling contract in the Balkans | Preferred bidder by H2 F2014. | Successfully pre-qualified for a contract in Bosnia. |

| Key focus areas for 2013 | Desired results | Status |
|---|---|---|
| **TRANSPORT (INTERTOLL)** | | |
| African expansion | Commence toll plaza operations on the Zimbabwe roads contract for Zinara by Q4 F2013. | Bulawayo plaza successfully opened in March 2013. |
| | Secure preferred bidder status on another contract in Africa by the end of F2013. | Development rights achieved in three countries of focus. |
| | | Best and final offer (BAFO) submitted on Mauritius bypass in October 2012. Selected as reserve bidder in January 2013. |
| Finalise toll system | Secure acceptance for and implement Intertoll toll system. | Toll system design complete. Implementation of Zimbabwe toll plazas commenced. |
| Maintenance and further diversification within sector | In-source electrical and mechanical activities on selected SANRAL contracts. | Electrical and mechanical expertise now in-house. Own resources used for installations on N1 South contract and Zimbabwe plazas. |
| | Secure at least one routine road maintenance contract in South Africa. | Routine road maintenance strategy and resources in place. Awaiting routine road maintenance tenders aligned to routes of current secured CTROM contracts or existing operating centres. |
| Operations and maintenance contract in Poland | Award of one operations and maintenance contract during F2013. | Successfully secured the S8 maintenance contract, which started in November 2012. |

| Key focus areas for 2013 | Desired results | Status |
|---|---|---|
| **REAL ESTATE (PROPERTY DEVELOPMENT SERVICES)** | | |
| Close South African contracts currently in pre-construction phase of development | Achieve financial close on two approved contracts for development in F2013. | Construction of Kalahari Mall, a retail development in Upington in South Africa, commenced and is expected to be completed by September 2013. |
| | | Construction of a light industrial development in Cape Town will commence in the fourth quarter of F2014. |
| | | A residential contract located in Johannesburg, was launched in June 2013. |
| Manage SAPRO portfolio effectively and investigate other portfolio and development management fee opportunities | Meet SAPRO target hurdles for F2013. | Good progress was made with the disposal of the SAPRO portfolio. |
| | Position the cluster as a provider of development and portfolio management services to other property funds. | Positioned, but additional portfolio for Property Development Services not yet secured. |

## STAKEHOLDER ENGAGEMENT

During the year, the group continued to actively engage with its key stakeholders. The tables outline which core material issues were raised, as well as which stakeholders rated these the highest.

Low Medium High

### Transport (Intertoll)

| **Material issue** | Employees | Government | Suppliers and business partners | Clients | Industry associations | Shareholders, investment community and the media | Financial institutions and rating agencies |
|---|---|---|---|---|---|---|---|
| Labour relations climate in South Africa | High | Medium | Medium | Medium | Low | Medium | Medium |
| Impact of Basel III on project financing ability | Medium | High | Low | Low | Low | Medium | High |
| Poor economic conditions prevailing in Europe | Medium | Medium | Medium | Medium | Medium | Medium | Medium |
| Political impasse on tolling and user-pay principles | Medium | High | High | Low | Low | Medium | Low |
| Lack of debt funding appetite from local lenders | Medium | Medium | Medium | Medium | Medium | Medium | Medium |

## KEY STAKEHOLDER CONCERNS

| Concerned group | Concerns raised | Form of engagement | Group response |
|---|---|---|---|
| **Transport** | | | |
| **Labour relations climate in South Africa** | | | |
| Intertoll SA employees | Level of wage increases, increased cost of living, employee benefits and travel and toll booth safety concerns. | Regular employee meetings. | Continuous engagement with employees and the South African Transport and Allied Workers Union and ongoing union negotiations. |
| **Impact of Basel III on project financing ability** | | | |
| Government | Debt funding is now mismatched with PPP concession agreements, resulting in significant re-finance risk and higher cost of funding. | Engagement with the National Treasury and PPP units to discuss impact and agree solutions. | Open dialogue with lenders and government to assess all available solutions and hybrid models. |
| Financial institutions and rating agencies | Project and debt finance cost increased, with the availability of funding having reduced. This leads to increased risk being retained by the contract sponsor and the public body. | Ongoing, as well as contract by contract. | Open dialogue with lenders and government to assess available solutions and hybrid models. |
| **Political impasse on tolling and user-pay principles in South Africa** | | | |
| Government | The ability of SANRAL* to enforce the principle of tolling and user-pay on a national basis for road infrastructure contracts. | Regular meetings with SANRAL and with other ministerial bodies. | Open dialogue with government and authorities to support wherever possible. |
| Suppliers and business partners | Significant development costs previously incurred by the group and its partners on concessions and PPPs, as well as unclear government policy, have led to concerns about the potential under-recovery of development costs. | On an ongoing basis. | Ongoing interaction and meetings with relevant departments to assess the relevance of contracts. |

* *South African National Roads Agency.*

## STAKEHOLDER ENGAGEMENT

Low Medium High

### Real estate (Property Development Services)

| **Material issue** | Employees | Government | Suppliers and business partners | Clients | Industry associations | Shareholders, investment community and the media | Financial institutions and rating agencies |
|---|---|---|---|---|---|---|---|
| Impasse on achieving financial close on PPP/ concession projects | Medium | High | Low | Low | Low | Medium | Medium |
| Residential portfolio disposal | Medium | Low | Low | Low | Low | Medium | Low |
| Unutilised assets | Medium | Low | Low | Low | Low | Medium | Low |
| African expansion | Medium | Low | Low | Low | Low | Medium | Low |

## KEY STAKEHOLDER CONCERNS

| Concerned group | Form of engagement | Concerns raised | Group response |
|---|---|---|---|
| **Impasse on achieving financial close on PPP/concession projects** | | | |
| Government | Continuous engagement. | Government's concern over competitor challenges to the tender processes and their ability to achieve financial close on several PPPs. | Proactive engagement with government ministries and treasury to reach finality on outstanding matters. |

## LOOKING FORWARD

| Key focus areas for F2014 | Desired results |
|---|---|
| **Transport (Intertoll)** | |
| Establish presence in the Balkans, certain countries in Southern Europe and selected contracts in Russia and surrounding countries. | Commence operations by Q3 F2015 on at least one contract. |
| Expand in operations and maintenance-only contracts in Poland. | Award of at least one additional operations and maintenance contract during F2014. |
| Toll system development and investment. | Continue to invest in our system to achieve CTROM* compliance and to ensure competitiveness in Africa. |
| Expand on motorway privatisation contracts. | Become a preferred bidder by F2015 in at least one contract. |
| Further diversification of products and services within sector. | In-source electrical and mechanical activities on the South African National Roads Agency (SANRAL) contracts in South Africa.<br>Secure at least one routine road maintenance contract. |
| Continue to pursue the close of the N1-N2 Winelands project in the Western Cape. | Financial close targeted six to nine months post resolution of SANRAL's current legal disputes with the Western Cape government. |
| Strengthen CTROM market position in South Africa. | Successful award of at least one new CTROM contract. |
| African expansion. | Secure preferred bidder status on another contract in Africa by the end of F2014. |
| **Real estate (Property Development Services)** | |
| Creation of a diversified portfolio (private sector), comprising a mix of short and long term investments. | Stay invested in selected high-yielding retail or commercial projects. |
| African expansion. | Create pipeline of commercial and retail projects in Africa.<br>Confirm viability of residential opportunities in Africa. Close at least one of the retail projects currently under consideration. |
| Position the segment as a key development partner with the unique capability of structuring a "cradle to grave" solution for projects. | Position offering to clients/partners and become recognised as a partner of choice. |
| Target niche residential opportunities such as mining, national priority affordable housing projects and other residential projects with secured pre-sales. | Secure mandate for at least one mine housing project. Finalise due diligence in respect of possible participation in an affordable housing fund. |
| Pursue asset management and development fee income opportunities. | Confirm the appointment as the development manager for two projects. |
| Close South African projects currently in pre-construction phase of development. | Close DRD and Munitoria accommodation PPPs and secure preferred bidder status for STATS SA accommodation PPP. |
| Actively manage unutilised assets. | Residential assets to be disposed of in line with F2014 sales targets. Unsold units to be rented out to minimise holding costs. |
| Manage SAPRO portfolio effectively and pursue other portfolio and development management fee opportunities. | Meet SAPRO target hurdles for F2013/4.<br>Secure an asset management mandate for a new portfolio. |

* *Comprehensive Toll Road Operations and Maintenance.*

# Engineering & Construction

## DELIVERY ON OBJECTIVES

| Key focus areas for 2013 | Desired results | Status |
|---|---|---|
| Secure renewable contracts<br>• Wind contracts (round 1, 2 and 3)<br>• Solar PV contracts (round 1, 2 and 3)<br>• Operations and maintenance for wind and PV solar | Convert commitments made by developers for the construction of photovoltaic solar and wind contracts in Round 1 of the REIPP programme. These contracts include both long term operations and maintenance contracts. This will represent the first step in establishing a sustainable business in the renewable sector. | Two round 1 wind power contracts secured. Both contracts are full EPC turnkey contracts.<br>One round 1 concentrated photovoltaic power contract secured. This contract is a full balance of plant EPC turnkey contract.<br>One round 2 concentrated photovoltaic power contract secured. This contract is a full EPC turnkey contract.<br>All the four renewable wind and solar contracts include long term operations and maintenance contracts. |
| 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.<br>Balanced portfolio.<br>Progress on geographic expansion outside of South Africa to be achieved based on existing oil major relationships and service successes. | An improved operations and management structure was implemented to support the increased client and product portfolio growth.<br>The client base was further diversified, supported by strong growth in the order book.<br>As the group was awarded a number of sizeable South African contracts in the year, no expansion was seen in terms of geography.<br>An over-border market strategy is being developed for the longer term. |

| Key focus areas for 2013 | Desired results | Status |
|---|---|---|
| Estimating excellence with respect to:<br>• Procedures and processes<br>• Standard software tools<br>• Norms and costing standards | Demonstrate good execution on the engineer, procure and construct (EPC) and engineer, procure and construction management (EPCM) contracts won.<br><br>Measure performance of the project management systems and processes implemented to ensure adequate risk mitigation during bid submission and execution phases. | Continuous focus is applied to the estimating procedures to ensure stringent project selection and risk mitigation processes.<br><br>Specialist estimating software and tools are being implemented that ensure standardisation throughout Group Five.<br><br>Good progress was made on norms and pricing standards within the various group companies. These are embedded in software tools for estimating.<br><br>Low loss-maker ratio for the cluster indicates successful execution in F2013. |
| Refocus gas turbine offering into Africa | Continued progress and building on the contracts secured in Nigeria and Mozambique.<br><br>Ensure further order book growth into over-border markets in F2013. | Gas and fuel supply finds in Africa have seen the resurgence of gas turbine contracts across Africa. Solid prospects are nearing financial closure, with more contracts under earlier stages of development. |
| Renew and revisit nuclear strategy | Secure first multi-disciplinary contracts for nuclear contracts with the group's partner Lesedi Nuclear Services. | Group Five has successfully established its independent Nuclear Construction Services unit. The group was awarded the replacement order for Eskom's PTR tanks at Koeberg Power Station. |
| Strategy needed for:<br>• Eskom's renewable build<br>• Department of Energy – Co-generation feed-in tariff programme | Secure an industrial co-generation contract. | The Department of Energy and Eskom are still in the process of preparing these programmes. They are expected to be launched during F2014. |

## STAKEHOLDER ENGAGEMENT

During the year, the group continued to actively engage with its key stakeholders. The tables outline which core material issues were raised, as well as which stakeholders rated these the highest.

Low Medium High

| Material issue | Employees | Government | Suppliers and business partners | Clients | Industry associations | Shareholders, investment community and the media | Financial institutions and rating agencies |
|---|---|---|---|---|---|---|---|
| Shortage of competent project management resources | Low | Medium | Medium | High | Medium | Medium | Low |
| Contract delays | Low | High | Medium | Medium | Medium | Medium | Medium |
| Contract funding constraints in Africa | Medium | Medium | Medium | High | Medium | Medium | Medium |

## KEY STAKEHOLDER CONCERNS

| Concerned group | Concerns raised | Form of engagement | Group response |
|---|---|---|---|
| **Shortage of competent project management resources** | | | |
| Clients | Concern over the industry's capacity to deliver on the large number of renewable energy contracts awarded under REIPP in light of the shortage of skills in South Africa.<br><br>Significant growth in E+C business from recent awards against the need for experienced multi-disciplinary project management skills. | Bid and contract negotiation meetings. | The Group Five internal training academy continues to produce over 30 professional project management and business management graduates per year.<br><br>In addition, the market is relatively quiet in terms of the volume of large contracts. To date, the group has been able to fill its senior positions. |
| **Contract delays** | | | |
| Government and state-owned enterprises | Contracts outside of the REIPP programme awarded by the state-owned enterprises (SOEs) are generally behind programme due to client engineering delays and scope expansion. | Regularly. | Proactive and collaborative approach in engaging with SOEs to assist in resolving issues causing delays. These measures resulted in contract variations in terms of value and time extensions. Commercial attentiveness is required at all times in these circumstances. |
| **Contract funding constraints in Africa** | | | |
| Clients | Limited sources of funding for private or independent power producer contracts in Africa due to sovereign risk and security of funding repayment from power purchase off-take agreements. | Early and ongoing discussions with potential power development clients to assist in raising funds for contracts. | Active feasibility and estimating support for selected potentially technically and commercially viable contracts to create contract opportunities that would otherwise not succeed. The group has demonstrated the success of this strategy over the last few years in West and Central Africa. |

## LOOKING FORWARD

| Key focus areas for F2014 | Desired results |
|---|---|
| **Power** | |
| Renewable energy projects in the rest of Africa. | Develop opportunities to bid for solar and wind contracts in the rest of Africa. |
| Secure additional thermal power plant opportunities in the rest of Africa. | Move existing opportunities from preferred bidder status to project close. |
| Grow expert and professional contract execution teams. | Establishment of contract execution teams that can be allocated to EPC contracts in any territory and sector within Group Five. |
| **Oil and gas** | |
| Expand the geographic footprint into the rest of Africa with a specific focus on the oil and gas downstream* opportunities in East Africa and following existing key clients into this market. | Improved geographic diversification to reduce reliance on a single local market.<br><br>Qualifying for bidding invitations from lead EPC and developer contractors in these regions. |
| Prepare for the clean fuels initiatives in South Africa | Secure preferred contractor status from Engen, Chevron and others for these large contracts. |
| **Nuclear Construction Services** | |
| Complete nuclear sector alignment and drive a clear strategy supporting nuclear construction opportunities in South Africa. | Full alignment with industry stakeholders required for the group's successful participation in further nuclear contracts. This includes technology partners, nuclear original equipment manufacturers, local and international joint venture partners and government stakeholders |
| Establish nuclear construction standards. | The business has been resourced with qualified nuclear industry specialists.<br><br>It is already certified to ISO 9001 standards and successfully assessed and approved on the RD0034 nuclear industry standard. A nuclear compliant quality and safety management system and integrated management system that is benchmarked on industry standards and approved by client bodies needs to be integrated into the group's operations.<br><br>The group's construction businesses will be fully certified and cleared to operate on nuclear construction sites. |
| **Engineering Services** | |
| Risk management and mitigation in design and project engineering, with the main function to reduce the impact of performance risk on EPC contracts. | Earlier identification of process and construction errors through improved assurance of the quality of specifications held within the main and secondary contracts. |

* *Downstream activities include the refining of petroleum crude oil and the processing and purifying of raw natural gas, as well as the marketing and distribution of products derived from crude oil and natural gas.*

# MANUFACTURING

## DELIVERY ON OBJECTIVES

| Key focus areas for 2013 | Desired results | Status |
|---|---|---|
| **FIBRE CEMENT** | | |
| Increase capacity at Everite through machine modification and process improvements. There will be a strong focus on capital expenditure balanced against a 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. | The new production line is fully engineered and the physical plant build is well advanced. Commission date is scheduled for January 2014. Capacity has been increased by withdrawing certain low volume products to focus the lines on longer, more efficient production runs. Smaller capex spend occurred during F2013 as Everite invested in downstream improvements (primarily materials handling equipment) to unlock pre-existing capacity constraints. |
| 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. | A thorough selection process is being concluded. |

| Key focus areas for 2013 | Desired results | Status |
|---|---|---|
| **FIBRE CEMENT** | | |
| 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. | Successfully supplied pre-fabricated mining contractors' camps for Group Five and external mine constructors in Africa. This is fully aligned to the group's stated strategy of seeking multi-disciplinary contract opportunities within Africa. ABT complements the group's African initiative through providing additional solutions to mining within remote African regions.<br>The product offering has evolved from temporary accommodation units to permanent housing and other structures in South Africa. |

| Key focus areas for 2013 | Desired results | Status |
|---|---|---|
| **STEEL** | | |
| 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. | The strategy included fully utilising the new high-volume mesh line and selling commodity mesh at margins above those achievable in contract steel reinforcing. Production and sales targets were surpassed throughout F2013.<br>The reliance on low-margin contracted steel fixing is decreasing, as mesh and other trading opportunities are developed. |

## STAKEHOLDER ENGAGEMENT

During the year, the group continued to actively engage with its key stakeholders. The tables outline which core material issues were raised, as well as which stakeholders rated these the highest.

Low Medium High

| Material issue | Employees | Government | Suppliers and business partners | Clients | Industry associations | Shareholders, investment community and the media | Financial institutions and rating agencies |
|---|---|---|---|---|---|---|---|
| Safety and health at the various operating units | High | Low | Low | Low | Medium | Medium | Low |
| Industrial action at one of our major facilities | High | Low | Low | Low | Medium | Medium | Low |
| Capacity and technology improvements at each plant | Low | Low | Low | High | Low | Medium | Low |

## KEY STAKEHOLDER CONCERNS

| Concerned group | Concerns raised | Form of engagement | Group response |
|---|---|---|---|
| **Safety at the various operating units** | | | |
| Employees | Incidents of near misses and accidents. | Monthly employee meetings. | Stop for Safety campaign throughout the cluster and enforced training.<br>Equipment is modified either as a precautionary measure when risk is identified or as a result of an incident. Procedures are modified to ensure no repeat events. |
| **Industrial action at one of our major facilities** | | | |
| Employees | Union demands, strike activity with regard to intimidation and the safety of non-striking workers.<br>Picketing rules had to be designed in a manner that allowed work at the factory to continue. Non-striking employees requested additional security to ensure their safety. | Daily/weekly during the industrial action period. | We protected non-striking employees, engaged with the striking union, reinforced security measures and strictly enforced the no-work, no-pay principle.<br>Each act of intimidation was investigated and the requisite action taken to protect non-striking employees.<br>We resolved the strike action within four weeks and re-integrated the affected employees into the workplace. |
| **Capacity and technology improvements at each plant** | | | |
| Clients | Stock outs, delayed delivery or part delivery, delayed projects and client preferences. | Daily/weekly on a sales representative calling schedule. | We improved production scheduling and inventory control and de-constrained current production lines. We will continue to import when necessary to complement local production. We invested in new production capacity when the economic returns supported the investment. |

## LOOKING FORWARD

| Key focus areas for F2014 | Desired result |
|---|---|
| **Fibre Cement** | |
| Increase capacity at Everite through machine modification, a new production line and process improvements. There will be a strong focus on capital expenditure balanced against a return on investment. | Build sufficient finished goods capacity to meet demand and to improve service levels.<br>Supply the rapidly developing modular structures and export markets.<br>Reduce production costs. |
| 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 and sustainable returns for all stakeholders, as we broaden the product offering, whilst reducing cost through technology advancements. |
| Further develop the ABT business through additional product development into pre-fabricated permanent structures as government phases 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. |
| **Steel** | |
| Further differentiate the product offering of BRI by reducing its reliance on low-margin contracted steel fixing. | Grow the mesh and trading product activities to reduce the business risk of contracting and to improve overall business returns. |
| Conclude BRI capital expansion plan and factory relocation. | Optimise factory outputs and drive process efficiencies.<br>Eliminate double handling of material. |
| Group Five Pipe to be positioned for steadily expanding government water utility market. | Production throughput improvements through addressing pipe reinforcing, lining and coating plant constraints to increase the overall factory output.<br>Improved transformation and empowerment status. |

# Building and Housing

## DELIVERY ON OBJECTIVES

| Key focus areas for 2013 | Desired results | Status |
|---|---|---|
| **BUILDING** | | |
| Expand African building market | Bring contracts to fruition through the West African Retail Initiative, as well as build an order book in Central Africa. | Awarded the development and construction of a shopping mall in Ghana. |
| | | Similar contracts being negotiated in Ghana and Nigeria. |
| | | In final discussions on several contracts in Zambia. |
| | | Over-border order book remains limited and is a focus area for the business. |
| Waterfall strategy | Build on our established track record of delivery in this prestigious development in Gauteng, with a potential build value of R25 billion over 10 – 15 years. | The group is the preferred contractor of the development and has completed seven contracts, with five in progress and a further two commencing. |
| Regain South African market share | Achieve invited bidder status with all domestic developers. | Have built a good reputation with local developers and regularly participates in negotiated contracts. |

| Key focus areas for 2013 | Desired results | Status |
|---|---|---|
| **HOUSING** | | |
| Shortage of houses in the resources sector | Expand the housing footprint into the Northern Cape and Limpopo provinces. | Shortlisted for potential contracts in both regions. |
| Breaking new ground (BNG) housing contracts | Secure 30% of Housing turnover on BNG contracts. | 28% achieved. |
| Africa execution | Secure further housing work in Zambia, as well as other selected over-border opportunities. | Bids in progress for housing on Zambian mines.<br>Further opportunities being pursued in East Africa.<br>Limited over-border order book for the Building and Housing segment. This is a focus area for the business. |
| Shortage of capacity and skills | Recruit and fill current employee shortages and bolster senior site management. | Most vacancies filled, but key skills remain in short supply. Recruitment is still ongoing, although the shortage is not affecting our ability to operate. |
| Expand presence in affordable market | Secure and execute another affordable housing contract in collaboration with a financial institution in South Africa. | Secured the next 50 houses and finalising agreements for the next phases (further 304 houses) of the Crystal Park affordable housing contract in Gauteng for construction in 2014. Significant extensions to the contract will follow in future years. |

## STAKEHOLDER ENGAGEMENT

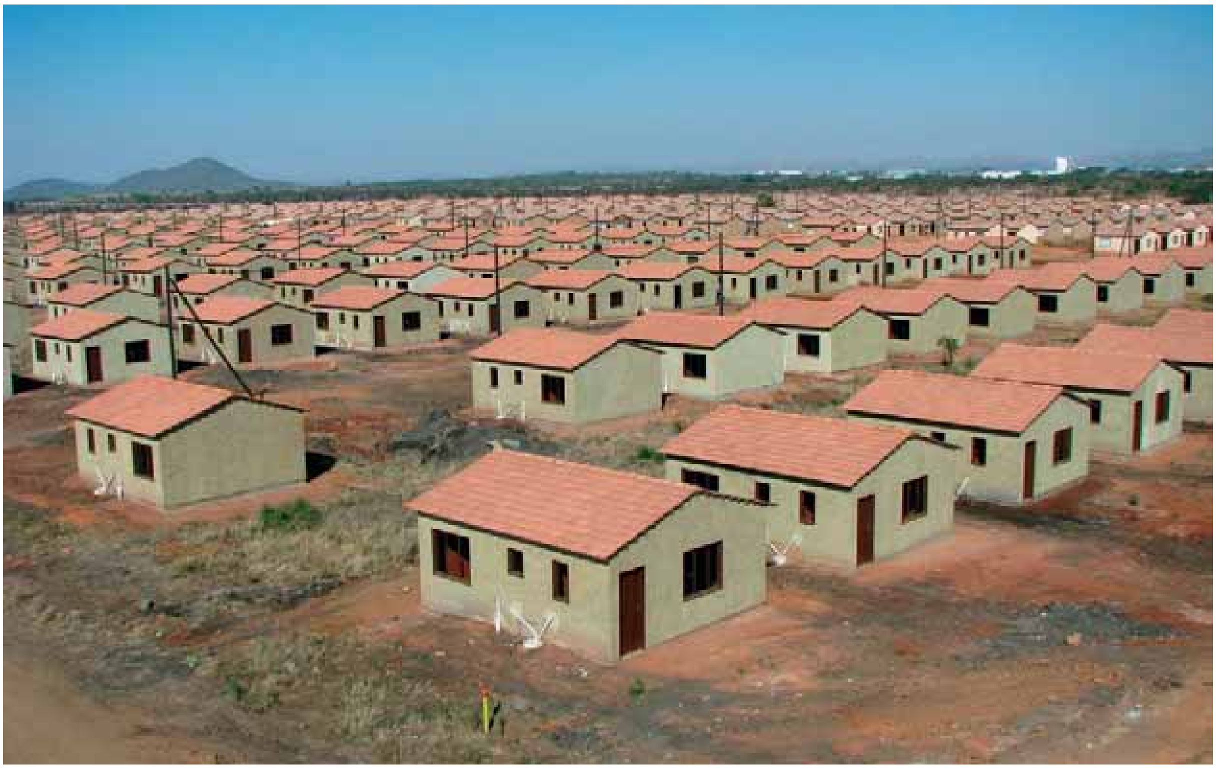
During the year, the group continued to actively engage with its key stakeholders. The tables outline which core material issues were raised, as well as which stakeholders rated these the highest.

Low Medium High

| Material issue | Employees | Government | Suppliers and business partners | Clients | Industry associations | Shareholders, investment community and the media | Financial institutions and rating agencies |
|---|---|---|---|---|---|---|---|
| Current level of local building contract margins | Medium | Low | High | Medium | Medium | High | Low |
| Unlocking opportunities for affordable housing contracts | Low | Medium | Low | High | Low | Medium | Medium |

## KEY STAKEHOLDER CONCERNS

| Concerned group | Concerns raised | Form of engagement | Group response |
|---|---|---|---|
| **Current level of local building contract margins** | | | |
| Suppliers and business partners | Increased expectation for decreased supply costs. | Pre- and post-bid meetings and during construction. | Ongoing engagement with suppliers and sub-contractors to structure effective value-added bids that support innovation and differentiate the group's tenders. |
| Shareholders, investment community and the media | Large order book with low margins. | Investor engagements. | The segment is focusing on higher-margin opportunities. Due to the low capital intensiveness of the business and its positive cash flow, the segment still provides adequate returns, although at low margins. |
| **Unlocking opportunities for affordable housing contracts** | | | |
| Clients (mainly the Department of Human Settlements) | Assistance required with solutions that support the roll out of approved affordable housing and breaking new ground (BNG) developments to address the housing shortage in the country. | Pre- and post-bid meetings. | The group has sufficient capacity, skills and experience to assist. However, implementation has been limited due to the number of issues surrounding these contracts, such as a lack of delivery on retail bank bonding facilities to enable first-time homeowners to secure ownership of homes, lack of site access, delayed environmental clearance for sites and administration issues for certification, payment and contract hand-over.<br>The group will continue to assist the Department of Human Settlements to address these issues. |



## LOOKING FORWARD

| Key focus areas for F2014 | Desired results |
|---|---|
| **Building** | |
| Continued focus on the African building market in selected countries. | Secure a regular over-border revenue stream. |
| Continue to support the development of the Waterfall estate development from the position of preferred contractor. | Maintain the position of leading contractor. |
| Support the various processes and initiatives required for the unlocking of the potential PPP revenue stream in South Africa. | Secure the go-ahead on at least one current PPP opportunity. |
| Green building expertise. | Become recognised as the leading contractor in Green Building experience and delivery. |
| **Housing** | |
| Maintain the focus on securing substantial volumes of work in the BNG portion of the market through established strategic partnerships. | 30-50% of annual turnover to be sourced from this revenue stream. Currently 45%. |
| Support local mine houses in the implementation of the requirements of the revised Mining Charter. | In addition to current activities for mine houses, secure at least one contract from a major South African mining company which addresses the needs of the Charter. |
| Pursue selected over-border opportunities for the delivery of large-scale housing schemes. | Secure a housing contract in Central or East Africa. |
| Establish and grow a delivery model for affordable housing and integrated housing developments. | Use the Crystal Park affordable housing contract as the model's prototype to roll out the next phase of the contract in the coming financial year. |

# Civil Engineering

## DELIVERY ON OBJECTIVES

| Key focus areas for 2013 | Desired results | Status |
|---|---|---|
| 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. | Turnover increased by 7%. The one-year order book decreased from R3,3 billion to R3,1 billion. However, there is potential for large awards.<br><br>The longer term order book remains a challenge due to the short term nature of the newly-acquired work. |
| 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. | Achieved in current order book, with 44% of the total order book being over-border.<br><br>Order book is diversified between transport, mining, water and power sectors. |

| Key focus areas for 2013 | Desired results | Status |
|---|---|---|
| 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. | Relationships established with strategic partners.<br>Roll-out of major infrastructure contracts slow to gain traction. |
| Manage South African cost base to remain competitive in the local market, given that 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. | Maintained overhead expenditure at cost-effective levels.<br>Core margin is below the range. However, excluding the Middle East operations, which we are exiting, the segment produced results which are within the range. |
| 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. | Construction activities completed and good progress made on commercial closure.<br>Overhead headcount removed.<br>Focus remains on cash collection and settlement of creditors.<br>Refer to pages 80 and 81 of the integrated annual report. |

## STAKEHOLDER ENGAGEMENT

During the year, the group continued to actively engage with its key stakeholders. The tables outline which core material issues were raised, as well as which stakeholders rated these the highest.

Low Medium High

| Material issue | Employees | Government | Suppliers and business partners | Clients | Industry associations | Shareholders, investment community and the media | Financial institutions and rating agencies |
|---|---|---|---|---|---|---|---|
| Wages and conditions of employment | High | Medium | Low | Low | High | Medium | Low |
| Contract-specific conditions of employment/labour unrest on contracts of national strategic interest | High | Medium | Low | High | Medium | Medium | Low |
| Funding availability for infrastructure contracts | Low | High | Low | High | Low | Medium | High |

## KEY STAKEHOLDER CONCERNS

| Concerned group | Concerns raised | Form of engagement | Group response |
|---|---|---|---|
| **Wages and conditions of employment** | | | |
| Employees | Minimum wage, annual increment, various allowances and leave. | Monthly employee meetings. | Ongoing communication, external benchmarking of market-related wages and application of regulated rates. |
| Industry associations (organised labour) | Minimum wage, annual increments and conditions of employment. | Bargaining council and industry representative bodies. | Ongoing co-operation and direct participation in the formulation and application of agreements reached. |
| **Contract-specific conditions of employment/labour unrest on contracts of national strategic interest** | | | |
| Employees and clients | Contract allowances and incentives.<br>Consistency of application across all contractors on contracts. Impact of contract-specific agreements on the wider industry. | Facilitated negotiation. | Ongoing co-operation and direct participation in the formulation and application of agreements reached. |
| **Funding availability for infrastructure contracts** | | | |
| Government and clients | Group assistance to either provide equity funding to contracts or structuring finance for contracts.<br>Understanding PPP and concession methodologies. | Meetings to review contract feasibility and requests for tender submissions. | We do not provide bridging finance on contracts. Where a contract meets the group's pre-determined investment criteria, we may consider assuming an equity stake in opportunities.<br>Part of the group's product offering is the Investments and Concessions cluster, which has the experience and ability to structure turnkey contracts, which includes the sourcing of third-party debt finance. |
| Financial institutions | Understanding the credit risk applicable to contracts and assisting in financially structuring opportunities. | Meetings to review contract feasibility before commercial and financial close. | The group has established relationships with key debt financiers, infrastructure funds and export credit agencies. Continued engagement with these parties to match solid opportunities with finance will continue. |

## LOOKING FORWARD

| Key focus areas for F2014 | Desired results |
|---|---|
| **Civil Engineering** | |
| **Continued focus on development of long term order book, coupled with improvement in secured margin.** | At least one-third of total order book to be executed over timeframes longer than the next 12 months, targeting improved margin opportunities. |
| **Expand activities to include specific niche market products aligned to the existing portfolio.** | Establishment of a sustainable business for a minimum of one new niche product. |
| **Increase participation in multi-disciplinary contracts.** | Year-on-year increase in the percentage of overall annual turnover executed in multi-disciplinary partnerships. |
| **Particular focus on the transport sector within the Southern African Development Community (SADC) and other nearby African countries.** | Secure at least one new large contract in this sector in a nearby country. |
| **Attract and retain key skills necessary to support revenue growth.** | Reduction in employee turnover percentages, as well as a reduction in key vacancies. |

# Projects

## DELIVERY ON OBJECTIVES

| Key focus areas for 2013 | Desired results | Status |
|---|---|---|
| Sub-contractor development | Develop South African sub-contractor skills capacity through mentoring programmes. | Mentoring in progress.<br>Support also being provided to assist in improving sub-contractor broad-based black economic empowerment (BBBEE) credentials. |
| Expand our service offering within our African permanent establishments | Establish smart partnerships within the mining industry by using our in-country presence and knowledge. | Established a track record in West and East Africa. The business expanded its service offering by diversifying its small works activities.<br>Currently pursuing additional contracts with potential supplier partners. |
| Investigate alternative sources of supply | Identify international suppliers based on cost, capacity and turnaround time without compromising quality. | Pursuing foreign sourcing strategies, including China, Europe and Saudi Arabia.<br>Implementation to date has been successful. |
| Focus on new geographic territories | Pursue mining and industrial opportunities within certain countries in West and East Africa. | Focused on mining opportunities. We have broadened our potential footprint in West and East Africa, as the group is currently bidding in new countries. |
| Address reliance on over-border new build African mining | Target 15-25% of revenue on South African contracts, expand mining services, and support the group's multi-disciplinary contracts, while also evaluating opportunities in other over-border sectors. | Traded 19% in South Africa in F2013.<br>The business is a significant participant in the group's multi-disciplinary contracts in the power and oil and gas sectors. |

## STAKEHOLDER ENGAGEMENT

During the year, the group continued to actively engage with its key stakeholders. The tables outline which core material issues were raised, as well as which stakeholders rated these the highest.

Low Medium High

| Material issue | Employees | Government | Suppliers and business partners | Clients | Industry associations | Shareholders, investment community and the media | Financial institutions and rating agencies |
|---|---|---|---|---|---|---|---|
| Sector concentration | Medium | Low | Medium | Low | Low | High | Low |
| Foreign supply of materials on contracts | Low | Low | High | Low | Low | Low | Low |
| Wellbeing of people required to execute contracts in remote locations | High | Low | Medium | Medium | Low | Medium | Low |

## KEY STAKEHOLDER CONCERNS

| Concerned group | Concerns raised | Form of engagement | Group response |
|---|---|---|---|
| **Sector concentration** | | | |
| Shareholders, investment community and the media | Concentration risk in the mining sector in the rest of Africa at a time when mining capex is expected to reduce in some mineral classes and affect profitability from this segment going forward. | Investor engagements. | The segment secured more South African contracts in sectors other than mining in recent years to reduce reliance on mining in the rest of Africa. In addition, it expanded its capabilities to cover more commodity classes and developed its service offering to ensure that it supports clients in their short term operational capex requirements. |
| **Foreign supply of materials on contracts** | | | |
| Suppliers | Decreased demand due to the group sourcing from foreign supply partners. | Price and contract negotiations. | The segment will continue to engage with local suppliers to support local procurement as far as possible. However, price and quality competitiveness is a requirement and the group will source abroad, if required. |
| **Wellbeing of people required to execute contracts in remote locations** | | | |
| Employees | Site security, healthcare, rotation of work and leave cycle.<br><br>Family wellbeing and support, if in need. | Regular engagement at bid and contract award, at mobilisation stage and at daily, weekly and monthly reviews held on site. | The group has an entrenched support structure that prepares employees for remote site duty.<br><br>All sites have security plans and some have medical response and security personnel on site. Evacuation routes are established before mobilisation. Family support is available through direct engagement and the provision of an external wellness support organisation. |

## LOOKING FORWARD

| Key focus areas for F2014 | Desired result |
|---|---|
| **Continue to build a broader client base and order book, both locally and internationally. These will cover an increased spread of the group's targeted sectors, specifically mining, industrial, power and oil and gas.** | A more balanced portfolio of secured work, spread over at least four market sectors. |
| **Increase the level of activity in multi-disciplinary contracts.** | At least 25% of revenue from multi-disciplinary contracts. |
| **Pursue further mining EPC contracts for selected clients, and supporting the group's strategy in this regard.** | Secure at least one large mining EPC contract in the next year. |
| **Grow the size and level of activity of our permanent establishments in Africa.** | Identify strategic suppliers and establish smart partnerships with key mining clients to create a larger base level of activity to position teams for larger contracts. |
| **Rebuild the size and contribution of the electrical and instrumentation (E&I) component of the business.** | Generating not less than 15% of annual turnover through E&I activities. |

Young engineers are given experience through the Group Five Academy which qualifies them for professional registration with the Engineering Council of SA (ECSA)

# 03

SECTION 3

# Annual financial statements

# STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

## for the year ended 30 June 2013

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 3 to 81 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 9.

The financial statements were prepared by the Chief Financial Officer CA(SA) and approved by the board of directors on 2 August 2013 and are signed on its behalf by:

**P (Philisiwe) Buthelezi**
Chairperson

**MR (Mike) Upton**
Chief executive officer

**CMF (Cristina) Teixeira**
Chief financial officer

2 August 2012

# REPORT OF THE AUDIT COMMITTEE

## for the year ended 30 June 2013

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, Dr JL Job, KK Mpinga and DDS Robertson, each of whom are independent non-executive directors and who have the requisite financial skills and experience to contribute to the Committee's deliberations. L Chalker retired from the Board and from the Committee on 6 August 2013 and OA Mabandla resigned from the Board and the Committee on 6 May 2013. The Committee meets quarterly each year with ad hoc special meetings when required and the Chief Executive Officer, the Chief Financial Officer and representatives from external and internal audit, risk and the Chairperson 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 provided 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, No. 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,
- the online section of the integrated report,
- the consolidated 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 2013 to the board of directors for approval on 2 August 2013.

**SG (Stuart) Morris**
Chairperson of the Audit Committee

2 August 2013

# STATEMENT OF COMPLIANCE BY THE COMPANY SECRETARY

## for the year ended 30 June 2013

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, No. 71 of 2008 in respect of the year ended 30 June 2013, and all such returns are true, correct and up-to-date.

N Katamzi
Company secretary

2 August 2013

# DIRECTORS' REPORT

## for the year ended 30 June 2013

## 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, and Eastern Europe. The company has its primary listing on the JSE Listing requirements.

## GROUP RESULTS

Headline earnings (HEPS) of 298 cents per share represents an increase of 156.9%, and fully diluted HEPS (FDHEPS) of 296 cents per share an increase of 157.4%, compared to HEPS and FDHEPS of 116 cents and 115 cents per share respectively in F2012.

Earnings per share (EPS) was 279 cents per share and fully diluted EPS (FDEPS) was 277 cents per share compared to a loss of 288 cents per share in F2012.

The difference between earnings and headline earnings is mainly as a result of an impairment charge of R11,0 million (net of tax) on assets. This is reflected as non-current assets classified as held for sale on the group's statement of financial position relating to the disposal of the Construction Materials businesses.

Group revenue from continuing operations increased by 26.7% from R8,8 billion to R11,1 billion as a result of increased activity in all of the group's businesses.

All of the group's businesses, with the exception of the Building and Housing segment, delivered increased operating results. This resulted in the group's core operating profit increasing by 71.7% and core operating margin percentage improving to 5.0% for the full year (F2012: 3.7%, H1 F2013: 5.1%)

The core operating profit does not include a surplus on the group's pension fund of R29,6 million (H1 F2013: R12,0 million and F2012: R15.8 million) as a result of an actuarial valuation assessment. This gain is included in total earnings. This gain was offset by a share-based payment expense of R25,0 million in H2 F2013 as a result of the implementation of the group's BBBEE ownership transaction, which was approved by shareholders during the year under review.

Included in operating profit is fair value net upward adjustments of R86,5 million (F2012: R56,6 million, H1 F2013: R29,1 million) relating to the group's interests in Eastern European road transport concessions. This positively affected the group's results in the year.

The financial statements on pages 10 to 81 set out fully the financial position, results of operations and cash flows for the group for the financial year ended 30 June 2013. Segmental information as approved by the directors relating to the business of the group is set out on pages 14 to 16.

### Financial performance

Group total operating margin increased to 5.0% (F2012: 3.8%, H1 F2013: 5.3%). In line with expectations, group net finance cost of R8,3 million were recorded for the period compared to net finance cost of R3,8 million in the prior year as a result of a year-on-year reduction in other finance income earned. The effective tax rate of 38% (F2012: 32%) was higher than the South African statutory tax rate of 28%. This was due to the group adopting a prudent approach in assessing tax positions, under provision of taxation liabilities in the prior years and to a lesser extent profits realised in jurisdictions with higher tax rates than South Africa offset by profits earned in jurisdictions with lower taxation rates.

### Financial position

It is pleasing to note that the group's statement of financial position continues to be sound, with a nil net gearing ratio and an increase in bank and cash balances to R2,9 billion as at 30 June 2013 (30 June 2012: R2,3 billion and 31 December 2012: R2,6 billion).

The statement of financial position continues to reflect the net remaining investment in the Construction Materials businesses within non-current assets classified as held for sale. An impairment on the sale of non-current assets classified as held for sale of R11,0 million (net of tax), was charged against income in the year, as mentioned earlier. In addition to this impairment, the loss for the period from discontinued operations includes an operating loss from the Construction Materials businesses of R36,8 million (net of tax).

### Cash flow

The group generated R694,6 million cash from operations before working capital changes. In addition, it generated R252,8 million cash from working capital changes, resulting in a net cash inflow from operations of R772,1 million after settlement of taxation liabilities of R127,3 million and paying dividends of R45,1 million. After a net cash investment of R221,6 million in plant and equipment, R52,2 million proceeds received on disposal of investment property and net repayment of liabilities of R13,8 million, the group generated an increase in cash of R710 million. The improvement in working capital was as a result of an increase in excess billings over work performed, as well as a reduction in work-in-progress balances.

## CAPITAL EXPENDITURE

Details on capital expenditure by business are set out on page 16 of this report.

## SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The interest in subsidiaries, joint ventures and associated companies, are set out on pages 77 to 79 of this integrated annual report.

### Business combinations

There were no business combinations during the current reporting period.

The group progressed with the disposal of its discontinued Construction Materials businesses. At 30 June 2012 the group disclosed that it had concluded sale agreements on two of its Construction Materials businesses. During the first half of this financial year, proceeds from these sales were received and an additional business sold. During H2 F2013 a further business was transferred to its new owner and cash received. The sale transaction for the last business has been agreed and is in the process of implementation.

As previously communicated, approval from the Department of Mineral Resources (DMR) is awaited on the three quarry sales mentioned above to finally fulfil the sale conditions precedent.

The sale agreements reached with the new owners allowed for the transfer of operational control immediately on concluding the sale agreements, including transfer of operating profits and losses on the two quarries sold in F2013.

## STATED CAPITAL

The movements in the number of shares during the year under review are summarised in the statement of changes in equity on page 13 of this integrated annual report. The authorised and issued share capital is as follows:

### Authorised:

150 000 000 ordinary shares of no par value.

### Issued:

111 149 510 ordinary shares of no par value (2012: 110 645 521).

All shares have been fully paid up.

The following movement in the number of shares took place in the year:

(i) Issue of shares in terms of share scheme:

| Date | Price | Number of shares |
|---|---|---|
| March 2013 | R28,30 to R35,56 | 70 760 |
| April 2013 | R34,11 to R37,50 | 160 717 |
| May 2013 | R34,60 to R38,04 | 195 152 |
| June 2013 | R37,27 to R37,88 | 13 403 |
| **Total** | | 440 032 |

(ii) Issue of shares in terms of the group's BEE external ownership transactions, whereby shares are issued in lieu of dividends.

| Date | Price | Number of shares |
|---|---|---|
| October 2012 | R26,91 | 63 957 |

(iii) Buy back of 12 356 865 shares from previous BBBEE shareholder, Mvelaphanda, and re-issuance of 10 356 865 of these shares to the newly established Black Professionals Staff Trust and 2 000 000 to the Izakhiwo Imfundo Bursary Trust, in line with the BBBEE ownership transaction approved by shareholders during the current financial year.

(iv) 11 643 098 shares (2012: 14 044 760) are held as treasury stock.

The group's original ownership transaction comprised three components namely:

- a broad-based employee scheme,
- a black management share scheme; and
- the iLima Mvela Transaction

The group announced in June 2009 that its BBBEE 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 the 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 prior year. The capital of the group was reduced.

The early exit of the group's original BBBEE ownership transaction shareholder, Mvelaphanda, from the group's ownership structure, along with the implementation of a Black Professionals Staff Trust and Izakhiwo Imfundo Bursary Trust, was approved by shareholders on 27 November 2012. The transaction was concluded on 16 January 2013 following the fulfilment of all conditions precedent.

The financial effects of the revised transaction were therefore charged against income from H2 F2013.

The share-based payment benefit provided to the Izakhiwo Imfundo Bursary Trust was recognised as a non-recurring equity settled share-based payment. The full charge of R16,8 million (originally estimated at R12,7 million as per the circular to shareholders) was recognised fully on grant date in H2 F2013.

The estimated share-based payment benefit with respect to the Black Professionals Staff Trust at year-end date is R142,2 million (R71,4 million originally estimated as per the circular to shareholders). It is recognised as a cash-settled share-based payment transaction over the life of the scheme from the effective date of this transaction to the assumed end date of November 2020. An amount of R8,2 million was charged in H2 F2013.

The implementation of the Izakhiwo Imfundo Bursary Trust portion of the revised transaction resulted in an increase in the group's number of shares in issue by two million shares from grant date. The implementation of the Black Professionals Staff Trust at the effective date resulted in no increase in the weighted average number of shares in issue. However, this must be reassessed at each reporting period.

## 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.

## RELATED PARTY TRANSACTIONS

Related parties to the group are identified as the group's directors, prescribed officers, senior management, subsidiaries, joint ventures and associates. Disclosure of transactions with these parties during the year is provided on page 54 of the annual financial statements.

## SHAREHOLDER SPREAD

Details of shareholder categories are set out on page 80 of this integrated annual report.

## DIVIDEND DECLARATION

On 2 August 2013 the directors declared a gross dividend of 35 cents per ordinary share (35 cents per ordinary share net of dividend withholding tax and STC credits) (2012: 14 cents). This brings the total dividend for the year to 67 cents (2012: 36 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 35 cents per share.
- There is no tax payable which results in a net dividend of 35 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 111 149 510 (99 506 412 exclusive of treasury shares) and the company's tax reference number is 9625/077/71/5. In order to comply with the requirements of STRATE, the relevant details are:

| Event | Date |
|---|---|
| Last day to trade (cum-dividend) | Thursday, 19 September 2013 |
| Shares to commence trading (ex-dividend) | Friday, 20 September 2013 |
| Record date (date shareholders recorded in books) | Friday, 27 September 2013 |
| Payment date | Monday, 30 September 2013 |

No share certificates may be dematerialised or rematerialised between Friday, 20 September 2013 and Friday 27 September 2013, 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. In line with this policy, a dividend for this period of 35 cents per share (H2 F2012: 14 cents) has been declared. The full year dividend for the year is thus 67 cents (F2012: 36 cents). The dividend policy therefore remains unchanged, based on the medium term business outlook and the availability of liquid resources.

## DIRECTORS AND SECRETARY

The names and brief CV's of the directors appear on pages 124 to 125 of Group Five's 2013 integrated annual report, and on pages 58 to 59 of the supplementary information to the integrated annual report under the corporate governance review, available with these annual financial statements. Further information on the directors, including their interest in the shares of the company and share-based remuneration schemes are provided on page 161 of Group Five's 2013 Integrated annual report as well as Annexure 6 and note 23 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.

Baroness Lynda Chalker retired from the group's board of directors at the annual general meeting held on 6 November 2012 and OA Mabandla resigned from the group's board of directors on 6 May 2013. We thank both directors for their valuable contribution to the board and specifically thank Baroness Chalker for her significant involvement during her 12 years as director.

In terms of the company's Articles of Association, P Mthethwa (nee Buthelezi) and DDS Robertson retire by rotation and offer themselves up for re-election. Refer to page 159 of Group Five's 2013 integrated annual report for disclosure on non-executive and executive directors' remuneration.

## DIRECTORS' SHAREHOLDINGS

At 30 June 2013, the number of ordinary shares held beneficially and non-beneficially by the current directors was 360 179 and 1 000 respectively (2012: 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. The revised Memorandum of Incorporation was approved by the shareholders at the previous annual general meeting held in November 2012.

## 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 2013 financial year on 2 August 2013, 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 2013 or the results of its operations or cash flows for the year then ended.

### Industry matters

As announced on SENS on 1 February 2011, the group adopted a proactive stance from 2008 in respect of the ongoing investigation by the Competition Commission into alleged anti-competitive behaviour within the construction industry. The board and management of Group Five identified in 2008 that the company operated within a collusive industry to which it had contributed through incidences of anti-competitive behaviour. It took immediate and decisive steps to extract the necessary information of such behaviour from its employees and used this to implement corrective action internally.

As previously communicated, the group secured conditional leniency from the Commission in terms of the Commission's Corporate Leniency Policy in return for full disclosure of all matters that the group was able to uncover during its internal investigation process. The Commission launched its "Fast-Track" process in 2011, mainly as a result of the group's earlier co-operation. This triggered wider industry participation. As outlined by the Commission in its media release on its investigation findings in June 2013, Group Five is the company with the highest number of projects that received corporate leniency, which demonstrates the group's co-operation and comprehensive and timeous disclosure.

The group has consistently advised stakeholders that, although the group received conditional leniency, a zero fine could not be guaranteed until the full industry investigation was concluded.

In late June 2013, it came to the group's attention, based on evidence intimated by the Commission and their actions taken, that the Commission is seeking a proposed administrative penalty on four projects, in which the group was implicated and for which no leniency was granted. The group had no evidence of its collusive involvement and could thus not responsibly accede to the penalties and chose not to settle hastily. Management remains engaged with the Commission to responsibly resolve these outstanding implicated projects, conscious of its accountability to conclude this matter for the benefit of all its stakeholders. The group has raised a provision for a penalty as the possibility of an administrative penalty now materialised and its substantiation and measurability needed to be considered. Supported by its internal risk assessment and independent senior counsel opinion, the group has made provision for a potential fine, the value of which is not disclosed at this time, but the effects thereof is included in the reported results.

Management and the board of Group Five wish to reinforce the statements made over the last four years, which consistently expressed our deep regret at the anti-competitive behaviour we found to be present in our business and in the wider industry. We offer our unreserved apology and we understand that the country demands an ethical, competitive and transformed construction industry. As the whistle blower, and the construction sector's most empowered listed company, the group has been a catalyst for change towards these goals. Management's commitment in pursuit of a transformed industry is to:

- continue to drive the group's ethics and compliance programmes
- continuously cycle induction and training for all employees
- ensure adherence to the group's enhanced risk review processes, which specifically include:
  - pre-bid review on contracts with respect to compliance with competition legislation
  - CEO's approval on the establishment of all joint venture arrangements
- work with and through industry bodies, government and the group's peers to create conditions allowing for wider and equal participation in the industry from aspirant black construction entrepreneurs
- support the national infrastructure agenda

There has been substantial reputational damage to the sector. Management is committed to engaging with stakeholders to assist the industry to regain the trust required to deliver much-needed national infrastructure.

Stakeholder's attention is drawn to the contingent risk of civil claims possibly being lodged against the group, and all construction companies who have been party to the anti-competitive behaviour, following the Competition Commission release of its findings in June 2013 and the public interest reported in recent months. To date no claim has been instituted against the group.

## 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 (Proprietary) Limited, 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 (three-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 National A- credit rating and a short term National $A_1$- credit rating.

## 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 2014 financial year and it is noted that AJ Rossouw will be the individual registered auditor who will undertake the audit.

## ANNUAL GENERAL MEETING (AGM)

The AGM will be held at 11:00 on 5 November 2013. Refer to pages 82 to 86 of Group Five's 2013 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 2013

### TO THE SHAREHOLDERS OF GROUP FIVE LIMITED

We have audited the consolidated and separate financial statements of Group Five Limited set out on pages 10 to 79, which comprise the statements of financial position as at 30 June 2013, 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 2013, 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 2013, 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 2013

# GROUP INCOME STATEMENT

## for the year ended 30 June 2013

| (R'000) | Notes | GROUP 2013 | GROUP 2012 |
|---|---|---|---|
| Construction and related revenue | | **9 341 089** | 7 111 310 |
| Invoiced value of goods and services supplied | | **1 762 435** | 1 644 244 |
| Property sales and development fees | | **27 339** | 27 824 |
| **Revenue – continuing operations** | | **11 130 863** | 8 783 378 |
| Cost of material | | **1 640 291** | 1 370 182 |
| Cost of subcontractors | | **4 237 061** | 3 216 699 |
| Direct payroll cost | 4.1, 22.1 | **2 554 903** | 2 232 800 |
| Other staff cost | | **246 004** | 254 902 |
| Depreciation | 4.3, 8 | **244 142** | 165 356 |
| Plant costs | | **786 352** | 555 363 |
| Manufacturing distribution cost | | **143 024** | 132 197 |
| Site administration costs | | **401 684** | 389 637 |
| Other administration cost | | **408 017** | 202 361 |
| **Operating expenses before fair value adjustments** | | **10 661 478** | 8 519 497 |
| **Operating profit before fair value adjustments** | | **469 385** | 263 881 |
| Fair value adjustment relating to investment in service concessions | 11 | **86 482** | 56 652 |
| Fair value adjustment relating to investment properties – net | 9 | **–** | 10 865 |
| **Operating profit** | 4 | **555 867** | 331 398 |
| Share of profit of associates | | **10 936** | 1 163 |
| Finance cost – net | 5 | **(8 265)** | (3 800) |
| Finance cost | | **(59 074)** | (79 487) |
| Finance income | | **50 809** | 75 687 |
| **Profit before taxation** | | **558 538** | 328 761 |
| Taxation | 6 | **(211 884)** | (106 032) |
| **Profit after taxation from continuing operations** | | **346 654** | 222 729 |
| **Loss for the year from discontinued operations** | 32 | **(47 796)** | (452 841) |
| **Profit/(loss) for the year** | | **298 858** | (230 112) |
| Profit/(loss) attributable to: | | | |
| Equity shareholders of Group Five Limited | | **272 651** | (278 405) |
| Non-controlling interest | | **26 207** | 48 293 |
| | | **298 858** | (230 112) |
| Earnings/(loss) per share – (Rand) | 7.1 | **2,79** | (2,88) |
| Fully diluted earnings/(loss) per share – (Rand) | 7.2 | **2,77** | (2,88) |
| Earnings per share from continuing operations – (Rand) | 7.3 | **3,28** | 1,81 |
| Fully diluted earnings per share from continuing operations – (Rand) | 7.4 | **3,26** | 1,80 |

# GROUP STATEMENT OF COMPREHENSIVE INCOME

## for the year ended 30 June 2013

| (R'000) | GROUP 2013 | GROUP 2012 |
|---|---|---|
| Profit/(loss) for the year | **298 858** | (230 112) |
| Other comprehensive income | | |
| Exchange difference on translating foreign operations* | **107 856** | 68 411 |
| **Other comprehensive income for the year** | **107 856** | 68 411 |
| **Total comprehensive income/(loss) for the year** | **406 714** | (161 701) |
| **Total comprehensive income/(loss) attributable to:** | | |
| Equity shareholders of Group Five Limited | **380 507** | (209 994) |
| Non-controlling interest | **26 207** | 48 293 |
| | **406 714** | (161 701) |

* *With no resultant tax impact. Item that may be reclassified subsequently to profit or loss.*

# GROUP STATEMENT OF FINANCIAL POSITION

## as at 30 June 2013

| (R'000) | Notes | GROUP 2013 | GROUP 2012 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 950 945 | 884 367 |
| Investment property | 9 | – | 9 025 |
| Investment in associates | 10.1 | 61 362 | 37 549 |
| Loans to associates | 10.2 | 6 463 | 4 657 |
| Investments in service concessions | 11 | 360 684 | 296 635 |
| Investment in property developments | 12 | – | 8 716 |
| Pension fund surplus | 22.2 | 166 734 | 137 049 |
| Deferred taxation | 13 | 58 094 | 55 743 |
| Non-current trade receivables | 16 | 95 302 | 116 245 |
| Total non-current assets | | 1 699 584 | 1 549 986 |
| **Current assets** | | | |
| Inventories | 14 | 294 174 | 288 181 |
| Contracts in progress | 15 | 285 371 | 541 869 |
| Derivative financial instruments | 18.1 | 21 358 | – |
| Trade and other receivables | 16 | 3 438 227 | 2 667 980 |
| Cash and cash equivalents | 29 | 2 957 148 | 2 268 226 |
| Total current assets | | 6 996 278 | 5 766 256 |
| **Non-current assets classified as held for sale** | 32 | 108 177 | 272 928 |
| **Total assets** | | 8 804 039 | 7 589 170 |
| **Equity and liabilities** | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Stated capital | | 1 229 568 | 1 219 119 |
| Retained earnings | | 937 482 | 709 979 |
| Other components of equity | | (12 506) | (120 362) |
| | | 2 154 544 | 1 808 736 |
| **Non-controlling interest** | | 71 855 | 67 968 |
| **Total equity** | | 2 226 399 | 1 876 704 |
| **Non-current liabilities** | | | |
| Interest-bearing borrowings | 17.1 | 684 982 | 613 464 |
| Provision for employment obligations | 22.3 | 49 295 | 33 935 |
| Provision for environmental rehabilitation | 19 | 4 000 | 4 000 |
| Deferred taxation | 13 | 12 359 | 15 921 |
| Non-current trade payables | 20 | 51 009 | 59 270 |
| Total non-current liabilities | | 801 645 | 726 590 |
| **Current liabilities** | | | |
| Excess billings over work | | 1 321 798 | 828 113 |
| Trade and other payables | 20 | 4 155 301 | 3 778 412 |
| Derivative financial instruments | 18.1 | – | 854 |
| Contract related provisions | 21 | 36 806 | 59 294 |
| Current taxation payable | 28 | 117 994 | 38 956 |
| Current portion of non-current interest-bearing borrowings | 17.1 | 82 389 | 63 240 |
| Short term borrowings | 17.6 | 30 653 | 38 646 |
| Total current liabilities | | 5 744 941 | 4 807 515 |
| **Liabilities associated with non-current assets classified as held for sale** | 32 | 31 054 | 178 361 |
| **Total liabilities** | | 6 577 640 | 5 712 466 |
| **Total equity and liabilities** | | 8 804 039 | 7 589 170 |

# GROUP STATEMENT OF CASH FLOW

## for the year ended 30 June 2013

| (R'000) | Notes | GROUP 2013 | GROUP 2012 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash from operations before working capital changes | 26 | **694 579** | 424 692 |
| Working capital changes | 27 | **252 795** | 154 460 |
| Cash generated from operations | | **947 374** | 579 152 |
| Finance income received | | **50 809** | 75 687 |
| Finance costs paid | | **(59 074)** | (77 201) |
| Taxation paid | 28 | **(127 268)** | (107 921) |
| Dividends paid | 33 | **(45 148)** | (40 548) |
| Cash effects of operating activities (discontinued operations) | 32 | **5 393** | (18 290) |
| **Cash effects of operating activities** | | **772 086** | 410 879 |
| **Cash flow from investing activities** | | | |
| Acquisition of property plant and equipment | | **(272 034)** | (303 162) |
| Acquisition of investment property, associates and service concessions | | **(20 434)** | (11 653) |
| Proceeds on disposal of property plant and equipment | | **50 438** | 102 854 |
| Proceeds on disposal of investment property | | **52 233** | 13 |
| Cash effects of investing activities (discontinued operations) | 32 | **55 908** | 19 184 |
| **Cash effects of investing activities** | | **(133 889)** | (192 764) |
| **Cash flow from financing activities** | | | |
| Changes in associates/non-controlling interest | | **(18 780)** | (103 601) |
| Proceeds on repayment of service concessions loans | | **22 433** | 24 745 |
| Long term interest-bearing borrowings raised | | **96 943** | 500 000 |
| Long and short term interest-bearing borrowings repaid | | **(110 751)** | (646 428) |
| Buy back of shares | | **(30 000)** | – |
| Net proceeds from share options | | **10 207** | – |
| Cash effects of financing activities (discontinued operations) | 32 | **(40 174)** | (44 882) |
| **Cash effects of financing activities** | | **(70 122)** | (270 166) |
| **Effects of exchange rates on cash and cash equivalents** | | **141 974** | 76 205 |
| **Net increase in cash and cash equivalents** | | **710 049** | 24 154 |
| Cash and cash equivalents at beginning of year | | **2 258 933** | 2 234 779 |
| **Cash and cash equivalents at end of year** | | **2 968 982** | 2 258 933 |
| Included in cash and cash equivalents per the statement of financial position | 29 | **2 957 148** | 2 268 226 |
| Included in non-current assets classified as held for sale | 32 | **11 834** | (9 293) |
| | | **2 968 982** | 2 258 933 |

# GROUP STATEMENT OF CHANGES IN EQUITY

## for the year ended 30 June 2013

| | 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 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-based payment expense | – | – | – | 29 093 | – | – | **29 093** | – | **29 093** |
| Total comprehensive income | – | – | – | – | 68 411 | (278 405) | **(209 994)** | 48 293 | **(161 701)** |
| Net (loss)/profit 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** |
| Issue of shares to share trust in terms of share scheme | 440 032 | (440 032) | – | – | – | – | **–** | – | **–** |
| Issue of shares from share trust | – | 905 651 | 905 651 | 10 207 | – | – | **10 207** | – | **10 207** |
| Issue of shares in terms of BEE ownership scheme in lieu of dividends | 63 957 | (63 957) | – | – | – | – | **–** | – | **–** |
| Share buy back | (12 356 865) | 12 356 865 | | (30 000) | – | – | **(30 000)** | – | **(30 000)** |
| Issue of shares to Izakhiwo Imfundo Bursary Trust | 2 000 000 | – | 2 000 000 | – | – | – | **–** | – | **–** |
| Issue of shares to Black Professionals Staff Trust | 10 356 865 | (10 356 865) | – | – | – | – | **–** | – | **–** |
| Share-based payment expense | – | – | – | 30 242 | – | – | **30 242** | – | **30 242** |
| Total comprehensive income | – | – | – | – | 107 856 | 272 651 | **380 507** | 26 207 | **406 714** |
| Net profit for the year | – | – | – | – | | 272 651 | **272 651** | 26 207 | **298 858** |
| Translation differences arising from foreign operations | – | – | – | – | 107 856 | – | **107 856** | – | **107 856** |
| Distribution to non-controlling interests | – | – | – | – | – | – | **–** | (22 320) | **(22 320)** |
| Dividends paid | – | – | – | – | – | (45 148) | **(45 148)** | – | **(45 148)** |
| Balance at 30 June 2013 | 111 149 510 | (11 643 098) | 99 506 412 | 1 229 568 | (12 506) | 937 482 | **2 154 544** | 71 855 | **2 226 399** |

The following movement in the number of shares took place in the year:

(i) Issue of shares in terms of share scheme:

| Date | Price | Number of shares |
|---|---|---|
| March 2013 | R28,30 to R35,56 | 70 760 |
| April 2013 | R34,11 to R37,50 | 160 717 |
| May 2013 | R34,60 to R38,04 | 195 152 |
| June 2013 | R37,27 to R37,88 | 13 403 |
| **Total** | | 440 032 |

(ii) Issue of shares in terms of the group's BEE external ownership transactions, whereby shares are issued in lieu of dividends:

| Date | Price | Number of shares |
|---|---|---|
| October 2012 | R26,91 | 63 957 |

(iii) Buy back of 12 356 865 shares from previous BBBEE shareholder, Mvelaphanda, and re-issuance of 10 356 865 of these shares to the newly established Black Professionals Staff Trust and 2 000 000 to the Izakhiwo Imfundo Bursary Trust, in line with the BBBEE ownership transaction approved by shareholders during the current financial year.

**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 2013

### 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** | – Equipment supply, operations and maintenance revenue in concession contract developments in the transport sector<br>– Rental and development sales of A-grade property assets generating development and investment returns |
| **Engineering & Construction** | – Multi-disciplinary project delivery from feasibility through to supporting bankability and front-end design, as well as project management of contracts during execution to completion, with a focus on the energy sector including power plant construction and nuclear construction services<br>– Industrial services contractor |
| **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 |
| – Projects | – Engineering projects contractor for structural, mechanical, piping and electrical engineering, as well as complete plant construction solutions |

In prior years, Projects and Engineering & Construction were consolidated into a single segment called Engineering and reported within the Construction cluster. With effect from 1 July 2012, the group was restructured with the Engineering & Construction business now reported as a separate cluster from Construction and the Projects business remaining as a segment within the Construction cluster. The Engineering & Construction (E+C) business was established to deliver technology-based EPC, multi-disciplinary project management and construction, operations and services solutions to selected sectors such as Power, Oil and Gas and Water.
Prior year comparatives have been restated accordingly.

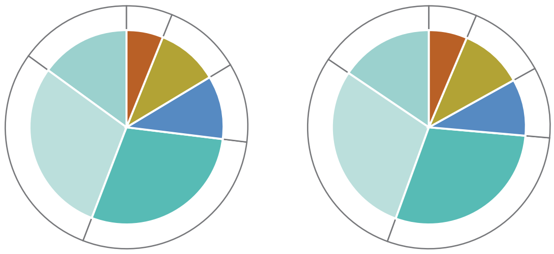
The group is focused by discipline and each discipline is led by an executive committee member.

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 surpluses, profit/loss on sale or impairment of subsidiaries, re-measurement of employment obligations and share option cost on the Izakhiwo Imfundo Bursary Trust which is not controlled by the group. 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 do not believe that there are any additional segments that require separate reporting. 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 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




*Note: Graphs represent F2013 values only.*

| 2013 (R'000) | Gross Revenue | Internal revenue | External revenue | Operating profit |
|---|---|---|---|---|
| Operational segments | | | | |
| **Investments and Concessions** | **728 517** | **–** | **728 517** | **174 352** |
| **Engineering & Construction** | **1 174 171** | **(3 951)** | **1 170 220** | **28 521** |
| **Manufacturing** | **1 221 731** | **(160 474)** | **1 061 257** | **83 848** |
| **Construction** | **8 403 763** | **(232 894)** | **8 170 869** | **265 563** |
| Building and Housing | **3 331 779** | **(95 779)** | **3 236 000** | **40 332** |
| Civil Engineering | **3 354 236** | **(137 115)** | **3 217 121** | **109 287** |
| Projects | **1 717 748** | **–** | **1 717 748** | **115 944** |
| | **11 528 182** | **(397 319)** | **11 130 863** | **552 284** |
| *Adjustment for non-operational items* | | | | |
| Pension fund valuation surplus | | | | **29 579** |
| Izakhiwo Imfundo Bursary trust: share-based payment expense | | | | **(16 813)** |
| Impairment of investment in associate – Investments and Concessions | | | | **(2 069)** |
| Re-measurement of employment obligation | | | | **(7 114)** |
| Operating profit per income statement | | | | **555 867** |

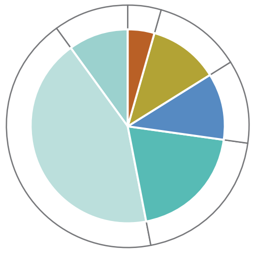
| 2012 (R'000) | Gross revenue | Internal revenue | External revenue | Operating profit |
|---|---|---|---|---|
| Operational segments | | | | |
| **Investments and Concessions** | 647 739 | – | 647 739 | 153 795 |
| **Engineering & Construction*** | 631 180 | – | 631 180 | 5 021 |
| **Manufacturing** | 1 164 849 | (140 520) | 1 024 329 | 46 490 |
| **Construction*** | 6 573 146 | (93 016) | 6 480 130 | 116 294 |
| 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) |
| Projects* | 1 434 897 | (18 486) | 1 416 411 | 101 702 |
| | 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) |
| Re-measurement of employment obligation | | | | (4 593) |
| Operating profit per income statement | | | | 331 398 |

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

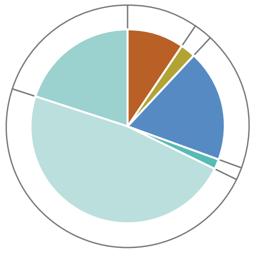
* *Restated due to the establishment of Engineering & Construction as a stand alone cluster, previously reported with Projects segments as the Engineering segment.*

## FINANCIAL POSITION: CURRENT ASSETS AND CAPITAL EXPENDITURE

**Current assets**



**Capital expenditure**



*Note: Graphs represent F2013 values only.*

| **Operational segments (R'000)** | Current assets | | Capital expenditure | |
|---|---|---|---|---|
| | **2013** | **2012*** | **2013** | **2012*** |
| **Investments and Concessions** | **191 956** | 234 850 | **33 334** | 34 922 |
| **Engineering & Construction** | **467 703** | 264 371 | **8 640** | 8 454 |
| **Manufacturing** | **452 377** | 459 931 | **64 572** | 25 368 |
| **Construction** | **2 927 094** | 2 538 878 | **240 877** | 270 178 |
| Building and Housing | **808 717** | 689 507 | **6 054** | 2 638 |
| Civil Engineering | **1 716 557** | 1 352 077 | **166 147** | 201 851 |
| Projects | **401 820** | 497 294 | **68 676** | 65 689 |
| | **4 039 130** | 3 498 030 | **347 423** | 338 922 |
| Bank balances and cash | **2 957 148** | 2 268 226 | **–** | – |
| Total current assets per statement of financial position | **6 996 278** | 5 766 256 | **–** | – |
| Property, plant and equipment – additions (note 8) | **–** | – | **347 423** | 338 922 |

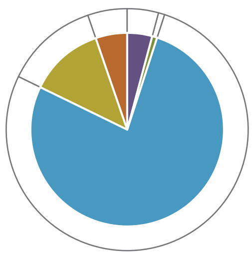
The measures of current assets and capital expenditure have been disclosed for each reportable segment as these are regularly provided to exco.

* *Restated due to the establishment of Engineering & Construction as a stand alone cluster, previously reported with Projects segments as the Engineering segment.*

## 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 F2013 values only.*

| **Geographical regions (R'000)** | **2013** | **2012** |
|---|---|---|
| Eastern Europe | **488 493** | 433 948 |
| Middle East | **–** | 43 805 |
| Eastern Africa | **86 251** | 85 986 |
| Southern Africa | **8 580 022** | 6 962 809 |
| Central Africa | **1 389 137** | 830 197 |
| Western Africa | **586 960** | 426 633 |
| | **11 130 863** | 8 783 378 |
| Per income statement | **11 130 863** | 8 783 378 |

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 70 to 74 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 SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council. 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 prior 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. Its assets and liabilities are reflected as 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 to the extent of the group's interest. 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 14. During the prior 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. In prior years, Projects and Engineering and Construction were consolidated into a single segment called Engineering and reported within the Construction cluster. With effect from 1 July 2012 the group was restructured with the Engineering & Construction business now reported as a separate cluster from Construction and the Projects business remaining as a segment within the Construction cluster. The Engineering & Construction (E+C) business was established to deliver technology based EPC, multi-disciplinary project management and construction, operations and services solutions to selected sectors such as Power, Oil and Gas and Water. Prior year comparatives have been restated accordingly.

## 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 in other comprehensive income.

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.

## 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 to their residual value; 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 Impairment adjustments

### 1.8.1 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.

### 1.8.2 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.

## 1.9 Financial assets

The group classifies its financial assets in the following categories; at fair value through profit and loss or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

### Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets held for trading or those designated as fair value through profit and loss on initial recognition. These assets are reflected in current and non-current assets respectively. Derivatives are classified as held for trading unless they are designated as hedges. Financial assets carried at fair value through profit and loss are initially recognised at fair value and subsequently carried at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit and loss category are presented in the income statement in the period in which they arise. The method for estimation of fair value is described within the accounting policy for each financial asset and within the disclosure on 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.

## 1.10 Investments in service concessions

These investments consist of interests in service concessions over which the group has neither control nor significant influence. These investments are financial assets designated at fair value through profit and loss. They are initially recognised at fair value and subsequently measured at fair value with changes in fair value, recognised in the income statement.

## 1.11 Investments in property developments

These investments consist of interest in property development entities over which the group has neither control nor significant influence. These investments are financial assets designated at fair value through profit and loss. They are initially recognised at fair value and subsequently measured at fair value with changes in fair value, recognised in the income statement.

## 1.12 Financial instruments

Financial instruments carried on the 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, contracts in progress, trade and other payables, interest-bearing borrowings and derivative financial instruments. The particular recognition methods adopted are disclosed in the individual policy statements or notes associated with each item.

## 1.13 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured 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 on-going 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 18. 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.

## 1.14 Inventories

Materials, consumable stores, work in progress and finished goods are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. In general, cost is determined on a first-in-first-out basis and includes expenditure incurred in acquiring, manufacturing and transporting the inventory to its present location. The cost of manufactured goods includes direct expenditure and an appropriate proportion of manufacturing overheads. Provision is made for obsolete and slow moving inventory.

Costs that are incurred in or benefit the construction materials process, are accumulated as stockpiles and consist of 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.

## 1.15 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology, and functions, or their ultimate purpose or use.

A group of contracts is treated as a single construction contract when the group of contracts is negotiated as a single package and the contracts are so interrelated that they are, in effect, part of a single project with an overall profit margin and are performed concurrently or in a continuous sequence.

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised using the percentage of completion method. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The group uses the "percentage of completion method" to determine the appropriate 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).

## 1.16 Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

## 1.17 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.

## 1.18 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.

## 1.19 Stated capital

Ordinary shares are classified as equity. Issued share capital is stated in the statement of changes in equity at the amount of the proceeds received less directly attributable issue costs. Cost of share options issued after 7 November 2002 have been charged to stated capital as described in note 1.24(d).

## 1.20 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 1.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Where the fair value of the borrowings have been hedged, and qualify for hedge accounting, then the gain or loss on the hedged item attributable to the hedged risk is recognised in the income statement.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

## 1.22 Capitalisation of borrowing costs

Borrowing costs, incurred in respect of property developments, mining assets or capital work in progress, that require a substantial period to prepare assets for their intended use, are capitalised up to the date that the development of the asset is ready for its intended use. The amount of direct borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of these borrowings. Other borrowing costs are recognised directly in the income statement when incurred.

## 1.23 Taxation

The taxation expense represents the sum of the current taxation payable (local and international) and deferred taxation.

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.

## 1.24 Employee benefits

The accounting policies relating to employee benefits can be categorised into five areas, as follows:

### a) Pension obligations

The group participates in a group defined benefit plan, a number of group defined contribution plans and a number of multi-employer industry plans. The pension plans are funded by payments from employees and by relevant group companies, taking account of the recommendations of independent qualified actuaries. All plans and their assets are managed in separate trustee administered funds. The plans are governed by the Pension Funds Act.

#### a.i Pension obligations – defined contribution plans

The group's pension accounting costs for the defined contribution plans and multi-employer industry plans are limited to the annually determined contributions.

#### a.ii Pension obligations – defined benefit plans

For the defined benefit plan, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement, 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 22.4. 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 re-valued.

Options exercised are equity settled through a fresh issue of shares or through a repurchase and re-issue of shares by the group.

Cash settled share based payments are granted to beneficiaries of the Black Professionals Staff Trust, which Trust was approved by shareholders during the current financial year. The cost of these payments is recognised as a cash settled share based payment transaction over the life of the scheme from the effective date of this transaction to the assumed end date of November 2020. Refer note 22.3.

**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.

## 1.25 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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.

## 1.26 Environmental rehabilitation

Estimated long term environmental obligations, comprising rehabilitation, mine and asbestos dump closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements.

The net present value of expected rehabilitation cost estimates are recognised and provided for in full in the financial statements. The estimates are reviewed annually and are discounted using rates that reflect inflation and the time value of money.

Annual changes in the provision consist of finance costs relating to the change in the present value of the provision and inflationary increases in the provision estimate, as well as changes in estimates. The present value of environmental disturbances created are capitalised to mining assets against an increase in the rehabilitation provision. The rehabilitation asset is amortised as noted in the group's accounting policy. Rehabilitation projects undertaken, included in the estimates, are charged to the provision as incurred.

## 1.27 Leased assets

Where assets are acquired under finance lease agreements that transfer to the group substantially all the risks and rewards of ownership, they are capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The capital element of the leasing commitment is disclosed under 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.

## 1.28 Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Total rental obligations under operating leases are charged to the income statement on a straight-line basis over the period of the lease, irrespective of the payment terms.

## 1.29 Dividends paid

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

## 1.30 Earnings per share

a) Earnings per share is based on attributable profit for the year divided by the weighted average number of ordinary shares in issue during the year. Fully diluted earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on earnings per share.

b) Earnings per share from continuing operations is based on attributable profit for the year from continuing operations divided by the weighted average number of ordinary shares in issue during the year. Fully diluted earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on earnings per share.

### 1.31 Headline earnings per share

Headline earnings per share is based on the same calculation as in 1.30 above except that attributable profit specifically excludes items as set out in Circular 3/2012 "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.

### 1.32 Contingencies and commitments

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. Contingencies principally consist of contract specific third party obligations underwritten by banking institutions. Items are classified as commitments where the group commits itself to future transactions, particularly in the acquisition of property, plant and equipment.

### 1.33 Related party transactions

All subsidiaries, joint ventures and associated companies of the group are related parties. A list of the major subsidiaries, joint ventures and associated companies are included on pages 77 to 79 of this integrated 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 23. There were no other material contracts with related parties.

### 1.34 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

## 2. CRITICAL ACCOUNTING ESTIMATES AND 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 Estimates regarding impairment of property, plant and equipment

The group continually assesses the recoverability of property, plant and equipment 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. In the prior 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.

### 2.3 Estimate regarding the recognition and measurement of financial instruments

The fair value of the forward foreign exchange contracts described in note 18 is calculated based on the present value of the estimated future cash flows.

### 2.4 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, 11 and 12 for valuation methodology and significant assumptions used.)

### 2.5 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.

### 2.6 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 on-going 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 14 and 16 for additional disclosure.)

### 2.7 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.

### 2.8 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 and their sensitivities are set out in notes 22.2 and 22.3. 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.

### 2.9 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 22.4 for details on each of the share option schemes.)

### 2.10 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 6.7% (2012: 7.0%) and an average inflation rate of 5.7% (2012: 6.0%) 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.

### 2.11 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 24 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.

Of particular relevance for this reporting period, as discussed is that the group has made provision for an estimated potential administrative penalty to be levied by the Competition Commission, the value of which is not disclosed at this time, but the effects thereof is included in the reported results.

Stakeholder's attention is drawn to the contingent risk of civil claims possibly being lodged against the group, and all construction companies who have been allegedly party to the anti-competitive behaviour, following the Competition Commission release of its findings in June 2013 and the public interest reported in recent months. To date no claim has been instituted against the group.

# 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 1 Presentation of Financial Statements | Amendment | The amendment requires entities to separate items presented in other comprehensive income (OCI) into two groups based on whether or not they may be recycled to profit or loss in the future. |
| IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets | Amendment | 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. |

## 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 for financial periods beginning on or after |
|---|---|---|
| IAS 19 Employee Benefits | Amendment | 1 January 2013 |
| IAS 27 Separate Financial Statements | Revision | 1 January 2013 |
| IAS 28 Investments in Associates and Joint Ventures | Revision | 1 January 2013 |
| IAS 32 Offsetting of Financial Assets and Financial Liabilities | Amendment | 1 January 2014 |
| IFRS 7 Financial Instruments: Disclosure – Offsetting of Financial Assets and Financial Liabilities | Amendment | 1 January 2013 |
| IFRS 9 Financial Instruments | New | 1 January 2015 |
| IFRS 10 Consolidated Financial Statements | New | 1 January 2013 |
| IFRS 11 Joint Arrangements | New | 1 January 2013 |
| IFRS 12 Disclosure of Interests in Other Entities | New | 1 January 2013 |
| IFRS 13 Fair Value Measurement | New | 1 January 2013 |
| IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine | New | 1 January 2013 |
| Annual Improvements 2009 -2011 Cycle | Improvement | 1 January 2013 |
| IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities | Amendment | 1 January 2013 |
| IFRS 10, IFRS 12 and IAS 27 Investment entities | Amendment | 1 January 2014 |
| IFRIC 21 Levies | New | 1 January 2014 |
| IAS 36 Recoverable Amount Disclosures for Non-Financial Assets | Amendment | 1 January 2014 |
| IAS 39 Novation of derivatives and continuation of hedge accounting | Amendment | 1 January 2014 |

**IAS 19 (Amendment) Employee Benefits** (effective for financial periods beginning on/after 1 January 2013) – 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 re-measurements 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. *Impact: Allocation of surplus or deficit arising from actuarial valuation will be recognised in the statement of comprehensive income and not in the income statement*

**IAS 27 (Revised) Separate Financial Statements** (effective for financial periods beginning on/after 1 January 2013) – 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. *Impact: Disclosure impact only*

**IAS 28 (Revised) Investments in Associates and Joint Ventures** (effective for financial periods beginning on/after 1 January 2013) – 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. *Impact: Possible equity accounting required on certain of the group's joint ventures (Refer IFRS 11)*

**IAS 32 (Amendment) Offsetting of Financial Assets and Financial Liabilities** (effective for financial periods beginning on/after 1 January 2014) – 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. *Impact: Disclosure impact only*

**IFRS 7 (Amendment): Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities** (effective for financial periods beginning on/after 1 January 2013) –The amended disclosures will require more extensive disclosures than are 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. *Impact: Disclosure impact only*

**IFRS 9: Financial Instruments** (effective for financial periods beginning on/after 1 January 2015) – *Impact: Disclosure impact only*

- 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. (1 January 2013)
- 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 profit and loss. (1 January 2013)
- 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.

**IFRS 10 Consolidated Financial Statements** (effective for financial periods beginning on/after 1 January 2013) – 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. *Impact: Reassessment of control criteria for joint arrangements. No significant impact expected.*

**IFRS 11 Joint Arrangements** (effective for financial periods beginning on/after 1 January 2013) – 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. *Impact: Possible equity accounting required on certain of the group's joint ventures*

**IFRS 12 Disclosure of Interest in Other Entities** (effective for financial periods beginning on/after 1 January 2013) – 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. *Impact: Disclosure impact only*

**IFRS 13 Fair Value Measurement** (effective for financial periods beginning on/after 1 January 2013) – 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. *Impact: Disclosure impact only*

**IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine** (effective for financial periods beginning on/after 1 January 2013) – 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. *Impact: No impact*

**Annual Improvements 2009 – 2011 Cycle** (effective for financial periods beginning on/after 1 January 2013) – 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. *Impact: Disclosure impact only*

**IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements and IFRS 12: Disclosure of Interests in Other Entities (Amendment)** (effective for financial periods beginning on/after 1 January 2013, earlier application is required if the underlying standards (IFRSs 10, 11 and 12) are early-adopted.) 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.

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. *Impact: Disclosure impact only*

**Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities** (effective for financial periods beginning on/after 1 January 2014) – The amendments apply to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 *Consolidated Financial Statements*, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information. In response to this, the Investment Entities amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. It also set out disclosure requirements for investment entities. *Impact: Disclosure impact only*

**IFRIC 21 Levies** (effective for financial periods beginning on/after 1 January 2014)-The interpretation addresses the accounting for a liability to pay a levy imposed by government recognised in accordance with IAS 37, 'Provisions', and the liability to pay a levy imposed by government whose timing and amount is certain. It excludes income taxes within the scope of IAS 12, 'Income taxes'. Its application to liabilities arising from emissions trading schemes is optional. *Impact: Disclosure impact only*

**Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets** (effective for financial periods beginning on/after 1 January 2014) – Early adoption is permitted although the amendments may not be applied before an entity applies IFRS 13. The IASB has amended IAS 36 as follows:

- to remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment;
- to require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed; and
- to require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed. *Impact: Disclosure impact only*

**Amendments to IAS 39: Novation of derivatives and continuation of hedge accounting** (effective for financial periods beginning on/after 1 January 2014) – Early adoption is permitted. The amendments will not result in the expiration or termination of the hedging instrument if:

- as a consequence of laws or regulations, the parties to the hedging instrument agree that a CCP, or an entity (or entities) acting as a counterparty in order to effect clearing by a CCP ('the clearing counterparty'), replaces their original counterparty; and
- other changes, if any, to the hedging instrument are limited to those that are necessary to effect such replacement of the counterparty. These changes include changes in the contractual collateral requirements, rights to offset receivables and payables balances, and charges levied. *Impact: Disclosure impact only*

| R'000 | GROUP 2013 | GROUP 2012 |
|---|---|---|
| **4. OPERATING PROFIT** | | |
| Operating profit is stated after charging/(crediting): | | |
| **4.1 Staff costs including retirement, benefit contributions (see note 22.1)** | **2 554 903** | 2 232 800 |
| **4.2 Equity settled share based payment cost on establishment of the Izakhiwo Imfundo Bursary Trust*** | **16 813** | – |
| **4.3 Depreciation** | **244 142** | 165 356 |
| Owner occupied buildings | **4 793** | 2 274 |
| Factory plant | **20 917** | 22 813 |
| Mobile plant and vehicles – purchased | **172 341** | 86 423 |
| Mobile plant and vehicles – leased | **18 682** | 29 146 |
| Computerware and development costs – purchased | **14 732** | 19 203 |
| Computerware and development costs – leased | **8 966** | 358 |
| Furniture, fittings and other items – purchased | **3 711** | 5 139 |
| **4.4 Loss on disposal of property, plant and equipment** | **6 187** | 6 515 |
| **4.5 Profit on sale of investment property** | **(175)** | – |
| **4.6 Foreign exchange losses – net** | **7 286** | 12 488 |
| **4.7 Fair value (gains)/losses on financial instruments** | | |
| Forward exchange contract | **(9 159)** | 854 |
| **4.8 Auditors' remuneration** | **15 314** | 16 221 |
| Audit fees | **14 679** | 15 008 |
| Fees for other services | **635** | 1 213 |
| **4.9 Rentals under operating leases** | **58 303** | 49 998 |
| Land and buildings | **48 519** | 39 142 |
| Other equipment | **9 784** | 10 856 |
| **4.10 Remuneration other than to employees** | **8 085** | 5 518 |
| Management services | **1 446** | 1 707 |
| Technical services | **6 639** | 3 811 |
| **4.11 Included in other site and administration cost** | | |
| Security | **29 038** | 29 381 |
| Electricity and Water | **60 369** | 47 218 |
| Safety | **13 021** | 11 828 |
| Communications | **38 879** | 36 910 |

* *The share-based payment charge was calculated based on the following key inputs:*
*a) 2 000 000 shares;*
*b) market price of R29,50 per share being the spot on 16 January 2013;*
*c) volatility of 26.54 % based on a one-year trailing spot rate;*
*d) risk free rate of 6.55%;*
*e) dividend yield of 2.15%; and*
*f) assumed end date November 2020.*

| R'000 | GROUP 2013 | GROUP 2012 |
|---|---|---|
| **5. FINANCE COST – NET** | | |
| **Finance income:** | **50 809** | 75 687 |
| Bank balances and cash | **46 521** | 52 474 |
| Other finance income | **4 288** | 13 201 |
| Net interest on interest rate swap | **–** | 10 012 |
| **Finance cost:** | **(59 074)** | (79 487) |
| Unsecured bond interest | **(41 835)** | (49 640) |
| Other borrowings | **(17 239)** | (29 847) |
| Total finance cost – net | **(8 265)** | (3 800) |
| Finance cost of R12 000 (2012: R542 000) was capitalised in the current year at a borrowing rate of 7.5% (2012: 7.5%). | | |
| **6. TAXATION** | | |
| **South African normal taxation** | | |
| Current taxation | **(61 305)** | (53 922) |
| – current year | **(60 666)** | (21 069) |
| – prior year | **(639)** | (32 853) |
| **Foreign taxation (including withholding tax)** | | |
| Current taxation | **(156 492)** | (29 080) |
| – current year | **(115 915)** | (43 034) |
| – prior year | **(40 577)** | 13 954 |
| **Deferred taxation** | **5 913** | (23 030) |
| – current year | **(15 061)** | (50 835) |
| – prior year | **20 974** | 27 805 |
| | **(211 884)** | (106 032) |
| | % | % |
| Reconciliation of normal taxation rate | | |
| South African normal taxation rate | **28** | 28 |
| Adjusted for: | | |
| – Tax at rates in higher/(lower) tax jurisdictions | **0.2** | (7.2) |
| – Deferred tax assets not raised | **4.6** | 18.1 |
| – Tax under/(over) provided in respect of prior years | **3.6** | (7.5) |
| – Expenses not deductible for tax purposes | **1.5** | 0.9 |
| Effective rate of taxation | **37.9** | 32.3 |
| Reconciliation of cash tax rate | | |
| Effective rate of taxation | **37.9** | 32.3 |
| Temporary differences | **(1.0)** | (9.4) |
| Movement in current taxation payable | **(14.2)** | 10.0 |
| Effective rate of taxation paid | **22.7** | 32.9 |
| Estimated taxation losses available for set-off against future taxable income | **213 462** | 249 818 |
| Potential taxation relief at current taxation rates | **36 008** | 37 690 |

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 withholding tax liability amounts to R41,5 million (2012: R92,7 million).

| R'000 | GROUP 2013 | GROUP 2012 |
|---|---|---|
| **7. EARNINGS PER SHARE** | | |
| **7.1 Earnings/(loss) per share – basic** | | |
| Earnings/(loss) for the year – attributable to shareholders | **272 651** | (278 405) |
| Shares outstanding 1 July ('000) | **96 601** | 96 005 |
| Weighted average number of shares issued during the year ('000) | **1 174** | 540 |
| Weighted average number at end of year ('000) | **97 775** | 96 545 |
| Earnings/(loss) per share (R) | **2,79** | (2,88) |
| **7.2 Fully diluted earnings/(loss) per share** | | |
| Earnings/(loss) for the year – income attributable to shareholders | **272 651** | (278 405) |
| Weighted average number of shares issued during the year | **97 775** | 96 545 |
| Adjusted for: | | |
| – Inclusion of dilutive shares held by share trusts ('000) | **627** | 401 |
| – Inclusion of dilutive shares in terms of Mvela Transaction (refer to page 8) ('000)** | **–** | – |
| Adjusted weighted average number of shares ('000) | **98 402** | 96 946 |
| Fully diluted earnings/(loss) per share (R)* | **2,77** | (2,88) |

* *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 2013 | GROUP 2012 |
|---|---|---|
| **7.3 Earnings per share from continuing operations** | | |
| Profit after taxation from continuing operations | **346 654** | 222 729 |
| Less: attributable to non-controlling interest | **(26 207)** | (48 292) |
| Profit from continuing operations | **320 447** | 174 437 |
| Weighted average number of shares ('000) | **97 775** | 96 545 |
| Earnings per share from continuing operations (R) | **3,28** | 1,81 |
| **7.4 Fully diluted earnings per share from continuing operations** | | |
| Profit after taxation from continuing operations | **346 654** | 222 729 |
| Less: attributable to non-controlling interest | **(26 207)** | (48 292) |
| Profit from continuing operations | **320 447** | 174 437 |
| Adjusted weighted average number of shares ('000) | **98 402** | 96 946 |
| Fully diluted earnings per share from continuing operations (R) | **3,26** | 1,80 |

| | | GROUP | | | |
|---|---|---|---|---|---|
| | | 2013 | | 2012 | |
| | R'000 | Gross pre-tax | Net | Gross pre-tax | Net |
| 7. | EARNINGS PER SHARE continued | | | | |
| 7.5 | **Headline earnings per share** | | | | |
| | Profit/(loss) for the year | | 272 651 | | (278 405) |
| | Adjusted for: | 19 411 | 18 474 | 410 814 | 389 982 |
| | – Net loss on disposal of property, plant and equipment and investment property | 6 342 | 5 405 | 6 301 | 3 675 |
| | – Impairment of associate/(profit) on disposal of subsidiary | 2 069 | 2 069 | (36) | (36) |
| | – Net profit on fair value adjustment on investment property | – | – | (10 865) | (7 720) |
| | – Impairment of non-current assets classified as held for sale | 11 000 | 11 000 | 415 414 | 394 063 |
| | Headline earnings | | 291 125 | | 111 577 |
| | Weighted average number of shares ('000) | | 97 775 | | 96 545 |
| | Headline earnings per share (R) | | 2,98 | | 1,16 |
| 7.6 | **Fully diluted headline earnings per share** | | | | |
| | Headline earnings | | 291 125 | | 111 577 |
| | Adjusted weighted average number of shares ('000) | | 98 402 | | 96 946 |
| | Fully diluted headline earnings per share (R) | | 2,96 | | 1,15 |
| 7.7 | **Headline earnings per share from continuing operations** | | | | |
| | Income available to shareholders from continuing operations | | 320 447 | | 174 437 |
| | Adjusted for headline items | | 7 237 | | (2 644) |
| | Headline earnings from continuing operations | | 327 684 | | 171 793 |
| | Weighted average number of shares ('000) | | 97 775 | | 96 545 |
| | Headline earnings per share from continuing operations (R) | | 3,35 | | 1,78 |
| 7.8 | **Fully diluted headline earnings per share from continuing operations** | | | | |
| | Income available to shareholders from continuing operations | | 320 447 | | 174 437 |
| | Adjusted for headline items | | 7 237 | | (2 644) |
| | Headline earnings from continuing operations | | 327 684 | | 171 793 |
| | Adjusted weighted average number of shares ('000) | | 98 402 | | 96 946 |
| | Fully diluted headline earnings per share from continuing operations (R) | | 3,33 | | 1,77 |

| R'000 | GROUP 2013 | GROUP 2012 |
|---|---|---|
| **8. PROPERTY, PLANT AND EQUIPMENT** | | |
| **Total property, plant and equipment** | | |
| Cost | | |
| At the beginning of the year | **1 913 259** | 3 352 103 |
| Transfers | **–** | – |
| Additions – continued operations | **347 423** | 338 922 |
| Additions – discontinued operations | **–** | 8 920 |
| Transfer from discontinued operations to continued operations | **57 281** | – |
| Disposals | **(191 837)** | (186 294) |
| Transferred to non-current assets classified as held for sale | **–** | (1 600 392) |
| At the end of the year | **2 126 126** | 1 913 259 |
| Accumulated depreciation | | |
| At the beginning of the year | **(1 028 892)** | (1 971 877) |
| Transfers | **–** | – |
| Current year charge – continued operations | **(244 142)** | (165 356) |
| Current year charge – discontinued operations | **–** | (23 502) |
| Transfer from discontinued operations to continued operations | **(22 347)** | – |
| Disposals | **120 200** | 77 400 |
| Transferred to non-current assets classified as held for sale | **–** | 1 054 443 |
| At the end of the year | **(1 175 181)** | (1 028 892) |
| Net book value | **950 945** | 884 367 |
| **Owner occupied land and buildings** | | |
| Cost | | |
| At the beginning of the year | **88 843** | 122 456 |
| Additions | **1 000** | 9 542 |
| Transfer from discontinued operations to continued operations | **5 794** | – |
| Disposals | **–** | (450) |
| Transferred to non-current assets classified as held for sale | **–** | (42 705) |
| At the end of the year | **95 637** | 88 843 |
| Accumulated depreciation | | |
| At the beginning of the year | **(29 292)** | (31 839) |
| Current year charge | **(4 793)** | (2 871) |
| Transfer from discontinued operations to continued operations | **(1 174)** | – |
| Disposals | **–** | 32 |
| Transferred to non-current assets classified as held for sale | **–** | 5 386 |
| At the end of the year | **(35 259)** | (29 292) |
| Net book value | **60 378** | 59 551 |
| *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 |
| Transferred to non-current assets classified as held for sale | **–** | (1 025 767) |
| At the end of the year | **–** | – |
| Accumulated depreciation | | |
| At the beginning of the year | **–** | (740 431) |
| Current year charge | **–** | (990) |
| Transferred to non-current assets classified as held for sale | **–** | 741 421 |
| At the end of the year | **–** | – |
| Net book value | **–** | – |
| **Capital work in progress** | | |
| Cost | | |
| At the beginning of the year | **9 852** | 35 459 |
| Additions | **54 628** | 35 149 |
| Transfers | **(20 580)** | (37 714) |
| Transferred to non-current assets classified as held for sale | **–** | (23 042) |
| At the end of the year | **43 900** | 9 852 |

| R'000 | GROUP 2013 | GROUP 2012 |
|---|---|---|
| **8. PROPERTY, PLANT AND EQUIPMENT** continued | | |
| **Factory plant** | | |
| Cost | | |
| At the beginning of the year | 231 325 | 499 432 |
| Additions | 13 573 | 11 573 |
| Transfers | 14 711 | 8 425 |
| Transfer from discontinued operations to continued operations | 20 256 | – |
| Disposals | (58 952) | (22 429) |
| Transferred to non-current assets classified as held for sale | – | (265 676) |
| At the end of the year | 220 913 | 231 325 |
| Accumulated depreciation | | |
| At the beginning of the year | (195 694) | (385 085) |
| Impairment of the asset | – | – |
| Current year charge | (20 917) | (33 113) |
| Transfer from discontinued operations to continued operations | (12 958) | – |
| Disposals | 58 952 | 13 908 |
| Transferred to non-current assets classified as held for sale | – | 208 596 |
| At the end of the year | (170 617) | (195 694) |
| Net book value | 50 296 | 35 631 |
| **Mobile plant and vehicles – purchased** | | |
| Cost | | |
| At the beginning of the year | 1 132 898 | 1 093 719 |
| Additions | 193 394 | 244 328 |
| Transfers | 76 092 | 49 833 |
| Transfer from discontinued operations to continued operations | 24 496 | – |
| Disposals | (122 518) | (149 967) |
| Transferred to non-current assets classified as held for sale | – | (105 015) |
| At the end of the year | 1 304 362 | 1 132 898 |
| Accumulated depreciation | | |
| At the beginning of the year | (582 068) | (561 994) |
| Current year charge | (172 341) | (91 145) |
| Transfers | (29 714) | (9 850) |
| Transfer from discontinued operations to continued operations | (1 917) | – |
| Disposals | 52 280 | 52 598 |
| Transferred to non-current assets classified as held for sale | – | 28 323 |
| At the end of the year | (733 760) | (582 068) |
| Net book value | 570 602 | 550 830 |
| **Mobile plant and vehicles – leased** | | |
| Cost | | |
| At the beginning of the year | 263 756 | 368 787 |
| Additions | 64 692 | 32 828 |
| Transfers | (74 814) | (20 543) |
| Transfer from discontinued operations to continued operations | 6 597 | – |
| Disposals | – | (6 768) |
| Transferred to non-current assets classified as held for sale | – | (110 548) |
| At the end of the year | 260 231 | 263 756 |
| Accumulated depreciation | | |
| At the beginning of the year | (81 034) | (113 216) |
| Current year charge | (18 682) | (34 640) |
| Transfers | 29 748 | 9 850 |
| Transfer from discontinued operations to continued operations | (6 227) | – |
| Disposals | – | 4 621 |
| Transferred to non-current assets classified as held for sale | – | 52 351 |
| At the end of the year | (76 195) | (81 034) |
| Net book value | 184 036 | 182 722 |

| R'000 | GROUP 2013 | GROUP 2012 |
|---|---|---|
| **8. PROPERTY, PLANT AND EQUIPMENT** continued | | |
| **Computerware and development costs – purchased** | | |
| Cost | | |
| At the beginning of the year | **119 301** | 126 329 |
| Additions | **9 520** | 6 269 |
| Transfers | **4 591** | 103 |
| Transfer from discontinued operations to continued operations | **73** | – |
| Disposals | **(3 479)** | (2 466) |
| Transferred to non-current assets classified as held for sale | **–** | (10 934) |
| At the end of the year | **130 006** | 119 301 |
| Accumulated depreciation | | |
| At the beginning of the year | **(88 774)** | (79 776) |
| Current year charge | **(14 732)** | (20 212) |
| Transfers | **(34)** | – |
| Transfer from discontinued operations to continued operations | **(20)** | – |
| Disposals | **2 419** | 2 466 |
| Transferred to non-current assets classified as held for sale | **–** | 8 748 |
| At the end of the year | **(101 141)** | (88 774) |
| Net book value | **28 865** | 30 527 |
| **Computerware and development costs – leased** | | |
| Cost | | |
| At the beginning of the year | **15 443** | 14 547 |
| Additions | **6 568** | 3 051 |
| Disposals | **–** | (53) |
| Transferred to non-current assets classified as held for sale | **–** | (2 102) |
| At the end of the year | **22 011** | 15 443 |
| Accumulated depreciation | | |
| At the beginning of the year | **(11 403)** | (11 098) |
| Current year charge | **(8 966)** | (358) |
| Disposals | **–** | 53 |
| At the end of the year | **(20 369)** | (11 403) |
| Net book value | **1 642** | 4 040 |
| **Furniture, fittings and other items – purchased** | | |
| Cost | | |
| At the beginning of the year | **51 841** | 65 607 |
| Additions | **4 048** | 5 102 |
| Transfer from discontinued operations to continued operations | **65** | – |
| Disposals | **(6 888)** | (4 265) |
| Transferred to non-current assets classified as held for sale | **–** | (14 603) |
| At the end of the year | **49 066** | 51 841 |
| Accumulated depreciation | | |
| At the beginning of the year | **(40 627)** | (48 438) |
| Current year charge | **(3 711)** | (5 529) |
| Transfer from discontinued operations to continued operations | **(51)** | – |
| Disposals | **6 549** | 3 722 |
| Transferred to non-current assets classified as held for sale | **–** | 9 618 |
| At the end of the year | **(37 840)** | (40 627) |
| Net book value | **11 226** | 11 214 |

Refer to note 17.4 for details on the total carrying amount of assets encumbered.

| R'000 | GROUP 2013 | GROUP 2012 |
|---|---|---|
| **9. INVESTMENT PROPERTY** | | |
| Fair value at the beginning of the year | **9 025** | 50 231 |
| Additions | **3** | – |
| Fair value adjustment | **–** | 10 865 |
| Disposal | **–** | (13) |
| Transfer to non-current assets classified as held for sale | **(9 028)** | (52 058) |
| Fair value at end of year | **–** | 9 025 |

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 | – | 9 025 |

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 income-producing investment properties are 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 prior 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 in F2012 due to movements in market related capitalisation rates. Subsequent to this, the group decided to sell its stake in the Gugulethu Shopping Centre. The asset was therefore transferred in F2012 at its fair value to non-current assets classified as held for sale, refer to note 32. In F2013 the asset was sold and the asset was realised at its fair value.

Internal valuations were performed by management at 30 June 2012 and 30 June 2013 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 in the prior year due to movements in comparable market information and no adjustment is required in the current year.

During the current year, the group decided to sell its investment in this vacant land. The asset has therefore been transferred at its fair value to non-current assets classified as held for sale, refer to note 32.

A sensitivity analysis was performed in the prior year to monitor the effect of changes in vacancy and capitalisation rates on the fair value of investment properties. Such analysis is not required in the current year.

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 2013 | 30 June 2012 |
|---|---|---|
| 2012: 10.0% increase in vacancy factor | – | (475) |
| 2012: 10.0% decrease in vacancy factor | – | 475 |
| 2012: 7.7% increase in capitalisation factor | – | (3 886) |
| 2012: 7.7% decrease in capitalisation factor | – | 4 534 |

| R'000 | GROUP 2013 | GROUP 2012 |
|---|---|---|
| **10. ASSOCIATES** | | |
| **10.1 Investment in associates** | | |
| Unlisted associates | | |
| Shares at cost | **52 904** | 32 502 |
| Group's share of distributable reserves | **8 458** | 5 047 |
| Total non-financial instruments | **61 362** | 37 549 |
| **10.2 Loans to associates** | | |
| Loans to associates | **12 189** | 8 314 |
| Impairment | **(5 726)** | (3 657) |
| Total financial instruments | **6 463** | 4 657 |
| Total | **67 825** | 42 206 |

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.

Loans to associates bear interest at an average borrowing rate of 10% (2012: 10%) with no fixed repayment term.

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 79.

| R'000 | GROUP 2013 | GROUP 2012 |
|---|---|---|
| **11. INVESTMENT IN SERVICE CONCESSIONS** | | |
| At fair value | **360 684** | 296 635 |

The investments consist of the group's interest in foreign toll road concessions.
Details of the investments at 30 June 2013 are as follows:

| Name of road | Country | Km | % interest | Concession period | Current status | 2013 | 2012 |
|---|---|---|---|---|---|---|---|
| A1 (Phase II) | Poland | 61 | 15 | 30 years | Operational | **268 127** | 228 585 |
| A1 (Phase I) | Poland | 90 | 15 | 30 years | Operational | | |
| M6 (Phase III) | Hungary | 78 | 10 | 28 years | Operational | **92 557** | 68 050 |
| | | | | | | **360 684** | 296 635 |

| | 2013 | 2012 |
|---|---|---|
| The movement in investment in service concessions may be summarised as follows: | | |
| Opening balance at the beginning of the year | **296 635** | 253 100 |
| Additions | **–** | 11 628 |
| Proceeds on investments in service concessions | **(22 433)** | (24 745) |
| Fair value adjustments through profit and loss | **86 482** | 56 652 |
| Closing balance at the end of the year | **360 684** | 296 635 |
| The investments in concessions are denominated in the following currencies: | | |
| Polish Zloty | **268 127** | 228 585 |
| Hungarian Forint | **92 557** | 68 050 |
| Closing balance at the end of the year | **360 684** | 296 635 |

## 11. INVESTMENT IN SERVICE CONCESSIONS continued

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 2013.

The effect, when varying Euro-Rand exchange rates by 10% on fair values of these investments, is R36,1 million (2012: R29,6 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 R38,1 – R44,4 million (2012: R29,9 – R35,2 million).

| R'000 | | GROUP 2013 | GROUP 2012 |
|---|---|---|---|
| **12.** | **INVESTMENT IN PROPERTY DEVELOPMENTS** | | |
| | At fair value | – | 8 716 |
| | The investments consisted of the group's interest in local property development companies. Details of the investments at 30 June 2013 are as follows: | | |
| | Name / Country / % interest | | |
| | Sandton Wedgewood / South Africa / 10.50% | – | 8 716 |
| | | – | 8 716 |
| | The movement in investment in property developments may be summarised as follows: | | |
| | Opening balance at the beginning of the year | 8 716 | 8 691 |
| | Additional investment | 144 | 25 |
| | Transfer to non-current assets classified as held for sale | (8 860) | – |
| | Closing balance at the end of the year | – | 8 716 |
| | The investments in property development are denominated in South African Rand | – | 8 716 |
| | Closing balance at the end of the year | – | 8 716 |

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.

Investment in property developments are valued at fair value using the valuation performed by the directors. In comparing the carrying value of the current 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).

During the current year, the group decided to sell its investment.

The asset has therefore been transferred at its fair value to non-current assets classified as held for sale, refer to note 32.

A sensitivity analysis was performed in F2012 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. Such analysis is not required in the current year.

| R'000 | Increase/(decrease) in fair value and hence profit before taxation as assessed at 30 June 2013 | 30 June 2012 |
|---|---|---|
| 2012: 10% increase in developable bulk $m^2$ | – | 3 524 |
| 2012: 10% decrease in developable bulk $m^2$ | – | (8 407) |
| 2012: 14.5% increase in market related office stand values | – | 4 312 |
| 2012: 14.5% decrease in market related office stand values | – | (8 716) |

| R'000 | GROUP 2013 | GROUP 2012 |
|---|---|---|
| **13. DEFERRED TAXATION** | | |
| Deferred taxation asset | **58 094** | 55 743 |
| Deferred taxation liability | **(12 359)** | (15 921) |
| Net deferred taxation asset at year end | **45 735** | 39 822 |
| Balance at beginning of year | **39 822** | 37 849 |
| Charge /(credit) to the income statement – continued operations | **5 913** | (23 030) |
| Charge to the income statement – discontinued operations | **–** | 53 045 |
| Transfer to non-current assets classified as held for sale | **–** | (393) |
| Disposal of subsidiaries | **–** | (27 649) |
| Balance at end of year | **45 735** | 39 822 |
| The closing balance deferred taxation asset/(liability) is attributable to the following items: | | |
| Capital allowances | **(54 639)** | (56 293) |
| Provisions | **101 693** | 65 172 |
| Contract allowances | **(4 281)** | 10 475 |
| Estimated tax losses | **2 962** | 20 468 |
| | **45 735** | 39 822 |

| 2013: Deferred taxation reversal R'000 | **Total deferred taxation asset/ (liability)** | **Expected to reverse in 1 year** | **2 – 5 years** | **>5 years** |
|---|---|---|---|---|
| Capital allowances | **(54 639)** | **(25 667)** | **(28 972)** | **–** |
| Provisions | **101 693** | **129 279** | **–** | **(27 586)** |
| Contract allowances | **(4 281)** | **(4 281)** | **–** | **–** |
| Estimated tax losses | **2 962** | **2 962** | **–** | **–** |
| | **45 735** | **102 293** | **(28 972)** | **(27 586)** |

| 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 | 84 478 | – | (19 306) |
| Contract allowances | 10 475 | 10 475 | – | – |
| Estimated tax losses | 20 468 | 10 610 | 9 858 | – |
| | 39 822 | 78 764 | (19 636) | (19 306) |

| R'000 | GROUP 2013 | GROUP 2012 |
|---|---|---|
| **14. INVENTORIES** | | |
| Property developments in progress | **58 958** | 71 647 |
| Materials on site | **–** | 24 504 |
| Consumable stores | **40 859** | 35 067 |
| Manufacturing finished goods | **112 881** | 91 080 |
| Manufacturing work in progress | **7 098** | 11 684 |
| Manufacturing materials | **74 378** | 54 199 |
| | **294 174** | 288 181 |
| Inventory obsolescence (deducted from carrying value of inventories above) | | |
| Balance at end of year | **8 626** | 5 397 |

No inventories are encumbered.

| R'000 | | GROUP 2013 | GROUP 2012 |
|---|---|---|---|
| **15.** | **CONTRACTS IN PROGRESS** | | |
| | Costs incurred plus profits recognised, less estimated losses relating to contracts in progress at year end | **9 931 491** | 15 905 092 |
| | Progress billings | **(9 646 120)** | (15 363 223) |
| | | **285 371** | 541 869 |
| **16.** | **TRADE AND OTHER RECEIVABLES** | | |
| | Trade and other receivables include: | | |
| | **Financial instruments** | | |
| | – Contract debtors | **2 116 149** | 1 681 086 |
| | – Less provision for impairment of contract debtors | **(20 178)** | (18 132) |
| | – Trade debtors | **328 022** | 353 369 |
| | – Less provision for impairment of trade debtors | **(5 769)** | (6 880) |
| | – Retention debtors | **143 669** | 177 746 |
| | – Other receivables | **335 884** | 301 429 |
| | – Amounts owing by joint venture partners | **298 233** | 159 286 |
| | **Total financial instruments included in trade and other receivables** | **3 196 010** | 2 647 904 |
| | **Non-financial instruments** | | |
| | – Prepayments | **27 508** | 20 076 |
| | – Value added taxation (VAT) | **214 709** | – |
| | **Total non-financial instruments included in trade and other receivables** | **242 217** | 20 076 |
| | | **3 438 227** | 2 667 980 |

The carrying value of the financial instruments approximates their fair value due to the short term nature of these instruments. (Refer to note 25 for details on credit, currency and interest rate risk).

R95,3 million (2012: 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 R558 million (2012: R730 million) which are past due at the reporting date for which the group has not provided as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The group does not hold collateral over these balances.

| R'000 | GROUP 2013 | GROUP 2012 |
|---|---|---|
| **Analysis of the age of financial assets that are past due but not impaired** | | |
| **Contract debtors** | | |
| – One month past due | **156 576** | 57 457 |
| – Two months past due | **85 520** | 38 338 |
| – Three months past due | **56 561** | 5 750 |
| – Four months past due | **205 809** | 537 753 |
| | **504 466** | 639 298 |
| **Trade debtors** | | |
| – One month past due | **6 170** | 52 319 |
| – Two months past due | **3 775** | 438 |
| – Three months past due | **1 111** | 224 |
| – Four months past due | **42 350** | 37 226 |
| | **53 406** | 90 207 |
| **Total** | **557 872** | 729 505 |

| R'000 | GROUP 2013 | GROUP 2012 |
|---|---|---|
| **16. TRADE AND OTHER RECEIVABLES** continued | | |
| **Analysis of the age of financial assets that are past due but not impaired by region** | | |
| **Contract debtors** | | |
| – Central Africa | **82 936** | 58 659 |
| – Eastern Africa | **9 510** | 5 676 |
| – Middle East | **39 887** | 344 443 |
| – Southern Africa | **258 903** | 185 267 |
| – Western Africa | **113 230** | 45 253 |
| | **504 466** | 639 298 |
| **Trade Debtors** | | |
| – Eastern Europe | **8 778** | 27 005 |
| – Southern Africa | **44 628** | 63 202 |
| | **53 406** | 90 207 |
| **Total** | **557 872** | 729 505 |
| In line with IFRS 7 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. | | |
| **Reconciliation of the provision for impairment of trade receivables** | | |
| Opening balance | **25 012** | 66 654 |
| Transfer to non-current assets classified as held for sale | **–** | (25 210) |
| Charges against the provision/(releases from) | **10 469** | (3 812) |
| Bad debts written off | **(9 534)** | (12 620) |
| Closing balance | **25 947** | 25 012 |
| **Analysis of impaired trade receivables** | | |
| Included in the provision for impairment of trade receivables are individually impaired trade receivables with a balance of R27,7 million (2012: R26,3 million). The impairment recognised represents the difference between the carrying value of these trade receivables and the present value of any expected collections. All impairment amounts incurred during the year are charged to the income statement and recorded with operating costs. | | |
| **Gross value of trade receivables that have been individually impaired** | **27 696** | 26 327 |
| Less: impairment loss against these trade receivables | **(25 947)** | (25 012) |
| | **1 749** | 1 315 |
| **Analysis of gross value of trade receivables that have been individually impaired by region** | | |
| Eastern Africa | **1 281** | – |
| Western Africa | **14 931** | – |
| Southern Africa | **11 484** | 13 838 |
| Middle East | **–** | 12 489 |
| | **27 696** | 26 327 |
| 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 | **1 268** | 102 |
| Two months past due | **56** | 398 |
| Three months past due | **114** | 401 |
| Four months and greater past due | **26 258** | 25 426 |
| | **27 696** | 26 327 |

| R'000 | GROUP 2013 | GROUP 2012 |
|---|---|---|
| **16. TRADE AND OTHER RECEIVABLES** continued | | |
| **Carrying amount per currency** | | |
| The carrying amounts of the group's trade and other receivables are denominated in the following currencies: | | |
| South African Rand | **2 037 711** | 1 752 233 |
| US Dollars | **892 893** | 410 728 |
| United Arab Emirates Dirham | **276 039** | 258 157 |
| Other | **231 584** | 246 862 |
| | **3 438 227** | 2 667 980 |

## 17. BORROWINGS

### 17.1 Interest-bearing borrowings

| | 2013 | 2012 |
|---|---|---|
| Unsecured bonds (note 17.3) | **508 267** | 508 289 |
| Secured loans bearing variable interest at rates ranging from 6.0% (2012: 6.5%) to 8.2% (2012: 9.0%) per annum (note 17.4) | **162 073** | 168 283 |
| Unsecured loans bearing variable interest linked to LIBOR currently at USD 2.9% per annum | **97 031** | 132 |
| | **767 371** | 676 704 |
| Less: current portion disclosed on face of statement of financial position | **(82 389)** | (63 240) |
| | **684 982** | 613 464 |
| Capital repayable during the years ending 30 June | | |
| 2013 | **–** | 63 240 |
| 2014 | **82 389** | 68 588 |
| 2015 | **314 672** | 240 192 |
| 2016 | **42 412** | 9 343 |
| 2017 | **293 980** | 285 904 |
| 2018 | **25 105** | 9 437 |
| 2019 | **8 813** | – |
| | **767 371** | 676 704 |

### 17.2 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 2013 | Carrying amount 2012 | Fair value 2013 | Fair value 2012 |
|---|---|---|---|---|
| Unsecured bonds | **499 437** | 499 143 | **491 318** | 495 339 |
| Unsecured loans | **88 759** | – | **87 431** | – |
| Secured loans | **96 786** | 114 321 | **95 067** | 110 373 |
| | **684 982** | 613 464 | **673 816** | 605 712 |

### 17.3 Unsecured bonds

The JSE Limited granted a listing to the group in respect of two Senior Unsecured notes issued under the group's R1 billion Domestic Medium Term Note Programme.

The two unsecured bonds were issued on 11 April 2012 as follows:

GFC03: R220 million, three-year 6.88% floating (three-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 2013 | GROUP 2012 |
|---|---|---|---|
| **17.** | **BORROWINGS** continued | | |
| **17.4** | **Secured loans** | | |
| | Secured loans are secured over: | | |
| | Mobile plant, vehicles and computer equipment with a net book value of | **185 678** | 186 762 |

| R'000 | | Less than one year | Between one and five years | Total |
|---|---|---|---|---|
| **17.5** | **2013** | | | |
| | **Minimum lease payments** | **73 960** | **111 893** | **185 853** |
| | **Lease finance charges** | **(8 674)** | **(15 106)** | **(23 780)** |
| | | **65 286** | **96 787** | **162 073** |
| | 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 |

| R'000 | | GROUP 2013 | GROUP 2012 |
|---|---|---|---|
| **17.6** | **Short term borrowings** | | |
| | Property development borrowings bearing interest at 9.02% (2012: 9.57%) per annum | **30 653** | 38 646 |

| R'000 | | GROUP 2013 Assets | GROUP 2013 Liabilities | GROUP 2012 Assets | GROUP 2012 Liabilities |
|---|---|---|---|---|---|
| **18.** | **DERIVATIVE FINANCIAL INSTRUMENTS** | | | | |
| **18.1** | **Derivatives at fair value through profit and loss** | | | | |
| | Total forward foreign exchange contracts | **21 358** | **–** | – | 854 |
| | Less: non-current portion: forward foreign exchange contracts | **–** | **–** | – | – |
| | Current portion: forward foreign exchange contracts – purchase of USD 23,6 million at a weighted average rate of R9,05 and purchase of €180 000 at a weighted average of R11.40 | **21 358** | **–** | – | 854 |

| R'000 | | GROUP 2013 | GROUP 2012 |
|---|---|---|---|
| **19.** | **PROVISION FOR ENVIRONMENTAL REHABILITATION** | | |
| | At 1 July | **4 000** | 14 743 |
| | Unwinding of discount | **280** | 832 |
| | Reversed to the income statement | **–** | (1 238) |
| | Released from provisions | **(280)** | (6) |
| | Disposal of subsidiary | **–** | (2 860) |
| | Transferred to non-current assets classified as held for sale | **–** | (7 471) |
| | At 30 June | **4 000** | 4 000 |

## 19. PROVISION FOR ENVIRONMENTAL REHABILITATION continued

In the prior year, the opening 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. During F2012 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 in F2012 to dispose of all its business within the Construction Materials segment, the environmental rehabilitation provision relating to the remaining quarries of Ekurhuleni, Zimbiwa and Sky Sands, were transferred to Liabilities associated with non-current assets classified as held for sale. Refer to note 32.

The remaining environmental rehabilitation provision of R4 million relates to Everite and its costs associated with the close of asbestos waste dumps. This provision is externally valued on an annual basis. A risk free rate of 6.7% (2012: 7.0%) and an average inflation rate of 5.7% (2012: 6.0%) were used in the calculation of the estimated net present value of the rehabilitation liabilities.

## 20. TRADE AND OTHER PAYABLES

| | GROUP | |
|---|---|---|
| R'000 | 2013 | 2012 |
| Trade and other payables include: | | |
| **Financial instruments** | | |
| – Accrued expenses | **1 628 571** | 1 168 837 |
| – Trade and other creditors | **885 403** | 866 050 |
| – Sub-contractor creditors | **624 770** | 513 109 |
| – Retention creditors | **234 544** | 225 738 |
| – Amounts owning to joint venture partners | **221 169** | 298 363 |
| **Total financial instruments included in trade and other payables** | **3 594 457** | 3 072 097 |
| **Non-financial instruments** | | |
| – Advance payments received | **560 844** | 706 315 |
| **Total non-financial instruments included in trade and other payables** | **560 844** | 706 315 |
| | **4 155 301** | 3 778 412 |

R51,0 million (2012: R59,2 million) of trade payables with payment terms greater than one year disclosed under non-current trade payables. The carrying value of the financial instruments approximates their fair value due to the short term nature of their instruments. (Refer to note 25 for details on currency and interest rate risk.)

## 21. CONTRACT RELATED PROVISIONS

| R'000 | Contract provisions | Sundry provisions | Total |
|---|---|---|---|
| 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 |
| **(Released)/charged to the income statement** | **(11 945)** | **3 581** | **(8 364)** |
| **Provision utilised** | **(3 065)** | **(11 059)** | **(14 124)** |
| **Balance at 30 June 2013** | **29 947** | **6 859** | **36 806** |

**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 2013 | GROUP 2012 |
|---|---|---|
| **22. EMPLOYEE BENEFITS** | | |
| **22.1 Staff costs** | | |
| Wages, salaries and bonuses | **2 425 128** | 2 096 558 |
| Cost of share options | **21 684** | 29 093 |
| Pension costs – defined contribution plans (including industry plans) | **110 166** | 110 562 |
| Pension costs – defined benefit plan income | **(2 075)** | (3 413) |
| Service cost | **10 152** | 10 436 |
| Interest cost | **32 852** | 36 827 |
| Return on plan assets | **(45 079)** | (50 676) |
| | **2 554 903** | 2 232 800 |
| Number of employees at 30 June: | **Number** | Number |
| Full-time | **5 996** | 5 333 |
| Part-time | **7 663** | 5 081 |
| | **13 659** | 10 414 |
| South Africa | **10 224** | 7 662 |
| Over-border | **3 435** | 2 752 |
| | **13 659** | 10 414 |

## 22.2 Pension scheme

The latest actuarial valuation of the group's defined benefit plan was carried out in March 2013 and was considered by the actuaries to be in a sound financial condition.

| 22.2(i) A summary of the valuation is presented below: | 2013 | 2012 |
|---|---|---|
| Present value of funded obligations | **(409 400)** | (408 530) |
| Fair value of plan assets | **580 876** | 550 427 |
| Surplus | **171 476** | 141 897 |
| Non-current assets | **166 734** | 137 049 |
| Current assets included in trade and other receivables | **4 742** | 4 848 |
| | **171 476** | 141 897 |
| | **%** | % |
| The principal assumptions used for accounting purposes were as follows: | | |
| Mortality tables | **PA (90)** | PA (90) |
| Discount rate | **7,40** | 8.70 |
| Expected return on assets | **8,70** | 9.60 |
| Future salary increases | **6,50** | 7.00 |
| Future pension increases | **2,29** | 3.52 |

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 R29,6 million was realised in the current year and has been credited to the income statement. During the prior year a gain of R15,7 million was credited 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 2013 | GROUP 2012 |
|---|---|---|---|
| **22.** | **EMPLOYEE BENEFITS** continued | | |
| **22.2** | **Pension scheme** continued | | |
| **22.2(ii)** | **A reconciliation of the opening and closing balances of plan assets** | | |
| | Opening value: 1 April | **550 427** | 557 597 |
| | – Employee contributions | **2 019** | 2 236 |
| | – Company contributions | **7 383** | 8 146 |
| | – Benefit payments | **(72 154)** | (68 660) |
| | – Expected returns 8.7% (2012: 9.6%) per annum | **45 079** | 50 676 |
| | – Expenses | **(3 170)** | (2 952) |
| | – Actuarial gain for the year[1] | **51 292** | 3 384 |
| | Closing value: 31 March | **580 876** | 550 427 |
| **22.2(iii)** | **Reconciliation of the opening and closing balances of defined benefit obligations** | | |
| | Projected benefit obligation (PBO): 1 April | **408 530** | 431 490 |
| | – Service cost | **10 152** | 10 436 |
| | – Employee contributions | **2 019** | 2 236 |
| | – Benefit payments | **(72 154)** | (69 031) |
| | – Interest cost 8.70% (2012: 9.15%) per annum | **32 852** | 36 827 |
| | – Expenses | **(3 170)** | (2 952) |
| | – Actuarial loss/ (gain) for the year | **31 171** | (476) |
| | Projected benefit obligation (PBO): 31 March | **409 400** | 408 530 |
| **22.2(iv)** | **Plan assets and defined benefit obligation by category** | | |
| | Assets | | |
| | – Market value | **580 876** | 550 427 |
| | Active member liabilities: | | |
| | – Active members | **323 930** | 303 378 |
| | Pensioner liabilities: | | |
| | – Pensioners | **15 527** | 18 556 |
| | SAE surplus (surplus as at 29 February 2004 to be apportioned) | **69 943** | 86 596 |
| | Total liabilities | **409 400** | 408 530 |
| | Surplus | **171 476** | 141 897 |
| | Funding level | **141.9%** | 134.7% |
| **22.2(v)** | **Net periodic pension cost** | | |
| | Service cost (net of employee contribution) | **10 152** | 10 436 |
| | Interest cost | **32 852** | 36 827 |
| | Expected return on assets | **(45 079)** | (50 676) |
| | Recognition of actuarial gain[2] | **(20 121)** | (3 860) |
| | Net periodic pension gain | **(22 196)** | (7 273) |
| **22.2(vi)** | **Statement of financial position disclosure** | | |
| | Projected benefit obligation (PBO) | **409 400** | 408 530 |
| | Market value of assets: 31 March | **580 876** | 550 427 |
| | Status of fund: over funding | **(171 476)** | (141 897) |
| | Assets | **(171 476)** | (141 897) |
| | Paragraph 58 limit | **(171 476)** | (141 897) |
| | Unrecognised due to paragraph 58 limit | **–** | – |
| | Asset recognised | **(171 476)** | (141 897) |
| | Recognised asset: 1 April | **(141 897)** | (126 107) |
| | Net periodic pension cost | **(22 196)** | (7 273) |
| | Company contributions | **(7 383)** | (8 517) |
| | Change in paragraph 58 unrecognised liability | **–** | – |
| | Recognised asset: 31 March | **(171 476)** | (141 897) |

[1] *An actuarial gain arose during the year mainly due to the actual investment return of 19.3% exceeding the expected return of 8.7% for the year ended 31 March 2013.*

[2] *The company's policy is to recognise gains or losses in full as they arise. The actuarial gain of R51,3 million (2012: R3,4 million gain) on the assets and the actuarial loss of R31,2 million (2012: R0,5 million gain) on the liabilities give rise to an overall actuarial gain of R20,1 million (2012: R3,9 million gain) in the current year.*

## 22. EMPLOYEE BENEFITS continued

### 22.2 Pension scheme continued

**22.2(vii) Sensitivity analysis**

The table below sets out the sensitivity of the valuation results to changes in the key financial assumptions as at 31 March 2013.

| R'000 | A decrease in the discount rate by 1% | An increase in the discount rate of 1% |
|---|---|---|
| Total assets | 580 876 | 580 876 |
| Total liabilities | 458 618 | 369 537 |
| Surplus | 122 258 | 211 339 |
| Funding level | 127% | 157% |
| Service cost | 14 962 | 11 094 |

| R'000 | An increase in salary of 1% | A decrease in salary of 1% |
|---|---|---|
| Total assets | 580 876 | 580 876 |
| Total liabilities | 428 062 | 392 627 |
| Surplus | 152 814 | 188 249 |
| Funding level | 136% | 148% |
| Service cost | 13 780 | 11 942 |

| R'000 | Pension increase of 1% | Pension decrease of 1% |
|---|---|---|
| Total assets | 580 876 | 580 876 |
| Total liabilities | 435 443 | 387 206 |
| Surplus | 145 433 | 193 670 |
| Funding level | 133% | 150% |
| Service cost | 13 795 | 11 971 |

| | GROUP | |
|---|---|---|
| R'000 | 2013 | 2012 |
| **22.3 Provision for employment obligations** | | |
| Black Professionals Staff Trust share-based payment liability | 8 246 | – |
| Post-employment medical obligation | 41 049 | 33 935 |
| | 49 295 | 33 935 |

The Black Professionals Staff Trust liability is the obligation recognised as a cash-settled share-based payment transaction following the implementation of a revised BBBEE ownership transaction approved by shareholders in November 2012, refer to note 22.4.4.

The group's accruals for post-employment medical obligations of R41,0 million [2012: R33,9 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:

| | 2013 | 2012 |
|---|---|---|
| Discount rate% | 7,40 | 8,475 |
| Mortality table | PA [90] | PA [90] |
| Future salary increases | 6,10 | 7,075 |

A sensitivity analysis has been performed to determine the effect of a change at which former employees are assumed to qualify for, and make an application for, post-employment medical benefits. A 10% increase/ [decrease] would have the effect of [decreasing]/increasing net profit before taxation by R10,6 million before taxation relief.

## 22. EMPLOYEE BENEFITS continued

### 22.4 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.

#### 22.4.1 The Black Management Scheme (3.2% of enlarged share capital)

The purpose of the scheme is to give effect to one of the group's broad-based black economic empowerment objectives, by encouraging black employees within the group, that are employed at management level (being Peromnes Grade 8 and higher or the equivalent from time to time), to remain in the employment of the group and to promote the continued growth of the group by giving such employees, including future employees, an opportunity to acquire shares.

Group Five provided the Black Management Trust with a loan to enable the Black Management Trust to subscribe for 3 791 109 Group Five shares at a price of R16,03 per share. Annual interest on the loan equates to the lesser of dividends received from Group Five shares and the South African prime overdraft rate. Allocations, at the discretion of the board remuneration committee, are made from time to time to earmarked black managers that do not participate in the New Management Incentive Scheme.

The Black Management Trust will utilise all the dividends received on the shares to settle any expenses (i.e. audit fees and bank charges) and to service any outstanding funding obligations owed to Group Five. To the extent that surplus cash exists in the Black Management Trust, the trustees will be entitled to distribute the surplus cash to the beneficiaries.

The vesting of shares takes place on the following basis:
- on the 2nd anniversary of the date on which shares were allocated to the beneficiary, 33.3% of the shares will vest;
- on the 3rd anniversary of such date, so many additional shares as represent 33.3% of the shares, allocated to the beneficiary will vest; and
- on the 4th anniversary of such date, the balance of the shares will vest.

A person will cease to be a beneficiary upon:
- ceasing to be an employee of the company within the group, either at all or at least at a management level, other than as a result of retrenchment, unlawful dismissal, constructive dismissal by the employer, disablement, death or retirement in accordance with normal retirement policies of the group; or
- share ownership vesting occurring in respect of such beneficiary's allocated shares; or
- share ownership vesting no longer being available in terms of the scheme in respect of any of such beneficiary's allocated shares.

The initial beneficiaries have appointed two employee management trustees. In addition, an independent trustee has been appointed. The trustees will from time to time vote the allocated shares of a beneficiary in accordance with the directions of that beneficiary. Unallocated shares will be allocated by the trustees as they consider to be in the best interests of future beneficiaries.

#### 22.4.2 The Broad-based Scheme – complete

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.

#### 22.4.3 Management Incentive Scheme – Share Appreciation Rights

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.

## 22. EMPLOYEE BENEFITS continued

### 22.4 Employee share option schemes continued

#### 22.4.3 Management incentive scheme – share appreciation rights continued

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

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

The intention of the New Management Incentive Scheme is to purchase Group Five shares in the market to settle the scheme's benefits, so the New Management Incentive Scheme will not be as dilutive as normal share option schemes. The company will retain the right to issue new shares at its election, to mitigate the risk of sudden fluctuations in the share price, which could be disruptive to the orderly trade of Group Five shares in the market. The company will be limited to issuing no more than 15% of the company's shares in settlement of benefits of all company share schemes over any ten-year period.

The New Management Incentive Scheme was introduced to replace the current Group Five Share Incentive Scheme over time.

The sizing of the aggregate incentive schemes and their salient features, are set out in the table below:

| | **Previous scheme** | **New scheme** |
|---|---|---|
| Maximum number of shares available to the scheme | **11 036 000*** | 11 036 000* |
| As a percentage of current shares issued | **15%** | 15% |
| Maximum number of unexercised shares available to individuals | **1 500 000** | 1 500 000 |
| Discount to market value on date of option/SAR | **15%** | Nil** |
| Vesting period | **2 years – 50%** | 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.*

### 22.4.4 The Black Professionals Staff Trust

Group Five believes its employees, particularly its professional staff are key to its success and future growth. In recognition of this it is believed that the introduction of the Black Professionals Staff Trust will entrench a sense of ownership amongst the Black Professionals Staff Trust beneficiaries as well as assist in the incentivisation and retention of these employees.

The Black Professionals Staff Trust will be established to facilitate the participation of Black Professionals Staff Trust beneficiaries by holding the Black Professionals Staff shares and distributing distributable income to the Black Professionals Staff Trust beneficiaries in terms of the Black Professionals Trust deed from time to time.

Group Five provided the Black Professionals Staff Trust with a loan to enable the Black Professionals Staff Trust to subscribe for 10 356 865 shares. Annual interest will accrue at a rate of 9% naca and be repayable, including accrued interest following the amended end date.

Once the Black Professionals Staff Trust trustees have exercised their discretion to make a distribution in terms of the Black Professionals Staff Trust deed, the Black Professionals Staff trustees shall distribute distributable income to the Black Professionals Staff Trust beneficiaries who are employed by the Group on the applicable distribution date in accordance with the allocation formula as fully described in the Black Professionals Staff Trust deed. The allocation formula takes into account the band and annual remuneration of each Black Professionals Staff Trust beneficiary and the total number of Black Professionals Staff beneficiaries and will determine the allocation based on a fixed factor allocation per band. Pursuant to this, Black Professionals Staff Trust beneficiaries in higher bands will receive a proportionally higher percentage of annual remuneration in comparison to those in lower bands.

No obligations are imposed on Black Professionals Staff Trust beneficiaries in terms of the Black Professionals Staff Trust deed. Black Professionals Staff Trust beneficiaries may not sell, assign or in any way encumber his/her rights as a Black Professionals Staff Trust beneficiary.

| | 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 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 | – | – | – | – | (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 | – |
| New shares granted and accepted | **3 280 500** | **34,42** | **–** | **–** | **560 967** | **16,03** | **–** | **–** |
| Shares paid for | **(2 145 644)** | **31,38** | **–** | **–** | **(491 629)** | **16,03** | **(254 105)** | **–** |
| Shares lapsed | **(1 080 938)** | **31,38** | **–** | **–** | **(183 119)** | **16,03** | **–** | **–** |
| **Balance at 30 June 2013** | **11 059 647** | **31,76** | **103 750** | **12,45** | **1 200 983** | **16,03** | **–** | **–** |
| Number of shares vested and exercisable at 30 June 2013 | **5 904 639** | **31,76** | **103 750** | **12,45** | **512 295** | **16,03** | **–** | **–** |

## 22. EMPLOYEE BENEFITS CONTINUED

### 22.4 Employee share option schemes continued

#### 22.4.4 The Black Professionals Staff Trust continued

| R'000 | Total | New Management Scheme | Black Management Scheme | The Black Professionals Staff Trust |
|---|---|---|---|---|
| **Cost of share options year ended 30 June 2013** | 21 684 | 9 660 | 3 778 | 8 246 |
| Cost of share options year ended 30 June 2012 | 29 093 | 19 329 | 9 764 | – |

The cost of share appreciation rights issued during the year ended 30 June 2013 were costed using a Black-Scholes option model and the following factors:

| | **2013** | 2012 |
|---|---|---|
| • exercise price R[1] | **34.22 – 35.56** | – |
| • volatility %[1] | **29.64 – 30.17** | – |
| • risk free interest rate %[1] | **5.59 – 5.90** | – |

*[1] No shares were issued during F2012 in terms of the provisions of the company's share incentive schemes.*

| R'000 | GROUP **2013** | GROUP 2012 |
|---|---|---|
| **23. RELATED PARTY TRANSACTIONS** | | |
| **23.1 Directors' and senior management emoluments** | | |
| **Executive directors (for individual details refer to the table on page 160 of Group Five's 2013 Integrated annual report available with the annual financial statements on the group's website)** | | |
| For management services, excluding incentives | **6 477** | 5 966 |
| Performance incentives | **3 315** | 7 805 |
| Retention award | **5 994** | – |
| Paid by subsidiaries | **(15 786)** | (13 771) |
| | **–** | – |
| **Non-executive directors (for individual details refer to the table on page 159 of Group Five's 2013 integrated annual report available with the annual financial statements** | | |
| Directors' fees, other fees and expenses | **4 827** | 4 766 |
| Paid by subsidiaries | **(4 827)** | (4 766) |
| | **–** | – |
| **Prescribed officers (exco) (excluding executive directors) (for individual details refer to the table on page 160 of Group Five's 2013 integrated annual report available with the annual financial statements on the group's website)** | | |
| For management services | **19 104** | 16 483 |
| Performance incentives | **8 059** | 16 158 |
| Retention award | **17 908** | – |
| Paid by subsidiaries | **(45 071)** | (32 641) |
| | **–** | – |
| **Senior management (excluding exco members) (for individual details refer to the table on page 160 of Group Five's 2013 integrated annual report available with the annual financial statements on the group's website)** | | |
| For management services | **32 084** | 24 932 |
| Performance incentives | **10 150** | 15 272 |
| Retention award | **5 538** | – |
| Paid by subsidiaries | **(47 772)** | (40 204) |
| | **–** | – |

Details of share options and share appreciation rights to Executive Directors and Prescribed Officers are disclosed on pages 161 to 165 of Group Five's integrated annual report available with the annual financial statements on the group's website.

## 23. RELATED PARTY TRANSACTIONS continued

### 23.2 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 16 and 20 of the annual financial statements.

| | GROUP | |
|---|---|---|
| R'000 | 2013 | 2012 |
| **24. COMMITMENTS AND CONTINGENCIES** | | |
| **Fixed asset commitments** | | |
| Contracts placed | 12 766 | 48 237 |
| Capital expenditure approved by directors but not placed at 30 June | 298 401 | 345 353 |
| | 311 167 | 393 590 |

The above expenditure will be funded from existing resources and facilities.
There are no fixed asset commitments relating to joint ventures.

The following operating lease commitments mainly relate to building rentals. The material increase from the prior year is as a result of securing, in the current year, corporate office rentals for the period 2014 to 2025.

### Operating lease commitments

| R'000 | 2013 | 2012 |
|---|---|---|
| The future minimum lease payments under non-cancellable operating leases are as follows: | | |
| Not later than one year | 72 840 | 49 129 |
| Later than one year and not later than five years | 334 196 | 94 263 |
| Later than five years | 514 083 | 4 119 |
| | 921 119 | 147 511 |

### Guarantees

Total financial institution-backed guarantees provided to third parties on behalf of subsidiary companies amounted to R4 369 million (2012: R4 310 million). The directors do not believe any exposure to loss is likely. Total facilities in this regard amount to R10 021 million (2012: R10 147 million).

| R'000 | 2013 | 2012 |
|---|---|---|
| The issued guarantees have the following expiry dates: | | |
| Not later than one year | 3 188 | 3 295 |
| Later than one year and not later than five years | 1 159 | 958 |
| Later than five years | 22 | 57 |
| | 4 369 | 4 310 |

### 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.

Stakeholder's attention is drawn to the contigent risk of civil claims possibly being lodged against the group, and all construction companies who have been party to the anti-competitive behaviour, following the Competition Commission release of its findings in June 2013 and the public interest reported in recent months. To date no claim has been instituted against the group.
Refer to industry matters on page 7 for additional information.

## 25. 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, contracts in progress, trade and other payables, interest-bearing borrowings and derivative financial instruments.

### 25.1 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.

### 25.2 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 2013, the group's strategy, which remains unchanged, is to maintain the gearing ratio below 33%. The gearing ratio at 30 June 2013 and 2012 was as follows:

| R'000 | 2013 | 2012 |
|---|---|---|
| Total interest-bearing borrowings including bank overdrafts | **798 024** | 715 350 |
| Cash on hand | **(2 957 148)** | (2 268 226) |
| Net debt | **(2 159 124)** | (1 552 876) |
| Total equity | **2 154 544** | 1 808 736 |
| Gearing ratio | **–** | – |

## 25. FINANCIAL INSTRUMENTS continued

### 25.3 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 2013<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 | Other | Total | Level |
|---|---|---|---|---|---|---|---|
| **Assets as per the statement of financial position** | | | | | | | |
| Loans to associates | 10.2 | 6 463 | – | – | – | 6 463 | n/a |
| Investments in service concessions | 11 | – | 360 684 | – | – | 360 684 | 3 |
| Pension fund surplus – long term portion | 22.2 | – | – | – | 166 734 | 166 734 | 3 |
| Derivative financial instruments | 18.1 | – | – | 21 358 | – | 21 358 | 2 |
| Trade and other receivables – long term portion | 16 | 95 302 | – | – | – | 95 302 | n/a |
| Trade and other receivables | 16 | 3 191 268 | – | – | 4 742 | 3 196 010 | n/a, 3 |
| Cash and cash equivalents | 29 | 2 957 148 | – | – | – | 2 957 148 | n/a |
| Contracts in progress | 15 | 285 371 | – | – | – | 285 371 | n/a |
| Trade and other receivables – HFSA* | 32 | 8 501 | – | – | – | 8 501 | n/a |
| Investment in property developments – HFSA* | 32 | – | 8 860 | – | – | 8 860 | 3 |
| Cash and cash equivalents – HFSA* | 32 | 11 834 | – | – | – | 11 834 | n/a |
| | | 6 555 887 | 369 544 | 21 358 | 171 476 | 7 118 265 | |

| 30 June 2013<br>R'000 | Note | Financial liabilities at amortised cost | Financial liabilities held for trading | Other | Total | Level |
|---|---|---|---|---|---|---|
| **Liabilities as per the statement of financial position** | | | | | | |
| Interest-bearing borrowings | 17.1 | 684 982 | – | – | 684 982 | n/a |
| Excess billings over work done | | 1 321 798 | – | – | 1 321 798 | n/a |
| Trade and other payables – long term portion | 20 | 51 009 | – | – | 51 009 | n/a |
| Trade and other payables | 20 | 3 594 457 | – | – | 3 594 457 | n/a |
| Current portion of Interest bearing borrowings | 17.1 | 82 389 | – | – | 82 389 | n/a |
| Short term borrowings | 17.6 | 30 653 | – | – | 30 653 | n/a |
| Current portion of interest bearing borrowings – HFSA* | 32 | 1 150 | – | – | 1 150 | n/a |
| Trade and other payables – HFSA* | 32 | 20 841 | – | | 20 841 | n/a |
| | | 5 787 279 | – | – | 5 787 279 | |

** Non-current assets classified as held for sale and liabilities associated with non-current assets classified as held for sale.*

## 25. FINANCIAL INSTRUMENTS continued

### 25.3 Categories of financial instruments continued

| 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 | Total | Level |
|---|---|---|---|---|---|---|
| **Assets as per the statement of financial position** | | | | | | |
| Loans to associates | 10.2 | 4 657 | – | – | 4 657 | n/a |
| Investment in service concessions | 11 | – | 296 635 | – | 296 635 | 3 |
| Investments in property developments | 12 | – | 8 716 | – | 8 716 | 3 |
| Pension fund surplus – long term portion | 22.2 | – | 137 049 | – | 137 049 | 3 |
| Trade and other receivables – long term portion | 16 | 116 245 | – | – | 116 245 | n/a |
| Trade and other receivables – HFSA* | 32 | 39 913 | – | – | 39 913 | n/a |
| Trade and other receivables | 16 | 2 643 056 | 4 848 | – | 2 647 904 | n/a, 3 |
| Cash and cash equivalents | 29 | 2 268 226 | – | – | 2 268 226 | n/a |
| Contracts in progress** | 15 | 541 869 | – | – | 541 869 | n/a |
| | | 5 613 966 | 447 248 | – | 6 061 214 | |

| 30 June 2012<br>R'000 | Note | Financial liability at amortised cost | Financial liabilities held for trading | Total | Level |
|---|---|---|---|---|---|
| **Liabilities as per the statement of financial position** | | | | | |
| Interest-bearing borrowings | 17.1 | 613 464 | – | 613 464 | n/a |
| Excess billings over work done | | 828 113 | – | 828 113 | n/a |
| Trade and other payables – long term portion | 20 | 59 270 | – | 59 270 | n/a |
| Trade and other payables – HFSA* | 32 | 85 115 | – | 85 115 | n/a |
| Trade and other payables | 20 | 3 072 097 | – | 3 072 097 | n/a |
| Current portion of interest-bearing borrowings | 17.1 | 63 240 | – | 63 240 | n/a |
| Current portion of interest-bearing borrowings – HFSA* | 32 | 37 456 | – | 37 456 | n/a |
| Short term borrowings | 17.6 | 38 646 | – | 38 646 | n/a |
| Short term borrowings – HFSA* | 32 | 4 532 | – | 4 532 | n/a |
| Derivative financial instruments | 18.1 | – | 854 | 854 | 2 |
| Bank overdrafts – HFSA* | 32 | 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.*
** Restated to include contract in progress as a financial asset.*

## 25. FINANCIAL INSTRUMENTS continued

### 25.4 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 2013<br>R'000 | Note | South African Rand | US Dollar | AED | Other | Total |
|---|---|---|---|---|---|---|
| **Assets as per the statement of financial position** | | | | | | |
| Loans to associate | 10.2 | 6 463 | – | – | – | 6 463 |
| Investments in service concessions** | 11 | – | – | – | 360 684 | 360 684 |
| Pension fund surplus – long term portion | 22.2 | 166 734 | – | – | – | 166 734 |
| Derivative financial instruments | 18.1 | 21 358 | | | | 21 358 |
| Trade and other receivables – long term portion | 16 | – | – | 95 302 | – | 95 302 |
| Trade and other receivables | 16 | 2 015 658 | 673 047 | 275 823 | 231 482 | 3 196 010 |
| Cash and cash equivalents | 29 | 2 021 588 | 502 970 | 34 593 | 397 997 | 2 957 148 |
| Contracts in progress | 15 | 165 043 | 71 410 | 38 836 | 10 082 | 285 371 |
| Trade and other receivables – HFSA* | 32 | 8 501 | – | – | – | 8 501 |
| Investment in property developments – HFSA* | 32 | 8 860 | – | – | – | 8 860 |
| Cash and cash equivalents – HFSA* | 32 | 11 834 | | | | 11 834 |
| | | 4 426 039 | 1 247 427 | 444 554 | 1 000 245 | 7 118 265 |
| **Liabilities as per the statement of financial position** | | | | | | |
| Interest-bearing borrowings | 17.1 | 591 176 | 88 759 | – | 5 047 | 684 982 |
| Excess billings over work done | | 654 225 | 665 327 | – | 2 246 | 1 321 798 |
| Trade and other payables - long term portion | 20 | – | – | 51 009 | – | 51 009 |
| Trade and other payables | 20 | 2 743 603 | 376 942 | 249 859 | 224 053 | 3 594 457 |
| Current portion of interest-bearing borrowings | 17.1 | 73 232 | 8 184 | – | 973 | 82 389 |
| Short term borrowings | 17.6 | 30 653 | – | – | – | 30 653 |
| Current portion of interest bearing borrowings - HFSA* | 32 | 1 150 | – | – | – | 1 150 |
| Trade and other payables - HFSA* | 32 | 20 841 | – | – | – | 20 841 |
| | | 4 114 880 | 1 139 212 | 300 868 | 232 319 | 5 787 279 |
| Net exposure | | 311 159 | 108 215 | 143 686 | 767 926 | 1 330 986 |

* *Non-current assets classified as held for sale and liabilities associated with non-current assets classified as held for sale.*
** *Euro-denominated investments in service concessions.*

## 25. FINANCIAL INSTRUMENTS CONTINUED

### 25.4 Financial risk factors continued

| 30 June 2012<br>R'000 | Note | South African Rand | US Dollar | AED | Other | Total |
|---|---|---|---|---|---|---|
| **Assets as per the statement of financial position** | | | | | | |
| Investments in service concessions** | 11 | – | – | – | 296 635 | 296 635 |
| Investment in property developments | 12 | 8 716 | – | – | – | 8 716 |
| Loans to associates | 10.2 | 4 657 | – | – | – | 4 657 |
| Pension fund surplus – long term portion | 22.2 | 137 049 | – | – | – | 137 049 |
| Trade and other receivables – long term portion | 16 | – | – | 116 245 | – | 116 245 |
| Trade and other receivables – HFSA* | 32 | 39 913 | – | – | – | 39 913 |
| Trade and other receivables | 16 | 1 738 696 | 410 391 | 253 131 | 245 686 | 2 647 904 |
| Cash and cash equivalents | 29 | 1 606 898 | 391 967 | 22 721 | 246 640 | 2 268 226 |
| Contracts in progress*** | 15 | 315 184 | 83 842 | 98 439 | 44 404 | 541 869 |
| | | 3 851 113 | 886 200 | 490 536 | 833 365 | 6 061 214 |
| **Liabilities as per the statement of financial position** | | | | | | |
| Interest-bearing borrowings | 17.1 | 613 464 | – | – | – | 613 464 |
| Derivative financial instruments | 18.2 | 854 | – | – | – | 854 |
| Excess billings over work done | | 505 938 | 276 751 | – | 45 424 | 828 113 |
| Trade and other payables | 20 | 2 229 280 | 353 384 | 115 357 | 374 076 | 3 072 097 |
| Trade and other payables – long term portion | 20 | – | – | 59 270 | – | 59 270 |
| Trade and other payables – HFSA* | 32 | 85 115 | – | – | – | 85 115 |
| Current portion of interest-bearing borrowings | 17.1 | 63 240 | – | – | – | 63 240 |
| Current portion of interest bearing borrowings – HFSA* | 32 | 37 456 | – | – | – | 37 456 |
| Short term borrowings | 17.6 | 38 646 | – | – | – | 38 646 |
| Short term borrowings – HFSA* | 32 | 4 532 | – | – | – | 4 532 |
| Bank overdrafts – HFSA* | 32 | 9 293 | – | – | – | 9 293 |
| | | 3 587 818 | 630 135 | 174 627 | 419 500 | 4 812 080 |
| Net exposure | | 263 295 | 256 065 | 315 909 | 413 865 | 1 249 134 |

* *Non-current assets classified as held for sale and liabilities associated with non-current assets classified as held for sale.*
** *Euro-denominated investments in service concessions.*
*** *Restated to include contract in progress as a financial asset.*

## 25. FINANCIAL INSTRUMENTS continued

### 25.4 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:

| | 2013 | 2012 |
|---|---|---|
| ZAR: USD | 10.05 | 8.46 |
| ZAR: AED | 2.73 | 2.30 |

| | 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 2013** | | | |
| **Net movement** | | 101 981 | 101 981 |
| Current assets | | 269 221 | (269 221) |
| Denominated functional currency | | | |
| ZAR: USD | 10% | 124 742 | (124 742) |
| ZAR: UAE | 10% | 44 455 | (44 455) |
| ZAR: PLN; HUF; OTHER | 10% | 100 024 | (100 024) |
| Current liabilities | | (167 240) | 167 240 |
| Denominated functional currency | | | |
| ZAR: USD | 10% | (113 921) | 113 921 |
| ZAR: UAE | 10% | (30 087) | 30 087 |
| ZAR: PLN; HUF; OTHER | 10% | (23 232) | 23 232 |
| **As at 30 June 2012** | | | |
| **Net movement** | | 98 583 | (98 583) |
| Current assets | | 221 009 | (221 009) |
| Denominated functional currency | | | |
| ZAR: USD | 10% | 88 620 | (88 620) |
| ZAR: UAE | 10% | 49 053 | (49 053) |
| ZAR: PLN; HUF; OTHER | 10% | 83 336 | (83 336) |
| *Current liabilities* | | (122 426) | 122 426 |
| Denominated functional currency | | | |
| ZAR: USD | 10% | (63 013) | 63 013 |
| ZAR: UAE | 10% | (17 463) | 17 463 |
| ZAR: PLN; HUF; OTHER | 10% | (41 950) | 41 950 |

## 25. FINANCIAL INSTRUMENTS continued

### 25.4 Financial risk factors continued

#### Cash flow and fair value interest rate risk

**Interest rate risk**

The group is exposed to interest rate risk through its cash and cash equivalents and interest-bearing short and non-current liabilities. Short term interest rate exposure is monitored and managed by corporate treasury and may be hedged from time to time through the use of financial instruments.

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 2015 | 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 taxation 2013 | 2012 | Increase in rate resulting in a decrease in profit before taxation 2013 | 2012 |
|---|---|---|---|---|
| Assuming 1% movement in JIBAR rate | **5 000** | 5 000 | **(5 000)** | (5 000) |
| Assuming 1% movement in LIBOR rate | **969** | – | **(969)** | – |
| Assuming 1% movement in SA prime borrowing rate | **1 621** | 1 683 | **(1 621)** | (1 683) |

#### 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 2013 or 30 June 2012.

## 25. FINANCIAL INSTRUMENTS continued

### 25.4 Financial risk factors 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 24.

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 |
|---|---|---|---|---|
| **2013** | **5** | **R679,9** | **19.8** | **6.1** |
| 2012 | 5 | R472,0 | 17.0 | 5.4 |

The group has the following credit risk per geographical segment:

| Region (R'000) | 2013 | 2012 |
|---|---|---|
| Central Africa | **373 753** | 259 662 |
| Eastern Africa | **36 577** | 30 034 |
| Eastern Europe | **30 053** | 23 018 |
| Middle East | **302 998** | 303 632 |
| Southern Africa | **2 510 669** | 1 894 784 |
| Western Africa | **184 177** | 156 850 |
| Total trade and other receivables | **3 438 227** | 2 667 980 |

Central Africa: Zambia, DRC
Eastern Africa: Mauritius, Tanzania
Eastern Europe: Hungary, Poland
Middle East: Dubai, Jordan, Qatar
Southern Africa: South Africa, Lesotho, Namibia, 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.

## 25. FINANCIAL INSTRUMENTS continued

### 25.4 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 2013<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** | | | | | | | |
| Loans to associates | 10.2 | – | – | 6 463 | – | | 6 463 |
| Investments in service concessions | 11 | – | – | – | – | 360 684 | 360 684 |
| Pension fund surplus – long term portion | 22.2 | – | – | – | – | 166 734 | 166 734 |
| Derivative financial instruments | 18.1 | 19 282 | 2 076 | | | | 21 358 |
| Trade and other receivables – long term portion | 16 | – | – | 34 472 | 72 076 | – | 106 548 |
| Trade and other receivables | 16 | 2 571 595 | 624 415 | – | – | – | 3 196 010 |
| Cash and cash equivalents | 29 | 2 957 148 | – | – | – | – | 2 957 148 |
| Contracts in progress | 15 | 151 802 | 133 569 | – | – | – | 285 371 |
| Trade and other receivables – HFSA* | 32 | 8 501 | – | – | – | – | 8 501 |
| Investment in property developments HFSA* | 32 | 8 860 | – | – | – | – | 8 860 |
| Cash and cash equivalents – HFSA* | 32 | 11 834 | – | – | – | – | 11 834 |
| | | 5 729 022 | 760 060 | 40 935 | 72 076 | 527 418 | 7 129 511 |
| **Liabilities as per the statement of financial position** | | | | | | | |
| Interest-bearing borrowings | 17.1 | – | – | 432 242 | 352 740 | – | 784 982 |
| Excess billings over work done | | 744 979 | 576 819 | – | – | – | 1 321 798 |
| Trade and other payables – long term portion | 20 | – | – | 37 856 | 35 516 | – | 73 372 |
| Trade and other payables | 20 | 2 937 220 | 657 237 | – | – | – | 3 594 457 |
| Current portion of Interest bearing borrowings | 17.1 | 66 417 | 66 417 | – | – | – | 132 834 |
| Short term borrowings | 17.6 | 2 299 | 39 583 | – | – | – | 41 882 |
| Current portion of Interest bearing borrowings – HFSA* | 32 | 1 150 | – | – | – | – | 1 150 |
| Trade and other payables – HFSA* | 32 | 20 841 | – | – | – | – | 20 841 |
| | | 3 772 906 | 1 340 056 | 470 098 | 388 256 | – | 5 971 316 |

* *Non-current assets classified as held for sale and liabilities associated with non-current assets classified as held for sale.*
** *Restated to include contracts in progress as a financial asset.*

## 25. FINANCIAL INSTRUMENTS continued

### 25.4 Financial risk factors continued

**Liquidity risk** continued

| 30 June 2012 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** | | | | | | | |
| Investments in service concessions | 11 | – | – | – | – | 296 635 | 296 635 |
| Investment in property developments | 12 | – | – | – | – | 8 716 | 8 716 |
| Loans to associates | 10.2 | – | – | 4 657 | – | – | 4 657 |
| Pension fund surplus – long term portion | 22.2 | – | – | – | – | 137 049 | 137 049 |
| Trade and other receivables | 16 | 1 394 824 | 1 253 080 | – | – | – | 2 647 904 |
| Trade and other receivables – long term portion | 16 | – | – | 55 116 | 61 129 | – | 116 245 |
| Trade and other receivables – HFSA* | 32 | 39 913 | – | – | – | – | 39 913 |
| Cash and cash equivalents | 29 | 2 268 226 | – | – | – | – | 2 268 226 |
| Contracts in progress** | 15 | 358 585 | 183 284 | – | – | – | 541 869 |
| | | 4 061 548 | 1 436 364 | 59 773 | 61 129 | 442 400 | 6 061 214 |
| **Liabilities as per the statement of financial position** | | | | | | | |
| Interest-bearing borrowings | 17.1 | – | – | 399 893 | 355 930 | – | 755 823 |
| Excess billings over work done | | 278 705 | 549 408 | – | – | – | 828 113 |
| Trade and other payables | 20 | 1 869 724 | 1 202 373 | – | – | – | 3 072 097 |
| Trade and other payables – long term portion | 20 | – | – | 23 613 | 35 657 | – | 59 270 |
| Trade and other payables – HFSA* | 32 | 85 115 | – | – | – | – | 85 115 |
| Current portion of interest-bearing borrowings | 17.1 | 58 107 | 58 107 | – | – | – | 116 214 |
| Current portion of interest-bearing borrowings – HFSA* | 32 | 37 456 | – | – | – | – | 37 456 |
| Short term borrowings | 17.6 | – | 38 646 | – | – | – | 38 646 |
| Short term borrowings – HFSA* | 32 | 4 532 | – | – | – | – | 4 532 |
| Derivative financial instrument | 18.1 | – | 854 | – | – | – | 854 |
| Bank overdrafts – HFSA* | 32 | 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.*
** *Restated to include contracts in progress as a financial asset.*

| | R'000 | Note | GROUP 2013 | GROUP 2012 |
|---|---|---|---|---|
| **26.** | **CASH FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES** | | | |
| | Profit before taxation | | **558 538** | 328 761 |
| | Adjustments for: | | | |
| | Depreciation | 4.3; 8 | **244 142** | 165 356 |
| | Fair value adjustments | 11 | **(86 482)** | (67 517) |
| | Foreign exchange profit | | **(23 308)** | (9 582) |
| | Profit on disposal of investment property | 4.5 | **(175)** | – |
| | Impairment of associate/loss on sale of subsidiaries and joint ventures | | **2 069** | 1 399 |
| | Loss on disposal of property, plant and equipment | 4.4 | **6 187** | 6 515 |
| | Share-based payment expense | | **38 497** | 29 093 |
| | Finance cost – net | 5 | **8 265** | 3 800 |
| | Fair value (profit)/loss on forward exchange contracts | | **(10 012)** | 854 |
| | Share of profit from associates | | **(10 936)** | (1 163) |
| | Pension fund valuation surplus | | **(29 579)** | (15 710) |
| | Movement in provisions | | **(2 627)** | (17 114) |
| | | | **694 579** | 424 692 |
| **27.** | **WORKING CAPITAL CHANGES** | | | |
| | Trade and other payables | | **809 075** | 508 449 |
| | Trade and other receivables | | **(778 918)** | (254 219) |
| | Contracts in progress | | **238 043** | (35 044) |
| | Inventories | | **(15 405)** | (64 726) |
| | | | **252 795** | 154 460 |
| **28.** | **TAXATION PAID** | | | |
| | Taxation owing at the beginning of the year | | **(38 956)** | (71 838) |
| | Charge per the income statement | | **(211 884)** | (106 032) |
| | Movement in deferred taxation | | **(5 913)** | 23 030 |
| | Charge to income statement – discontinued operations | | **11 491** | – |
| | Transfer to non-current assets classified as held for sale | | **–** | 7 963 |
| | Taxation owing at the end of the year | | **117 994** | 38 956 |
| | Total paid during the year | | **(127 268)** | (107 921) |
| **29.** | **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | | |
| | Bank balances and cash | | **2 957 148** | 2 268 226 |
| | Bank overdrafts | | **–** | – |
| | Cash and cash equivalents at end of year | | **2 957 148** | 2 268 226 |
| **30.** | **NON-CASH TRANSACTIONS – CASH FLOW STATEMENT** | | | |
| | Excluded from the cash flow statement are additions to fixed assets amounting to R75 million (2012: R35 million) which were funded by finance leases. | | | |
| **31.** | **CATEGORISATION OF CASH AND CASH EQUIVALENTS** | | | |
| | Cash and cash equivalents held by the group | | **2 419 197** | 1 769 380 |
| | Cash and cash equivalents held in incorporated and unincorporated joint ventures | | **537 951** | 498 846 |
| | | | **2 957 148** | 2 268 226 |

## 32. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

During the year the board of directors approved the disposal of one of its investment properties and one of its investments in property developments. Refer to notes 9 and 12.

These assets have been transferred to non-current assets classified as held for sale at fair value. The sales are expected to be completed by December 2013. The assets are identified on the balance sheet below as investment property and investment in property developments.

In addition, during the prior year the board of directors resolved to dispose of the businesses that constitute the Construction Materials cluster. The Construction Materials businesses comprised 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, were sold for a net profit of R1,4 million prior to F2012 year end.

The group progressed with the disposal of its discontinued Construction Materials businesses. During the first half of F2013, an additional business was sold. During H2 F2013, a further business was transferred to its new owner and cash received. Proceeds of R31 million were received in the year, equal to the R31 million net book value for these businesses, resulting in no profit or loss on disposal. The sale transaction for the last remaining business has been agreed and is in the process of implementation.

As previously communicated, approval from the Department of Mineral Resources (DMR) is awaited on the three quarry sales mentioned above in order to finally fulfil the sale conditions precedent. However the sale agreements reached with the new owners allowed for the transfer of operational control immediately on concluding the sale agreements, including transfer of operating profits and losses which was achieved on the two quarries sold in F2013.

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

| | GROUP | |
|---|---|---|
| R'000 | 2013 | 2012 |
| **Income statement relating to the discontinued operations that include Construction Materials and India claim:** | | |
| Revenue from discontinued operations | 68 230 | 309 743 |
| Operating loss before impairment adjustments | (45 683) | (81 129) |
| Impairment of non-current assets classified as held for sale | (11 000) | (415 414) |
| Operating loss after impairment adjustments | (56 683) | (496 543) |
| Finance cost – net | (2 813) | (7 442) |
| Loss before taxation | (59 496) | (503 985) |
| Taxation | 11 700 | 51 144 |
| **Net loss for the year from discontinued operations*** | **(47 796)** | **(452 841)** |
| * *None of the loss for the year from discontinued operations is attributable to non-controlling interest.* | | |
| Loss per share from discontinued operations (R) | (0,49) | (4,69) |
| Fully diluted loss per share from discontinued operations (R) | (0,49) | (4,69) |

| R'000 | GROUP 2013 | GROUP 2012 |
|---|---|---|
| **32. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS** continued | | |
| **Statement of financial position relating to the discontinued operations:** | | |
| **Non-current assets** | **86 329** | 207 852 |
| Property, plant and equipment | **68 021** | 155 401 |
| Investment property | **9 028** | 52 058 |
| Investment in property developments | **8 860** | – |
| Deferred taxation | **420** | 393 |
| **Current assets** | **21 848** | 65 076 |
| Inventories | **1 513** | 25 163 |
| Trade and other receivables | **8 501** | 39 913 |
| Cash and cash equivalents | **11 834** | – |
| **Non-current assets classified as held for sale** | **108 177** | 272 928 |
| **Non-current liabilities** | **4 950** | 37 670 |
| Interest-bearing borrowings | **–** | 28 627 |
| Provision for environmental rehabilitation | **4 950** | 9 043 |
| **Current liabilities** | **26 104** | 140 691 |
| Trade and other payables | **20 841** | 85 115 |
| Current taxation payable | **4 113** | 4 295 |
| Current portion of interest-bearing borrowings | **1 150** | 37 456 |
| Short term borrowings | **–** | 4 532 |
| Bank overdraft | **–** | 9 293 |
| **Liabilities directly associated with non-current assets classified as held for sale** | **31 054** | 178 361 |
| **Net assets** | **77 123** | 94 567 |
| **Cash flows relating to discontinued operations are presented below:** | | |
| Net cash movement from operating activities | **5 393** | (18 290) |
| Net cash movement from investing activities | **55 908** | 19 184 |
| Net cash movement from financing activities | **(40 174)** | (44 882) |
| Net movement from discontinued operations | **21 127** | (43 988) |

| R'000 | | GROUP 2013 | GROUP 2012 |
|---|---|---|---|
| 33. | DIVIDENDS PAID | | |
| 33.1 | 2012 Final dividend paid: 14 cents (2011: 20 cents) per ordinary share | 13 524 | 19 309 |
| 33.2 | 2013 Interim dividend paid: 32 cents (2012: 22 cents) per ordinary share | 31 624 | 21 239 |
| | | 45 148 | 40 548 |

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

On 2 August 2013, the directors proposed a final dividend of 35 cents per share in respect of the financial year ended 30 June 2013 which will absorb an estimated amount of R38,9 million of shareholders' funds. The dividend will be paid on 30 September 2013 to shareholders registered on the shareholder register on 27 September 2013. This dividend is not reflected in the group's annual financial statements. The total dividend for the financial year will thus be 67 cents per share (2012: 36 cents per share).

# ANNEXURE 1 – GROUP SEGMENTAL ANALYSIS

## for the year ended 30 June 2013

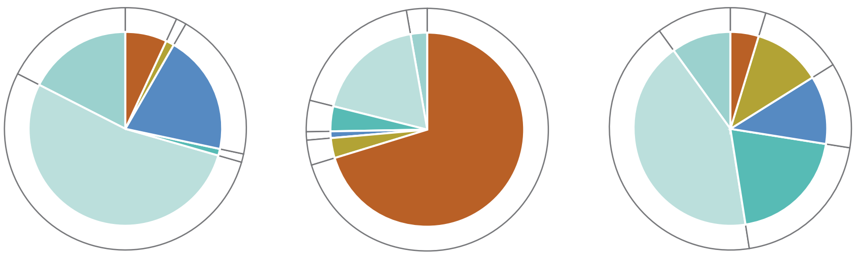
Operating segments reflect the management structure of the group in the year under review and the manner in which performance is evaluated and resources allocated as managed by the group's chief operating decision-maker, defined as the executive committee members (exco) of the group.

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 14 of this integrated annual 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.



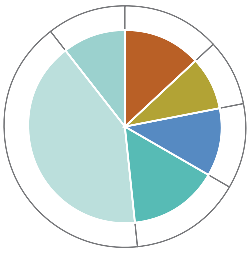
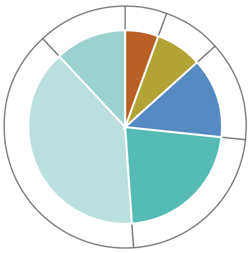
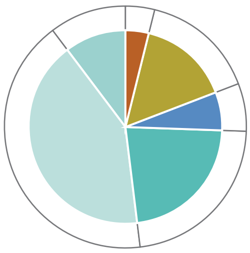
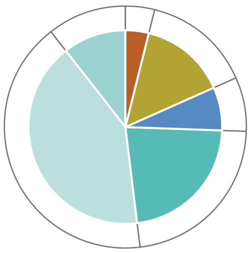
*Note:*
*Graphs represent F2013 values only.*

| | Statement of financial position | | | | | |
|---|---|---|---|---|---|---|
| | Property, plant and equipment and investment property | | Other non-current assets (excluding non-current assets classified as held for sale and deferred taxation) | | Current assets (excluding cash and cash equivalents) | |
| R'000 | **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| **Investments and Concessions** | **67 246** | 65 164 | **486 858** | 346 613 | **191 956** | 234 850 |
| **Engineering & Construction** | **14 410** | 12 092 | **21 488** | 10 258 | **467 703** | 264 371 |
| **Manufacturing** | **189 233** | 211 927 | **9 022** | 16 648 | **452 377** | 459 931 |
| **Construction** | **680 056** | 604 209 | **173 177** | 227 332 | **2 927 094** | 2 538 878 |
| Building and Housing | **9 325** | 10 422 | **27 511** | 33 577 | **808 717** | 689 507 |
| Civil Engineering | **506 659** | 472 079 | **127 403** | 168 343 | **1 716 557** | 1 352 077 |
| Projects | **164 072** | 121 708 | **18 263** | 25 412 | **401 820** | 497 294 |
| Total | **950 945** | 893 392 | **690 545** | 600 851 | **4 039 130** | 3 498 030 |

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

Statement of financial position

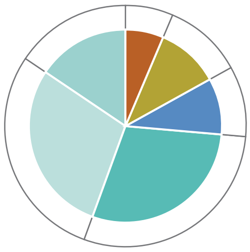
| Total assets (excluding non-current assets classified as held for sale, deferred taxation, cash and cash equivalents) | | Non-current liabilities (excluding deferred taxation) | | Current liabilities (excluding current taxation payable) | | Total liabilities (excluding deferred taxation, current taxation payable and liabilities associated with non-current assets classified as held for sale) | |
|---|---|---|---|---|---|---|---|
| 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| **746 060** | 646 627 | **44 183** | 36 996 | **218 846** | 225 404 | **263 029** | 262 400 |
| **503 601** | 286 721 | **62 864** | 36 050 | **860 972** | 313 342 | **923 836** | 349 392 |
| **650 632** | 688 506 | **105 230** | 99 232 | **358 565** | 295 033 | **463 795** | 394 265 |
| **3 780 327** | 3 370 422 | **577 009** | 538 391 | **4 188 564** | 3 934 780 | **4 765 573** | 4 473 171 |
| **845 553** | 733 506 | **173 838** | 117 999 | **1 273 388** | 1 184 508 | **1 447 226** | 1 302 507 |
| **2 350 619** | 1 992 502 | **310 893** | 339 494 | **2 338 721** | 2 122 484 | **2 649 614** | 2 461 978 |
| **584 155** | 644 411 | **92 278** | 80 898 | **576 455** | 627 788 | **668 733** | 708 686 |
| **5 680 620** | 4 992 273 | **789 286** | 710 669 | **5 626 947** | 4 768 559 | **6 416 233** | 5 479 228 |

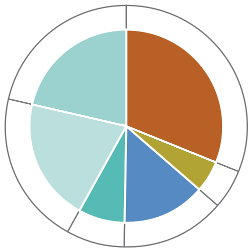
# ANNEXURE 1 – GROUP SEGMENTAL ANALYSIS continued

Income

Revenue



Operating profit*



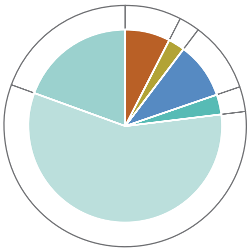
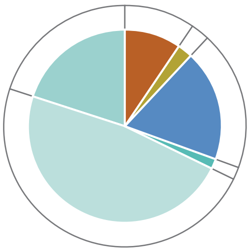
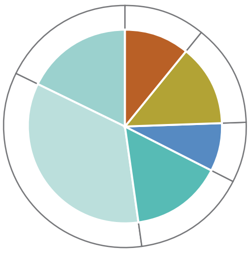
*Note:*
*Graphs represent F2013 values only.*

| R'000 | Revenue 2013 | Revenue 2012 | Operating profit* 2013 | Operating profit* 2012 |
|---|---|---|---|---|
| **Investments and Concessions** | **728 517** | 647 739 | **173 216** | 153 570 |
| **Engineering & Construction** | **1 170 220** | 631 180 | **29 907** | 6 167 |
| **Manufacturing** | **1 061 257** | 1 024 329 | **77 793** | 43 480 |
| **Construction** | **8 170 869** | 6 480 130 | **274 951** | 128 181 |
| Building and Housing | **3 236 000** | 2 065 972 | **42 954** | 57 076 |
| Civil Engineering | **3 217 121** | 2 997 747 | **113 881** | (33 197) |
| Projects | **1 717 748** | 1 416 411 | **118 116** | 104 302 |
| Total | **11 130 863** | 8 783 378 | **555 867** | 331 398 |

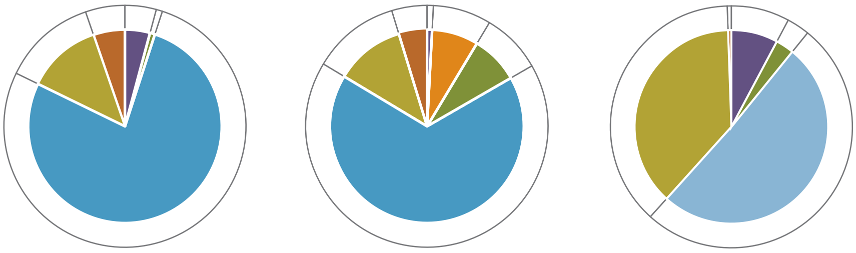
A description of the products and/or services provided by the segments is disclosed under the operational and financial review of this integrated annual report.

* *Operating profit without adjustment for non-operational items.*
*Restated due to the establishment of Engineering & Construction as a stand alone cluster, previously reported with Projects segments as the Engineering segment.*

Income

| Depreciation | | Capital expenditure | | Number of employees | |
|---|---|---|---|---|---|
|  | |  | |  | |
| **2013** | 2012 | **2013** | 2012 | **2013** | 2012 |
| **18 730** | 15 975 | **33 334** | 34 922 | **1 494** | 1 227 |
| **6 892** | 6 252 | **8 640** | 8 454 | **1 876** | 808 |
| **23 076** | 32 446 | **64 572** | 25 368 | **1 102** | 1 076 |
| **195 444** | 110 683 | **240 877** | 270 178 | **9 187** | 7 303 |
| **7 778** | 6 400 | **6 054** | 2 638 | **2 087** | 2 189 |
| **140 743** | 77 227 | **166 147** | 201 851 | **4 698** | 3 365 |
| **46 923** | 27 056 | **68 676** | 65 689 | **2 402** | 1 749 |
| **244 142** | 165 356 | **347 423** | 338 922 | **13 659** | 10 414 |

# ANNEXURE 1 – GROUP SEGMENTAL ANALYSIS continued



*Note:*
*Graphs represent F2013 values only.*

| R'000 | Income Statement – Revenue 2013 | Income Statement – Revenue 2012 | Statement of Financial Position – Total assets (excluding non-current assets classified as held for sale, deferred taxation and cash and cash equivalents) 2013 | Statement of Financial Position – Total assets (excluding non-current assets classified as held for sale, deferred taxation and cash and cash equivalents) 2012 | Cash flow – Capital expenditure 2013 | Cash flow – Capital expenditure 2012 |
|---|---|---|---|---|---|---|
| Eastern Europe | **488 493** | 433 948 | **48 819** | 585 954 | **27 507** | 33 653 |
| Middle East | **–** | 43 805 | **442 645** | 573 531 | **–** | 2 706 |
| Eastern Africa | **86 251** | 85 986 | **464 505** | 39 914 | **10 407** | 660 |
| Southern Africa | **8 580 022** | 6 962 809 | **3 805 870** | 3 125 496 | **177 100** | 172 275 |
| Central Africa | **1 389 137** | 830 197 | **665 481** | 436 040 | **131 758** | 92 878 |
| Western Africa | **586 960** | 426 633 | **253 300** | 231 338 | **651** | 36 750 |
| Total | **11 130 863** | 8 783 378 | **5 680 620** | 4 992 273 | **347 423** | 338 922 |

# ANNEXURE 2 – COMPANY FINANCIAL STATEMENTS

## at 30 June 2013

| R'000 | COMPANY 2013 | COMPANY 2012 |
|---|---|---|
| **INCOME STATEMENT (REFER NOTES THAT FOLLOW)** | | |
| Dividends received from subsidiary | – | – |
| Taxation | – | – |
| Net profit for the year | – | – |
| **STATEMENT OF COMPREHENSIVE INCOME (REFER NOTES THAT FOLLOW)** | | |
| Net profit for the year | – | – |
| Other comprehensive income for the year net of taxation | – | – |
| Total comprehensive income for the year | – | – |
| **STATEMENT OF FINANCIAL POSITION (REFER NOTES THAT FOLLOW)** | | |
| Assets | | |
| Investment in subsidiaries | 795 691 | 830 390 |
| | 795 691 | 830 390 |
| Equity and liabilities | | |
| Stated capital | 1 229 568 | 1 219 119 |
| Accumulated losses | (433 877) | (388 729) |
| | 795 691 | 830 390 |

## 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 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-based payment expense | – | – | – | 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** |
| Issue of shares to share trust in terms of share scheme | 440 032 | (440 032) | – | – | – | – |
| Issue of shares from share trust | – | 905 651 | 905 651 | 10 207 | – | 10 207 |
| Issue of shares in terms of BEE ownership scheme in lieu of dividends | 63 957 | (63 957) | – | – | – | – |
| Share buy back | (12 356 865) | 12 356 865 | – | (30 000) | – | (30 000) |
| Issue of shares to Izakhiwo Imfundo Bursary Trust | 2 000 000 | – | 2 000 000 | – | – | – |
| Issue of shares to Black Professionals Staff Trust | 10 356 865 | (10 356 865) | – | – | – | – |
| Share-based payment expense | – | – | – | 30 242 | – | 30 242 |
| Dividends paid | – | – | – | – | (45 148) | (45 148) |
| **Balance at 30 June 2013** | **111 149 510** | **(11 643 098)** | **99 506 412** | **1 229 568** | **(433 877)** | **795 691** |

## NOTES TO THE FINANCIAL STATEMENTS

| | R'000 | COMPANY 2013 | COMPANY 2012 |
|---|---|---|---|
| 1. | **PRINCIPAL ACCOUNTING POLICIES** | | |
| | These financial statements should be read together with the group financial statements set out on pages 3 to 81. The accounting policies adopted are set out on page 17. | | |
| 2. | **INVESTMENT IN SUBSIDIARIES** | | |
| | Shares at cost | **382 747** | 382 747 |
| | Amounts owing by subsidiaries | **412 944** | 447 543 |
| | | **795 691** | 830 290 |

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 23 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 2013

| Direct subsidiaries | Issued ordinary share capital 2013 Shares | Issued ordinary share capital 2012 Shares | Percentage held 2013 % | Percentage held 2012 % | Shares at cost 2013 R'000 | Shares at cost 2012 R'000 | Amounts owing by subsidiaries 2013 R'000 | Amounts owing by subsidiaries 2012 R'000 |
|---|---|---|---|---|---|---|---|---|
| Group Five Construction (Proprietary) Limited | **1 000 001** | 1 000 001 | **100** | 100 | **14 177** | 14 177 | **412 944** | 447 543 |
| Everite Limited | **51 191 400** | 51 191 400 | **100** | 100 | **368 570** | 368 570 | **–** | – |
| | | | | | **382 747** | 382 747 | **412 944** | 447 543 |

## PRINCIPAL SUBSIDIARIES DIRECT AND INDIRECT

**Construction material supply:**

Cosmos Readymix and Concrete Products (Proprietary) Limited

**Manufacture of building products:**

Everite (Proprietary) Limited
Everite Pipes (Proprietary) Limited

**Construction activities:**

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 (Kenya) Limited
Group Five Construction Limited (Malawi)
Group Five Construction (Proprietary) Limited
Group Five Construction (UK) Limited (Mauritius and Jordan)
Group Five Contractors (Namibia) (Proprietary) Limited
Group Five (DRC) SPRL
Group Five Engineering and Construction (Proprietary) Limited ✪
Group Five Housing (Proprietary) Limited ✪
Group Five International Limited (Mauritius, Mozambique, Zimbabwe, Dubai)
Group Five International (Proprietary) Limited (Tanzania branch)
Group Five Lesotho (Proprietary) Limited
Group Five Mauritius Limited
Group Five Nuclear Construction Services (Proprietary) Limited ✪
Group Five Oil & Gas (Proprietary) Limited ✪
Group Five Plant & Equipment (Proprietary) Limited ✪
G5 Power Project Limited (Nigeria)
Group Five Power (Proprietary) Limited ✪
Group Five Projects (Proprietary) Limited ✪
Group Five Sierra Leone Limited
Group Five Swaziland (Proprietary) Limited
Group Five Tanzania Limited
Group Five (Zambia) Limited

**Infrastructure concessions:**

Intertoll (Africa) (Proprietary) Limited
Intertoll-Europe Consulting Close Limited
Intertoll Holdings (Proprietary) Limited
Intertoll Infrastructure Developments B.V.
Intertoll Zimbabwe (Proprietary) Limited

**Infrastructure developments:**

Group Five Infrastructure Developments (Proprietary) Limited ✪

**Property developments:**

Group Five Property Developments (Proprietary) Limited ✪

## NATURE OF BUSINESS

✪ Acting as an agent for Group Five Construction (Proprietary) Limited

- Unless specified, all companies are incorporated in South Africa and are 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 R272,6 million profit (2012: R278,4 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 2013

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 Iberdrola Joint Venture | South Africa | Engineering & Construction | 50;75 |
| 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 |
| 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 | 2013 | 2012 |
|---|---|---|
| **AGGREGATE FINANCIAL INFORMATION** | | |
| **Statement of consolidated financial position as at 30 June** | | |
| **Group's proportionate share of assets and liabilities:** | | |
| **Assets** | | |
| Non-current assets | **41 498** | 60 396 |
| Current assets | **2 370 902** | 2 198 379 |
| Non-current assets classified as held for sale | **9 028** | 52 058 |
| | **2 421 428** | 2 310 833 |
| **Equity and liabilities** | | |
| Shareholders' equity | **750 257** | 784 593 |
| Non-current liabilities | **6 246** | 5 347 |
| Current liabilities | **1 604 925** | 1 457 927 |
| Liabilities associated with non-current assets classified as held for sale | **–** | 62 966 |
| | **2 421 428** | 2 310 833 |
| **Income statement for the year ended 30 June** | | |
| **Group's proportionate share of income and expenditure:** | | |
| **Revenue** | **1 688 045** | 1 663 589 |
| Profit before taxation | **193 103** | 20 562 |
| Taxation | **(70 402)** | (39 136) |
| Profit/(loss) after taxation | **122 701** | (18 574) |
| Dividends received | **206 894** | 282 393 |
| **Statement of cash flow for the year ended 30 June** | | |
| **Group's proportionate share of cash flows** | | |
| Cash flow from operating activities | **19 363** | (402 193) |
| Cash flow from investing activities | **18 898** | 8 949 |
| Cash flow from financing activities | **899** | 44 730 |
| Net increase/(decrease) in cash and cash equivalents | **39 160** | (348 514) |

There are no contingent liabilities that the group is aware of that require disclosure which have not been disclosed in note 24.

# ANNEXURE 5 – INVESTMENT IN ASSOCIATES

## at 30 June 2013

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 2013 R'000 | Carrying value 2012 R'000 |
|---|---|---|---|---|---|---|
| Amanz' Abantu Services (Proprietary) Limited | South Africa | Water Supply | 100 ordinary shares of R1 each | 25.5 | **4 750** | 3 379 |
| Jozi Power Limited | South Africa | Power Supply | 3 720 000 shares of USD 1 each | 34.2 | **24 566** | 17 336 |
| Kalahari Village Mall (Proprietary) Limited | South Africa | Property Development | 255 ordinary shares of R1 each | 25.5 | **20 211** | – |
| Kayema Energy Solutions (Proprietary) Limited | South Africa | Power Supply | 408 ordinary shares of R1 each | 25.1 | **40** | 40 |
| 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* | **3 659** | 2 391 |
| Lesedi Nuclear Services (Proprietary) Limited | South Africa | Power Supply | 14 000 ordinary shares of R0.10 each | 16.05* | **11 539** | 16 000 |
| | | | | | **67 825** | 42 206 |

** 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 | 2013 | 2012 |
|---|---|---|
| **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 | **80 597** | 53 911 |
| Current assets | **74 975** | 60 221 |
| | **155 572** | 114 132 |
| **Equity and Liabilities** | | |
| Shareholder's interest | **28 819** | 33 789 |
| Non-current liabilities | **67 190** | 37 363 |
| Current liabilities | **59 563** | 42 980 |
| | **155 572** | 114 132 |
| **Income Statement for the year ended 30 June** | | |
| **Group's share of income and expenditure** | | |
| Revenue | **98 358** | 25 551 |
| Profit before taxation | **15 189** | 1 615 |
| Taxation | **(4 253)** | (452) |
| Profit after taxation | **10 936** | 1 163 |
| Dividends received | **7 415** | – |
| **Statement of cash flow for the year ended 30 June** | | |
| **Group's share of cash flows** | | |
| Cash flow from operating activities | **6 065** | (5 788) |
| Cash flow from investing activities | **(26 686)** | (4 173) |
| Cash flow from financing activities | **29 827** | 7 895 |
| Net increase/(decrease) in cash and cash equivalents | **9 206** | (2 066) |

There are no contingent liabilities that the group is aware of that require disclosure which have not been disclosed in note 24.

# ANNEXURE 6 – ANALYSIS OF SHAREHOLDERS

## at 30 June 2013

| | | No of shareholders | % | No of shares | % |
|---|---|---|---|---|---|
| 1. | **SHAREHOLDER SPREAD** | | | | |
| | 1 – 1 000 shares | 3 606 | 71.72 | 983 639 | 0.89 |
| | 1 001 – 10 000 shares | 891 | 17.72 | 3 035 086 | 2.73 |
| | 10 001 – 100 000 shares | 370 | 7.36 | 12 138 209 | 10.92 |
| | 100 001 – 1 000 000 shares | 143 | 2.84 | 41 997 261 | 37.78 |
| | 1 000 001 shares and over | 18 | 0.36 | 52 995 315 | 47.68 |
| | **Totals** | **5 028** | **100.00** | **111 149 510** | **100.00** |
| 2. | **DISTRIBUTION OF SHAREHOLDERS** | | | | |
| | Banks | 56 | 1.11 | 6 380 368 | 5.74 |
| | Close corporations | 22 | 0.44 | 129 362 | 0.12 |
| | Empowerment trusts | 3 | 0.06 | 13 634 512 | 12.26 |
| | Endowment funds | 28 | 0.56 | 664 043 | 0.60 |
| | Individuals | 4 058 | 80.71 | 5 542 116 | 4.99 |
| | Insurance companies | 45 | 0.89 | 3 555 606 | 3.20 |
| | Investment companies | 13 | 0.26 | 1 208 126 | 1.09 |
| | Medical schemes | 11 | 0.22 | 335 986 | 0.30 |
| | Mutual funds | 173 | 3.44 | 38 206 635 | 34.37 |
| | Nominees & trusts | 318 | 6.32 | 1 405 473 | 1.26 |
| | Other corporations | 11 | 0.22 | 9 982 | 0.01 |
| | Private companies | 59 | 1.17 | 2 895 309 | 2.60 |
| | Public companies | 5 | 0.10 | 20 263 | 0.02 |
| | Retirement funds | 225 | 4.48 | 37 153 143 | 33.43 |
| | Share trust | 1 | 0.02 | 8 586 | 0.01 |
| | **Totals** | **5 028** | **100.00** | **111 149 510** | **100.00** |
| 3. | **PUBLIC/NON-PUBLIC SHAREHOLDERS** | | | | |
| | Non-public shareholders | 19 | 0.38 | 14 681 681 | 13.21 |
| | Directors of the company | 2 | 0.04 | 361 179 | 0.32 |
| | Executive committee members of the company | 7 | 0.14 | 504 984 | 0.45 |
| | Senior management of the company | 6 | 0.12 | 172 420 | 0.16 |
| | Empowerment trusts | 3 | 0.06 | 13 634 512 | 12.27 |
| | Share trust | 1 | 0.02 | 8 586 | 0.01 |
| | Public shareholders | 5 009 | 99.62 | 96 467 829 | 86.79 |
| | **Totals** | **5 028** | **100.00** | **111 149 510** | **100.00** |

| | | No of shares | % |
|---|---|---|---|
| 4. | **BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE** | | |
| | Government Employees Pension Fund | 19 146 216 | 17.23 |
| | Group Five Limited Black Professionals Staff Trust | 12 356 865 | 11.12 |
| | Coronation Fund Managers | 12 065 034 | 10.85 |
| | **Totals** | **43 568 115** | **39.20** |
| 5. | **DIRECTORS OF THE COMPANY** | | |
| | MR Upton | 286 750 | 0.26 |
| | CMF Teixeira | 74 429 | 0.07 |
| | **Totals** | **361 179** | **0.33** |
| 6. | **EXECUTIVE COMMITTEE MEMBERS OF THE COMPANY** | | |
| | MJ Allie | 39 524 | 0.04 |
| | P Le Sueur | 176 330 | 0.16 |
| | AJ McJannet | 39 119 | 0.04 |
| | GD Mottram | 30 703 | 0.03 |
| | E Vemer | 50 000 | 0.04 |
| | JA Wallace | 82 150 | 0.07 |
| | WI Zeelie | 87 158 | 0.08 |
| | **Totals** | **504 984** | **0.46** |

| | | No of shares | % |
|---|---|---|---|
| **7.** | **SENIOR MANAGEMENT OF THE COMPANY** | | |
| | FH Enslin | 41 829 | 0.04 |
| | JW Hillary | 34 464 | 0.03 |
| | NM Humphreys | 56 500 | 0.05 |
| | KR Maharaj | 10 000 | 0.01 |
| | S Ryninks | 15 927 | 0.01 |
| | JAE Stragier | 13 700 | 0.01 |
| | **Totals** | **172 420** | **0.15** |
| **8.** | **EMPOWERMENT TRUSTS** | | |
| | Group Five Limited Black Professionals Staff Trust | 12 356 865 | 11.12 |
| | Black Management Scheme | 1 259 749 | 1.13 |
| | Black Management Scheme – Exiting Participants | 17 898 | 0.02 |
| | **Totals** | **13 634 512** | **12.27** |
| **9.** | **SHARE TRUST** | | |
| | Rivonia Share Scheme Services (Proprietary) Limited | 8 586 | 0.01 |
| | **Totals** | **8 586** | **0.01** |

## 10. TOP TWENTY BENEFICIAL SHAREHOLDERS BY SIZE

| Rank | Name of shareholder | No of shares | % |
|---|---|---|---|
| 1 | Government Employees Pension Fund | 19 146 216 | 17.23 |
| 2 | Group Five Limited Black Professionals Staff Trust | 12 356 865 | 11.12 |
| 3 | Coronation Fund Managers | 12 065 034 | 10.85 |
| 4 | Sanlam | 4 990 060 | 4.49 |
| 5 | Investment Solutions | 4 794 328 | 4.31 |
| 6 | Old Mutual | 2 987 469 | 2.69 |
| 7 | Dimensional Fund Advisors | 2 681 001 | 2.41 |
| 8 | Fidelity | 2 479 014 | 2.23 |
| 9 | Metal & Engineering Industries | 2 159 671 | 1.94 |
| 10 | Ellerine Brothers | 2 144 991 | 1.93 |
| 11 | Mines Pension Fund | 1 863 582 | 1.68 |
| 12 | Allan Gray | 1 632 441 | 1.47 |
| 13 | Prudential | 1 491 603 | 1.34 |
| 14 | Absa Group Pension Fund | 1 485 648 | 1.34 |
| 15 | Transnet Pension Fund | 1 474 069 | 1.33 |
| 16 | Eskom Pension & Provident Fund | 1 438 473 | 1.29 |
| 17 | Black Management Scheme | 1 259 749 | 1.13 |
| 18 | Strategic Investment Service Management Company | 1 116 734 | 1.00 |
| 19 | Namibian Government Institutions Pension Fund | 985 518 | 0.89 |
| 20 | Momentum Investments | 951 385 | 0.86 |
| **Totals** | | **79 503 851** | **71.53** |

## TOP TEN COUNTRIES BASED ON BENEFICIAL SHAREHOLDERS

| Rank | Name of shareholder | No of shares | % |
|---|---|---|---|
| 1 | South Africa | 98 418 571 | 88.55 |
| 2 | USA | 5 683 410 | 5.11 |
| 3 | Luxembourg | 2 890 418 | 2.60 |
| 4 | Namibia | 1 499 530 | 1.35 |
| 5 | Ireland | 964 043 | 0.87 |
| 6 | Sweden | 366 500 | 0.33 |
| 7 | UK | 362 541 | 0.33 |
| 8 | Norway | 261 000 | 0.23 |
| 9 | Swaziland | 231 820 | 0.21 |
| 10 | Australia | 141 673 | 0.13 |
| **Totals** | | **110 819 506** | **99.71** |

# 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, 5 November 2013 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: Receive, consider and approval of annual financial statements**
To receive, consider and approve the annual financial statements of the group for the year ended 30 June 2013, together with the directors' and independent auditors' reports and the audit committee's report.

2. **ORDINARY RESOLUTION NUMBERS 2.1 TO 2.2: Re-election of directors**
To re-elect by separate resolutions, directors of the company in accordance with the Companies Act, No. 71 of 2008 (as amended) ("the Companies Act") and the company's Memorandum of Incorporation which provide that at least one-third of the directors, being those longest in office at the date of the annual general meeting, should retire, but that such directors may offer themselves for re-election:

    2.1 **ORDINARY RESOLUTION NUMBER 2.1**
    Philisiwe Mthethwa nee Buthelezi who retires by rotation and being eligible offers herself for re-election; and

    2.2 **ORDINARY RESOLUTION NUMBER 2.2**
    Struan Robertson 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 pages 124 to 125 of this integrated annual report as well as in the online section of the integrated annual 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 KK Mpinga (member); and
    3.5 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 DDS Robertson (member)
    4.3 MR Upton (member);
    4.4 CM Teixeira (member);
    4.5 MJ Allie (member); and
    4.6 GD 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 pages 143 to 149 of this integrated annual report."

6. **ORDINARY RESOLUTION NUMBER 6: Re-appointment of auditors**
To re-appoint PricewaterhouseCoopers Inc., with the designated audit partner being Mr AJ Rossouw, as independent auditors of the company for the ensuing year and that the term of engagement and fees be determined by the audit committee.

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 ("SARS") approved in October 13, 2010, the Group Five Long Term Share Incentive Plan (LTIP) approved in November 27, 2012, any scrip dividend and/or capitalisation share award, and shares required to be issued for the purpose of carrying out the terms of the SARS and LTIP employee schemes."

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 2014 be approved as follows:

| | F2014 | F2013 |
|---|---|---|
| Main board – chairperson | R860 000 | R782 800 |
| Main board – non-executive director | R215 000 | R195 500 |
| Lead independent director | R360 600 | R337 000 |
| Audit committee – chairperson | R211 000 | R195 000 |
| Audit committee – member | R105 000 | R98 000 |
| Remuneration committee – chairperson | R143 000 | R130 400 |
| Remuneration committee – member | R73 500 | R68 600 |
| Risk committee – chairperson | R143 000 | R130 400 |
| Risk committee – member | R73 500 | R68 600 |
| Nominations committee – member | R55 500 | R51 700 |
| Social and ethics committee – chairperson | R143 000 | R130 400 |
| Social and ethics committee – member | R73 500 | R68 600 |
| Extraordinary services – per hour | R3 000 | R2 800 |

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; and
- 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;
- 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 48 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 pages 124 to 125 of this integrated annual 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. Please refer to page 30 of this integrated annual report for additional information on The Competition Commission of South Africa investigation into the Construction industry and its current and future effect on the group.

## DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on page 2 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 integrated 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 124 to 125 and 130 to 131);
- major shareholders of the company (pages 181 to 182);
- directors' interests in securities (page 181); and
- share capital of the company (page 175).

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 restructuring 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. **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 Friday, 25 October 2013, as the record date for determining which shareholders are entitled to participate in and vote at the annual general meeting.

## VOTING AND PROXIES

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy/proxies to attend, speak, and on a poll, vote in his/her stead. A proxy need not to be a member of the company. A form of proxy is attached for the convenience of any certificated shareholder and own-name registered dematerialised shareholder who cannot attend the annual general meeting, but who wishes to be represented thereat.

## CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH OWN-NAME REGISTRATION

Shareholders wishing to attend the annual general meeting have to ensure beforehand with the transfer secretaries of the company that their shares are in fact registered in their own name. Should this not be the case and the shares are registered in another name or in the name of a nominee company, it is incumbent on shareholders attending the meeting to make the necessary arrangements with that party to be able to attend and vote in their capacity.

## DEMATERIALISED SHAREHOLDERS

Shareholders who have dematerialised their shares and who wish to attend the annual general meeting have to request their Central Securities Depository Participant ("CSDP") or broker to provide them with a Letter of Representation. Should shareholders who have dematerialised their ordinary shares wish to vote by proxy, they must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between the dematerialised shareholders and their CSDP or broker.

## PROXIES

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below, by no later than 11:00 on Friday, 1 November 2013. 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
2 August 2013

| **Registered office** | **Transfer secretaries** |
|---|---|
| Group Five Limited | Computershare Investor Services (Pty) Limited |
| 371 Rivonia Boulevard | 70 Marshall Street |
| Rivonia | Johannesburg 2001 |
| 2128 | |
| PO Box 3951 | PO Box 61051 |
| Rivonia | Marshalltown |
| 2128 | 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, 5 November 2013 ("the annual general meeting") at 11:00. Group Five shareholders who have dematerialised their Group Five shares through a CSDP or broker must not complete this form of proxy and must provide their CSDP or broker with their voting instructions, except for Group Five shareholders who have elected own-name registration in the sub-register through a CSDP or broker and certificated shareholders, which shareholders must complete this form of proxy and lodge it with the transfer secretaries. Holders of dematerialised Group Five shares wishing to attend the annual general meeting must inform their CSDP or broker of such intention and request their CSDP/broker to issue them with the relevant authorisation to attend.

I/We

of (address)

being the registered holder/s of ordinary shares in the capital of the company, hereby appoint (see note 1):

1. or, failing him/her

2. or, failing him/her

3. or, failing him/her

the chairperson of the annual general meeting as my/our proxy to act for me/us at the annual general meeting for the purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s in accordance with the instructions/notes on the reverse side hereof.

| | **Proposed ordinary/special resolutions** | **In favour** | **Against** | **Abstain** |
|---|---|---|---|---|
| 1. | **Ordinary resolution number 1:** Receive, consider and approve the annual financial statements for the year ended 30 June 2013 | | | |
| 2. | **Ordinary resolution number 2:** Re-election of directors<br>2.1 Re-election of P Mthethwa nee Buthelezi as director<br>2.2 Re-election of DDS Robertson 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 committee<br>3.4 Election of KK Mpinga as member of group audit committee<br>3.5 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 LE Bakoro as member and chairperson of group social and ethics committee<br>4.2 Election of DDS Robertson 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 CM Teixeira as member of social and ethics committee<br>4.5 Election of MJ Allie as member of social and ethics committee<br>4.6 Election of GD 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 required | | | |
| 9. | **Special resolution number 1:** Authorisation of non-executive directors' remuneration | | | |
| 10. | **Special resolution number 2:** General authority to repurchase shares | | | |
| | **Special resolution number 3:** General authority to provide financial assistance to related companies and inter-related companies | | | |

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 2013

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
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


371 Rivonia Boulevard, Rivonia
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