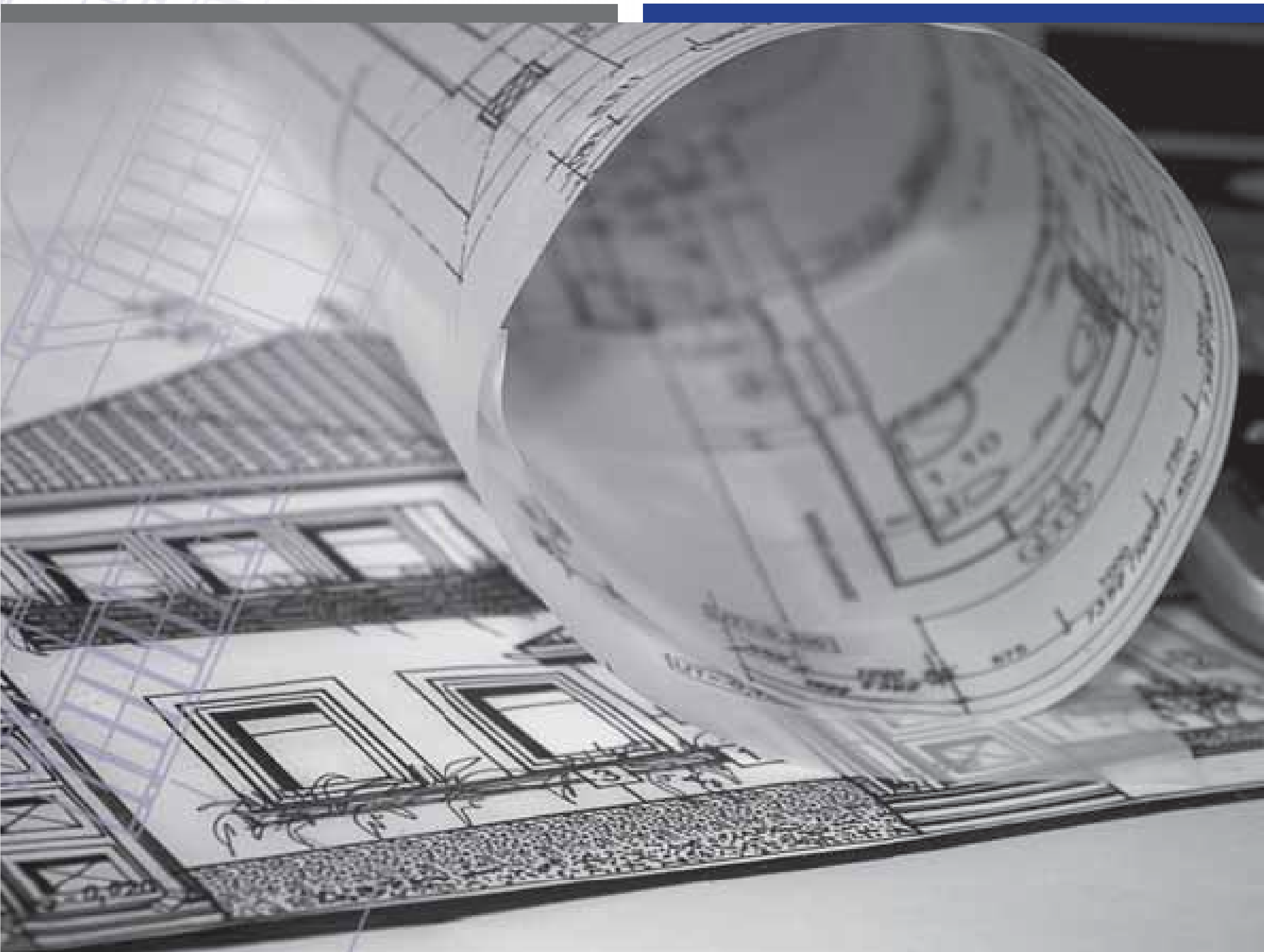
sea kay
HOLDINGS LTD.



Annual Report 2010

Contents

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Vision and mission

As part of the restructuring process, Sea Kay's management reviewed its vision and mission during a "Bosberaad" in June 2010.

The Sea Kay group's new vision is to be the preferred contractor in delivering quality and innovative civil, building and property development solutions.

Its new mission is to create integrated and sustainable communities by:
- adopting an innovative business approach;
- engaging with stakeholders in the true spirit of partnership;
- engaging, developing and retaining the finest people as the preferred employer; and
- ensuring profitable and sustainable growth.

General commentary

While the focus of the group remains on the development and construction of subsidised RDP – affordable (GAP or credit linked) and bonded housing, the civil engineering services division has grown significantly to become a key delivery area within the group.

The general construction sector within which Sea Kay operates experienced a difficult year. This was partly due to the global economic crisis, the effects of which South Africa was unable to escape. It precipitated the domestic credit crunch and caused a larger than expected shrinkage in Government's tax base. This in turn resulted in budgetary problems in some provinces, including Gauteng, where a negative impact on awards, payments and delivery in respect of mass housing was experienced.

Although some positive progress has been made by Government in restructuring its debtors and cash management system to ensure timely payments, some concerns and challenges remain in respect of the skills base that lie at the root of the lack of prompt payment processing.

High level engagement with the Gauteng Department of Housing remains a priority and although some progress in de-linking beneficiary administration from the payment process and the introduction of an extra milestone payment has been made, the certification and processing of payments within 30 days after statement still remains a challenge.
The need for regular and prompt monthly payments as an entrenched feature of policy has again been recognised by Government, as evidenced by the recent "Operation Bhadala" initiative of the Gauteng Provincial Government. This initiative recognised payment as an essential element for delivery and service providers were invited to lodge their claims outstanding as at 30 June 2009 for immediate payment.

Group structure

Sea Kay Holdings Limited
Reg. No. 2006/004967/06

100%
Sea Kay Engineering Services (Pty) Limited
Reg. No. 1995/011744/07

100%
Sea Kay Property Development (Pty) Limited
Reg. No. 2001/013668/07

100%
Seriso 474 (Pty) Limited. t/a Sedibeng Bricks
Reg. No. 2001/018982/07

100%
Sea Kay Engineering Services Gauteng Province (Pty) Limited
Reg. No. 2007/017719/07

100%
Silver Falcon 487 (Pty) Limited
Reg. No. 2007/028734/07

90%
Ibuyile Development Consortium

50%
Business Venture Investments No 2000 (Pty) Limited
Reg. No. 2008/012852/07

No share capital
Sea Kay Social Impact
Reg. No. 2008/027542/08

50,0001%
Lonerock Construction (Pty) Limited
Reg. No. 2007004925/07

100%
Pacific Coast Investments 129 (Pty) Limited
Reg. No. 2008/004729/07

100%
Sea Kay Engineering Services Western Cape (Pty) Limited
Reg. No. 2008/020690/07

100%
Sea Kay Property Development Western Cape (Pty) Limited
Reg. No. 2007/028629/07

100%
Lonerock Plant (Pty) Limited
Reg. No. 2007/035730/07

Board of directors

Pieter van der Schyf (48)

Acting Executive Chairman

Pieter is an executive director and the acting executive chairman of the Board. He graduated with BLC, LLB degrees from the University of Pretoria in 1986 and practised law until 2003 when he joined Sea Kay Engineering Services (Pty) Limited as a director and as an executive director of Sea Kay Holdings. He played a central role in a number of successful negotiations which led to early successes achieved by Sea Kay Engineering. He was appointed acting executive chairman of the Sea Kay Holdings Board from 28 January 2010 and served as acting chief executive officer for the month of February 2010.

Webber Marais (46)

Independent Non-executive Director

Webber Marais combines an academic financial background with a strong entrepreneurial approach to business. In recent years he has succeeded in building a number of profitable businesses through knowledge of the financial markets and the balance between risk and business ventures. His keen sense for market opportunities and the strategic approaches required to capitalise on such opportunities will contribute significantly to the sustained future of Sea Kay. He is a natural leader with great networking and interpersonal skills.

Anthony Green (47)

Independent Non-executive Director

Anthony holds a Masters Degree in Public Administration from the University of KwaZulu Natal, and a National Diploma in Cost and Management Accounting specialising in Cost Accounting and Financial Accounting.

He progressed through the ranks of the civil service from 1987 to 2009, ending as chief financial officer for the Gauteng Department of Housing. This accounts for his intimate knowledge of the workings and personnel of the public service in Gauteng and his passion for humanitarian-driven initiatives.

He has gathered numerous certificates and awards over his 23 years of service within the public sector and has lectured on public policy and management at various institutions.

Chairman's statement

Pieter van der Schyf

"The board will be further strengthened in the year ahead with the addition of new non-executive directors"

The financial year 2009/10 will be remembered as Sea Kay's *annus horribilis*. Sea Kay entered the financial year with a proud 10 year uninterrupted profit history that ended in a very unsatisfactory loss of R205 884 907. The underlying reasons for the loss of 48,92 cents/share, however, could not entirely be attributed to this financial year but had some distinctive roots in the previous financial years with contributing factors both within and beyond the control of the company.

Sea Kay remains focused on the delivery of subsidised, affordable and entry level bonded housing. During the past financial year the material manufacturing delivery strategy has been revisited due to the huge strain on cash-flow and the Group is in the process of streamlining activities to return to construction as the core business. There are initiatives and efforts to grow the civil services side through Lonerock it's subsidiary in that sector.

The year was distinguished by a number of serious issues the group faced that threatened it's existence. Due to the general decline in the world economy that had a severe negative impact on the housing sector the group had to rely on Government contracts to meet it's obligations. Unfortunately the Government contracts were plagued with inconsistent payment cycles and in the Western Cape, Thubelisha, the implementation agent for Government on the N2 Gateway project, operationally closed down and left with that a track of maladministration that resulted in unnecessary losses for the group.

During the financial year the Company has been engaged with 16 projects in Gauteng and the Western Cape. Those projects were in various stages of completion and some severe administrative problems prevented a number of them to be finally handed over. In total a number of more than 11 000 housing units were involved and the total value of the work exceeded R600 million. Unfortunately due to slow payments and other administrative problems only 1 290 units have been handed over and the reason for the decline in both the revenue and profit can be attributed to either non-payment or very slow payments. Internal issues with management and systems have been identified and addressed.

Government spending on the 2010 Soccer World Cup and huge infrastructure projects such as the Gautrain, soccer stadiums and roads had a negative impact on the housing sector but it is evident that the contrary is true going forward from here. It is widely expected that service delivery, including housing, is going to be a national priority for the next few years. The back-log in housing needs of ordinary South Africans remain extremely high and is estimated to be in excess of 2,2 million fully subsidised units and between 500 000 to 800 000 in the so-called “GAP” market where households earning between R3 500 and R15 000 find it very difficult to afford an entry level house.

A very slow payment process in Gauteng led to difficulties in prompt payment to the NHFC from whom the Company received a loan during the previous financial year. That resulted in two liquidation applications being lodged by the NHFC against Sea Kay Holdings and Sea Kay Engineering Services during February 2010. These applications were vigorously opposed as there were many factual and legal disputes between the two entities. Trading under those circumstances nevertheless continued as the Company believed that a settlement could be reached with the NHFC. Despite the enormous challenge of continuing operations under threat of liquidation applications, the company managed to continue completing existing contracts, obtain and start more new projects while monthly expenditure was diligently decreased on a month-to-month basis. By the time of the printing of the Annual Report the NHFC and Sea Kay reached a settlement that was made an order of Court on 6 December 2010. In terms of this agreement Sea Kay has to pay the NHFC certain upfront amounts in January 2011 and repay the balance of the outstanding amount over a five year period.

Due to the liquidation applications being served on Sea Kay the Company had to relinquish three controlling shares in Lonerock, it’s civil services subsidiary. Through on-going negotiations Sea Kay managed to obtain an option to regain control where final payments to Lonerock would be made and where the NHFC dispute had been resolved.

In Gauteng the Company went a long way to re-establish good relationships with new officials at every level and in all Regions to ensure that payment processing can be achieved quicker and more efficiently. Due to the large number of projects where the Company is still involved in it is difficult but important to ensure systems are in place and coordinated with Government in order for payment cycles to shorten. In the Western Cape the Provincial Housing Department took over from Thubelisha and the company (through it’s joint venture Ibuyile) are now either contracting directly with the Provincial Department or through the various local authorities. Payment cycles in the Western Cape are strictly 30 days to which the company strives for in Gauteng as well. Due to the payment cycle of the Western Cape the Group would like to explore more projects and contracts in that Region.

The financial year was dominated by the struggle to protect investor value while due regard has been paid to the interests of creditors and clients. Although the slow payment from Government and the impact of the liquidation applications against Sea Kay had a severe impact on the capacity of the Group to access working capital, the company nevertheless succeeded to grow its order-book and by the time of the printing of this report the Company has a current work-flow of more than 6 000 housing units with a value of more than R360 million (excluding Lonerock’s order-book). The potential order-book that the Company is engaged in negotiations within the next 6 months runs into thousands of units and should ensure a sustainable future for the Group.

The operational subsidiary of the group operating in the Western Cape Province, Sea Kay Engineering Services Western Cape (Pty) Limited, is currently fully operational and executing a number of projects to the value of just over R200 million. It is in the process of commencing with its second turn-key project in the Western Cape since the inception of the N2 Gateway project. This project is called “Nuwe Begin” where approximately 1 800 housing units ranging from BNG to GAP housing are being developed in a 50% partnership with another local property development group. The business has great potential and will in the next financial year positively contribute towards the financial position of the group. This should further strengthen the Western Cape operations as well as the group’s property development capabilities.

During the coming year, Sea Kay will focus strongly on its restructuring plan to improve efficiencies and controls and to ensure it is effectively structured for anticipated increases in operational activities. The ratio of the operational expenses against revenue will be brought in line with other construction companies operating in the same sector and should lead to improved results for the core business.

Chairman's statement

continued

Sea Kay management is confident that there is potential for long-term growth in the group in all three spheres, namely infrastructure, housing construction and property development due to the continued significant need for housing and integrated housing projects.

The business strategy of the Group has been under review for some time and strategic changes regarding certain risks have been identified. The dependency on Government contracts have been identified as a potential weakness and steps are being taken to grow activities into the private sector where revenue can be regulated with more certainty and control. The re-financing of the Group also remains a top priority and an effort will be made during the next financial year to address this challenge. Strategic partnerships with other stakeholders such as big material suppliers are being explored to ensure that construction can be returned to a maximum level on all projects and construction sites.

The board experienced several changes during this financial year. Mr. Corné Kruger resigned in September 2009 as CEO to explore other interests and Mr. Mike Lomas who chaired the board since the Group's listing in August 2007 left in December 2009 after he stayed a few months longer than he initially agreed to. The company appreciates the effort and devotion of both men and wishes them well in their respective future endeavours. In January 2010 Messrs Achter Deshmukh, Farid Hartnik and Mitesh Patel resigned and Messrs Aaref Osman (CEO) and Anthony Green joined the board. Mr Osman sadly and suddenly passed away on 14 September 2010 and the Company's sincere condolences have been passed on to his family. By the time of the printing of this report Mr Landiwe Mahlangu has joined the board as non-executive chairman and his wealth of experience and qualifications in the financial sector will certainly boost the Company and especially the board's capacity to lead the Company into the future.

The management team was boosted with the appointment of Mike Fischer as COO and the rest of the team has worked hard to ensure productivity and capacity was increased with the decline in monthly costs. The whole team and especially the Lonerock management (Fred Poggenpoel and Jan van der Walt) are thanked – their devotion and efforts during extremely difficult times are truly appreciated.

Pieter van der Schyf
Acting executive chairman

Corporate governance report

Compliance with corporate governance

Good corporate governance is an integral part of the group's operation. Accordingly, the board is fully committed to implementing the principles and recommendations of the King III Report on Corporate Governance. It was released on 1 September 2009 and became effective from 1 March 2010 with significant additional recommendations on enhanced governance and reporting for companies.

Because of several changes to the board and senior management and extreme financial constraints, however, full compliance with the requirements of even the King II Report was not always possible or effective in practice during the year under review.

Nevertheless, the executive committee is in the process of updating its policies, structures and procedures for compliance with King III. It has, for example, turned its attention to:

- Board and committee charters;
- Terms of reference for the offices of chairman, chief executive officer, company secretary etc; and
- Various policies and codes.

In order to instil and entrench the principles of good corporate governance in the company at large, a 'Bosberaad' was held in June 2010. Here:

- Staff members were instructed in the relevant policies and procedures of the company, especially in the new human resource policies, such as HIV/Aids, Code of ethics etc;
- It was emphasised that the board is committed to making decisions in the best interests of the company;
- It was highlighted that management aims to serve the interests, and meet the expectations of internal and external stakeholders;
- A new reporting structure, from the bottom up to the board, was compiled; and
- New corporate vision, mission, strategy values were strategically approved.

Within these limitations and constraints the current board continues its endeavours to set up the necessary structures to ensure compliance and retain full and effective ongoing control over the group's business conduct, integrity, governance and sustainability performance in accordance with generally accepted corporate governance practices.

The board has complied with the requirements set out in King II and the specific requirements of the JSE Listing requirements, other than as detailed below.

The board

Board Charter

The board charter – modelled on the charter principles recommended by King II – incorporates the power of the board and provides a clear, concise overview of the division of responsibility and accountability of the board members, collectively and individually, to ensure a balance of power and authority.

Included in the board charter is a policy detailing appointments to the board, which appointments are formal and transparent and are dealt with by the board as a whole.

A new board charter, incorporating the additional recommendations contained in King III, is in the process of being reviewed by the board before it is adopted and implemented.

Composition

The board is a unitary body and its composition, as well as that of its committees, changed several times during the year under review. The board does not comprise a majority of independent non-executive directors and this situation existed for an average of six months during the year under review. The current board structure is as follows:

- P van der Schyf — Acting executive chairman and chief executive officer of the board;
- BW Marais — Independent non-executive director, and
- AV Green — Independent non-executive director.

Corporate governance report
continued

Further information relating to the structure of the board during the year under review is set out below.

Because of financial constraints, the company was unable to comply with the JSE Listing Requirements to fill the following vacant positions from the dates specified:

- Independent non-executive chairman of the board from 4 December 2009;
- Independent non-executive chairman of the audit and risk committee from 28 January 2010;
- Independent non-executive chairman of the remuneration and nomination committee from 4 December 2009; and
- Executive financial director, the office being currently overseen in a 'caretaker' capacity by Mrs K van der Vyver BCom(Acc), Professional Accountant (SA) from 1 April 2010.

The composition of the board is and will be regularly reviewed to align the company more closely with the provisions of King III as far as financially possible.

The criteria for designating directors as executive, non-executive or independent non-executive are in line with the provisions of the JSE Limited Listings Requirements.

Responsibilities
The board of directors is responsible to shareholders for the performance of the company. Its role includes the establishment, review and monitoring of strategic objectives and direction, approval of major acquisitions, disposals and capital expenditure and overseeing the group's systems of internal control, governance and risk management.

The board gives special attention to the management of the company by providing effective leadership based on:

- An ethical foundation;
- Defining company objectives;
- Considering strategies and plans of defined objectives;
- Appreciating that strategy, risk, performance and sustainability are inseparable;
- Responsible corporate citizenship;
- Effective ethics;
- Acting as the custodian of corporate governance;
- Ensuring succession planning at senior levels;
- Implementing and maintaining the company's policies, such as communication and investment ;
- Overseeing director selection, orientation and evaluation; and
- Agreeing performance criteria, etc.

Matters reserved for the board
The board reserves the approval of certain matters to itself. These matters include, but are not restricted to:

- Approval of financial statements;
- Payment of dividends;
- Planning capital expenditure;
- The group's business strategies;
- Approval of the group's policies;
- The annual capital expenditure plan;
- Major capital intensive projects; and
- Major changes to the group's management and control structure.

Operation of the board
Under normal circumstances the board delegates to management the detailed planning and implementation of the objectives and policies in accordance with appropriate risk parameters. The board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through performance monitoring, reporting and budget updates.

In such circumstances the board further governs through clearly mandated board committees, each with a specific written charter adopted by the committee and the board and available, on request, from the company secretary. Board and committee meetings are held in an atmosphere of intellectual honesty of purpose, integrity and mutual respect, requiring reporting of the highest standard by management and direct, robust and constructive challenge and debate among board and committee members. All committee chairmen report orally on the proceedings of their committees at the board meetings, and the minutes of the meetings of all board committees are included in the papers distributed to board members in advance of the next Board meeting.

The board will continue to retain full and effective control over the business of Sea Kay and will, at the same time, ensure a clear balance of power and authority to ensure that no one individual has unfettered powers of decision making.

Conflict of interests

Directors are required to disclose to the board through the company secretary any conflicts or potential conflicts of interest which they may have in relation to particular items of business.

Board meetings

Five board meetings and seven special board meetings were held during the year under review. Attendance by the directors at the meetings was as follows:

Board meetings	1 Jul 2009	Special 8 Jul 2009	Special 6 Aug 2009	Special 20 Aug 2009	9 Sep 2009	23 Sep 2009	Special 23 Oct 2009	Special 13 Nov 2009	25 Nov 2009	Special 18 Jan 2010	Special 29 Jan 2010	11 Mar 2010
MH Lomas[1] (Resigned 4 December 2009)	√	√	√	√	√	A	√	√	√	N/A	N/A	N/A
BW Marais	√	√	√	A	√	√	√	√	√	√	√	√
CK Louw (Resigned 30 November 2009)	√	√	√	√	√	√	√	X	A	N/A	N/A	N/A
AA Deshmukh[2] (Resigned 28 January 2010)	√	√	√	√	√	√	√	√	√	√	N/A	N/A
C Kruger (Resigned 7 September 2009)	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
P van der Schyf[3]	√	√	√	√	√	√	√	√	√	√	√	√
G Olivier (Resigned 31 March 2010)	√	√	√	√	√	√	√	√	√	√	√	A
F Hartnick (Appointed 7 September 2009 and resigned 1 February 2010)	N/A	N/A	N/A	N/A	√	√	√	√	√	√	√	N/A
MM Patel (Appointed 1 December 2009 and resigned 28 January 2010)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	A	√	N/A	N/A
AO Osman (Appointed 1 February 2010 and deceased 15 September 2010)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√
AV Green (Appointed 1 February 2010)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√

A = Apology
X = No apology
N/A = Not applicable
[1] Chairman until 4 December 2009
[2] Acting chairman between 4 December 2009 and 28 January 2010
[3] Acting executive chairman from 28 January 2010

Corporate governance report
continued

Board evaluation
Performance evaluation is an effective way of assessing the board's performance and bringing issues to light where remedial action can be taken. However, due to directors' resignations and pressing operational exigencies during the review period, the last assessments were done during 2009. No further internal self-assessment was done on:
- The board as a whole by all board members;
- The chairman by the directors;
- Individual board members by the chairman;
- The chief financial officer; and
- The newly appointed directors.

Director induction, development and training
Newly appointed directors receive a comprehensive, structured induction pack providing detailed information on the group, dealing with their duties and introducing them to the company's business activities and senior managers. As part of their briefing, non-executive directors visit key sites and meet managers and employees to gain a better understanding of the group and its operations. All existing executive directors act as mentors to newly appointed non-executive directors, giving guidance and advice as required.

The company has committed itself to providing continuing professional development training opportunities for its directors and officers by:
- Providing training through external training providers;
- Briefing directors from time to time on relevant new laws and regulations as well as changing commercial risks; and
- Organising annual briefing sessions on corporate governance, strategy, stakeholder issues, finance and risk management, etc.

The roles of chairman of the board and chief executive officer
During February 2010, Mr P van der Schyf (executive director) fulfilled the roles as acting executive chairperson and chief executive officer, but the roles are required to be separate in terms of the JSE Listings Requirements and the company's board charter, with separate responsibilities, as set out in their respective terms of references and as agreed by the board of directors.

In terms of the JSE Listing Requirements, a lead independent director should be appointed when the chairperson is not independent, however, the company was unable to comply with this requirement from 4 December 2010 until year end.

During the year under review, the board was chaired by:
- Mr MH Lomas, an independent non-executive director from 1 July 2009 until 4 December 2010;
- Mr AA Deshmukh, a non-executive director, in an acting capacity from 4 December 2010 until 28 January 2010; and
- Mr P van der Schyf, as the acting executive chairperson from 28 January 2010 to date.

The chairperson is responsible for *inter alia*, providing leadership to the board and overseeing its efficient operation.

During the year under review, the office of chief executive officer was occupied by:
- Mr C Kruger, from 1 July 2009 until 7 September 2009;
- Mr F Hartnick, from 7 September 2009 until 1 February 2010;
- Mr P van der Schyf, for the month of February 2010;
- Mr AO Osman, from 1 March 2010 until 15 September 2010; and
- Mr P van der Schyf, from 16 September 2010 to date.

The chief executive officer is responsible for *inter alia*, formulating, implementing and maintaining the strategic direction of the company, as well as ensuring that the day-to-day affairs of the group are appropriately supervised and controlled.

Company secretary
All directors have access to the advice of the company secretary and through her office to independent professional advice, at the company's expense.

The company secretary is responsible for providing the chairman and directors, individually and collectively, with advice on corporate governance and on compliance with legislation and JSE Listings Requirements.

Stakeholder communication

The directors promote dialogue with stakeholders and appreciate the value of good media relations. In all communications with stakeholders, the board aims to present a balanced and understandable assessment of the company's position. This is achieved through adhering to principles of openness and substance over form and striving to address material matters of significant interest and concern to all stakeholders.

The board encourages shareholder attendance at general and annual general meetings and where appropriate, provides full and understandable explanations of the effects of resolutions proposed.

Communication with institutional share owners and investment analysts is maintained through periodic presentations of financial results, one-on-one visits, trading statements and press announcements of interim and final results, as well as the proactive dissemination of any messages considered relevant to investors.

The executive committee is also in the process of compiling a Policy on Communication with Stakeholders, compliant with King III, for approval by the board.

Board committees

The board of directors is assisted by the following committees:

- An audit and risk committee; and
- A remuneration and nominations committee.

The board has delegated specific responsibilities to its committees. Those responsibilities have been formally documented in the charter for each committee, which is in the process of being reviewed to incorporate the additional recommendations contained in King III, to be adopted and implemented.

Due to the various changes in the compositions of the committees, especially the absence of a chairman:

- They did not meet as regularly as recommended;
- The effectiveness of each committee during the period under review was not reviewed by the board; and
- Their respective responsibilities were managed by the full board.

Audit and risk committee

Ms CK Louw, an independent non-executive director, chaired this committee until 30 November 2009, when she resigned and Mr MM Patel was appointed in her stead from 1 December 2009 until 28 January 2010, when he resigned. Thereafter, this committee was without a chairman.

Currently, the committee consists of one member: Mr BW Marais, an independent non-executive director, since Mr MH Lomas resigned on 4 December 2009.

The committee normally meets four times a year, but only met twice during the year under review.

Audit and risk committee meetings	1 Jul 2009	23 Sep 2009
CK Louw[1] (Resigned 30 November 2009)	√	√
MH Lomas (Resigned 4 December 2009)	√	A
BW Marais	√	√
MM Patel[2] (Appointed 1 December 2009 and resigned 28 January 2010)	N/A	N/A

A = Apology
[1] Chairman until 30 November 2009
[2] Chairman from 1 December 2009 until 28 January 2010

When the committee is fully functional, its responsibilities include:

- Financial reporting issues;
- Internal and external audit management;
- Setting a policy with regard to non-audit services provided by the external auditor;
- Compliance with laws and regulations;
- Risk management; and
- The development/maintenance of an effective internal control system.

Committee members also have unrestricted access to information and management of the company and, where appropriate, may seek the advice of independent professionals on matters concerning the affairs of the company, at the expense of the company.

The committee satisfied itself of the appropriateness of the expertise and experience of the financial director (when the company had one).

Remuneration and nomination committee

Mr MH Lomas, an independent non-executive director, chaired this committee until 4 December 2009 when he resigned and no new appointment has been made.

Currently, the committee consists of one member: Mr BW Marais, an independent non-executive director, since Mr AA Deshmukh resigned on 28 January 2010.

The committee normally meets four times a year but only met once during the year under review.

Corporate governance report
continued

Remuneration and nomination committee meeting	1 Jul 2009
MH Lomas[1] (Resigned 4 December 2009)	√
BW Marais	√
AA Deshmukh (Resigned 28 January 2010)	√

1 Chairman until 4 December 2009

When the committee is fully functional, its responsibilities include:
- Maintaining an appropriate remuneration philosophy and strategy that will attract, retain and motivate executives
- Ensuring Sea Kay's directors and senior executives are fairly rewarded;
- Providing for succession planning;
- Assessing the effectiveness of the composition of the board;
- Vetting the individuals proposed for directorship and making recommendations to the full board for approval; and
- Evaluating the performance of the board and individual directors.

Dealings and securities
The company has a Personal Account Trading Policy which prohibits dealings in securities by directors, officers and employees for designated periods preceding the announcement of its financial results or in any other period considered sensitive.

Directors, officers and employees are required to obtain authorisation from the company secretary and/or other signatories so authorised from time to time before executing any trades.

Internal controls and risk management
In the absence of a functioning audit and risk committee, the board is responsible for the group's internal controls and risk management. Systems are in place for monitoring internal controls based on critical risk areas identified. These systems provide reasonable assurance that assets are protected against loss, and that transactions are properly authorised, recorded and are within the parameters of the nature of group operations.

The board is committed to employing internal auditors as soon as it can be financially afforded.

Economic, social and environmental matters
The board acknowledges the principles of King III pertaining to:
- Corporate citizenship;
- Social transformation and investment through tangible and reportable programmes;
- Social and human capital;
- Safety and health;
- BEE; and
- Sustainability reporting.

The board further acknowledges, however, that severe financial constraints and the pressure of major operational issues currently render any attempt at acting on these matters unfeasible.

Human resource matters
The company's Human Resources Department that was created during the previous year was closed down due to the resignation of the Human Resources manager during January 2010. All matters such as:
- Human capital and rights;
- Employment equity;
- Health and safety; and
- Skills development

are now either addressed by the financial department or outsourced to an external human resources service provider.

Further, a site training and a skills development programme is in place to create the necessary skills within the local communities in which the company works.

The company has a bursary system in place, through which it supports staff in tertiary training.

SEA KAY HOLDINGS LTD.

Annual Report 2010

Annual Financial Statements

The reports and statements set out below comprise the annual financial statements presented to the shareholder:

Report of the independent auditors

To the Members of Sea Kay Holdings Limited and its subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying Annual Financial Statements and Group Annual Financial Statements of Sea Kay Holdings Limited, which comprise the directors' report, the Statement of Financial Position as at 30 June 2010, the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 18 to 72.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, No 61 of 1973 (as amended), of South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

We draw attention to the Going Concern paragraph contained in the Directors report.

The Group reported a headline loss attributable to the owners of the parent of R149 057 150, and experienced significant pressures on liquidity during the period under review, partially as a result of disputes with certain debtors and financiers.

The ability of the Group to honour its commitments and provide adequate working capital to sustain its operations are dependent on a combination of factors including the successful outcome of negotiations, procuring additional funds and/or refinancing certain operations as well as a return to profitability.

The uncertain outcome of these events indicate material uncertainties which cast doubt on the Groups ability to continue as a going concern and the Group may therefore not be in a position to realise its assets and discharge its responsibilities in the normal course of business.

Report of the independent auditors (continued)

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Sea Kay Holdings Limited and its subsidiaries as at 30 June 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

We draw attention to Note 8, Corporate Governance, to the directors' report where the Board has assumed the roles of the audit committee which is not in terms of Section 269(1) of the Corporate Laws Amendment Act.

SAB&T Incorporated

SAB&T Chartered Accountants Incorporated
Registered Auditors
Per: Bashier Adam

17 December 2010

119 Witch-Hazel Avenue
Highveld Technopark
Centurion, 0046

Declaration by company secretary

I certify that the requirements as stated in section 268G (d) of the Companies Act have been met and that all returns, as are required of a public company in terms of the aforementioned Act, have been submitted and that such returns are, to the best of my knowledge, true, correct and up to date in respect of the year ended 30 June 2010.

H Boshoff
Group Company Secretary
Centurion
17 December 2010

Directors' responsibilities and approval

The directors are required by the Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The 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. These 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 that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently reviewing and reporting on the group's annual financial statements. The annual financial statements have been examined by the group's external auditors and their report is presented on page 14.

The annual financial statements set out on pages 22 to 72, which have been prepared on the going concern basis, were approved by the board of directors on 17 December 2010 and were signed on its behalf by:

P van der Schyf
Acting executive chairperson and chief executive officer

BW Marais
Non-executive director

AV Green
Non-executive director

Directors' report

The directors submit their report for the year ended 30 June 2010.

1. Review of activities

Main business and operations

The group is a holding company of a number of subsidiary companies and joint ventures principally engaged in construction, civil engineering, materials, services and building contract activities and operate principally in South Africa.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net loss of the group was R205 884 907 (2009: R41 641 229 profit), after taxation of R10 403 838 (2009: R(16 097 060)).

2. Statement of going concern

The directors embarked on a process to address the uncertainties identified by management and alluded to in the auditor's audited opinion. This process incorporates the review and restructuring of receivables and payables processes to ensure that the group will be in a position to operate adequately and includes a potential fund-raising exercise where a potential initial funder has been identified. The most significant factor to continue as a going concern is that the directors procure funding for the ongoing operations for the company.

In this regard the settlement with the NHFC that has been made an order of court on 6 December 2010 is an important milestone for the Group. The settlement effectively removed the liquidation applications against both Sea Kay Holdings Limited and Sea Kay Engineering Services (Pty) Limited and re-opened the Group's ability to access normal credit lines. This is subject to initial payments to be made during January 2011 to the NHFC totalling R44 million (plus a guarantee of R6 million) that will be issued in favour of the NHFC (currently the guarantee is cash paid into Investec by the Group and issued as a performance guarantee in favour of George Local authority) and the repayment of R65 million over 60 months.

Negotiations with PGWC Housing in terms whereof an amount of R29,5 million will be made available to be paid directly to the NHFC during January 2011 is at a matured stage but still not confirmed at the date of this report. The balance of the initial payment(s) to the NHFC should be achieved by the Group through the GDoH debtor where adequate funds are expected to be available to achieve this.

The need to re-finance some creditors and provide for working capital remains a high priority but can be achieved through financial institutions such as the IDC or DBSA.

The audited group annual financial statements have accordingly been prepared on the going concern basis. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent operations and commitments will occur in the ordinary course of business.

3. Post balance sheet events

Investment in Lonerock Construction (Pty) Limited

A revised agreement was signed on 14 November 2009 in respect of the Lonerock acquisition as stated in the 2009 Annual Report. In terms of this agreement, Sea Kay's interest in Lonerock decreased from 60% to 50,01% with the outstanding purchase consideration payable by 14 November 2010.

Directors' report (continued)

Sea Kay failed to make the outstanding payment on the 14 November 2010, as a result three ordinary shares in Lonerock were returned to the vendors. The effect hereof is that Sea Kay's shareholding in Lonerock decreased to 49,99% resulting in temporary loss of control of the Lonerock subsidiary.

As a result of Sea Kay's inability to repay the outstanding purchase consideration, as detailed above before 14 November 2010, addenda to the relevant Lonerock acquisition agreements have been signed, in terms of which Sea Kay is granted an option to revert its shareholding in Lonerock from 49,99% to 50,01% ("the option").

The option is valid for a period of 30 days after the following pre-conditions have been fulfilled:
- settlement by Sea Kay of the outstanding purchase consideration by no later than 31 August 2011
- the NHFC has not pursued its current application for the liquidation of Sea Kay;
- Sea Kay has not committed any breach of the terms and conditions of the relevant agreements and no trigger events have occurred; and
- Sea Kay has sourced additional contracts for Lonerock to the extent of at least R200 million.

The application for the liquidation of Sea Kay, brought by the National Housing Finance Corporation Limited ('NHFC"), resulted in a 'trigger event' in terms of the agreements and accordingly the interest rate on the outstanding purchase consideration increased to prime plus 15 percentage points.

National Housing Finance Corporation Limited (NHFC)
The NHFC served applications for liquidation, in February 2010, on both Sea Kay Holdings Limited and Sea Kay Engineering Services (Pty) Limited, a wholly owned subsidiary of Sea Kay Holding Limited. Both applications relate to the outstanding loan of R113,5 million as at the end of June 2010 (refer to note 19) by the NHFC to Sea Kay Engineering Services (Pty) Limited and for which obligation Sea Kay Holdings Limited signed surety.

Subsequent to year end Sea Kay and the NHFC signed a settlement agreement in terms of which NHFC agreed to withdraw the liquidation application conditional upon the replacement thereof with an agreement in terms of which Sea Kay agrees to repay a significant portion of the outstanding amount on or before 11 and 31 January 2011 respectively, and a repayment of a further amount, with interest, in equal instalments over five years (refer to note 18).

Investment in joint venture: Ibuyile Development Consortium (Ibuyile)
A financial dispute arose between Ibuyile and its client, Thubelisha Homes (the implementing agent on the N2 Gateway project in the Western Cape, which has subsequently been wound down by Government). A mediation agreement has been entered into with the Provincial Government in the Western Cape, and that process has been finalised early in December 2010. A few issues of the dispute have been negotiated further between Ibuyile and the PGWC Housing department at the time of this report and it is expected that those issues will be resolved by early 2011.

Sale of two wholly owned subsidiaries:
A change in business strategy was implemented in order to ease the cash flow burden on the group through the proposed sale of subsidiaries, Seriso 474 (Pty) Limited t/a Sedibeng Bricks and Silver Falcon Trading 487 (Pty) Limited, which disposals will be submitted to shareholders for approval in the near future.

Sedibeng Bricks was sold to a related party, Corné Kruger Familie Trust on the 1st of July 2010 for a consideration of R6 700 000. Silver Falcon was also sold to the same related party, through Kusasa Commodities 148 (Pty) Limited, on the 1st of July 2010 for a consideration of R100.

Directors' report (continued)

Both sales are subject to shareholders' approval and the proceeds thereof will be offset against the loan account of Corné Kruger Familie Trust in the wholly owned subsidiary, Sea Kay Engineering Services (Pty) Limited.

4. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the group during the year under review.

5. Borrowing limitations

In terms of the Articles of association of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate.

6. Non-current assets

Property, plant and equipment to the value of R6 178 788 (2009: R40 403 651) was acquired by the company during the year under review. There were no changes in the policy relating to the use of non-current assets. Property, plant and equipment with a book value of R3 601 768 (2009: R792 124) was disposed of during the year under review.

7. Dividends

No dividends were declared or paid to shareholders during the year.

8. Corporate Governance

As a result of the difficult circumstances encountered by the company during the period under review, certain Corporate Governance protocols have not been implemented. In this regard the board of directors assumed the responsibilities of the Audit Committee during the year.

9. Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality	Changes
C Kruger	South African	Resigned 07 September 2009
P van der Schyf	South African	
MH Lomas	British	Resigned 04 December 2009
BW Marais	South African	
G Olivier	South African	Resigned 31 March 2010
CK Louw	South African	Resigned 30 November 2009
A Deshmukh	South African	Resigned 28 January 2010
AO Osman	South African	Appointed 01 February 2010, deceased 14 September 2010
AV Green	South African	Appointed 01 February 2010
F Hartnick	South African	Appointed 04 December 2009, resigned 01 February 2010

Directors' report (continued)

10. Secretary

The secretary of the company is Mrs H Boshoff of:

Business address	7 Patton Street Duncanville Vereeniging 1930
Postal address	PO Box 925 Meyerton Gauteng 1960

11. Interest in subsidiaries

Name of subsidiary	Country of incorporation	Net income/(loss) after tax R'000
Sea Kay Engineering Services (Pty) Limited	South Africa	(180 228)
Seriso 474 (Pty) Limited	South Africa	(2 465)
Lonerock Construction (Pty) Limited	South Africa	70 521
Silver Falcon Trading 487 (Pty) Limited	South Africa	(3 246)
Sea Kay Engineering Services Gauteng (Pty) Limited	South Africa	(40)
Sea Kay Property Development (Pty) Limited	South Africa	(3 719)
Pacific Coast Investments 129 (Pty) Limited	South Africa	(344)
Sea Kay Property Development Western Cape (Pty) Limited	South Africa	(3)
Sea Kay Engineering Services Western Cape (Pty) Limited	South Africa	(3 886)

12. Auditors

SAB & T Incorporated will continue in office in accordance with section 270(2) of the Companies Act, and the registered auditor will be Mr Bashier Adam.

13. Shareholders' analysis

Details of shareholders categories on pages 73 to 74 of this report.

14. Interest of directors

At 30 June 2010, the directors of the company held direct and indirect beneficial interest in the company's issued ordinary shares. Details of ordinary shares held per individual director are listed below.

Beneficial	30 June 2010 Direct	30 June 2010 Indirect	30 June 2009 Direct	30 June 2009 Indirect
C Kruger and associates	–	Resigned	–	61 403 696
P van der Schyf and associates	–	37 290 499	–	41 790 499
AA Deshmukh and associates	–	Resigned	–	119 382 825
BW Marais and associates	100 000	24 491 161	–	25 371 161
MH Lomas	–	Resigned	3 000 000	–
TOTAL	100 000	61 781 660	3 000 000	247 948 181

There have been no changes in the directors' interests post the company's year-end.

Statement of financial position

as at 30 June 2010

	Notes	Group 2010 R'000	Group 2009 R'000
Assets			
Non-current assets			
Property, plant and equipment	3	111 460	123 628
Goodwill	4	90 417	202 167
Intangible assets	5	95	244
Deferred tax	10	–	2 379
		201 972	328 418
Current assets			
Inventories	12	11 995	20 117
Capital accounts to other ventures	7	109	495
Loans and receivables	9	1 913	1 915
Amounts due by customers	13	62 104	103 869
Trade and other receivables	14	249 489	364 406
Cash and cash equivalents	15	66 635	119 829
		392 245	610 631
Total assets		594 217	939 049
Equity and liabilities			
Equity			
Equity attributable to equity holders of parent			
Share capital	17	170 076	170 076
(Accumulated loss)/retained earnings		(106 376)	149 252
		63 700	319 328
Non-controlling interest		44 145	7 171
		107 845	326 499
Liabilities			
Non-current liabilities			
Loans payable	8	32 535	29 067
Other financial liabilities	18	92 499	1 311
Finance lease obligation	19	2 835	16 752
Deferred tax	10	13 112	34 451
		140 981	81 581
Current liabilities			
Capital accounts from other ventures	7	3 274	3 126
Short term portion – loans payable	8	170	1 734
Other financial liabilities	18	120 442	252 057
Current tax payable		5 275	11 585
Finance lease obligation	19	13 691	18 477
Lease smoothing reserve	11	310	265
Trade and other payables	21	157 101	176 952
Excess billing over work done	13	33 689	62 917
Bank overdraft	15	11 439	3 856
		345 391	530 968
Total liabilities		486 372	612 550
Total equity and liabilities		594 217	939 049

Statement of comprehensive income

for the year ended 30 June 2010

	Notes	Group 2010 R'000	2009 R'000
Revenue	22	647 375	841 389
Cost of sales		(602 853)	(603 382)
Gross profit		44 522	238 007
Other income	23	1 692	7 755
Operating expenses		(227 575)	(144 368)
Operating (loss)/profit	24	(181 361)	101 394
Investment income	25	7 928	8 922
Finance costs	26	(42 857)	(52 578)
(Loss)/profit before taxation		(216 290)	57 738
Taxation	27	10 404	(16 097)
(Loss)/profit for the year from continued and discontinued operations		(205 886)	41 641
Other comprehensive income		–	–
Total comprehensive (loss)/income		(205 886)	41 641
(Loss)/profit attributable to:			
(Loss)/profit for the year from continued operations		(205 886)	41 324
Profit for the year from discontinued operations	16	–	317
		(205 886)	41 641
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(239 173)	25 183
Non-controlling interest		33 287	16 458
		(205 886)	41 641
Earnings per share – basic (cents)	37	(48,92)	5,16
Fully diluted headline earnings per share – basic (cents)	37	(30,49)	5,05

Statement of changes in equity

for the year ended 30 June 2010

	Share capital R'000	Share premium R'000	Total share capital R'000	Retained earnings/ (accumu-lated loss) R'000	Total attributable to equity holders of the group/ company R'000	Non–controlling interest R'000	Total equity R'000
Group							
Balance at 1 July 2008	–	153 099	153 099	124 069	277 168	(1 539)	275 629
Changes in equity							
Total comprehensive income for the year	–	–	–	25 183	25 183	16 458	41 641
Issue of shares	–	16 977	16 977	–	16 977	–	16 977
Changes in ownership interest – control not lost	–	–	–	–	–	(7 748)	(7 748)
Business combinations	–	–	–	–	–	–	–
Total changes	–	16 977	16 977	25 183	42 160	8 710	50 870
Balance at 1 July 2009	–	170 076	170 076	149 252	319 328	7 171	326 499
Changes in equity							
Total comprehensive loss for the year	–	–	–	(239 173)	(239 173)	33 287	(205 886)
Adjustment of partial disposal of subsidiary	–	–	–	(16 455)	(16 455)	3 687	(12 768)
Total changes	–	–	–	(255 628)	(255 628)	36 974	(218 654)
Balance at 30 June 2010	**–**	**170 076**	**170 076**	**(106 376)**	**63 700**	**44 145**	**107 845**
Note(s)	17	17	17				

Statement of cash flows

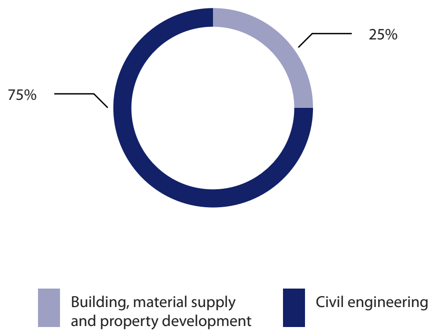
for the year ended 30 June 2010

		Group	
	Notes	2010 R'000	2009 R'000'0
Cash flows from operating activities			
Cash receipts from customers		762 291	891 110
Cash paid to suppliers and employees		(693 305)	(821 953)
Cash generated from operations	29	68 986	69 157
Interest income		7 928	8 922
Dividends received		–	–
Finance costs		(42 857)	(52 238)
Tax paid	30	(14 573)	(15 005)
Net cash from operating activities		19 484	10 836
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(6 179)	(40 404)
Sale of property, plant and equipment	3	3 602	1 313
Purchase of other intangible assets	5	–	–
Loans repaid/(advanced) to joint ventures		533	184
(Repayments)/(advance) of loans and receivables		2	(1 915)
Proceeds/(purchase) of other financial assets		–	–
Net cash from investing activities		(2 042)	(40 822)
Cash flows from financing activities			
Proceeds on share issue	17	–	16 977
(Repayments)/proceeds of/from other financial liabilities		(31 428)	14 554
(Repayments)proceeds from excess billing over work done		(29 228)	56 598
Advances/(repayment) of shareholders' loans payable		1 905	(3 561)
Finance lease payments		(19 468)	(1 721)
Net cash from financing activities		(78 219)	82 847
Total cash movement for the year		(60 777)	52 861
Cash at the beginning of the year		115 973	63 112
Effect of exchange rate movement on cash balances		–	–
Total cash at end of the year	15	55 196	115 973

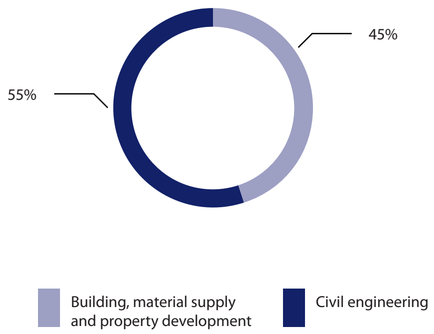
Group segmental analysis

for the year ended 30 June 2010

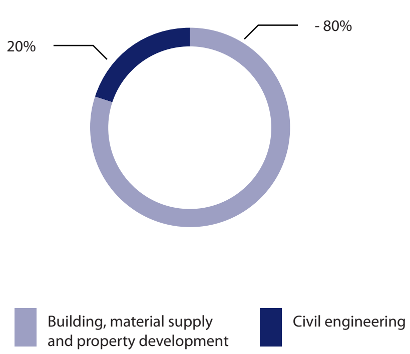
External revenue 2010



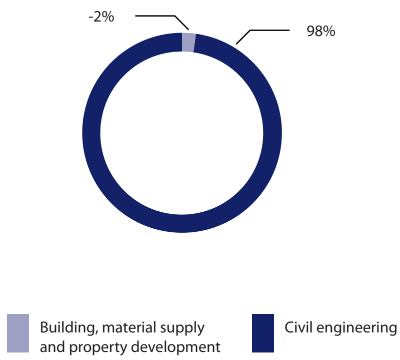
External revenue 2009



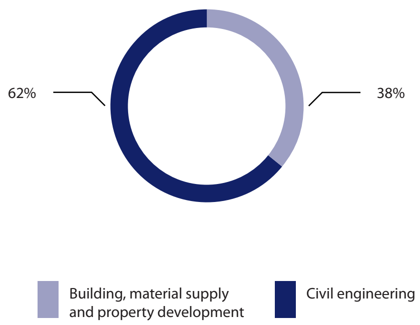
Profit before tax 2010



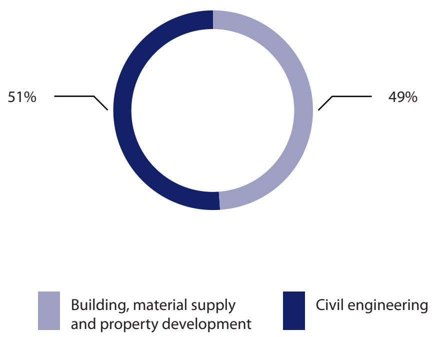
Profit before tax 2009



Total assets 2010



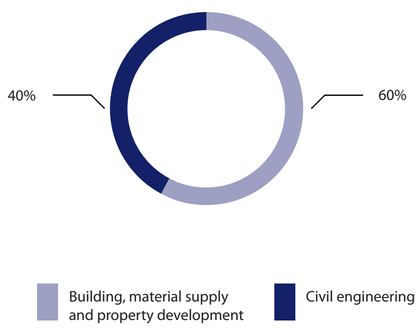
Total assets 2009



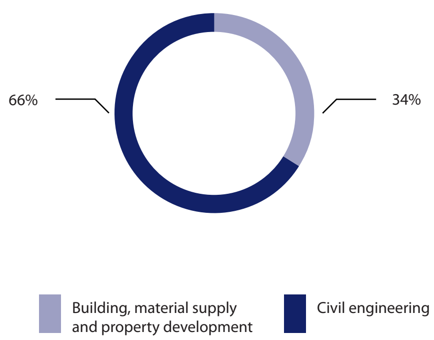
Group segmental analysis (continued)

for the year ended 30 June 2010

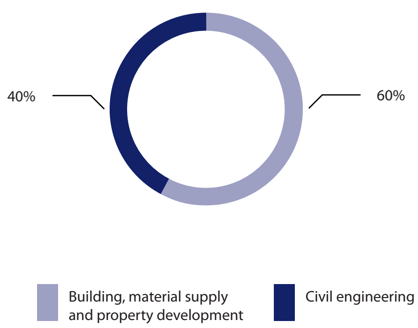
Property plant and equipment 2010



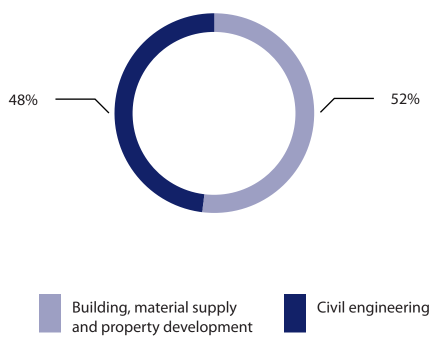
Property plant and equipment 2009



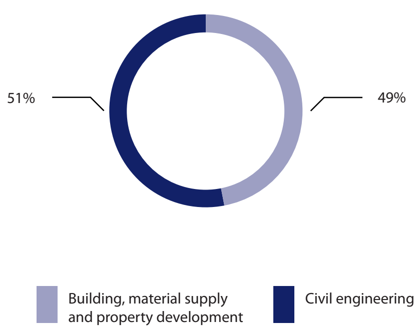
Total liabilities 2010



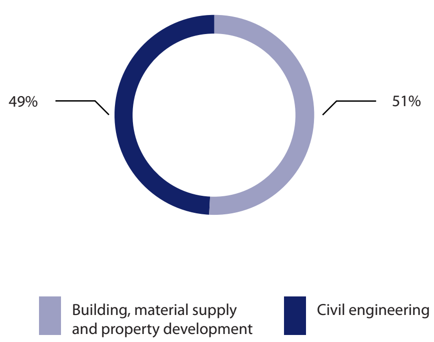
Total liabilities 2009



Total current liabilities 2010



Total current liabilities 2009



Accounting policies

for the year ended 30 June 2010

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

The currency the financial statements are presented in is South African Rand.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

The consolidated group annual financial statements incorporate the group annual financial statements of the company and all entities, including special purpose entities, which are controlled by the company.

Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the consolidated group annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the group annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Accounting policies (continued)

for the year ended 30 June 2010

1. Presentation of annual financial statements (continued)

1.1 Consolidation (continued)

Business combinations (continued)

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-For-Sale and discontinued operations, which are recognised at fair value less costs to sell.

On acquisition, the group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

1.2 Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The group assesses its trade receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Accounting policies (continued)

for the year ended 30 June 2010

1. Presentation of annual financial statements (continued)

1.2 Significant judgements (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Impairment testing

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value in use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including (list entity specific variables, i.e. production estimates, supply demand), together with economic factors such as (list economic factors such as exchange rates inflation interest).

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 – Provisions.

Accounting policies (continued)

for the year ended 30 June 2010

1. Presentation of annual financial statements (continued)

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial present value of the estimated future costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	20 years
Plant and machinery	3 – 7 years
Furniture and fixtures	6 years
Motor vehicles	5 – 10 years
Office equipment	6 years
IT equipment and software	2 – 3 years
Heavy vehicles	5 – 7 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Accounting policies (continued)

for the year ended 30 June 2010

1. Presentation of annual financial statements (continued)

1.3 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period, residual values, if any, and the amortisation method for intangible assets are reviewed every period end.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

1.5 Investments in subsidiaries

Company annual financial statements

In the company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.6 Investment in joint ventures

Group financial statements

An investment in a joint venture is carried at cost less any accumulated impairment.

Profits and losses resulting from contributions or sale of assets to joint ventures are only recognised to the extent of other venturers' interests in the joint venture.

The group's share of profits or losses, resulting from purchase of assets from joint ventures are recognised only when the assets are resold to an independent party.

Accounting policies (continued)

for the year ended 30 June 2010

1. Presentation of annual financial statements (continued)

1.6 Investment in joint ventures (continued)

Group financial statements

In respect of its interests in jointly controlled operations, the company recognises in its annual financial statements:

- the assets that it controls and the liabilities that it incurs; and
- the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

Joint ventures are contractual agreements where the group and other parties undertake an economic activity that is subject to joint control, and where the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. These joint ventures may be in the form of jointly controlled operations such as construction contracts, jointly controlled assets, jointly controlled partnerships or companies.

Joint ventures are accounted for by means of the proportionate consolidation method whereby the Group's share of the assets, liabilities, income, expenses and cash flows of joint ventures are included on a line by line basis in the consolidated financial statements.

In respect of its interest in jointly controlled assets, the company recognises in its annual financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

1.7 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities at fair value through profit or loss – held for trading
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition.

For financial instruments which are not at fair value through profit or loss, classification is re-assessed on an annual basis.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Accounting policies (continued)

for the year ended 30 June 2010

1. Presentation of annual financial statements (continued)

1.7 Financial instruments (continued)

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Regular way purchases of financial assets are accounted for at settlement date.

Impairment of financial assets

At each statement of financial position date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Accounting policies (continued)

for the year ended 30 June 2010

1. Presentation of annual financial statements (continued)

1.7 Financial instruments (continued)

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Loans to shareholders, directors, managers and employees are classified as financial assets measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Accounting policies (continued)

for the year ended 30 June 2010

1. Presentation of annual financial statements (continued)

1.8 Tax (continued)

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity; or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Accounting policies (continued)

for the year ended 30 June 2010

1. Presentation of annual financial statements (continued)

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease smoothing reserve. This liability is not discounted.

1.10 Inventories

Inventories are measured at the lower of cost and net realisable value on the weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an decrease in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting policies (continued)

for the year ended 30 June 2010

1. Presentation of annual financial statements (continued)

1.11 Amounts due by customers

Contracts-in-progress

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by surveys of work done.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.12 Segmental reporting

The risks and rewards faced by the entity relate primarily to the operating segments and therefore these form the primary reporting segments. The major business segments are Building, Material Supply and Property Development as well as Civil Engineering.

1.13 Impairment of assets

The group assesses at each balance sheet date whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of revalued property, plant and equipment is treated as a decrease in the revaluation reserve to the extent that a revaluation surplus for the respective assets were raised in the past.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

Accounting policies (continued)

for the year ended 30 June 2010

1. Presentation of annual financial statements (continued)

1.13 Impairment of assets (continued)

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.14 Share capital and equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.16 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Accounting policies (continued)

for the year ended 30 June 2010

1. Presentation of annual financial statements (continued)

1.16 Provisions and contingencies

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised at the lower of the present obligation under the contract or the penalties arising for failure to fulfill it and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

1.17 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective
- control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

1. Presentation of annual financial statements (continued)

1.17 Revenue (continued)

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at balance sheet date. Stage of completion is determined by the proportion of costs incurred to date bear to the total estimated costs of the transaction on contracts related to civil work contracts and the surveys of work performed for building contracts.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
  - to the extent that it is probable that they will result in revenue; and
  - they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

1.18 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.19 Cost of sales

Cost of sales consists of or include inventory sold and contract costs.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

Accounting policies (continued)

for the year ended 30 June 2010

1. Presentation of annual financial statements (continued)

1.20 Borrowing costs

Borrowing costs on qualifying assets are recognised as an expense in the period in which they are incurred.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations. It is unlikely that these amendments will have a material affect on the company's annual financial statements.

IAS 1 (Revised) Presentation of Financial Statements

The main revisions to IAS 1 (AC 101):

- Require the presentation of non-owner changes in equity either in a single statement of comprehensive income or in an income statement and statement of comprehensive income.
- Require the presentation of a statement of financial position at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes.
- Require the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes.
- Allow dividend presentations to be made either in the statement of changes in equity or in the notes only.
- Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of cash flows.' These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

The effective date of the standard is for years beginning on or after 1 January 2009.

The group has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

IAS 23 (Revised) Borrowing Costs

The revision requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed.

The effective date of the standard is for years beginning on or after 1 January 2009.

The group has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

Accounting policies (continued)

for the year ended 30 June 2010

2. New standards and interpretations (continued)

2.1 Standards and interpretations effective and adopted in the current year (continued)

IFRS 8 Operating segments

IFRS 8 (AC 145) replaces IAS 14 (AC 115) Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

The effective date of the standard is for years beginning on or after 1 January 2009.

The group has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements Amendment: Puttable Financial Instruments and Obligations Arising on Liquidation

The revision requires that certain puttable financial instruments and other instruments that impose on the entity an obligation to deliver a pro rata share of the net assets of the entity on liquidation should be classified as equity if certain conditions are met. Any classifications of such items are to be disclosed in the financial statements, together with information concerning the entity's objectives and policies with regards to managing such obligations.

The effective date of the standard is for years beginning on or after 1 January 2009.

The group has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 1 Presentation of Financial Statements

The amendment is to clarify that financial instruments classified as held for trading in accordance with IAS 39 (AC 133) Financial Instruments: Recognition and Measurement are not always required to be presented as current assets/liabilities.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

Accounting policies (continued)

for the year ended 30 June 2010

2. New standards and interpretations (continued)

2.1 Standards and interpretations effective and adopted in the current year (continued)

May 2008 Annual Improvements to IFRS's: Amendments to IAS 8 Accounting Policies Changes in Accounting Estimates and Errors

The amendment clarified that Implementation Guidance related to any Standard is only mandatory when it is identified as an integral part of the Standard.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 10 Events after the Reporting Period

The amendment clarified that if dividends are declared (appropriately authorised and no longer at the discretion of the entity) after the reporting period but before the financial statements are authorised for issue, the dividends may not be recognised as a liability as no obligation exists at the reporting date. Thus clarifying that in such cases a liability cannot be raised even if there is a constructive obligation.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 16 Property, Plant and Equipment

The term 'net selling price' has been replaced with 'fair value less cost to sell' in the definition of recoverable amount.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 16 Property, Plant and Equipment

The amendment requires entities that routinely sell items of property, plant and equipment that they have previously held for rental to others, to transfer such assets to inventories at their carrying amount when they cease to be rented and are held for sale. The proceeds from the sale of such assets should be recognised as revenue in accordance with IAS 18 (AC 111) Revenue. IFRS 5 (AC 142) Non-current Assets Held-for-Sale and Discontinued Operations does not apply in these situations.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

Accounting policies (continued)

for the year ended 30 June 2010

2. New standards and interpretations (continued)

2.1 Standards and interpretations effective and adopted in the current year (continued)

May 2008 Annual Improvements to IFRS's: Amendments to IAS 7 Statement of Cash Flows

Cash payments to manufacture or acquire property, plant and equipment that entities routinely sell and which they have previously held for rentals to others, and cash receipts from rental and sale of such assets are to be included within operating activities.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 18 Revenue

With regards to financial service fees, the term 'direct costs' have been replaced with 'transaction costs' as defined in IAS 39 (AC 133) Financial Instruments: Recognition and Measurement. This was in order to remove the inconsistency for costs incurred in originating financial assets and liabilities that should be deferred and recognised as an adjustment to the underlying effective interest rate.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 23 Borrowing Costs (as revised in 2007)

The description of specific components of borrowing costs has been replaced with a reference to the guidance in IAS 39 (AC 133) Financial Instruments: Recognition and Measurement on effective interest rate.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 27 Consolidated and Separate Financial Statements

The amendment requires that investments in subsidiaries, jointly controlled entities and associates accounted for in accordance with IAS 39 (AC 133) Financial Instruments: Recognition and Measurement in the parent's separate financial statements should continue to be measured in accordance with IAS 39 (AC 133) when classified as held-for-sale (or included in a disposal group classified as held-for-sale), and not in accordance with IFRS 5 (AC 142) Non-current Assets Held-for-Sale and Discontinued Operations.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

Accounting policies (continued)

for the year ended 30 June 2010

2. New standards and interpretations (continued)

2.1 Standards and interpretations effective and adopted in the current year (continued)

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 Financial Instruments: Disclosures; IAS 32 Financial Instruments: Presentation; IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures

The amendment adjusted the disclosure requirements of investments in associates and interests in joint ventures which have been designated as at fair value through profit or loss or are classified as held for trading. The amendment provides that only certain specific disclosure requirements of IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures are required together with the disclosures of IFRS 7 (AC 144) Financial Instruments: Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 28 Investments in Associates

The amendment clarifies that because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised, it is not tested separately for impairment. Instead the entire carrying amount of the investment is tested for impairment. Any resulting impairment loss is not allocated to any of the assets, including goodwill, that make up the carrying amount of the investment. Therefore any reversal of an impairment loss is reversed to the extent that the recoverable amount of the investment increases. This applies to the full impairment loss, because the impairment was not allocated to goodwill.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 34 Interim Financial Reporting

The amendment clarifies that the requirement to present information on earnings per share in interim financial reports applies only to entities within the scope of IAS 33 (AC 104) Earnings per Share.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 Impairment of Assets

The amendment requires disclosures of estimates used to determine the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives. Specifically, the following disclosures are required when discounted cash flows are used to estimate fair value less costs to sell:

Accounting policies (continued)

for the year ended 30 June 2010

2. New standards and interpretations (continued)

2.1 Standards and interpretations effective and adopted in the current year (continued)

May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 Impairment of Assets (continued)

- The period over which management has projected cash flows;
- The growth rate used to extrapolate cash flow projections; and
- The discount rate(s) applied to the cash flow projections.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 38 Intangible Assets

The amendments clarify the circumstances in which an entity can recognise a prepayment asset for advertising or promotional expenditure. Recognition of an asset would be permitted up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services.

In addition, wording perceived as prohibiting the use of the unit of production method if it results in a lower amount of accumulated amortisation than under the straight line method has been removed. Entities may use the unit of production method when the resulting amortisation charge reflects the expected pattern of consumption of the expected future economic benefits embodied in an intangible asset.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 Financial Instruments: Recognition and Measurement

IAS 39 (AC 133) prohibits the classification of financial instruments into or out of the fair value through profit or loss category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.

The amendments have also removed references to the designation of hedging instruments at the segment level.

The amendments further clarify that the revised effective interest rate calculated when fair value hedge accounting ceases, in accordance with paragraph 92 IAS 39 (AC 133) should be used for the remeasurement of the hedged item when paragraph AG8 of IAS 39 (AC 133) is applicable.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

Accounting policies (continued)

for the year ended 30 June 2010

2. New standards and interpretations (continued)

2.1 Standards and interpretations effective and adopted in the current year (continued)

May 2008 Annual Improvements to IFRS's: Amendments to IAS 40 Investment Property and IAS 16 Property, Plant and Equipment

Property being constructed for use as investment property is now classified as investment property and not property, plant and equipment (as previously required). Even if the entity accounts for investment property at fair value, such property may be measured at cost until the earlier of date fair value is determinable or construction is complete.

Some terminology in the Standard has been amended to be consistent with other Standards and Interpretations.

In determining the carrying amount of investment property held under a lease and accounted for using the fair value model, the amendment clarified that any lease liability should be added back to the valuation to arrive at the carrying amount, rather than the fair value of the investment property.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Amendment for determining cost of investment in the separate financial statements on first time adoption.

The amendments:

- Allow for the purposes of first time adoption of IFRS, investors to use a deemed cost to measure the initial cost of investments in subsidiaries, jointly controlled entities, and associates in the separate financial statements. This deemed cost is either fair value or the carrying amount under previous accounting practice.
- Require that, when a new parent is formed in a reorganisation, the new parent must measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganisation.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

IAS 18 Revenue: Consequential amendments

Dividends paid out of pre-acquisition profits are no longer deducted from the cost of the investment.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

Accounting policies (continued)

for the year ended 30 June 2010

2. New standards and interpretations (continued)

2.1 Standards and interpretations effective and adopted in the current year (continued)

IAS 21 The Effects of Changes in Foreign Exchange Rates: Consequential amendments

A dividend paid out of pre-acquisition profits is no longer considered to be part of a disposal of an interest in a foreign operation.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

IAS 36 Impairment of Assets: Consequential amendments

Under certain circumstances, a dividend received from a subsidiary, associate or joint venture could be an indicator of impairment. This occurs when:

- Carrying amount of investment in separate financial statements is greater than carrying amount of investee's net assets including goodwill in consolidated financial statements; or
- Dividend exceeds total comprehensive income of investee in period dividend is declared.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

IFRS 3 (Revised) Business Combinations

The revisions to IFRS 3 (AC 140) Business combinations require:

- Acquisition costs to be expensed.
- Non-controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree.
- Contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments.
- All previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in profit or loss.
- Goodwill to be measured as the difference between the acquisition date fair value of consideration paid, non-controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree.
- The acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contracts.
- Contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

The effective date of the standard is for years beginning on or after 1 July 2009.

The group has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

Accounting policies (continued)

for the year ended 30 June 2010

2. New standards and interpretations (continued)

2.1 Standards and interpretations effective and adopted in the current year (continued)

IAS 7 Statement of Cash Flows: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

Cash flows arising from changes in level of control, where control is not lost, are equity transactions and are therefore accounted for as cash flows from financing transactions.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The group has adopted the amendment for the first time in the 2010 group annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

IAS 31 Interests in Joint Ventures: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

When an interest in a joint venture is reduced but joint control is retained, a proportionate share of other comprehensive income must be reclassified to profit or loss.

The effective date of the amendment is for years beginning on or after 01 July 2009.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 5 Non-current Assets Held-for-Sale and Discontinued Operations

The amendment clarifies that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.

The effective date of the amendment is for years beginning on or after 1 July 2009.

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the group's accounting periods beginning on or after 1 July 2010 or later periods but are not relevant to its operations:

IAS 28 Investments in Associates: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

When an investment in an associate is reduced but significant influence is retained, a proportionate share of other comprehensive income must be reclassified to profit or loss.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The group does not envisage the adoption of the standard until such time as it becomes applicable to the group's operations.

It is unlikely that the amendment will have a material impact on the company's group annual financial statements.

Accounting policies (continued)

for the year ended 30 June 2010

2. New standards and interpretations (continued)

2.2 Standards and interpretations not yet effective or relevant (continued)

IAS 12 Income Taxes – consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

The amendment is as a result of amendments to IAS 27 (AC 132) Consolidate and Separate Financial Statements. The amendment refers to situations where a subsidiary, on acquisition date, did not recognise a deferred tax asset in relation to deductible temporary differences, because, for example, there may not have been sufficient future taxable profits against which to utilise the deductible temporary differences. If the deferred tax asset subsequently becomes recognisable, the amendment now requires that the deferred tax asset should be recognised against goodwill (and profit or loss to the extent that it exceeds goodwill), only if it results from information in the measurement period about circumstances that existed at acquisition date. No adjustment may be made to goodwill for information outside of the measurement period.

The effective date of the amendment is for years beginning on or after 1 July 2009.

The group does not envisage the adoption of the standard until such time as it becomes applicable to the group's operations.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

Notes to the annual financial statements

for the year ended 30 June 2010

3. Property, plant and equipment

Group	2010 Cost/ valuation R'000	2010 Accumulated depreciation R'000	2010 Carrying value R'000	2009 Cost/ valuation R'000	2009 Accumulated depreciation R'000	2009 Carrying value R'000
Land	965	–	965	965	–	965
Buildings	1 224	–	1 224	1 196	–	1 196
Plant and machinery	144 173	(42 918)	101 255	139 266	(27 842)	111 424
Furniture and fixtures	153	(63)	90	172	(44)	128
Motor vehicles	11 290	(5 776)	5 514	10 176	(3 275)	6 901
Office equipment	571	(314)	257	565	(240)	325
IT equipment	1 736	(1 125)	611	1 436	(647)	789
Computer software	108	(91)	17	108	(37)	71
Heavy vehicles	2 156	(629)	1 527	2 156	(327)	1 829
Total	162 376	(50 916)	111 460	156 040	(32 412)	123 628

Reconciliation of property, plant and equipment – 2010

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Land	965	–	–	–	965
Buildings	1 196	28	–	–	1 224
Plant and machinery	111 424	5 067	(2 549)	(12 687)	101 255
Furniture and fixtures	128	–	(12)	(26)	90
Motor vehicles	6 901	781	(1 037)	(1 131)	5 514
Office equipment	325	6	–	(74)	257
IT equipment	789	297	(4)	(471)	611
Computer software	71	–	–	(54)	17
Heavy vehicles	1 829	–	–	(302)	1 527
	123 628	6 179	(3 602)	(14 745)	111 460

Notes to the annual financial statements

for the year ended 30 June 2010

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2009

	Opening Balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Land	965	–	–	–	965
Buildings	623	573	–	–	1 196
Plant and machinery	85 132	37 701	(413)	(10 996)	111 424
Furniture and fixtures	100	57	–	(29)	128
Motor vehicles	7 007	1 298	(319)	(1 085)	6 901
Office equipment	227	165	–	(67)	325
IT equipment	716	505	(60)	(372)	789
Computer software	–	105	–	(34)	71
Heavy vehicles	2 131	–	–	(302)	1 829
	96 901	40 404	(792)	(12 885)	123 628

	2010 R'000	2009 R'000
Pledged as security		
Carrying value of assets pledged as security:		
Plant and Equipment	33 238	47 532
Motor Vehicles	2 106	3 967
Heavy Vehicles	1 527	1 829
Details of properties		
Erf 1015 Vereeniging Extension 1 Township, with improvements		
Measuring 1 487 square metres transferred by Deed of transfer T4134/1951 and held by Deed of transfer T151390/2001.		
– Purchase price	965	965
– Additions since purchase	1 224	1 196
	2 189	2 161

The building situated on Erf 1487 Vereeniging Extension 1, with a cost price of R1 224 419 was still under construction as at 30 June 2010.

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

Notes to the group annual financial statements

for the year ended 30 June 2010

4. Goodwill

Group	2010 Cost R'000	2010 Accumulated impairment R'000	2010 Carrying value R'000	2009 Cost R'000	2009 Accumulated impairment R'000	2009 Carrying value R'000
Goodwill	180 859	(90 442)	90 417	202 167	–	202 167

Reconciliation of goodwill – 2010

	Opening Balance R'000	Disposals through business divesture R'000	Impairment loss R'000	Total R'000
Goodwill	202 167	(21 308)	(90 442)	90 417

Reconciliation of goodwill – 2009

	Opening Balance R'000	Total R'000
Goodwill	202 167	202 167

Impairment of goodwill:
The recoverable amount of a cash-generating unit is determined based on value-in-use calculations.

These calculations use discounted cash flow projections based on financial forecasts over a five year period. The discount rates used in the cash flow average 18.5%.

The estimated rates are cost of capital rates that reflect the current market assessments of the time value of money and specific risks to the cash generating unit.

The goodwill impairment for the current year amounting to R90 442 reflects a write-down for the following subsidiaries:

– Sea Kay Engineering Services (Pty) Limited	R 81 804
– Seriso 474 (Pty) Limited	R 8 638
Total	R 90 442

5. Intangible assets

Group	2010 Cost/ valuation R'000	2010 Accumulated amortisation R'000	2010 Carrying value R'000	2009 Cost/ valuation R'000	2009 Accumulated amortisation R'000	2009 Carrying value R'000
Computer software, other	445	(350)	95	445	(201)	244

Reconciliation of intangible assets – 2010

	Opening balance R'000	Amortisation R'000	Total R'000
Computer software, other	244	(149)	95

Reconciliation of intangible assets – 2009

Computer software, other	339	(95)	244

Notes to the group annual financial statements

for the year ended 30 June 2010

6. Investments in subsidiaries

Issued share capital	Held by	**Number of shares held 2010 R'000**	Number of shares held 2009 R'000	**% holding 2010 R'000**	% holding 2009 R'000	**Carrying amount 2010 R'000**	Carrying amount 2009 R'000
Sea Kay Engineering Services	Sea Kay Holdings Limited	**100**	100	**100,00**	100,00	**12 681**	94 485
Seriso 474 (Pty) Limited	Sea Kay Holdings Limited	**100**	100	**100,00**	100,00	**1 362**	10 000
Sea Kay Engineering Services Gauteng Province (Pty) Limited	Sea Kay Holdings Limited	**100**	100	**100,00**	100,00	**–**	–
Sea Kay Property Development (Pty) Limited	Sea Kay Holdings Limited	**100**	100	**100,00**	100,00	**–**	–
Silver Falcon Trading 487 (Pty) Limited	Sea Kay Holdings Limited	**100**	100	**100,00**	100,00	**–**	–
Lonerock Construction (Pty) Limited	Sea Kay Holdings Limited	**500 001**	600 000	**50,01**	60,00	**84 591**	101 513
Sea Kay Property Development Western Cape (Pty) Limited	Sea Kay Holdings Limited	**100**	100	**100,00**	100,00	**–**	–
Pacific Coast Investments (Pty) Limited	Sea Kay Holdings Limited	**100**	100	**100,00**	100,00	**–**	–
Silver Falcon Trading 487 (Pty) Limited	Sea Kay Holdings Limited	**100**	100	**100,00**	100,00	**–**	–
Business Venture Investments No. 2000 (Pty) Limited	Sea Kay Property Development (Pty) Limited	**50**	50	**50,00**	50,00	**–**	–
Lonerock Plant (Pty) Limited	Lonerock Construction (Pty) Limited	**60**	60	**60,00**	60,00	**–**	–
						98 634	205 998

The carrying amounts of subsidiaries are shown net of impairment losses.

The company is indebted to the amount of R14 503 228 with regards to the outstanding capital amount for the purchase of a 50% shareholding in Lonerock Construction (Pty) Limited. Refer to note 19 for details.

Notes to the group annual financial statements

for the year ended 30 June 2010

	2010 R'000	2009 R'000
7. Capital accounts to/(from) other ventures		
Joint ventures		
Moseme Lonerock Joint Venture	(3 274)	(3 126)
These capital accounts are interest free with no terms of repayment.		
Aganang Lonerock Joint Venture	109	495
These capital accounts are interest free with no terms of repayment.		
	(3 165)	(2 631)
Current assets	109	495
Current liabilities	(3 274)	(3 126)
	(3 165)	(2 631)
8. Loans payable		
Corné Kruger Familie Trust	(32 535)	(30 605)
The loan is unsecured, bears interest at prime less 2% and is repayable after 12 months.		
P van der Schyf	(170)	(196)
This loan is unsecured, bears interest at prime less 2% and is repayable within 12 months.		
	(32 705)	(30 801)
Non-current liabilities	(32 535)	(29 067)
Current liabilities	(170)	(1 734)
	(32 705)	(30 801)
9. Loans and receivables		
Matukane Construction CC	1 652	302
This loan is interest free, unsecured with no fixed term of repayment.		
Lonerock Quarry CC	20	20
This loan is interest free, unsecured with no fixed term of repayment.		
Lefika Road Construction (Pty) Limited	–	1 517
This loan was repaid during the current financial year.		
Clewer Sand and Stone CC	–	73
This loan was repaid during the current financial year.		
Erf 94 Lyttleton CC	74	3
This loan is interest free, unsecured with no fixed term of repayment.		
Aganang Bohle Enterprises CC	167	–
This loan is interest free, unsecured with no fixed term of repayment.		
	1 913	1 915
Current assets		
Loans and receivables	1 913	1 915

Notes to the group annual financial statements

for the year ended 30 June 2010

	2010 R'000	2009 R'000
10. Deferred tax		
Deferred tax liability		
Originating temporary differences on tangible fixed assets	(21 597)	(18 489)
Accrual for leave pay/bonuses	2 441	1 652
Straight-lining operating lease	101	132
Discounting of trade receivables	121	705
Tax losses available for set off against future taxable income	17 085	4 576
Discounting of trade payables	(222)	(275)
Construction contracts	(15 171)	(20 461)
Other	4 130	88
	(13 112)	(32 072)
Reconciliation of deferred tax asset/(liability)		
At beginning of the year	(32 072)	(19 609)
Increase/(decrease) in tax losses available for set off against future taxable income	12 509	718
Originating temporary difference on tangible fixed assets	(3 108)	(4 812)
Accrual for leave pay/bonuses	789	(929)
Straight-lining operating lease	(31)	37
Provisions	4 042	–
Discounting of trade receivables	(584)	(393)
Discounting of trade payables	53	93
Construction contracts	5 290	(7 177)
	(13 112)	(32 072)
11. Lease smoothing reserve		
Lease smoothing reserve	(310)	(265)
The lease smoothing reserve was created as a result of operating lease agreements entered into. The average term of these contracts are three to seven years and will be reversed in three to seven years.		
12. Inventories		
Raw materials	9 415	12 518
Work in progress	–	2 911
Finished goods	1 110	3 134
Production supplies	1 470	1 554
	11 995	20 117

Notes to the group annual financial statements

for the year ended 30 June 2010

	2010 R'000	2009 R'000
13. Amounts due by customers		
Contracts in progress at balance sheet date		
Cost incurred to date	1 775 699	1 173 636
Plus profit recognised to date	222 214	307 225
	1 997 913	1 480 861
Less: Work certified	(1 902 120)	(1 314 075)
Net amount due by customers	95 793	166 786
Excess billing over work done	(33 689)	(62 917)
Amounts due to customers	62 104	103 869
14. Trade and other receivables		
Trade receivables	187 706	303 901
Prepayments	–	980
Deposits	113	2 272
VAT	12 698	8 834
Retention debtors	48 255	45 106
Sundry receivable	717	3 313
	249 489	364 406

Trade receivables of Sea Kay Engineering Services (Pty) Limited of R90 733 686 (2009: R185 836 614) were pledged as security for the National Housing Finance Corporation Limited loan. See note 19 for details.

Details in respect of the group credit risk management policies is set out in note 35.

The directors consider that the carrying amount of the trade and other receivables approximate their fair values.

	2010 R'000	2009 R'000
15. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	64	32
Bank balances	24 313	78 162
Short-term deposits	42 258	41 635
Bank overdraft	(11 439)	(3 856)
	55 196	115 973
Current assets	66 635	119 829
Current liabilities	(11 439)	(3 856)
	55 196	115 973

Notes to the group annual financial statements

for the year ended 30 June 2010

15. Cash and cash equivalents (continued)

Bank facilities of the subsidiaries are secured by:

ABSA Bank Limited – Sea Kay Holdings Limited
– Unlimited cession of loan account in Seriso 474 (Pty) Limited
– Unlimited cession of loan account in Sea Kay Engineering Services (Pty) Limited
– Limited suretyship by Corné Kruger Family Trust, excluding cession of loan account
– Limited suretyship by Pieter van der Schyf Family Trust, excluding cession of loan account.

ABSA Bank Limited – Sea Kay Engineering Services (Pty) Limited
– Unlimited surety by Mr C Kruger including cession of loan account
– Unlimited surety by P van der Schyf including cession of loan account

ABSA Bank Limited – Seriso 474 (Pty) Limited
– Unlimited cession of debtors
– Unlimited surety by Mr C Kruger, including cession of loan account
– Letter of undertaking not to encumber assets

Standard Bank Limited – Lonerock Construction (Pty) Limited
– Total financial assets pledged as collateral for the finance leases in Lonerock Plant.

16. Discontinued operations or disposal groups or non–current assets held-for-sale

The group has decided to discontinue its operations in Kong Crete (Pty) Limited. The assets and liabilities of the disposal group are set out below.

	2010 R'000	2009 R'000
Profit and loss		
Revenue	–	15 845
Expenses	–	(15 510)
Net profit before taxation	–	335
Taxation	–	(18)
Net profit after taxation	–	317
Assets and liabilities		
Assets of disposal groups		
Loans to group companies	–	2 031
Trade and other receivables	–	258
Cash and cash equivalents	–	7
	–	2 296
Liabilities of disposal groups		
Other financial liabilities	–	17
Trade and other payables	–	2 367
	–	2 384

Notes to the group annual financial statements

for the year ended 30 June 2010

	2010 R'000	2009 R'000
17. Share capital		
Authorised		
3 000 000 000 ordinary shares of R0,0000003334 each	1	1
2 511 135 772 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.		
Issued		
488 864 228 ordinary shares of R0,0000003334 each	–	–
Share premium	170 076	170 076
	170 076	170 076
Issued during the year	–	–
Share premium	–	16 977

	2010 R'000	2009 R'000
18. Other financial liabilities		
At fair value through profit or loss		
Lonedune Construction (Pty) Limited	77 255	73 223
The loan bears interest at rate plus 6% above prime up to 25 February 2010, when the default rate of prime plus 15% came into effect. Sea Kay's portion of the loan is repayable by no later than 30 August 2011 an amount equal to the balance of the loan multiplied by its pro rata shareholding in Lonerock Construction (Pty) Limited. This enables Lonerock Construction (Pty) Limited to repay in part the loan to Lonedune Construction (Pty) Limited. Sea Kay shall procure that Lonedune are released in full from all suretyships, undertakings and guarantees for the obligations of and facilities to Lonerock Construction (Pty) Limited, to the extent of Sea Kay's shareholding in Lonerock Construction (Pty) Limited and shall substitute same with its own suretyship, undertakings or guarantees.		
Aganang Bohle Enterprises CC	–	192
The loan has been repaid during the current financial year.		
Lonedune Construction	2 716	17 872
The loan is interest free, unsecured and has no fixed terms of repayment.		
	79 971	91 287
Held at amortised cost		
C Smith	400	385
The loan is unsecured, bears interest at prime less 2% and is repayable, subject to the company having sufficient cash reserves to make the payment.		
NURCHA Finance Company (Pty) Limited	–	220
The loan has been repaid during the current financial year.		

Notes to the group annual financial statements

for the year ended 30 June 2010

	2010 R'000	2009 R'000
18. Other financial liabilities (continued)		
Held at amortised cost (continued)		
National Housing Finance Corporation Limited The loan is repayable as follows: R32 000 000 by 11 January 2011, R12 000 000 by 31 January 2011, R5 900 000 Investec guarantee in favour of NHFC by 31 January 2011 (payable by 30 June 2011). R65 000 000 plus interest at prime rate will be repayable over 60 months commencing 28 February in equal monthly instalments.	113 587	118 999
Seriso 651 (Pty) Limited The loan is unsecured, bears interest at prime less 2% and is repayable subject to the availability of cash reserves.	332	380
Clewersand Partnership The loan has been repaid during the current financial year.	–	5
Lonerock Quarries Partnership The loan has been repaid during the current financial year.	–	14
Business Venture Investments No 1171 (Pty) Limited The loan is unsecured, bears interest at 15,5% and is repayable subject to the availability of funding.	740	1 311
Clewer Sand and Stone CC The loan has been repaid during the current financial year.	–	10
MBM Technical Services (Pty) Limited The loan has been repaid during the current financial year.	–	8 200
Lefika Road Construction (Pty) Limited The loan has been repaid during the current financial year.	–	23
MH Lomas The loan is unsecured, bears interest at 36% per annum with penalty interest of R5 000 per week from 26 March 2010.	3 408	–
F Poggenpoel and J van der Walt The payable arose due to the Lonerock acquisition, the loan started bearing interest from end of June 2009 at a rate of 6% above prime up to 25 February 2010 when the default rate of prime plus 15% came into effect. The loan is repayable by 31 August 2011.	14 504	32 534
	132 971	162 081
	212 942	253 368

Notes to the group annual financial statements

for the year ended 30 June 2010

	2010 R'000	2009 R'000
18. Other financial liabilities (continued)		
Non-current liabilities		
Fair value through profit or loss	77 255	–
At amortised cost	15 244	1 311
	92 499	1 311
Current liabilities		
Fair value through profit or loss	2 715	91 287
At amortised cost	117 727	160 770
	120 442	252 057
	212 942	253 368
19. Finance lease obligation		
Minimum lease payments due		
– within one year	13 948	21 109
– in second to fifth year inclusive	3 539	17 707
	17 487	38 816
Less: future finance charges	(959)	(3 587)
Present value of minimum lease payments	16 526	35 229
Present value of minimum lease payments due		
– within one year	13 691	18 477
– in second to fifth year inclusive	2 835	16 752
	16 526	35 229
Non-current liabilities	2 835	16 752
Current liabilities	13 691	18 477
	16 526	35 229

It is group policy to lease certain motor vehicles and equipment under finance leases.

The lease terms were 3 – 5 (2009: 3 – 5) years and the instalments were from R2 272 to R36 745 (2009: R2 290 to R37 785).

Interest rates are linked to prime overdraft rate at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The group's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

Notes to the group annual financial statements

for the year ended 30 June 2010

20. Provisions

Reconciliation of provisions – Group – 2009

	Opening balance R'000	Reversed during the year R'000	Total R'000
Business acquisition payment due within 12 months	18 071	(18 071)	–

	2010 R'000	2009 R'000
21. Trade and other payables		
Trade payables	113 039	136 056
Retention creditors	11 494	7 323
VAT	2 487	8 500
Income received in advance	2 562	7 748
Accrued expenses	21 374	13 299
Other payables	6 145	4 026
	157 101	176 952
The directors consider that the carrying amount of the trade and other payables approximate their fair values		
22. Revenue		
Sale of goods	17 641	38 575
Rendering of services	–	5 163
Construction contracts	629 216	797 274
Plant and machinery rental income	518	377
	647 375	841 389
23. Other income		
The majority of other income relates to expenditure recovered from third parties.		
24. Operating (loss)/profit		
Operating profit for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
• Contractual amounts	3 353	2 321
Motor vehicles		
• Contingent amounts	–	40
Equipment		
• Contractual amounts	97	147
• Contingent amounts	17	16
	3 467	2 524
Impairment of goodwill	90 442	–
Profit on sale of property, plant and equipment	(327)	(522)
Impairment of property, plant and equipment	–	154
Depreciation on property, plant and equipment	14 893	13 155
Employee costs	26 423	91 184

Notes to the group annual financial statements

for the year ended 30 June 2010

	2010 R'000	2009 R'000
25. Investment revenue		
Interest revenue		
Bank	2 852	2 787
Interest charged on trade and other receivables	4 739	6 034
Other interest	337	101
	7 928	8 922
	7 928	8 922
26. Finance costs		
Short term loans	1 915	3 715
Non-current borrowings	15 318	17 251
Trade and other payables	6 266	8 416
Finance leases	765	340
Bank	409	553
Current borrowings	15 308	19 941
Late payment of tax	2 858	2 360
Other interest paid	18	2
	42 857	52 578
27. Taxation		
Major components of the tax expense		
Current		
Local income tax – current period	8 264	2 859
STC	–	775
	8 264	3 634
Deferred		
Originating and reversing temporary differences	(5 080)	6 005
Benefit of unrecognised tax loss/tax credit/temporary difference used to reduce deferred tax expense	12 510	(719)
Derecognition of deferred tax asset that is no longer probable to be utilised	–	–
Construction contracts	(5 290)	7 177
	2 140	12 463
	10 404	16 097
Reconciliation between applicable tax rate and average effective tax rate	%	%
Applicable tax rate	28,00	28,00
Disallowable charges	4,23	3,99
Secondary tax on companies	–	0,35
Assessed losses not recognised in the current year	(27,42)	–
Construction contracts	–	(4,45)
	4,81	27,89

Notes to the group annual financial statements

for the year ended 30 June 2010

	2010 R'000	2009 R'000
28. Auditors' remuneration		
Fees	1 356	1 643
29. Cash generated from/(used in) operations		
(Loss)/profit before taxation	(216 290)	57 738
Adjustments for:		
Depreciation and amortisation	14 893	13 155
Loss/(profit) on sale of assets	327	(520)
Loss/(profit) on foreign exchange	42	103
Dividends received	–	–
Interest received	(7 928)	(8 922)
Finance costs	42 857	52 578
Impairment loss	90 442	–
Movements in operating lease assets and accruals	45	134
Impairment loss	–	154
Movements in provisions	–	(18 071)
Movement in deferred tax	–	(8 077)
Other non-cash item	(355)	
Changes in working capital:		
Inventories	8 122	1 602
Trade and other receivables	114 917	71 101
Amounts due by customers	41 765	(41 555)
Trade and other payables	(19 851)	(50 263)
	68 986	69 157
30. Tax paid		
Balance at beginning of the year	(11 585)	(22 956)
Current tax for the year recognised in profit or loss	(8 264)	(3 634)
Balance at end of the year	5 276	11 585
	(14 573)	(15 005)
31. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	–	1 624
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	1 990	2 363
– in second to fifth year inclusive	2 249	5 216
	4 239	7 579

Operating lease payments represent rentals payable by the group for certain of its office properties and office equipment. Leases are negotiated for an average term of three to seven years. No contingent rent is payable.

Notes to the group annual financial statements

for the year ended 30 June 2010

	2010 R'000	2009 R'000
32. Contingencies		
Guarantees		
Total financial institution-backed guarantees provided to third parties on behalf of subsidiary companies amounted to 2010: R105 934 399 (2009: R119 685 128). The directors do not believe any exposure to loss is likely. Total facilities in this regard amount to R103 480 480.		
The issued guarantees have the following expiry dates:		
Not later than one year	**105 934**	119 685
Later than one year but not later than five years	**–**	–

The liquidators for BVI 1171 (a special purpose vehicle company created for the development of a project on Delft Symphony Precinct 3 & 5) have issued summons against Ibuyile, Sea Kay Engineering Services (Pty) Limited and Sea Kay Property Development (Pty) Limited for R58 million relating to expenses incurred in the normal course of business while the development was managed. An amount of R11 million of the R58 million has already been settled between the liquidators and the PGWC Housing Department which will bring down the contingency to R47 million. The first phase of the development (351 houses) is completed and handed over to the liquidators who will sell and transfer those houses to beneficiaries during the early part of 2011. The proceeds of those sales will in all probability cover the balance of the R47 million contingency. Despite the sale of those houses and the expected proceeds therefrom, Sea Kay (and Ibuyile) are in negotiations with the liquidators (and FNB – the only big creditor in the insolvent estate) to settle the on-going litigation and to avoid any further contingent liability in this saga. It is expected that a negotiated settlement can be reached early in 2011 that will finally remove this contingency.

Subsidiary Sea Kay Engineering Services (Pty) Limited:

National Housing Finance Corporation Limited(NHFC)

The NHFC has served applications for liquidation on both Sea Kay Holdings Limited and Sea Kay Engineering Services (Pty) Limited in February 2010. Both applications relate to the loan agreement between the NHFC and Sea Kay Engineering Services (Pty) Limited (refer to note 19), for which Sea Kay Holdings Limited has signed surety. Refer to details disclosed in directors' report on page 18.

An application has been submitted by Sea Kay Engineering (Pty) Limited against Groenoewers CC in connection with Willow Creek Development in the amount of R12 million. There has been a ruling in favour of the company, however, it is subject to the outcome of arbitration, hence the uncertainty in the recognition of the asset.

Notes to the group annual financial statements

for the year ended 30 June 2010

33. Related parties

Relationships

Subsidiaries	Refer to note 6
Joint ventures	Refer to note 7
Shareholder with significant influence	C Kruger
Associate of close family member of joint venture	Trans Gariep Infra (Proprietary) Limited [Mr DF Kruger]
Entities owned by direct/indirect directors of group companies	Prospect SA Investments 118 (Pty) Limited
	Montpatton Properties CC
	Broadbrush Investments 81 (Pty) Limited
	Autumn Storm Investments 61 (Pty) Limited
	Cape Gannet (Pty) Limited
	Taxco Trading 7 (Pty) Limited
	RCJ Properties CC
	Seriso 581 (Pty) Limited
	Seriso 651 (Pty) Limited
	Clewer Sand and Stone CC
	Erf 94 Lyttelton CC
	Clewersand Partnership and Lonerock Quarries CC
	Aganang Bohle Business Enterprises CC
	Lonedune Construction (Pty) Limited
Members of key management	P van der Schyf
	FJ Poggenpoel
	JG van der Walt

	2010 R'000	2009 R'000
Related party balances		
Loan accounts – Owing from/(to) related parties		
Lonedune Construction (Pty) Limited	(79 972)	(88 410)
Seriso 651 (Pty) Limited	(332)	(380)
Aganang Bohle Enterprises CC	167	(192)
Moseme Lonerock Joint Venture	5 196	258
Lonerock Quarries CC	15	(385)
P van der Schyf	(170)	(196)
Corné Kruger Family Trust	(32 535)	(30 605)
Lefika Road Construction (Pty) Limited	–	1 517
Amounts included in Trade receivables regarding related parties		
Montpatton Properties CC	–	677
Autumn Storm Investments 61 (Pty) Limited	–	40
Lefika Road Construction (Pty) Limited	35	1 226
Cape Gannet (Pty) Limited	–	195
Cordaan Property Development (Pty) Limited	–	23
Trans Gariep Infra (Pty) Limited	4 720	3 744
Erf 94 Lyttleton CC	–	3

Notes to the group annual financial statements

for the year ended 30 June 2010

	2010 R'000	2009 R'000
33. Related parties (continued)		
Amounts included in Trade Payables regarding related parties		
Montpatton Properties CC	583	408
Autumn Storm Investments 61 (Pty) Limited	–	288
Cape Gannet (Pty) Limited	439	940
Prospect SA Investment 129 (Pty) Limited	1 997	1 246
Lonerock Quarries CC	–	14
Clewersand Partnership	–	5
Lefika Road Construction (Pty) Limited	–	57
Broadbrush Investments 81 (Pty) Limited	–	81
Trans Gariep Infra (Pty) Limited	14 823	8 822
Related party transactions		
Sales to related parties		
Montpatton Properties CC	–	104
Cape Gannet (Pty) Limited	–	237
Trans Gariep Infra (Pty) Limited	2 739	4 382
Clewer Sand and Stone CC	–	377
Taxco Trading 7 (Pty) Limited	–	1
Razorbill Properties 127 (Pty) Limited	–	4 028
Lefika Road Construction (Pty) Limited	–	15 549
Purchases from related parties		
Broadbrush Investments 81 (Pty) Limited	–	151
Cape Gannet (Pty) Limited	1 205	2 527
Autumn Storm Investments 61 (Pty) Limited	–	1 660
RCJ Properties CC	–	179
Taxco Trading 7 (Pty) Limited	14	192
Trans Gariep Infra (Pty) Limited	19 257	7 739
Rent paid to related parties	799	1 037
Montpatton Properties CC	901	865
Prospect SA Investment 118 (Pty) Limited	–	420
FJ Poggenpoel		
Interest paid to related parties		
Corné Kruger Familie Trust	2 662	3 835
P van der Schyf	14	26
Seriso 651 (Pty) Limited	30	31
Administration fees received to related parties		
Lefika Road Construction (Pty) Limited		1 969
Compensation to directors and other key management		
Short-term employee benefits	11 570	12 290

Notes to the group annual financial statements

for the year ended 30 June 2010

34. Directors' emoluments

Executives

2010	Directors' fees, other fees and expenses R'000	Performance incentives R'000	Total R'000
C Kruger	682	–	682
P van der Schyf	1 763	67	1 830
G Olivier	985	108	1 093
AO Osman	652	113	765
	4 082	288	4 370

2009	Directors' fees, other fees and expenses R'000	Total R'000
C Kruger	1 843	1 843
G Olivier	1 389	1 389
P van der Schyf	1 589	1 589
	4 821	4 821

Non-executives

2009		
MH Lomas	172	172
BW Marais	140	140
Leswikeng Mineral Company represented by A Deshmukh	98	98
CK Louw	147	147
	557	557

Notes to the group annual financial statements

for the year ended 30 June 2010

35. Risk management

Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group At 30 June 2010	**Less than 1 year R'000**	**Between 1 and 5 years R'000**	**Over 5 years R'000**
Other financial liabilities	**120 442**	**92 499**	**–**
Trade and other payables	**157 101**	**–**	**–**
Finance leases	**13 691**	**2 836**	**–**
Loans payable	**170**	**32 535**	**–**

At 30 June 2009	Less than 1 year R'000	Between 1 and 5 years R'000	Over 5 years R'000
Other financial liabilities	252 057	1 311	–
Trade and other payables	176 952	–	–
Finance leases	18 477	16 752	–
Loans payable	1 734	29 067	–

Interest rate risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk.

Cash flow interest rate risk

Financial instrument	Current interest rate (%)	120+ days R'000	60 days R'000	30 days R'000	Current R'000	Total R'000
Trade and other receivables – normal credit terms	10,00	67 238	2 826	12 777	104 865	187 706
Retention debtors	10,00	48 255	–	–	–	48 255
VAT	10,00	–	–	–	12 698	12 698
Deposits	10,00	113	–	–	–	113
Sundry receivable	10,00	–	–	–	717	717
Trade and other payables – extended credit terms	10,00	(46 477)	(1 170)	(18 288)	(47 104)	(113 039)
Retention creditors	10,00	(11 494)	–	–	–	(11 494)
Accrued expenses	10,00	–	–	–	(21 374)	(21 374)
Other payables	10,00	(6 145)	–	–	–	(6 145)
Income received in advance	10,00	–	–	–	(2 562)	(2 562)
VAT	10,00	–	–	–	(2 487)	(2 487)

Notes to the group annual financial statements

for the year ended 30 June 2010

35. Risk management (continued)

Cash flow and fair value interest rate risk

Financial instrument	Current interest rate	Decrease in interest rate resulting in an increase/ (decrease) in profit before tax R'000	Decrease in interest rate resulting in an increase/ (decrease) in profit after tax R'000
Assuming a 1% movement in South African prime borrowing rate	10,00%	3 033	3 883

The Group is exposed to interest rate risk through its cash and cash equivalents and interest-bearing short- and long-term liabilities.

The above sensitivity analysis has been performed to monitor the effect of changes in interest rates.

The analysis above depicts the effect on profit before and after tax assuming changes in South African prime interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

The carrying amount of the financial assets represents the group's maximum risk without taking into consideration any collateral.

Trade receivables past due (over 60 days) which have not been impaired amount to R67 238 395.

The group is exposed to a number of construction guarantees issued in favour of the various debtors.

Refer to note 32 for additional details and the quantum of the guarantees issued.

Doubtful debts were identified and impaired, no additional provision for doubtful debts is necessary.

36. Post balance sheet events

Refer to details disclosed in directors' report on pages 18 to 21.

Notes to the group annual financial statements

for the year ended 30 June 2010

37. Earnings and headline earnings per share

37.1 Earnings per share

The calculation of basic and diluted earnings per share attributable to the shareholders of the company is based on the following data:

	2010 R'000	2009 R'000
Earnings		
Earnings attributable to the equity holders of the company	(239 173)	25 183
Number of shares	–	–
Weighted average number of shares in issue	488 864	488 336
– Basic	(48,92)	5,16
– Diluted	(48,92)	5,16

37.2 Headline earnings per share

The calculation of basic and diluted headline earnings per share attributable to the shareholders of the company is based on the following data:

	2010 R'000	2009 R'000
Earnings		
Earnings attributable to the equity holders of the company	(239 173)	25 183
Less: Profit on sale of fixed assets	(327)	(521)
Add: Impairment of goodwill	90 442	
Headline earnings	(149 058)	24 662
Number of shares		
The denominators used are the same as those detailed above for both basic and diluted earnings per share		
– Basic	(30,49)	5,05
– Diluted	(30,49)	5,05

Shareholder analysis

Shareholder spread

	Number of shareholders	%	Number of shares	%
1 – 1 000	124	12,13	83 010	0,02
1 001 – 10 000	505	49,41	2 262 041	0,46
10 001 – 100 000	257	25,15	9 443 093	1,93
100 001 – 1 000 000	90	8,81	30 587 679	6,26
1 000 001 shares and over	46	4,50	446 488 405	91,33
	1 022	100,00	488 864 228	100,00
Distribution of shareholders				
Banks	8	0,78	7 200 907	1,47
Close Corporations	19	1,86	506 100	0,10
Trusts	52	5,09	129 368 700	26,46
Individuals	843	82,48	34 403 739	7,04
Insurance Companies	3	0,29	5 210 017	1,07
Investment Companies	7	0,68	124 236 864	25,41
Pension Funds and Medical Schemes	30	2,94	48 666 384	9,96
Mutual Funds	25	2,45	131 129 139	26,82
Other Corporate Bodies	20	1,96	6 684 664	1,37
Private Companies	15	1,47	1 457 714	0,30
	1 022	100,00	488 864 228	100,00

Public/non-public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	8	0,78	186 644 485	38,18
Directors of the company	7	0,68	67 261 660	13,76
Black Management Scheme	1	0,10	119 382 825	24,42
Public shareholders	1 014	99,22	302 219 743	61,82
	1 022	100 00	488 864 228	100,00

Beneficial shareholders holding 5% or more	Number of shares	%
Phatsima Housing Investment Pty Limited	119 382 825	24,42
Corné Kruger Family Trust	48 000 000	9,82
Coronation Life Coronation Special Opportunity Portfolio	51 490	10,53

Shareholder analysis

Rank	Country Shares	Number of shares	%
1	South Africa	481 901 020	98,576
2	United States	3 337 413	0,683
3	Namibia	2 372 447	0,485
4	Luxembourg	625 494	0,128
5	Switzerland	234 000	0,048
6	Germany	200 000	0,041
7	France	162 754	0,033
8	Zimbabwe	11 200	0,002
9	Japan	10 000	0,002
10	Australia	5 000	0,001
11	United Kingdom	4 900	0,001
		488 864 228	100,000

Shareholders' diary

Financial year end	30 June
Preliminary announcement	October
Annual Report posted	December
Annual General Meeting	February
Interim results announced	March

Notice to shareholders

SEA KAY HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2006/004967/06)
JSE code: SKY
ISIN: ZAE000102380
("Sea Kay" or the "Company")

Notice is hereby given that the fourth annual general meeting of members of Sea Kay will be held at the offices of Topfix Scaffolding Boardroom, Corporate Business Park South, 146 Lechwe Street, Midrand on Friday, 11 February 2011 at 10:00, to consider and, if deemed fit, pass, with or without modification, the following resolutions:

Ordinary resolution number 1

"Resolved that the audited consolidated financial statements of the Company for the year ended 30 June 2010 and the auditors' and directors' reports in regard thereto be received and adopted."

Ordinary resolution number 2

"Resolved that BW Marais, who is required to retire by rotation in terms of the Company's articles of association, and, being eligible, offers himself for re-election, be re-elected as a director of the Company."

A brief curriculum vitae in respect of Mr Marais is set out on page 3 of this Annual Report.

Ordinary resolution number 3

"Resolved that the appointment of Mr AV Green, as a non-executive director, with effect from 1 February 2010 be ratified."

Ordinary resolution number 4

"Resolved that the directors' remuneration in respect of the year ended 30 June 2010 be ratified."

Ordinary resolution number 5

"Resolved that SAB&T be re-appointed as auditors of the Company for the ensuing year, and that the registered auditor will be Mr Bashier Adam."

Ordinary resolution number 6

"Resolved that, subject to the provisions of section 221 of the Companies Act, 1973 (Act 61 of 1973), as amended, the authority given to the directors to allot and issue, at their discretion, the authorised but unissued ordinary shares in the capital of the Company for such purposes as they may determine, be extended until the next annual general meeting of the Company."

Ordinary resolution number 7

"Resolved that, in terms of the Listings Requirements of the JSE Limited (JSE), the mandate given to the directors of the Company in terms of a general authority to issue securities for cash, as and when suitable opportunities arise, be renewed, subject to the following conditions:

- That the general authority be valid until the Company's next annual general meeting provided that it shall not extend beyond fifteen months from the date of the passing of this ordinary resolution (whichever period is shorter);
- That the securities be of a class already in issue;
- That securities be issued to public shareholders as defined in the JSE Listings Requirements and not to related parties;
- That issues in the aggregate in any one financial year shall not exceed 15% of the Company's issued share capital of that class;

Notice to shareholders (continued)

- That, in determining the price at which an issue of securities will be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of those securities over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities or any other price agreed to by the JSE;
- That this authority include any options/convertible securities that are convertible into an existing class of equity securities;
- That a paid press announcement giving full details, including the impact on net asset value, net tangible asset value, earnings and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, be published at the time of any issue representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to the issue/s."

Voting

In terms of the JSE Listings Requirements:

- The approval of a 75% majority of the votes of all shareholders, present or represented by proxy, is required to approve ordinary resolution number 7.

Special resolution number 1

"Resolved, as a special resolution, that the directors be authorised in terms of the Company's articles of association (or one of its wholly-owned subsidiaries), by way of a general authority, to acquire the Company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the provisions of the Companies Act, 1973 (Act 61 of 1973), as amended, and the Listings Requirements of the JSE Limited (the JSE), subject to the following terms and conditions:

- Repurchases by the Company in aggregate in any one financial year may not exceed 20% of the Company's issued share capital as at the date of passing of this special resolution or 10% of the Company's issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company;
- Any repurchase of securities 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 counterparty;
- This general authority be valid until the Company's next annual general meeting, provided that it shall not extend beyond fifteen months from the date of passing of this special resolution (whichever period is shorter);
- Repurchases may not be made at a price greater than 10% above the weighted average of the market value of the securities for the five business days immediately preceding the date on which the transaction was effected;
- At any point in time, the Company may only appoint one agent to effect any repurchase;
- An announcement be published as soon as the Company has cumulatively repurchased 3% of the initial number (the number of that class of shares in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases;
- Repurchases may not be made by the Company and/or its subsidiaries during a prohibited period as defined by the Listings Requirements of the JSE unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and
- The Company may not enter the market to proceed with the repurchase of its ordinary shares until the Company's sponsor has confirmed the adequacy of the Company's working capital for the purpose of undertaking a repurchase of securities in writing to the JSE."

Notice to shareholders (continued)

The effect of the special resolution and the reason therefore is to extend the general authority given to the directors in terms of the Act and the JSE Listings Requirements for the acquisition by the Company and/or its subsidiaries of the Company's securities, which authority shall be used at the directors' discretion during the period it is so authorised.

In terms of the Listings Requirements of the JSE, the following disclosures are required in the Annual Report with reference to the general authority to repurchase the Company's shares:

Working capital statement

The directors, after considering the effect of the maximum repurchase permitted, must be of the opinion that if such repurchase is implemented, and for a period of 12 months after the date of the annual general meeting:

- The Company and the group will be able, in the ordinary course of business, to pay their debts;
- The assets of the Company and the group will be in excess of the liabilities of the Company and the group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements;
- The share capital and reserves are adequate for the ordinary business purposes of the Company and the group;
- The working capital of the Company and the group will be adequate for ordinary business purposes.

At the present time the directors have no specific intention with regard to the utilisation of the general authority set out in special resolution number 1, which will only be used if and when circumstances are appropriate.

Litigation statement

Other than as disclosed or accounted for in this annual report, the directors are not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened of which the Company is aware, which may have, or have had in the recent past, being at least the previous 12 months from date of this annual report, a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names are given on page 3 of this annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to special resolution number 1 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned special resolution contains all the information required by the JSE.

Material change

Other than the facts and developments reported on in this annual report, there have been no material changes in the financial or trading position of the group since the Company's financial year end and the signature date of this annual report.

Directors	Page 3
Major shareholders	Page 73
Share capital	Page 60
Interest of directors	Page 21

Notice to shareholders (continued)

Proxies

Each shareholder of the Company who, being an individual is present in person or by proxy, or, being a company, is represented at the annual general meeting is entitled to one vote on a show of hands. On a poll, each shareholder present in person or by proxy or represented shall have one vote for every share held.

A shareholder entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, speak and vote in his stead. A proxy need not be a shareholder of the Company.

Certificated shareholders and own name dematerialised shareholders who are unable to attend the annual general meeting, but wish to be represented thereat must complete the attached form of proxy and return it to the transfer secretaries of the Company, Link Market Services South Africa (Proprietary) Limited, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000), to reach them by no later than 10:00 on 9 February 2011.

The completion of a form of proxy will not preclude a shareholder from attending, speaking and voting at the general meeting to the exclusion of the proxy so appointed.

Dematerialised shareholders, other than those with own name registration, must inform their Central Securities

Depository Participant (CSDP) or broker of their intention to attend the annual general meeting and obtain the necessary Letter of Representation from their CSDP or broker to attend the annual general meeting or provide their CSDP or broker with their voting instructions should they not be able to attend the annual general meeting in person. This must be done in terms of the agreement entered into between the shareholder and the CSDP or the broker concerned.

By order of the board

H Boshoff
Group Company

17 December 2010

Administration

Directors
P van der Schyf, (acting executive Chairperson)
BW Marais (non-executive)
AV Green (non-executive)
AO Osman (executive)

Secretary
H Boshoff, BCom (Acc), CA (SA)
8 Suikerbos Street
Golfpark
Meyerton, 1961
(Postal address as per above)

Registered Office
7 Patton Street Duncanville Vereeniging, 1939
(PO Box 925, Meyerton, 1960)

Sponsor
Vunani Corporate Finance
Trading as a division of Vunani Capital
(Proprietary) Limited
(Registration number 1998/001469/07)
Vunani House. Block C
Athol Ridge Office Park
151 Katherine Street
Sandown, Sandton, 2196
(PO Box 652419, Benmore, 2010)

Transfer Secretaries
Link Market Services South Africa (Proprietary)
Limited
(Registration number 2000/007239/07)
16th Floor
11 Diagonal Street
Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)

Transfer Secretaries
Link Market Services South Africa (Proprietary)
Limited
(Registration number 2000/007239/07)
16th Floor
11 Diagonal Street
Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)

Legal Advisor
TW Ferguson (Proprietary) Limited
(Registration number 2003/021147/07)
6a Sandown Valley Crescent
Sandown
Sandton, 2196
(PO Box 781493, 2146)

Proxy form

SEA KAY HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2006/004967/06)
JSE code: SKY
ISIN: ZAE000102380
("Sea Kay" or the "Company")

For use by certificated shareholders and own name dematerialised shareholders of Sea Kay (members) at the fourth annual general meeting of Sea Kay to be held at the offices of Topfix Scaffolding Boardroom, Corporate Business Park South, 146 Lechwe Street, Midrand on Friday, 22 October 2010 at 10:00 (SA time) and any adjournment thereof.

I/We (Full name in block letters)

Of: (Address)

Telephone: Work ( ) Home: ( )

Being the holder/s of: shares in the Company, do hereby appoint: (see note 1.):

1. or failing him/her

2. or failing him/her

3. the chairman of the general meeting

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof, and to vote for or against the ordinary and special resolutions and/or abstain from voting in respect of the shares registered in my/our name/s, in accordance with the following instructions (see note 2.):

	For	Against	Abstain
Ordinary resolution 1: Adoption of the annual financial statements for the year ended 30 June 2010			
Ordinary resolution 2: Re-election of BW Marais as a director of the Company:			
Ordinary resolution 3: Ratification of the appointment of AV Green as a Non-Executive Director			
Ordinary resolution 4: Ratification of directors' remuneration			
Ordinary resolution 5: Re-appointment of SAB&T as auditors for the ensuing year			
Ordinary resolution 6: Authority to place unissued shares under control of directors			
Ordinary resolution 7: General authority to issue shares for cash			
Special resolution 1: General authority to repurchase the company's shares			

Signed at: on 2010/2011

Signature:

Assisted by me (where applicable):

(Note: A shareholder entitled to attend and vote is entitled to appoint a proxy to attend, speak and vote in his/her stead. Such proxy need not also be a shareholder of the Company).

Please read the notes on the following page.

Notes to form of proxy

Please read the following notes:

1. A member may insert the name of a proxy or the names of two alternate proxies of the member's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting". The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit in respect of all the member's votes exercisable thereat.

3. A member or his/her proxy is not obliged to use all the votes exercisable by the member or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of votes exercisable by the member or by his/her proxy.

4. This duly completed form of proxy must be received by the Company's transfer secretaries, Link Market Services South Africa (Proprietary) Limited, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) 48 hours before the time fixed for the meeting.

5. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the chairman of the general meeting.

7. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

8. The chairman of the annual general meeting may reject or accept any form of proxy, which is completed and/or received, other than in compliance with these notes.

9. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her capacity are produced or have been recorded by the Company.

10. Where there are joint holders of shares:
    - Any one holder may sign the form of proxy; and
    - The vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the Company's register of members, will be accepted.

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Construction and engineering, materials, services and building contract activities
Directors	P van der Schyf BW Marais AV Green
Business address	7 Patton Street Duncanville Vereeniging 1930
Postal address	PO Box 925 Meyerton Gauteng 1960
Bankers	ABSA Bank Limited Standard Bank Limited
Auditors	SAB & T Incorporated Chartered Accountants (SA)
Secretary	H Boshoff
Company registration number	2006/004967/06

sea kay
HOLDINGS LTD.
www.seakay.co.za