

Company profile

Listed on the JSE main board in the 'Construction and Materials – Heavy Construction' sector, Stefanutti Stocks is one of South Africa's leading engineering and construction groups with an annual turnover of R7 billion. Offering highly diversified services across the spectrum of engineering and construction disciplines, the group has the capability to deliver a range of projects of any scale.

Stefanutti Stocks boasts a Grade 9 rating from the South African Construction Industry Development Board (CIDB), ensuring unlimited tender capability.

The group operates across the private and public sectors with clients spanning governments, parastatals and local authorities, major mining houses, industry, large corporate groups, financial institutions and property developers.

Stefanutti Stocks has a global workforce of 11 651 with 8 585 employees in South Africa, 2 727 across Africa and 339 in the Middle East. Operating across four business units, consistency and quality of performance are the key thread of a common brand and strategy. The key disciplines comprise: Structures, Roads & Earthworks, Mining Services, Mechanical, Electrical & Power and Building.

With its headquarters in Kempton Park, Gauteng, Stefanutti Stocks is active in South Africa and across sub-Saharan Africa including Angola, Botswana, Malawi, Mozambique, Sierra Leone, Swaziland and Zambia as well as in the Middle East. Currently 23% of group turnover and 31% of group operating profit is derived from operations outside South Africa.

Strategic intent

Stefanutti Stocks strives to remain flexible, employing a dynamic strategy to enable the group to adapt to the fast changing and challenging business environment. Organic growth, partnerships and acquisitions will be pursued as and when appropriate, within and outside South Africa.

The annual report covers the South African operations of Stefanutti Stocks and its business units for the financial reporting year ended 28 February 2011. Reporting on corporate responsibility issues is included in this report insofar as policy and governance is concerned in line with the King III Report and the GRI. Comments and queries can be addressed to annual.report@stefstocks.com.

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	2011 R'000	2010 R'000	2009 R'000	2008 R'000
FINANCIAL RESULTS				
Contract revenue	6 896 418	7 365 023	6 212 899	2 544 923
Operating profit before investment income	442 329	500 745	392 191	184 304
Property, plant and equipment	901 671	791 865	763 246	358 129
Total assets	5 071 386	5 027 783	5 024 040	1 832 429
Cash generated from operations	265 416	792 052	1 142 717	464 267
ORDINARY SHARE ANALYSIS				
Headline earnings per share (cents)	192,45	224,34	185,35	103,65
Earnings per share (cents)	193,55	220,14	184,27	103,28
Dividends per share (cents) (full year)	45	70	58	12,6*

* The dividend paid in 2008 relates to a pre-listing dividend.

Share price performance

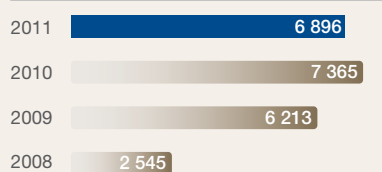


Financial highlights

Contract revenue

R6,9 billion

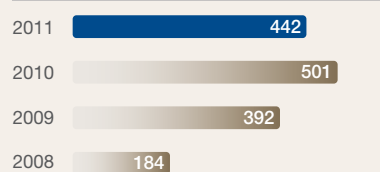
Rbillion



Operating profit

R442 million

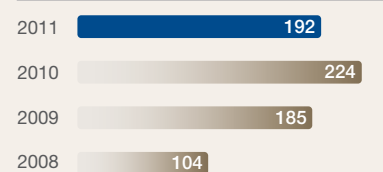
Rmillion



Headline earnings per share

192,5 cents

cents



Structures



Business unit capabilities

Construction of

- ⇒ Mining infrastructure
- ⇒ Transport infrastructure and bridges
- ⇒ Fossil and renewable energy power plants
- ⇒ Petrochemical plants and related infrastructure
- ⇒ Bulk materials handling infrastructure
- ⇒ Marine infrastructure, ports and harbours
- ⇒ Heavy industrial plants and structures
- ⇒ Geotechnical construction, piling and lateral support
- ⇒ Effluent and water treatment plants
- ⇒ Structural rehabilitation, concrete repair and waterproofing
- ⇒ Pipelines for water and other products and materials
- ⇒ Dams

Roads & Earthworks



Business unit capabilities

- ⇒ Roads
- ⇒ Earthworks
- ⇒ Mining surface infrastructure
- ⇒ Industrial infrastructure plants
- ⇒ Township infrastructure
- ⇒ Transport infrastructure

Mining Services



Business unit capabilities

- ⇒ Design, construction and operation of waste residue disposal and recovery facilities
- ⇒ Hydraulic mining and dredging
- ⇒ Bulk materials handling
- ⇒ Coal discard and fines disposal and recovery
- ⇒ Open-pit contract mining
- ⇒ Drilling and blasting
- ⇒ Crushing and screening
- ⇒ Rehabilitation and closure

Mechanical, Electrical & Power (MEP)



Business unit capabilities

- ⇒ High voltage overhead line construction (11kV to 765kV)
- ⇒ High voltage substation construction (11kV to 132kV)
- ⇒ Fibre optic installation
- ⇒ **Surface and underground**
- ⇒ Supply, fabrication and erection of steel and platework
- ⇒ Electrical installation
- ⇒ Supply and installation of piping
- ⇒ Instrumentation and control installation

Building



Business unit capabilities

- ⇒ **South Africa and Southern Africa**
- ⇒ Healthcare facilities
- ⇒ Transport nodes
- ⇒ Retail and parkades
- ⇒ High rise residential
- ⇒ Housing
- ⇒ Office accommodation
- ⇒ Educational institutions
- ⇒ Stadia
- ⇒ Hotels and leisure
- ⇒ **Middle East**
- ⇒ Construction
- ⇒ Interior fit-out
- ⇒ Refurbishment
- ⇒ Electro-mechanical installations



1971

- Founding of the company by Gino Stefanutti and Ivo Bressan

1974

- Awarded first bridge construction



1988

- Offices open in Swaziland
- A Roads & Earthworks operation is established

1992

- Awarded contract for the Tugela River Bridge

1994

- Offices in Mozambique are established



1996

- Gauteng office (Kempton Park) opens
- Three major cooling towers for Eskom's Majuba power station awarded



- Annual turnover: **R84 million**

Key operations

South Africa



International



Structures

- ⇒ Civils
- ⇒ Civils KZN
- ⇒ Marine
- ⇒ Geotechnical

Roads & Earthworks

- ⇒ Roads & Earthworks Gauteng
- ⇒ Roads & Earthworks Swaziland

Mining Services

- ⇒ Design & Construct
- ⇒ Tailings Operations
- ⇒ Open-pit Contracting
- ⇒ Materials Handling

MEP

- ⇒ Mechanical
- ⇒ Electrical & Instrumentation
- ⇒ Power

Building

- ⇒ Inland
- ⇒ Coastal
- ⇒ Housing
- ⇒ Africa (SADC)

Middle East

- ⇒ Al-Tayer Stocks (Interior fit-out)
- ⇒ Zener Steward (Electro Mechanical)
- ⇒ Construction



2003

- A geotechnical operation is established specialising in reinforced piling and lateral support

2005

- Annual turnover reaches **R1 billion**

2006

- Cape Town office opens
- Introduction of a BEE partner Moputso Investments (Pty) Limited (part of the Mowana Investments group)

2007

- Acquires Environmental, Civil and Mining Projects (Pty) Limited
- Lists on the JSE

2008

- Acquires majority stake in Skelton & Plummer Investment Holding Company (Pty) Limited
- Turnover of **R2,55 billion**
- Merge with Stocks and gains entry into UAE markets
- Introduction of a further BEE shareholder in Leswikeng Building (Pty) Limited
- Acquires majority stake in Civil & Coastal (Pty) Limited
- Rebranded as Stefanutti Stocks



2010

- Annual turnover of **R7,5 billion**
- Acquires business operations of WERM, Apollo and RGF



Vision

- ⇒ Our vision is to be a dynamic multi-disciplinary group, which is the leading South African-based construction business

Mission

- ⇒ We aim to become the preferred construction partner for all of our stakeholders
- ⇒ Our professional conduct will establish a track record of industry excellence
- ⇒ Shareholder value will be maximised by building a sustainable business presence in Africa and within targeted international markets
- ⇒ We will create a desirable place of work, a natural home for creativity, enthusiasm and personal safety

Values

- ⇒ **Candour:** Frank and respectful discussions with the objective of finding positive outcomes
- ⇒ **Professionalism:** The application of a competent, disciplined and meticulous approach to all aspects of business, resulting in performance of high quality and reliability
- ⇒ **People relations:** The value which causes people to treat one another fairly and with respect, and always be mindful of the human dignity of others
- ⇒ **Enthusiasm:** A high level of positive energy and a determination to succeed
- ⇒ **Dynamism:** Openness and flexibility of mind and an energetic, proactive solution-driven attitude



Gino Stefanutti

Bridgman Sithole

Joseph Fizelle

Herman Mashaba

Kevin Eborall

Nomhle Canca

Non-executive directors

- **Biagino (Gino) Stefanutti** (63)

Chairman and co-founder
National Diploma Civil Engineering

Appointed: April 1996

Gino has over 40 years' experience in the engineering and construction industry. He co-founded Stefanutti Stocks as Stefanutti & Bressan (Pty) Limited in 1971.

- **Bridgman Sithole** (47)

Appointed: July 2007

Bridgman is currently executive chairman of Mowana Investments (Pty) Limited, a black empowerment investment holding company invested in Stefanutti Stocks. Prior to joining Mowana Investments in 2005, Bridgman had been an executive director for Strategy & Business Development at Business Connexion. He has also held various senior positions within the ANC, provincial governments and Absa Bank Limited. Bridgman currently serves on the boards of numerous private companies.

- **Joseph Fizelle** (40)

Alternate to Bridgman Sithole
BCom, HDipPrAcc, CA (Ireland) Fellow of the Irish Institute of Chartered Accountants

Appointed: July 2007

Joseph is an executive director of Mowana Investments (Pty) Limited, a black empowerment investment holding company invested in Stefanutti Stocks. Prior to joining Mowana Investments in 2004, Joseph was employed in corporate finance at JP Morgan and Standard Bank for a period of six years and before that at PricewaterhouseCoopers. He currently serves on the boards of numerous private companies.

Independent non-executive directors

- **Herman Mashaba** (51)

Appointed: July 2008

Herman founded the cosmetics company Black Like Me Products in 1984. He served as non-executive chairman of Stocks Limited from 2005 until the merger with Stefanutti & Bressan Holdings Limited in 2008. Following the merger he was appointed as a non-executive director. Herman is deputy non-executive chairman of Growthpoint Properties Limited and is also the chairman of the Institute of Directors in South Africa and the executive chairman of his investment company, Lephatsi Investments (Pty) Limited.

- **Kevin Eborall** (66)

Nat Dip Prod Eng (Industrial Eng)

Appointed: July 2007

Kevin graduated as an Industrial Engineer in 1965. He has held senior management positions at Dorbyl, ICL and Fraser Alexander. Kevin has served on the boards of various private and public companies and continues to hold a number of directorships both in South Africa and Australia. In addition Kevin provides consulting services to companies in the mining services and industrial sectors. He is the chairman of Skygistics, an international satellite communications company.

- **Nomhle Canca** (45)

BA (Political Science), BA (Economics)

Appointed: July 2007

Nomhle has over 21 years' experience in the financial services industry, having started her career as a stockbroker in Atlanta (USA) and later registered with the New York Stock Exchange. She is the co-founder of Women Investment Portfolio Holdings (Wiphold) and Women's Development Bank (WDB). She is currently group chief executive officer of One Stone Capital. She has held various directorships at private and parastatal companies.



Mafika Mkwazazi

Willie Meyburgh

Dermot Quinn

Stephen Pell

Schalk Ackerman

- **Mafika Mkwazazi** (57)

Lead Independent Director
BSc (Maths), BSc (Electrical Engineering)

Appointed: July 2007

Mafika is currently the non-executive chairman of Hulamin Limited and sits on the board of SABS. He has previously worked in senior positions at South African Breweries, Bristol Myers (Pty) Limited as a production manager for the consumer division and BMW as an engine plant manager. Mafika has served on the boards of various companies including Nedbank Limited, Transnet (where he is serving as non-executive chairman since 13 December 2010), Western Areas Limited, Industrial Development Corporation, Letseng Diamonds and Metrorail.

Executive directors

- **Willem (Willie) Meyburgh** (57)

Chief Executive Officer
National Diploma Civil Engineering, BCom

Appointed: April 1996

Willie has over 35 years' experience in the construction industry. With several large projects under his belt, he has gained vast experience across the full spectrum of construction activities. Prior to joining Stefanutti & Bressan Civils (Pty) Limited as managing director in 1996 he held a number of executive management positions for leading construction companies in South Africa. Willie was appointed to his present position of Chief Executive Officer when the group listed in 2007.

- **Dermot Quinn** (59)

Chief Financial Officer
BScEcon, CA(SA)

Appointed: November 2005

Dermot qualified as a chartered accountant in 1984 with audit firm Arthur Young. He joined the group in 1992, after having spent five years with Grovewalk Holdings Limited as chief financial officer. He was appointed as Chief Financial Officer of Stefanutti & Bressan (Pty) Limited in 2000 and on the restructuring of the group in 2005, was appointed to the group board in the same capacity.

- **Stephen Pell** (53)

Chief Operating Officer
BSc Building Management

Appointed: July 2008

Prior to joining Stocks in 2006, Stephen gained extensive experience in the construction markets in South Africa, Africa and the Middle East particularly in the disciplines of building, industrial civils and roads & earthworks. He previously held the position of director of Murray & Roberts Limited and managing director of Murray & Roberts Construction. In July 2007 he was appointed as Chief Executive Officer of Stocks Limited. Following the merger with Stefanutti & Bressan Holdings Limited in 2008 he was appointed an executive director and later in 2010 was appointed Chief Operating Officer of Stefanutti Stocks.

- **Schalk Ackerman** (52)

BEng (Civil)

Appointed: March 2010

Schalk has over 30 years' experience in the civil engineering construction industry. Prior to joining Stefanutti & Bressan Civils (Pty) Limited as managing director in July 2007, he was managing director of the Civil Engineering business unit and an EXCO member of the Grinaker-LTA group. He was promoted to the position of managing director of the Structures business unit in September 2008 and became an executive director of Stefanutti Stocks in March 2010.



Willie Meyburgh



Schalk Ackerman

- **Willie Meyburgh** (57)
See Directorate for CV on page 7
- **Schalk Ackerman** (52)
See Directorate for CV on page 7
- **Stephen Pell** (53)
See Directorate for CV on page 7
- **Dermot Quinn** (59)
See Directorate for CV on page 7

- **Siphiwe Nzimande** (53)
Group Business Development Director
BCompt, Hons, MBA
Appointed: March 2011

Siphiwe has held various executive positions in both the public and private sectors including commercial director at Murray & Roberts Construction, chief operations officer at the Gauteng Shared Service Centre and commercial executive for Eskom's Generation Group. He previously served for three years as chief executive officer of Business Against Crime South Africa. Siphiwe joined Stefanutti Stocks in June 2010 and was appointed to EXCO in March 2011.



Stephen Pell



Dermot Quinn



Siphiwe Nzimande



Jan Oberholzer

- **Jan Oberholzer** (53)
Managing Director Mechanical,
Electrical & Power
BEng (Electrical), MBL

Appointed: March 2010

Prior to joining the group, Jan spent 28 years with Eskom in various executive leadership positions. These included leading its major capital investment programme as well as managing one of the largest electrification programmes in the world. He was appointed Managing Director of Mechanical, Electrical & Power in January 2009 and joined EXCO in March 2010.

- **Luc Jacobs** (52)
Managing Director Building
Industrial engineer in civil engineering
(Masters degree – Belgium)

Appointed: March 2011

Luc has 27 years' experience in the Southern African construction industry having previously worked for Murray & Roberts Engineering and Stocks Construction. His expertise covers industrial engineering and commercial building projects. In 2000 he became an executive director of the newly formed Stocks Building Africa and Managing Director of the Inland region in 2006. He was appointed Managing Director of the Building business unit of Stefanutti Stocks in 2010 and joined EXCO in March 2011.

- **Elardus Rademeyer** (42)
Group Human Resources Executive
BCom (Financial Management), BCom
(Honours) Labour Relations

Appointed: June 2008

Elardus has held the role of national chairman and the chief negotiator for



Luc Jacobs



Elardus Rademeyer



Mike Smith

national negotiations on behalf of the civil engineering industry. He is non-executive chairman of a non-profit training company (CEITS) which was established by the South African Federation for Civil Engineering Contractors (SAFCEC) to provide industry training. In the group Elardus focuses on human resources, health and safety and black economic empowerment.

- **Mike Smith** (61)
Managing Director Mining Services
BSc (Eng) (Civil), Pr Eng, MSAICE, FSAIMM
Appointed: May 2007

Mike has 38 years' experience in the civil and mining engineering industries, having started his career with Concor Construction initially as a site engineer then as a site agent. This was followed by 17 years with SRK Consulting as a senior partner heading up the tailings and waste disposal engineering department. He founded Environmental, Civil and Mining Projects (Pty) Limited in 1991 which was subsequently acquired by Stefanutti Stocks in 2007.

- **Frik Venter** (58)
Managing Director Roads & Earthworks
National Diploma Civil Engineering
Appointed: October 2010

Frik has 35 years' experience in the civil engineering industry, mainly in the construction of roads and large dams. He started his career with Savage & Lovemore (later part of Group Five) and was later appointed managing director of the African operations for the Group Five roads division. He managed the Roads and Opencast Mining divisions at Concor before joining Stefanutti Stocks in October 2010.



Frik Venter



Gino Stefanutti / Chairman

- ⇒ **Managed to successfully contain the negative impact of challenging conditions**
- ⇒ **Well-positioned to continue leveraging the experience, skill and entrepreneurialism of all business units**

Introduction

As expected 2010 was a challenging year. Existing projects were postponed, anticipated projects were cancelled even before coming to tender and bid validity periods were continually and indefinitely extended. While consumer and business confidence is slowly improving, building confidence remains at a cyclical low with retail confidence yet to show meaningful recovery.

Nonetheless Stefanutti Stocks has managed to successfully contain the negative impact of challenging economic conditions.

To help generate future growth the group is aggressively pursuing long-lead projects with a 'grassroots strategy' – building relationships with key partners at the outset to ensure participation in and the ultimate success of tender bids. Our growth plans into the rest of Africa continue unabated, subject to caution, due to the ongoing operational challenges in certain regions.

The group is well-positioned to continue leveraging the experience, skill and entrepreneurialism of all business units to drive innovation and maintain excellence, which have both proved to be the basis of our resilience in these tough times. Over many years Stefanutti Stocks has been built on the integration of sound strategic leadership and operational competence.

Corporate governance

During 2010 we made strides in terms of improving and honing corporate governance policies and procedures, particularly in bringing them in line with the King III Report (see 'Corporate Governance' for further detail).

The group is aware of the risk of anti-competitive behaviour to the sustainability of its operations, including those which may arise as a result of joint ventures and public-private partnerships (PPPs). We have in place an initiative to create awareness through training across the group of what comprises anti-competitive practice and how best to avoid this.

Business environment

Slow economic recovery has been particularly evident in the construction sector. There has been a considerable drop in private sector investment as a result of funding constraints and other difficulties, and a slowdown in major public sector infrastructure development for similar reasons. Furthermore, government procurement deficiencies have deteriorated considerably over the last year, leading to increasingly poorly specified tenders, project postponements and cancellations. As a result under-spending and mismanagement of capital budgets persists. Resolving this issue is one of the fundamental necessities to the future health of the industry.

The downturn in the international economy has resulted in excess domestic capacity and as a consequence construction companies have refocused their attention on Southern Africa, which has in turn led to intensified competition and margin squeeze. On the upside, interest rates are at a 30-year low and inflation seems to be well contained at low levels. We are also starting to see some parastatals bringing work to the market.

B-BBEE

Stefanutti Stocks is actively striving to improve its BEE rating to Level 3. During the year a group BEE Forum was launched to focus on improving the group's performance in all aspects of the scorecard.

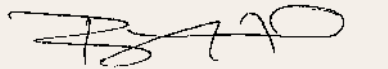
Further detail of the strategy in this regard is set out in 'Sustainability'.

Directorate

As part of the continuous growth process, Stephen Pell was appointed as Chief Operating Officer with effect from 1 August 2010. Willie Meyburgh will retain his current position as Chief Executive Officer with Stephen's appointment enabling him to focus more intensely on the overall group strategy including growth plans, market position, geographical spread and investor relations, among other areas. Stephen will take responsibility for the operations of Stefanutti Stocks with a specific focus on the strengthening and roll-out of the group brand.

Appreciation

I thank Willie Meyburgh, Stephen Pell, Dermot Quinn, Schalk Ackerman, the management teams and all Stefanutti Stocks employees for their efforts and unflagging diligence in a demanding year. I also thank my colleagues on the board for their wise counsel that helped immensely in board deliberations.



Gino Stefanutti

Chairman

18 July 2011



Willie Meyburgh / Chief Executive Officer

- ⇒ **Despite difficult trading conditions in the construction sector, the group delivered a commendable performance**
- ⇒ **We have sustained our order book and have a good medium-term project pipeline**
- ⇒ **Our multi-disciplinary group structure, diversified client base and good geographical spread minimise any over-exposure to one sector**

Introduction

At the start of our financial year South Africa was gearing up to host the FIFA World Cup™ in June 2010, with most local construction companies benefiting from this prestigious event. However, all signs pointed to the fact that with World Cup-related projects concluded, the South African construction market would inevitably lose immunity to the negative impact of the 2008 global financial crisis.

Despite the slump in the market I am pleased to report that Stefanutti Stocks delivered a commendable performance for the year against a backdrop of continued difficult trading conditions in a construction sector defined by intensifying competition and tight margins. Furthermore, the group successfully sustained its order book, which at year-end stood at R6,4 billion.

We also have a good medium-term project pipeline which encompasses a number of significant contract awards across all our business units. It is encouraging that even in this market, Stefanutti Stocks was awarded some contracts while not the lowest bidder on the tender list in terms of price, as well as having some projects awarded by negotiations.

The Structures business unit produced a commendable result with improved margins despite revenue remaining stable year-on-year. The Building business unit delivered a solid performance. While Roads & Earthworks' overall performance was satisfactory, it nonetheless continued to produce double digit margins. Mining Services, which includes Mining, Mechanical, Electrical & Power, demonstrated revenue growth although it was negatively affected

by divisional start-up costs and two loss-making projects, impacting margins.

Stefanutti Stocks remains defensive in that the group is well diversified both geographically and by discipline, which mitigates the effects of segment- and region-specific downturns. This multi-disciplinary capability has established Stefanutti Stocks as a highly competitive contractor on large civils and building projects coming to market. We continue to define and refine strategy to drive growth in the group's other business units to elevate them to a similar position of prominence in their markets of operation and enable them to take on larger and more challenging projects.

Established operations in Africa, specifically in Botswana, Mozambique, Swaziland and Zambia, successfully grew the top line during the year, capitalising on our long-established presence in those countries. The group also achieved expansion milestones into other parts of Africa, establishing an office in Angola and successfully securing two projects in Sierra Leone – a promising growth region in light of an upturn in the commodity sector.

Although market conditions in the Middle East remain challenging the group intends focusing on promising pockets of growth in the region, for instance Qatar following the award to the country of the 2022 FIFA World Cup™ and the ambitious expansion and development plans as a result.

Financial overview

Revenue of R7,0 billion declined by 6,3% from the previous year (February 2010: R7,5 billion). Operating profit before investment income decreased by 11,7% to R442 million (February 2010: R501 million), while profit for the year after tax reduced by 14,4% to R333 million (February 2010: R389 million). Earnings per share of 193,6 cents (February 2010: 220,1 cents) and headline earnings per share of 192,5 cents (February 2010: 224,3 cents) decreased by 12,1% and 14,2%, respectively.

The board declared a total dividend for the year of 45,0 cents (February 2010: 70,0 cents).

Further detail in respect of the annual financial results is set out in the Chief Financial Officer's report and in the attached annual financial statements and accompanying notes.

Strategy

We are cognisant that a successful strategy for sustainable growth requires dynamic flexibility under the current economic volatility, global market uncertainty and fast-

paced development. With this in mind we have devised a comprehensive multi-faceted strategy for the year ahead.

Stefanutti Stocks will maintain the existing decentralised management structure vis-à-vis the business units, in terms of which operational control resides in the underlying businesses for quick, skilled decision making and delivery. This obviously remains subject to overall consistent harmonisation across the group through common strategy and branding with a continuous drive to offer the group's multi-disciplinary capability as a complete package to our clients.

With Africa promising opportunities for growth despite the challenges of operating in certain regions, cross-border expansion will remain a focus going forward. However, Africa's growing popularity among most major domestic construction companies will result in increased competition and associated tighter margins over time. Stefanutti Stocks will therefore continue to target work on the continent by aligning ourselves with our current clients' expansion plans and increasing our footprint in countries where we already have a presence.

Optimisation of resources is another key goal for the year ahead. To this end the group will continue to focus on strengthening the individual skills and expertise of all business units while maintaining an overall customer-centric approach and superior service delivery. Plant and equipment form an integral part of growth for the group as a whole and the continued focus will be on ensuring maximum usage through a blend of new equipment and a well maintained existing fleet.

Further specific strategic focus areas in the year ahead will include:

- ⇒ developing standardised processes and practices using the concept of 'centres of excellence' to lead by example;
- ⇒ harnessing the strength of strong intra-group and client relationships and teamwork;
- ⇒ creating strong interdependent networks within the group so that the 'whole will be greater than the sum of the parts'; and
- ⇒ centralising administrative business support services for maximum cost and operational efficiencies.

Health and safety

We remain committed to continually enhancing health and safety processes and procedures to ensure our exemplary health and safety record is maintained. We again received a number of awards in this area during the year and our

solid health and safety performance across the group is viewed as a market differentiator. The group's DIFR at year-end was 0,22.

Sustainability

The annual report is viewed by the board of directors as the group's formal communication with all stakeholders (including investors, private and public sector customers, suppliers, staff, government and the general community within which Stefanutti Stocks operates).

We believe it both affirms and reflects our confidence in Stefanutti Stocks' strong track record of sustainability, taking into account all aspects of operations. We are highly cognisant that our success will continue to demand the ongoing inter-relation of strategic and operational priorities in concept and practice. The annual report is an open and transparent account of these priorities and the financial, environmental and social impact of their implementation.

A Sustainability Committee was established during the year to ensure we commence reporting in terms of the GRI guidelines. A formal 'gap analysis' has been commissioned based on the prior 2010 annual report and the GRI reporting requirements.

We are confident that this and subsequent reports will continue to demonstrate our commitment to the economic, social and environmental health of the group and South Africa at large. We accept that on a global scale our actions may affect minimal change, but we remain undaunted and will retain our adherence to sustainable business practices that will directly affect the areas in which we operate.

The investigation by the Competition Commission into anti-competitive behaviour by companies within the construction sector is currently ongoing. Stefanutti Stocks is co-operating fully with all relevant government agencies, and has submitted the requisite documentation and awaits formal feedback in this regard.

Outlook and prospects

Although the South African economy is forecast to grow at an average of 3% in 2011, trading conditions are expected to remain tough with increased competition and fewer major contracts coming to tender in the foreseeable future. On the upside, gradually increasing levels of business and consumer confidence are encouraging. Stefanutti Stocks has a healthy and diversified client base over both the public and private sectors, minimising any dangerous over-exposure to one sector.

Growth opportunities are expected to be driven by public sector demand for infrastructure development in the areas of water, electricity, roads, harbours, rail and petrochemical in both South Africa and Africa, provided that efficiency challenges such as procurement and payment bottlenecks can be successfully resolved.

In this vein government has committed R1 trillion to infrastructure spend over the next number of years, a promising figure. However, no significant roll-out of this programme is expected in the first half of the current financial year.

In the short-term the Trans Caledon Tunnel Authority (TCTA) water distribution projects have commenced with Stefanutti Stocks already securing the Komati pipeline in the Mpumalanga province. Further growth opportunities from this sector are expected and the group is accordingly planning capacity expansion to ensure service capability.

Over the longer term large-scale public sector investment in roads should provide ongoing work and capital expenditure on low-cost housing, water and sanitation provision and social infrastructure such as schools and hospitals, could also be substantial. In addition Eskom has secured funding and is now on track to complete the Kusile power station and other critical projects as well as maintain the roll-out of the current expansion plan.

Private sector investment prospects are expected to improve in the short term – with the year-on-year increase in the number of building plans passed providing evidence of this.

The resources industry is starting to show some early signs of resurgence, reflected in mining houses conducting more feasibility studies with stronger signs of investment in increased output. However, this market's recovery will remain heavily dependent on the global economic situation which inevitably impacts on commodity prices, as does local politics.

Sub-Saharan Africa offers considerable opportunities with an estimated annual spend of USD93 billion (approximately 15% of the region's GDP) required to meet only existing and moderate expansion to 2015. Of this amount approximately USD60 billion comprises capital expenditure on new infrastructure while the remainder is required for maintenance and operation.

In the Middle East there are early signs indicating the start of recovery. There is a slowly increasing number of tenders in the marketplace and positive developments such as the recent award to Qatar of the 2022 FIFA World Cup™.

Stefanutti Stocks has identified a number of opportunities and is preparing to take advantage of an upturn in the market. Focus on skills, cost control and optimal utilisation of resources remains a focus in achieving our objectives.

Post balance sheet events

In line with Stefanutti Stocks' ongoing growth strategy and subsequent to the financial year-end, we have identified the pipeline construction market to be a growth sector within the South African economy. In order to be well positioned within the sector and capitalise on the infrastructure spend, Stefanutti Stocks has taken a strategic decision to acquire the 100% interest in Cycad Pipelines (Pty) Limited and its related operations.

Appreciation

Stefanutti Stocks' performance can be attributed to the invaluable contribution and commitment of all our staff members. Without them and the support of their families, Stefanutti Stocks would not have been able to achieve its successes nor would it be in a position to continue to build on our common goals going forward. I also thank the EXCO members and the non-executive directors for their valuable input and guidance. Finally I extend my thanks to all our customers, suppliers, service providers and shareholders for their continued support.



Willie Meyburgh

Chief Executive Officer

18 July 2011



Dermot Quinn / Chief Financial Officer

Highlights

- ⇒ Commendable performance in difficult market conditions
- ⇒ Strong financial position maintained
- ⇒ Financial discipline – cost and cash management – remains a focal point in overall group strategy

Financial performance

Revenue of R7,0 billion was marginally down by 6,3% on the previous year, accompanied by an 11,7% reduction in operating profit to R442 million.

Operating margin also decreased slightly from 6,8% to 6,4% while headline earnings per share of 192,5 cents reflected a decline of 14,2% on the previous year.

Business units

Structures in particular had an effective year, achieving both an increased operating profit and operating margin on the same revenue as the previous year.

Building produced another sound set of results, while Roads & Earthworks, although generating a solid operating margin, was impacted by delays in contract awards and cancellations leading to a drop in both revenue and operating profit.

Mining Services entered into the more competitive market of sizeable contracts, albeit with reduced margins. This reflected in an encouraging increase in revenue. However, the operating profit was lower as the business unit was further adversely affected by two problem contracts.

Revenue
R7,0 billion
Operating profit
R442 million
Cash on hand
R1,1 billion

Shares in issue

Although the actual number of shares in issue remained constant throughout the year, the weighted average shares in issue reduced mainly due to the accounting treatment and timing of the repurchases of company shares, treated as treasury shares.

Cash

At year-end group cash stood at a robust R1,1 billion, slightly down on the previous year. Approximately 25% of this cash is held offshore. With the reduced interest rates currently available locally and internationally combined with the strengthening of the South African Rand, this had an adverse impact on the group's net investment income and year-end reported cash on hand.

The tight trading conditions have placed demands on cash flows in all our markets. In contrast to prior years, receipt of payments in advance and excess billings have now nearly disappeared entirely and working capital remains under pressure. As a result, cash generated from operations has reduced significantly by 67%. This area of the business is subject to continual management assessment, especially in the light of the group's future growth plans.

Capex

The interest-bearing debt in the group stood at a conservative 14% at year-end and has been raised for plant and equipment under instalment sales, as well as some bond finance over owned properties. However, net gearing after cash on hand remains at nil.

In order to meet the forecast organic and geographic growth, the group at an early stage identified the necessity to build the required capacity in the business units.

As a result, capital expenditure for the past year was R292 million including R50 million on owned properties. All capital expenditure is closely monitored within the group, with all significant amounts requiring specific approvals at executive level notwithstanding prior budgetary approval at the commencement of each financial year. In line with the stated objective of capacity building, the board has approved capital expenditure of R309 million for the current year, of which R120 million has already been committed.

An IFRS requirement is that the carrying value of all long-term assets including goodwill and intangibles be reviewed annually. No impairment was required for property, plant, equipment and goodwill. Intangibles are amortised in accordance with IAS 38: *Intangible Assets*, based on the value ascribed to the asset and its useful life.

Acquisitions

During the year the group acquired the business operation of RGF for R5,9 million as well as 100% shareholding in

Apollo for R19,7 million. Arising out of these acquisitions goodwill increased by R13,2 million. In addition, the group acquired the remaining minority interests in S&B Construcoes (Moc) Lda.

Restructure

With effect from 1 March 2010 the South African business operations were restructured, in terms of which the operations previously held in subsidiary companies commenced operations as divisions of Stefanutti Stocks (Pty) Limited.

Consequently some of the subsidiaries are in the process of being deregistered. As part of the restructuring process, a dividend *in specie* was declared from these subsidiary companies to the holding company, resulting in a dividend received of R157,6 million. The investments held in these subsidiaries have then been impaired due to the companies no longer trading and the resultant zero net asset values of these companies after the dividend declaration. The impairment of the investments amounted to R157,6 million. Both of the above transactions are reflected in the holding company's statement of comprehensive income. However, the net effect on the group financial statements is nil, as all entries are reversed on consolidation.

Outlook

At year-end the order book stood at R6,4 billion, up on the R6,2 billion at the end of the previous year. Significantly, however, the order book at the end of May 2011 stood at R8,2 billion, evidence of the group's future growth prospects.

Post balance sheet events

Subsequent to financial year-end the group has concluded agreements to acquire 100% interest in Cycad Pipelines (Pty) Limited for a total purchase consideration of R306 million. The transaction is subject to completion of conditions precedent.

Dividend

In light of the anticipated growth – organic, acquisitive and geographical, the board decided to adopt a prudent dividend policy and declared a total dividend of 45,0 cents per share (February 2010: 70,0 cents per share). This total dividend payment equates to a dividend cover of four times normalised headline earnings.



Dermot Quinn
Chief Financial Officer

18 July 2011



- ⇒ **Structural concrete, geotechnical and marine capabilities**
- ⇒ **General and specialised concrete construction for infrastructure, mining and industrial markets**
- ⇒ **Operates in the industrial, mining, power, infrastructure, geotechnical and marine sectors**
- ⇒ **Footprint throughout South Africa and in select African countries**

Structures continued to perform well despite tough trading conditions, with a number of sizeable new contract wins during the year. Notably the business unit took the lead in the process for the group to be selected as the preferred contractor for Kumba at Sishen Iron Ore Mine, specifically for the “Stay in Business” project portfolio – a long-term, multi-faceted programme expected to benefit all business units in the group in line with a collaboration agreement.

Financial review

Revenue remained consistent year-on-year at R2,1 billion. The operating margin improved from 7,9% in the previous year to 8,5% mainly as a result of the successful finalisation of certain contracts. New work was obtained at compromised margins in light of heavy market competition. The cash flow position remained positive and will continue as a focus area for management in the year ahead.

Structures held an order book of R2,4 billion at year-end.

The market

The overall market, including geotechnical and marine, remains competitive. Although a number of large-scale, long-lead projects have been identified, these are currently in the preliminary stages of procurement and would only translate into benefits for the business unit in the second half of the current year.

A number of expansion projects in Africa present growth opportunity with iron ore, coal and copper at the forefront. To ensure *Structures* is well-positioned to capitalise on these opportunities, the business unit is aligning with major clients and EPCM contractors, and in some cases offering cost-effective ‘Design & Construct’ alternatives. Having secured two sizeable new projects in growth hotspot Sierra Leone, and with the worldwide demand for iron ore, this area holds promise for future work.

The resources industry is starting to show some early indications of growth. Mining houses are conducting an increasing number of feasibility studies and there are stronger signs of planned investment to accelerate output.

Strategic initiatives

- ⇒ To continue the roll-out of the Africa expansion strategy, particularly in those countries where existing clients have an established presence
- ⇒ To expand our Marine division to become a truly international player
- ⇒ To bolster capabilities and capacity through strategic alliances with select recognised local and international partners
- ⇒ To continue aligning with major clients and EPCM contractors to position the group for inclusion in major tender opportunities and to offer alternative procurement models where viable and mutually beneficial



Schalk Ackerman (52)
Years of experience: 30
BEng (Civil)

Notable projects

Project	Timing	Value	Location
Kusile Power Station	3,5 years	R3,6 billion	Mpumalanga
	2,6 years	R380 million	
Grootegeluk Coal Mine	2 years	R528 million	North West
Trekkopje Uranium	1,5 years	R248,4 million	Namibia
Komati Pipeline	2 years	R603 million	Mpumalanga



- ⇒ Operates in the construction of roads, bulk earthworks, mining infrastructure, golf course developments, terraces for new developments and municipal services
- ⇒ Footprint throughout Southern Africa

Although the overall performance for the year was subdued, the business unit maintained double digit operating margins. *Roads & Earthworks* strives to be a preferred contractor by delivering a superior professional service across a number of disciplines. The business unit employs a 'people-centric' approach *vis-à-vis* clients and employees.

Financial review

Revenue decreased year-on-year to R846 million from R1,1 billion due to excessive rain, project cancellations and protracted award periods in relation to new projects. Margins nonetheless remained at a satisfactory level of 12,9% compared to 13,8% in the previous year. *Roads & Earthworks* was cash positive at year-end.

Although now bedded down, the newly introduced Asphalt division impacted on the business unit's performance during the year. The new asphalt and crushing capability will assist with the objective of providing to clients a complete discipline chain. Contracts undertaken by S&B Civil Roads (Swaziland) were curtailed as a result of non-payment on some government projects. Fortunately, most outstanding monies have been successfully

collected, contracts have recommenced and the situation is being monitored carefully on an ongoing basis.

Roads & Earthworks had secured an order book of R700 million at year-end.

The market

The slowdown in tender activity continued with very few large projects reaching the marketplace. Aggressive tendering as a result continues to depress margins and although order book growth remains a priority, the business unit remains cautious of low margin work at the bottom of the cycle. On the upside the agreement with Kumba at Sishen (see *Structures*) should generate new work for the business unit in the years ahead.

SANRAL's expenditure on Phase II of the Gauteng Freeway Improvement Project (GFIP) is expected to start in the latter part of the next financial year. In addition further investment in road infrastructure across South Africa should continue given the dire need for rehabilitation of rural roads and expansion of the transport infrastructure. This is only expected to translate into work for the business unit in the second half of the current year, resulting in a short-term lull.

Revenue is expected to show reasonable growth although margins are anticipated to remain static. *Roads & Earthworks* intends taking advantage of the temporary hiatus in the industry to build capacity and develop its people.

The business unit will continue to identify and pursue opportunities into African countries where the group has an established presence and then possibly further afield. This focus will be driven by the existing Swaziland operations in an effort to offset the anticipated slowdown in that country. This strategy is subject to the overall caveat that caution be exercised regarding exposure to public sector projects in Africa in light of the historical track record of payment issues.

There are initial promising signs of increased buoyancy in the resources and mining sectors and the intention is to build on existing success in the mining infrastructure sector for growth.

Strategic initiatives

- ⇒ Improve cost control, interaction and communication on all projects within the business unit
- ⇒ Strengthen relationships with key clients and consultants
- ⇒ Grow revenue outside South Africa
- ⇒ Increase involvement in larger-scale *Roads & Earthworks* projects
- ⇒ Build capacity
- ⇒ Grow business unit



Frik Venter (58)
Years of experience: 35
National Diploma
Civil Engineering

Notable projects

Project	Timing	Value	Location
Hopetown	3 years	R300 million	Douglas
Kumba	3 years	R150 million	Sishen
DFA fibre optic ducts	1 year	R150 million	Johannesburg and Karoo
Sikhuphe Airport	6 months	R45 million	Swaziland
SANRAL – National Road 17	2 years	R400 million	Bethal, Davel Camden, Piet Retief
Kusile Earthworks	3,5 years	R353 million	Ogies
Optimum Coal – water reclamation	2 years	R221 million	Middelburg



- ⇒ **Four diversified divisions: Design & Construct; Tailings Operations; Materials Handling; and Contract Mining**
- ⇒ **Specialises in the design, construction and operation of mine residue disposal and recovery facilities, materials handling and contract mining**
- ⇒ **Footprint throughout South Africa and select Southern African countries**
- ⇒ **Results of the Mechanical, Electrical & Power business unit are reported as a consolidated segment with Mining Services**

Although trading conditions remained stable, performance was defined by competitive tendering with low margins and two problem contracts. The business unit's diversified but integrated offerings position *Mining Services* to capitalise on more buoyant sectors of the market.

Financial review

Notwithstanding an increase in the business unit's revenue from R474 million to R702 million, the operating margin suffered a reduction from 11,8% in the previous year to 6,1%. Given the capital intensive nature of *Mining Services*' core business, and the decline in margins, cash flow remained under pressure.

At year-end the order book stood at R600 million.

The market

The business unit provides a multi-disciplinary suite of mining services to the South African mining industry and is capable of targeting healthier sectors during cyclical volatility.

The business unit expects an improved performance in the year ahead, albeit one still characterised by low margins and competitive tendering.

Design & Construct division

The division is able to offer specialist design and project management skills as well as to provide a full turnkey solution. A number of major projects were successfully completed, notably the Khumani Iron Ore Paste Tailings project, which was delivered on time and on budget.

Tailings Operations division

Although the year had been marked for consolidation, the division continued to make good inroads into the market with a number of new contracts secured and existing projects retained at improved margins.

Materials Handling division

The new division was successfully integrated into the business unit during the year. It is now well-positioned to secure coal slurry/discard handling projects.

Contract Mining division

This division offers the largest growth potential for the business unit. During the year performance was negatively impacted by the termination of a project where the client was unable to secure a take-off agreement. On the upside the division has successfully secured the Mashala Ferreira Mine open-cast coal project for 28 months (Continental Coal) and a 36-month hard rock mining contract in Phalaborwa (Foskor).

Strategic initiatives

- ⇒ To gain a foothold in Southern Africa beyond South African borders



Mike Smith (61)
 Years of experience: 38
 BSc (Eng) (Civil) Pr Eng, MSAICE, FSAIMM

Notable projects

Project	Timing	Value	Location
Khumani Iron Ore (design and construction of paste tailings facility including two 18m diameter paste thickeners)		R220 million (Phases I & II)	Northern Cape
Mashala Ferreira Mine Continental Coal	2,5 years	R9 million per month	Mpumalanga
Foskor Open Pit Mine	3 years	R3,5 million per month	Limpopo (Phalaborwa)
Middelburg Mining Services (coal slurry/discard, handling)	3 years	R2,3 million per month	Mpumalanga (Middelburg)
Contractor of choice on tailings reclamation project	5 years extendable	R2 million per month	Gauteng (West Rand)



- ⇒ Operates through three key divisions: *Mechanical; Electrical & Instrumentation; and Power*
- ⇒ Provides mechanical, and electrical and instrumentation construction services to the industrial, mining, manufacturing and petrochemical sectors
- ⇒ Transmission and distribution high voltage overhead line construction and optic fibre installation as well as distribution substation construction
- ⇒ Footprint throughout Southern Africa
- ⇒ Results of the *Mechanical, Electrical & Power* business unit are reported as a consolidated segment with *Mining Services*

Impacted by the ongoing effects of the global recession, the business unit focused on consolidation during the year. Integration of the underlying businesses (former acquisitions) and resource harmonisation across the business unit is a priority to maximise on future growth.

MEP boasts a distinct in-house sand filter and clarifier capability. In addition the business unit is gearing up to become one of the top five providers of high voltage overhead line construction in southern Africa, with a 765kV capability.

Financial review *See Mining Services*

The market

The competitive market conditions are expected to roll-over into the current year. The roll-out of power delivery projects in South Africa and Southern Africa has been identified as a major growth opportunity.

Mechanical division

The division began to experience the positive impact of movement in tender activity and increased feasibility studies from October 2010, and will focus on the petrochemical, power and mining markets in the year ahead.

Electrical & Instrumentation division

During the year the business unit acquired Apollo to bolster its electrical and instrumentation capability. The acquisition has been fully bedded down.

The electrical and instrumentation market is expected to pick up in the second half of the current year. The division will focus on growth opportunities in the mining and power (including renewable) markets.

Power division

At the start of 2010 *MEP* acquired RGF, an overhead line construction company, which enabled the division to begin introducing its power capability with formal registration on the major clients' vendor lists. Considerable investment was made in human resources, plant and equipment.

Strategic initiatives

- ⇒ To fully integrate the three divisions, including harmonising systems, policies and procedures
- ⇒ To target larger contracts and opportunities in renewable energy
- ⇒ To explore power opportunities in neighbouring countries
- ⇒ To position for the expected mega projects in the petrochemical, mining and power markets in the medium term



Jan Oberholzer ⁽⁵³⁾
Years of experience: 28
BSc Eng (Elec) (University of Pretoria) MBL (University of South Africa) Executive Leadership (University of Michigan)

Notable projects

Project	Timing	Value	Location
Grootegeluk (Mechanical)	1 year	R60 million	Lephalale, Limpopo
Sishen South (Electrical & Instrumentation)	1 year	R50 million	Postmasburg, Northern Cape
Glendale Ndwedwe 132kV high voltage overhead line – Eskom (Power)	7 months	R18 million	Tongaat – KwaZulu-Natal
Mercury Zeus 765kV high voltage overhead line – Eskom (Power)	7 months	Project value R15 million	Klerksdorp to Standerton



- ⇒ **Full scope of building construction from commercial and industrial through to residential and leisure**
- ⇒ **Select residential developments for major mining and industrial clients as well as low-cost and affordable housing for the public sector**
- ⇒ **Footprint throughout South Africa and other select countries in Southern Africa and the Middle East**

Notwithstanding a depressed market and extremely competitive trading conditions, the *Building* business unit maintained a performance on par with the previous year. Repeat business from key clients, a handful of large flagship projects and the ability to effectively participate in and deliver on the entire scope of building projects on offer, stood the business unit in good stead.

The group's track record and experienced leadership have helped elevate *Building* into the top tier of its peers as well as positioned the business unit for growth in a challenging environment.

Financial review

Revenue declined slightly from R3,7 billion to R3,3 billion. The operating margin also reduced marginally from 3,9% to 3,5% for the year. Operations in Africa returned solid growth, although below expectations.

Building had in hand a healthy order book of R2,7 billion at year-end.

The market

Excess capacity, lack of bulk services, stringent credit conditions and reducing confidence levels in the economy and industry will continue to squeeze margins in the short term.

The traditional residential and medium-sized commercial developers have not yet returned to the market, although industrial projects have featured more prominently. While some provincial and national government projects were released for tender at the start of the current year, no awards had yet been made at year-end. Large projects in Gauteng and the Eastern Cape are due for release later in 2011 and are expected to absorb some of the excess capacity in the industry.

Cross-border opportunities are increasing and the business unit expects to grow its order book in select African regions. The established businesses in Botswana and Mozambique are performing well and will be used as a base to launch initiatives in neighbouring countries with acceptable risk profiles.



Luc Jacobs (52)
Years of experience: 26
Masters Degree: Industrial
Engineer in Civil Engineering
(Belgium)

Notable projects

Project	Timing	Value	Location
Liberty Offices & Hotel (Southern Sun)	18 months (completed prior to World Cup)	R500 million	KwaZulu-Natal (Umhlanga)
City Lodge Hotel & multi-storey parkade (ACSA) at OR Tambo	3 years (completed prior to World Cup)	R500 million	Gauteng
15 on Orange	2 years	R250 million	Western Cape
Radisson Hotel	2,5 years	USD45 million	Mozambique (Maputo)
Illanga Mall	1 year	R360 million	Mpumalanga (Nelspruit)
Royal Bafokeng school	1,25 years	R380 million	Phokeng (North West)
New Cape Town Airport and multi-storey parkade	2,5 years	R1,4 billion (50% lead JV partners)	Cape Town

Strategic initiatives

- ⇒ Bolster and continue proactive, client-focused leadership and management strategy
- ⇒ Develop systems, structures and capacity to support focused growth in Africa within a risk-aware environment
- ⇒ Develop core capabilities in support of major projects and alternative procurement initiatives
- ⇒ Grow and support the key client base, leveraging the group's multi-disciplinary capacity and geographical footprint

International

The market

Both Al Tayer Stocks and Zener Steward endured a suppressed market during the year. Although there appears to be a slight improvement in the market, any real improvement will only be felt in late 2011 or early 2012.

Plans are well-advanced for our operations to be sponsored in Qatar, which would be a major step forward in establishing a general construction business in the Middle East.

Looking ahead Qatar is expected to provide the most significant opportunities for growth in the region, while Abu Dhabi should see some improvement.

Strategic initiatives

- ⇒ To strengthen existing partnerships
- ⇒ To maintain the Free Zone trading licence
- ⇒ To identify marine and roads & earthworks opportunities

Approach to corporate governance and statement of compliance

The King III Report took effect for financial years commencing on or after 1 March 2010 and accordingly it has been applied to Stefanutti Stocks in respect of the year. Stefanutti Stocks welcomes the principles introduced in King III and is committed to implementing the recommendations contained therein to the extent deemed appropriate and making sound business sense.

The board is satisfied that the group has, to a large extent, applied the fundamental principles recommended by King III during the year, and has identified particular areas with elements marked for improvement including:

- ⇒ ethical leadership and corporate citizenship;
- ⇒ sustainability in terms of economic, social and environmental performance;
- ⇒ risk management;
- ⇒ IT governance;
- ⇒ monitoring of the group's compliance with applicable laws and regulations; and
- ⇒ integrated reporting.

During the year the group established a King III Steering Committee. The committee, comprising various functional heads, co-ordinates and tracks progress made in terms of applying the principles of King III and provides feedback to the Audit, Governance and Risk Committee and the board. The directors appreciate the integration of the group's strategy, risk and sustainability into its daily operations and endeavours to ensure that all three components form part of all strategic decisions, audits and assessments.

In line with the 'apply or explain' approach in the King III Report, the directors will continue to state the extent to which the company applies good corporate governance principles to create and sustain value for stakeholders over the short, medium and long term. The board does not consider this a static responsibility and this process will therefore be continually monitored to ensure ongoing compliance in line with developments in corporate governance in South Africa and internationally.

During the year a number of critical developments in group corporate governance were achieved including:

- ⇒ King III gap analysis;
- ⇒ formation of Sustainability Committee (a sub-committee of the Audit, Governance and Risk Committee);
- ⇒ ongoing improvements to board standards, procedures and board packs;
- ⇒ enhancements in the risk management processes and reporting; and
- ⇒ implementation of a formal compliance monitoring and reporting process.

The board

The board remains responsible and accountable for the performance and affairs of the group and has full control over all the companies in the group. The directors exercise sound judgement and leadership with integrity based on principles of fairness, accountability and responsibility.

In line with the King III Report the board comprises a majority of non-executive directors (six), four of whom are classified as independent. A specific focus of the independent King III Report gap analysis during the year was the composition and independence of the board. The independence of the directors was assessed and confirmed by the Remuneration and Nominations Committee based on the independence requirements set out in the King III Report.

The board currently comprises:

- ⇒ **Executive directors:** Chief Executive Officer Willie Meyburgh, Chief Financial Officer Dermot Quinn, Chief Operating Officer Stephen Pell and Schalk Ackerman who are responsible for the day-to-day operations of the group.
- ⇒ **Non-executive directors:** Gino Stefanutti (Chairman) and Bridgman Sithole (with alternate Joseph Fizelle) represent significant shareholders at board level. The board is satisfied that the benefits of the Chairman's experience (extending over 40 years and having been involved in co-founding the group), knowledge of the company and extensive industry expertise outweigh the advantages of appointing an independent non-executive chairman. The appointment of a Lead Independent Director assures compliance with the King III Report.

⇒ **Independent non-executive directors:** Mafika Mkwanazi (Lead Independent Director), Kevin Eborall, Herman Mashaba and Nomhle Canca are regarded as independent and are neither significant shareholders in, nor suppliers to Stefanutti Stocks.

The name and a brief curriculum vitae of each director is set out on pages 6 and 7 of the annual report.

The board composition is reviewed annually, even in the absence of an independent review such as the King III Report gap analysis during the year, and any gaps in terms of skills and experience are identified and addressed accordingly. The board is aware of the need to increase the number of independent directors and is involved in an ongoing process to identify appropriately qualified candidates.

The responsibilities of the Chairman and Chief Executive Officer, and likewise the responsibility of executive and non-executive directors, are strictly separated to ensure that no director can exercise unrestricted powers of decision making. The Chairman provides leadership and guidance to the board and encourages proper deliberation on all matters requiring the board's attention while obtaining input from other directors. The practice of appointing the Chairman on an annual basis will be introduced in 2011 in accordance with the recommendations of King III. The Chief Executive Officer and other executive directors are responsible for implementing strategy and operational decisions in respect of operational issues. Non-executive directors contribute their independent and objective knowledge and experience to board deliberations. All non-executive directors are sufficiently qualified to contribute industry skill and expertise.

In line with recommendations of King III ongoing training for directors is being addressed and enhanced. Non-executive directors have unrestricted access to management at any time, and further have access to the external auditors. All directors are entitled, at the group's expense, to seek independent professional advice on any matters pertaining to the group where they deem this to be necessary.

Board Charter

The Board Charter, which is being reviewed to incorporate improvements recommended by the King III Report and the Companies Act, codifies the board's composition, appointment, authorities, responsibilities and processes and sets out the fiduciary duty and role of each director to the company. The board's responsibilities outlined in the charter include:

- ⇒ monitoring key risk areas, performance indicators and management;
- ⇒ reviewing the performance of the Chief Executive Officer;
- ⇒ reviewing the group's financial results and procedures, policies and codes of conduct;
- ⇒ implementing the group's plans and strategies;
- ⇒ approving financial and non-financial objectives; and
- ⇒ ensuring ethical behaviour and compliance with laws and regulations.

To assist the board in discharging its collective responsibilities, certain board responsibilities have been delegated to the Audit, Governance and Risk Committee, Remuneration and Nominations Committee, B-BBEE Transformation Committee, Mergers, Acquisitions and Disposals Committee (M&A Committee) and the newly formed Sustainability Committee (a sub-committee of the Audit, Governance and Risk Committee). The board recognises that it is ultimately accountable and responsible for the performance and affairs of the company and that the use of delegated authorities to board committees in no way absolves the board and its directors of the obligation to carry out their duties and responsibilities.

In accordance with the Articles of Association, one-third of the directors of the company are required to retire by rotation at every Annual General Meeting and their reappointment is subject to shareholders' approval. In addition, the appointment of all new directors are subject to confirmation by shareholders at the Annual General Meeting at the first opportunity after their initial appointment. At the upcoming Annual General Meeting KR Eborall, H Mashaba and B Stefanutti will retire by rotation and being eligible, will offer themselves for re-election.

The board meets at least four times a year. *Ad hoc* meetings are convened when required. Directors are provided in advance with all necessary information to enable them to discharge their responsibilities, including but not limited to detailed board packs. Board documentation is provided to directors in a timely manner with the tabling of documents at board meetings being the exception.

The board agenda and meeting structure focus on strategy, performance monitoring, governance and related matters. Management ensures that board members are provided with all relevant information and facts to enable them to make objective and informed decisions. The board meets with management annually to agree on the group's strategy. Non-executive directors meet without the presence of management as and when deemed necessary.

Details of directors' attendance at board and committee meetings during the year are set out below:

Directors	Board meetings	Audit, Governance and Risk Committee meetings	Remuneration and Nominations Committee meetings	B-BBEE Transformation Committee meetings	M&A Committee meetings
B Stefanutti* (Chairman)	4/4	N/A	3/3 ⁺	N/A	1/2 ⁺
W Meyburgh (CEO)	4/4	5/5 ⁺	4/4 ⁺	2/2 ⁺	2/2 ⁺
DG Quinn ^{>} (CFO)	4/4	5/5 ⁺	4/4 ⁺	N/A	2/2 ⁺
SJ Ackerman	4/4	5/5 ⁺	N/A	N/A	N/A
S Pell	4/4	5/5 ⁺	N/A	N/A	N/A
NJMG Canca ^{**#}	4/4	5/5	N/A	N/A	2/2
KR Eborall ^{**^}	4/4	5/5	4/4	N/A	2/2
H Mashaba ^{**†}	3/4 [•]	N/A	3/4 [•]	2/2	0/2
ME Mkwanzazi ^{**~}	4/4	N/A	4/4	N/A	N/A
LB Sithole [*]	2/4	N/A	N/A	0/2	N/A
J Fizelle ^{*>} (alternate to LB Sithole)	2/4	5/5	N/A	N/A	1/2 ⁺

* Non-executive

** Independent non-executive

Audit, Governance and Risk Committee Chairman

~ Remuneration and Nominations Committee Chairman

† B-BBEE Committee Chairman

^ M&A Committee Chairman

• attended by invitation

> Irish

• Unable to attend due to meetings being rescheduled

Board processes

Company Secretary

William Somerville has been Company Secretary since May 2009. William is a qualified chartered secretary with extensive experience in the company secretarial and corporate governance arenas. He holds an ACIS, ACMA and a Diploma in Corporate Law.

All directors have access to the Company Secretary, who provides guidance to the board as a whole and to individual directors with regards to how their responsibilities should be discharged. He also oversees the induction of new directors and ongoing training of directors and assists the Chairman and Chief Executive Officer in setting the annual board plan and board agendas, as well as in formulating governance and board-related issues.

Regulatory and legislative compliance

The Audit, Governance and Risk Committee monitors the group's compliance with the recommendations as set out in the King III Report, JSE Listings Requirements, the Companies Act, the Corporate Laws Amendments Act and other applicable legislation. PricewaterhouseCoopers has been appointed to assess compliance with laws, rules codes and standards.

The Company Secretary further liaises closely with the group's sponsor (Bridge Capital) where appropriate in regard to compliance with the JSE Listings Requirements.

Share dealings and disclosures of interest

Directors are required to declare to the board their shareholdings, additional directorships, potential conflicts of interest and any dealings in securities of the company.

In addition, all directors and management with access to financial information and any other price-sensitive information are prohibited from dealing in the securities of the company during 'closed periods' as defined by the JSE. This is governed by the company's share dealing policy, which is reviewed by the board annually and also contains "clearance to deal" provisions. An appropriate communication is sent to all directors and affected staff

twice (at year-end and at interim period-end), alerting them that the company is entering a closed period.

New appointments

New board appointments are proposed and vetted by the Remuneration and Nominations Committee taking into account a blend of skills, experience and diversity. The committee is responsible for making recommendations for final board approval in a formal and transparent process.

A formal induction programme is in place which now includes introductions to key senior management, site visits, an overview of group operations and guidelines on corporate governance. In addition new directors are provided with copies of the latest interim financial results announcements, annual financial statements, board packs and upcoming board meeting agendas as well as an overview of the company's accounting systems.

Board and committee effectiveness evaluation

The board periodically conducts an evaluation of its effectiveness reviewing its mix of skills, the effectiveness of the sub-committees and related corporate governance matters. During the year, the Chairman conducted one-on-one sessions with each individual director to identify any areas of concern. A questionnaire-based collective board and committee evaluation was also conducted. No critical issues were identified and the overall outcome was positive.

The Company Secretary provides ongoing development for board members in the form of site visits and presentations on specific technical topics.

There is no formal board mentorship programme in place as it is not deemed necessary at this stage.

Succession planning

The formal succession plan for the Chief Executive Officer, Chairman, board of directors and senior management is reviewed annually by the Remuneration and Nominations Committee. In addition the committee regularly reviews the group's succession strategy and makes recommendations to the board.

Board committees

All committees have satisfied their responsibilities during the year in compliance with their formal charters. There is transparency and full disclosure from these committees to the board. Committee chairmen provide the board with a verbal report on recent committee activities and the minutes of committee meetings are available to the board. In addition, the chairmen of the committees or a nominated committee member attend the company's Annual General Meeting to answer any questions from stakeholders pertaining to the relevant matters handled by their respective committees. Committee effectiveness evaluations are conducted annually. Findings and recommendations are presented to the board, which tables an action list to address any areas marked for improvement. The charters of the Audit, Governance and Risk Committee and the Remuneration and Nominations Committee will be updated during the 2012 financial year to accommodate the recommendations of the King III Report and the Companies Act.

The Audit, Governance and Risk Committee report is set out on page 69.

The Remuneration and Nominations Committee report is set out on page 49.

Executive Committee (EXCO)

EXCO consists of executive directors Willie Meyburgh, Schalk Ackerman, Stephen Pell and Dermot Quinn as well as senior management: Luc Jacobs, Sipiwe Nzimande, Jan Oberholzer, Elardus Rademeyer, Mike Smith and Frik Venter. It meets monthly to assist the Chief Executive Officer in the management of group operations and finances. The committee reports directly to the Chief Executive Officer, who in turn reports to the board.

B-BBEE Transformation Committee

The board believes that transformation is a business imperative for the company. The committee assists and advises the board on all B-BBEE related matters, transformation and corporate social investment. It is chaired by independent non-executive director Herman Mashaba and also includes non-executive director Bridgman Sithole. The committee operates under a written charter approved by the board.

The committee's role, duties and achievements over the past year included:

- ⇒ monitoring the company's compliance with relevant industry B-BBEE Codes of Good Practice;
- ⇒ ensuring management embraces the principles of transformation on an enterprise-wide basis across all facets of the company's activities;
- ⇒ developing and implementing an appropriate transformation strategy;
- ⇒ regularly reviewing policies, plans and processes aimed at facilitating transformation across the company; and
- ⇒ reviewing the integrated annual reporting to stakeholders on aspects of transformation.

Mergers, Acquisitions and Disposals Committee

The committee is chaired by independent non-executive director Kevin Eborall and further comprises Nomhle Canca and Herman Mashaba. The board has mandated the committee to review and approve mergers, acquisitions and disposals, subject to specific limits. Meetings are held when required. Attendance at the meetings is set out in the table on page 41.

Sustainability Committee

The committee was formed during the year as a sub-committee of the Audit, Governance and Risk Committee. It is chaired by independent non-executive director Nomhle Canca. The main purpose of the committee is to assist and advise the Audit, Governance and Risk Committee and the board with regards to sustainability matters and disclosure thereof.

Audit, Governance and Risk Committee

Refer to the Audit, Governance and Risk Committee report on page 69.

External audit

The external auditors are responsible for reporting on whether the annual financial statements are fairly presented in compliance with IFRS. The preparation of the annual financial statements remains the responsibility of the directors. The Audit, Governance and Risk Committee evaluates the independence and effectiveness of the external auditors and considers whether any non-audit services rendered by such auditors substantively impair their independence. In this regard, a non-audit services policy is in place, which is reviewed annually by the Audit, Governance and Risk Committee.

Internal audit

The Group Internal Audit Manager heads the formal internal audit function. This is guided by an Internal Audit Charter which sets out the function's purpose, independence, ethics, duties, responsibilities and scope.

The internal audit function establishes appropriate policies and procedures to guide the internal audit and is tasked with evaluating the group's exposure to risk while also evaluating the adequacy and effectiveness of controls and risk management processes. Internal audit further assesses Stefanutti Stocks' corporate governance.

The function ensures that the internal audit resources are appropriate and sufficient for the group and that the team has the appropriate professional qualifications and skills to maintain the internal audit competence.

The Group Internal Audit Manager reports to the Chief Executive Officer on an administrative basis and to the Audit, Governance and Risk Committee on a functional basis. The Group Internal Audit Manager has unhindered access to the Chief Executive Officer, Chairman of the Audit, Governance and Risk Committee and the Chairman of the board.

The internal audit plan is overseen by the Audit, Governance and Risk Committee and is based on the key risks identified by executive management.

During the year a comprehensive review commenced, including feedback from management, external auditors and other stakeholders. Any exceptions noted were adequately elucidated by management in most instances. Where the explanation was deemed insufficient the exceptions were further investigated and/or corrective action taken.

At any time the Audit, Governance and Risk Committee is entitled to appoint an independent internal review, the results of which will be reported to the Chief Executive Officer and the committee chairman. In addition an external review of the internal audit function is conducted every four years by the Institute of Internal Auditors or another suitably qualified independent party.

Internal control

The importance of internal control systems and management of risks are clearly communicated to all employees so that they have a clear understanding of their roles and obligations in this regard. Overall the board remains responsible for the management of the internal control systems with the assistance of the Audit, Governance and Risk Committee. These systems of internal control are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the annual financial statements, to safeguard and maintain accountability of the group's assets and to identify and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable statutory laws and regulations.

There are inherent limitations to the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. The system is therefore designed to manage rather than eliminate risk of failure and opportunity risk.

Nothing has come to the attention of the board to indicate that there has been a material breakdown in the internal systems of control during the year.

Risk management

The board is responsible for the governance of risk and approves the Risk Management Framework, policies and guidelines for the group. In addition the Audit, Governance and Risk Committee is responsible for monitoring risk management. In the context of the group's business, 'risk' is deemed to be the impact of uncertainty on the group in terms of financial loss, and/or reputational harm, and/or the consequences of not complying with applicable legislation.

The group's philosophy is to be 'Risk Aware' and not 'Risk Averse' and recognise potential opportunities flowing from selected risks. This is informed by the principle that the act of being in business is to be exposed to prudent uncertainty, and hence risk, for the purpose of leveraging opportunities and deriving benefit from such uncertainty. Management is responsible for identifying and mitigating risks, and in the event of occurrence of non-beneficial risks, to manage the consequences so as to limit the impact on all areas of the business.

The board sets and regularly updates the group's risk appetite. This is defined as the tolerance levels for and consequential limits of risks. Such levels and limits are assessed and set in context such as, for example, health and safety, project value, project scope, new markets, mergers and acquisitions. The risk appetite is evidenced through the approved business plans and budgets, delegations of authority and other explicit/specific decisions and/or criteria.

The various levels of management in the group are delegated the responsibility for the design, implementation and monitoring of the risk management plans and to ensure their suitability to all areas of the business.

During the year the group reviewed its risk management policy to further enhance its effectiveness and align it with the principles of the King III Report. The overall risk management is effected through three focused but integrated approaches – risk management, legal

compliance assessment and internal audit. The key components of the group's opportunity and risk management process are:

- ⇒ governance of risk by the group's board in terms of the King III Report;
- ⇒ implementation of a group risk management framework and policies and guidelines;
- ⇒ regular assessment of risks and recording of these in updated risk registers;
- ⇒ implementation of risk management plans;
- ⇒ ongoing monitoring of risk management;
- ⇒ reporting on key risks, materialised risks and actions managing these; and
- ⇒ obtaining assurance, through internal audit procedures, that the systems of internal control and risk management are effective.

The approach has been further enhanced by re-emphasising the categorisation of risks into those strategic risks that impact at group level (and hence materially may impact the shareholders), those risks that may affect the business units and general operational risks.

The overall risk management approach is to ensure that risk management is embedded in all activities and processes carried out in the group and that it is the responsibility of all, irrespective of designation, and takes place across the organisation irrespective of physical location.

The group risk register has been reviewed and updated. The following are deemed to be the potential high impact risks:

Risk	Controlling strategies/mitigations
EXTERNAL ENVIRONMENT: MARKETS	
Significant change in pricing levels (margins)	<ul style="list-style-type: none"> ⇒ Diversification of group offering ⇒ Identification of opportunities external to existing markets ⇒ New geographical territories ⇒ Alternative procurement approaches and methods ⇒ Market intelligence, specifically on pricing and contracting trends
GROWTH STRATEGIES	
New geographical expansion	<ul style="list-style-type: none"> ⇒ Rigorous estimating and tendering process with appropriate levels of authority ⇒ Due diligence to ensure understanding of new conditions ⇒ Development of policies and procedures in support of strategy ⇒ On-the-ground commitment to gain practical experience ⇒ Assistance of advisory firms and consultants
LEGISLATIVE COMPLIANCE	
Competition law	<ul style="list-style-type: none"> ⇒ Ongoing training and awareness programmes for all management on Competition Act requirements

Medium level risks (from a group perspective) are as follows:

Risk	Controlling strategies/mitigations
EXTERNAL ENVIRONMENT: MARKETS	
Loss of market share	<ul style="list-style-type: none"> ⇒ Client and relationship marketing strategies ⇒ Quality and on-time performance ⇒ Process of continuous improvements and cost control ⇒ Growing market share in selected business areas
EXTERNAL ENVIRONMENT: SOCIO-POLITICAL	
Broad-based black economic empowerment	<ul style="list-style-type: none"> ⇒ Implement Employee Share Ownership Plan ⇒ Structured process to increase management representation at various board levels ⇒ Procurement with qualifying BEE entities ⇒ Appropriate measurement and reporting systems to be strengthened/implemented
STRATEGIC MANAGEMENT: GROWTH STRATEGIES	
New client sectors	<ul style="list-style-type: none"> ⇒ "Know Your Client" due diligence ⇒ Maintenance of private/public sector client proportions ⇒ Marketing/business development initiatives ⇒ Established client relationship programme
Acquisitions and mergers	<ul style="list-style-type: none"> ⇒ Comprehensive/ongoing market research ⇒ Detailed due diligence/professional advisers ⇒ Profit warranties ⇒ Managed integration process/merger integration plans

Risk	Controlling strategies/mitigations
STRATEGIC/BUSINESS MANAGEMENT: BUSINESS MODELS/APPROACHES	
Partnering/strategic alliances/joint ventures	<ul style="list-style-type: none"> ⇒ Seeking compatible cultures/approaches ⇒ Building strong inter-personal relationships at correct management levels ⇒ Establishing new arrangements on small scales first ⇒ Ensuring joint venture partners are a good fit in terms of skills, quality and financial capability
ESTIMATING, CONTRACTING AND EXECUTION: MAJOR PROJECTS/DIFFERENT CONTRACTED PROJECTS	
Estimating risk	<ul style="list-style-type: none"> ⇒ Well-developed estimating systems ⇒ Experienced estimators ⇒ Regular reviews of rates ⇒ Structured tender finalisation process ⇒ Complex, large, new type of projects to be subject to particular focus
Contractual terms and conditions	<ul style="list-style-type: none"> ⇒ Commercial skills capacity ⇒ Contracting to standard (industry) terms ⇒ Deviations subject to professional advice and senior management sign-offs ⇒ Transferring/avoiding high risks (price risks-indexation, provisional sums, fixed prices, etc.)
Project delivery (problem contracts)	<ul style="list-style-type: none"> ⇒ Project management controls covering all aspects of the project delivery processes are devised and implemented (contract award, contract agreement, start up, site management, monthly contract reviews, monthly forecasting, site asset controls, quality management plans, health and safety plans, commercial plans, valuations and payment management, sub-contracting and supplier management, other project operating controls, purchase controls, handover and completion certificates controls, financial performance reviews and controls and record-keeping)
HUMAN CAPITAL MANAGEMENT	
Employment equity	<ul style="list-style-type: none"> ⇒ Focused recruitment preference for historically disadvantaged individuals ⇒ Focus on total B-BBEE scorecard
LEGISLATIVE COMPLIANCE	
Safety and health	<ul style="list-style-type: none"> ⇒ Structured health and safety procedures and programmes implemented at all group levels ⇒ Measurement and reporting of health and safety experience
FINANCIAL MANAGEMENT	
Financial gearing	<ul style="list-style-type: none"> ⇒ Appropriate financial gearing levels determined and reviewed regularly
INFORMATION TECHNOLOGY	
IT failure	<ul style="list-style-type: none"> ⇒ Adequate service level agreements with IT service providers ⇒ Disaster recovery strategy developed by group IT ⇒ Contingency plan with respect to network connectivity

Insurance

Considering the inherent and inevitable risks for a large multi-disciplinary group, management deemed it prudent to transfer certain risks to reputable insurance organisations.

In line with sound risk management the group looks to its insurers for protection against losses which could be, for the most part, catastrophic in nature. Stefanutti Stocks maintains comprehensive insurance cover for such losses.

Code of Ethics (the Code)

A formal Code, which was updated in October 2010, is in place setting out standards of integrity and ethics in dealings with suppliers, customers, business partners, stakeholders, government and society at large. Every employee of Stefanutti Stocks is expected to subscribe to the Code, which requires all to act with honesty and integrity in all dealings with stakeholders and to interact with fairness, dignity and respect to create and protect a credible and well-reputed business and working environment free from harassment and discrimination.

During the year competition law compliance training was presented to 85 employees including directors and senior management across all business units.

In addition a number of the group's engineers are members of The Engineering Council of South Africa or The South African Council for Project and Construction Management Professions and comply with their strict codes of professional conduct and ethics.

IT governance

During the year a formal group IT Steering Committee was established and group IT policies, procedures and guidelines are being reviewed and properly documented. In addition to the group IT Steering Committee, a formal Desktop Support Forum and a formal Application Support Forum, which meets monthly, has been established. Sipiwe Nzimande has been appointed to oversee day-to-day management of group IT, reporting to the board and EXCO. A Chief Information Officer (CIO)/General Manager for Information Technology Services will be appointed in the current year to oversee all IT information systems and infrastructure.

Initiatives during the year aimed at minimising IT risk, increasing operational efficiency and/or further ensuring adequate IT governance included:

- ⇒ optimisation of the WAN infrastructure project which involved the formalisation, streamlining and documentation of the group network, server and services that make up the network infrastructure;
- ⇒ virtualisation of servers at the hosting site, which included the installation of hardware and software. This project vastly improved readiness to handle disasters and recovery of information and data;
- ⇒ vulnerability and penetration testing conducted by an independent service provider to give assurance to the board and IT management that the:
 - network infrastructure is secure;
 - risks to the network infrastructure are understood and mitigated; and
 - security posture of the network infrastructure is improved/continually improved/of a sufficient standard; and
- ⇒ a review by an independent service provider to uncover weaknesses and give assurance to the board and IT management that governance, controls, policies and procedures are in place.

The implementation of strategic initiatives aimed at significantly improving the security and reliability of the network are in progress, following the independent internal audits and tests performed by the independent service providers during the year. Going forward Stefanutti Stocks will conduct similar independent audits and tests at least every two years.

The committee comprises Lead Independent Director Mafika Mkwanazi and independent non-executive directors Kevin Eborall and Herman Mashaba. In addition the Chief Executive Officer, Chief Financial Officer, Group Human Resources Executive and board Chairman attend meetings by invitation but are excluded from deliberations in respect of their own remuneration. The Company Secretary is the secretary of the committee.

A formal charter, which is reviewed annually, sets out the committee's composition, role and responsibilities. In the current year the charter will be updated in terms of the King III Report and the Companies Act.

The charter sets out the committee's role and responsibilities including:

- ⇒ assessing the composition of the board and any gaps in this regard;
- ⇒ identifying and recommending nominees to the board (before nomination appropriate background checks are performed on proposed new directors);
- ⇒ recommending to the board the basic salaries, benefits, annual bonuses, performance-based incentives, share-based incentives, pensions and other benefits paid to the directors;
- ⇒ annually reviewing directors' independence and those directors standing for re-election at the Annual General Meeting;
- ⇒ assessing executive remuneration; and
- ⇒ determining short- and long-term incentive pay structures for group executives.

Responsibility for senior management appointments has been assigned to the Chief Executive Officer. The Chief Executive Officer provides feedback to the committee and the board in this regard.

The committee met four times during the year. Attendance at committee meetings is set out on page 41.

Remuneration philosophy

Underpinned by the belief that employees' remuneration packages remain an effective tool to incentivise and retain key personnel, the group benchmarks executive remuneration against industry norms, while individual and group performance targets are also taken into account. The group does not rely solely on market surveys but also takes applicants' remuneration expectations and the remuneration policies of joint venture partners into consideration. Annual bonuses are aligned with group

performance and share schemes align executives' interests with those of shareholders. The group has a remuneration policy which includes basic pay, incentive bonuses and a separate policy dealing with share schemes. The group does not have a defined benefit plan obligation.

The King III recommendation that shareholders should pass a non-binding advisory vote on the company's yearly remuneration policy is not deemed appropriate at this stage but will be considered annually.

All permanent salaried employees of Stefanutti Stocks compulsorily belong to the group pension and medical aid. Membership of SAFRICAN (funeral policy outside the pension fund) is also compulsory in South Africa.

Stefanutti Stocks Umbrella Pension Fund includes life cover, spouse life cover, permanent health insurance (disability), dread disease cover for the member only, family protector (including funeral benefit), an education benefit and a health premium waiver if the employee is also a member of Momentum Health Medical Aid.

All new salaried employees compulsorily join Momentum Health Medical Aid unless a dependant on their spouses' medical aid.

Hourly paid employees enjoy benefits relevant and applicable to industry and/or collective agreements. Membership of SAFRICAN is also compulsory for Limited Duration Contract (LDC) employees.

Non-executive directors are remunerated with a per meeting fee, which is presented for approval by shareholders at the Annual General Meeting (see Notice of Annual General Meeting incorporated in this annual report).

Directors' emoluments are set out in the Directors' report.



ME Mkwanazi

Remuneration and Nominations Committee Chairman

18 July 2011
Johannesburg

Stefanutti Stocks embraces the principle of integrating the ‘triple bottom line’ into its strategy to deliver sound business growth. As a responsible corporate citizen the board takes the integrated management of the group’s sustainable development strategy seriously. It realises the effect its operations may have on the natural environment and communities within which it operates. These integrated responsible socio-economic and environmental practices form an inextricable component of risk assessments and audits.

Sustainable development is guided by the King III Report, the GRI and standards set by the JSE’s Socially Responsible Investments (SRI) Index.

It is the group’s first year reporting in terms of the GRI G3 guidelines and as such there is no restatement of any information supplied or changes to the scope, boundary or measurement methods applied in this report.

Boundary setting

The sustainability report below has been written in accordance with GRI G3 and is compiled based on a self-declared Application Level C. It covers only the South African operations from the period 1 March 2010 to 28 February 2011, inclusive of operating subsidiaries that generate sustainability impacts and over whose operating policies and practices Stefanutti Stocks exercises control. During the current financial year the group has undertaken to include information on its African operations. However, reporting on the Middle East operations will prove challenging, as the group is only a 50% partner in these operations and Stefanutti Stocks’ goals will need to be aligned with those of its partners.

The group has made significant progress in many areas of sustainability, such as creating an equitable working environment for its people and developing their full potential. In its drive to be the employer of choice, Stefanutti Stocks provides a healthy workplace and prioritises staff training and development.

The following stakeholder groups have been identified and communication with them happens on various levels as set out below:

Stakeholder group	Communication
Shareholders	<p>Company announcements are published on SENS and posted on the company’s website. Financial results announcements are also posted to shareholders. Further, the Chief Executive Officer and Chief Financial Officer avail themselves to answer queries from stakeholders, including industry analysts, at all times. Wherever viable, they also engage with the financial media to ensure accurate reporting.</p> <p>Shareholders are encouraged to attend annual general meetings and receive further communication through corporate advertising, newsletters, the website, site visits and investor days.</p>

Stefanutti Stocks further takes pride in playing a role in South Africa’s transformation.

In light of a number of recent acquisitions it has taken some time to standardise systems and platforms as well as integrate new stakeholders into the group. In doing so Stefanutti Stocks has taken account of new employees, various communities in geographic regions with differing needs and priorities, and local and provincial governments with separate integrated development plans.

The issues considered and reported on have been identified by the Sustainability Committee through a high-level process to determine what would influence the assessments and decisions of stakeholders.



Stakeholder engagement

The group is committed to timeous, effective and continuous interaction and communication with all stakeholders in an open, constructive and transparent manner.

Key stakeholders have been identified as groups or individuals who are impacted by the group’s operations, who could have significant influence on Stefanutti Stocks’ business operations, or are dependent on Stefanutti Stocks either directly or indirectly.

Stakeholder group	Communication
Employees	<p>A culture of open communication is encouraged through employee representative committees, pension fund trustee meetings, training sessions, performance reviews, e-mail announcements and regular departmental and general staff meetings. In addition, notice boards, the group's newsletters <i>News for Now</i> and <i>Benchmark</i> and the website are used to communicate with staff. Employees are also invited to send any questions/suggestions to: sustainability.suggestions@stefstocks.com.</p> <p>The National Union of Mineworkers (NUM) and the Building, Construction and Allied Workers Union (BCAWU) are currently the representative trade unions in the group. Further, workers are also represented by United Chemical Industries Mining Electrical State Health and Aligned Workers (UCIMESHAWU), El Shadai Worker's Union of South Africa, Association of Mine Workers and Construction Union (AMCU). There was no internal labour unrest experienced during the year.</p> <p>Structures specifically implemented a cellphone telephonic communication package. Using this system, employees are able to send reminders, queries and other information via SMS to the various Human Resources departments. The system has proven to be successful and will be rolled out to all other business units.</p> <p>Regular toolbox talks and bi-weekly staff meetings are held on all sites to communicate any new information and handle day-to-day queries and questions. Site visits for employees are arranged by the Human Resources department.</p>
Communities	Liaison meetings, telephone calls with community leaders, formal functions
Customers	Project meetings, formal functions, e-mail updates, telephone calls, letters, personal visits
Suppliers	Project meetings, formal functions, e-mail updates, telephone calls, letters, personal visits

Industry associations

Employees of Stefanutti Stocks have the right to freedom of association and to actively participate in various national and industry-level bargaining fora.

The group is a member of the following industry associations:

- ⇒ Gauteng Voluntary Bargaining Council and Builders Union Bargaining Council
- ⇒ Master Builders South Africa (MBSA)
- ⇒ The Association of South African Quantity Surveyors (ASAQS)
- ⇒ The Building Industrial Federation of South Africa (BIFSA)
- ⇒ The Construction Education and Training Authority (CETA)
- ⇒ The Engineering Council of South Africa (ECSA)
- ⇒ The South African Institute of Civil Engineering (SAICE)
- ⇒ The South African Council for Project and Construction Management Professions (SACPCMP)

- ⇒ The South African Federation of Civil Engineering Contractors (SAFCEC)
- ⇒ The Geotechnical Division of SAICE

Our employees Headcounts

Stefanutti Stocks aims to be the sector's employer of choice. To ensure its diverse, skilled and experienced workforce is enabled to act with professionalism and competency at all times, the group has measures in place to ensure the right people are assigned to the right roles. These include identifying individual development, promoting equal opportunities and performance-based advancement.

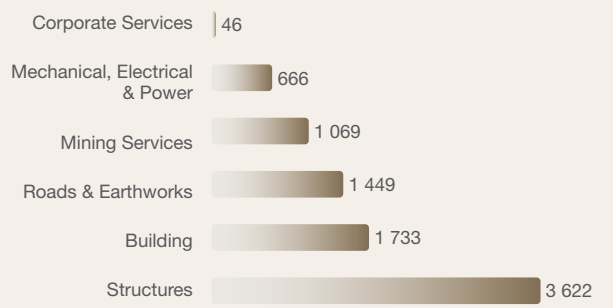
In addition, wherever viable the group procures labour from local communities in areas in which it operates to ensure the local population benefit.

Within South Africa, the group employs a total of 8 585 people of whom 2 017 are salaried employees.

Total current headcount

as at 28 February 2011

8 585 employed in the various business units in South Africa as follows:

**Natural attrition/Age group**

Age group	Headcount February 2011	Appointed March 2010 to February 2011	Terminated March 2010 to February 2011	Annual attrition
20 – years	43	57	26	26,0%
20 <= years <25	931	1 023	721	36,9%
25 <= years <30	1 799	1 334	1 017	32,5%
30 <= years <35	1 678	988	709	26,6%
35 <= years <40	1 205	703	552	28,9%
40 <= years <45	907	441	330	24,5%
45 <= years <50	741	281	228	22,3%
50 <= years <55	602	184	194	24,7%
55 + years	679	202	267	30,3%
Total	8 585	5 213	4 044	29,3%

Natural attrition/Gender

Gender	Full-time employees February 2011	Appointed March 2010 to February 2011	Terminated March 2010 to February 2011	Annual attrition
Female	861	601	472	32,3%
Male	7 724	4 612	3 572	29,0%
Total	8 585	5 213	4 044	29,3%

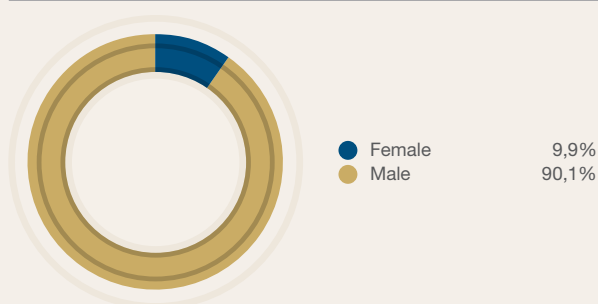
Natural attrition/Region

Region	Full-time employees February 2011	Appointed March 2010 to February 2011	Terminated March 2010 to February 2011	Annual attrition
Eastern Cape	38	19	24	42,1%
Free State	27	17	28	63,6%
Gauteng	5 968	3 849	3 189	32,5%
KwaZulu-Natal	656	259	258	28,2%
Limpopo	429	305	77	10,5%
Mpumalanga	674	262	292	31,2%
North West	330	199	38	7,2%
Northern Cape	168	139	25	8,1%
Western Cape	295	164	114	24,8%
Total	8 585	5 213	4 045	29,3%

The attrition percentages may appear high. This is, however, due to the fact that the attrition rate includes employees who are employed on a project-specific basis from the local communities in which we operate. These employees are only employed for the duration of a specific contract.

A snapshot in terms of gender is set out below:

Equity analysis – Gender



Due to the group’s structural and services diversity, individual operations are encouraged to tailor their human resource plans to their specific needs, while ensuring they always align with the group’s employment values and strategy.

Salary structures

As a non-discriminatory employer the group aims to enhance salary ratios between all worker categories. Although females in some categories still earn less than their male counterparts, great strides have been made in this regard. The basic male to female salary ratio by employment category is set out below:

Occupation level	Ratio
Senior management	1:0.75
Middle management	1:0.75
Junior management	1:0.82
Semi-skilled	1:1.14
Unskilled	1:1.05

Human rights

Discrimination on any level is not tolerated. Should any such discrimination occur it is immediately and appropriately dealt with in terms of the group’s disciplinary procedures. During the year no incidences of discrimination in the workplace were reported.

Employment equity

Employment equity is considered to be the greatest industry-wide transformation challenge. Employment equity candidates are prioritised for consideration for all new appointments. Recruitment agencies specialising in placing black disabled individuals are further currently employed as specific positions are being created for these employees.

Stefanutti Stocks is deeply committed to transformation and provides equal opportunities for and fair treatment of all employees.

Employment equity targets are channelled through Employment Equity Committee meetings to staff and all stakeholders, as well as reported to management on a monthly basis. No changes were made during the year. All business units complete and submit employment equity plans and reports to the Department of Labour.



The employment equity status for the South African operations as at 28 February 2011 is tabled below:

Occupational levels	Male				Female				Foreign		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
1. Top management	2	1	2	81	0	1	0	2	2	0	91
2. Senior management	5	1	2	112	0	3	1	12	4	0	140
3. Middle management	42	28	28	281	4	0	4	30	12	0	429
4. Junior management	1 034	92	48	300	29	8	8	80	12	0	1 611
5. Semi-skilled	1 085	19	13	25	47	16	18	76	11	2	1 312
6. Unskilled	625	8	3	5	41	2	0	0	2	0	686
Total permanent	2 793	149	96	804	121	30	31	200	43	2	4 269
Temporary employees	3 582	89	10	137	433	14	2	29	19	1	4 316
Grand total	6 375	238	106	941	554	44	33	229	62	3	8 585

Skills development

Stefanutti Stocks aims to eradicate any barriers to equal advancement and promotion and to drive a deepening of the skills pool in order to achieve continued growth. A monthly analysis of training and skills development expenses is conducted, with progress against fixed targets measured. Practical training opportunities are extended to every employee as well as employees from joint ventures.

The group also aims each year to advance learnerships to students in an effort to drive job creation in its industry and further awards bursaries annually to select black students.

The group's various training and skills development programmes therefore include:

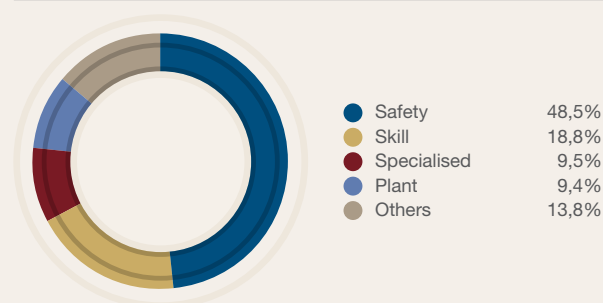
- ⇒ Cadet foreman programmes
- ⇒ Site leadership development and management capacity programmes
- ⇒ Learnerships and bursaries

In addition to formal training programmes, informal training in local communities is undertaken ensuring technical skills transfer for operators and semi-skilled trainees.

The group runs a satellite training centre at Kusile Power Station.



Training courses presented



Total training spend on employees for the year amounted to R7,3 million. A total of 8 322 employees attended training, of which 6 661 (80,04%) were black. This is a total of 76 348 training hours at an average of 7,6 hours per employee.

Training costs



Cadet foreman programmes

The cadet foreman programme has been successfully rolled out to all business units. It provides specialised education for learners who have passed Grade 12. While addressing the shortage of middle managers in the industry, the course also empowers learners in other fields.

During the year a total of 28 cadet foremen enrolled in the programme, of whom 21 were black.

In the Building business unit, five cadet foremen were promoted to junior foremen.

Site leadership development and management capacity programmes

Building leadership as well as organisational capability and capacity is crucial to Stefanutti Stocks' sustainability. The site leadership development and management capacity programmes ensure capacity building targets are reached. Members are identified on site and then placed on either one or both programmes.

A total of 131 employees are enrolled in these programmes, of whom 22,4% in the site leadership development programmes and 36,1% in the management capacity programmes are black.

Profile candidate star



Nomthetho Nxiweni
Age: 29
Occupation: Site Engineer

Nomthetho started her studies in January 2007 and obtained her National Diploma in Civil Engineering at the University of Johannesburg in October 2010.

During her studies she achieved seven distinctions and held leadership positions such as member of the residence house committee and class representative.

She started with Stefanutti Stocks doing her P1 and P2 practical (part of the practical training which needs to be completed to achieve the Diploma) at the beginning of March 2010 on the Burnstone Project, where her dynamic personality shone.

After completing her studies she was permanently appointed as a Site Engineer and is now based at the KEP Sishen Project in the Northern Cape.

Learnerships and bursaries

Bursaries and learnerships are believed to be the cornerstones of developing capability in Stefanutti Stocks' workforce and the industry at large. These schemes provide financial assistance to full-time students, enabling them to qualify for a degree or national diploma at a recognised South African tertiary education institution.

Total bursaries and learnerships for 2011:

Business unit	Total bursaries	Black learner	% black
Structures	33	18	54,5%
Roads & Earthworks	7	5	71,4%
Mining Services	7	4	57,1%
MEP	3	2	66,7%
Building	30	14	46,7%
Total	80	43	53,8%

Business unit	Total learner-ships	Black learner	% black
Structures	7	4	57,1%
Roads & Earthworks	14	14	100%
Mining Services	1	1	100%
Building	57	51	89,5%
Total	79	70	88,6%

While civil engineers and quantity surveyors play a vital role in the industry, they are becoming increasingly scarce. Stefanutti Stocks' bursaries and learnerships are assisting in addressing this shortage. However, although the bursaries are attracting a large number of black women, the challenge lies in retaining these candidates in the long term.

B-BBEE/transformation

A group BEE Forum is operational to represent all business units, and comprises a sub-committee of the B-BBEE Transformation Committee. During the year the B-BBEE Transformation Committee finalised a strategy, tabling targets and commitments.

Stefanutti Stocks believes the implementation of the sector charter and codes of good practice will help to address inequalities in the sector as well as unlock potential and enhance growth. The essence of this charter has been incorporated into the B-BBEE Transformation Committee's strategy.

In 2011 the group, guided by the B-BBEE Transformation Committee and its sub-committees, will focus on implementing more rigorous internal systems to improve performance in all the aspects of the B-BBEE scorecard.



1. Ownership

Stefanutti Stocks has a reputable standing relationship with two major black shareholders, being Maputso Investments (Pty) Limited and Leswikeng Building (Pty) Limited with a combined direct ownership of 18,20% at 3 January 2011 (as verified by an independent verification agency).

This was a slight reduction on the previous year, which resulted in a Level 4 contributor status in terms of the Construction Charter B-BBEE rating system (a drop from the former Level 3). The reduction occurred as a result of Leswikeng Building (Pty) Limited disposing of shares. Stefanutti Stocks is currently identifying new possible black investors.

The group is also currently developing an Employee Share Ownership Plan.

2. Management control

The holding company board is structured to meet B-BBEE targets with 10 members, of whom four are black and one is a black woman. This constitutes 36,4% black representation, calculated on the adjusted recognition for gender guideline.

3. Employment equity

See 'Our employees' above.

4. Skills development

See 'Our employees' above.

5. Preferential procurement

A central database is being developed for identification of B-BBEE suppliers with appropriate B-BBEE ratings that will be shared between business units. Once this is completed the group will give preference to black female-owned vendors where possible.

6. Enterprise development

During the year an Enterprise Development Manager was appointed in the Structures business unit to manage and ensure effective, sustainable enterprise development. He will identify partners at group level and further set up support for these partners with as many business units as possible.

During the year the group made the following contributions to enterprise development:

Enterprise supported	Value R contribution
ANTS Construction	101 062
Luvuno Projects	973 527
Lumkani Construction	1 694 550
Fikile Construction	3 969 300
Molokotwa	710 000
A Re Somang Projects	51 200
IC ² Specialised Procurement Services CC	5 924
Julius Labour Hire	580 546
Kwagga Holdings	5 850

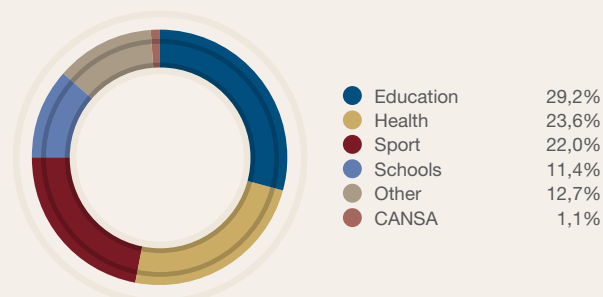
Enterprise supported	Value R contribution
Mapheelle & Son Trading Projects	3 830
Nondo Trading Enterprise	15 148
Quickstep 323 (Pty) Limited	154 881
Tombucks Construction and Projects	1 713
JJ's Taxis	8 086
Kaghisos Transport	7 872
La Mosito Transport	167 141
Readymix Concrete Bella M	3 266 068
Strategic Partners Group	505 000
Jayzet Construction	149 309
Umfolozi Construction	86 526
Steeledale	375 502
Allisons Plant Hire	9 496
MTM Civils	5 910
Madiba Construction	292 664
Total	13 141 105

7. Socio-economic development

Socio-economic targets are aligned with the requirements of the sector charter. Further, as a responsible corporate citizen the group recognises an obligation to support underprivileged communities.

During the year a total of R1,8 million was donated in the following areas:

Social development



Details of the donations are as indicated in the following table:

Initiative	Category	Donation (R)
Fun D Mental Finance	Education	76 450
NSRI	Education	450
Tuition for youth	Education	6 000
Field Band	Education	250 000
Container classroom	Education	5 047
Youth in Construction	Education	9 000
Edutainer	Education	21 930
Burnstone Trust	Education	239 679
Rebranding soccer kit	Sport	38 551
Soccer teams – Food	Sport	3 355
Sinky Sports Marketing	Sport	81 000
Prize money – Soccer	Sport	37 500
Soccer jerseys printing	Sport	8 960
CANSA Shavathon	Health	20 525
Reach 4 Hope Foundation	Health	350
Somerset Hospital Trauma	Health	5 000
St Luke Hospice	Health	1 500
Sunflower Fund	Health	1 400
Albert Luthuli	Health	115 504
UCPA	Health	50 000
Hospital refurbishment	Health	443 466
Mamelodi After School Project	Schools	75 000
Luhlaza School	Schools	29 362
Refurbish UNICA school	Schools	22 000
Open Air School	Schools	20 000
Kohin	Schools	94 500
Diamond Academy	Schools	25 680
Gabrielle's Creche	Schools	147 042

CSI case study *Fun-D-Mental Finance 4 Kids*

The Building business unit believes in an 'Investing in People' strategy with a particular focus on the youth as our leaders of tomorrow.

To support this principle, the business unit sponsored the Fun-D-Mental Finance 4 Kids life skills programme developed by Laureen Shapid to the value of R76 450. The aim of the programme is to foster financial literacy and empower children to become more financially savvy as they grow into adulthood. The project was initiated in three schools, Glenhazel Primary School, Iphutheng Primary School and Summerwood Primary School. 365 learners in Grades 4 and 5, all from historically disadvantaged backgrounds, participated in the programme.

The course content was designed around the building blocks of understanding the fundamentals of money management, and ran for between four to five weeks. The teachers and principals of the schools which participated were very encouraged by the results as they saw a great improvement, not only in the learners' mathematics skills, but also in their english and life orientation skills.

Building is proud to have supported this development programme, as it understands the need for building healthy financial habits at an early stage.



CSI case study *Mamelodi After-School Programme*

Stefanutti Stocks Civils contributed R75 000 to the Mamelodi After-School Programme during the year. This University of Pretoria initiative is based at the Mamelodi Campus. The programme was established in response to challenges concerning the national mathematics and science results. Its objective is to resolve low academic results by tackling both learner and teacher skills.

The programme has set specific and measurable targets, including increasing the maths and science results of 170 Grade 12 learners. It provides learners with the necessary learning aids and also implements practical teaching opportunities for 10 student-teacher.

"We have supported this initiative over a number of years," says Werner Jerling, managing director of Civils. "It is proving very successful with the pilot project showing an average improvement of 15% in learners' results in 2008."



CSI case study *Field Band Foundation*

Over the past number of years the Building business unit has contributed R250 000 annually to the Field Band Foundation. The foundation was founded by businessman Bertie Lubner and patrons include Judge Edwin Cameron, Judge Richard Goldstone, Jennifer Oppenheimer, Hugh Masekela and Bruce Fordyce.

The Field Band Foundation's main purpose is to create opportunities for the development of life skills through the media of music and dance. HIV/AIDS education is at the centre of the life skills programme.

Now approaching its 15th anniversary, the Field Band Foundation offers bursaries and exchange programmes with Norway, Flanders, the Netherlands and the USA.

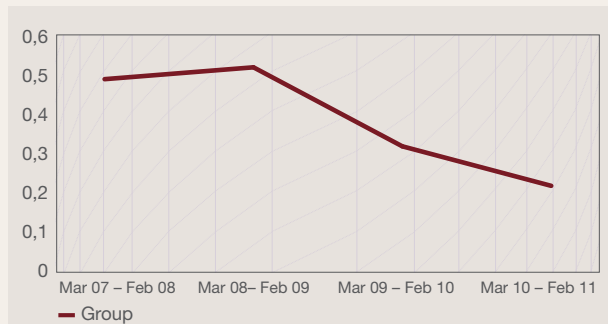
One of the group's non-executive directors, Herman Mashaba, is the chairman of the Field Band Foundation while Building financial director, Willie Erasmus, also serves on the Foundation's board.



Safety, Health, Environment and Quality (SHEQ)

The group aims to provide a safe and healthy work environment for all employees, contractors and other stakeholders. Stefanutti Stocks continued to make significant improvements in safety performance during the year as demonstrated below:

Safety DIFR 2007 to 2011



*Excludes Middle East

The group's Safety Forum plays a critical role. It has devised a SHEQ framework, ensures group uniformity and shares best practice across all operations.

A major challenge remains entrenching the understanding that SHEQ is the responsibility of every single employee irrespective of designation, seniority and/or physical location.

Policies

During the year the formal SHEQ policy was amended to expand the 'duty of care' principle from both the employer and employee perspective.

Emphasis is placed on the duty of the employer to provide a workplace that is safe and without risk, adopting a risk-based proactive approach. The duty of care is based on the common law principle of *pater familias* which implies that the father of the house is responsible for the house's safety.

In addition the environmental aspect was incorporated into the policy to codify the commitment to minimise the impact of the group's activities have on the environment and ensure remediation where applicable.

In addition an Occupational Health & Safety (OH&S) Framework Manual, incorporating the OH&S Management System, was completed. This was distributed to all relevant managers and OH&S personnel.

Group policies are generally communicated to operations via SHEQ Committees, where representatives from each business unit discuss relevant SHEQ issues including risks and mitigation. Policies and amendments are also communicated at these meetings, as well as in personal induction sessions, formal workshop sessions with safety personnel and one-on-one sessions with site personnel and management.

Case study Safety first

Stefanutti Stocks Civils is currently onsite at the Thubelisha Colliery in Mpumalanga. This division of the Structures business unit is working on the civil contract for Sandvik to supply conveyors and a coal handling surge facility to Sasol.

“Sasol has some of the most stringent safety guidelines in the industry,” says Mike Stevenson, contracts director. “For this project we partnered with Sandvik to introduce a fresh safety campaign called ‘Your Safety First’, targeting the key concerns of site safety in a way that invites our employees to engage with these areas.”

The campaign components include:

1. The message – Your Safety First. Think Safe. Work Safe. Be Safe. If you don’t you have too much to lose.
2. Accessible safety mentors – Madala (the wiser, older character) and Bafana (young and eager to learn) are portrayed in different scenarios on posters across the site.
3. A link to the 2010 Soccer World Cup and branded give-aways.

“Compliance is non-negotiable, so we are talking about more than just the rules here. Our safety campaign carries the message that our people matter and their safety counts,” comments Stevenson. “We aim to embed a sense of self-preservation in our workforce, rather than just demanding blind compliance with the rules.”



ISO accreditation

ISO accreditation is integral to the group’s sustainability, especially in respect of SHEQ. During the year the following milestones were achieved:

Business unit	Detail	Date obtained
Structures	ISO 9001:2008	Apr 2010
Roads & Earthworks	ISO 19001	Jan 2010
Mining Services	In progress – scheduled March 2011	
MEP	In progress – under Review with Dekra	
Building	ISO 9001	Dec 2009

Structures has implemented a QMS Systems Manual (2010) for ISO 9001:2008 accreditation, which will be revised for improvement in the current year in order for accreditation to be reaffirmed.

Safety training

Stefanutti Stocks concentrates on effective safety training in order to achieve its SHEQ objectives. Employees from the various business units attended the following training sessions during the year:

- ⇒ Accident/incident reporting
- ⇒ Basic fire fighting
- ⇒ Compensation for Occupational Injuries and Disease Act
- ⇒ Environmental law for managers
- ⇒ Environmental management
- ⇒ Excavations
- ⇒ First Aid – level 1
- ⇒ First Aid – level 2
- ⇒ Fire fighting
- ⇒ Fire marshal
- ⇒ Fall protection
- ⇒ Fall arrest
- ⇒ Fatal alert
- ⇒ Fire prevention
- ⇒ Hazardous chemicals
- ⇒ Hazardous substances
- ⇒ Health awareness training
- ⇒ H&S representative

- ⇒ Hazard identification and risk assessment
- ⇒ Hazchem
- ⇒ Legal liability
- ⇒ Introduction to Safety, Health and Environmental Management
- ⇒ Incident/Accident Investigation
- ⇒ Construction Safety Training Course (CST) IR – Integrated Risk Construction
- ⇒ KB Consulting induction – level 1
- ⇒ KBC basic safety programme
- ⇒ Legal Liability – Occupational Health and Safety Act
- ⇒ Mine health and safety law for managers
- ⇒ Legal liability for managers
- ⇒ Modern SHEQ Risk Management
- ⇒ Power tools
- ⇒ Occupational Health and Safety Act and regulations
- ⇒ Quality
- ⇒ Radiation safety training
- ⇒ Risk assessment
- ⇒ Risk Cause Analysis
- ⇒ Rope rescue
- ⇒ Safe access and housekeeping
- ⇒ Safe lifting practice and basic rigging
- ⇒ Safe use of stepladder
- ⇒ Safety induction
- ⇒ Safety harness
- ⇒ Safety Management Training Course
- ⇒ Scaffold inspectors
- ⇒ Safety, Health and Environmental Management Training Course
- ⇒ SHEQ representative
- ⇒ Site safety
- ⇒ Small plant observation
- ⇒ Stop and go training
- ⇒ Technical SHEQ skills for supervisors
- ⇒ Traffic management
- ⇒ Working at heights

SHEQ by operation

SHEQ induction programmes are site-specific to suit changes in site-types and classifications, site conditions and local by-laws as well as varied projects but remain always compliant with legislation and regulatory updates and developments.

Structures

SHEQ induction is held on site. In addition, Health and Safety inductions are conducted for new salaried staff once a month at head office.

Safety awards:

- ⇒ Civils Gauteng – NOSA 5-star
- ⇒ Civils KwaZulu-Natal – MBA 5-star
- ⇒ Geotechnical – NOSA 5-star



Safety training cost



Roads & Earthworks

SHEQ induction is conducted separately for salaried and wage employees. Salaried employees receive induction training at the company’s head office in Johannesburg before beginning employment duties. Client-specific SHEQ induction takes place before work commences and is site and project specific. Wage employees undergo on site SHEQ induction within seven days of arrival onsite. (This is extended to salary employees visiting sites.) The electronic version of this induction course is available on request.

Safety awards:

- ⇒ NOSA 5-star
- ⇒ NOSA SHE Integrated Platinum 4-star



Mining Services

SHEQ induction is held on site. In addition, Health and Safety inductions are conducted for new salaried staff once a month at head office.

Safety awards:

- ⇒ SHE Innovation – DEKRA 2010

Mechanical, Electrical & Power (MEP)

The SHEQ induction programme is communicated to all employees prior to commencing work. This induction is valid for 12 months. Employees exceeding 14 days absence from the workplace are required to be re-inducted.

Safety awards:

- ⇒ Electrical and instrumentation – NOSA 5-star

The MEP SHEQ management system is currently under review with DEKRA for OHSAS 18001 compliance and certification.

Building

KwaZulu-Natal Building received the Platinum Award from the Federated Employers Mutual Assurance for achieving one million man-hours without a disabling injury and maintaining a low accident frequency rate.

Safety awards:

- ⇒ KwaZulu-Natal – MBSA 5-star
- ⇒ Gauteng – MBSA 5-star
- ⇒ Cape – MBSA 5-star
- ⇒ Inland – Merit Award 5-star

Safety audits

The group conducts regular safety audits as well as monthly internal audits on site.

The Structures business unit used external consultants at the Thubilish Bunker Project R116 to complete a third-party audit. All operations were found to be compliant with current legislation. Geotechnical conducted a NOSA audit in November 2010 and maintained its 5-star NOSA grading.

At Mining Services' Kumba Sishen site, a legal compliance audit was conducted by external consultants and the site was found to be compliant with current legislation.

Three legal compliance audits were conducted by external consultants for MEP in October and November 2010 and all operations were found to be compliant with current legislation.

During an independent audit by the Gauteng Master Builders Association, Building Inland received a Merit Award as 11 sites had all achieved 5-star ratings.

Legal compliance audits were conducted during the year by external consultants for the Building KwaZulu-Natal, Cape and Gauteng divisions. No major adverse findings were concluded and all divisions were found to be complying with current legislation.

At Roads & Earthworks two NOSA audits were conducted and the business unit received a NOSA 5-star grading in June 2010 and a NOSA 4-star Platinum in September 2010.

Injuries

The group's DIFR decreased 31% from 0,32 (Feb 2010) to 0,22 (Feb 2011), due to management and employees' commitment to the zero tolerance principle. By business unit the DIFR is as follows:

Business unit	Disabling injuries	DIFR 12-month rolling average
Structures	13	0,29
Roads & Earthworks	5	0,24
Mining Services	3	0,24
MEP	1	0,15
Building	10	0,15

Notwithstanding the significant improvement in DIFR, one tragic fatality regrettably occurred at a Roads & Earthworks site when a large delivery vehicle travelling at high speed hit an employee. SHEQ measures have been further intensified to prevent recurrence of this tragedy.

Health services

The group recognises that the health of its employees is critical to its ongoing sustainability. Health services offered to employees include annual wellness days where testing is provided for TB, HIV/AIDS, blood pressure, cholesterol, cholera and malaria, to name some examples, as well as pre-employment medical examinations, annual and exit medicals, travel consultations and immunisations.

All project employees must present a valid medical fitness certificate prior to commencing work.

HIV/AIDS

The group is cognisant that HIV/AIDS is a pandemic and poses a significant threat to the health, wellness and development of its employees. In October 2010 Stefanutti Stocks revised its HIV/AIDS policy. The group participates in and supports client and medical assessment services with their HIV/AIDS initiatives including pre-employment medical examinations, exit medicals and HIV/AIDS testing.

The following HIV/AIDS awareness programmes were run during the year:

- ⇒ HIV/AIDS programme/workshop for all employees in the Western Cape
- ⇒ Employee assistance initiative to provide counselling and voluntary testing. Employees who tested positive were prescribed ARVs and their treatment plan

managed by the Employee Assistance Programme provider in accordance with government clinics in Gauteng

- ⇒ Inclusion of an informal HIV/AIDS awareness module in Mining Services' and Structures' induction programmes
- ⇒ HIV/AIDS training and education through Calibre Clinical Consultants at Structures
- ⇒ Awareness presentations on site for Structures
- ⇒ Awareness drive at Kusile Power Station in November 2010. Education and voluntary testing were provided as well as an ongoing 24-hour counselling helpline.

Case study HIV/AIDS

The Structures business unit was involved in a General Wellness Education drive in November 2010

Geotechnical

HIV/AIDS awareness training was presented for site agents and staff in Sandton during the second quarter of 2010.

In addition to the 98 attendees at the Kusile Power Station, 68 volunteered to be tested for HIV/AIDS, glucose, hypertension and cholesterol.

On 17 February 2011, another General Wellness Education drive was held at the Protec Park Geotechnical workshop where 68 of the 81 trainees tested for HIV/AIDS, glucose, hypertension and cholesterol.

Marine

Free condoms were distributed and posters have been put up on notice boards at all Marine sites. Regular medical check-ups are offered to all staff with voluntary testing. Awareness days are held twice a year where voluntary testing for HIV/AIDS and TB screening are done.

Civils KZN

HIV/AIDS education booklets and condoms are supplied regularly to all sites. HIV/AIDS positive employees were identified in 2009 to receive ARV treatment as part of a regulated treatment programme. These employees are monitored by an Employee Assistance Programme provider. Voluntary testing was performed again in 2010 and the site is currently sourcing more Employee Assistance Programme providers due to geographical expansion.

Our environment

Training and awareness

Heightened awareness of the environment and the environmental impact of the industry's activities has prompted the group to focus on sustainability as it relates specifically to the environment.

At the MEP operations, informal environmental awareness training is presented as part of the induction process and also forms part of the client induction programmes. Environmental awareness is further communicated as a topic at daily toolbox talks.

During the year Structures operations presented a number of environmental training courses including:

- ⇒ Hazardous chemical storage and management;
- ⇒ ISO 14001 – modern environmental management;
- ⇒ ISO 14001 – internal auditors; and
- ⇒ Environmental initiative – Unit Standard 114218.

Environmental initiatives

The group reinforced its commitment to environmental conservation by installing a motion-activated light switch system at the revamped and enlarged head office. This aids the group's daily electricity usage. In addition, paper recycling bins have been placed throughout the premises.

The Safety Forum is responsible for all strategies and innovations to improve on all previous efforts in relation to the environment. Its environmental objectives include:

- ⇒ monitoring water and electricity usage to develop conservation targets;
- ⇒ measuring and evaluating the group's carbon footprint;
- ⇒ monitoring and measuring air emission and waste management in accordance with permit requirements;
- ⇒ monitoring surface and groundwater releases and measuring water spillages; and
- ⇒ measuring waste generation and disposal.

Stefanutti Stocks received no significant fines during the year for environmental non-compliance or endangerment. However, the group received a minor number of non-monetary sanctions for non-compliance with environmental laws and regulations. Processes including supervision and awareness campaigns have been put in place to ensure no future recurrence.

Case study SHEQ awareness campaign

At the start of 2010 the Roads and Earthworks business unit introduced an innovative approach by using cartoon characters on its campaign posters and banners. This went some way to achieving the objective of improving knowledge in critical SHEQ aspects, and was well received by employees and clients. A total of nine topics were selected and posters and banners were displayed at all sites. Not only was employees' knowledge improved but the information was accessible to the local communities as well as to contracting partners. The awareness campaign resulted in a reduction in injuries, a safer workplace and a decrease in environmental incidents. It will continue during 2012.



Safety risks

Various site-specific environmental risks and mitigation strategies were identified during the year.

In the Roads & Earthworks operations, the following risks were identified:

Risk	Mitigation strategy
Commencement of construction activities by extracting water from a natural resource without a permit	Environmental management standards developed and implemented
Inadequate containment of bulk storage facilities	Rebuilding of containment facilities where identified
Disposal of cement bags in an unlawful manner, contaminating the environment	Met with the relevant authorities and remediated the contaminated area

Accolades

Industry accolades included:

Project	Category	Award
Pick n Pay Bluff	Alterations, additions under R20 million	Highest commendation
Liberty Life offices	Commercial buildings above R40 million	1st place
Spar distribution and warehouse	Industrial buildings above R40 million	1st place

The group received further recognition in the following areas:

- ⇒ Maintained NOSA 5-star status with higher percentage than previous year (92,46%)
- ⇒ Maintained T1 certificate with Sasol
- ⇒ Received Environmental Awareness Award, best Lay Down Area for all Contractors and Certificate for High Safety Standard at Sishen South
- ⇒ Three million man-hours lost-time injury-free for the entire project at DMO Project
- ⇒ Ten million man-hours lost-time injury-free for the entire Kumba Sishen South Project
- ⇒ Received award for best contractor on the Grootegeluk Medupi Expansion Project
- ⇒ BRPM Styldrift Merenski Phase report done to 600 days without a disabling injury
- ⇒ 4,3 million disabling injury-free hours for 31-month rolling period measured on the following projects: Amandelbult 75-210, Goedgevonden, Retrofit Isamills, Douglas Middelburg Optimisation Project, Komati Rail, Sishen Reservoirs, Vele Coal of Africa, BRPM Styldrift, Thubilisha Bridge, Thubilisha Bunker, Komati Substation, DMO Water structures, Grootegeluk Medupi Expansion Project – ROM & Discards Area, Grootegeluk Medupi Expansion Project – Wet/Dry Plant and ROM Feed Silos and Thubilisha Portal.

Value added statement

for the year ended 28 February 2011

Economic contribution

Value added is the measure of wealth the group creates through its operations by adding value to the cost of raw materials, products and services purchased. The table below shows total wealth created and how it was shared between stakeholders who contributed to its creation. It also shows the amount retained and reinvested in the group for the replacement of assets and further development of people and operations.

	2011 %	2011 R'000	2010 %	2010 R'000
CONTRACT REVENUE		6 896 418		7 365 023
Less: Costs of materials, services and sub-contractors		(4 583 907)		(5 160 974)
Value added by operations	97,3	2 312 511	96,2	2 204 049
Investment income	2,6	61 591	3,7	85 518
Share of profit/(loss) from associate companies	0,1	2 712	0,1	973
Total value add	100	2 376 814	100,0	2 290 540
Distributed as follows:				
EMPLOYEES				
Short-term and post-employment benefit costs	66,6	1 581 248	60,4	1 383 040
Share-based payment and forfeitable share plan costs	0,8	19 843	0,8	18 175
PROVIDERS OF EQUITY				
Dividend paid to shareholders	4,7	111 987	7,0	159 418
PROVIDERS OF FINANCE				
Interest and finance charges	1,1	25 270	1,1	25 288
Operating lease rentals	0,4	9 450	0,4	8 555
GOVERNMENT				
Taxation	6,2	148 351	7,5	172 703
TOTAL VALUE DISTRIBUTED	79,8	1 896 149	77,2	1 767 179
REINVESTED IN THE GROUP	20,2	480 665	22,8	523 361
Reserves available to ordinary shareholders	14,0	333 011	16,8	384 774
Depreciation	6,2	147 654	6,0	138 587
	100,0	2 376 814	100,0	2 290 540
VALUE ADDED RATIOS				
Number of employees in South Africa		8 585		8 262
Contract revenue per employee (Rand)		803		891
Value created per employee (Rand)		277		277

The group did not receive any financial assistance from government during the year.

STATEMENT OF RESPONSIBILITY

The directors are required by the South African Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and group annual financial statements and related information included in this report. It is their responsibility to ensure that the annual financial statements present fairly the state of affairs of the company and the group as at the end of the financial year and the results of their operations and cash flows for the year 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 external auditors are responsible for independently reviewing and reporting on the company's and 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 72.

The annual financial statements and group annual financial statements are prepared in accordance with International Financial Reporting Standards and are based on 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 controls established for the company and the group, and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. 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 company and the group.

The focus of risk management in the company and the group is on identifying, assessing, managing and monitoring all known forms of risk across the company and the group. While operating risk cannot be fully eliminated, the company and the group endeavour to minimise risk 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 upon for the preparation of the annual financial statements and group annual financial statements. However, any system of internal control can provide only reasonable, and not absolute assurance against material misstatement or loss.

The directors have reviewed the company's and the subsidiaries' cash flow forecasts for the year ending 28 February 2012 and, in the light of this review and current financial position, are satisfied that the company and group have access to adequate resources to continue in operational existence for the foreseeable future. Therefore, the annual financial statements and group annual financial statements have been prepared on the going concern basis.

APPROVAL

The annual financial statements and group annual financial statements, which appear on pages 73 to 147, were approved by the board of directors on 18 July 2011 and are signed on their behalf:



W Meyburgh
Chief Executive Officer



DG Quinn
Chief Financial Officer

18 July 2011
Johannesburg

The information below constitutes the report of the Audit, Governance and Risk Committee in respect of the financial year of the company under review.

The Audit, Governance and Risk Committee is chaired by independent non-executive director Nomhle Canca, who has over 20 years' experience in financial services, and further comprises independent non-executive director Kevin Eborall and Joseph Fizelle, alternate to non-executive director Bridgman Sithole. The board has satisfied itself that the members are suitably skilled and qualified to fulfil their duties. It is cognisant of the need to appoint a further independent director to meet the requirements of the King III Report, the Companies Act, and the JSE Listings Requirements.

Chief Executive Officer Willie Meyburgh, Chief Financial Officer Dermot Quinn, Chief Operating Officer Stephen Pell, Group Internal Audit Manager Gerrit Joubert, Group Risk Manager Dirk Els and executive director Schalk Ackerman, as well as the external auditors, attend by invitation and management or independent third parties are invited to attend as appropriate. The Company Secretary is the secretary of the committee.

At least twice a year, the committee meets in private with the external auditors. Such private discussions provide an opportunity for committee members to communicate candidly without management present.

In line with the King III Report, the committee meets a minimum of twice per year with additional special meetings convened as required. During the year the committee met five times. Attendance is set out on page 41.

The committee is governed by a charter which is reviewed annually. It will be reviewed in 2011 to take account of King III and the Companies Act. The charter tasks the committee with assisting the board in evaluating the company's risk, developing and maintaining systems of internal control, maintaining accounting records and monitoring compliance with the King III Report and the JSE Listings Requirements.

Further responsibilities of the committee outlined in the charter include:

- ⇒ monitoring compliance with codes of conduct and the ethical conduct of the company;
- ⇒ evaluating the independence and effectiveness of the external auditors as well as their performance and recommending their appointment;
- ⇒ reviewing the annual financial statements and interim report;
- ⇒ reviewing, together with the external auditors, the conformity of the audited financial statements and related schedules with IFRS and the company's accounting policies;
- ⇒ reviewing the external audit plan and fees payable to the external auditors;
- ⇒ reviewing external audit findings and reports;
- ⇒ approving any non-audit services performed by the external auditors and the policy in this regard;
- ⇒ reviewing internal audit policies, plans, reports and findings;
- ⇒ monitoring compliance with applicable laws and regulations;
- ⇒ assessing the key risk areas facing the group and recommending risk mitigation measures; and
- ⇒ advising and updating the board on issues ranging from accounting standards to published financial information.

The committee is integral to the group's risk management process. Both the Group Risk Manager and Group Internal Audit Manager report directly to the committee and all risk identification, measurement and management is addressed through these channels. A Risk Management Plan, Risk Register and Risk Policy were presented to and considered by the committee during the year. The Audit, Governance and Risk Committee further reviewed the findings of an external review and assurance exercise.

In line with recommendations of the King III Report the Audit, Governance and Risk Committee supports the compilation of an integrated annual report. The committee reviews the detailed annual report including the non-financial information and in turn recommends it to the board. The Sustainability Committee, which is a sub-committee of the Audit, Governance and Risk Committee, is focusing on bringing the annual report in line with recommended integrated reporting. King III recommends that JSE-listed companies with financial years commencing after 1 March 2010 produce an integrated annual report which enables stakeholders to evaluate an organisation's performance and to make an informed assessment about its ability to create value. The company has made progress in this regard, assisted by the Sustainability Committee. This will receive ongoing attention during the 2012 financial year.

The committee has considered the independence of the external auditors, Mazars, and is of the view that the external auditors are independent of the company. The committee has nominated, subject to the endorsement of the board and the approval of shareholders, the reappointment of Mazars and Mark Snow as the independent registered audit firm and the individual registered auditor of the company, respectively.

The committee has further considered and is satisfied with the expertise and experience of the company's Chief Financial Officer, Dermot Quinn. An effectiveness review of the finance function will be conducted during 2011.

To ensure the efficacy and independence of the Audit, Governance and Risk Committee a self-evaluation questionnaire is intended to be initiated during the first half of 2011.

The committee has reviewed and recommended to the board the entire annual report.

The Audit, Governance and Risk Committee has recommended the financial statements for approval by the board.



NJMG Canca

Audit, Governance and Risk Committee Chairperson

18 July 2011
Johannesburg

Declaration by Company Secretary

I declare that, to the best of my knowledge, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the South African Companies Act, and that all such returns are true, correct and up-to-date.



W Somerville

Company Secretary

18 July 2011

Johannesburg

We have audited the group annual financial statements and annual financial statements of Stefanutti Stocks Holdings Limited, which comprise the consolidated and separate statements of financial position as at 28 February 2011, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 73 to 147.

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 of South Africa. This responsibility includes: designing, implementing and maintaining internal control 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Stefanutti Stocks Holdings Limited as at 28 February 2011, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



MAZARS

Partner: Mark Snow

Registered Auditor

18 July 2011

Johannesburg

The directors present their report for the year ended 28 February 2011. This report forms part of the audited annual financial statements and group audited annual financial statements.

BUSINESS AND OPERATIONS

The group's business and operations, and the results thereof, are clearly reflected in the annual financial statements. Save for disclosures in this report, no material fact or circumstance has occurred between the accounting date and the date of this report.

Stefanutti Stocks is a holding company. Its multi-disciplinary subsidiaries are involved in concrete structures, rehabilitation and marine construction, piling and geotechnical services, roads and earthworks, mine residue disposal facilities (mainly tailings dams), open-pit contract mining, building works and mechanical, electrical and power line transmission and distribution construction. In addition the group has established skills to participate in projects on a public-private partnership (PPP) basis. These operations are formally structured into the following key disciplines: Structures, Roads & Earthworks, Mining Services, Mechanical, Electrical & Power and Building (incorporating International).

FINANCIAL RESULTS

The results of the company, its subsidiaries, joint ventures and associates for the year ended 28 February 2011 are fully disclosed in the annual financial statements and accompanying notes.

DIVIDEND

In line with the dividend policy the board declared an interim dividend of 20,0 cents on 10 November 2010 and a final dividend of 25 cents per share on 24 May 2011, equating to a total dividend for the year of 45 cents (2010: 70 cents).

Secondary tax on companies of R4,7 million will be payable on the dividend declared in May 2011.

SHARE CAPITAL

The total authorised ordinary share capital at year-end was R1 000 consisting of 400 000 000 ordinary shares of 0,00025 cent each (with no change from the previous year).

The total issued ordinary share capital at year-end was R470, consisting of 188 080 746 ordinary shares of 0,00025 cent each (2010: 188 080 746 ordinary shares of 0,00025 cent each).

Refer to note 16 in the annual financial statements for further details of the employee share incentive schemes.

PROPERTY, PLANT AND EQUIPMENT

No major changes occurred during the year regarding the use and/or policies of property, plant and equipment.

BORROWINGS

The borrowings during the year have not exceeded those authorised by the Articles of Association.

DIRECTORS

The directors of the company at the date of this report are as follows:

B Stefanutti (Chairman)*
 W Meyburgh (Chief Executive Officer)
 D Quinn+ (Chief Financial Officer)
 S Pell (Chief Operating Officer)
 S Ackerman (appointed 1 March 2010)
 N Canca*^
 K Eborall*^
 H Mashaba*^
 M Mkwanzazi*^ (Lead Independent Director)
 B Sithole*
 J Fizelle*+ (alternate to B Sithole)

* Non-executive ^ Independent + Irish

At the upcoming Annual General Meeting K Eborall, H Mashaba and B Stefanutti will retire by rotation and being eligible, will stand for re-election.

DIRECTORS' AND OFFICERS' INTEREST IN CONTRACTS

No material contracts in which directors have an interest were entered into during the year other than the transactions detailed in note 28 to the annual financial statements.

DIRECTORS' EMOLUMENTS

The remuneration of directors for the year ended 28 February 2011 was as follows:

	Basic	Incentive bonus	Other benefits	Pension	Fees paid to non-executive directors	Total
	R'000	R'000	R'000	R'000	R'000	R'000
B Stefanutti (Chairman)	294	2 579	—	—	1 920	4 793
W Meyburgh (Chief Executive Officer)	2 948	2 874	851	337	—	7 010
D Quinn (Chief Financial Officer)	1 921	1 821	658	228	—	4 628
S Pell (Chief Operating Officer)	2 278	1 585	692	223	—	4 778
S Ackerman	2 343	1 973	5 203	146	—	9 665
N Canca	—	—	—	—	350	350
K Eborall	—	—	—	—	350	350
H Mashaba	—	—	—	—	235	235
M Mkwanzazi	—	—	—	—	648	648
B Sithole	—	—	—	—	108	108
J Fizelle	—	—	—	—	292	292
	9 784	10 832	7 404	934	3 903	32 857

The remuneration of directors for the year ended 28 February 2010 was as follows:

	Basic	Incentive bonus	Other benefits	Pension	Fees paid to non-executive directors	Total
	R'000	R'000	R'000	R'000	R'000	R'000
B Stefanutti (Chairman)	2 720	6 642	194	281	—	9 837
W Meyburgh (Chief Executive Officer)	2 551	6 113	239	315	—	9 218
D Quinn (Chief Financial Officer)	1 674	3 598	268	213	—	5 753
S Pell (Chief Operating Officer)	1 627	2 739	314	197	—	4 877
N Canca	—	—	—	—	284	284
K Eborall	—	—	—	—	727	727
H Mashaba	—	—	—	—	302	302
M Mkwanzazi	—	—	—	—	302	302
B Sithole	—	—	—	—	227	227
	8 572	19 092	1 015	1 006	1 842	31 527

Details of executive directors' share awards in terms of the Forfeitable Share Plan scheme were as follows:

	Shares	R'000
2011		
W Meyburgh	53 463	621
D Quinn	36 767	427
S Pell	41 197	479
S Ackerman	441 197	5 003
2010		
W Meyburgh	52 094	540
D Quinn	35 265	365
S Pell	38 573	400

DIRECTORS' SHAREHOLDING

Shareholding as held at 28 February 2011:

	Direct beneficial	Indirect beneficial	Total
	%	%	%
B Stefanutti (Chairman)	24,05	—	24,05
W Meyburgh (Chief Executive Officer)	0,43	5,2	5,63
D Quinn (Chief Financial Officer)	0,12	0,27	0,39
S Pell (Chief Operating Officer)	0,68	—	0,68
S Ackerman	0,26	0,40	0,66
K Eborall	0,04	—	0,04
H Mashaba	—	0,92	0,92
M Mkwanzazi	—	0,02	0,02
B Sithole	—	2,80	2,80
J Fizelle (alternate)	0,02	0,88	0,90

The following transactions took place post year-end:

	Nature of transaction	Number of shares	Date	Price
W Meyburgh	Purchase	41 541	21 June 2011	R12,55
D Quinn	Purchase	29 085	21 June 2011	R12,55
S Pell	Purchase	33 494	21 June 2011	R12,55
S Ackerman	Purchase	30 639	21 June 2011	R12,55
B Stefanutti	Sale	1 397 410	21 June 2011	R12,55
B Stefanutti	Sale	26 330 000	12 July 2011	R12,20
B Sithole	Sale	646 018	12 July 2011	R12,20
W Meyburgh	Sale	1 500 000	12 July 2011	R12,20
D Quinn	Sale	350 000	12 July 2011	R12,20
J Fizelle	Sale	203 540	12 July 2011	R12,20

Shareholding as held at 28 February 2010:

	Direct beneficial	Indirect beneficial	Total
	%	%	%
B Stefanutti (Chairman)	24,97	—	24,97
W Meyburgh (Chief Executive Officer)	0,40	5,20	5,60
D Quinn (Chief Financial Officer)	0,10	0,27	0,37
S Pell (Chief Operating Officer)	0,66	—	0,66
K Eborall	0,04	—	0,04
H Mashaba	—	2,93	2,93
M Mkwanzazi	—	0,02	0,02
B Sithole	—	2,80	2,80
J Fizelle (alternate)	0,02	0,88	0,90

COMPANY SECRETARY

William Somerville remains the Company Secretary. His business and postal addresses are set out on the inside back cover of the annual report of which this report forms part.

AUDITORS

Subject to the approval of shareholders, Mazars will continue in office in accordance with the Companies Act. A resolution to seek their reappointment has been included in the Notice of Annual General Meeting included in the annual report of which this report forms part.

REPORT OF THE AUDIT, GOVERNANCE AND RISK COMMITTEE

The report of the above committee is set out on pages 69 and 70 of the annual report.

ACQUISITIONS

In line with strategy, the group acquired the remaining minority interest in Stefanutti & Bressan Construcoes Mocambique Lda. In addition, the group acquired certain business operations of RGF and a 100% shareholding in Apollo.

Full details of these acquisitions are set out in note 33 – business combinations, to the annual financial statements.

INTEREST IN SUBSIDIARIES

Details of the company's investment in subsidiaries are set out in note 5 of the annual financial statements. The results of the subsidiaries so far as concerns the members of the group are as follows: Net profit: R363,8 million (2010: R430,9 million).

RESTRUCTURING

With effect from 1 March 2010 the South African business operations were restructured, in terms of which certain operations previously held in subsidiary companies commenced operations as divisions of Stefanutti Stocks (Pty) Limited.

Refer to note 5 in the annual financial statements for details relating to the impact on the financial statements of the holding company.

SPECIAL RESOLUTIONS

The following special resolutions were passed at the Annual General Meeting on 27 August 2010:

- ⇒ General authority to repurchase shares in the company.
- ⇒ The amendment of the Articles of Association to delete the following sentence in Article 76.1 The declaration and payment of any final dividend shall require the approval of the members in general meeting.

The special resolutions were registered by the Registrar of Companies on 13 September 2010.

POST BALANCE SHEET EVENTS

Subsequent to year-end Stefanutti Stocks, through its wholly owned subsidiary Stefanutti Stocks (Pty) Limited, entered into an agreement dated 17 June 2011 to acquire the entire issued share capital of Cycad Pipelines (Pty) Limited, and its related operations.

The Cycad group, which is made up of Cycad Pipelines (Pty) Limited, Cycad Construction (Pty) Limited and two property holding companies, is a specialist pipeline construction and refurbishment contractor.

The transaction is subject to certain conditions precedent.

Refer to note 35 of the annual financial statements.

COMPETITION COMMISSION

The investigation by the Competition Commission into anti-competitive behaviour by companies within the construction sector is currently ongoing. Stefanutti Stocks is co-operating fully with all relevant government agencies and has submitted the requisite documentation and awaits formal feedback in this regard.

18 July 2011
Johannesburg

Statements of financial position



as at 28 February 2011

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	Notes	Group		Company	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
ASSETS					
Non-current assets					
		2 111 249	2 018 076	1 381 002	1 520 239
Property, plant and equipment	3	901 671	791 865	–	1 333
Investment property	4	55 422	34 337	–	–
Investment in subsidiaries	5	–	–	1 379 465	1 517 377
Investment in associates	6	14 539	18 123	–	–
Goodwill and intangible assets	7	1 132 044	1 126 547	–	–
Other financial assets	8	–	1 901	–	–
Deferred tax assets	9	7 573	45 303	1 537	1 529
Current assets					
		2 960 137	3 009 707	73 404	248 097
Intergroup loans	10	–	–	62 946	200 439
Inventories	11	78 851	67 532	–	–
Contracts in progress	12	175 170	146 708	–	–
Trade and other receivables	13	1 603 630	1 421 703	2 463	1 797
Taxation		20 015	21 766	1 406	1 437
Bank balances	14	1 082 471	1 351 998	6 589	44 424
Total assets		5 071 386	5 027 783	1 454 406	1 768 336
EQUITY AND LIABILITIES					
Capital and reserves					
		1 853 571	1 683 632	1 334 635	1 341 700
Issued capital and reserves attributable to the owners of the parent		1 853 571	1 681 457	1 334 635	1 341 700
Non-controlling interest		–	2 175	–	–
Non-current liabilities					
		196 644	176 729	–	–
Other financial liabilities	17	142 883	108 477	–	–
Deferred tax liabilities	9	53 761	68 252	–	–
Current liabilities					
		3 021 171	3 167 422	119 771	426 636
Other financial liabilities	17	118 847	130 358	3 930	–
Intergroup loans	10	–	–	104 499	413 485
Trade and other payables	18	1 693 285	1 528 328	11 342	13 151
Provisions	19	1 154 475	1 449 735	–	–
Bank balances	14	4 312	4 394	–	–
Taxation		50 252	54 607	–	–
Total equity and liabilities		5 071 386	5 027 783	1 454 406	1 768 336

Statements of comprehensive income

for the year ended 28 February 2011

	Notes	Group		Company	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
Revenue	20	6 998 207	7 471 412	314 572	380 578
Contract revenue	20	6 896 418	7 365 023	–	–
Contract costs		(5 852 862)	(6 255 962)	–	–
Contract gross profit		1 043 556	1 109 061	–	–
Other income		52 611	41 276	33 000	36 935
Operating costs		(497 982)	(493 000)	(34 772)	(54 726)
Earnings/(loss) before interest, taxation, depreciation and amortisation		598 185	657 337	(1 772)	(17 791)
Depreciation	3	(147 654)	(138 587)	–	(164)
Impairment of investments	5	–	–	(157 603)	–
Amortisation and impairment of intangible assets	7	(8 202)	(18 005)	–	–
Operating profit/(loss) before investment income	21	442 329	500 745	(159 375)	(17 955)
Investment income	22	61 591	85 518	281 572	343 643
Share of profits from associate companies	6	2 712	973	–	–
Operating profit before finance costs		506 632	587 236	122 197	325 688
Finance costs	23	(25 270)	(25 288)	(1)	(8 099)
Profit before taxation		481 362	561 948	122 196	317 589
Taxation	24	(148 351)	(172 703)	(14 754)	(775)
Profit for the year		333 011	389 245	107 442	316 814
Other comprehensive income		(37 372)	(42 345)	–	–
Exchange differences on translating foreign operations		(37 372)	(42 345)	–	–
Total comprehensive income for the year		295 639	346 900	107 442	316 814
Profit for the year attributable as follows:					
Equity holders of the company		333 011	384 774	–	–
Non-controlling interest		–	4 471	–	–
		333 011	389 245	–	–
Total comprehensive income attributable to:					
Equity holders of the company		295 639	342 429	–	–
Non-controlling interest		–	4 471	–	–
		295 639	346 900	–	–
Earnings per share (cents)	27	193,55	220,14	–	–
Diluted earnings per share (cents)	27	177,06	204,58	–	–

Statements of changes in equity



for the year ended 28 February 2011

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	Notes	Share capital and premium R'000	Share-based payment reserve R'000	Foreign currency translation reserve R'000	Revaluation surplus reserve R'000	Retained earnings R'000	Non-controlling interest R'000	Total R'000
GROUP								
Balance at 1 March 2009		1 055 997	31 577	42 630	4 997	438 848	39 209	1 613 258
Treasury shares acquired	15	(35 379)	–	–	–	–	–	(35 379)
Employee share options	16	–	16 240	–	–	–	–	16 240
Realisation of share-based payment reserve		–	(87)	–	–	87	–	–
Non-controlling interests acquired		–	–	–	–	(56 464)	(41 324)	(97 788)
Total comprehensive income		–	–	(42 345)	–	384 774	4 471	346 900
Profit for the year		–	–	–	–	384 774	4 471	389 245
Translation of foreign subsidiary		–	–	(42 345)	–	–	–	(42 345)
Dividends paid	26	–	–	–	–	(159 418)	(181)	(159 599)
Balance at 28 February 2010		1 020 618	47 730	285	4 997	607 827	2 175	1 683 632
Treasury shares acquired	15	(9 423)	–	–	–	–	–	(9 423)
Employee share options	16	–	8 689	–	–	–	–	8 689
Realisation of share-based payment reserve		–	(113)	–	–	113	–	–
Non-controlling interests acquired		–	–	–	–	(10 804)	(2 175)	(12 979)
Total comprehensive income		–	–	(37 372)	–	333 011	–	295 639
Profit for the year		–	–	–	–	333 011	–	333 011
Translation of foreign subsidiary		–	–	(37 372)	–	–	–	(37 372)
Dividends paid	26	–	–	–	–	(111 987)	–	(111 987)
Balance at 28 February 2011		1 011 195	56 306	(37 087)	4 997	818 160	–	1 853 571

Note 15

Share-based payment reserve comprises the accumulated effect of share-based payments in terms of the employee share scheme.

Foreign currency translation reserve comprises the translation effect of foreign subsidiaries and joint ventures to the reporting currency.

Revaluation surplus reserve comprises the revaluation of land and buildings.

	Notes	Share capital and premium R'000	Share-based payment reserve R'000	Retained earnings R'000	Total R'000
COMPANY					
Balance at 1 March 2009		1 161 538	30 973	(26 398)	1 166 113
Employee share options	16	–	14 880	–	14 880
Total comprehensive income for the year		–	–	316 814	316 814
Dividends paid	26	–	–	(156 107)	(156 107)
Balance at 28 February 2010		1 161 538	45 853	134 309	1 341 700
Employee share options	16	–	7 745	–	7 745
Total comprehensive income for the year		–	–	107 442	107 442
Dividends paid	26	–	–	(122 252)	(122 252)
Balance at 28 February 2011		1 161 538	53 598	119 499	1 334 635

Note 15

Statements of cash flows



for the year ended 28 February 2011

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	Notes	Group		Company	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
<i>Cash flows from operating activities</i>		64 905	481 007	148 086	180 138
Cash receipts from customers		6 816 280	7 487 123	313 906	379 617
Cash paid to suppliers and employees		(6 550 864)	(6 695 071)	(310 539)	(378 871)
Cash generated from operations	25.1	265 416	792 052	3 367	746
Interest received	22	61 393	83 838	1 732	8 243
Finance costs	23	(25 270)	(25 288)	(1)	(8 099)
Dividends paid	25.2	(111 856)	(159 409)	(122 121)	(156 098)
Dividends received	6 & 22	3 024	1 680	279 840	335 400
Taxation paid	25.3	(115 577)	(192 930)	(2 506)	–
Secondary tax on companies and withholding tax paid	25.4	(12 225)	(18 936)	(12 225)	(54)
<i>Cash flows from investing activities</i>		(300 940)	(326 673)	(14 428)	(143 924)
Expenditure to maintain operating capacity					
Property, plant and equipment acquired	3	(69 452)	(48 742)	–	(1 432)
Proceeds on disposals of property, plant and equipment		28 870	32 516	1 333	–
Repayment of associate loan		3 654	–	–	–
Expenditure for expansion					
Property, plant and equipment acquired	3	(201 165)	(131 486)	–	–
Development of investment property	4	(21 085)	(34 337)	–	–
Proceeds on other financial assets/(acquired)	8	1 901	(1 901)	–	–
Net cash for acquisition of subsidiaries and non-controlling interests	25.5	(43 663)	(142 644)	(15 761)	(142 492)
Net cash for further investment in associates		–	(79)	–	–
<i>Cash flows from financing activities</i>		1 542	(92 611)	(171 493)	(2 850)
Repurchase of shares		(9 423)	(35 379)	–	–
Proceeds from long- and short-term financing		140 072	120 013	–	–
Repayment of long- and short-term loans		(129 107)	(177 245)	–	–
Proceeds from intergroup loans	10	–	–	137 493	44 186
Intergroup loans granted	10	–	–	(308 986)	(47 036)
<i>(Decrease)/increase in cash and cash equivalents</i>		(234 493)	61 723	(37 835)	33 364
<i>Cash and cash equivalents at the beginning of the year</i>		1 347 604	1 333 877	44 424	11 060
<i>Effect of exchange rate changes on cash and cash equivalents</i>		(34 952)	(47 996)	–	–
<i>Cash and cash equivalents at the end of the year</i>	14	1 078 159	1 347 604	6 589	44 424

The principal accounting policies adopted in the preparation of these consolidated annual financial statements are set out below:

1. PRESENTATION OF FINANCIAL STATEMENTS

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

The annual financial statements and group annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa.

The annual financial statements have been prepared using a combination of the historical cost and fair value basis of accounting. Those categories to which the fair value basis of accounting has been applied are indicated in the individual accounting policy notes below.

In the current year, the group has adopted all of the new and revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the year ended 28 February 2011.

The principal accounting policies are set out below. The accounting policies are consistent with the previous year except for where new policies have been adopted. Refer to note 2.

1.1 Significant judgements and estimates

In the process of applying the group's accounting policies, the directors have made the following judgements that have an effect on the amounts recognised in the annual financial statements:

Allowance for doubtful debts

Debtor accounts are written off when they are delinquent. An allowance is raised on accounts based on management's assessment of the likelihood of collecting receivables outstanding.

Allowance for slow-moving, damaged and obsolete inventory

An allowance account is used to write inventory down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items.

Options granted

Management used a variant of the binomial pricing model to determine the value of the options at issue date. Additional details regarding the estimates are included in the note relating to share-based payments.

Impairment testing

Management used the value-in-use method to determine the recoverable amount of goodwill and intangible assets as there is no active market in identifying assets that may have been impaired. Additional disclosure of these estimates is included in the note relating to goodwill and intangible assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in the note relating to provisions.

1.2 Investments in subsidiaries

Group annual financial statements

The group annual financial statements comprise the consolidated annual financial statements of the company, its subsidiaries and results of associates and jointly controlled operations. The annual financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.2 *Investments in subsidiaries (continued)*

Group annual financial statements (continued)

All intergroup balances, transactions, income and expenses are eliminated in full in the consolidated annual financial statements.

Subsidiaries are consolidated from the date of acquisition, which is the date on which the group obtains control of the subsidiary, and continue to be consolidated until the date that control ceases.

Subsidiaries, which are those entities in which the group has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies, are consolidated. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal.

Non-controlling interest included on the statement of financial position represent the portion of profit or loss and net assets in subsidiaries not held by the group. Non-controlling interest is presented separately in the statement of comprehensive income and within equity in the statement of financial position.

Company annual financial statements

Investments in subsidiaries in the company's separate annual financial statements are initially recognised at cost. The cost of an investment in a subsidiary is the aggregate of the fair value, at the date of exchange, of assets acquired, liabilities incurred or assumed and shares issued.

Investments in subsidiaries are subsequently measured at cost less any accumulated impairment.

1.3 *Investments in joint ventures*

The group has interests in certain jointly controlled operations, and recognise the following with respect to these interests in its annual financial statements:

- a) The assets that it controls and the liabilities that it incurs;
- b) 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.

Results of joint ventures are included when two or more joint venture parties combine their operations, resources and expertise in order to manufacture/build a joint particular product. The joint venture is derecognised when the combined operations cease.

1.4 *Investments in associates*

Group annual financial statements

Investments in associates are accounted for using the equity method. Associates are entities in which the group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investments are initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the profits or losses of the associates after their acquisition dates. An impairment is recognised when there is any objective evidence that the investment in associate is impaired. The use of the equity method is discontinued from the date on which the group ceases to have significant influence over an associate.

Company annual financial statements

Investments in associates in the company's separate annual financial statements are initially recorded at cost. Investments in associates are subsequently measured at cost less any accumulated impairment. An impairment is recognised when the recoverable amount of the investment is lower than the carrying amount of the investment.

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.5 Property, plant and equipment

Property, plant and equipment is initially recognised at cost. The cost of property, plant and equipment includes amounts incurred initially to acquire or construct an item of property, plant and equipment. Amounts incurred subsequently to add to, or replace part of the asset, are also recognised at cost. Replacement costs include the cost of major inspections. If the 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. Depreciation is written off over the useful life of the item. Day-to-day servicing costs, such as labour and consumables, are expensed in the statement of comprehensive income.

Property, plant and equipment, other than land and buildings, is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Land and buildings are carried at a revalued amount, being the fair value of the property at the date of revaluation, less any accumulated impairment losses subsequent to the date of the revaluation. The residual value exceeds the carrying value, therefore no depreciation is recognised.

Any increase in the assets' carrying amounts, as a result of a revaluation, is credited directly to other comprehensive income in the revaluation surplus. The increase is recognised in the statement of comprehensive income to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income.

Any decrease in the assets' carrying amounts, as a result of a revaluation, is recognised in the statement of comprehensive income in the year in which it arises. However, the decrease is debited directly against the revaluation surplus in other comprehensive income to the extent that it reverses any revaluation previously credited to this reserve for a specific asset.

Depreciation is provided on property, plant and equipment to write down the cost, less residual value, on the straight-line basis over their estimated useful lives as follows:

Building	50 years
Plant and equipment	5 – 10 years
Transport and motor vehicles	5 years
Furniture, fittings, office and computer equipment	3 – 8 years
Leasehold improvements	4 years
Aircraft	5 000 hours flying time

Land is not depreciated as it is deemed to have an indefinite useful life.

Where a part of an item of property, plant and equipment is significant in relation to the cost of the item, that part is depreciated separately. The depreciation charge is recognised as an expense in the statement of comprehensive income.

The residual values, useful lives and depreciation methods applied to property, plant and equipment are reviewed, and adjusted if necessary, at each year-end. These changes are accounted for as a change in estimate.

An item of property, plant and equipment is derecognised upon disposal or where no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the statement of comprehensive income and is calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the item at the date of derecognition.

When a decision is made to sell an item of property, plant and equipment during the year, and it meets the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the asset is carried at the lower of its carrying amount or fair value less costs to sell, and depreciation on that asset ceases. Any impairment is recognised directly in the statement of comprehensive income.

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.6 *Investment property*

Investment property is any land, building or part thereof that is either owned or leased by the group under a finance lease for the purpose of earning rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, for administrative purposes, or sale in the ordinary course of business. This classification is performed on a property-by-property basis.

Investment property is measured at cost including all transaction costs, subsequently measured at fair value.

Investment property is derecognised when it has either been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gain or loss on the derecognition of an investment property is recognised in profit or loss in the year of derecognition.

1.7 *Goodwill and intangible assets*

Goodwill

Goodwill arises from business combinations and is initially measured at cost. Cost represents the excess of the purchase consideration over the fair value of the group's share of the identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Subsequently, goodwill is measured at cost less any accumulated impairment losses.

Where the fair value of the group's share of the identifiable assets, liabilities and contingent liabilities acquired in a business combination is greater than the cost of the combination, the difference is recognised in profit immediately.

Goodwill is reviewed for impairment at each year-end or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

At the acquisition date, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of a combination. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill relates. The recoverable amount is determined as the value in use of each cash-generating unit by estimating the expected future cash flows in each unit and choosing a suitable discount rate in order to calculate the present value of those cash flows.

Where the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, an impairment loss is recognised in the statement of comprehensive income beginning with the write-off of the goodwill allocated to such cash-generating unit. Where the goodwill is insufficient to cover the amount of the impairment adjustment, the remaining assets in the cash-generating unit are impaired on a pro rata basis.

Where goodwill forms part of a cash-generating unit and that unit is disposed of, the goodwill is included in the carrying amount of the operation when determining the gain or loss on disposal of that operation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is determined on the basis of the relative value of the operation disposed of and the portion of the cash-generating unit retained. This goodwill is included in the carrying amount of the operation when determining the gain or loss on disposal of that operation.

An impairment loss recognised for goodwill is not subsequently reversed.

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.7 *Goodwill and intangible assets (continued)*

Intangible assets

Intangible assets are initially recognised at cost.

The cost of an intangible asset includes its purchase price and any directly attributable cost of preparing the asset for its intended use.

Where an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date.

Amortisation is provided for all intangible assets on a straight-line basis so as to write down the cost of the intangible assets, less their residual values, on the straight-line basis over their useful lives as determined when the purchase price allocation is done.

Useful lives of intangible assets are as follows:

Contract- and customer-related intangible assets	1 – 3 years
Trade names-related intangible assets	1 – 10 years
Technology-related intangible assets	1 – 3 years

The amortisation charge is recognised as an expense in the statement of comprehensive income. The amortisation period and amortisation method applied to an intangible asset with a finite useful life is reviewed, and adjusted if necessary, on an annual basis. These changes are accounted for as a change in estimate.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset is included in the statement of comprehensive income and is calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the asset at the date of derecognition.

1.8 *Impairment of assets*

The group assesses at each reporting date whether there is any indication that an 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 goodwill acquired in a business combination for impairment at each year-end by comparing its carrying amount with its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. 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 is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit by first reducing the goodwill allocated to the cash-generating unit (if any) and then to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

Intangible assets are tested for impairment, when there is an indication thereof, by determining the recoverable amount of the assets either individually or at the cash-generating unit level. Where this assessment is performed at the cash-generating unit level, the impairment is determined by assessing the recoverable amount of the cash-generating unit to which the intangible asset relates. In such instances, the recoverable amount is determined as the value in use of the cash-generating unit by estimating the expected future cash flows in the unit and choosing a suitable discount rate in order to calculate the present value of those cash flows.

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.8 *Impairment of assets (continued)*

Where the recoverable amount is less than the carrying amount of the asset or the cash-generating unit, an impairment loss is recognised in the statement of comprehensive income.

The group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets 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 attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

In general, a reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in the statement of comprehensive income. Any reversal of an impairment loss of a revalued asset is either treated as a revaluation increase, or as a reversal of an impairment loss in the statement of comprehensive income.

1.9 *Financial instruments*

Initial recognition for financial assets and financial liabilities

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. Financial assets, financial liabilities and equity instruments are recognised on the group's statement of financial position when the group becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at fair value plus direct transaction cost.

Loans to/(from) group companies: Loans and receivables/other financial liabilities

These include current accounts as well as loans to/(from) holding companies, subsidiaries, joint ventures and associates.

Loans payable, where there are no determinable terms of repayment are included in current liabilities and are considered repayable on demand.

Loans to/(from) group companies are subsequently measured at amortised cost less any impairment.

Trade and other receivables: Loans and receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method less any impairment. This results in interest income being recognised in the statement of comprehensive income over the period of the deferral.

Trade and other payables: Other financial liabilities

Trade and other payables are subsequently measured at amortised cost.

Bank overdrafts: Other financial liabilities

Bank overdrafts are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents: Loans and receivables

Cash and cash equivalents comprise cash on hand and other short-term deposits. Cash and cash equivalents are short, 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 subsequently recorded at amortised cost.

For the purpose of the cash flow, the net amount of the statement of financial position of bank balances are used.

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.9 *Financial instruments (continued)*

Other financial assets: Held to maturity

These items are financial assets with fixed or determinable payments and fixed maturities and are classified as held to maturity when the group has a contractual right or the positive intention and ability to hold to maturity. These investments are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired.

Other financial liabilities: Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit/(loss) when the liabilities are derecognised as well as through the effective interest rate method.

Amortised cost

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in finance cost in profit/(loss).

Derecognition of financial assets and liabilities

Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial assets are derecognised when all the risks and rewards of ownership of the financial asset have been transferred.

Impairment of financial instruments

Loans to/(from) group companies: Loans and receivables/other financial liabilities

On loans receivable, an impairment loss is recognised in the statement of comprehensive income when there is objective evidence that the loan receivable is impaired. Significant financial difficulties, probability that the company will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered objective evidence of impairment.

The impairment is measured as the difference between the carrying amount and the recoverable amount. If the recoverable amount is lower than the carrying amount, the impairment will be recognised. The recoverable amount is the fair value of the loans/receivables based on estimated future cash flows discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the financial instrument.

Impairment losses are reversed in subsequent periods when an increase in the loans' 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 loan at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Gains and losses are recognised in profit or loss when loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade and other receivables: Loans and receivables

An estimate of any impairment is made to an allowance account on individual receivables. Allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the collection of the full amount under the original terms of the invoice is no longer probable. Objective evidence would include indicators such as probable insolvency or significant difficulties in the debtor. An allowance recognised is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impaired debts are derecognised when they are assessed as uncollectible.

If the amount of the impairment decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal for the previously recognised impairment is recognised within profit and loss.

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.10 Share capital

Share capital issued by the company is recorded as the proceeds received, net of issue costs.

Treasury shares

When shares held in the group through subsidiary companies reduce the group's share capital, those equity instruments, held at cost (treasury shares) are presented as a deduction against the group's equity. No gain or loss is recognised in the statement of comprehensive income. The share capital is reduced for the par value of the shares and the balance against the share premium.

Subsidiary companies include share incentive trusts set up for the benefit of the group's employees. Such trusts are consolidated in the group results because the group effectively controls the trust through the specific mechanisms that were established when the trust was formed.

1.11 Taxation

Current tax

Current and deferred taxes are recognised as income or an expense and included in the statement of comprehensive income. The current tax payable is based on taxable profit. Taxable profit differs from profit reported in the statement of comprehensive income where there are items of income or expense that are taxable or deductible in other years and it also excludes items that are not taxable or deductible under existing tax legislation.

Secondary taxation on companies is provided in respect of declared dividends, net of dividends received or receivable, and is recognised as a taxation charge in the statement of comprehensive income in the year the related dividend is declared.

Current tax for current and prior periods is, to the extent unpaid, recognised as a tax payable in the statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as a tax receivable in the statement of financial position.

Current tax liabilities and current tax assets 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 at the reporting date.

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

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. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction that, at the time of the transaction, affects neither accounting profit/(accounting loss) nor taxable profit/(tax loss) and is not a business combination.

A deferred tax asset is recognised for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except to the extent that the group 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.

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.11 Taxation (continued)

Deferred tax assets and liabilities (continued)

A deferred tax asset is recognised for the carry forward of unused tax losses (and unused secondary taxation on companies' credits) to the extent that it is probable that future taxable profit will be available against which the used tax losses and secondary taxation on companies' 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 at the reporting date. The measurement of deferred tax assets and liabilities reflect the tax consequences that would follow from the manner in which the company expects to recover or settle the carrying amounts of its assets and liabilities at the reporting date.

The carrying amount of deferred tax assets in the statement of financial position are reviewed annually and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset for presentation in the statement of financial position where the company has a legally enforceable right to do so and the income taxes relate to the same tax authority.

Deferred tax assets and deferred tax liabilities arising in the group annual financial statements from different subsidiaries are not offset because there is no allowance in South African tax law that allows income tax from different entities to be offset.

Value added taxation

A value added taxation liability is recognised in the statement of financial position where the amount of output exceeds the input and a value added taxation asset is recognised when the input exceeds the output value.

1.12 Leases

Leases of assets where the group assumes substantially all the benefits and risks of ownership are classified as finance leases. Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. When an arrangement is or contains a lease, that lease is recognised in terms of the lease policy below.

Finance leases – Lessee

Assets leased under a finance lease are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value on the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Subsequent measurement is at amortised cost. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the lease.

Income from leases is disclosed within other income in the statement of comprehensive income.

1.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and comprises the cost to purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.13 *Inventories (continued)*

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.

1.14 *Construction contracts*

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

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

An agreement for the construction of real estate is a construction contract when the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress. Revenue in such cases is determined in accordance with the percentage of completion of the contract. In all other contracts revenue is recognised on delivery of the constructed assets. If the entity is not required to provide materials, but only to construct the real estate, the supply is the rendering of services, and revenue is recognised on the percentage of completion basis.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recovered. Contract costs on these contracts are recognised when incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue is recognised by using the percentage of completion method as set out in note 1.18. Costs are recognised in net profit as incurred. However, costs incurred in the year in connection with future activity on a contract are excluded and shown as contracts in progress. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where recognised revenue using the percentage of completion method exceeds billed work, the balance is also shown under contracts in progress. Where billed work exceeds recognised revenue using the percentage of completion method, the balance is shown as contracting provisions.

1.15 *Employee benefits*

Short-term employee benefits

The cost of short-term employee benefits is recognised in the period in which the service is rendered and is not discounted.

The expected cost of accrued leave is recognised as an expense as the employees render service that increases their entitlement or, in the case of non-accumulating leave, when the absence occurs. Accrued leave is measured as the amount that the company expects to pay as a result of unused entitlement that has accumulated to the employees at the reporting date.

The expected cost of 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. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.15 *Employee benefits (continued)*

Post-employment benefits

Payments to a defined contribution retirement plan are charged as an expense as the related service is rendered.

The group requires monthly paid employees to partake in a group retirement fund and hourly paid employees in the relevant industry funds. These funds are managed by various portfolio managers and are governed by the Pension Funds Act.

1.16 *Share-based payments*

Goods or services received or acquired in a share-based payment transaction where the group settles the consideration for those goods or services by issuing shares are classified as equity-settled share-based payments. These include share-based payment transactions where employees (including the directors) receive remuneration for services rendered to the company in the form of shares or share options, as well as share-based payment transactions where employees (including the directors) receive share options in the group share incentive scheme as a result of their employment within the group.

Goods or services received or acquired in a share-based payment transaction are recognised when the goods are received or as the services are rendered. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction. When the goods or services are received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses in the statement of comprehensive income. Transactions with employees (including directors) are recognised as employee costs in the statement of comprehensive income.

For share-based payment transactions with employees (including directors), the fair value of the transaction is measured as the fair value of the share options granted at the grant date.

The fair value of share options is determined using a binomial model, such as the Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The fair value of the units issued is based on the strike price at grant date.

If the share-based payments granted do not vest until the employee completes a specified period of service or achieves specified performance conditions, the group accounts for those services as they are rendered by the employee during the vesting period. The fair value that is accounted for over the vesting period is determined on the grant date of the share-based payment. The cumulative expense that is recognised at each reporting date reflects the extent to which the vesting conditions have expired or been met and the group's best estimate of the number of share options that will ultimately vest.

1.17 *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 best estimate of the expenditure required to settle the obligation. The amount of the provision is discounted using a pre-tax discount rate when the effect of the expected future cash outflow related to the provision is not expected to occur soon after the reporting date and the effect of discounting is material. Provisions are reviewed annually to reflect current best estimates of the expenditure required to settle the obligations.

The group raises a provision for warranties calculated at the best estimate of the costs of warranty claims. The group uses past history to estimate the volume of claims and expected costs of repairs under the warranty clause in the contract.

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.17 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are disclosed in the notes to the annual financial statements when the fair value cannot be measured reliably.

Contingent liabilities acquired in a business combination are recognised in the financial statements when their fair value can be measured reliably. Subsequently, any contingent liabilities that are recognised separately in the financial statements are measured at the higher of the amount that would be recognised as a provision and the amount initially recognised less cumulative amortisation.

1.18 Revenue

Revenue from construction contracts is recognised in accordance with the accounting policy for construction contracts and receivables.

Revenues relating to contracts are accounted for using the percentage-of-completion method and are measured at the fair value of the consideration received or receivable and include variations and claims. The stage of completion is measured by reference to the survey of work performed. When the survey of work performed cannot be determined reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue from the rendering of services is recognised when:

- a) the amount of revenue can be measured reliably;
- b) it is probable that the economic benefits associated with the transaction will flow to the entity;
- c) the costs incurred can be measured reliably; and/or
- d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue from rental agreements is recognised in accordance with the accounting policy for operating leases.

Interest is recognised on a time proportion basis using the effective interest rate method.

Dividend revenue is recognised in the statement of comprehensive income when the group's right to receive payment has been established. This normally coincides with the declaration of the dividend.

1.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as the aggregate of actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset (less any temporary investment of those borrowings) and the weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised may not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when expenditures for the asset have occurred, when borrowing costs have been incurred, and the activities that are necessary to prepare the asset for its intended use or sale are in progress.

The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted and the capitalisation of borrowing costs finally ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs arising on the borrowing of funds are recognised as an expense in the statement of comprehensive income, in the finance costs line item, in the period in which they are incurred.

Borrowing costs incurred on the investment property are expensed in terms of the transitional provisions of IAS 23.

1. PRESENTATION OF FINANCIAL STATEMENTS (continued)

1.20 Dividends

Dividends declared by the company to holders of the company's shares are recognised in the statement of changes in equity. Dividends that have not been declared at the reporting date are not accounted for in the current period. Such dividends are disclosed where the declaration occurred after the reporting date, but before these annual financial statements are approved for issue.

1.21 Translation of foreign currencies

The functional currency of the company is South African Rand.

In the group annual financial statements, the results and financial position of a foreign operation are translated into Rand using the following procedures:

- ⇒ Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- ⇒ Income and expenses for each statement of comprehensive income are translated at exchange rates at the dates of the transactions or, where exchange differences did not fluctuate significantly, at the average exchange rates for the period.
- ⇒ All resulting exchange differences are recognised as a separate component of equity and included in the foreign currency translation reserve.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially in the foreign currency translation reserve in the group annual financial statements and recognised in the statement of comprehensive income on disposal of the net investment. These exchange differences are recognised in the statement of comprehensive income in the group's annual financial statements.

1.22 Segmental reporting

IFRS 8 requires an entity to adopt a 'management approach' to reporting the financial performance of its segments. Segment reporting is done per business unit level, as determined by the Executive Committee.

2. NEW ACCOUNTING PRONOUNCEMENTS ADOPTED

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:

Amendment to IFRS 2 *Share-based Payments*

On 18 June 2009, the IASB issued amendments to IFRS 2 *Share-based Payments* (IFRS 2). These amendments are effective for annual periods beginning on or after 1 January 2010. These amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award. Guidance in this area previously provided in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *Group and Treasury Share Transactions* has been incorporated into the amended IFRS 2.

Amendments to IFRS 2 do not affect the group results.

2. NEW ACCOUNTING PRONOUNCEMENTS ADOPTED (continued)

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

Amendment to IFRS 3 Business Combinations

The major changes to IFRS 3 *Business Combinations* are as follows:

- ⇒ The non-controlling interest of a business combination is measured, either at its proportionate interest in the net identifiable assets or at fair value.
- ⇒ The requirement to measure at fair value every asset and liability at each step of a step acquisition for the purpose of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at the acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.
- ⇒ Acquisition-related costs are generally recognised as expenses, and not included in goodwill.
- ⇒ Contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other IFRS, usually in profit or loss, rather than by adjusting goodwill.

The amendment is effective for periods beginning on or after 1 July 2009.

Adoption of the Standard resulted in disclosure changes, and the recognition of transaction costs as an expense instead of as part of the cost of the business combination in the current year.

Amendment to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Disclosures for non-current assets (or disposal groups) classified as held-for-sale or discontinued operations are specified in IFRS. The disclosure requirements of other IFRS are applicable to those assets (or disposal groups) only if they specifically require disclosures in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations, or they relate to items not within the measurement scope of IFRS 5.

The amendment is effective for periods beginning on or after 1 January 2010.

The amendment did not have an impact on the group's annual financial statements.

Amendment to IFRS 8 Operating Segments

The amendment is set to state that segment information with respect to total assets are required only if such information is regularly reported to the chief operating decision maker.

The amendment is effective for periods beginning on or after 1 January 2010.

The amendment did not have an impact on the group's annual financial statements as assets are reported to the chief operating decision maker.

Amendment to IAS 1 Presentation of Financial Statements

The amendment clarifies that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments.

The amendment is effective for periods beginning on or after 1 January 2010.

The amendment did not impact the group's annual financial statements.

2. NEW ACCOUNTING PRONOUNCEMENTS ADOPTED (continued)

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

Amendment to IAS 7 Statement of Cash Flows

IAS 7 is amended to state explicitly that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities.

The amendment is effective for periods beginning on or after 1 January 2010.

The amendment did not impact the group's annual financial statements.

Amendment to IAS 17 Leases

The standard is amended to delete guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee.

Under the amendments, a land lease with a lease term of several decades or longer may be classified as a finance lease, even if at the end of the lease term title will not pass to the lessee, because in such arrangements substantially all risks and rewards are transferred to the lessee and the present value of the residual value of the leased asset is considered negligible.

The amendment also states that when a lease includes both land and building elements, an entity should determine the classification of each element based on paragraphs 7 to 13 of IAS 17, taking into account the fact that the land normally has an indefinite economic life.

The amendment is effective for periods beginning on or after 1 January 2010.

The amendment did not impact the group's annual financial statements.

Amendments to IAS 27 Consolidated and Separate Financial Statements

IAS 27 (revised) requires the effects of all transactions with non-controlling interest to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured at fair value and a gain or loss is recognised in profit or loss.

The amendment is effective for periods beginning on or after 1 July 2009.

The amendment did not impact the group's annual financial statements, as the group always accounted for non-controlling interests' transactions using the equity method.

Amendments to IAS 28 Investments in Associates

This amendment deals with consequential amendments from changes to business combinations, required disclosures when investments in associates are accounted for at fair value through profit or loss and impairment of investment in associates.

The amendment is effective for annual periods beginning on or after 1 July 2009.

The amendment did not impact the group's annual financial statements as associates are equity accounted.

Amendments to IAS 31 Interest in Joint Ventures

This amendment deals with consequential amendments from changes to business combinations and required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss.

The amendment is effective for periods beginning on or after 1 July 2009.

The amendment did not impact the group's annual financial statements.

2. NEW ACCOUNTING PRONOUNCEMENTS ADOPTED (continued)

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

Amendments to IAS 36 *Impairment of Assets*

IAS 36 is amended to state that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8.

The effective date of the amendment is for years beginning on or after 1 January 2010.

The amendment did not have an impact on the group's annual financial statements.

Amendments to IAS 38 *Intangible Assets*

The amendment includes clarifying the requirements under IFRS 3 (2008) regarding accounting for intangible assets required in a business combination. The amendment also clarifies the description of the valuation techniques commonly used by entities when measuring fair value of intangible assets acquired in a business combination that are not traded in active markets.

This amendment is effective for annual periods beginning on or after 1 July 2009.

The amendment did not impact the group's annual financial statements.

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*

The amendment deals with treating loan prepayment penalties as closely related embedded derivatives, scope exemption for business combination contracts, cash flow hedge accounting and hedging using internal contracts. It further deals with the clarification of two hedge accounting issues; surrounding inflation in a financial hedge item and a one-sided risk in a hedge item, as well as embedded derivatives when reclassifying financial instruments.

The effective date of the amendment is for years beginning on or after 1 July 2009 and 1 January 2010.

The amendment did not impact on the group's annual financial statements.

2. NEW ACCOUNTING PRONOUNCEMENTS ADOPTED (continued)

2.2 Standards and Interpretations issued and not yet effective

The group has chosen not to early adopt the following Standards and Interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2011 or later periods. Management is currently assessing the impact of these amendments and new Interpretations.

	Accounting Standard/Interpretation	Type	Effective date Annual periods beginning on or after
IFRS 3	Business Combinations Amendments to transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. Clarification on the measurement of non-controlling interests. Additional guidance provided on unrelated and voluntarily replaced share-based payment awards.	Amendment	1 January 2011
IFRS 7	Financial Instruments: Disclosures Amendment clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed some disclosure items which were seen to be superfluous or misleading. Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.	Amendment	1 January 2011
IFRS 9	Financial Instruments New standard that forms the first part of a three-part project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> .	New	1 January 2013
IAS 1	Presentation of Financial Statements Clarification on the presentation of statement of changes in equity.	Amendment	1 January 2011
IAS 12	Income Taxes A rebuttable presumption introduced that an investment property will be recovered in its entirety through sale.	Amendment	1 January 2012

2. NEW ACCOUNTING PRONOUNCEMENTS ADOPTED (continued)

2.2 Standards and Interpretations effective and adopted in the current year (continued)

	Accounting Standard/Interpretation	Type	Effective date Annual periods beginning on or after
IAS 21	The Effects of Changes in Foreign Exchange Rates The amendment clarifies the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation.	Amendment	1 July 2010
IAS 24	Related Party Disclosures Simplification of the disclosure requirements for government-related entities. Clarification of the definition of a related party.	Amendment	1 January 2011
IAS 27	Consolidated and Separate Financial Statements Transition requirements for amendments arising as a result of IAS 27 <i>Consolidated and Separate Financial Statements</i> .	Amendment	1 July 2010
IAS 28	Investments in Associates Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation.	Amendment	1 July 2010
IAS 31	Interest in Joint Ventures The amendment clarifies the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation.	Amendment	1 July 2010
IAS 34	Interim Financial Reporting Clarification of disclosure requirements around significant events and transactions including financial instruments.	Amendment	1 January 2011

Notes to the annual financial statements

for the year ended 28 February 2011

	Group			Company		
	Cost/ valuation	Accu- mulated depre- ciation	Carrying value	Cost/ valuation	Accu- mulated depre- ciation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
3. PROPERTY, PLANT AND EQUIPMENT						
2011						
<i>Owned and leased assets</i>						
Land	43 692	-	43 692	-	-	-
Buildings	182 207	-	182 207	-	-	-
Aircraft	600	-	600	-	-	-
Transport and motor vehicles	98 494	(48 142)	50 352	-	-	-
Plant and equipment	985 547	(379 495)	606 052	-	-	-
Furniture, fittings, office and computer equipment	51 304	(37 290)	14 014	-	-	-
Leasehold improvements	5 429	(675)	4 754	-	-	-
	1 367 273	(465 602)	901 671	-	-	-
2010						
<i>Owned and leased assets</i>						
Land	41 113	-	41 113	-	-	-
Buildings	129 638	-	129 638	-	-	-
Aircraft	600	-	600	-	-	-
Transport and motor vehicles	89 915	(35 489)	54 426	-	-	-
Plant and equipment	764 732	(224 987)	539 745	-	-	-
Furniture, fittings, office and computer equipment	40 174	(22 326)	17 848	1 499	(166)	1 333
Leasehold improvements	8 495	-	8 495	-	-	-
	1 074 667	(282 802)	791 865	1 499	(166)	1 333

Group at a glance

Management review

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying amount of owned property, plant and equipment of the group can be reconciled as follows:

	Carrying value at beginning of year R'000	Currency trans- lation R'000	Additions R'000	Disposals R'000	Depre- ciation R'000	Carrying value at end of year R'000
2011						
GROUP						
<i>Owned assets</i>						
Land	41 113	–	2 579	–	–	43 692
Buildings	129 638	–	52 737	(168)	–	182 207
Aircraft	600	–	–	–	–	600
Transport and motor vehicles	50 366	70	15 610	(7 528)	(12 257)	46 261
Plant and equipment	526 296	(633)	197 684	(13 648)	(122 695)	587 004
Furniture, fittings, office and computer equipment	17 848	(15)	3 827	(158)	(7 488)	14 014
Leasehold improvements	8 495	–	–	(3 066)	(675)	4 754
	774 356	(578)	272 437	(24 568)	(143 115)	878 532
2010						
GROUP						
<i>Owned assets</i>						
Land	46 358	–	1 434	(6 679)	–	41 113
Buildings	118 317	–	17 785	(6 464)	–	129 638
Aircraft	600	–	–	–	–	600
Transport and motor vehicles	56 029	–	12 560	(4 001)	(14 222)	50 366
Plant and equipment	494 534	–	164 293	(24 762)	(107 769)	526 296
Furniture, fittings, office and computer equipment	31 050	–	13	(264)	(12 951)	17 848
Leasehold improvements	3 092	–	5 403	–	–	8 495
	749 980	–	201 488	(42 170)*	(134 942)	774 356

*Included in disposals is an amount of R2 million which relates to the derecognition of a subsidiary.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying amount of leased property, plant and equipment of the group can be reconciled as follows:

	Carrying value at beginning of year R'000	Additions R'000	Disposals R'000	Depreciation R'000	Carrying value at end of year R'000
2011					
GROUP					
<i>Leased assets</i>					
Transport and motor vehicles	4 060	1 477	(395)	(1 051)	4 091
Plant and equipment	13 449	10 348	(1 261)	(3 488)	19 048
	17 509	11 825	(1 656)	(4 539)	23 139
2010					
GROUP					
<i>Leased assets</i>					
Transport and motor vehicles	1 607	3 121	–	(668)	4 060
Plant and equipment	11 659	6 509	(1 742)	(2 977)	13 449
	13 266	9 630	(1 742)	(3 645)	17 509

The carrying amount of owned and leased property, plant and equipment of the group can be reconciled as follows:

	Carrying value at beginning of year R'000	Currency translation R'000	Additions R'000	Disposals R'000	Depreciation R'000	Carrying value at end of year R'000
Owned and leased assets						
Owned assets	774 356	(578)	272 437	(24 568)	(143 115)	878 532
Leased assets	17 509	–	11 825	(1 656)	(4 539)	23 139
Total assets 2011	791 865	(578)	284 262	(26 224)	(147 654)	901 671
Owned assets	749 980	–	201 488	(42 170)	(134 942)	774 356
Leased assets	13 266	–	9 630	(1 742)	(3 645)	17 509
Total assets 2010	763 246	–	211 118	(43 912)	(138 587)	791 865

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Additions can be split as follows:

	2011			2010		
	Additions	Additions due to business combinations	Total	Additions	Additions due to business combinations	Total
Land	517	2 062	2 579	1 434	–	1 434
Buildings	52 737	–	52 737	15 665	2 120	17 785
Transport and motor vehicles	13 216	3 871	17 087	13 854	1 827	15 681
Plant and equipment	200 566	7 466	208 032	143 872	26 930	170 802
Furniture, fittings, office and computer equipment	3 581	246	3 827	–	13	13
Leasehold improvements	–	–	–	5 403	–	5 403
	270 617	13 645	284 262	180 228	30 890	211 118

The group's obligations under instalment sale agreements and finance leases are secured by certain transport and motor vehicles as well as plant and equipment (refer to notes 17.3 and 17.4). These assets have a net book value at year-end amounting to R299,5 million (2010: R421,1 million).

All disposal of assets result from the sale, scrapping and replacement thereof in the normal course of business.

A fixed asset register containing information on land and buildings is open for inspection in terms of paragraph 22.4 of Schedule 4 of the Companies Act.

The carrying amount of property, plant and equipment of the company can be reconciled as follows:

	Carrying value at beginning of year R'000	Revaluations R'000	Additions R'000	Disposals R'000	Depreciation R'000	Carrying value at end of year R'000
2011 COMPANY						
<i>Owned assets</i>						
Furniture, fittings, office and computer equipment	1 333	–	–	(1 333)	–	–
	1 333	–	–	(1 333)	–	–

Assets were disposed as part of the restructuring of the group.

2010**COMPANY***Owned assets*

Furniture, fittings, office and computer equipment	80	–	1 432	(15)	(164)	1 333
	80	–	1 432	(15)	(164)	1 333

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
4. INVESTMENT PROPERTY				
Carrying value at the beginning of the year	34 337	–	–	–
Additions at cost	21 085	34 337	–	–
Carrying value at year-end	55 422	34 337	–	–

Details of the property under construction are as follows:
PWC Office Park, Thabo Mbeki Drive, Lusaka, Zambia.

5. INVESTMENT IN SUBSIDIARIES

Subsidiaries

Name of company	Country of incorporation	Proportion held directly		Company Cost	
		2011 %	2010 %	2011 R'000	2010 R'000
Stefanutti Stocks International Holdings (Pty) Limited	South Africa	100	100	9 437	9 437
Stefanutti Stocks Building KZN (Pty) Limited	South Africa	100	100	–	13 947
Stefanutti Stocks Civils KZN (Pty) Limited	South Africa	100	100	83 700	83 700
Stefanutti Stocks Building Gauteng (Pty) Limited	South Africa	100	100	–	2 780
Stefanutti Stocks Civils Gauteng (Pty) Limited	South Africa	100	100	37 243	37 243
Stefanutti Stocks Earthworks (Pty) Limited	South Africa	100	100	28 400	28 400
Stefanutti Stocks Geotechnical (Pty) Limited	South Africa	100	100	–	9 158
Stefanutti Stocks Building W Cape (Pty) Limited	South Africa	100	100	–	1 725
Pegasus Properties (Pty) Limited	South Africa	70	70	*	*
Environmental, Civil & Mining Projects (Pty) Limited	South Africa	100	100	–	76 611
Stefanutti Stocks Material Handling (Pty) Limited	South Africa	100	100	*	*
Civil & Coastal Construction (Pty) Limited	South Africa	100	100	65 233	79 753
Skelton & Plummer Investment Holding Company (Pty) Limited	South Africa	100	100	48 187	87 049
Stefanutti Stocks Protec Park (Pty) Limited	South Africa	100	100	–	*
Stefanutti Stocks Workshops (Pty) Limited	South Africa	100	100	–	*
Stefanutti Stocks Investments (Pty) Limited	South Africa	100	100	*	*
Stefanutti Stocks (Pty) Limited	South Africa	100	100	1 087 574	1 087 574
Apollo E&I Construction (Pty) Limited	South Africa	100	–	19 691	–
				1 379 465	1 517 377

*Amount below R1 000.

With effect from 1 March 2010, the South African business operations were restructured, in terms of which certain operations previously held in subsidiary companies commenced operations as divisions of Stefanutti Stocks (Pty) Limited.

As part of the restructuring process, a dividend in specie was declared from these subsidiary companies to the holding company, resulting in a dividend received of R157,6 million. The investments held in these subsidiaries were then impaired due to the resulting zero net asset values of these companies. The impairment of R157,6 million was offset against the cost of the investments.

6. INVESTMENT IN ASSOCIATES

Investment in associate companies	Country of incorporation	Nature of business	Number of shares owned
Unlisted associates			
Ukumba Brick & Quarry (Pty) Limited	South Africa	Quarry	64 ordinary shares of R1 each
Begane Mobile Crushers (Pty) Limited	South Africa	Crusher	30 ordinary shares of R1 each
Broad Brush Investments (Pty) Limited	South Africa	Property development	50 ordinary shares of R1 each
Walk Abroad Properties (Pty) Limited	South Africa	Property development	50 ordinary shares of R1 each
Bongwe Investments (Pty) Limited	Botswana	Concession	1 055 ordinary shares of no par value
Plot 21 Investments (Pty) Limited	Botswana	Concession	436 ordinary shares of no par value
Stobech Facilities Management (Pty) Limited	Botswana	Facilities management	33 ordinary shares of BWP1 each

Investment in associate companies	Percentage held		Share of profit/(loss) for the year		Dividend received		Share value*		Loans		Total value of investment	
	2011 %	2010 %	2011 R'000	2010 R'000	2011 R'000	2010 R'000	2011 R'000	2010 R'000	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Unlisted associates												
Ukumba Brick & Quarry (Pty) Limited	32	32	1 840	-	1 840	-	-	-	-	-	-	-
Begane Mobile Crushers (Pty) Limited	-	30	625	75	806	-	-	181	-	-	-	181
Broad Brush Investments (Pty) Limited	50	50	(125)	39	-	-	1 580	1 705	2 682	2 683	4 262	4 388
Walk Abroad Properties (Pty) Limited	25	25	-	-	-	-	1 454	1 454	-	-	1 454	1 454
Bongwe Investments (Pty) Limited	34	34	(503)	1 080	-	-	754	1 257	4 849	7 474	5 603	8 731
Plot 21 Investments (Pty) Limited	33	33	327	(221)	-	-	2 126	1 799	642	1 475	2 768	3 274
Stobech Facilities Management (Pty) Limited	33	33	548	-	180	-	452	(100)	-	195	452	95
			2 712	973	2 826	-	6 366	6 296	8 173	11 827	14 539	18 123

*Share value represents cost of shares plus profit/(loss) from the associate less dividend received and taking into account any forex translation transactions.

The main asset of Begane Mobile Crushers (Pty) Limited was disposed of during the year and the company is in the process of being deregistered. Broad Brush Investments (Pty) Limited is regarded as an associate as the group does not have control.

6. INVESTMENT IN ASSOCIATES (continued)

	2011 R'000	2010 R'000
Aggregate financial information: Unlisted		
Statement of financial position		
Group's share of assets and liabilities:		
Assets		
Non-current assets	81 083	102 752
Current assets	20 677	14 228
	101 760	116 980
Equity and liabilities		
Shareholders' interest	10 826	12 954
Non-current liabilities	81 982	99 030
Current liabilities	8 952	4 996
	101 760	116 980
Statement of comprehensive income		
Group's share of income and expenditure:		
Revenue	14 984	10 197
Profit before taxation	3 889	1 667
Taxation	1 177	910
Profit after taxation	2 712	757

	Intangible assets				Total R'000
	Goodwill R'000	Contract and customer related R'000	Trade names and patents R'000	Technology R'000	
7. GOODWILL AND INTANGIBLE ASSETS GROUP					
Cost					
Balance at 1 March 2009	1 085 847	41 239	73 338	1 958	1 202 382
Purchase price allocation	(4 470)	4 470	–	–	–
Derecognition of subsidiary	(18 856)	(1 700)	–	–	(20 556)
Vendor settlement	3 057	–	–	–	3 057
Balance at 28 February 2010	1 065 578	44 009	73 338	1 958	1 184 883
Balance at 1 March 2010	1 065 578	44 009	73 338	1 958	1 184 883
Acquisitions (note 33)	13 249	–	450	–	13 699
Balance at 28 February 2011	1 078 827	44 009	73 788	1 958	1 198 582
Amortisation and impairment losses					
Balance at 1 March 2009	–	(35 799)	(4 759)	(280)	(40 838)
Amortisation for the year	–	(8 276)	(7 335)	(402)	(16 013)
Impairment of goodwill*	(1 992)	–	–	–	(1 992)
Derecognition of subsidiary	–	507	–	–	507
Balance at 28 February 2010	(1 992)	(43 568)	(12 094)	(682)	(58 336)
Balance at 1 March 2010	(1 992)	(43 568)	(12 094)	(682)	(58 336)
Amortisation for the year	–	(441)	(7 358)	(403)	(8 202)
Balance at 28 February 2011	(1 992)	(44 009)	(19 452)	(1 085)	(66 538)
Carrying amounts					
At 1 March 2009	1 085 847	5 440	68 579	1 678	1 161 544
At 28 February 2010	1 063 586	441	61 244	1 276	1 126 547
At 1 March 2010	1 063 586	441	61 244	1 276	1 126 547
At 28 February 2011	1 076 835	–	54 336	873	1 132 044

*Goodwill impairment relates to a company that has become dormant.

Contract and customer-related intangible assets relate to existing contracts with customers acquired through business combinations, as well as future pipeline orders. Technology-related intangible assets encompass technology that was acquired.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the group's operating divisions which represent the lowest cash-generating unit within the group at which the goodwill is monitored for internal management purposes.

7. GOODWILL AND INTANGIBLE ASSETS (continued)

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

Carrying values of goodwill per cash-generating unit

	2011 R'000	2010 R'000
<i>Structures business unit</i>	50 704	50 704
Stefanutti Stocks Marine	16 167	16 167
Stefanutti Stocks Civils KZN	34 537	34 537
<i>Building business unit</i>	912 023	912 023
Stefanutti Stocks Building	789 700	789 700
Stefanutti Stocks Housing	122 323	122 323
<i>Roads & Earthworks business unit</i>	22 573	22 573
Stefanutti Stocks Roads & Earthworks	22 573	22 573
<i>Mining Services business unit</i>	58 926	58 926
Stefanutti Stocks Mining	58 926	58 926
<i>Mechanical, Electrical & Power business unit</i>	32 609	19 360
Mechanical, Electrical & Power (note 33)	21 547	19 360
Apollo E&I Construction (Pty) Limited (note 33)	11 062	–
	1 076 835	1 063 586

7. GOODWILL AND INTANGIBLE ASSETS (continued)

The recoverable amount of each unit mentioned above was based on its value in use. The recoverable amount of the unit was determined to be higher than its carrying amount and no impairment loss was recognised for any cash-generating unit in the current year.

The value in use of the different business units was determined by discounting the future cash flow generated from the continuing use of the unit and was based on the following key assumptions:

	Constant growth rate in % (a)		Average anticipated annual revenue growth in % (b)		WACC	
	2011	2010	2011	2010	2011	2010
Structures business unit						
Stefanutti Stocks Marine	3	3	23,2	16,6	11,8	13,1
Stefanutti Stocks Civils KZN	3	3	19,6	7,6	12,6	13,9
Building business unit						
Stefanutti Stocks Building	3	3	18,3	16,8	12,1	13,7
Stefanutti Stocks Housing	3	3	18,3	34,2	12,7	14,1
Roads & Earthworks business unit						
Stefanutti Stocks Roads & Earthworks	3	3	17,5	22,1	11,6	13,5
Mining Services business unit						
Stefanutti Stocks Mining Services	3	8	12,2	34,9	10,2	13,3
Mechanical, Electrical & Power business unit						
Mechanical, Electrical & Power	3	3	39,4	39,2	11,8	14,3
Apollo E&I Construction (Pty) Limited	3	–	28,6	–	12,6	–

Cash flows were projected based on actual operating results and four-year forecasts. Cash flows beyond this were extrapolated using a constant growth rate of (a) percent, which does not exceed the long-term average growth rate for the industry.

Revenue forecasts were used as the basis for determining the value assigned to each cash-generating unit. The anticipated annual revenue growth included in the cash flow projections was an average of (b) percent for the years 2012 to 2015.

The values assigned to the key assumptions represent management's assessment of the businesses and are based on both external sources and internal sources.

A sensitivity analysis has been performed adjusting both the growth rate and WACC by 1%. This analysis did not result in any material impact on the valuation of goodwill.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
8. OTHER FINANCIAL ASSETS				
Liberty Life	-	1 901	-	-
Five-year guarantee policy for outstanding instalment sales. The outstanding instalment sales was settled during the financial year.				
9. DEFERRED TAX				
9.1 Deferred tax assets				
The balance comprises:				
Property, plant and equipment	-	(11 900)	-	-
Other provisions	2 723	108 678	1 537	1 355
Provision for bad debts	-	15 170	-	-
Retentions	424	(2 819)	-	-
Future expenditure allowances	-	(145 095)	-	-
Income overclaimed	3 557	102 907	-	-
Work in progress	-	(1 447)	-	-
Debtors certified after year-end	-	(37 280)	-	-
Stock in trade	-	18 379	-	-
IFRS adjustments in subsidiaries	-	(304)	-	-
Prepaid expenses	(29)	(1 160)	-	-
Assessed losses	898	174	-	174
	7 573	45 303	1 537	1 529
Balance at the beginning of the year	45 303	59 981	1 529	2 251
Movements during year attributable to:				
Temporary differences	(37 730)	(16 463)	8	(722)
Arising from acquisitions	-	1 785	-	-
Balance at the end of the year	7 573	45 303	1 537	1 529

All companies with deferred tax asset balances are currently trading and expect to make profits that will enable them to recover the deferred tax assets.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
9. DEFERRED TAX (continued)				
9.2 Deferred tax liabilities				
The balance comprises:				
Property, plant and equipment	77 378	48 046	–	–
Intangible assets	15 064	17 632	–	–
Provisions	(163 940)	(61 148)	–	–
Provision for bad debts	(7 586)	(164)	–	–
Retentions	36 071	22 717	–	–
Future expenditure allowances	147 824	65 366	–	–
Income overclaimed	(54 218)	(28 306)	–	–
Work in progress	(647)	(128)	–	–
Fair value adjustments	2 366	2 366	–	–
Revaluation of properties	1 641	1 641	–	–
Other	(192)	230	–	–
	53 761	68 252	–	–
Balance at the beginning of the year	68 252	66 154	–	–
Movements during year attributable to:				
Temporary differences	(13 621)	6 443	–	–
Intangible assets	(2 291)	(3 941)	–	–
Arising from acquisitions	1 626	–	–	–
Currency translation	(205)	(404)	–	–
Balance at the end of the year	53 761	68 252	–	–

Use and sales rate

The deferred tax rate applied to the fair value adjustments of investment property/financial assets is determined by the expected manner of recovery. Where the expected recovery of the investment property/financial asset is through sale, the capital gains tax rate of 14% (2010: 14%) is used. If the expected manner of recovery is through use, the normal tax rate of 28% (2010: 28%) is applied.

If the manner of recovery is partly through use and partly through sale, a combination of capital gains tax rate and normal tax rate is used.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
10. INTERGROUP LOANS				
Stefanutti Stocks International Holdings (Pty) Limited	-	-	1	742
Stefanutti Stocks Building KZN (Pty) Limited	-	-	-	(49 933)
Stefanutti Stocks Civils KZN (Pty) Limited	-	-	-	(68 957)
Stefanutti Stocks Building Gauteng (Pty) Limited	-	-	-	35 148
Stefanutti Stocks Civils Gauteng (Pty) Limited	-	-	-	(113 463)
Stefanutti Stocks Earthworks (Pty) Limited	-	-	-	(80 204)
Stefanutti Stocks Geotechnical (Pty) Limited	-	-	-	(9 958)
Stefanutti Stocks Building W Cape (Pty) Limited	-	-	-	(6 508)
S&B Civils Roads (Pty) Limited	-	-	-	(6 636)
S&B Construcoes Mocambique Lda	-	-	-	11 805
Environmental, Civil and Mining Projects (Pty) Limited	-	-	-	(7 086)
Skelton & Plummer Projects (Pty) Limited	-	-	-	(9 593)
Civil & Coastal Construction (Pty) Limited	-	-	-	(4 888)
Stefanutti Stocks Protec Park (Pty) Limited	-	-	-	29 230
Stefanutti & Bressan Share Incentive Trust	-	-	46 615	53 821
S&B Building (Pty) Limited	-	-	-	(10 740)
Stefanutti Stocks Zambia (Pty) Limited	-	-	-	4
Stefanutti Stocks Workshops (Pty) Limited	-	-	-	3 935
Stefanutti Stocks Material Handling (Pty) Limited	-	-	-	11 712
Stefanutti Stocks Investments (Pty) Limited	-	-	-	54 042
Stefanutti Stocks (Pty) Limited	-	-	(104 499)	(45 519)
Apollo E&I Construction (Pty) Limited	-	-	16 330	-
	-	-	(41 553)	(213 046)
Current assets	-	-	62 946	200 439
Current liabilities	-	-	(104 499)	(413 485)
	-	-	(41 553)	(213 046)

The amounts owing are unsecured, bear interest at 2% above the average call rate and are repayable on demand.

With effect from 1 March 2010, the South African business operations were restructured, in terms of which certain operations previously held in subsidiary companies commenced operations as divisions of Stefanutti Stocks (Pty) Limited. Loans between subsidiary companies and the holding company were assumed by the operating entity Stefanutti Stocks (Pty) Limited.

10. INTERGROUP LOAN ACCOUNTS (continued)*Subsidiaries***Credit quality of loans to group companies**

The loans to group companies are neither past due nor impaired and the credit quality can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The company is of the opinion that the credit quality of intergroup loans is good. The fair value of these loans equals its carrying value, due to the short-term nature of the loans.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Fair value of intergroup loans	-	-	(41 553)	(213 046)
11. INVENTORIES				
Consumables	78 851	67 532	-	-
12. CONTRACTS IN PROGRESS				
Costs incurred plus profits recognised, less the sum of recognised losses and progress billings relating to contracts in progress at year-end	175 170	146 708	-	-
13. TRADE AND OTHER RECEIVABLES				
<i>Financial instruments</i>				
Contract receivables	1 209 355	1 149 856	-	-
Retention debtors	197 927	184 492	-	-
Allowance for doubtful debts	(48 309)	(92 119)	-	-
Other receivables	73 970	72 959	-	-
Amounts due by joint ventures	98 858	59 281	-	-
	1 531 801	1 374 469	-	-
<i>Non-financial instruments</i>				
Prepayments	33 146	25 443	2 463	1 797
VAT	38 683	21 791	-	-
	1 603 630	1 421 703	2 463	1 797
<i>Ageing analysis of contract receivables</i>				
As at 28 February 2011, the ageing analysis of contract receivables are as follows:				
Not past due and not provided for				
Current	667 691	741 895	-	-
30 days	205 962	164 013	-	-
	873 653	905 908	-	-
Past due but not impaired				
- 60 – 90 days	90 180	70 767	-	-
- 90 – 120 days	95 888	25 550	-	-
- >120 days	97 887	48 703	-	-
	283 955	145 020	-	-
Impaired	51 747	98 928	-	-
	1 209 355	1 149 856	-	-

13. TRADE AND OTHER RECEIVABLES (continued)

The average credit period is 60 days. Interest is charged as per agreements reached with individual clients and is as per signed contracts. The company has the right to waive interest as it deems necessary. Before accepting a new client, the company runs thorough credit and background checks in order to determine the potential customer's creditworthiness. All contracts' and clients' creditworthiness are assessed on an individual and ongoing basis. The credit quality of contract receivables that are neither past due nor impaired is considered to be good.

The information relating to debtors of which the payment terms were renegotiated during the year is as follows:

As at 28 February 2011, an amount of R31,9 million was overdue by more than 120 days. In December 2010, a payment plan was accepted whereby the debt would be repaid in equal quarterly instalments of R3,6 million which commenced in December 2010 with a final payment in March 2013.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Movement in allowance for doubtful debts				
Balance at the beginning of the year	(92 119)	(65 739)	–	–
Amounts provided for during the year	(19 254)	(29 152)	–	–
Amounts written off as uncollectible	–	1 769	–	–
Amounts recovered during the year	–	1 003	–	–
Unused amounts reversed	63 064	–	–	–
Balance at the end of the year	(48 309)	(92 119)	–	–
The group has provided for individual receivables based on estimated cash flows, determined by reference to past default experience. The carrying amount of impaired contract receivables is R51,7 million (2010: R98,9 million) before any provisions for doubtful debt.				
Collateral held for contract receivables				
Contract receivables	93 873	411 947	–	–
Collateral held in the form of:				
Payment guarantee	79 183	413 222	–	–
Builder's lien	737	14 015	–	–

Terms and conditions associated with use of collateral

Payment guarantee

Guarantees are received from clients on signing the construction contract. Payment guarantees can be called on when the client is in default on negotiated terms. Guarantees are issued for specified periods and expire on final completion of the contract.

Builder's lien

This is the right the contractor has over the construction (building) if the client is in default on negotiated terms. This right falls away when the client is not in default. The builder's lien is not readily convertible into cash, because of the nature of the collateral. The group will hold the right until payment is received as there is not a sufficient market for disposing of such an asset.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
14. BANK BALANCES				
<i>Current assets</i>				
Bank balance	1 082 471	1 351 998	6 589	44 424
<i>Current liabilities</i>				
Bank balance	(4 312)	(4 394)	-	-
	1 078 159	1 347 604	6 589	44 424

Credit facilities inclusive of overdrafts, asset-based finance and guarantees extended by bankers to the group are as follows:

	R'000
Nedbank	R981 180*
Absa	R170 000*
Standard Bank	R15 000*
First National Bank	R180 460*
Barclays Bank – Dubai	AED7 500*
Standard Chartered Bank	AED50 500*
First Gulf Bank	AED5 450*
NBD Emirates Bank	AED2 525*
HSBC	AED6 000*

The banking facilities of the company and group are secured by way of cross deeds of suretyship provided by all group companies.

**The company signed suretyships for the above facilities.*

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
15. SHARE CAPITAL AND PREMIUM				
Authorised				
400 000 000 ordinary shares of 0,00025 cents each (2010: 400 000 000 ordinary shares of 0,00025 cents each)	1	1	1	1
	1	1	1	1
Issued				
188 080 746 ordinary shares of 0,00025 cents each (2010: 188 080 746 ordinary shares of 0,00025 cents each)	*	*	*	*
Issued shares remained the same during the year (2010: nil shares issued).				
Treasury shares at the reporting date amounted to 16 380 097 (2010: 15 604 181).				
Share premium				
– Balance at the beginning of the year	1 020 618	1 055 997	1 161 538	1 161 538
– Treasury shares acquired	(9 423)	(35 379)	–	–
	1 011 195	1 020 618	1 161 538	1 161 538

*Less than R1 000.

The 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.

16. EMPLOYEE SHARE INCENTIVE SCHEMES

The group has four share-based payment schemes, namely The Stefanutti & Bressan Share Incentive Trust, The Stocks Building Africa Employees Share Trust, The Housing Africa Employees Share Trust and the Forfeitable Share Plan. All the share-based payment schemes were formed with the objective of attracting, retaining and rewarding key staff by allocating shares in the company to them.

16.1 Share-based payment reserve

The Stefanutti & Bressan Share Incentive Trust

Options are granted to employees to acquire shares at a price based on the 30-day volume weighted average price. Vesting periods are as follows:

- On the second anniversary of the grant date, one-third of the options will immediately accrue to the employee.
- On the third anniversary of the grant date, a further third of the options will immediately accrue.
- The final third of the options will immediately accrue on the fourth anniversary of the grant date.

Employees are permitted to exercise options four times per annum, on predetermined dates which do not fall within the company's closed periods. Unexercised options expire after 10 years from the grant date. In the event of resignation, voluntary termination of the employment or dismissal of the option holder, unexercised options will automatically expire and be cancelled. Upon the involuntary termination of employment of the option holder, the option granted and not vested will be deemed to automatically meet all vesting conditions and may be exercised immediately. Upon retirement of an employee who is an option holder, the retiree can retain the options granted. However, the same vesting periods will apply as and when the options were granted.

16. EMPLOYEE SHARE INCENTIVE SCHEMES (continued)**16.1 Share-based payment reserve (continued)****The Stefanutti & Bressan Share Incentive Trust (continued)**

	Weighted average exercise price	2011 Quantity	2010 Quantity
<i>Number of shares held by trust:</i>			
Outstanding at the beginning of the year	R6,94	8 597 747	8 793 742
Forfeited during the year	R10,00	–	(95 995)
Exercised during the year	R6,00	(250 000)	(100 000)
Outstanding at the end of the year	R6,83	8 347 747	8 597 747
Exercise price at the end of the year		R6,83	R6,94
Options exercisable at year-end		5 565 165	2 865 916
Remaining contractual life		6 years	7 years

Information on options granted

Fair value at grant date was determined by Moores Stephens Corporate Finance using a variant of the binomial option pricing model. The following inputs were used:

Current/spot price, exercise/strike price, option life, risk-free rate, volatility, dividends.

Option life

Option holders exercise their options not on price, but mainly on holding periods. Executives, on average, exercise their option between one to two years after vesting, while staff exercise their options almost immediately upon vesting.

Risk-free rate

The risk-free rate was based on the prevailing yield on long-term government stock (R153) as at the respective grant date.

Volatility

Expected volatility was based on two different approaches. For valuations performed in terms of Grant No 1 and 2, the volatility of similar large construction companies were considered. Average volatility for six similar entities amounted to 28,44%. Historic volatility for Grants 3 and 4 were determined by using the 360-day rolling volatility for Stefanutti Stocks to the date of grant, being 35,72%.

Dividend yield

An average dividend yield of 1,24% based on the average dividend yield for six similar entities has been used in performing the valuation for all the options.

The Stocks Building Africa Employees Share Trust

The trust was formed with the objective of allowing employees to be allocated shares in the company. Units are allocated to specific employees identified by management. After three years these units are converted to shares based on the growth in value of the units from grant date to exercise date. In the event of resignation, voluntary termination of the employee or dismissal as well as involuntary termination of employment (including retrenchment, death and permanent disability) before the vesting period has expired will result in the forfeit of any entitlement to the shares.

As part of the Stocks acquisition, the allocated shares in the trust were converted to Stefanutti Stocks Holdings Limited shares.

The Stocks Building Africa Employees Share Trust was acquired on 31 July 2008, the effective date of the Stocks acquisition.

16. EMPLOYEE SHARE INCENTIVE SCHEMES (continued)

16.1 Share-based payment reserve (continued)

The Stocks Building Africa Employees Share Trust (continued)

	2011 Quantity	2010 Quantity
<i>Number of units in issue:</i>		
Outstanding at the beginning of the year	715 000	815 000
Exercised during the year	(300 000)	(100 000)
Outstanding at the end of the year	415 000	715 000
<i>Units exercisable at year-end</i>	415 000	200 000
<i>Remaining contractual life</i>	–	7 months

	Number of units	Value at grant date (R)
Grant date – exercise date		
23 March 2007 – 30 September 2009	200 000	2,60
29 September 2007 – 30 September 2010	515 000	6,50

The Housing Africa Employees Share Trust

The trust has been formed with the objective of allowing employees to be allocated shares in the company. Units are allocated to specific employees identified by management. After two years these units are converted to shares based on the growth in value of the units from grant date to exercise date. In the event of resignation, voluntary termination of the employee or dismissal as well as involuntary termination of employment (including retrenchment, death and permanent disability) before the vesting period has expired will result in the forfeit of any entitlement to the shares.

As part of the Stocks acquisition, the allocated shares in the trust were converted to Stefanutti Stocks Holdings Limited shares.

The Housing Africa Employees Share Trust was acquired on 31 July 2008, the effective date of the Stocks acquisition.

16. EMPLOYEE SHARE INCENTIVE SCHEMES (continued)**16.1 Share-based payment reserve (continued)****The Housing Africa Employees Share Trust (continued)**

	2011 Quantity	2010 Quantity
<i>Number of units in issue:</i>		
Outstanding at the beginning of the year	390 000	390 000
Exercised during the year	(390 000)	–
Outstanding at the end of the year	–	390 000
<i>Units exercisable at year-end</i>	–	390 000
<i>Remaining contractual life</i>	–	12 months
<hr/>		
	Quantity	Value at grant date (R)
Grant date – exercise date		
1 May 2008 – 28 February 2011	390 000	16,50

Share-based payments

An expense of R8,7 million (2010: R16,2 million) which related to equity-settled share-based payment transactions was recognised in the current year for the group, while company expense amounted to R7,7 million (2010: R14,8 million).

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Fair value of employee share options (note 21)	8 689	16 240	7 745	14 880

16.2 Forfeitable Share Plan (FSP)

The FSP is to be operated together with the existing schemes, complementing and enhancing the ability of the group to attract, retain and reward key staff. The FSP will include participation by executive directors and selected employees of the group. In terms of the plan, the group can, at its election, either purchase shares in the market or issue new shares to settle benefits. Shares may not be disposed of or otherwise encumbered during the vesting period of three years. In the event of resignation, voluntary termination of the employee or dismissal before the vesting period has expired, will result in the forfeiture of entitlement to the shares. Upon the involuntary termination of employment of an employee, the vesting period will cease and shares will immediately vest.

16. EMPLOYEE SHARE INCENTIVE SCHEMES (continued)

16.2 Forfeitable Share Plan (FSP) (continued)

<i>Number of shares:</i>	2011 Quantity	2010 Quantity
Outstanding at the beginning of the year	1 490 763	–
Awarded during the year	1 735 633	1 490 763
Forfeited during the year	(164 047)	–
<i>Outstanding at the end of the year</i>	3 062 349	1 490 763
<i>Grant price</i>	R11,62	R10,37
<i>Fair value at grant date (R'000)</i>	20 164	15 459

Forfeitable Share Plan costs

An expense of R11,2 million (2010: R1,9 million) which related to Forfeitable Share Plan costs was recognised in the current year.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Fair value of Forfeitable Share Plan costs (note 21)	11 154	1 935	944	160

17. OTHER FINANCIAL LIABILITIES

17.1 Long-term loans – Interest-bearing

Nedbank	14 907	7 848	–	–
Less: Current portion	(1 070)	(997)	–	–
Loan is secured and bears interest at 10% (2010: 12,25%). The loan is repayable in monthly instalments of R197 000 (2010: R165 818). Secured by a mortgage bond on Erf 2470 in the township of Terenure Extension 42, Kempton Park, Gauteng.				
Nedbank	6 494	–	–	–
Less: Current portion	(1 630)	–	–	–
Loan is secured and bears interest at 8% (2010: 12,25%). The loan is repayable in monthly instalments of R157 000. Secured by a mortgage bond on Erf 2470 in the township of Terenure Extension 42, Kempton Park, Gauteng.				
Nedbank	5 718	5 750	–	–
Less: Current portion	(5 718)	–	–	–

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
17. OTHER FINANCIAL LIABILITIES (continued)				
17.1 Long-term loans – Interest-bearing (continued)				
No minimum payments are required, interest is settled monthly and is charged at prime less 0,75% (2010: prime less 1%).				
Secured by a bond on Terenure Erf 68, Portion 17, Kempton Park, Gauteng.				
Investec Bank	1 326	–	–	–
Less: Current portion	(100)	–	–	–
Loan is secured and bears interest at 8%. The loan is repayable in monthly instalments of R17 000.				
Secured by a bond on 7 Sole Sands, Richards Bay, KwaZulu-Natal.				
Investec Bank	2 064	–	–	–
Less: Current portion	(435)	–	–	–
Loan is secured and bears interest at 8%. The loan is repayable in monthly instalments of R49 000.				
Secured by a bond on Richards Bay office at 35 Bauxited Bay, Altron, Richards Bay, KwaZulu-Natal.				
Nedbank	864	864	–	–
Less: Current portion	(282)	–	–	–
Loan is secured and bears interest at prime less 1% (2010: 9%). The loan is repayable in monthly instalments of R28 107 (2010: R8 000).				
Secured by a bond on Erf 339, Portion 1, 9 Hoop Street, Middelburg, Mpumalanga.				
Nedbank	–	287	–	–
Loan was settled during the year.				
Secured by a bond on Erf 334, 28 Scheepers Street, Hendrina, Mpumalanga.				
First National Bank	–	223	–	–
Loan was settled during the year.				
Secured by a bond on Erf 366, Portion 7, 3 Plover Lane; Erf 372, Portion 1, 3 Flamingo Lane; Erf 274, Portion 77, 2 Loerie Avenue, Komati, Mpumalanga.				

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
17. OTHER FINANCIAL LIABILITIES (continued)				
17.1 Long-term loans – Interest-bearing (continued)				
Enoline Builders Limited	13 915	17 035	–	–
Loan relates to project finance in respect of investment property, bears interest at 9,5% (2010: 9,5%) per annum with no fixed repayment terms.				
17.2 Long-term loans – Non-interest-bearing				
Vendors of S&B Construcoes (Moc) Lda.	4 525	–	–	–
Loan is unsecured, interest free and is repayable over a period of two years.				
Other long-term loans	4 648	5 902	–	–
Loans are interest free with no fixed repayment terms				
17.3 Instalment sale agreements				
Various financial institutions				
The group purchased plant, equipment, transport and motor vehicles under instalment sale agreements payable over three to five years at an effective interest rate ranging from 8% to 12% (2010: 9% to 13%). All instalment sale agreements have a fixed monthly repayment basis.	183 521	191 606	–	–
Less: Current portion of instalment sale agreements	(94 443)	(124 900)	–	–
The group's obligations under instalment sale agreements are secured by certain transport and motor vehicles as well as plant and equipment (refer to note 3). These assets have a net book value at year-end amounting to R276,6 million (2010: R403,6 million).				
17.4 Finance leases				
Various financial institutions				
The group purchased plant, equipment, transport and motor vehicles under finance leases payable over three to five years at an effective interest rate ranging from 8% to 22,75% (2010: 9,5% to 10%). All finance leases have a fixed monthly repayment basis.	16 575	9 320	–	–
Less: Current portion of finance leases	(7 996)	(4 461)	–	–
The group's obligations under finance leases are secured by certain transport and motor vehicles as well as plant and equipment (refer to note 3). These assets have a net book value at year-end amounting to R22,9 million (2010: R17,5 million).				
Non-current liabilities	142 883	108 477	–	–

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
17. OTHER FINANCIAL LIABILITIES (continued)				
17.5 Current liabilities				
Current portion of other financial liabilities	111 674	130 358	–	–
Other current liabilities	984	–	–	–
Vendors of Apollo E&I Construction (Pty) Limited. Loan is unsecured, bears interest at prime less 2% and is payable by 25 May 2011.	3 930	–	3 930	–
Vendors of S&B Construcoes (Moc) Lda. Loan is unsecured, interest free and is payable by 4 March 2011.	2 259	–	–	–
Current liabilities	118 847	130 358	3 930	–
Non-current and current liabilities	261 730	238 835	3 930	–
Minimum instalment sale and finance lease payments due				
Within one year	110 350	137 593	–	–
Second to fifth year	109 018	76 075	–	–
More than five years	276	–	–	–
Total value of instalments	219 644	213 668	–	–
Finance charges	(19 548)	(12 743)	–	–
	200 096	200 925	–	–
Non-current liabilities have increased due to additional funding required for the expansion of the group's offices and additional capex requirements. The borrowings during the year have not exceeded those authorised by the Articles of Association.				
18. TRADE AND OTHER PAYABLES				
Financial instruments				
Trade payables include:				
Trade and other payables	1 000 936	859 355	2 615	2 113
Retention creditors	136 892	123 553	–	–
	1 137 828	982 908	2 615	2 113
Non-financial instruments				
Advance payments received	–	28 462	–	–
Accrued expenses	519 142	485 989	8 268	10 107
VAT	36 175	30 960	319	922
Shareholders for dividends	140	9	140	9
	555 457	545 420	8 727	11 038
	1 693 285	1 528 328	11 342	13 151

Trade and other payables are settled within normal business terms.

Group

	Carrying value at the beginning of the year R'000	Additional provisions R'000	Used during the year R'000	Carrying value at the end of the year R'000
19. PROVISIONS				
GROUP				
Bonus	2 791	–	(2 791)	–
Contracting	1 355 401	1 019 899	(1 355 401)	1 019 899
Warranty	91 543	134 576	(91 543)	134 576
	1 449 735	1 154 475	(1 449 735)	1 154 475

Bonus provisions

Bonus provisions relate to the bonus entitlements due to employees.

Contracting provisions

Relate to the provision for future contract costs and are expected to be realised over the next 12 months.

Warranty provisions

Relate to claims in respect of ongoing contracts and are expected to be realised over the next 12 months.

Group

Company

	2011 R'000	2010 R'000	2011 R'000	2010 R'000
20. REVENUE				
Contract revenue comprises turnover, which excludes value added tax and represents the invoice value of goods and services supplied.				
Contract revenue	6 896 418	7 365 023	–	–
Other income	40 198	20 871	33 000	36 935
Investment income (note 22)	61 591	85 518	281 572	343 643
	6 998 207	7 471 412	314 572	380 578

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
21. OPERATING PROFIT BEFORE INVESTMENT INCOME				
Includes:				
<i>Income</i>				
Profit on disposal of property, plant and equipment	3 048	2 052	–	–
Profit on foreign exchange	2 183	9 612	–	–
Rent received	12 406	5 968	–	–
Rent received – investment property	3 596	–	–	–
Project management fee	24 196	14 903	–	–
Gain on bargain purchase	–	1 154	–	–
<i>Expenditure</i>				
Auditor's remuneration				
– Audit fee	7 703	6 308	65	674
– Audit fee previous year	–	1 836	–	–
Employee costs	1 601 091	1 401 215	39 709	64 575
– Short-term employee benefit costs	1 519 727	1 256 993	29 441	47 494
– Post-employment benefit costs	61 521	126 047	1 579	2 041
– Forfeitable Share Plan costs (note 16)	11 154	1 935	944	160
– Share-based payments (note 16)	8 689	16 240	7 745	14 880
Loss on disposal of property, plant and equipment	402	11 295	–	–
Operating lease rentals	9 450	8 555	–	320
– Premises	9 184	7 478	–	320
– Plant and equipment	266	174	–	–
– Vehicles	–	903	–	–
Direct operating expenses arising from investment property generating rental income:	1 137	–	–	–
– Electricity and water	32	–	–	–
– Insurance	73	–	–	–
– Commission	945	–	–	–
– Other sundry expenses	87	–	–	–
22. INVESTMENT INCOME				
Interest income from financial instruments				
– Bank accounts	46 543	71 956	638	3 994
– Trade receivables and loans	364	142	913	–
– Joint ventures	13 877	11 082	–	–
– Staff loans	274	3	–	–
Other interest	335	655	181	4 249
Dividends received	198	1 680	279 840	335 400
	61 591	85 518	281 572	343 643

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
23. FINANCE COSTS				
Interest paid on financial instruments				
– Bank overdrafts and bonds	5 507	2 942	–	1
– Instalment sale and finance lease agreements	17 628	20 017	–	–
– Group company loans	–	–	–	8 098
– Trade payables	374	130	–	–
Other interest	1 761	2 199	1	–
	25 270	25 288	1	8 099
24. TAXATION				
24.1 South African normal tax				
– Current tax	70 788	118 627	2 537	–
– Deferred tax	24 105	17 049	(8)	721
– Current year	26 396	20 990	(8)	721
– Intangible amortisation	(2 291)	(3 941)	–	–
Secondary tax on companies	12 225	16 820	12 225	54
South African normal tax	107 118	152 496	14 754	775
24.2 Swaziland normal tax				
– Current tax	15 278	11 734	–	–
– Withholding tax on dividends	2 157	2 116	–	–
Swaziland normal tax	17 435	13 850	–	–
24.3 Botswana normal tax				
– Current tax	1 424	1 514	–	–
– Deferred tax	(2 287)	1 916	–	–
Botswana normal tax	(863)	3 430	–	–
24.4 Mozambique normal tax				
– Current tax	19 061	2 080	–	–

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
24. TAXATION (continued)				
24.5 Mauritius normal tax				
– Current tax	1 205	847	–	–
24.6 Namibia normal tax				
– Current tax	4 395	–	–	–
Total taxation	148 351	172 703	14 754	775
24.7 Reconciliation of tax charge				
South African normal tax rate	93 547	139 254	34 215	88 925
Swaziland normal tax rate	17 435	11 734	–	–
Botswana normal tax rate	(863)	3 430	–	–
Mozambique normal tax rate	19 061	2 080	–	–
Mauritius normal tax rate	1 205	847	–	–
Namibia normal tax rate	4 395	–	–	–
Adjusted for:				
– Disallowable expenditure	3 705	8 535	46 843	5 708
– Exempt income	(1 598)	(14 272)	(78 355)	(93 912)
– Assessed losses utilised	(148)	–	(174)	–
– Other	(2 770)	2 159	–	–
Secondary Tax on Companies	12 225	16 820	12 225	54
Withholding taxes	2 157	2 116	–	–
Effective tax	148 351	172 703	14 754	775

Secondary Tax on Companies of R4,7 million is expected to be payable on the dividend declared on 24 May 2011.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
25. NOTES TO THE STATEMENTS OF CASH FLOWS				
25.1 Cash generated from operations				
Net profit before taxation	481 362	561 948	122 196	317 589
Adjusted for:				
Depreciation	147 654	138 587	–	164
Impairment of investments (note 5)	–	–	157 603	–
Amortisation and impairment	8 202	18 005	–	–
Share-based payments (note 16)	8 689	16 240	7 745	14 880
Interest received	(61 393)	(83 838)	(1 732)	(8 243)
Dividend received	(3 024)	(1 680)	(279 840)	(335 400)
Finance costs	25 270	25 288	1	8 099
Movement in provisions	(296 383)	278 017	–	–
Other non-cash flow items in profit	(1 539)	(13 419)	–	–
(Profit)/loss on disposals of property, plant and equipment	(2 646)	9 243	–	–
	306 192	948 391	5 973	(2 911)
Movements in working capital:				
Increase in inventories and contracts in progress	(23 894)	(13 508)	–	–
(Increase)/decrease in trade receivables	(152 144)	20 219	(666)	(962)
Increase/(decrease) in trade payables	135 839	(178 312)	(1 940)	4 619
Effect of exchange rate changes on working capital	(577)	15 262	–	–
	265 416	792 052	3 367	746
25.2 Reconciliation of dividends paid during the year				
Charged in statement of changes in equity	111 987	159 418	122 252	156 107
Movement in shareholders for dividends	(131)	(9)	(131)	(9)
Payments made	111 856	159 409	122 121	156 098
25.3 Reconciliation of taxation paid during the year				
Charge against profit	148 351	172 703	14 754	775
Adjustment for deferred tax	(24 109)	(22 906)	8	(721)
Adjustment for deferred tax – intangibles	2 291	3 941	–	–
Secondary Tax on Companies	(12 225)	(18 936)	(12 225)	(54)
Movement in taxation balance	1 269	58 128	(31)	–
Payments made	115 577	192 930	2 506	–

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
25. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)				
25.4 Reconciliation of Secondary Tax on Companies paid during the year				
Charge against profit	12 225	18 936	12 225	54
Payments made	12 225	18 936	12 225	54
25.5 Net cash required for acquisition of subsidiaries and non-controlling interests				
Fair value of assets acquired:				
Property, plant and equipment	13 645	30 890	–	–
Intangible assets	450	–	–	–
Deferred tax assets	–	1 785	–	–
Contracts in progress	15 887	–	–	–
Trade and other receivables	29 783	4 718	–	–
Taxation	1 334	–	–	–
Bank balances	65	32	–	–
Non-current other financial liabilities	(566)	–	–	–
Deferred tax liabilities	(1 626)	–	–	–
Other financial liabilities	(13 213)	(26 845)	–	–
Trade and other payables	(28 987)	(9 944)	–	–
Provisions	(1 123)	–	–	–
Bank balances	(3 332)	–	–	–
Taxation	–	(632)	–	–
Total net assets acquired	12 317	4	–	–
Cash consideration paid	27 831	142 492	15 761	142 492
Cash consideration paid to acquire loan in subsidiary	12 565	–	–	–
Add back: Derecognition of subsidiary	–	184	–	–
Less: Cash acquired	3 267	(32)	–	–
	43 663	142 644	15 761	142 492

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
26. DIVIDENDS PAID				
Final dividend of 45 cents per share declared on 14 May 2010 and payable on 28 June 2010	84 636	–	84 636	–
Interim dividend of 20 cents per share declared on 10 November 2010 and payable on 13 December 2010	37 616	–	37 616	–
Final dividend of 58 cents per share declared on 15 May 2009 and payable on 26 June 2009	–	109 087	–	109 087
Interim dividend of 25 cents per share declared on 10 November 2009 and payable on 11 December 2009	–	47 020	–	47 020
	122 252	156 107	122 252	156 107
Dividends relating to treasury shares	(10 265)	(11 030)	–	–
Dividends paid by subsidiaries	–	14 522	–	–
	111 987	159 599	122 252	156 107

A final dividend of 25 cents per share has been declared on 24 May 2011, payable 4 July 2011. This dividend has not been included as a liability in these financial statements. Secondary tax on companies payable on this dividend is estimated to be R4,7 million.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
27. EARNINGS PER SHARE, HEADLINE EARNINGS RECONCILIATION AND ASSET VALUE PER SHARE				
<i>Earnings per share</i>				
Net profit for the year attributable to equity holders of the company	333 011	384 774	–	–
Weighted average shares in issue	172 051 492	174 787 507	–	–
Diluted weighted average shares in issue	188 080 746	188 080 746	–	–
Earnings per share (cents)	193,55	220,14	–	–
Diluted earnings per share (cents)	177,06	204,58	–	–

Earnings per share is calculated by dividing earnings attributable to ordinary equity holders of the company by the weighted average number of ordinary shares in issue.

Diluted earnings per share is calculated by dividing earnings attributable to ordinary equity holders of the company by the diluted weighted average number of ordinary shares in issue.

	Group			
	2011		2010	
	Gross R'000	Net R'000	Gross R'000	Net R'000
<i>Headline earnings reconciliation</i>				
Profit after taxation attributable to equity holders of the company		333 011		384 774
Adjusted for:				
(Profit)/loss on disposal of plant and equipment	(2 646)	(1 905)	9 243	4 803
Loss on disposal of subsidiary	–	–	1 700	1 700
Goodwill impairment	–	–	1 992	1 992
Gain on bargain purchase	–	–	(1 154)	(1 154)
Headline earnings		331 106		392 115
Normalised headline earnings reconciliation				
Headline earnings		331 106		392 115
Adjusted for:				
Amortisation of intangibles	8 202	5 911	16 013	10 954
Normalised headline earnings		337 017		403 069
Weighted average shares in issue		172 051 492		174 787 507
Diluted weighted average shares in issue		188 080 746		188 080 746
Headline earnings per share (cents)		192,45		224,34
Diluted headline earnings per share (cents)		176,04		208,48
Normalised headline earnings per share (cents)		195,88		230,61
Diluted normalised headline earnings per share (cents)		179,19		214,31

27. EARNINGS PER SHARE, HEADLINE EARNINGS RECONCILIATION AND ASSET VALUE PER SHARE (continued)

Headline earnings reconciliation (continued)

Headline earnings per share is calculated by dividing headline earnings attributable to ordinary equity holders of the company by the weighted average number of ordinary shares in issue.

Diluted headline earnings per share is calculated by dividing headline earnings attributable to ordinary equity holders of the company by the diluted weighted average number of ordinary shares in issue.

Normalised headline earnings per share is calculated by dividing normalised headline earnings attributable to ordinary equity holders of the company by the weighted average number of ordinary shares in issue.

Diluted normalised headline earnings per share is calculated by dividing normalised headline earnings attributable to ordinary equity holders of the company by the diluted weighted average number of ordinary shares in issue.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Net asset value per share				
Net shares in issue	171 700 649	172 476 565	–	–
Total shares in issue	188 080 746	188 080 746	–	–
Net asset value per share (cents)	1 079,54	974,89	–	–
Net tangible asset value per share (cents)	420,22	321,73	–	–
Diluted net asset value per share (cents)	985,52	894,01	–	–
Diluted net tangible asset value per share (cents)	383,63	295,04	–	–

28. RELATED PARTIES

Relationships

Subsidiaries	Refer to note 5
Associates	Refer to note 6
Key management personnel	Refer to directors' report
Joint ventures	Refer to note 36
Other companies' directors' interests	Refer below

Related party balances – Subsidiaries

Amounts owing to subsidiary companies	Refer to note 10	(41 553)	(213 046)
Included in trade and other receivables		3 260	10 270
Included in trade and payables		(23)	(630)

Balances are unsecured and receivable/(payable) within normal business terms. Settlements are done in cash.

Amounts owed by associates	Refer to note 6
----------------------------	-----------------

Related party transactions – Intergroup

Administration fees received from group companies		33 000	36 935
Interest paid to group companies		–	8 098
Dividend received from group companies		279 840	335 400
Intergroup revenue		387 448	191 565
Guarantees	Refer to note 14		

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
28. RELATED PARTIES (continued)				
<i>Related party transactions – Intergroup (continued)</i>				
Transactions with entities where control existed during the year				
Begane Mobile Crusher (Pty) Limited				
D Quinn (director of holding company has 10% interest)			–	290
D Quinn (dividend received and loans repaid)			269	–
Ukumba Brick & Quarry (Pty) Limited				
D Quinn (director of holding company has 5% interest)			188	600
D Quinn (dividend received)			288	–
Piazza Trust (rental income received)			546	499
B Stefanutti (director of holding company's family trust)				
G-Ko Tech CC (delivery of services)			3 868	7 288
J Saayman (director of subsidiary company has 50% interest)				
Acquisition of non-controlling interests				
S&B Construcoes (Moc) Lda			12 979	–
Stefanutti Stocks Building W Cape (Pty) Limited			–	1 721
Civil & Coastal (Pty) Limited			–	58 669
Skelton & Plummer Investment Holding Company (Pty) Limited			–	34 000

All other significant intergroup transactions are contract related and are disclosed in note 34 as intersegment contract revenue.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
29. CONTINGENT LIABILITIES				
Total guarantees issued to third parties on behalf of group companies and joint ventures amounted to:	1 477 621	1 519 132	–	–
It is the opinion of the directors that the possibility of any loss is improbable and it is not anticipated that any material liabilities will arise.				
30. CAPITAL COMMITMENTS				
Approved by the directors and contracted for:	6 594	9 508	–	–
Approved by the directors not yet contracted for:	302 489	17 042	–	–
	309 083	26 550	–	–

Capital expenditure will be financed from internal resources and existing facilities.

The capital commitments relate primarily to the acquisition of project-related capital expenditure.

	<1 year R'000	2 – 5 years R'000	>5 years R'000
<i>Rental commitments</i>			
Properties	4 042	1 288	–
Plant and equipment	7 311	7 004	–
Transport and motor vehicles	1 345	477	–
Furniture, fittings, office and computer equipment	216	274	–
	12 914	9 043	–

Details of significant leasing arrangements

Property rented for business purposes, terms between two to three years, payable monthly.

31. FINANCIAL INSTRUMENTS

Fair values

At 28 February 2011, the carrying amounts of bank balances, trade receivables and trade payables approximate their fair values due to the short-term maturity of these assets and liabilities. There is no significant difference between the carrying amounts of intergroup loans, other financial assets and liabilities and their fair values due to the effective interest rate method used. The net fair value of the group's financial instruments are stated below:

	Notes	Group		Company	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
<i>Financial assets, loans and receivables</i>					
Bank balances	14	1 082 471	1 351 998	6 589	44 424
Trade and other receivables	13	1 531 801	1 374 469	–	–
Intergroup loans	10	–	–	62 946	200 439
Other financial assets	8	–	1 901	–	–
<i>Other financial liabilities</i>					
Bank balances	14	4 312	4 394	–	–
Trade and other payables	18	1 137 828	982 908	2 615	2 113
Intergroup loans	10	–	–	104 499	413 485
Other financial liabilities	17	261 730	238 835	3 930	–

Exposure to interest rate and credit risk arises in the normal course of the group's business.

32. RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and capital risk management.

Capital risk management

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 28 February 2011 and 28 February 2010.

The group monitors capital using a gearing ratio, which is net debt divided by total capital. The group's policy is to maintain a gearing ratio of not greater than 35%. The group includes within net debt, interest-bearing loans and borrowings.

Capital is considered to consist of share capital, share premium, other reserves and retained earnings.

32. RISK MANAGEMENT (continued)

Capital risk management (continued)

Gearing ratios at 28 February 2011 and 28 February 2010 were as follows:

	Group	
	2011 R'000	2010 R'000
Net debt	249 314	232 932
Total equity	1 853 571	1 681 457
Share capital and share premium	1 011 195	1 020 618
Other reserves	24 216	53 012
Retained earnings	818 160	607 827
Gearing ratio (%)	13	14

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Liquidity risk mainly results from funds available/unavailable 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 borrowing facilities are monitored.

Exposure to liquidity risk is set out in the maturity analysis table.

Maturity analysis

Contractual cash flows

	Carrying amount R'000	Total R'000	On demand R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
GROUP						
2011						
Other financial liabilities	261 730	296 164	–	131 959	135 703	28 502
Trade and other payables	1 137 828	1 137 828	–	1 137 828	–	–
Bank balances	4 312	4 312	–	4 312	–	–
	1 403 870	1 438 304	–	1 274 099	135 703	28 502
2010						
Other financial liabilities	238 835	266 081	–	137 593	85 408	43 080
Trade and other payables	982 908	982 908	–	982 908	–	–
Bank balances	4 394	4 394	–	4 394	–	–
	1 226 137	1 253 383	–	1 124 895	85 408	43 080

32. RISK MANAGEMENT (continued)*Maturity analysis (continued)*

Contractual cash flows

	Carrying amount R'000	Total R'000	On demand R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
COMPANY						
2011						
Intergroup loans	104 499	104 499	104 499	–	–	–
Other financial liabilities	3 930	3 930	–	3 930	–	–
Trade and other payables	2 615	2 615	–	2 615	–	–
	111 044	111 044	104 499	6 545	–	–
2010						
Intergroup loans	413 485	413 485	413 485	–	–	–
Trade and other payables	2 113	2 113	–	2 113	–	–
	415 598	415 598	413 485	2 113	–	–

Credit risk

Credit risk management policy is set on a group basis, while the management of this risk is done at group as well as operating entity level.

Credit risk exposure arises mainly from the possibility that parties holding cash deposits, cash equivalents and trade receivables will not meet their commitments to the group. The group only deposits cash with major banks with high-quality credit standing.

Exposure per financial instrument class is represented in detail in note 31, Financial instruments.

Trade receivables comprise a widespread customer base. This customer base is primarily in South Africa, but also exists in the rest of Africa and Dubai. The majority of the customers are concentrated in the industrial, public and private development sectors. Concentration of credit risk is limited to mining houses and private developers. The concentration of credit risk is determined and evaluated by taking into account the contribution and margins of construction contracts. Management evaluates credit risk relating to customers on an ongoing basis, and any change in the credit quality of the trade receivable is considered from date credit was granted up to the reporting date. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Exposure to trade receivables is mitigated by the request for collateral. Detail of collateral held is disclosed in note 13, Trade and other receivables.

32. RISK MANAGEMENT (continued)

Foreign exchange risk

	2011 R'000	2010 R'000
Profit for the year included in financials subject to foreign currency risk	75 739	53 035
Financial instruments exposed to foreign risk	259 383	466 009

The group operates both cross-border and offshore and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

The group reviews its foreign currency exposure, including commitments, on an ongoing basis.

The exchange rates at year-end were as follows:

	2011	2010
USD	R6,973	R7,776
AED	R1,926	R2,118
BWP	R1,086	R1,145
MZN	R0,222	R0,283
MWK	R0,048	–

32. RISK MANAGEMENT (continued)**Sensitivity analysis**

The sensitivity analysis for the group is as follows:

	Group	
	2011 R'000	2010 R'000
Dollar		
Net profit for the year included in financials	43 758	8 766
Average rate used for conversion	R7,22	R8,06
Effect on profit:		
Increase/(decrease) of R1	6 060	1 087
Dirham		
Net profit for the year included in financials	1 104	29 530
Average rate used for conversion	R1,98	R2,16
Effect on profit:		
Increase/(decrease) of R0,25	138	3 418
Pula		
Net profit for the year included in financials	631	10 319
Average rate used for conversion	R1,09	R1,28
Effect on profit:		
Increase/(decrease) of R0,15	87	1 209
Metical		
Net profit for the year included in financials	40 504	4 420
Average rate used for conversion	R0,22	R0,29
Effect on profit:		
Increase/(decrease) of R0,20	36 822	3 048
Kwacha		
Net profit for the year included in financials	1 565	–
Average rate used for conversion	R0,0015	–
Effect on profit:		
Increase/(decrease) of R0,0001	104	–

32. RISK MANAGEMENT (continued)

Interest rate risk

The group is exposed to interest rate risk through its cash and cash equivalents and interest-bearing, short- and long-term liabilities. Short-term interest rate exposure is monitored and managed by each subsidiary in the group. Borrowings issued at variable rates expose the group to cash flow interest rate risk. All borrowings are issued at variable interest rates.

	2011 R'000	2010 R'000
Balances exposed to interest rate risk		
Bank balances	1 078 159	1 347 604
Instalment sale agreements and finance leases	200 096	200 926
Long-term loans	49 218	32 006
	1 327 473	1 580 536
Net interest	37 285	60 079
At 28 February 2011, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, the post-tax profit for the year would have been influenced as a result of the higher/lower interest expenses on variable rate borrowings, as follows:		
Net profit as per statement of comprehensive income	333 011	389 245
Effect on profit:		
1% increase/(decrease) on interest rate	13 274	15 805
An average rate was determined by expressing the net interest paid/received for the year under review as a percentage of the above balances exposed to interest rate risk.		
The average interest rates on which above mentioned calculations were based are as follows:		
Average interest rate (%)	2,8	3,8

33. BUSINESS COMBINATIONS 2011

In line with strategy the group acquired the remaining minority interests in S&B Construcoes (Moc) Lda. In addition, the group acquired certain business operations of RGF and a 100% shareholding in Apollo.

These acquisitions were concluded to expand the group's capacity.

The fair value of assets and liabilities approximates the carrying amounts of assets and liabilities before acquisition.

	RGF	Apollo
Acquisition date	12 April 2010	1 June 2010
Voting equity (%)	–	100
	Fair value R'000	Fair value R'000
At acquisition		
Non-current assets	3 688	10 407
Property, plant and equipment	3 238	10 407
Intangible assets	450	–
Current assets	–	47 069
Contracts in progress	–	15 887
Trade and other receivables	–	29 783
Taxation	–	1 334
Bank balances	–	65
Non-current liabilities	–	2 192
Other financial liabilities	–	566
Deferred tax	–	1 626
Current liabilities	–	46 655
Other financial liabilities	–	13 213
Trade and other payables	–	28 987
Provisions	–	1 123
Bank balances	–	3 332
Net asset value acquired	3 688	8 629
Cost of acquisition	5 875	19 691
Cash paid	5 875	19 691
Goodwill arising on acquisition	2 187	11 062
Revenue since acquisition	–	127 892
Profit after taxation since acquisition	–	5 074
Revenue for the year 1 March 2010 to 28 February 2011	–	165 068
(Loss) for the year 1 March 2010 to 28 February 2011	–	(328)
Acquisition-related costs	115	442

The goodwill is attributable to the acquiring of existing relationships with customers as well as the expertise of the workforce.

It is impracticable to report any revenue, profit or loss for RGF as its operations were acquired and fully integrated into existing operations from the acquisition date.

All receivables will be recovered.

All acquisition-related costs were recognised in the statement of comprehensive income within operating expenses.

33. BUSINESS COMBINATIONS (continued) 2010

The company acquired 100% of the business operations of Waste Energy Recovery and Management (Pty) Limited. In terms of IFRS 3 *Business Combinations* the purchase price allocation (PPA) has been completed.

During the year the group also increased its shareholding in Ubuntu Building Ikapa (Pty) Limited (Ubuntu), formerly an associate company.

The fair value of assets and liabilities approximates the carrying amounts of assets and liabilities before acquisition.

	Ubuntu	WERM
Acquisition date	1 March 2009	3 August 2009
Voting equity (%)	100	100
	Fair value R'000	Fair value R'000
At acquisition		
Non-current assets	1 785	30 890
Property, plant and equipment	–	30 890
Deferred tax	1 785	–
Current assets	4 750	–
Trade and other receivables	4 718	–
Bank balances	32	–
Non-current liabilities	–	26 845
Other financial liabilities	–	26 845
Current liabilities	6 531	4 045
Trade and other payables	5 899	4 045
Taxation	632	–
Net asset value acquired	4	–
Cost of acquisition	–	–
Previously recognised associate losses	1 150	–
Bargain purchase arising on acquisition	(1 154)	–
Revenue for the period since acquisition	2 453	19 887
Profit/(loss) after taxation since acquisition	6 714	(2 983)
Revenue for the period 1 March 2009 to 28 February 2010	2 453	–
Profit for the period 1 March 2009 to 28 February 2010	6 714	–

Revenue and losses of WERM are reported from the date of acquisition. It is impracticable to report from 1 March 2009 as not all the business operations were then acquired.

34. SEGMENTAL ANALYSIS

Operating segments are being reported based on the financial information provided to the Chief Executive Officer and the executive management team, collectively identified as the chief operating decision maker. Individual members of the executive management team are responsible for the segments of the business noted below.

The segment information has been amended to reflect the information as presented to the chief operating decision makers, in compliance with the requirements of IFRS 8 *Operating Segments*.

Structures, Building, Roads & Earthworks, and Mining Services segments derive their income from construction-related services.

	Structures R'000	Building R'000	Roads & Earthworks R'000	Mining Services R'000	Other segments R'000	Total R'000
2011						
Revenues from external customers	2 101 041	3 330 631	861 328	699 143	6 064	6 998 207
Contract revenue	2 072 757	3 276 132	845 556	701 973	–	6 896 418
Intersegment contract revenues	127 024	–	156 179	72 133	32 112	387 448
Net interest revenue*	20 288	25 652	(4 870)	(9 706)	4 759	36 123
Reportable segment profit/(loss)	146 341	94 472	70 967	22 811	(1 580)	333 011
Reportable segment assets	1 253 165	1 871 899	479 802	408 682	1 057 838	5 071 386
Reportable segment liabilities	1 096 184	1 431 350	334 151	249 408	106 722	3 217 815
2010						
Revenues from external customers	2 134 202	3 746 433	1 117 006	473 771	–	7 471 412
Contract revenue	2 098 888	3 688 062	1 104 302	473 771	–	7 365 023
Intersegment contract revenues	63 720	–	46 508	15 302	66 035	191 565
Net interest revenue*	26 894	39 607	890	(5 845)	(2 996)	58 550
Reportable segment profit/(loss)	135 390	136 359	104 713	33 135	(20 352)	389 245
Reportable segment assets	1 041 658	1 661 351	486 364	217 878	1 620 532	5 027 783
Reportable segment liabilities	894 522	1 559 990	332 498	173 195	383 946	3 344 151

*Net interest revenue – Management primarily relies on net interest revenue, not the gross revenue and expense amounts in managing these segments.

Geographical areas

	2011		2010	
	Local R'000	Foreign R'000	Local R'000	Foreign R'000
Contract revenues from external customers	5 281 660	1 614 758	5 730 442	1 634 581
Non-current assets (excluding deferred tax)	1 975 818	127 858	1 866 657	106 116

Major customers

Revenues from one customer of the group represent approximately R942,5 million (2010: R1 billion) of the group's total revenues included in Structures and Building.

35. POST BALANCE SHEET EVENTS

As the group has identified the pipeline construction market to be a growth sector within the South African economy, it took the strategic decision to acquire Cycad Pipelines (Pty) Limited and its related operations.

	Cycad Pipelines (Pty) Limited and its related operations R'000
Voting equity (%)	100%
Non-current assets	32 551
Property, plant and equipment	23 076
Goodwill	9 000
Other financial assets	271
Deferred tax assets	204
Current assets	191 923
Loans receivable	1 946
Inventories	9 352
Trade and other receivables	55 839
Bank balances	124 786
Non-current liabilities	14 356
Other financial liabilities	8 961
Loans payable	42
Deferred tax liabilities	5 353
Current liabilities	21 009
Other financial liabilities	2 223
Loans payable	76
Trade and other payables	13 622
Provision	1 937
Taxation	3 151
Net asset value acquired	189 109
Cost of acquisition – cash paid	306 000
Goodwill arising on acquisition	116 891
Acquisition-related costs	41

The carrying values for Cycad Pipelines (Pty) Limited and its related operations are reflected as at 28 February 2011. This transaction is subject to the fulfilment of certain conditions precedent and in terms of IFRS 3: *Business Combinations* the purchase price allocation (PPA) has not been completed.

Goodwill arising from the transaction is attributable to access to a growing market in which the group does not have a presence, and a well established and reputable company having a strong order book with a skilled workforce.

The carrying value of trade receivables approximates their fair value and the group is of the opinion that all receivables will be recovered.

All acquisition-related costs were recognised in the statement of comprehensive income within operating expenses.

It is impracticable to report on revenue and profit since acquisition as the transaction has not been finalised.

	Group	
	2011 R'000	2010 R'000
36. JOINT VENTURES		
A proportion of the group's operations are performed through joint ventures as unincorporated arrangements such as partnerships and contracts.		
The group's aggregate proportionate share of joint ventures included in the consolidated statement of financial position is as follows:		
Current assets	774 854	1 165 404
Current liabilities	671 468	921 104
Net assets	103 386	244 300
The group's aggregate proportionate share of joint ventures included in the consolidated statement of comprehensive income is as follows:		
Revenue	1 324 003	1 740 950
Profit after tax	207 198	204 651

	Nature of joint venture	Group's % interest
Details of significant joint venture operations:		
Stefanutti & Bressan Civils/Concor – Goedgevonden	Structures	50
Concor/Stefanutti & Bressan Civils – Gauteng Freeway	Structures	50
Kusile Civils Works Joint Venture	Structures	25
Stefanutti/Wramatshe Joint Venture	Structures	70
Stefanutti Stocks Cycad Cerimele Pipeline Joint Venture – Komati Water Scheme	Structures	50
Stefanutti Stocks Namibia Construction Joint Venture	Structures	58
WBHO/Civil & Coastal Construction – Ben Schoeman Dock	Structures	40
Civil & Coastal Construction/African Concrete – Foreshore Freeway	Structures	50
Saldanha Access Platforms Joint Venture	Structures	50
Stefanutti Stocks/Franki – Piling at Kusile Power Station	Structures	50
Stefanutti Basil Read – Khangela Bridge	Structures	33, 33
Group Five/WBHO/Stefanutti Stocks/Pandev – Walter Gilbert Road	Structures	20
Stocks Simunye Joint Venture – Project A and Project Necessity	Building	50
Stefanutti & Bressan Building Inland/CA Brand – Sanridge Village	Building	50
Stefanutti & Bressan Building Inland/CA Brand – Houghton Apartments	Building	50
Stefanutti & Bressan Building Inland/Trencon Construction – Standard Bank Office Park	Building	65
Stefanutti & Bressan Building Inland/SPG – Bombela Civils	Building	65
Group Five KwaZulu-Natal (Pty) Limited – RMB Westville	Building	50
WBHO/Stocks – One & Only Hotel	Building	50
Fikile/Stocks Joint Venture 6 – Freedom Park	Building	70
Fikile/Stocks Joint Venture 7 – OR Tambo Multi-storey Parkade	Building	80

	Nature of joint venture	Group's % interest
36. JOINT VENTURES (continued)		
Grinaker/Stocks Joint Venture – Michelangelo Towers	Building	50
JR-Stocks-Modisc Joint Venture – Mmabatho Legislator	Building	70
JR-Stocks-Madona Joint Venture – Vryburg Hospital	Building	75
Mpophoma Joint Venture – U'Shaka Marine Park	Building	35
Stocks Mavundla Joint Venture – Cedara Agricultural College	Building	60
Stocks Mavundla Zek Joint Venture – Zimbali Hotel	Building	85
Yikusasa Stocks Joint Venture – Tembisa Hospital	Building	70
JST – Stefanutti Stocks Joint Venture – Moruleng Stadium/Mini Garona Office Park	Building	70
Fikile/Stocks Joint Venture 3 – Mohale's Gate	Building	70
Luvano Project Joint Venture – Joshco	Building	60
JST – Stefanutti Stocks Joint Venture 2 – Lebone 2 College Minor Works	Building	85
Lumkani Construction/Stefanutti Stocks Joint Venture – Mpumalanga Archive Building	Building	80
Fikile Stocks Joint Venture 8 – Nelspruit Disaster Management	Building	60
Stefanutti Stocks Vlaming Norse Joint Venture – Illanga Mall	Building	60
Sikhuphe International Airport	Building	55
Burgersfort Joint Venture – Burgersfort Houses	Building	50
Group Five/WBHO/Stefanutti & Bressan/Pandev – Durban Stadium	Building and Structures	14 and 6
Stefanutti & Bressan Earthworks/SPG Joint Venture – Cut and Cover for Gautrain	Roads & Earthworks	80
Stefanutti Roos Kukhanya – Siphuphe Road	Roads & Earthworks	50
Stefanutti Stocks Mmatshupe Joint Venture – Tshituni to Makushu Road	Roads & Earthworks	70
Stefanutti Stocks Mmatshupe Joint Venture – Mapela to Bakenburg Road	Roads & Earthworks	70
<i>Details of significant joint venture companies:</i>		
Al-Tayer Stocks LLC	Interior fit-out	50
Zener Steward LLC	Electrical	50
Both companies are incorporated in Dubai.		

COMPANY: Stefanutti Stocks Holdings Limited
REGISTER DATE: 26 February 2011
ISSUED SHARE CAPITAL: 188 080 746

	Number of shareholdings	%	Number of shares	%
SHAREHOLDER SPREAD				
1 – 1 000 shares	1 407	41,50	652 456	0,35
1 001 – 10 000 shares	1 392	41,06	5 390 915	2,87
10 001 – 100 000 shares	458	13,51	14 989 729	7,96
100 001 – 1 000 000 shares	114	3,36	42 252 865	22,47
1 000 001 and over	19	0,57	124 794 781	66,35
Total	3 390	100,00	188 080 746	100,00
DISTRIBUTION OF SHAREHOLDERS				
Banks	21	0,62	1 924 000	1,02
Close corporations	52	1,53	192 875	0,10
Endowment funds	13	0,38	224 703	0,12
Individuals	2 717	80,16	78 142 924	41,54
Insurance companies	17	0,50	6 057 422	3,22
Investment companies	21	0,62	1 178 510	0,63
Medical aid schemes	10	0,29	372 706	0,20
Mutual funds	94	2,77	21 244 867	11,30
Nominees and trusts	263	7,76	27 415 405	14,58
Other corporations	29	0,86	322 865	0,17
Own holdings	1	0,03	6 690 037	3,56
Private companies	78	2,30	22 924 234	12,19
Public company	1	0,03	20 000	0,01
Retirement funds	70	2,06	11 680 138	6,21
Share trusts	3	0,09	9 690 060	5,15
Total	3 390	100,00	188 080 746	100,00
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	148	4,37	106 927 676	56,85
Directors and associates of the company	20	0,59	67 870 864	36,08
Directors of a subsidiary	124	3,66	22 676 715	12,06
Own holdings	1	0,03	6 690 037	3,56
Share trusts	3	0,09	9 690 060	5,15
Public shareholders	3 242	95,63	81 153 070	43,15
Total	3 390	100,00	188 080 746	100,00
BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE				
B Stefanutti			45 232 922	24,05
Moputso Investments (Pty) Limited			16 224 311	8,63
W Meyburgh			10 590 465	5,63
Sanlam			9 305 453	4,95
Stefanutti & Bressan Share Incentive Trust			8 625 000	4,59
Stefanutti Stocks Investment Holding Limited			6 690 037	3,56
Government Employees Pension Fund			6 403 951	3,40
JD Jackson			6 196 523	3,29
Total			109 268 662	58,10

Financial year-end	28 February 2011
Reporting period	1 March 2010 – 28 February 2011
Reporting period of previous report	1 March 2009 – 28 February 2010
Announcement of annual results	24 May 2011
Annual report posted	August 2011
Annual General Meeting	9 September 2011
Announcement of interim results	15 November 2011

Stefanutti Stocks Holdings Limited

(Registration number 1996/003767/06)

Share code: SSK

ISIN: ZAE000123766

("Stefanutti Stocks" or "the company")

Notice is hereby given to the shareholders of the company as at 25 July 2011, being the record date to receive notice of the Annual General Meeting in terms of section 59(1)(a) of the Companies Act No 71 of 2008, as amended (Companies Act), that the Annual General Meeting of Stefanutti Stocks will be held at No 9 Palala Street, Protec Park, corner Zuurfontein Avenue and Oranjerivier Drive, Kempton Park on Friday, 9 September 2011 at 12:00, to (i) consider and, if deemed fit to pass, with or without modification, the following ordinary and special resolutions, in the manner required by the Companies Act, as read with the JSE Limited (JSE) Listings Requirements (JSE Listings Requirements); and (ii) deal with such other business as may lawfully be dealt with at the meeting, which meeting is to be participated in and voted at by shareholders registered as such as at 2 September 2011, being the record date to participate in and vote at the Annual General Meeting in terms of section 62(3)(a), read with section 59(1)(b), of the Companies Act.

NB: Section 63(1) of the Companies Act – Identification of meeting participants

Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, drivers' licences and passports.

ORDINARY RESOLUTIONS

Ordinary resolution 1: Adoption of annual financial statements

"RESOLVED THAT the annual financial statements of the company for the year ended 28 February 2011, including the directors' report and the report of the Audit, Governance and Risk Committee, be and are hereby received and adopted."

Ordinary resolution 2: Re-election of director

"RESOLVED THAT KR Eborall, who retires by rotation in terms of the memorandum of incorporation of the company and who is eligible and available for re-election, be re-elected as a director of the company."

A brief *curriculum vitae* in respect of KR Eborall is included on page 6 of the annual report of which this notice forms part.

Ordinary resolution 3: Re-election of director

"RESOLVED THAT H Mashaba, who retires by rotation in terms of the memorandum of incorporation of the company and who is eligible and available for re-election, be re-elected as a director of the company."

A brief *curriculum vitae* in respect of H Mashaba is included on page 6 of the annual report of which this notice forms part.

Ordinary resolution 4: Re-election of director

"RESOLVED THAT B Stefanutti, who retires by rotation in terms of the memorandum of incorporation of the company and who is eligible and available for re-election, be re-elected as a director of the company."

A brief *curriculum vitae* in respect of B Stefanutti is included on page 6 of the annual report of which this notice forms part.

Ordinary resolution 5: Appointment of auditors

"RESOLVED THAT Mazars be and are hereby reappointed as auditors of the company for the ensuing financial year and the directors be and are hereby authorised to fix the remuneration of the auditors."

Ordinary resolution 6: Appointment of Audit, Governance and Risk Committee members

“RESOLVED THAT the members of the company’s Audit, Governance and Risk Committee set out below be and are hereby appointed with effect from the end of this meeting in terms of section 94(2) of the Companies Act. The membership as proposed by the board of directors is NJMG Canca and KR Eborall, both of whom are independent non-executive directors.” At the time of finalisation of this notice of Annual General Meeting, the company was in the process of identifying a suitable candidate to be appointed as a director and as the third member of the Audit, Governance and Risk Committee.

Shareholders will be advised once this appointment is finalised. Confirmation of the person’s appointment as a director and as a member of the committee will be sought at the next Annual General Meeting.

Ordinary resolution 7: Unissued ordinary shares

“RESOLVED THAT all the authorised but unissued ordinary shares in the capital of the company be and are hereby placed at the disposal and under the control of the directors, and that the directors be and are hereby authorised to allot, issue and otherwise to dispose of all or any of such shares at their discretion, in terms of and subject to the provisions of the Companies Act and the JSE Listings Requirements and subject to the proviso that the aggregate number of ordinary shares which may be allotted and issued in terms of this ordinary resolution 7 shall be limited to 15% (fifteen percent) of the number of ordinary shares in issue from time to time.”

A majority of the votes cast by all shareholders present, or represented by proxy at the Annual General Meeting, will be required to approve this resolution.

Ordinary resolution 8: Signature of documentation

“RESOLVED THAT a director of the company or the Company Secretary be and is authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of ordinary resolutions 1, 2, 3, 4, 5, 6 and 7 and special resolutions number 1 and 2 which are passed by the shareholders.”

SPECIAL RESOLUTIONS

Special resolution 1: Directors’ fees

“RESOLVED THAT payment to the non-executive directors of the following fees for services as directors with effect from the date of this Annual General Meeting until the date of the next Annual General Meeting be authorised:

	Fees per meeting Rand
Non-executive director	40 250
Audit, Governance and Risk Committee chairman	75 000
Audit, Governance and Risk Committee member	40 250
Remuneration and Nominations Committee chairman	40 250
Remuneration and Nominations Committee member	23 000
B-BBEE Transformation Committee chairman	30 000
B-BBEE Transformation Committee member	16 000
Mergers, Acquisitions and Disposals Committee chairman	30 000
Mergers, Acquisitions and Disposals Committee member	16 000
Any other committees to be formed:	
Committee chairman	30 000
Committee member	16 000

The non-executive chairman is paid an annual fee of R840 000 and a monthly retainer of R90 000 which is subject to annual review by the Remuneration and Nominations Committee.

The Lead Independent Director's annual fee amounts to R648 000.

Extraordinary services are paid at a rate of R1 600 per hour."

Reason for and effect of special resolution 1

The reason for special resolution 1 is to comply with the provisions of the Companies Act. The effect of the special resolution is that, if approved by the shareholders at the Annual General Meeting, the fees payable to non-executive directors until the next Annual General Meeting will be as set out above. Executive directors are not remunerated for their services as directors but are remunerated as employees of the company.

The above rates have been proposed to ensure that the remuneration of non-executive directors remains competitive in order to enable the company to retain and attract persons of the calibre, appropriate capabilities, skills and experience required in order to make meaningful contributions to the company.

Special resolution 2 – Financial assistance

"RESOLVED THAT to the extent required by the Companies Act, the board of directors of the company may, subject to compliance with the requirements of the company's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to:

- ⇒ any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company for any purpose or in connection with any matter, including, but not limited to, acquisition of or subscription for any option or any securities issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company; and
- ⇒ any of its present or future directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to any of them), or to any other person who is a participant in any of the company's or group of companies' share or other employee incentive schemes, for the purpose of, or in connection with, the acquisition of or subscription for any option or any securities issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Companies Act, such authority to endure until the annual general meeting of the company for the year ended February 2012."

Reason for and effect of special resolution 2

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and corporations, including, *inter alia*, its subsidiaries, for any purpose.

Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or inter-related companies, in the event that the financial assistance is provided for the purpose of, or in connection with, the acquisition or subscription for any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.

Both sections 44 and 45 of the Companies Act provide, *inter alia*, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous 2 (two) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that:

- ⇒ immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and
- ⇒ the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The company would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act. Furthermore, it may be necessary or desirable for the company to provide financial assistance to related or inter-related companies and corporations to acquire or subscribe for options or securities or purchase securities of the company or another company related or inter-related to it. Under the Companies Act, the company will, however, require the special resolution referred to above to be adopted. In the circumstances and in order to, *inter alia*, ensure that the company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution 2.

Sections 44 and 45 contain exemptions in respect of employee share schemes that satisfy the requirements of section 97 of the Companies Act. To the extent that any of the company's share or other employee incentive schemes do not satisfy such requirements, financial assistance (as contemplated in sections 44 and 45) to be provided under such schemes will, *inter alia*, also require approval by special resolution. Accordingly, special resolution number 2 authorises financial assistance to any of the company's directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to them), or to any other person who is a participant in any of the company's share or other employee incentive schemes, in order to facilitate their participation in any such schemes that do not satisfy the requirements of section 97 of the Companies Act.

Any matters raised by shareholders, with or without advance notice to the company

To deal, at the Annual General Meeting, with any matters raised by shareholders, with or without advance notice to the company.

VOTING AND PROXIES

A shareholder of the company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, vote and speak in his/her stead. On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

Dematerialised shareholders who have elected own-name registration in the sub-register through a Central Securities Depository Participant (CSDP) and who are unable to attend but wish to vote at the Annual General Meeting, should complete and return the attached form of proxy and lodge it with the transfer secretaries of the company.

Shareholders who have dematerialised their shares through a CSDP or broker rather than through own-name registration and who wish to attend the Annual General Meeting must instruct their CSDP or broker to issue them with the necessary authority to attend.

If such shareholders are unable to attend, but wish to vote at the Annual General Meeting, they should timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between that shareholder and his/her CSDP or broker.

Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at, posted or faxed to the transfer secretaries at the address below, to be received at least 24 hours prior to the meeting.

Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the Annual General Meeting should the member subsequently decide to do so.

By order of the board



W Somerville

Company Secretary

18 July 2011

Registered office

No 9 Palala Street
Protec Park
Corner of Zuurfontein Avenue and Oranjerivier Drive
Kempton Park
1619
(PO Box 12394, Aston Manor, 1630)
Telephone: +27 11 571 4300

Transfer secretaries

Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)
Telephone: +27 11 370 5000
Fax: +27 11 688 5238

Stefanutti Stocks Holdings Limited
 (Registration number 1996/003767/06)
 Share code: SSK
 ISIN: ZAE000123766
 ("Stefanutti Stocks" or "the company")



For use at the Annual General Meeting of the company to be held at No 9 Palala Street, Protec Park, corner of Zuurfontein Avenue and Oranjerivier Drive, Kempton Park on Friday, 9 September 2011 at 12:00 and at any adjournment thereof.

For use by the holders of the company's certificated ordinary shares and/or dematerialised ordinary shares held through a Central Securities Depository Participant (CSDP) or broker who have selected own-name registration (own-name dematerialised shareholders). Additional forms of proxy are available from the transfer secretaries of the company.

Not for the use by holders of the company's dematerialised ordinary shares who are not own-name dematerialised shareholders. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the Annual General Meeting and request that they be issued with the necessary letter of representation to do so, or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the Annual General Meeting in order for the CSDP or broker to vote thereat in accordance with their instructions.

I/We _____ (Full name in block letters)
 of _____ (address)
 being a member(s) of Stefanutti Stocks and holding _____ ordinary shares in the company,
 hereby appoint _____ of _____
 failing him/her _____ of _____

failing him/her the chairman of the Annual 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 special and ordinary resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the special and ordinary resolutions and/or abstain from voting in respect of the Stefanutti Stocks ordinary shares registered in my/our name(s), in accordance with the following instructions:

	Number of votes		
	For	Against	Abstain
Ordinary resolutions			
1. To adopt the annual financial statements of the company for the year ended 28 February 2011, including the directors' report and the report of the Audit, Governance and Risk Committee			
2. To re-elect KR Eborall as a director of the company			
3. To re-elect H Mashaba as a director of the company			
4. To re-elect B Stefanutti as a director of the company			
5. To reappoint the auditors and to fix their remuneration			
6. To appoint members of the Audit, Governance and Risk Committee:			
6.1 To appoint NJMG Canca as a member of the Audit, Governance and Risk Committee			
6.2 To appoint KR Eborall as a member of the Audit, Governance and Risk Committee			
7. To place unissued shares under directors' control			
8. To authorise the directors or the Company Secretary to sign documentation			
Special resolutions			
1. To approve the fees of non-executive directors			
2. To approve financial assistance			

**Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast. Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.*

Signed at _____ (place) on _____ (date) 2011
 Member's signature _____ assisted by _____ (if applicable)

1. This form of proxy is to be completed only by those members who are:
 - (a) holding shares in a certificated form; or
 - (b) recorded in the sub-register in electronic form in their own name.
2. Members who have dematerialised their shares, other than own-name dematerialised shareholders, and who wish to attend the Annual General Meeting must contact their CSDP or broker who will furnish them with the necessary letter of representation to attend the Annual General Meeting, or they must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the members and their CSDP or broker.
3. Each member is entitled to appoint one or more individuals as a proxy (who need not be a member(s) of the company) to participate in, speak and, on a poll, vote in place of that member at the Annual General Meeting.
4. A member wishing to appoint a proxy must do so in writing by inserting the name of a proxy or the names of two alternative proxies of the member's choice on the form of proxy in the space provided, with or without deleting "the chairman of the Annual General Meeting". The person whose name stands 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.
5. A member's instructions to the proxy must be indicated on the form of proxy by the insertion of the relevant number of votes exercisable by that member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the chairman of the Annual General Meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the Annual General Meeting, or any other proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit, in respect of all the member's votes exercisable thereat.
6. A member or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such member or represented by such proxy, but the total number of votes for or against the ordinary resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his/her proxy is entitled.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer office or waived by the chairman of the Annual General Meeting.
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 accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.
9. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).
10. 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, should such member wish to do so.
11. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company's transfer secretaries.
12. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.
13. Any proxy appointment made in terms of this form of proxy remains valid until the end of the Annual General Meeting, unless revoked earlier.
14. Shareholders are requested to lodge forms of proxy with the transfer secretaries at the address given below at least 24 hours prior to the meeting:

Computershare Investor Services (Pty) Limited

Ground Floor, 70 Marshall Street, Johannesburg, 2001

PO Box 61051, Marshalltown, 2107

Telephone: +27 11 370 5000

Fax: +27 11 688 5238

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3.2	Date of most recent previous report	1 March 2009 – 28 February 2010
3.3	Reporting cycle	Annually
3.4	Contact point for questions regarding the report or its contents	annual.report@stefstocks.com
<i>Report Scope and Boundary</i>		
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3.6	Boundary of the report	50
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3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement	50
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<i>Human Rights Performance</i>		
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Stefanutti Stocks Holdings Limited

Share code: SSK

ISIN: ZAE000123766

JSE sector: Construction

Year-end: 28 February

Company registration number

1996/003767/06

Country of incorporation

South Africa

Nature of business

Stefanutti Stocks is a holding company. Its multi-disciplinary subsidiaries are involved in concrete structures, rehabilitation and marine construction, piling and geotechnical services, roads and earthworks, mine residue disposal facilities (mainly tailings dams), open-pit contract mining, building works and mechanical, electrical and power line transmission and distribution construction. In addition the group has established skills to participate in projects on a public-private partnership (PPP) basis. These operations are formally structured into the following key disciplines: Structures, Roads & Earthworks, Mining Services, Mechanical, Electrical & Power and Building (incorporating International).

Directors

B Stefanutti[^] (Non-executive Chairman)

W Meyburgh (Chief Executive Officer)

D Quinn* (Chief Financial Officer)

S Pell (Chief Operating Officer)

S Ackerman

N Canca⁺

K Eborall⁺

H Mashaba⁺

M Mkwanzazi⁺ (Lead Independent Director)

B Sithole[^] (Alternate J Fizzle*)

⁺ Independent non-executive

[^] Non-executive

* Irish

Business address

No 9 Palala Street, Protec Park Cnr Zuurfontein and

Oranjerivier Drive, Kempton Park, 1619

(PO Box 12394, Aston Manor, 1630)

Telephone: +27 11 571 4300

Facsimile: + 27 11 976 3487

Company Secretary

W Somerville

20 Lurgan Road, Parkview, 2193

Telephone: +27 11 482 4019

Bankers

Nedbank

The Standard Bank of South Africa

Investec Bank

Absa Bank

First National Bank

Nedbank Swaziland

Standard Chartered Bank Botswana

Banco Internacional de Moçambique

Middle East Barclays Bank

Emirates Bank

NBD

HSBC

Auditors

Mazars

Registered Auditor

2nd Floor, Mazars House, 5 St Davids Place, Parktown, 2193

(PO Box 6697, Johannesburg, 2000)

Telephone: +27 11 547 4000

Transfer secretaries

Computershare Investor Services (Pty) Limited

Ground Floor, 70 Marshall Street, Johannesburg, 2001

(PO Box 61051, Marshalltown, 2107)

Telephone: +27 11 370 5000

Sponsor

Bridge Capital Advisors (Pty) Limited

2nd Floor, 27 Fricker Road, Illovo Boulevard, Illovo, 2196

(PO Box 651010, Benmore, 2010)

Telephone: +27 11 268 6231

Attorneys

Webber Wentzel

10 Fricker Road, Illovo Boulevard, Johannesburg, 2196

(PO Box 61771, Marshalltown, 2107)

Telephone: +27 11 530 5000

Enquiries relating to the annual report

annual.report@stefstocks.com