

Integrated Report 2011



Innovative systems and processes, delivering effective and safe solutions!

*Photograph of woman on the front cover:*

Albertina started her career in 2008, at Diesel Power, as a rigid dump truck operator.

She currently operates her vehicle at one of Diesel Power's biggest mining sites.

Albertina is married with two children aged 19 and 13 years.

At present she is studying towards her Occupational Health and Safety certificate and her personal goal is to become a Safety Officer.

**Albertina Mabena**



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## Vision

Buildmax commits to being the preferred provider of innovative, quality and superior solutions in our chosen sectors of the mining and construction industries providing all stakeholders with effective and sustainable outcomes.

## Scope of the report

The following report is Buildmax Limited's ("Buildmax", "the group" or "the company") first annual integrated report which aims to present to stakeholders comprehensive, balanced and understandable information, allowing them to make a reasoned and educated assessment of the company's economic, social and environmental performance. The company endeavours to provide a view of its performance over time, reflecting not only on the successes but also the challenges it faces.

This report covers those issues that are deemed to be most pivotal to the group and illustrates its performance, where possible with case studies. In composing the first integrated report, broad areas which require more focused attention and monitoring were identified through a formal process facilitated by the CSIR. This process took into account the current needs of the company and country at large. These include: the development of human capital and reducing the company's impacts on the environment.

The information in this report relates to the year from 1 March 2010 to 28 February 2011 and covers most of the operations as identified in the organisational structure on page 2 of this report. The Buildmax Board approved the sale of Watertite and BSB. Consequently it was decided not to report on the non-financial performance of these two entities in this report.

Buildmax has adopted the internationally recognised Global Reporting Initiative G3 guidelines as the basis for its sustainability reporting framework. This report meets application Level C of the guidelines. External assurance has not been sought for this report.

Group at a glance

Group highlights



Jonas joined Diesel Power in 1991.

For the period 1991 to 2004 he was employed as a truck driver, excavator and articulated dump truck operator on several mining sites where he gained valuable experience.

In 2005 he was promoted to Supervisor, a role he fulfilled until 2007 when he was promoted to Senior Supervisor.

After 20 years of dedicated service and in line with Diesel Power's stated strategy to retain specialised skills, Jonas was promoted to Production Foreman at the Kriel mining site in 2011.

Jonase Koliwe (Jonas)

## 2 Group at a glance

### Corporate profile

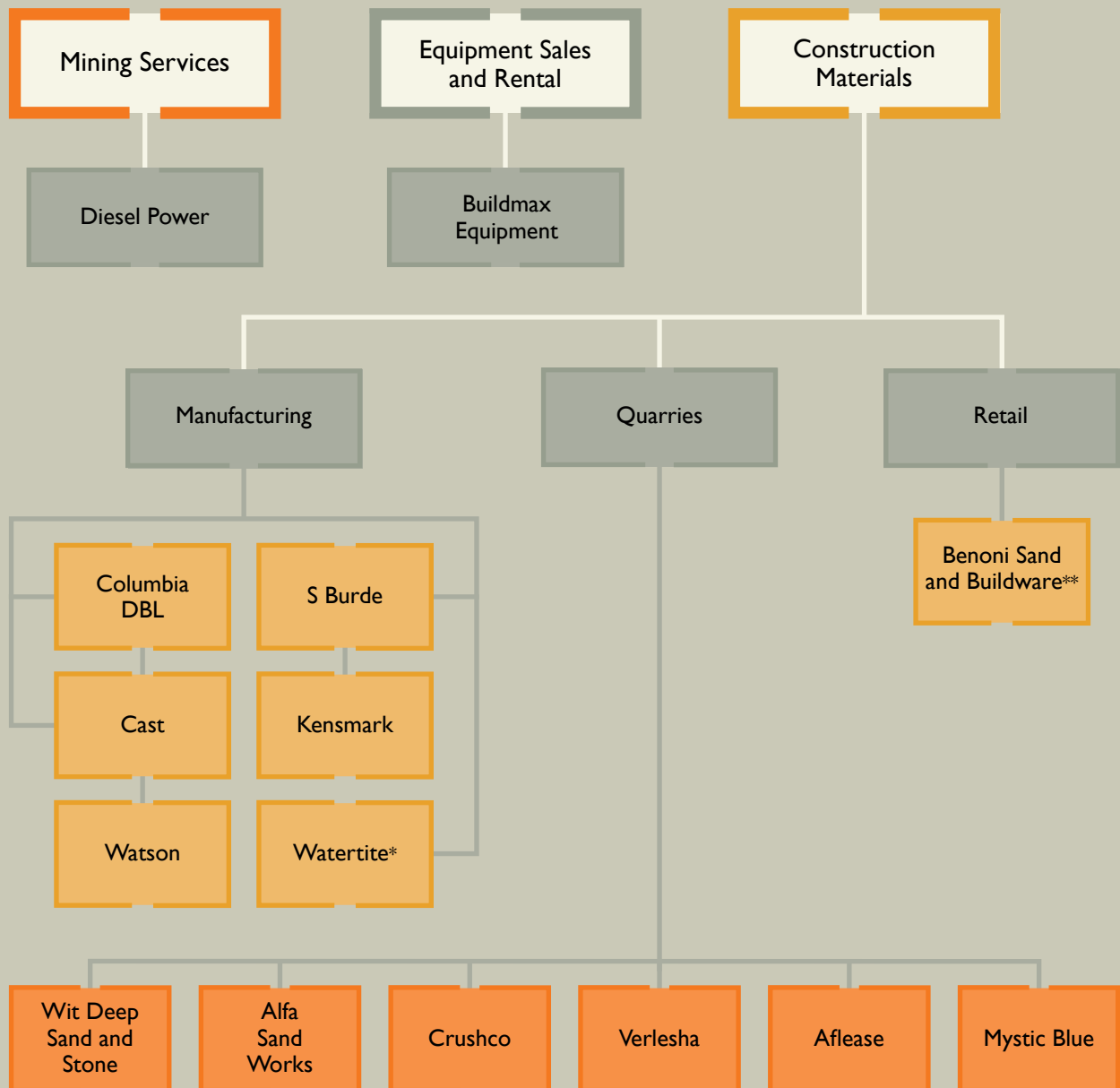
Buildmax is a leading provider of opencast mining, mining services, bulk earthworks and a supplier of construction materials to the South African mining and construction industries.

The group is able to service these industries due to its investment in mining and construction equipment as well as a wealth of intellectual capital and experience gained over more than 20 years.

The group operates through three key business units:

- Mining Services
- Equipment Sales and Rental
- Construction Materials

### Group structure



\* Recently sold to management

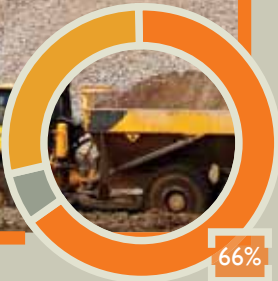
\*\* In the process of being sold to management

With effect from March 2011 the Quarries reports into Mining Services. Refer to the CEO's review for more details.

## Divisions

### Mining Services

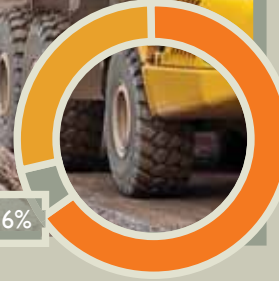
This business unit (largely trading through its flagship brand Diesel Power) provides opencast mining, SHECQ management, bulk earthworks, plant hire and rehabilitation services to the opencast coal mining sector:



Divisional contribution to revenue

### Equipment Sales and Rental

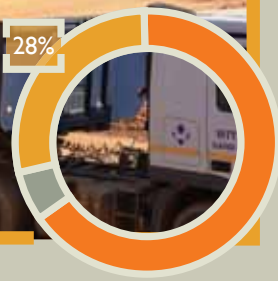
Provides plant hire and sales services on behalf of the group.



Divisional contribution to revenue

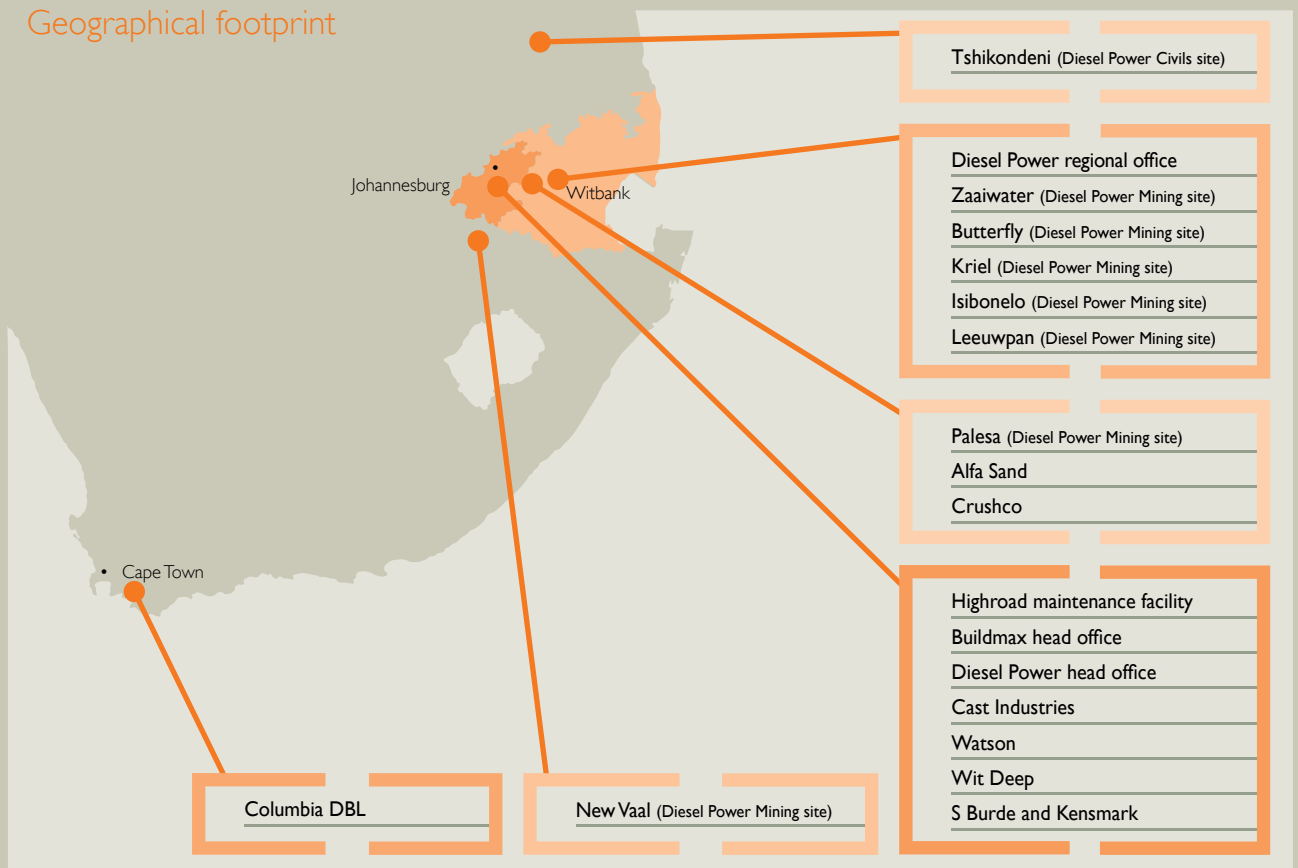
### Construction Materials

Manufactures and distributes a wide range of construction materials to the construction industry through three divisions, namely: Aggregates & Quarries, Bricks & Blocks and Building Materials.



Divisional contribution to revenue

## Geographical footprint



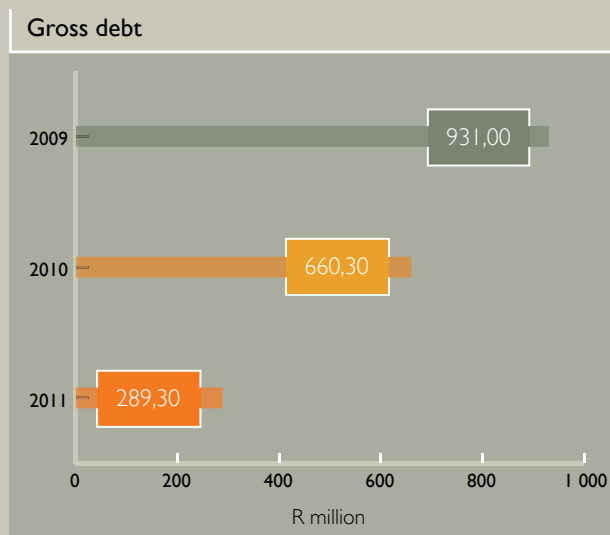
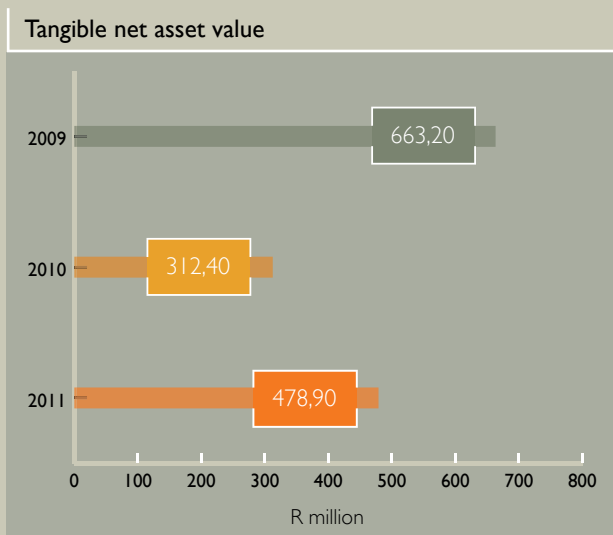
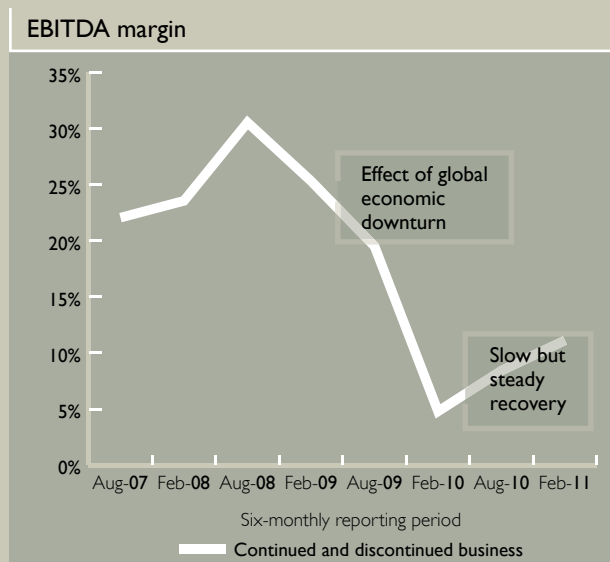
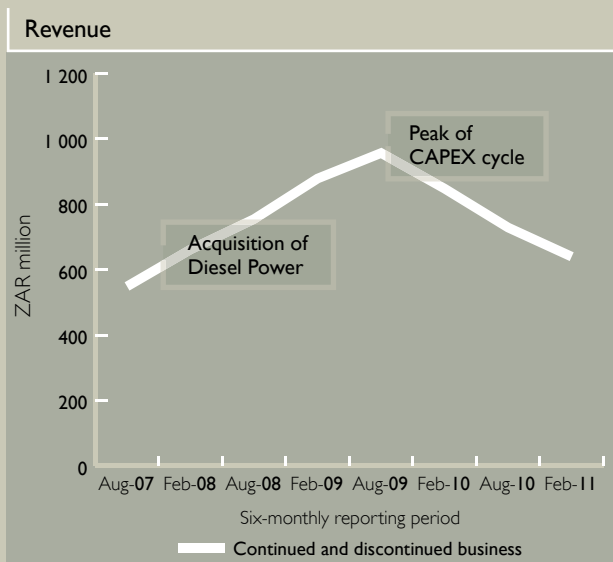
## 4 Group highlights

Revenue from continuing operations up **4,7%**

Operating losses during second six months down **51%**

Interest-bearing debt down **56%**

Basic loss improved by **63,8%**





- Chairman's report
- CEO's review
- Directors and Executive Committee
- Corporate profile
- Corporate governance
- Audit and Risk Committee report
- Social performance
- Environmental performance
- Economic performance

Reports to stakeholders

Andrezette joined Diesel Power in 2009 as a multi-skilled bulldozer and rigid dump truck operator.

She has been trained to operate the largest bulldozers in the fleet.

Andrezette would like to enhance her career by gaining the necessary experience and undergoing the required training to become a Supervisor and later a Production Foreman.

Andrezette Stucki



Colin Wood

The following report represents the group's first integrated annual report, which in line with the recommendations of King III includes both financial and non-financial performance measures for the year under review. A combination of these measures will enable a more informed view of the group's ability to create and sustain value over time.

This is especially relevant for Buildmax given the significant challenges faced by the group, which were clearly delineated in the report to shareholders for the 2010 financial year. These were, in summary, that rising maintenance costs and a depressed equipment market brought on by the global economic crisis adversely impacted the Mining Services business, which had numerous low margin contracts. The slowdown in the construction industry further exacerbated this situation, which resulted in a concomitant decline in profitability for the Construction Materials business. Against this background the group faced significant pressure on cash flow, a rising debt to equity ratio and a banking sector that had adopted an extremely cautious approach in their lending practices as a result of the global financial crisis.

### Significant improvements have been delivered for FY2011

The management team in this regard has shown great resilience and imagination in identifying and resolving the problems that the group was faced with during the 2010 financial year.

The outcome of the strategies adopted during the current financial year has resulted in a group that is substantially stronger, with a clearer view of future strategy than was the case 12 months ago. Details of these improvements are given in the CEO's review, but to summarise, borrowings have been reduced through meeting scheduled monthly instalments funded from internal cash flows as well as the successful conclusion of a rights issue. In most cases improved contract rates have been negotiated and the plant fleet is in a considerably better condition as a result of significant investments in maintenance facilities and programmes.

The results for the year reflect the fact that these actions take time to filter through to the bottom line. Furthermore, heavy rains affected profitability during the last four months of the

financial year. The group continues to dispose of equipment wherever possible and on repeating the impairment exercise carried out in previous years, found that further charges were necessary in relation to the fleet and goodwill and intangible assets. In addition, there was a further deterioration in the construction industry.

### The outlook remains cautious

The global economy has shown some improvement. However, the recovery remains fragile and indebtedness for both households and government is a key problem for developed markets. While the confidence in banking systems have been substantially restored, banks remain cautious in their lending practices. This has considerable significance for Buildmax in that it affects both the group's ability to acquire new equipment and to dispose of used equipment as potential buyers find it difficult to fund their needs.

Whilst the outlook remains cautious for companies exposed to this market the turnaround strategy that has been affected by management in streamlining the group, strengthening the balance sheet and focusing on opportunities that are less capital intensive going forward should enable the group to see through the cycle and in time deliver sustainable returns.

### Improved governance standards implemented during the year

During the year, in line with the requirements of King III, the group strengthened the function of the Board and appointed an independent non-executive Chairman. There is a clear division between the roles of the Chairman and CEO.

An internal audit function has been established. The group's internal audit function is managed by KPMG and provides independent and objective assurance regarding internal controls. The Audit Committee approves the audit plan and budget.

The Board also implemented an Authorities Framework Policy to ensure that:

- Capital expenditures and revenue commitments above a certain size require prior Board approval;
- Defined risks are submitted for Board approval;
- Contracts undertaken in the mining sector are submitted to the Board before final commitment is made; and

“The outcome of the strategies adopted during the current financial year have resulted in a group that is substantially stronger, with a clearer view of future strategy than was the case 12 months ago.”

- Acquisition and disposal of business units are submitted for Board approval.

A Compliance Hotline was implemented. Employees and other stakeholders may raise possible business conduct issues anonymously. An external consultant independently manages the Compliance Hotline and all complaints are forwarded directly to the CEO for investigation and follow up.

During the year the Audit Committee appointed KPMG to assist the group in identifying risk, measuring its potential impact against a broad set of assumptions and initiating mitigating activities to reduce exposure to acceptable levels. The risks and mitigating actions have been reviewed by the Board.

**Committed to sustainable business practice**

The group is committed to building a sustainable and profitable business on the basis of:

- Protecting shareholders’ investments and providing acceptable financial returns and growth;
- Developing and providing products and services which offer value in terms of sound relationships, price, quality, safety and technology;
- Providing employees with good and safe conditions of employment and competitive terms, promoting the development and best use of talent and providing equal opportunity for all those who work for the company; and

- Conducting business as responsible corporate members of society and observing the laws of the countries in which we operate.

**Appreciation**

During the year the following Board members resigned: Herman Fourie, Paul de Klerk, Mark Matisonn, Raymond Munitz and Anil Maharaj.

On behalf of the group, I would like to thank them for their support and guidance. I also welcome Malcolm McCulloch and Graeme Montgomery who were appointed as non-executive directors on 12 January 2011 and 1 June 2011 respectively.

In conclusion, I would like to thank my fellow Board members, the management team, CEO, Terry Bantock and all the employees, contractors and suppliers of the group for their dedication and effort during a challenging year. I look forward to an improved year ahead.

**Colin Wood**  
*Chairman*

22 August 2011



Terry Bantock

### Dear Shareholder

The 2011 financial year was a year of tentative recovery for the group. At the same time, it was a year of further consolidation, strategic positioning and restructuring of activities, to improve the overall strategic and financial position of the group. The operating environment remained challenging during the year under review with the protracted recovery in both the construction and mining sectors continuing to impact financial performance.

The group reported an operating loss before amortisation of R85 million largely due to:

- depressed macro-economic conditions;
- the impact of these conditions on second-hand yellow metal fleet prices worldwide; and
- excessive rainfall experienced in our operating areas during the last four months of the financial year.

Maintaining competitiveness and returning to profitability is the top priority. In order to improve the operating business model and financial position of the group, we remained steadfast on achieving the substantial on-going strategic initiatives which commenced during the review period.

#### Strategic and restructuring initiatives undertaken during the year included:

- **Strengthening the senior management team** through replacement of senior managers in crucial positions within the group's mining division as well as bolstering the management team in terms of technical, marketing and human resource skills.
- **Re-evaluating our asset portfolio** in order to achieve strategic alignment and improve profitability and cash flow. A careful analysis of performance and financial forecasts of all operating entities to deliver sustainable returns has been undertaken. As a result, the sale of Watertite was approved during the year and BSB subsequent to year-end. The loss making Vukuza operation was successfully closed and the assets have largely been sold off in an orderly fashion, as planned.
- **Restructuring the Mining Services business unit** through appropriate right sizing, the ongoing focus on renegotiating inadequate contract rates, active marketing, introducing a robust tendering methodology and implementing improvements in maintenance programmes and facilities.

Work undertaken to strategically reposition the business towards targeting less capital intensive revenue opportunities, along the mining value chain, was also progressed.

- **Establishment of the Equipment Sales and Rental business unit** to improve second-hand brand equity as well as the efficiency of asset disposals that was undertaken during the year. Ad-hoc disposals of assets in various businesses within the group has therefore ceased.
- **Strengthening our financial position** by the completion of a successful rights issue raising R300,5 million, which was used to reduce interest-bearing short-term debt, provide equity for medium-term capital expenditure for Mining Services and providing additional working capital for the group. Capital discipline and cost control remained a key focus throughout the group.
- **Strategic repositioning of the group** by focussing on transforming the group into a supply chain management company operating in largely the opencast mining sector of the economy, striving towards unlocking bottlenecks and strategic value on behalf of customers. Strategic focus has also been on reducing the geographic and commodity concentration of the group.

#### Strategic and restructuring initiatives deliver positive results

It is encouraging to note that these initiatives have already started to deliver promising results with a notable improvement in our operating results, particularly during the second half of the financial year. There is also a positive sentiment towards improved trading conditions and operational efficiencies for the forthcoming year.

- Revenue from continuing operations increased by 4,7% to R1,3 billion.
- Operating losses before amortisation, for the second half of 2011 reduced significantly when compared to both the second six months of the prior financial period and the first six months of the current financial year.
- Overall the group's basic loss reduced by 63,8% compared to the previous financial year.
- Total interest-bearing debt reduced by 56% to R289 million.

The above-mentioned strategies will assist the group in delivering further improvement in value over the short-term to medium-term. Strategically a new, more effective organisational

Maintaining competitiveness and returning to profitability, is the top priority. In order to improve the operating business model and financial position of the group, we remained steadfast on achieving the substantial on-going strategic initiatives, which commenced during the review period.

structure, our good reputation in the markets we operate in, improved efficiencies and the repositioning of the Mining Services business towards targeting less capital intensive business opportunities will enable us to achieve sustainable improved long-term returns for shareholders.

### Achieving world-class safety standards

We remain fully committed to proactively achieving fatality free operations and a zero harm workplace. We are proud to report that despite the significant changes undertaken during the year our Diesel Power Opencast Mining business unit recorded three million injury free production hours over a period of 18 months. The lost time injury frequency rate in our Mining Services business was 0,05, which relates to two relatively minor incidents during the course of 2011. This is an outstanding achievement when benchmarked against industry norms.

### Financial performance reflects challenging conditions

The financial performance of the group reflects the challenging macro-economic conditions we have experienced since the onset of the global financial crisis. Our principal business, Mining Services, remains highly dependent on fleet replacement, availability of asset-based funding, a stable and productive workforce and securing reasonable prices for second-hand equipment. The low levels of activity in global markets resulted in a surplus of second-hand equipment and vehicles, reducing resale prices by as much as 50%. Furthermore, whilst we experienced a rise in demand for second-hand equipment and vehicles during the second half of the year, asset-based finance required by potential buyers of second-hand equipment remained constrained. In light of this and compounded by the tougher credit climate, the group was compelled to continue with extending the useful life of certain assets beyond the ideal replacement cycle. Consequently, production during the year was negatively impacted by an abnormal investment in maintenance, reducing both top and bottom line growth. This investment in maintenance will bode well for improved plant availability in the future.

Revenue from continuing operations grew by 4,7% to R1,30 billion (FY2010: R1,24 billion). EBITDA, however,

decreased by 45,6% to R117,0 million (FY2010: R215,1 million) primarily as a result of costs associated with:

- the continued decline in the value of second-hand equipment and the scarcity of bank finance for new equipment;
- on-going use of sub-contractors and hired equipment at punitive rates;
- the Mining Services business unit having to extend the life of its yellow metal fleet which resulted in an increased investment in maintenance and related resources to improve plant availability and productivity; and
- excessive rainfall during the last four months of the financial year and the continued erosion of margins in the construction industry.

The loss before taxation, including non-cash impairment losses of R274,4 million, improved from R810,9 million to R377,5 million in the current year.

Shareholders' funds decreased to R550,1 million from R629,1 million at the end of the 2010 financial year.

Net tangible asset value increased from R312,4 million to R476,9 million largely as a result of the reduction in debt and successful rights issue which resulted in a capital injection of R300,5 million.

The group reported a basic loss per share from continuing operations after impairments of non-current assets of 12,8 cents compared to the comparative period loss of 34,1 cents.

The mining operations of Vukuza have been disclosed as discontinued operations. Revenue from these operations was R69,7 million, with EBITDA of R15,7 million and an operating loss of R9,5 million. The carrying value of the fleet was further impaired by R21,3 million. Including the impact of the impairment on property, plant and equipment, discontinued operations reported a loss before interest and taxation of R30,8 million.

The group recorded a total HLPS of 4,4 cents compared to a loss of 5,9 cents originally reported for the comparative period. The group did not issue any potentially dilutive instruments for the year under review.

Gross debt was R289,3 million at the end of the year, significantly lower than R660,3 million for the comparative period. Debt repayments during the period amounted to R459,8 million and were funded from internal cash resources, proceeds from the sale of surplus mining equipment and vehicles as well as from the proceeds of the rights issue.

The group's net cash position increased by R13,0 million and it generated R128,0 million from operations.

Some of the group's debt facilities are subject to covenants in terms of which a number of subsidiaries are required to meet pre-determined performance indicators. As set out in the 2010 annual financial statements, we commenced with renegotiating these covenants. Subsequent to the successful implementation of the rights issue, Buildmax's bankers have displayed improved confidence in Buildmax and the sector in general and as a result have renewed their support to the group in terms of the provision of conservative asset-based financing facilities and less restrictive covenants.

As a result at year-end the group was not in breach of any borrowing covenants.

The onerous and conservative bank-lending environment during the period under review for new and used equipment remains an impediment to the equipment replacement cycle. This resulted in substantially lower capex for the period. Gross capex amounted to R89,9 million, 54,3% lower than in the previous year. The group was able to generate R2,2 million from its investing activities in the period under review.

Recently there has been renewed confidence in Buildmax by traditional and new potential lenders. This has been evidenced by the group securing an asset-based funding facility of R130 million from the IDC. By the end of the 2011 financial year there were no drawdowns made against this facility. The group will utilise this facility for plant replacement and growth that will have a positive impact on productivity in the Mining Services business unit.

In November 2010, the group successfully raised R300,5 million through a fully subscribed rights issue to qualifying shareholders. The rights issue was completed on 15 November 2010.

## Operational review

### Mining Services

Revenue increased by 1% to R825 million (FY2010: R816,6 million). EBITDA reduced by 60,9% to R71,2 million (FY2010: R182,4 million). The business unit incurred a loss before interest and taxation of R209,2 million including impairments of R140,5 million on goodwill, intangible assets and equipment.

Gross capex for the period of R69,1 million was 26,6% lower than the comparative period's capex of R94,2 million. Strict disciplines have been introduced and as a result the group

aims to only commit to growth capex if new projects meet acceptable financial criteria within the group's risk profile.

### Equipment Sales and Rental

The new Equipment Sales and Rental business unit delivered revenue of R84,7 million. The unit's revenue was generated through short-term plant rental to selected and preferred customers. The division's EBITDA for the period under review was R36,1 million and it reported an operating profit of R13,6 million.

### Construction Materials

Revenue for this business unit was R389,8 million, a decrease of 8,1% from the R424,3 million reported for the comparative period. Margins were eroded as a result of increased input costs, which the division was unable to pass on to customers.

EBITDA declined to R9,7 million from R32,7 million in the 2010 financial year. The business unit incurred a loss before interest and taxation of R154,6 million which included non-cash flow impairments on goodwill and intangible assets of R133,9 million.

Gross capex for the period was R10,3 million being 68,4% lower than capex for the comparative period of R32,6 million. Capex was financed by internal cash resources. No significant capex is forecasted in the short-term for the business unit.

In order to achieve strategic alignment and improve the group's profitability and cash flow, management has been analysing the performance of all operating entities to ascertain which have medium to long-term prospects of achieving acceptable and sustainable returns for the group. As a result of these reviews the Board approved the sale of Watertite and subsequent to year-end, the sale of BSB to management.

In addition it was decided to move the group's quarrying businesses from the Construction Materials business unit to the Mining Services business unit given the similar operating methods, business risks and challenges as well as BBBEE requirements of both business units. This change was effective in March 2011. The new group structure is presented on page 13.

### Key sustainability issues

Buildmax provides services that cater to the demands of the mining and construction industry. Both industries have major impacts on natural resources. Given the nature of these industries there are many environmental and socio-economic ramifications. It is therefore imperative, to be mindful of sustainability within our business framework. This requires taking a holistic approach on all significant strategic factors which impact the long-term sustainability of our business, and further implementing proactive solutions to manage these factors.

## The key material sustainability factors which have been identified include:

### *Safety*

Safety remains one of the highest priorities of the group. During the period under review no fatalities were recorded at any of the group's operations. Various systems and processes are in place to ensure that workplaces are safe: Safety awareness is encouraged amongst all levels of employees.

The group's SHECQ management system has been successfully implemented, maintained and monitored to ensure continual improvement in safety. This system has been assessed and certified by SABS to confirm compliance with ISO 9001:2008 (quality management) and the OHSAS 18001:2007 (occupational health and safety standards).

### *Organisational health and wellness*

It is important to the group that our management team and workforce at all levels are both healthy and cared for. Our Wellness Programme aims to identify health risks, provide health education and influence positive behaviour change amongst our employees. We therefore ensure counselling for employees with stress-related problems, provide support for chronic disease management such as HIV/AIDS, and address issues such as alcoholism and drug abuse in the workplace. The educational component of our Wellness Programme encourages employees to live healthier lifestyles to reduce the likelihood of chronic health problems. Regular medical screening of employees for diabetes, high cholesterol and high blood pressure is also undertaken and encouraged as preventative healthcare.

### *Skills attraction and retention*

The group continues to experience a shortage of skills at operator and technical level. The key concerns are a high turnover of staff in these jobs and competition for skilled resources. We remain committed to critical skills development through implementation of training programs, in order to meet current and future skills requirements. During 2011 a total of 3 814 trainees were trained at our training centres. The group's headcount reduced by 30,3% to 2 405 mainly due to the restructuring of the Mining Services business unit.

### *Environment*

The primary environmental concerns for the group are:

- water management;
- carbon emissions;
- waste management and disposal; and
- contractual rehabilitation responsibilities.

The group is committed to maintaining sound environmental measures and practices in all its operating activities however, the environmental risks and impacts vary amongst operations.

### *Water management*

The group recognises that water is a scarce resource in South Africa. At our opencast operations underground water is pumped from the individual mining pits to our customers' storage facilities. The management of these facilities, however is the responsibility of our customers. Our quarrying operations

are registered with the DWA as a water user. We are currently in the process of obtaining an Integrated Water Use Licence for each of the operations from the DWA which governs water usage and discharge into the natural environment. Processed water is kept separate in slimes dams and reused after the fine materials have settled. Water from these storage facilities are supplemented with stormwater and seepage collected within the quarry basins. Methods to reduce natural water usage are being investigated.

No spillages which could have had an impact on the surrounding environment occurred at any of the group's operations during the period under review.

### *Carbon emissions*

The group's energy needs are sourced from the national energy utility, Eskom, either directly or via customers' infrastructure. The group therefore has limited opportunity to directly reduce carbon emissions, as this is largely dependent on governments energy mix going forward. Various initiatives, however, are in place to reduce energy consumption for 2012 and the group encourages awareness amongst employees in terms of electricity usage and climate change.

### *Disposal and closure management*

The primary materials used by the group in its production activities are: fuel, lubricating oil, tyres and spares. The efficient and safe usage of these materials form part of the group's environmental management programme. The safe disposal of second-hand tyres remains problematic and the group has consulted with its tyre supplier and manufacturer to identify methods of disposal that will not have an adverse impact on the surrounding environment. We are confident that we will achieve a solution to this problem. Lubricating oils, consumables and used spares are disposed of in terms of the local municipality legislation and no fines were levied on or paid by the group in the period under review.

At the quarry operations we have prospecting and mining rights. As a result, the group is responsible for the rehabilitation of land. To this end the group adheres to the environmental laws, regulations and permits associated with our quarrying activities. In particular, the Mineral Resources and Petroleum Development Act of 2002 and the National Environmental Management Act of 1998 in South Africa are both used to guide environmental practices. Each operation has an Environmental Management Plan in place and closure liabilities have been estimated for all these operations. There are no protected areas in close proximity of the group's quarrying operations.

At our opencast mining operations we operate on our customers' sites, which are largely brownfields operations and, in certain instances, already in a disturbed state when the tender was awarded. Closure liabilities are therefore not provided for and no liability existed at the end of the financial year.

During the period under review no environmental fines were levied against the group.

#### **Committed to transformation**

The group's BEE shareholding has significantly reduced from 17% at the end of the previous financial year to 6,75%, due to dilution subsequent to the finalisation of the rights issue. The Transformation Committee has formulated a four-year plan to improve the group's rating from a Level 6 to a Level 4 contributor.

#### **Outlook: Mining Services to drive prospects for the next year**

Coal remains one of the cheapest sources of energy available and its abundant reserves compared to other fossil fuels renders it likely to remain the primary source of energy for the foreseeable future. Whilst Eskom has curtailed its projected demand for coal over the medium-term and has announced its intention to introduce alternative energy sources, the continued roll-out of coal fired power stations coupled with international demand for thermal and coking coal, particularly from China and India, should ensure continued growth in this sector for the foreseeable future. Additional export capacity continues to come on stream at Richards Bay, Durban and Maputo. Exports from Richards Bay for the financial year under review were marginally higher than the sales for the comparative period. Further, Transnet has announced that it intends to increase the size of its rolling stock fleet and improve its rail network, which should alleviate some bottlenecks currently experienced by coal exporters.

We are grateful for the meaningful contractual relationships with some of the leading mining groups in the country and our aim is to grow these relationships for the mutual benefit of both parties as the propensity to outsource by mining houses

continues to grow. Mining Services is therefore well-positioned to participate in additional coal mining supply chain activities that are less capital intensive. We continue to roll out our strategy in this regard.

The outlook for the construction industry is reliant on spending by both government and the private sector. The lack of funding continues to hamper public sector projects while high levels of debt, excess stock and a lack of bank funding continue to impact negatively on the private sector.

Predicting a recovery in the construction market is extremely difficult and the market is not expected to improve during the 2012 financial year. The businesses in the Construction Materials unit are well-positioned to benefit from improved trading conditions as and when they occur.

#### **Conclusion**

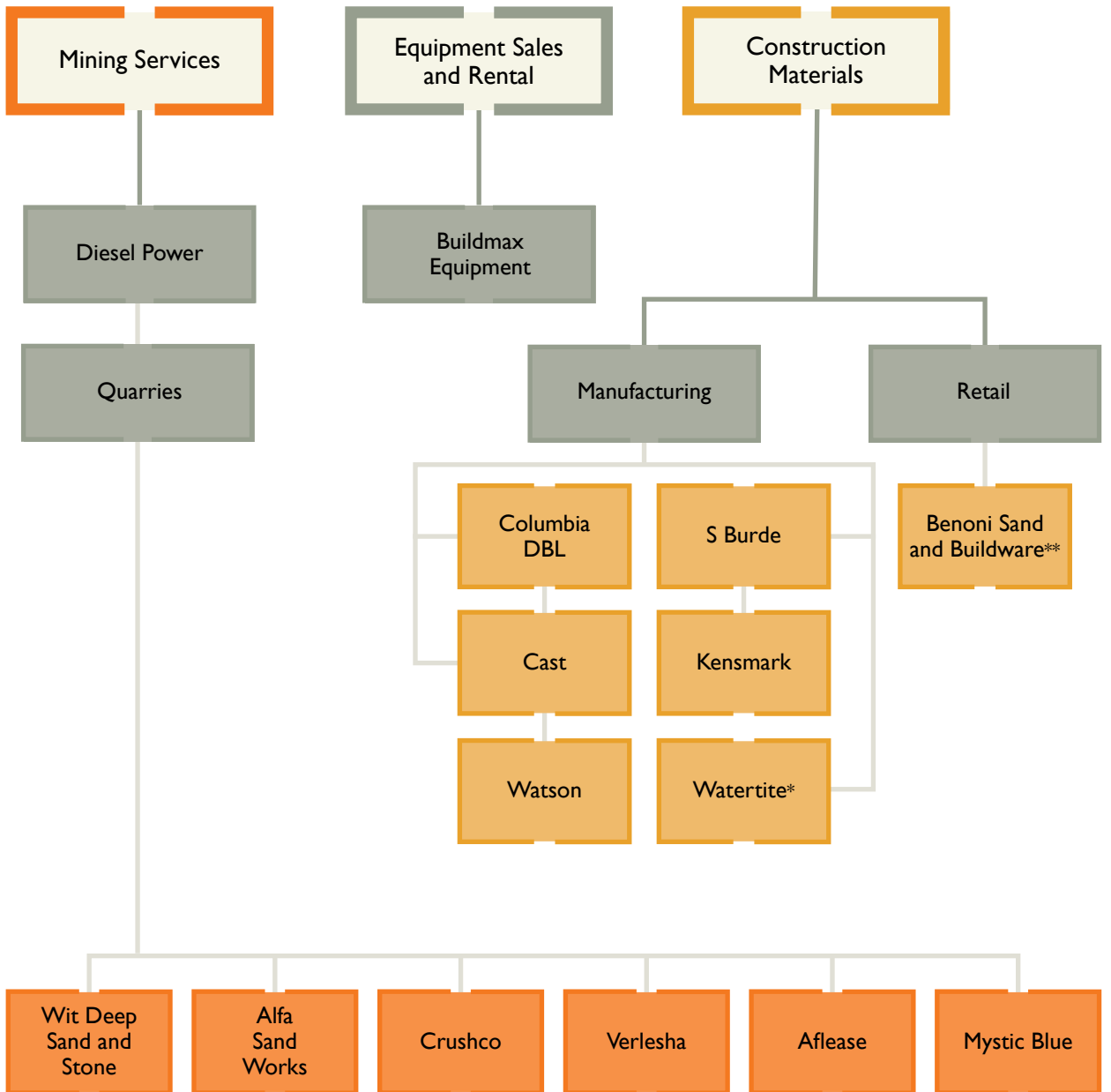
I would like to thank the Board, our employees, management and all other relevant stakeholders for their dedication and support towards achieving the restructuring initiatives we implemented at the beginning of 2011. While there remain a few key challenges to be overcome, we are confident that the Buildmax turnaround is on track and that the group will deliver improved results in the forthcoming financial year.



**Terry Bantock**  
CEO

22 August 2011

Group structure effective 1 March 2011



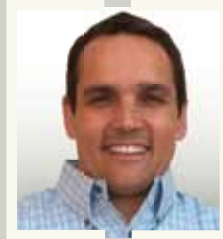
\* Recently sold to management  
\*\* In the process of being sold to management

## Executive Directors



**Terry Bantock (50) CEO**  
*B Bus Sci (Hons)*

Terry's appointment as Executive Chairman came into effect on 9 February 2010. Subsequently, he assumed the role of group CEO as a consequence of the decision to appoint an Independent Non-Executive Chairman. Terry's 20-year career has been predominated by the Supply Chain and Logistics sector of the economy (largely with Imperial Logistics, a division of Imperial Holdings Limited) and thereafter the Private Equity environment, with Brait SA Limited as an Industrial Advisor. Terry is also a shareholder and non-executive director of a private logistics business, AVL Solutions.



**Christie Els (46) CFO**  
*CA(SA)*

Christie qualified as a Chartered Accountant in 1989 and has 12 years of financial management experience, at an executive level. He has further held the position of Financial Director of Imperial Logistics and later the position of Commercial Director of Imperial Consumer Logistics (divisions of Imperial Holdings Limited). Christie was an active member of building the Imperial Logistics business to a group consisting of over 60 operating companies with a turnover in excess of R6 billion.

## Non-Executive Directors



**Dennis Mack (42)**  
*CA(SA)*

Dennis is currently a director of Brait SA Limited and a principal of Brait Fund IV. He joined Brait in 2001 and remains responsible for investments in payment services, industrial services and manufacturing. Dennis is a chartered accountant who has worked in corporate finance at Marriott Merchant Bank and Arthur Andersen in London.



**Malcolm McCulloch (57)**  
*CA(SA)*

Malcolm has 25 years' experience in the infrastructure industry. He also has experience in general construction and project management. Previously the Chief Operating Officer of Murray and Roberts, he is currently the CEO of Capital Africa Steel. Malcolm is also a member of the WBHO Limited Board, a Director of Kelly Group Limited, Alert Steel Holdings and Chairman of Wilderness Safaris Limited.



**Bulelani Ngcuka (57)**  
*BProc LLB MA*

Since admission as an attorney in 1980 Bulelani has held senior positions in various law firms. He has also been involved in a number of committees and was elected to the Senate as Chief Whip of the ANC in 1994. In 1997 he was elected as Deputy Chairman of the National Council of Provinces. Bulelani was also the former National Director of Public Prosecutions. Previously the Executive Chairman of Amabubesi Investments (Pty) Limited, he co-founded Vuwa Investments (Pty) Limited in 2006. Bulelani currently serves on the Boards of various public and other companies.



**Graeme Montgomery (51)**  
*BA LLB MBA*

Graeme has over 10 years of banking experience. He has held the positions of the Head of the Corporate Banking Division as well as Head of the Private Bank at Standard Bank Limited. He was also a member of the Executive Committee of the Corporate and Investment Banking Division, as well as member of the Global Personal and Business Banking Executive Committee and the Global Wealth Executive Committee. In January 2010 Graeme joined Brait SA Limited as a Senior Industrial Advisor.

## Independent Non-Executive Directors



**Colin Brayshaw (76)**  
Chairman of Remuneration Committee and  
Chairman of Audit and Risk Committee  
*CA(SA) FCA (England and Wales)*

Colin is a Chartered Accountant in South Africa and a Fellow of the Institute of Accountants in England and Wales. He has been a partner at various auditing firms and was the Managing Partner of Deloitte & Touche and then Chairman of the firm. Currently, he is Chairman of Metmar Limited and non-executive director of various public and other companies. Colin is also the Trustee of St Andrews College Foundation and Chairman of Business Against Crime Trust.



**Colin Wood (76)**  
Independent Non-Executive Chairman  
of the Board  
*CA(SA) PMD (Harvard)*

Colin formerly worked for 17 years in the accounting profession with Stewart Steyn (now Ernst & Young). His career has included the role of Chairman of Boart Longyear Limited and LTA Limited and Deputy Chairman of Anglo American Industrial Corporation Limited.



**David Lamola (68)**  
Chairman of the Transformation Committee  
*Advanced Diploma in Labour Law BA CIS and MBL,  
M Applied Theology*

David is an Independent Non-Executive Director of various companies. He has previously held positions of Senior General Manager in human resources, SMMES and CEO of a Development Corporation. David has also been a Senior Lecturer in Business Finance, Advanced Accounting and Costing, and Corporate Governance at Unisa.

## Executive Committee



**Terry Bantock (50) CEO**  
*B Bus Sci (Hons)*

Terry's appointment as Executive Chairman came into effect on 9 February 2010. Subsequently, he assumed the role of group CEO as a consequence of the decision to appoint an Independent Non-Executive Chairman. Terry's 20-year career has been predominated by the Supply Chain and Logistics sector of the economy (largely with Imperial Logistics, a division of Imperial Holdings Limited) and thereafter the Private Equity environment, with Brait SA Limited as an Industrial Advisor. Terry is also a shareholder and non-executive director of a private logistics business, AVL Solutions.



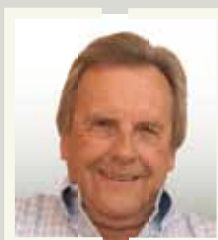
**Thandeka Mgoduso (55)**  
**Group Human Resources and Strategic Transformation Director**

*BA Hons, MA Clinical Psychology*  
Prior to joining Buildmax Thandeka has been actively involved with repositioning the HR function of the University of Johannesburg through her role as Executive Director of Human Resources. She has also served as an Executive Director of companies such as Transnet, Ayavuna Women's Investments and Imperial Logistics (a division of Imperial Holdings Limited), and was the Chief Executive of Freight Dynamics. Thandeka currently serves on the Boards of the South African Reserve Bank and Tongaat Hulett Limited.



**Paul de Klerk (44)**  
**Managing Director of Retail Business Unit CA(SA)**

Paul was previously CEO of Buildmax. He has served as Managing Director (and before that Financial Director) of the General Building Materials Division of Iliad Africa. Paul has enjoyed more than 15 years' experience in the construction industry, with significant experience in corporatising and integrating owner-managed businesses into listed companies.



**Geoff Jordaan (65)**  
**Managing Director – Aggregates & Quarries**

Geoff worked for Lafarge South Africa for 25 years as Managing Director (Inland Region) and six years for Group 5 Limited as Managing Director (Construction Materials Division). He has 42 years' experience in the Construction Materials Industry largely in Ready-mix Concrete and in Aggregates and Quarries.



**Christie Els (46) CFO**  
*CA(SA)*

Christie qualified as a Chartered Accountant in 1989 and has 12 years of financial management experience, at an executive level. He has further held the position of Financial Director of Imperial Logistics and later the position of Commercial Director of Imperial Consumer Logistics (divisions of Imperial Holdings Limited). Christie was an active member of building the Imperial Logistics business to a group consisting of over 60 operating companies with a turnover in excess of R6 billion.



**Stephen Lambert (51)**  
**Technical Director of Mining Services**  
*Pr Tech Eng*

Stephen is a registered Professional Engineering Technologist in the mechanical field and has 25 years' experience in the operational and executive management of earthmoving equipment in the civils, opencast and underground mining industries. Prior to joining Buildmax, he was the Technical Director of Concor Plant and has further enjoyed significant international experience.



**Kobus van Biljon (54)**  
**CEO Mining Services**  
*BCom Hons*

Kobus brings valuable turn-around experience and leadership to the Mining Services business of Buildmax. He has 27 years of, local and international, experience at executive and Board level in a number of leading South African-based international construction companies. He was Chief Operating Officer of Basil Read and served as Executive Director of Foreign Operations for the company.



**Warren Phillips (48)**  
**Managing Director of Manufacturing**  
*ACIS, Btech*

Warren has over 25 years' experience in the manufacturing and logistics industries, having held financial management positions at various Trenchor Limited subsidiaries. He was also the Divisional CFO of Tyco Trucks (a division of Imperial Holdings Limited) and held the position of CFO of DPD Laser trading as Dawn Wing Couriers prior to joining Buildmax. Currently Warren is the Managing Director of the Manufacturing Division of Buildmax.



**Herman Fourie (40)**  
**Commercial and CFO of Mining Services**  
*CA(SA)*

Herman has 13 years' experience at executive and Board level of various companies, including eight years with leading international South African-based contract mining companies; Master Drilling and Shaft Sinkers. Herman was the Financial Director of Shaft Sinkers five years prior to joining the enlarged Buildmax as group Financial Director. In 2010, he stepped down as group Financial Director of Buildmax to focus on the Mining Services and Diesel Power business units.

Buildmax is a leading provider of opencast mining, mining services, bulk earthworks and a supplier of construction materials to the South African mining and construction industries.

The group is able to service these industries due to its investment in mining and construction equipment as well as its intellectual capital and the experience gained over more than 20 years.

The group currently operates through **three key business units**:

- **Mining Services:** This business unit (largely trading through its flagship brand Diesel Power) provides opencast mining, SHECQ management, bulk earthworks, plant hire and rehabilitation services to the opencast coal mining sector;
- **Equipment Sales and Rental:** provides plant hire and sales services on behalf of the group;
- **Construction Materials:** manufactures and distributes a wide range of construction materials to the construction industry through three divisions, namely: Aggregates & Quarries, Bricks & Blocks and Building Materials.

### Mining Services

The Mining Services business unit does not own any mining and/or prospecting rights hence assumes no geological risk on any of its opencast mining contracts. The nature of the group's blue chip client contracts stipulate the group's responsibilities in terms of SHECQ, which continue to evolve and contain fixed pre-determined formulas for the recovery of cost increases. The intended strategy is to reduce commodity and geographic concentration risk.

- **Diesel Power:** Established in the mid-1980s, Diesel Power is one of the leading opencast contract coal mining and earthmoving contractors in the country. Diesel Power has a large fleet of heavy duty mining equipment in the Mpumalanga region and a sizeable fleet of vehicles and equipment operating in the civils and bulk earthworks environment.

### Equipment sales and Rental

Established during the period under review. This business unit focuses on improving the group's second-hand brand equity as well as the efficiency of asset disposals as the group disposes of its surplus equipment when compelling opportunities present themselves.

### Construction Materials

The target markets for the entities that operate in the Construction Materials business unit are: government, parastatals, major construction companies and smaller independent building and civils contractors.

- **Aggregates & Quarries:** Aggregates & Quarries own several quarries and have established operations situated in major growth nodes of Gauteng. Conversely to the Mining Services business unit, the entities in this unit own prospecting and

mining rights and has a cradle to grave responsibility in terms of SHECQ. The mining rights held in Crushco, Alfa and Verlesha have been converted to new order mining rights.

- **Crushco**  
Crushco is one of the largest river sand quarries in Gauteng with a lifespan of at least 50 years and covers an area of 137 ha. Crushco was originally established in 1990 and is situated in Benoni, Gauteng, and supplies large quantities of sand and stone products to major contractors and wholesale merchants.
- **Wit Deep**  
Wit Deep was established in 1939. The company is based in Knights, Germiston, and distributes sand, aggregates, bricks and cement to smaller independent building and civils contractors.
- **Alfa and Verlesha Quarries**  
Alfa was established in the 1970s and Verlesha in 2007. Both companies produce washed and sifted sand and together have a lifespan of approximately 30 years and combined cover an area of 120 ha. Furthermore, both operations are based in Bronkhorstspuit, Gauteng.
- **Mystic Blue**  
Mystic Blue has secured prospecting rights for sand on a number of properties throughout Gauteng, including a property adjacent to the current Crushco quarry. Steady progress has been made with the conversion of the mining right held by Mystic Blue to a new order mining right. During the period under review an application for the mining of stone at the Crushco quarry was approved by the DMR.
- **Bricks & Blocks:** Buildmax Bricks & Blocks operates 14 individual plants, producing a wide range of cement products including; pavers, masonry blocks and bricks, retaining wall blocks, kerbs and other pre-cast concrete products. During the period under review, these plants produced approximately 247 888 tons of cement products.
- **Columbia DBL**  
Columbia DBL was established in the 1970s. It is situated in Blackheath, Western Cape, and is the largest masonry product manufacturer in the Western Cape.
- **Cast**  
Cast was established in 1979. It is situated in Olifantsfontein. Cast is a leading manufacturer of paving and kerb products in Gauteng.
- **Watson**  
Watson is one of South Africa's pioneers in concrete product manufacturing. The company was established in 1948 and was traditionally situated in Brakpan, Gauteng. Management is in the process of relocating most of the operations to the Cast property in Olifantsfontein.

– Building Materials:

• S Burde

S Burde operates from its premises in Driehoek, Germiston, servicing the Gauteng, Mpumalanga, North West, Limpopo and Eastern Cape markets. The company is one of South Africa's leading manufacturers and distributors of galvanised rainwater goods. It was established in 1946 and produces a standard range of gutters, downpipes, flashing, ridging and other accessories.

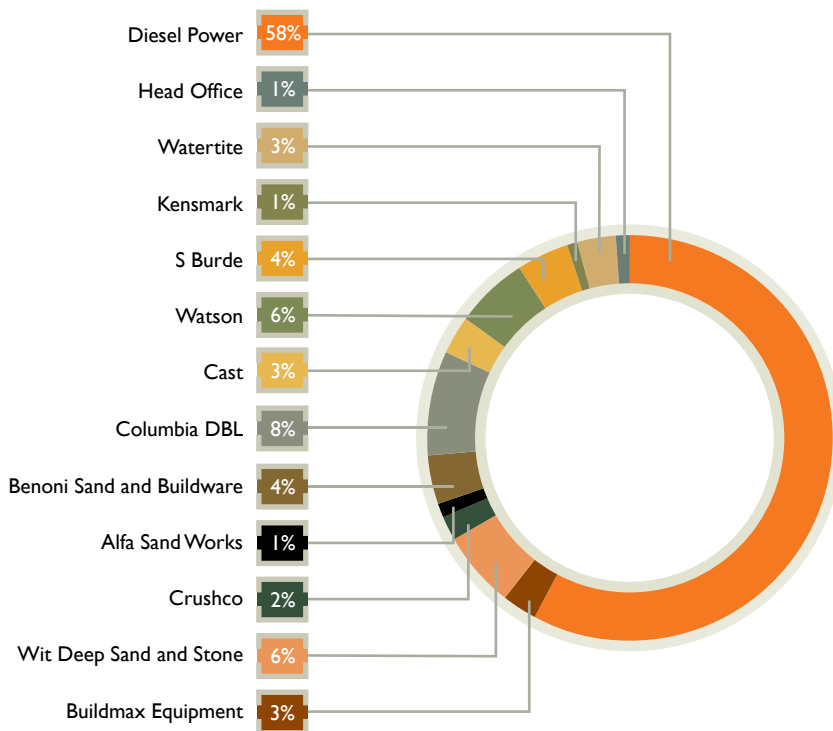
• Kensmark

Kensmark operates on the same premises as S Burde in Driehoek, Germiston. It produces specialised sheet metal products and roof accessories including guttering, ventilators and ducting, rainwater heads and louvres and IBR sheeting and flashings.

Employees

At the end of 2011 the group employed 2 405 people, consisting of 1 855 permanent and 550 labour hire staff members. The group's total number of employees decreased by 30,3% compared to the previous reporting period due to the rationalisation in the Mining Services business unit.

Headcount 2011



## Key features of 2011

- Internal Audit function established
- Implemented an Authority Framework throughout the business
- Introduced an independently managed Compliance Hotline
- Established a risk profile for the group

## Introduction

Corporate governance is defined as the system by which Buildmax is directed and controlled. Good corporate governance practice facilitates the achievement of the group's business objectives through the actions of the directors and staff.

The group holds itself accountable to shareholders for its performance. The company seeks to enhance the accuracy, completeness and reliability of the information provided in its annual financial and non-financial reporting through the maintenance of adequate internal controls and the performance of independent audits.

### Buildmax recognises the following four areas of responsibility:

- **To shareholders**  
To protect shareholders' investments, provide acceptable financial returns and growth to the shareholders.
- **To customers**  
To win and maintain customers by developing and providing products and services which offer value in terms of price, quality, safety and technology.
- **To employees**
  - To respect the rights of its employees and provide them with safe conditions of work.
  - To remunerate its employees on competitive terms.
  - To promote the development and best use of human talent and provide equal opportunity employment.
  - To further encourage the involvement of employees in the planning and direction of their work, and in the application of these principles within the group.
- **To society and the environment**  
To conduct business as responsible corporate members of society and to observe the laws of the countries in which we operate.

The following basic business principles are applied in the Buildmax group:

- **Economic principles**

Sustained profitability is essential in order to uphold our responsibilities to our stakeholders and to stay in business. It is a measure of both the efficiency and the value that customers place on Buildmax's products and services. Profitability is essential to the allocation of the appropriate corporate resources and to support the continuing investment required by the group. Without profits and a strong financial foundation the group would not be able to fulfill the responsibilities outlined above.

- **Business integrity**

We insist on honesty, integrity and fairness in all aspects of our business and expect the same in our relationship with our customers and all other business partners. The direct or indirect offer, payment, soliciting and acceptance of bribes in any form are unacceptable practices. Employees should not engage in conflicts of interest between their private financial activities and the conduct of the group's business. All business transactions on behalf of a Buildmax company must be reflected accurately and fairly in the accounts of the group in accordance with established procedures and subject to audit processes. All areas of concern must be openly discussed and dealt with to avoid unhappiness and perceived inequities.

- **Political activities**

- **of companies**

The group act in a socially responsible manner within the laws of the country in pursuit of their legitimate commercial objectives. Buildmax do not make payments to political parties, organisations or their representatives or take part in party politics.

- **of employees**

Where individuals wish to engage in activities in the community, including standing for election to public office, they will be given the opportunity to do so where this is appropriate in light of local circumstances and on condition that it does not interfere with their daily duties and obligations to the company.

- **Health, safety and environment**

Consistent with the commitment to contribute to sustainable development, Buildmax have a systematic approach to

health, safety and environmental management in order to achieve continuous performance improvement. To this end Buildmax manage these matters as any other critical business activity, sets targets for improvement and measures, appraises and reports performance.

- **Competition**

Buildmax support free enterprise. The group seeks to compete aggressively but fairly and ethically and within the framework of applicable competition laws.

## Assurance

- **External audit**

The group's financial reporting and the internal controls over financial reporting and processes are audited and assessed by an external auditor which is appointed at the annual general meeting. The auditor acts in the interest of all shareholders and reports any significant findings regarding accounting matters and any significant internal control deficiencies via the Audit Committee to the Board.

As part of the group's commitment to financial, environmental and social responsibility Buildmax presents its first integrated annual report. This report meets application level C of the international GRI G3 guidelines. External assurance has not been obtained. Compliance to the various requirements of the GRI has been disclosed on pages 87 to 90 of this report.

- **Internal audit**

The group's internal audit function is independently managed by KPMG. The internal audit function provided independent and objective assurance regarding internal control over financial processes and business ethics during the financial year. To ensure that the function works independently of management its audit plan and budget are approved by the Audit Committee.

- **Internal control**

Buildmax's risk management and internal controls in relation to financial processes are designed with the purpose of effectively controlling the risk of material misstatements.

## Board of Directors

### *Role and responsibilities of the Board*

A formal Charter sets out the Board's composition, processes and responsibilities and is subject to regular review in order to reflect the company's Memorandum of Incorporation and comply with current legislation such as the South African Companies Act, the JSE Listings Requirements and the King III Report. The directors are challenged to balance broader social objectives with the group's performance by utilising the "triple-bottom-line" governance principles and reporting procedures against the backdrop of an entrepreneurial economy.

The Board of Directors of Buildmax is committed to applying the sound corporate governance principles as set out in the King III Report. This process will be continually monitored to ensure ongoing compliance in this regard.

The performance and affairs of the group remain the responsibility and accountability of the Board of Directors.

It is the Board's primary role to protect and enhance long-term shareholder value. To fulfil this role, the Board is responsible for the overall financial performance and corporate governance in the group, including amongst its other functions to assist in formulating the group's strategic direction, setting remuneration policies and approving the appointment of senior management, establishing goals for management and monitoring the achievement of these goals, approving and monitoring capital expenditure, and ensuring the integrity of internal control and management information systems.

Delegating authority in respect of these functions to Board committees or senior management does not in any way absolve the Board of its duties and responsibilities. The Board exercises its leadership with integrity and sound judgement, which is based on principles of fairness, accountability and responsibility. In essence, it subscribes to a policy of actively reviewing the group's internal systems of control within set risk parameters in accordance with South African and international best practice.

In the process of determining and setting group strategy, the Board and senior management agreed a shared vision of what the group is trying to achieve, as well as an understanding of what is required in order to achieve this ambition. Internally, the strategy has been communicated to various employee groups in each operating entity and externally the strategy is communicated to major shareholders via one-on-one meetings.

There is a clear division between the roles of the Chairman and the CEO.

The Chairman of the Board provides leadership and oversees the effective functioning of the Board. The CEO is responsible for formulating, implementing and maintaining the strategic direction of the group and ensures that the day-to-day affairs of the group are appropriately managed.

The Board's performance is evaluated through a self-evaluation process. Any significant shortcomings that are identified during this process are actioned by the members of the Board on an ongoing basis.

Although no formal assessment of the directors' independence was conducted during the year, the Board is satisfied that all independent non-executive directors meet the requirements of independence in terms of the King III Report.

### *Board processes*

The Board meets quarterly with additional meetings as deemed necessary and also communicates regularly between meetings to discuss significant matters. The meetings follow a formal agenda to ensure that all important and material matters are addressed. The directors are briefed timeously and comprehensively in advance of these meetings, and are supplied with sufficient information to enable them to make informed and reasonable decisions in discharging their responsibilities.

## Corporate governance (continued)

The non-executive directors may accept other Board appointments, provided that these do not impact on the members' ability to discharge their responsibilities to the company and all its stakeholders.

The Board has applied their minds in terms of King III and has adopted the principles and recommendation they deem applicable to Buildmax.

### Board composition

At year-end the unitary Board of nine directors consisted of two executive directors and seven non-executive directors, of which three are considered as independent.

During the year, and in line with the requirements of King III, Colin Wood was appointed as independent non-executive Chairman of the Board and Terry Bantock assumed the

position of CEO. Subsequent to Mr Wood's appointment, he resigned from his position as Chairman of the Buildmax Remco and independent non-executive director; Colin Brayshaw, was appointed as Chairman of the Remco.

The following Board members resigned during and post year-end:

- Herman Fourie 2 August 2010
- Paul de Klerk 2 August 2010
- Mark Matisonn 24 November 2010
- Raymond Munitz 24 November 2010
- Anil Maharaj 16 May 2011

Malcolm McCulloch and Graeme Montgomery were appointed as non-executive directors on 12 January 2011 and 1 June 2011 respectively.

Table indicating directors' attendance at Board meetings:

	Years of service	11 Mar 2010	6 April 2010	3 May 2010	20 May 2010	23 Jun 2010	15 Jul 2010	22 Sep 2010	4 Nov 2010	15 Nov 2010
<b>Executive directors</b>										
TP Bantock	1,5	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
PJ de Klerk <sup>(2)</sup>	2,5	Yes	Yes	Yes	Yes	Yes	Yes	N/A	N/A	N/A
CS Els <sup>(1)</sup>	1,5	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
HP Fourie <sup>(2)</sup>	2,5	Yes	Yes	Yes	Yes	A	Yes	N/A	N/A	N/A
<b>Non-executive directors</b>										
CJM Wood (Chairman)*	3,5	Yes	Yes	Yes	Yes	Yes	Yes	A	Yes	Yes
CB Brayshaw*	3,5	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
MD Lamola*	8	Yes	Yes	Yes	Yes	A	Yes	Yes	Yes	Yes
DJ Mack	3	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
A Maharaj	3	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
M Matisonn <sup>(3)</sup>	2,5	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R Munitz <sup>(3)</sup>	2,5	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	A
BT Ngcuka	3,5	Yes	A	Yes	Yes	Yes	Yes	A	A	Yes

#### Legend:

\* Independent  
A Apologies

<sup>1</sup> Appointed 1 April 2010

<sup>2</sup> Resigned 2 August 2010

<sup>3</sup> Resigned 24 November 2010

In line with the group's Memorandum of Incorporation, a third of directors as well as any newly appointed directors should retire by rotation every year. Accordingly, CB Brayshaw, DJ Mack, BT Ngcuka, MW McCulloch, G Montgomery will retire at the next annual general meeting and, being eligible, all stand for re-election.

At the end of the financial year, three of the nine Board members were historically disadvantaged South Africans.

### Conflict of interest

Buildmax's directors are required to fully disclose their shareholdings, additional directorships and any other potential conflict of personal interest.

### Director dealings in company shares

Directors are compelled to report dealings in securities of the company to the Chairman, Company Secretary and sponsor for approval. Dealings by the Chairman are authorised by the Board. The Company Secretary and the sponsor ensure that these dealings are published on SENS. The group has a formal

policy restricting share dealings by directors and other officers with access to price-sensitive information. Trade in securities of the company is prohibited during "closed periods" prior to the announcement of interim and annual results or while the company is trading under a cautionary or during any other period considered price-sensitive.

### Independent professional advice and access to company information

Each director has the right of access to all relevant company information and to the company's senior management. All executive and non-executive directors have access to advice from independent professional advisers at the expense of the company.

### Non-executive directors' (including independent non-executive Chairman) remuneration

The Board applies principles of good corporate governance relating to non-executive directors' remuneration and also keeps abreast of changing trends. Governance of directors' remuneration is undertaken by the Buildmax Remco.

Non-executive directors are appointed to the Buildmax Board based on their ability to contribute, competence, insight and experience appropriate to assisting the group to achieve its objectives.

Non-executive directors receive remuneration for services on the Buildmax Limited Board and Board committees.

Buildmax's non-executive directors do not receive short-term or long-term cash or share-based incentives recognising that this can create potential conflicts of interest which can impair the independence which non-executive directors are expected to bring to bear in decision-making by the Board.

No arrangement exists for emoluments in respect of loss of office.

Proposals for remuneration are prepared by management, for consideration by the Buildmax Remco and the Buildmax Board. Consideration is given to the increased responsibility placed on non-executive directors due to burdensome legal and regulatory requirements and the commensurate risk assumed. Benchmarking information of companies of similar size and complexity and the projected inflation rate over the period are factors considered when reviewing the annual remuneration.

Buildmax's policy on remuneration for non-executive directors is that this should be:

- market-related (having regard to the factors listed above plus the number of meetings attended by non-executive directors of companies of similar size and structure and operating in similar sectors); and
- not linked to share price or Buildmax's performance.

Buildmax pays for all travel and accommodation expenses incurred by directors to attend Board and committee meetings as well as visits to company sites and businesses.

The annual remuneration payable to the Chairman and non-executive directors are submitted for approval by the company's shareholders at the annual general meeting.

The table below summarises the remuneration payable to Buildmax Limited's non-executive directors for the 2011 financial year, which was approved by shareholders at the annual general meeting held on 24 November 2010. Proposals for the remuneration for the 2012 financial year will be submitted to the Buildmax Remco and Board for approval in due course. Once approved by the company the proposed 2012 remuneration will be submitted for shareholder approval at the company's upcoming annual general meeting in November 2011.

#### Remuneration paid to Buildmax Limited non-executive directors for the 2011 financial year

Chairmanship of the Board	R280 000
Chairmanship of the Audit and Risk Committee	R126 000
Chairmanship of the Remuneration Committee	R70 000
Non executive director fees	R140 000
Non executive members of the Audit and Risk Committee	R63 000
Non executive members of the Remuneration Committee	R35 000
Non executive members of the Transformation Committee	R35 000

#### Director induction and training

Although no formal induction and training programmes exist, the group provides information to the directors about the nature of the business, corporate strategy, business challenges, opportunities and other important issues. Directors also have the opportunity to visit group subsidiaries and meet with the operational management to gain a better understanding of the operations.

#### Board Committees

Certain of the Board's functions have been delegated to sub-committees which operate according to charters approved by the Board. These committees do not diminish the accountability of the Board. The members of these committees are elected by the Board.

##### • Nomination Committee

Although King III recommends that the company should have a Nomination Committee, the Board has not established such a committee as the Board considers that, to date, a separately established committee was not warranted and its

functions and responsibilities were adequately and efficiently discharged by the Board.

Appointments to the Board are made in a formal and transparent manner and are a matter for the Board as a whole.

The Board assesses the experience, knowledge and expertise of potential directors before any appointment is made and adheres to the principle of establishing a Board comprising directors with a blend of skills, experience and attributes appropriate to the company and its subsidiaries. The Board will continue to review the requirement for a Nomination Committee and one will be established if deemed appropriate and necessary by the Board.

##### • Audit and Risk Management Committee

The Audit Committee fulfils a vital role in effective corporate governance. In the King III Report, the responsibilities of the Audit Committee were extended beyond financial reporting to include sustainability reporting.

In accordance with the most recent legislative requirements the committee comprises only independent non-executive directors, namely Committee Chairman CB Brayshaw, a chartered accountant, MD Lamola, a previous lecturer at Unisa in corporate governance, and CJM Wood, a chartered accountant. The company's CEO, CFO and other members of Exco, the Company Secretary, auditors and other non-executive directors may attend meetings by invitation.

The committee regularly meets with the group's external auditors and executive management to review accounting, auditing, financial reporting, risk management and internal control matters.

Each committee member has the right of access to all relevant company information and to the company's senior management.

The committee also has the opportunity to meet with the group's external auditors without management, as and when it deems fit.

All committee members have the right to access advice from independent professional advisers at the expense of the company.

As required by its terms of reference the committee met three times during the year to coincide with key dates within the financial reporting and auditing cycle, with attendance at these meetings set out below:

	18 May 2010	15 Nov 2010	3 May 2011
CB Brayshaw (Committee Chairman )	Yes	Yes	Yes
MD Lamola	Yes	Yes	Yes
CJM Wood	Yes	Yes	A

#### Legend:

A Apologies

#### Audit Committee report

The committee has adopted formal terms of reference set out in a Charter that has been approved by the Board.

The Audit Committee report for the 2011 financial year is presented on page 26.

#### Internal controls and risk management

The Board is tasked with the responsibility of managing the group's systems of internal control and risk to sustain a practical and effective internal control environment. While complying with applicable laws and regulations these systems of internal control and frameworks ensure reasonable but not absolute assurance regarding the safeguarding of assets, the maintenance of proper accounting records, the integrity and reliability of financial information and the minimisation of significant fraud, potential liabilities, loss and material misstatement. The system is therefore designed to manage rather than eliminate risk. In addition, it enables the Board

to ensure business sustainability under normal and adverse operating conditions, and responsible behaviour towards all stakeholders.

The Board has implemented a reporting structure, as detailed below, to review all aspects of internal control and will continue to develop the process:

**Risk profile** – Although risk management remains a central function of the group's operational strategy a separate Risk Management Committee has not been established. The Board is assisted in executing its responsibility by the Audit Committee.

During the period under review the Audit Committee appointed KPMG to assist the group through an independently managed, formal and structured approach in identifying risk, measuring its potential impact against a broad set of assumptions and initiating mitigating activities to reduce the calculated exposures to acceptable levels. These identified risks and their respective mitigating actions have been tabled and presented to the Board. While it is the responsibility of the Board to determine the group's levels of risk tolerance and assess its effectiveness, management is accountable to the Board for implementing and integrating these processes into the daily operations of the group.

#### Amongst others, the five most important risks to the group include:

- Availability of bank funding for new and second-hand mining equipment;
- Impact of inclement weather on the group's operations;
- Dilution in the group BEE shareholding, subsequent to the successful implementation of the rights issue;
- Industrial action by organized labour; and
- Non-compliance to SHECQ legislation.

#### The Board implemented an "Authorities Framework Policy" to ensure:

- Capital expenditure and revenue commitments above certain limits require prior Board approval;
- All types of financial exposures (including forward exchange contracts and derivatives) are controlled;
- Business transactions are properly authorised and executed; and
- Financial reporting accuracy and compliance with all applicable regulatory frameworks.

**Compliance Hotline** – During the period under review the group implemented a Compliance Hotline. Concerns of possible business ethical misconduct and financial fraud may be raised anonymously by employees and other stakeholders through the compliance hotline. The compliance hotline is independently managed by a consultant and all complaints are forwarded directly to the CEO for investigation and follow-up. The compliance hotline is manned 24/7 and available in all the official South African languages.

**Environmental regulation** – Buildmax is committed to achieving a high standard of environmental performance.

The group's operations in the Open Cast Mining Services and Quarrying businesses are subject to significant environmental legislation. In the group's Open Cast Mining services operations the level of compliance with the applicable environmental legislation are guided by the individual customer contracts. The group's quarries are situated in the Gauteng and Bronkhorstspruit areas. Management has an EMP in place for each exploration and mining right. The Board believes that the group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the group.

**Internal audit** – During the period under review the group established a formal internal audit function. The internal audit function has been outsourced to KPMG and reports directly to the CFO and the Audit Committee. The Audit Committee approved the Internal Audit plan and budget for the 2011 financial year.

**IT governance** –The Board is responsible for IT governance as an integral part of the group's corporate governance. With the assistance of the group's Exco, the existing IT and communication systems and processes are being reviewed and improved to assist the various operating entities in achieving the group's strategy and objectives. The Board, through the group's Exco, continues to liaise closely with IT management to ensure a seamless fusion of IT functioning and overall business strategy.

**Code of Conduct** – Although the group has not yet implemented a formal code, several initiatives have been undertaken by management during the year to ensure that a culture of good corporate governance is instilled in all employees.

**• Remuneration Committee**

The Remuneration Committee is appointed by the Board to assist it to discharge its responsibilities in relation to the group's remuneration policy and to determine the remuneration of non-executive directors, executive directors and senior executives.

The Remuneration Committee comprises independent non-executive directors CB Brayshaw and CJM Wood and is chaired by Mr Brayshaw.

The committee met as indicated below to discharge its responsibilities:

	15 Feb 2010	14 Mar 2011
CB Brayshaw (Committee Chairman )	Yes	Yes
CJM Wood	Yes	Yes

**The main responsibilities of the Remuneration Committee are to:**

- develop a remuneration strategy which will attract, retain and motivate talented employees;

- determine on behalf of the Board the overall policy for executive remuneration (including non-executive directors);
- determine the base salary, benefits, performance-related bonuses and any future equity participation schemes for each of the two executive directors and senior management of the group; and
- to approve all directors' service contracts.

In discharging its responsibilities the committee ensures that a significant proportion of the two executive directors and senior management's remuneration is directly related to the financial performance of the group.

No director or senior manager is involved in deciding their own remuneration and the committee may, if considered necessary, take independent advice at the expense of the company.

King III recommends disclosure of the remuneration of each individual director as well as the three most highly paid employees in the group. The remuneration paid to directors for the 2011 financial year is detailed on page 44 of this report. The annual remuneration of the group's key executives (including the Executive Directors) are disclosed in note 42 to the annual financial statements.

The company engaged a firm of independent consultants to undertake a remuneration benchmarking exercise during the 2012 financial year, in order to assess the current levels of remuneration for its most senior employees.

**• Executive Committee**

The group's Exco was formed to ensure cohesive execution of the group's strategy. The committee is also responsible for the day-to-day management of the different operating entities in the group's three business units. The committee meets at least once a month under normal circumstances and consists of:

- Terry Bantock (CEO);
- Christie Els (CFO);
- Thandeka Mgoduso (Group Human Resources and Strategic Transformation Director);
- Kobus van Biljon (CEO Mining Services);
- Herman Fourie (CFO and Commercial Director of Mining Services);
- Warren Phillips (Managing Director of Manufacturing);
- Paul de Klerk (Managing Director of Retail Business Unit);
- Stephen Lambert (Technical Director of Mining Services); and
- Geoff Jordaan (Managing Director of Aggregates & Quarries).

**Board expertise**

The directors of the company's Board have a range of financial, technical and commercial skills necessary to provide expert guidance to the development of the group's business strategies and policies and to undertake independent judgement of the company's performance.

### Board communication with shareholders

There are a number of formal mechanisms in place that enables regular communication between the Board and the company's shareholders. These include, but are not limited to, one-on-one meetings with major shareholders, investor presentations, announcements through the JSE's Securities Exchange News Services, publication of interim and year-end results, the group's website, annual reports and the annual general meeting where shareholders can attend and participate in discussions and vote on resolutions or use proxy forms to exercise their votes should they not be able to attend in person.

### Company Secretary

The Company Secretary is Probity Business Services (Pty) Limited, an independent company secretarial practice providing services to a number of JSE listed and privately held companies.

The secretary administers and records all meetings and deliberations of the Board and its sub-committees and ensures

that the Board charter and the relevant charters of the Board sub-committees are kept up to date and relevant.

The Company Secretary must be available to assist the Chairman and other Board members whenever necessary.

### Stakeholder communication

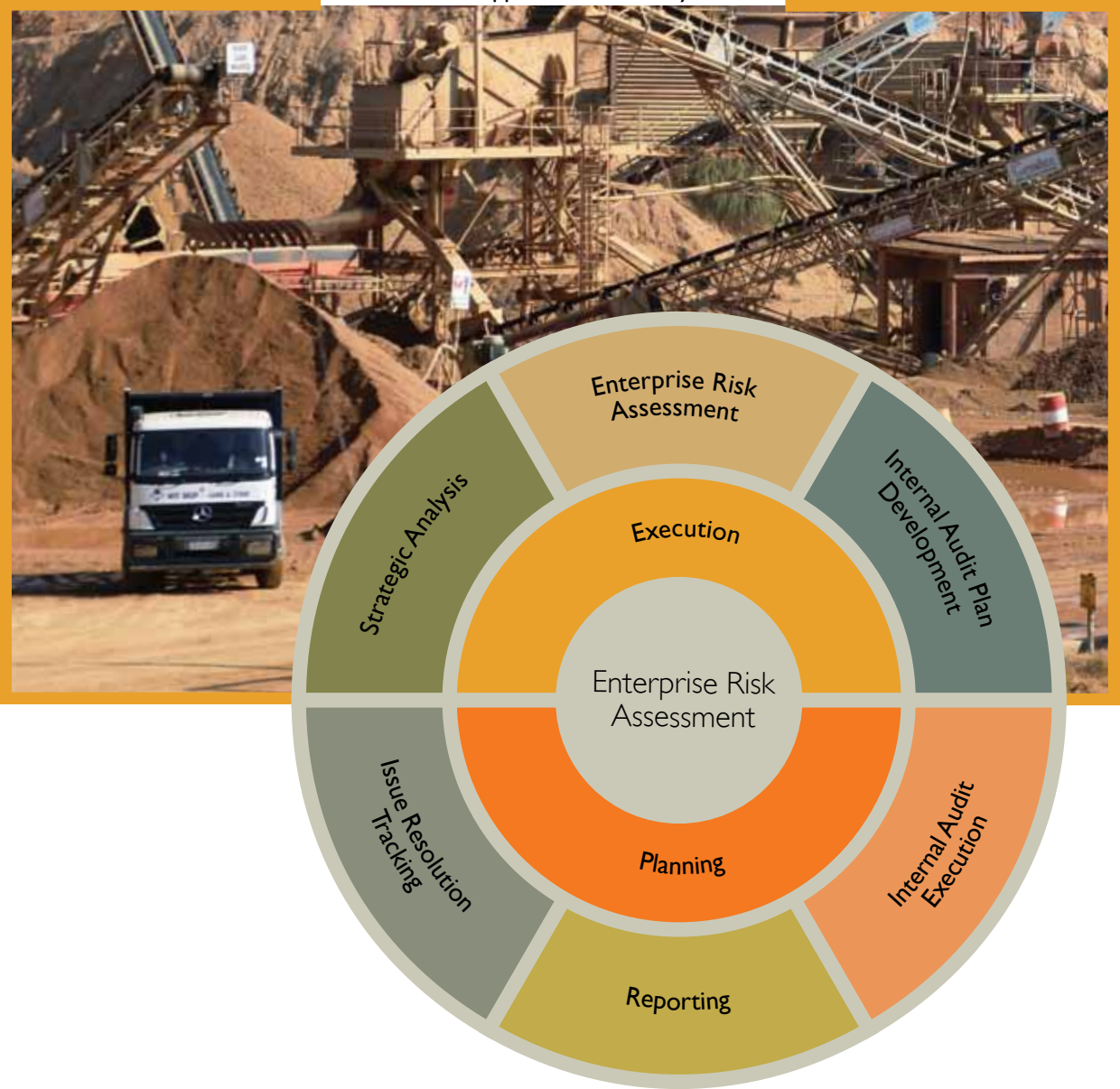
The group is committed to timely, consistent and transparent communication with all stakeholders and an open culture of communication is encouraged. Regular and open engagement with all stakeholders promotes trust between the company and its partners. Recognising and responding appropriately to the concerns of key stakeholders remains fundamental to the success of the Buildmax group.

Through a formal process, facilitated by the CSIR the group identified its key direct and indirect stakeholders.

### Stakeholder engagement matrix for the year ended 28 February 2011:

Stakeholder	Methods of engagement	Frequency of engagement	Key topics and concerns raised at engagements and responses to these
Employees	Results presentation Meetings e-mail Other ad-hoc presentations	Six monthly As required As required As required	Training Career development Remuneration
National and Regional Government, Department of Mineral Resources	Annual returns and other submissions  Progress reports	As required  As required	BBBEE status. Rehabilitation guarantees. Health and Safety. Quarry development. Water management. Operator training. ABET and Learner ship programmes. Mentorship programme. Social Upliftment and Enterprise development. Performance statistics. Action plans are agreed with the DMR and reported on monthly.
Major contractors, suppliers, service providers and other business partners	Meetings	As required (at least monthly)	Service level agreements, concerns and improvements.
Customers	Meetings  Site visits	Monthly  As required	Service levels agreement, product quality, new products lines, production targets and methods, innovations. Rate negotiations and results presentation yearly.
Local communities			Involvement in social upliftment programmes. Management is pursuing selected procurement in terms of each operation's geographical area.
Shareholders and other financiers	Annual General Meeting  Annual report Annual and interim results announcements Announcements on SENS Presentations One-on-one meetings Website Site visits Media releases	Annual  Annual Bi-annual As required As required As required As required As required As required	Group strategy, business risks, opportunities, prospects and financial results

Internal audit approach followed by KPMG



**Key Features of the KPMG Internal Audit Methodology (IAM)**

- IAM is scalable and is underpinned by KPMG’s risk assessment methodology;
- Focuses on areas of greatest risk, importance and value to Buildmax;
- Encourages active involvement and buy-in from Buildmax in the risk assessment process and the resulting outcomes;
- Modular design, that can be tailored in multiple engagement scenarios, such as mid-cycle appointment or engagement to provide services under co-sourcing arrangement;
- Leveraging of KPMG’s business models, knowledge bases, control catalogues, and other firm resources; and
- Incorporation of governance guidance on risk management and control.



Colin Brayshaw

## Introduction

The Audit and Risk Committee has pleasure in submitting this report in terms of the South African Companies Act.

## Membership of the committee

The membership of the committee consists of the following three non-executive directors:

Mr CB Brayshaw is the Chairman of the committee and an independent non-executive director of Buildmax Limited. He is a Chartered Accountant (SA) and FCA and was previously managing partner and Chairman of Deloitte. He serves on the Board of Directors of a number of JSE Limited listed companies.

MD Lamola is an independent non-executive director of various companies. A former senior general manager in HR, SMMEs and Operations and CEO of a Development Corporation, he is also former senior lecturer in business finance and corporate governance at Unisa.

CJM Wood is an independent non-executive director and his career has included the role of Chairman of Boart Longyear Limited and LTA Limited and Deputy Chairman of Anglo American Industrial Corporation Limited. He formerly worked for 17 years in the accounting profession with Stewart Steyn (now Ernst & Young).

All three members were appointed to the committee on 28 March 2008.

## Functions of the committee and attendance at meetings

The functions of the committee and attendance at committee meetings are included in the report on corporate governance on pages 21 and 22.

## Performance of the committee

During the period under review the committee discharged its duties and responsibilities by:

### *In respect of the external auditors and external audit:*

- Evaluating and satisfying itself with the independence and effectiveness of PKF (Jhb) Inc. and its lead partner Mr RJ Lawson as its external auditor. The committee also

ensured that PKF (Jhb) Inc. has been accredited by the JSE Limited and the committee has recommended to the Board of Directors that they are appointed at the forthcoming annual general meeting;

- Obtaining assurance that no member of the external audit team was hired by the company or its subsidiaries during the year;
- Approving the external auditors' letter of engagement and determining the nature and extent of the non-audit services that they provide to the group;
- Examining and approving the external auditors' fees for last year's audit and their budget for the current year's audit including fees for non-audit services. The external auditors' fees are disclosed on page 71 of the annual financial statements;
- Approving the external auditor's plan and considering whether there were any significant operations not subject to external audit;
- Obtaining assurances from the external auditors that adequate accounting records were being maintained; and
- Considering whether there were any reportable irregularities identified by the external auditors and determining that there were none.

### *In respect of the internal audit function:*

- Appointing KPMG to execute the internal audit function for the company and its subsidiaries;
- Approving KPMG's letter of engagement and determining the nature and extent of their audit plan for the current year;
- Examining and approving KPMG's budget for the current year's internal audit;
- Reviewing the work of the outsourced internal audit function;
- Receiving assurance that proper and adequate accounting records were maintained for the focus areas in the approved internal audit plan and that the systems safeguarded the assets against unauthorised use or disposal thereof; and
- Assessing the adequacy of the performance of the internal audit function and the adequacy of the available resources and found them to be satisfactory.

The group holds itself accountable to shareholders for its performance. The group seeks to enhance the accuracy, completeness and reliability of the information provided in its annual financial and non-financial reporting through the maintenance of adequate internal control and the performance of independent audits.

*In respect of risk management and information technology insofar as it was relevant to the committee:*

- Reviewing and examining management's policies on risk assessment and risk management, including fraud risks and information technology risks as they pertain to financial reporting and the going concern assessment and found them to be sound.

*In respect of financial reporting:*

- Examining and reviewing the interim financial results for the six months ended 31 August 2010 and the annual financial statements and preliminary announcement of results for the year ended 28 February 2011 and recommending their approval to the Board of Directors.
- Considering accounting treatments, significant unusual transactions and accounting judgement's;
- Considered the appropriateness of accounting policies adopted and changes thereto.
- Examining all announcements regarding the group's financial information that was to be made public prior to submission and approval by the Board.
- Considered the expertise of Mr CS Els, the company's CFO, and is of the opinion that he is suitably qualified to carry out his duties.

- The committee has satisfied itself that there are no material actions against the group that have not been provided for and/or disclosed in the annual financial statements for the year ended 28 February 2011.

*In respect of the annual financial statements for the year ended 28 February 2011:*

- Following upon review of the company's and group's annual financial statements for the year ended 28 February 2011 the committee is of the opinion that, in all material respects, they comply with the relevant provisions of the South African Companies Act as amended and International Financial Reporting Standards. On this basis, the committee recommended them for approval by the Board of Directors.



**CB Brayshaw**  
Chairman of the committee

27 May 2011

### Key features of 2011

- Diesel Power, an entity in the Mining Services business unit, in January 2011, proudly recorded three million injury free production hours over a period of 18 months
- The lost time injury frequency rate in the contract mining services business was 0,05. This equated to only two incidents during the course of the 2011 financial year
- Introduced an Organisational Health and Wellness programme for the group
- Various community projects in the areas surrounding the group's operations

### Employment and human rights

Buildmax is a significant employer in the Gauteng, Mpumalanga and Western Cape areas. In certain areas, the group's operations are located in regions where few economic activities take place. Although the group's workforce reduced by 30,3% compared to the previous financial year, it managed to reduce the labour hire component of its workforce to 21,7%.

### Managing human resources

The organisational responsibility for human resources resides at the group's Head Office in Benoni, Gauteng, although each entity and operation is responsible for the direct management of its employees. Buildmax ensures compliance with South African labour and other legislation which includes the Labour Relations Act, Basic Conditions of Employment Act, the Employment Equity Act and the Mining Charter. No fines for non-compliance to these acts were paid by the group for the period under review.

### Fair, honest and sustained employment

Buildmax, and its subsidiary companies, are committed to being a good employer and to applying fair and equitable labour practices in compliance with the applicable legislation.

The Buildmax group is committed to the principles of employment equity as well as to achieving a productive and fair working environment, free of discrimination. The group recognises the need to implement affirmative action measures to counteract the under-representation of certain designated

groups in the workplace through recruitment, training and promotion of HDSA's.

Wherever possible, appointments are made in line with these employment equity plans and in compliance with legal statutory provisions. In support of these targets and current legislation, the group places special emphasis on recruiting, training and promoting employees from local communities, particularly HDSAs and women, taking into account the available skills pool in that particular area.

The group's operations, in the Mining and Quarrying businesses, are in remote locations and therefore, the attraction and retention of HDSA's in production and management positions has proved to be challenging. The entities in the Mining and Quarrying businesses have initiated several training initiatives which aim to identify, train and develop HDSA's to fulfil these leadership and management positions in the future.

All employment equity targets are set annually and detailed in the Buildmax subsidiaries' employment equity plans which are submitted to the South African Department of Labour. The individual entities report against these targets monthly to the group's head office.

**Women in mining** – The Mining Services and Quarrying business units have further embarked on decisive steps in appointing, training and developing women within the operations of both business units. There is a fair representation of women operators, safety officers as well as screening operators, on the quarrying side.

### Total number of employees and labour hire staff complement at 28 February 2011:

	%	By gender	Male	Female	By race	Black	Coloured	Asian/ Indian	White
Non-Executives-Directors	0,3	7	7	–	7	2	–	1	4
Salaried-Directors	0,8	20	17	3	20	3	–	–	17
Salaried-Department Head	2,3	56	49	7	56	1	7	1	47
Salaried-Employees	14,3	345	246	99	345	57	25	8	255
Salaried-Contractors	0,9	21	21	–	21	2	4	–	15
Waged-Employees	58,5	1 406	1 370	36	1 406	1 363	12	2	29
Waged-Labour Hire	21,7	521	483	38	521	471	3	–	47
Waged-Casual	1,2	29	28	1	29	28	1	–	–
<b>Total</b>	<b>100,0</b>	<b>2 405</b>	<b>2 221</b>	<b>184</b>	<b>2 405</b>	<b>1 927</b>	<b>52</b>	<b>12</b>	<b>414</b>
			92,3%	7,7%		80,1%	2,2%	0,5%	17,2%

### Employment equity statistics excluding labour hire and casuals for the year ended 30 September 2010:

Name	By gender	Male	Female	By race	Black	Coloured	Asian/ Indian	White
Top management	10	8	2	10	–	–	–	10
Senior management	33	27	6	33	1	2	–	30
Professionally qualified and experienced specialist and middle management	122	110	12	122	25	2	–	95
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	761	727	34	761	602	49	1	109
Semi-skilled and discretionary decision-making	471	442	29	471	423	13	2	33
Unskilled and defined decision-making	182	162	20	182	179	2	–	1
Temporary employees	1	1	–	1	1	–	–	–
Headcount as at 30 September 2010	1 580	1 477	103	1 580	1 231	68	3	278

### Employee turnover excluding labour hire and casuals for the year ended 30 September 2010:

Name	By gender	Male	Female	By race	Black	Coloured	Asian/ Indian	White
Headcount at 1/10/09	1 656	1 538	118	1 656	1 191	70	4	391
Appointments	236	204	32	236	163	23	2	48
Resignations	(87)	(68)	(19)	(87)	(20)	(3)	–	(64)
Retrenchments	(133)	(112)	(21)	(133)	(36)	(11)	–	(86)
Dismissals	(75)	(69)	(6)	(75)	(54)	(11)	(3)	(7)
Retirement	(9)	(8)	(1)	(9)	(6)	–	–	(3)
Death	(8)	(8)	–	(8)	(7)	–	–	(1)
Headcount at 30/9/10	1 580	1 477	103	1 580	1 231	68	3	278

### Respect for human rights

Buildmax operates in South Africa and is guided by the human rights policies detailed in the South African Constitution. South Africa's endorsement of various International Labour Organisation principles relating to forced, compulsory or child labour is also binding on the group.

There were no contraventions of these principles for the period under review.

### Remuneration

Buildmax aims to be a fair employer, offering employees salaries, wages and benefits that are both market-related and reward individual effort. Benefits in addition to monthly salaries and weekly wages include contributions to several medical aid schemes and pension/provident funds, maternity leave, and housing allowances (where applicable).

Remuneration policies within the Buildmax group have evolved independently from one subsidiary company to another for a number of years, resulting in some diversity amongst these companies. Accordingly a decision was taken during 2010 to rationalize policy and introduce an integrated group policy. A senior human resources executive and a consulting firm were appointed in 2010 to assist with this process, which will continue in 2012. Refining the policy is an ongoing process but significant progress has been made.

One of the most important objectives of the financial reward system is to attract employees who have outstanding

competencies and people skills into appropriate positions, in all business units. Furthermore, it is Buildmax's aim to build long-term relationships with its employees, providing a career opportunity for each, whilst also securing the benefits of their talents, entrepreneurial flair and loyal service on a sustainable basis.

The remuneration philosophy of the group recognises that each employee is making an important contribution in a different way and at a different level to ensure that:

- The group, through the actions of the senior management teams of the business units, is able to meet demanding financial targets in competitive markets, requiring the coordination of many factors in complex supply chains;
- The management of the group's Mining Services business unit develops technical skills, service excellence and operational efficiency in a challenging environment – with a focus on transforming the business from a contract mining business to an "integrated mining supply chain service provider".
- Our employees in the Construction Materials business unit are expected to develop manufacturing excellence, sell products, deliver on time to project sites in remote regions, capture and nurture customer loyalty in every segment of this business.
- Whilst embracing the philosophy of transformation at all levels in the organisation, strong leadership and entrepreneurial flair remains strategically critical, especially at top management level.

## Social performance *(continued)*

The group's remuneration policies accordingly are therefore flexible and adaptable on a situational basis. These policies are strongly influenced by the following set of beliefs:

- The guaranteed annual cost to company package must provide all employees with pay which is adequate and market-related, with appropriate benefits.
- Variable pay must incentivise both team and individual effort. The group's incentive schemes must serve as an enabler with which line managers can attract, motivate and retain staff of the calibre that is required to achieve organisational goals.
- Talent must be attracted and retained at top management level to provide shareholders with the assurance that the group is managed by a team which can ensure profitability and adequate financial returns in the long-term.

The group's employees are treated as a major and important stakeholder and these remuneration policies are being reviewed continuously by Remco to ensure employment and compensation equity, as recommended by the King III report.

### Key policies affecting guaranteed pay:

- The remuneration of hourly-paid employees and other employees that fall within the bargaining unit is negotiated with representative trade unions, except in those instances where there are industry-wide bargaining agreements. The group will continue to respect these agreements;
- The remuneration of executive management and other employees will be contracted on an all-inclusive annual package basis. This includes all the costs related to employment, such as the cost of travel, contributions by the group to retirement savings, catastrophe insurance and medical aid schemes;
- Each year salary scales will be reviewed. The minimum for each graded position will be fixed at a level which is 25% below the market median and the maximum 25% above the market median;
- Salary increases are negotiated and recommended by the manager of each group company, but require approval by the Exco. The overall principles adopted will be approved by Remco;
- Executive management and senior managers takes part in an incentive bonus scheme that is based on pre-determined financial and non-financial targets and includes an assessment of the individuals overall performance. These targets include measures of corporate and, where applicable, operational performance as well as the achievement of individual performance against pre-determined objectives related to the group's key business strategies and requirements;
- The details of service contracts concluded with executive directors are as follows:
  - Terry Bantock:
    - Effective date: 1 February 2010;
    - Duration: fixed term of 30 months after which it is indefinite, subject to six months' notice and summary termination by the company in certain instances;
    - Capacity, function and duties: the executive has been appointed as the CEO of the company; and

– Remuneration:

- an annual cost to company guaranteed package as disclosed in the directors report on page 44;
- minimum R1 000 000 guaranteed bonus for the financial year ending 28 February 2011 and participation in the group's future short term incentive bonus scheme based on pre-determined financial and non-financial targets including an assessment of the individuals overall performance ; and
- participation in the company's long term share incentive scheme the terms of which will be finalised during the 2012 financial year.

• Christie Els:

- Effective date: 1 April 2010;
- Duration: indefinitely, subject to summary termination by the company in certain instances;
- Capacity, function and duties: the executive has been appointed as the financial director and chief financial officer of the group;
- Remuneration:

- an annual cost to company guaranteed package as disclosed in the directors report on page 44;
- a minimum R1 000 000 guaranteed bonus for the 2011 financial year and future participation in the group's short term incentive bonus scheme based on pre-determined financial and non-financial targets including an assessment of the individuals overall performance ; and
- participation in the company's long term share incentive scheme the terms of which will be finalised during the 2012 financial year.

- The executive managements' and certain of the key executives' services contracts contain, except for the agreement concluded with Terry Bantock, terms and conditions that are standard in nature and are terminable on 1 to 3 months notice. The service contracts contain non-compete provisions in terms of which the executive directors and certain executive management are restrained from competing with the group during their employment and for a period of up to 24 months after termination. No consideration was paid for the non-compete agreements; and
- In those instances where management fulfils the role of a director of Buildmax Limited and/or any of its subsidiaries, no additional compensation is paid for these services.

### Labour relations

The Buildmax group recognises the right of every employee to exercise freedom of association and to join a trade union of their choice to collectively represent their interests. NUM is the biggest and most represented union in the group. The individual entities in the group, where NUM is the dominant union, negotiate with NUM on all substantive issues such as wages, conditions of employment and other issues affecting employee rights in the workplace. In the Mining Services business unit the group managed to sign a three-year agreement with NUM that expires on 28 February 2013.

The National Union of Metalworkers of South Africa and National Democratic Change and Allied Workers Union are the other registered trade unions active at the group's operations. No long-term wage agreements have been negotiated and signed with these Unions.

Furthermore, the group has worked with the unions and employee representatives in all its business units to establish employee forums. These forums meet frequently and the main purpose is to share information pertaining to the business and transformation. This also serves the purpose of complying with the imperatives of the Employment Equity Act.

#### Union representation in the Buildmax group at the end of the 2011 financial year:

Group subsidiary	NUM	NUMSA	NDCAWU	Total number of union members	Percentage of total workforce
Diesel Power Open cast Mining	528	–	–	528	38,1%
Cast Industries	30	–	–	30	42,9%
Watson Concrete	30	–	–	30	21,1%
Wit Deep Sand & Stone	2	–	12	14	10,4%
S Burde & Kensmark	–	95	–	95	87,2%
Columbia DBL	82	–	–	82	41,2%
Total	672	95	12	779	32,4%

### Training and development

A key initiative of the Buildmax group is to nurture and develop the group's skills base internally so as to meet both the current and future skills requirements of the organisation. The group's culture offers an environment of advancement and provides various training programmes to assist employees to advance in their careers. Given the diverse range of activities carried out by the group in its daily operations, there are numerous opportunities for employees to gain practical experience. Continuous training and development provide employees with the skills to improve not only their efficiency and safety in their working environment but also their ability to progress within the group.

During the year under review the group provided classroom and on-site training covering production, safety and certain administrative functions to 3 814 trainees totalling 333 836 hours.

### Adult Basic Education Training

In recognition of a number of legacy issues and in support of our objective to develop and promote our own employees, as well as to enhance our levels of effectiveness and efficiency in business, Buildmax made a decision to identify and remove identifiable barriers to upward mobility by our employees. It became evident that numeracy and literacy, particularly at the junior levels of the group, was a major barrier. To that end, the group has embarked on an ABET programme, starting at level 1 through to 3. The plan is to articulate this with the National Qualifications Framework levels, which will then enable our employees to be trained and developed for higher levels of deployment and promotion within the group.

### Health and safety

The health and safety of our employees and sub-contractors in all the group's business units is the highest priority for Buildmax. In addition to risk management processes, the group has

various strategies, systems and training in place to ensure that workplaces are safe and to encourage a healthy lifestyle for our workforce. Health and safety awareness is encouraged amongst all levels of employees.

The group is proud to report that there were no fatalities at any of its Mining, Quarrying and other operations for the period under review.

### Managing health and safety

The group encourages active participation by all employees, including contractors, and their various representatives in health and safety-related matters. Health and safety committees as well as health and safety collective agreements are in place at all operations, in line with the Mine Health and Safety Act of (29 of 1996) and the Occupational Health and Safety Act, 2003. These committees meet on a regular basis to discuss and resolve health and safety-related challenges.

### Safety performance

The Buildmax SHECQ Management System has been successfully implemented, maintained and monitored for the purpose of continual improvement. Our ongoing commitment towards our values and customer requirements has driven us to meeting best practice in SHECQ. The Buildmax SHECQ Management System was assessed and certified by SABS to confirm compliance with two SABS standards, namely ISO 9001: 2008 (Quality Management) and the OHSAS 18001: 2007 (Occupational Health and Safety) standards with no exclusions and also received benchmark results from Unisa on internal and external communication processes.

Buildmax is committed to making "Efficient Zero Harm Production" a reality and this is achieved with the combined commitment of every member of our team and other relevant stakeholders.

## Social performance *(continued)*

The Lost Time Injury Frequency Rate in the group's Mining Services operations was 0,05 [calculated as (total injuries × 200 000)/total man hours worked]. This equated to only two incidents during the course of the 2011 financial year – an outstanding achievement when benchmarked against industry norms.

The group's construction and manufacturing operations recorded 47 incidents where employees sustained minor injuries. None of these resulted in the ceasing of production activities at any of our plants.

### Organisational health and wellness

Buildmax initiated an Organisational Health and Wellness programme that was implemented subsequent to year-end. The programmes' goal is to encourage employees to change their lifestyles through organised activities and interventions, and to move towards healthier lifestyle choices and optimal health. The objective of the Employee Wellbeing Programme is to identify health risks, provide health education and influence positive behaviour change as well as to help enhance performance.

A systemic view of Organisational Wellness is imperative. The individual, the team and the organisation's health and wellness are all intricately linked. The Wellness Programme encompasses supportive measures, as well as educational, proactive or preventative measures. These can be attained through better nutrition, cessation of smoking, weight loss, better management of high blood pressure or high cholesterol or initiating a regular exercise programme, to mention a few. These initiatives reduce the likelihood of chronic health problems developing amongst the staff (which would affect productivity), and can also, in the longer term, lead to healthier and happier employees, which in turn boosts productivity and bottom line.

### HIV/AIDS

In the group's Mining Services operations 2 055 medicals were performed during the period under review. While the group tends to utilise its customers on-site medical facilities, we continue to build heightened awareness of healthy lifestyle choices and support mechanisms through the Employee Wellness programme. At these facilities our workforce is

exposed to induction programmes that include awareness and prevention of HIV/AIDS, diabetes, tuberculosis, hypertension, drug and alcohol abuse.

The group recognises that it has a responsibility to ensure fair, compassionate and non-discriminatory treatment of those, who may be impacted by the disease. A policy that encourages training, education, voluntary counselling and testing is being finalised for approval by the Board.

### Corporate social investment

The group is committed to identifying and investing in sustainable projects in conjunction with local communities. The group is also committed to taking a holistic and structured approach to corporate social investment.

Some of the corporate social investment projects that the group undertook during the year are:

**Warburton Combined School** – The Warburton Combined School started in 1936 and has an enrolment of 941 learners, from grade 1 through to grade 12. Most of the learners live in the nearby rural village called Nganga and on neighbouring farms. Unemployment is a general problem in the community, and most of the learners are brought up by members of the extended family whilst others stay alone in child headed households.

Buildmax has agreed to sponsor the material for a new kitchen the school needed to build. Buildmax supplied and delivered all the material required to complete this project.

**“Loved Ones of God” project** – The centre provides temporary shelter for roughly 100 homeless adults and 25 children of all ages in Brakpan (Gauteng). The centre consists of 25 Wendy houses and caravans, women's and men's hostels.

After establishing the immediate needs of the Centre, Buildmax management and staff donated clothing, blankets, groceries, toys and books for school projects for the children.

Buildmax has committed to assisting the residents of the Loved Ones of God wherever it can.



Warburton Combined school



“Loved Ones of God”

**Tour de Tuli** – Buildmax decided to sponsor a portion of the logistics requirement of this year's Tour de Tuli. The showers used by the cyclist taking part in this event were transported by Diesel Power in seven light delivery vehicles sponsored by the same company. Buildmax's sponsorship, together with donations from several other South Africa companies, ensured that the funds generated from this event are used to ensure that critically threatened environments are conserved through exposing the youth of Southern Africa to their wildlife heritage, which will help them to learn to appreciate the value of our wildlife and wilderness areas as well as its potential to create value and a livelihood for their communities

The Tour de Tuli operates under Tour de Wilderness which is an umbrella brand that manages and coordinates all fundraising activities on behalf of Children in the Wilderness. "Children in the Wilderness" is a non-profit organisation that was created alongside Wilderness Safaris and is a lifeskills educational programme which is aimed at bridging the divide that exists between communities and wildlife.

**Vegetable gardens** – The group's quarries are located in regions where little other economic activity takes place. To assist the surrounding communities, management decided to allocate

a portion of the group's vacant land, adjacent to the Alfa/Verlesha quarry, for agricultural purposes. The Metsweding Local Municipality was consulted and approved the project. The quarry operations in the group each contributed financially to the establishment of this project and will continue to fund additional infrastructure development. It has been agreed with the DMR that the project will grow from the initial phase to an agricultural project covering an area of 25ha.

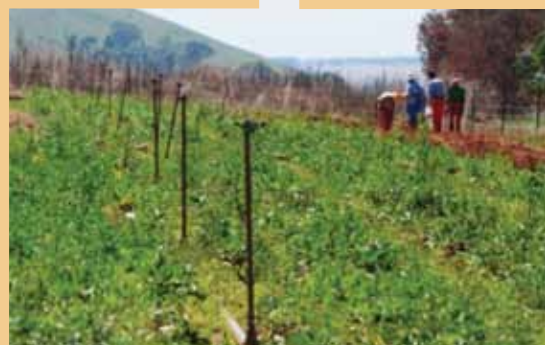
To date the group has undertaken the following tasks:

- Securing property on which to develop the project;
- Erecting a fence around the property;
- Undertook the agricultural planning of the land and installing the necessary infrastructure such as boreholes and irrigation;
- Provided skilled agricultural tutors to train and assist the beneficiaries; and
- Together with the Local Economic Development department of the Metsweding Municipality selecting beneficiaries of the project.

**Beadmaking** – Crushco and Verlesha have assisted 10 ladies to establish a beadmaking business. This project is currently self-funding through their own marketing initiatives.



*Tour de Tuli*



*Vegetable gardens*

### Key features of 2011

- The Mining Services Business Unit does not own any prospecting and/or mining rights
- The group's Quarry operations own prospecting and mining rights. The appropriate rehabilitation exposure were provided for in the group's financial statement
- Recycled water accounts for 90% of the group's requirement in the processing of sand
- No spillages which could have had a negative impact on the surrounding environment occurred during 2011

The Buildmax group is committed to world-class environmental stewardship and thorough ecological management in our opencast mining, quarrying and manufacturing activities. The necessary policies and practices have been put into place to ensure that the group's operating entities are managed within the relevant legal and statutory parameters.

### Managing environmental impacts

**Opencast mining operations** – does not own any prospecting and/or mining rights and operates on customers' sites. The business unit's responsibility, in terms of SHECQ, is stipulated and agreed to in the individual opencast mining contracts. In certain instances the group is expected to perform rehabilitation services on behalf of customers. Most opencast mining activities take place on brownfields operations acquired by customers and in general these would already be in a disturbed state. Although management might provide input into the mining plan, once the tender has been awarded, customers are ultimately responsible for the development of the initial mining and rehabilitation plans. No closure liabilities are provided for and no liability existed at the end of the financial year.

**Quarry operations** – owns prospecting and mining rights. Within this regard, the group is responsible for the rehabilitation of land to appropriate land use where this is possible. As a minimum these operations adhere to the environmental laws, regulations and permits associated with mining activities, in particular the MPRDA and NEMA. As is required by legislation each operation has an EMP in place. These EMPs are legally binding documents that have been submitted to the regulatory authorities, and performance against these is regularly reviewed.

As is required by law in South Africa, closure liabilities have been estimated for all such operations. This is based on the cost to rehabilitate land should all quarries cease to operate immediately, which is improbable. Financial provisions have been made and proof of this has been submitted to the DMR.

There are no protected areas in close proximity of the group's quarrying operations.

The extent of the group's rehabilitation provisions are disclosed in note 20 to the annual financial statements.

**Manufacturing operations** – in these entities the group's facilities are situated in industrial areas adjacent to major cities. These operations adhere to the applicable legislation enforced by the local municipalities.

No environmental fines were levied against the group during the period under review.

### Environmental performance

Within the group, environmental risks and impacts vary from operation to operation. The primary environmental concerns for the group are: water management, carbon emissions, waste management and disposal and contractual closure responsibilities and management.

The group has implemented the necessary control measures to ensure, where possible, the prevention of potential pollution and to mitigate the negative impact of actual pollution to air, land and water. Underpinning the group's approach to environmental performance and reporting is open and honest communication with all stakeholders on environmental matters.

The group is proud to report that no spillages which could have had a negative impact on the surrounding environment occurred during the period under review.

### Water management

The group recognises the fact that water is a scarce resource in South Africa and that this situation might further deteriorate in the future. It also acknowledges that the group's operations together with climate change are placing increasing pressures on this limited resource. Water management is therefore a key concern for the group.

**Opencast operations** – pump underground water from individual mining pits to customer storage facilities. The management of these facilities remains the responsibility of the customer.

**Quarrying operations** – is registered with the DWA as a water user. The next step to legal compliance is to obtain Integrated Water Use Licences for each of the operations from the DWA that govern water usage and discharge into the natural environment. Processed water is kept separate in settlement ponds, and re-used in the mining activities after the fine material has settled. The recycled water accounts for 90% of the requirement in the processing of sand and is supplemented by stormwater and seepage collected within the individual mining basins. Methods to reduce water usage are being investigated.

**Manufacturing operations** – used 32 355 kilolitres of municipal water in the production of 247 888 tons of cement-based products. Due to the nature of these production processes there are limited opportunities for reducing actual water consumption.

#### **Energy consumption and greenhouse gas emissions**

The group's energy consumption is primarily electricity sourced from the national energy utility, Eskom, either directly or via our customers' site infrastructure. Various energy saving and cost reduction initiatives are being identified for implementation in 2012. Training plays a pivotal role in creating awareness on climate change and employees are encouraged to switch off lights when leaving a room, as well as turning off computers at the end of the day as an energy saving measure. The group also encourages the electronic storage (if possible) of emails and other documents.

Due to the nature of the operations in the Mining Services business unit the group generates significant amounts of carbon

emissions. Opportunities to reduce these emissions, however, are limited. The group remains committed to exploring initiatives to reduce these emissions.

#### **Materials usage**

The primary materials used by the company in its production activities are fuel, lubricating oil, tyres, consumables and spares. The efficient and safe usage of these materials form part of the group's environmental management programme. The safe disposal of second-hand tyres remains problematic and the group has consulted with its tyre supplier and manufacturer to identify methods of disposal that will not have a long-term negative impact on the surrounding environment.

The group also purchases lubricating grease, oils, consumables and spares in line with Original Equipment Manufacturers' specified maintenance programmes. These items are disposed in terms of the local municipality legislation and no fines were levied on or paid by the group in the period under review.

#### **Materials used during the year under review:**

Diesel supplied by customers and used in mining operations (ℓ) <sup>1</sup>	33 979 667
Diesel and petrol directly acquired by the Group and used in its operations (ℓ)	2 663 015
Number of tyres used in mining and other operations	1 603
Oil and other lubricants used in mining and other operations (ℓ)	623 205

<sup>1</sup> Excludes diesel used by equipment rented to third parties

### Key features of 2011

- Raised R300,5 million through a successful rights issue to qualifying shareholders
- Increased revenue from continuing operations by 4,7%
- Operating losses reduced by more than 50% during the last six months of the current financial year
- Reduced interest-bearing debt by 56%

Although Buildmax again reported a loss for the year under review, it did achieve several objectives in terms of the turnaround strategy implemented at the beginning of the 2011 financial year. The most significant highlights are listed below:

#### Corporate highlights during the 2011 financial year were:

- Raised R300,5 million during November 2010 through a rights issue to qualifying shareholders;
- Management and the group's bankers agreed on revised, less onerous covenants for existing asset-based financing facilities in the group's Mining Services business unit;
- The controlled wind-down of Vukuza was successfully implemented;
- The group continued with the strategy to dispose of its surplus mining equipment at reasonable values in a depressed second-hand market;
- Subsequent to the end of the 2011 financial year the group managed to secure adequate funding facilities for its capital replacement programme for the 2012 financial year.

#### Key features of the company's financial performance as at 28 February 2011 were:

- Revenue from continued operations increased by 4,7% to R1,3 billion;
- Operating losses reduced by more than 50% during the last six months of the reporting period compared to the first six months and the last six months of the previous financial year;

- Overall, the group's basic loss reduced by 63,8% compared to the previous financial year;
- The group managed to reduce its total interest-bearing debt by 56% to R289 million thereby creating a stronger balance sheet that will be used as a base to fund future growth.

### Direct value added by Buildmax

The direct value created by the group through its diverse business operations and activities includes: revenue generated by the various entities in its three business units, operating costs, employee compensation, payments to land owners and payments to the South African government (in the form of taxes and levies).

The group contributes to the overall growth of the country through:

- Investing in skills development and training;
- Creating job opportunities;
- Supporting local, small and medium business enterprises whenever possible; and
- Corporate social investment programmes.

The group does not receive any financial assistance from the South African government.

## Value Added Statement

as at 28 February 2011

	2011		2010	
	R'000	%	R'000	%
<b>Value added during the year</b>				
Revenue	1 369 214		1 805 584	
Other operating income	48 596		14 699	
Cost of sales and other services	(958 363)		(1 257 608)	
Value added from operations	459 447	98,5	562 675	97,3
Interest received	6 796	1,5	15 430	2,7
<b>Wealth created</b>	<b>466 243</b>	<b>100,0</b>	578 105	100,0
<b>Distributions during the year</b>				
Management and employees	264 155	56,7	272 636	47,2
Providers of capital	41 759	9,0	101 856	17,6
Government	67 472	14,5	74 618	12,9
– SA Normal income tax	4 881		9 652	
– Employee taxes, skills development and other levies	57 128		59 874	
– Royalties	5 294		4 992	
– Fines and penalties	169		100	
Reinvested in the group	92 857	19,9	128 995	22,3
<b>Wealth distribution</b>	<b>466 243</b>	<b>100,0</b>	578 105	100,0
Number of employees at reporting date	2 405		3 450	
Revenue per employee	569		523	
Wealth created per employee	194		168	

