Commentary

OVERVIEW

Group Five is pleased to announce its fifth consecutive year of earnings growth and a second consecutive year of improved cash generation, bearing testimony to the success of a strategy which focuses on profitable, cash-positive growth.

Revenue increased during the year by 16.2% to R4 939 million (2004: R4 252 million) and operating profit increased by 10.4% to R197,7 million from R179,1 million. Earnings per share improved by 11.4% to R1,90 from R1,71 and headline earnings by 12.2% to R1,52 from R1,35.

Continued efforts in leveraging working capital effected a R102,9 million generation of cash (2004: R56,4 million). This resulted in a decrease in finance costs of 7.9% to R31,4 million (2004: R34,1 million).

These solid results were achieved in tough market conditions, particularly given the effects of a strengthening Rand. The Rand strengthened on average during the year by approximately 11.8% against the US Dollar, negatively affecting the contribution of revenue from over border work and increasing the level of import competition in the manufacturing businesses. Over border work is generally secured at higher margins. The strengthening Rand also continued to have a negative effect on local mining related work and, together with a lack of government infrastructural spend, resulted in group profit margins decreasing from 4.2% to 4.0%. The Civil Engineering and DPI Plastics businesses were particularly affected. Margins were also impacted by a lower fair value adjustment arising on the investments in service concessions of R35,7 million as compared to R48,5 million during 2004.

The effective tax rate of 18.5% is in line with the prior year of 18.6%. This reflects profits earned in jurisdictions with lower tax rates than South Africa and the utilisation of tax losses in South Africa for which no deferred tax was previously provided.

The final dividend has been increased by 10.3% to 32 cents per share (2004: 29 cents). Total dividends for the year increased by 11.4% to 49 cents (2004: 44 cents), which is in line with the current policy of four times covered.

OPERATIONAL REVIEW

Property Development Services

Property development services performed well, increasing operating profit by 89% to R15,8 million (2004: R8,3 million). This was due to the focus on specifically identified commercial, industrial, retail and residential projects. Although the residential market demand has shown signs of decreasing in certain areas in South Africa, coastal demand continues to grow. Commercial, industrial and retail opportunities also continue to improve. The business is currently reviewing approximately 50 potential projects. Through the use of a formalised risk filter, projects are accepted or rejected at an early stage with approximately 20% of projects being ultimately pursued.

Construction

Construction, which contributed 77% (2004: 75%) to group revenue, increased revenue by 20% to R3 808 million (2004: R3 182 million). A significant overall improvement in the construction businesses resulted in operating profit increasing 55.3% to R73 million (2004: R47 million) with overall profit margin percentage improving to 1.9% (2004: 1.5%).

Revenue from over border work contributed 41% (2004: 44%) of total construction revenue and was affected by the strengthening Rand during the year.

Buildings/Housing, which contributed 60% (2004: 60%) to total construction revenue, increased revenue by 18.3% to R2,269 million (2004: R1,917 million). Overall profit margin percentage declined by approximately 1.4%. This was primarily due to the adverse effect following the completion of an exceptional Angolan housing project in the prior year, as we cautioned at interim stage, and the effect of a lower contribution from higher margin over border contracts due to the year on year strengthening of the Rand.

The business currently has a strong secured order book for the next financial year of approximately R2,4 billion, at improved margins.

Engineering Projects had an outstanding year, with revenue increasing by 75.6% to R487,9 million (2004: R277,7 million) and operating profit increasing by 66%. The focus on over border mining opportunities, together with projects in the heavy industrial, power, oil and gas sectors, has proved successful and will be continued. The secured order book, which currently boasts the highest margins in the construction order book, for the next financial year is R250 million.

Roads and Earthworks' revenue of R356,5 million was 16.7% less than the R428 million achieved in the prior year and below the targeted revenue of approximately R420 million. This was mainly due to competitive market conditions. However, as the group promised, this business achieved break-even at the operating profit line, compared to an operating loss in the prior year. The current secured order book for the next financial year is R270 million and the business is expected to return to profitability.

Revenue from the local and African Civil Engineering business increased by 24% to R695,2 million (2004: R558,8 million), although an overall operating loss was incurred due to a significant downturn in government infrastructural and local mining spend, resulting in overhead under-recoveries. With a current order book of over R400 million and numerous tenders being evaluated, the business is expected to return to profitability.

Revenue and operating profit were positively affected by the formation of a civil engineering business in Dubai towards the end of the previous financial year. A total twelve-month order book of R680 million has been secured in this region alone. The current total civil engineering order book for the next financial year is R1,1 billion and is expected to increase further with the planned government infrastructural spend in South Africa.

Manufacturing

Manufacturing contributed 16% (2004: 17%) of total revenue. Despite the continued presence of imports in the local market and problems experienced by DPI Plastics, manufacturing maintained operating profit. Revenue increased by 10.3% to R793 million (2004: R719,5 million) and operating profit decreased slightly to R63 million (2004: R65 million).

Everite Building Products had another successful year, with revenue increasing by 20.5% to R431,8 million (2004: R358,3 million) and operating profit increasing by 47.4%. For the first time in many years, the factory regularly operated at full capacity.

Despite import competition, overall price increases of 7% were achieved through a focused development of the value added range of products as commodity price adjustments remained under threat. Volume growth of 13% was experienced, with strong performances in the Cape, KwaZulu Natal and Eastern Cape.

Vaal Sanitaryware performed well in tough trading conditions, with revenue remaining constant at approximately R101 million. The overall profit margin percentage decreased by approximately 3.8% due to import and competitor strength, which resulted in virtually no sales price increases in the current year.

In addition, yield/recovery problems experienced in the factory during the first quarter of the 2005 calendar year, primarily due to the delayed commissioning of robotic technology, resulted in under-recoveries in the factory and a subsequent negative effect on margins. This has since been rectified and yield percentages are currently approaching benchmarked levels.

DPI Plastics had a tough year. The explosion at the Sasol Secunda plant interrupted supplies and increased the cost of raw material between November 2004 and January 2005. Revenue and margins were severely affected by a significant decline in civils projects in South Africa. In addition, the drive to lower costs and improve productivity resulted in industrial action in the South African factories. This has subsequently been resolved.

As a result, revenue decreased by 5.6% to R245,7 million (2004: R260,3 million) and the overall profit margin percentage decreased by 3.8%. The civils market is showing signs of improvement and the business is expected to improve current margins.

The Group Five Pipe factory in Meyerton, which is 50% owned by Group Five, was decommissioned 18 months previously due to specific orders obtained and produced a small operating profit.

Operations and Maintenance

Excluding fair value adjustments, Intertoll had a tough year with revenue declining by 22.7% to R157,3 million (2004: R203,4 million) and operating profit declining by approximately 30%. This was primarily due to the ongoing disappointing results from the Indian operations due to contractual delays relating to higher margin equipment supply revenues. Executive management attention is being paid to this operation. WSSA performed well and improved its operating profit.

A fair value adjustment of R35,7 million (2004: R48,5 million), recorded in the current year, included R3,1 million (2004: Rnil) relating to the recently signed investment in the Polish toll road concession and R32,6 million (2004: R48,5 million) relating to the Hungarian toll road concession. No fair value adjustment arose on the Indian toll road concession.

PROSPECTS

Prospects for 2006 are encouraging and double digit earnings growth is expected.

The group starts the year with a record construction order book of over R4 billion (2004: R3,0 billion) of which 53% is over border and at better average margins than the local work. Additional construction capacity of R1,5 billion exists in the group, which is expected to be matched through the roll out of local government infrastructural spend, additional commercial, retail, industrial and residential project opportunities in South Africa, and over border opportunities. The local and African civil engineering business is expected to return to profitability as the market turns.

Manufacturing growth is anticipated. This will be particularly due to the continuance of housing and property related expenditure, and accelerated affordable housing initiatives led by government, as well as the expected turn in the local civils market, which will have a positive effect on DPI.

As the Indian and Hungarian toll road concessions have moved from the construction to the operations and maintenance phase and the traffic risk is minimised, further fair value adjustments are expected. The Polish concession has not commenced the construction phase as yet and, therefore, fair value adjustments are limited in the medium-term.

On behalf of the board

D Paizes	**MH Lomas**
Chairman	Chief Executive Officer

8 August 2005

Condensed Income Statement (R'000)

	AUDITED	
	Year ended 30 June	
	2005	2004
Revenue	**4 938 838**	4 252 175
Operating profit	**197 720**	179 121
Finance costs	**31 399**	(34 085)
Profit before taxation	**166 321**	145 036
Taxation	**(30 723)**	(27 012)
Profit after taxation	**135 598**	118 024
Minority interests	**(1 898)**	(2 600)
Net profit	**133 700**	115 424
Determination of headline earnings:		
Net profit	**133 700**	115 424
Deduct after tax effect of		
– Fair value increase in investment property	**(5 088)**	(5 491)
– Profit on disposal of property, plant and equipment	**(21 975)**	(18 562)
Headline earnings	**106 637**	91 371
Operating profit is stated after (charging)/crediting:		
Income/(loss) from associates	**2 904**	(6 026)
Fair value increase in investment property – net	**6 690**	6 814
Fair value increase in investments – net	**35 702**	48 465
Depreciation and amortisation	**(95 520)**	(97 144)
Foreign exchange gains/(losses) – net	**3 484**	(33 517)

Condensed Balance Sheet (R'000)

	AUDITED Year ended 30 June 2005	2004
ASSETS		
Non-current assets		
Property, plant and equipment	**616 940**	576 436
Investments – service concessions	**119 079**	101 443
Other non-current assets	**60 351**	49 855
	796 370	727 734
Current assets		
Other current assets	**1 735 045**	1 365 410
Bank balances and cash	**335 346**	275 902
	2 070 391	1 641 312
Total assets	**2 866 761**	2 369 046
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary shareholders' interest	**644 955**	536 923
Minority interests	**4 306**	11 447
	649 261	548 370
Non-current liabilities		
Interest bearing borrowings	**132 144**	130 175
Provision for post-employment obligations	**40 442**	41 515
	172 586	171 690
Current liabilities		
Other current liabilities	**1 896 298**	1 456 922
Bank overdrafts and short-term borrowings	**148 616**	192 064
Current liabilities	**2 044 914**	1 648 986
Total liabilities	**2 217 500**	1 820 676
Total equity and liabilities	**2 866 761**	2 369 046

Condensed Cash Flow Statement (R'000)

Cash flow from operating activities		
Cash from operations	**217 509**	199 836
Working capital changes	**100 662**	(21 131)
Cash generated from operations	**318 171**	178 705
Finance costs	**(31 399)**	(34 085)
Taxation and dividends paid	**(103 065)**	(54 007)
Net cash generated by operating activities	**183 707**	90 613
Fixed assets (net)	**(42 799)**	(102 674)
Investments (net)	**8 273**	24 263
Net cash utilised by investing activities	**(34 526)**	(78 411)
Net cash from financing activities	**(46 289)**	44 193
Net increase in cash and cash equivalents	**102 892**	56 395

Statistics

	AUDITED Year ended 30 June 2005	2004
Number of ordinary shares	**71 895 718**	68 560 468
Shares in issue	**73 573 023**	73 573 023
Less: Treasury shares	**–**	(4 453 432)
Less: Shares held by share trust	**(1 677 305)**	(559 123)
Earnings per share (cents)	**190,1**	170,7
Fully diluted earnings per share (cents)	**183,1**	169,8
Headline earnings per share (cents)	**151,6**	135,1
Dividend cover	**3,9**	3,9
Dividends per share (cents)	**49,0**	44,0
Interim	**17,0**	15,0
Final	**32,0**	29,0
Net asset value per share (cents)	**897,1**	783,1
Current ratio	**1**	1

Condensed Statement of Changes in Equity (R'000)

	AUDITED Year ended 30 June 2005	2004
Balance at 1 July	**536 923**	444 767
Attributable profit for the year	**133 700**	115 424
Issue of shares from share trust to employees	**6 884**	2 999
Dividends paid	**(32 552)**	(26 267)
Balance at 30 June	**644 955**	536 923

Segmental Analysis (R million) – Primary

Revenue		
Property Development Services	**95**	55
Construction	**3 808**	3 182
Manufacturing	**793**	720
Operations and Maintenance	**242**	295
	4 938	4 252
Operating profit		
Property Development Services	**16**	8
Construction	**73**	47
Manufacturing	**63**	65
Operations and Maintenance	**46**	59
	198	179

Capital Expenditure (R'000)

• Capital expenditure for the year	**168 738**	165 613
• Capital expenditure committed or authorised for the next year	**162 982**	18 715

Contingencies

There are no legal or arbitration proceedings including any that are pending or that the group is aware of or any obligations relating thereto, that have had or that may have, in the opinion of the directors, a material effect on the group's financial position and accordingly no contingencies or provisions have been raised.

Total financial institution guarantees given to third parties on behalf of subsidiary companies amounted to R1,337 million as at 30 June 2005 as compared to R862 million at 30 June 2004. The directors do not believe any exposure to loss is likely.

Accounting Policies

These consolidated abridged financial statements for the year ended 30 June 2005 are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and Schedule 4 of the South African Companies Act. The accounting policies used are consistent with those used in the annual financial statements for the year ended 30 June 2004.

The auditors of Group Five Limited are PricewaterhouseCoopers Inc., Chartered Accountants (SA), Registered Accountants and Auditors. Their unqualified audit opinion is available from the company's registered office.

From a dividend per share point of view disclosure has been provided based on the period to which the dividends relate. Basic earnings per share is calculated by dividing net profit by the weighted average number of ordinary shares in issue (000s) during the year of 70 329 (2004: 67 625). Headline earnings per share is calculated by dividing headline earnings by the weighted average number of ordinary shares in issue during the year. In both calculations, treasury and share trust shares are excluded. Fully diluted earnings per share takes into account the dilutive effect of shares held by the share trust. In terms of a general meeting held on 24 November 2004, the treasury shares were issued to the share trust.

Dividend Declaration

The directors have declared a final dividend number 55 of 32 cents per ordinary share (2004: 29 cents) payable to shareholders.

In order to comply with the requirements of STRATE the relevant details are:

Event	**Date**
Last day to trade (cum-dividend)	Friday, 23 September 2005
Shares to commence trading (ex-dividend)	Monday, 26 September 2005
Record date (date shareholders recorded in books)	Friday, 30 September 2005
Payment date	Monday, 3 October 2005

No share certificates may be dematerialised or rematerialised between Monday, 26 September 2005 and Friday, 30 September 2005, both dates inclusive.