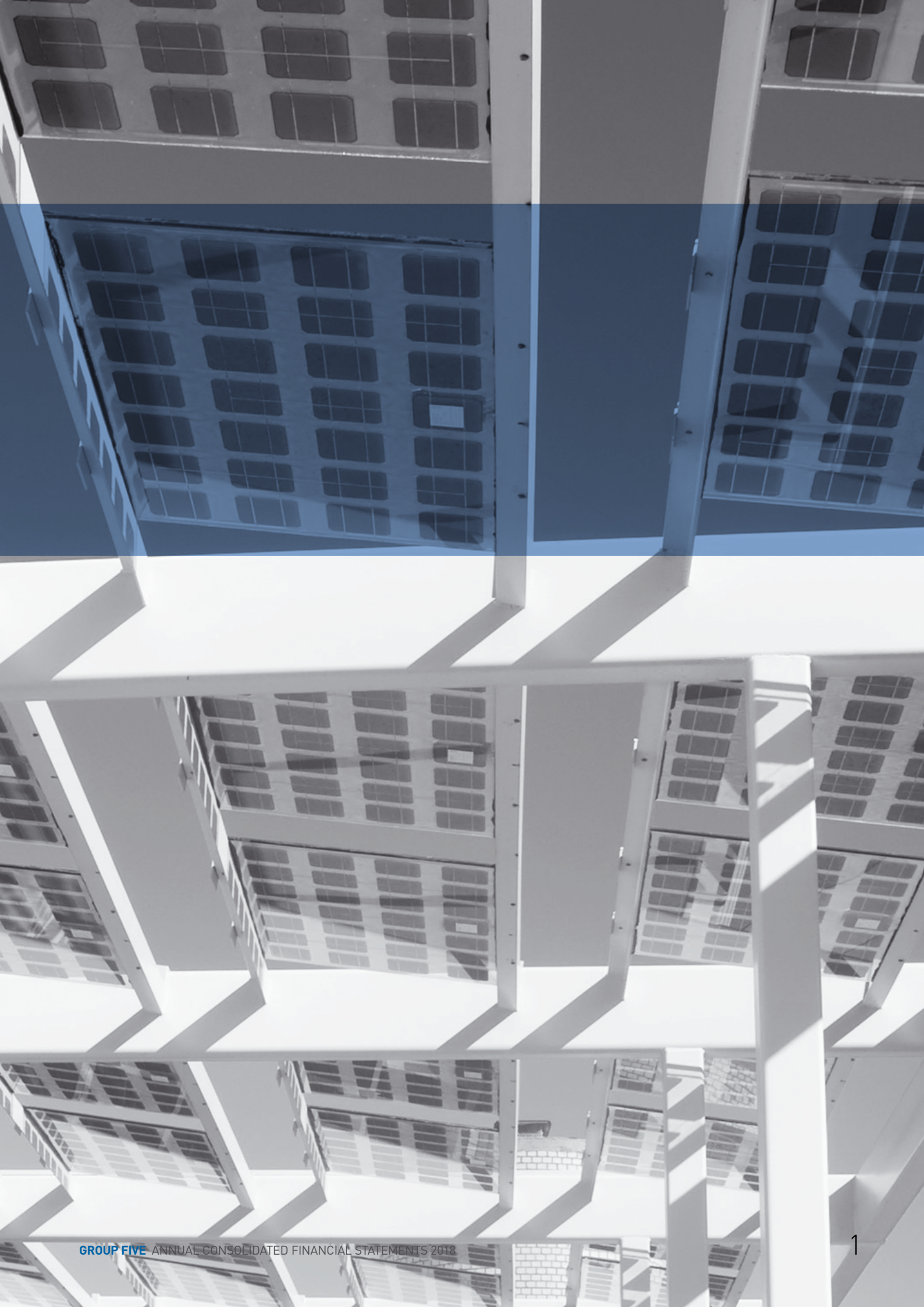


ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

for the year ended 30 June 2018

The directors are responsible for the maintenance of proper accounting records and the preparation, integrity and fair presentation of the group annual financial statements of Group Five Limited and its subsidiaries. The annual financial statements, presented on pages 15 to 115 have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act in South Africa and include amounts based on judgements and estimates made by management.

The directors acknowledge that they are ultimately responsible for the process of risk management and the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. The controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. Whilst operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management and the internal auditors that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or loss.

The going concern basis has been adopted in preparing the financial statements. Refer to note 2.1 for the assessment performed by the directors. The directors believe that the group is a going concern in the foreseeable future based on forecasts and available cash resources. The viability of the group is supported by the financial statements.

The financial statements have been audited by the independent accounting firm, PricewaterhouseCoopers Inc., which has been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. PricewaterhouseCoopers Inc.'s unmodified audit report is presented on pages 10 – 14. The financial statements were prepared by the Chief Financial Officer CA(SA) and approved by the board of directors on 27 September 2018 and are signed on its behalf by:



N (Nonyameko) Mandindi
Chairperson



ST (Themba) Mosai
Chief executive officer

27 September 2018

REPORT OF THE AUDIT COMMITTEE

for the year ended 30 June 2018

This report is provided by the Audit Committee in compliance with The Companies Act, No 71 of 2008 (South Africa) and as recommended by King IV.

MEMBERSHIP AND TRANSITION ARRANGEMENTS

The audit committee for the year under review comprised C Fernandez, JL Job, TC Kgogo, N Martin and MR Upton. Dr Job resigned on 13 August 2018.

All members are independent non-executive directors who have the requisite financial skills and experience to contribute to the committee's deliberations. The committee meets quarterly each year with ad hoc special meetings when required and the Chief Executive Officer, the Chief Financial Officer and representatives from external and internal audit, risk function and the chairperson of the main board of directors attending each meeting by invitation.

The audit committee is responsible for overseeing the content of the consolidated annual financial statements, and met on 27 September 2018 to consider the group financial results.

STATUTORY DUTIES

The committee adopts a work plan annually in advance in order to manage the discharge of its responsibilities under the Companies Act, King IV, its own charter and the JSE regulations. In addition, the audit committee pays particular attention to areas of significant judgement, including contract claims and profit recognition and assessments of uncertain taxation positions, due to the number of tax jurisdictions in which the group operates across Africa and Eastern Europe. During the current year, the committee also paid particular attention to the Kpone loss making contract, as well as the group going concern and liquidity.

The board of directors are satisfied that they have acted with the necessary degree of care, skill and diligence in the approval of the annual financial statements.

The external and internal auditors have unfettered access to the audit committee and its members, and both present formal reports to the committee. The chairperson of the audit committee meets quarterly with the Head of Internal Audit and, at least annually, the external auditors meet independently with the committee. The committee has satisfied itself that the external auditor was independent of the company, as set out in section 94(8) of the Companies Act, No 71 of 2008, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board of Auditors.

INTERNAL CONTROL

Internal audit provides the board with assurance on the group's system of internal control, and its strategy is that of a risk based approach along with compliance to policies and procedures. All wholly owned subsidiaries and joint ventures managed by the group are subject to the group's policies and procedures and system of internal control. In limited instances where the group does not operate as the lead partner, management and internal audit are responsible for assessing the adequacy of the control environment of these entities. The audit committee has considered the results of internal audit report and takes reliance on the systems of internal control based upon the results of these reviews.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Following our review, and having regard to all material factors and risks that may impact on the integrity of the consolidated annual financial statements, we accordingly recommend the consolidated annual financial statements of Group Five Limited for the year ended 30 June 2018 to the board of directors for approval on 27 September 2018.



C (Cora) Fernandez
Chairperson of the audit committee

27 September 2018

STATEMENT OF COMPLIANCE BY THE COMPANY SECRETARY

for the year ended 30 June 2018

I certify that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, No 71 of 2008 (South Africa) in respect of the year ended 30 June 2018, and all such returns are true, correct and up-to-date.

A handwritten signature in black ink, appearing to read 'N Katamzi', with a large, stylized loop at the end.

N (Nonqaba) Katamzi
Company secretary

27 September 2018

DIRECTORS' REPORT

for the year ended 30 June 2018

NATURE OF BUSINESS

Group Five Limited is an investment holding company with interests in the building, infrastructural and engineering sectors. The company does not trade and all of its activities are undertaken through its subsidiaries, joint arrangements and associates. The group operates in South Africa, rest of Africa, and Eastern Europe. The company is listed on the JSE Limited. The annual financial statements of the holding company is available for inspection at the registered office.

GROUP RESULTS

Headline earnings per share (HEPS) and fully diluted HEPS (FDHEPS) weakened from a loss of 853 cents per share in F2017 to a loss of 1380 cents in F2018.

Earnings per share (EPS) and fully diluted EPS (FDEPS) weakened from a loss of 829 cents per share in F2017 to a loss of 1335 cents per share in the current year.

The difference between earnings and headline earnings this year was mainly as a result of a loss on the fair value adjustment of an investment property, profit on sale of Group Five Pipe and profits on disposal of property, plant and equipment.

Group revenue decreased by 26.2% from R9,9 billion to R7,3 billion, mainly as a result of a 20.2% decrease in revenue from the Construction South Africa segment and a 82.3% decrease in revenue from the Engineer, Procure and Construct cluster. The Construction Rest of Africa segment grew its revenue by 71.8%, and the Investments & Concessions cluster's revenue increased by 11.0% compared to F2017. The Manufacturing cluster, reflected as discontinued operations, grew its revenue by 19.3%.

The Group's core operating loss is reported at R1,3 billion (F2017: loss of R659,4 million). The current period's performance was materially impacted by losses of R1,3 billion recognised on the Kpone contract reported in the EPC cluster.

The financial statements on pages 15 to 115 set out fully the financial position, results of operations and cash flows for the group for the financial year ended 30 June 2018. Segmental information as approved by the directors relating to the business of the group is set out on pages 21 to 25.

FINANCIAL PERFORMANCE

The group's performance for the year was materially below expectations. The main reasons for this underperformance are summarised below

Charge to earnings	Kpone Contract – Loss on contract, which impacted the EPC cluster's results	Following the R649 million loss in H1, an additional R650 million in costs were incurred in H2 F2018 and charged against earnings. Additional losses were recorded in H2 F2018 due to further costs incurred to complete the contract, the impact of foreign exchange rates. Whilst certain claims do not yet meet the accounting recognition standards, as they are in the early stages of being determined through the alternate dispute resolution procedures set out in the respective agreements, Legal Counsel and Senior Legal Counsel, with experience in local and international dispute resolution, have considered the various claims and confirmed that these claims have merit. In determining the additional losses recorded on the contract, the group considered the contract's estimated final outcome based on various scenarios with their relevant associated costs.
Reduced profitability	Un-materialised unsecured work	Construction South Africa's results were impacted in H1 F2018 compared to the original forecast, due to the closure and rationalisation of a number of businesses, resulting in the cluster not pursuing opportunities originally anticipated, as well as the lack of contract awards
Reduced profitability	Unsecured work materialising later than plan	Impacting Construction's results both in South Africa and the rest of Africa
Reduced profitability	Contract losses and contracts behind plan, net of contracts generating profits ahead of plan	Impacting both the • Construction and EPC clusters' results

Charge to earnings	Retrenchment costs	These include the costs incurred during the retrenchment process implemented mainly in the Construction South Africa segment and the corporate office
Credit to earnings	Profit on disposal of joint ventures and subsidiary	Profit on disposal of Group Five Pipe as part of the group's strategy to dispose of non core assets and disposal of A-Way operations and maintenance contract
Credit to earnings	Pension Fund surplus	Actuarially valued surplus attributed to the group
Credit to earnings	Profit on sale of property, plant and equipment	Enhancing the Construction's results in South Africa

Both the Manufacturing cluster and the Investment & Concessions clusters delivered solid results in the year and continued to generate free cash flow in line with expectations. The Construction South Africa business achieved improved execution, with a reduction in contract losses over the prior year and profit from contracts trading ahead of plan more than compensating for contracts trading behind plan.

The Construction Rest of Africa business also delivered improved execution with no contract losses in the year and secured profit tracking largely in line with plan. However, as with Construction South Africa, project award delays impacted the recovery of overheads incurred in the period. These contracts have subsequently been awarded.

As outlined before, the key aspect of the loss reported by the Group was the impact from the Group's Kpone contract in Ghana.

Group net finance costs of R39,7 million were recorded (H1 F2018 R17,7 million and H2 F2018 R22,0 million). The increase in H2 F2018 in net finance costs is as a result of the introduction of senior bridge financing raised in May 2018.

The effective tax rate of 6.9% against a loss before tax (F2017 tax rate: 19.8%, against a loss before taxation) was impacted by the taxation treatment of Kpone contract losses, as well as a conservative approach adopted in terms of raising of deferred taxation assets. In the prior year, the taxation charge was negatively impacted by the taxation treatment adopted when recording the charge in terms of the Voluntary Rebuild Programme agreement.

FINANCIAL POSITION

The Group's statement of financial position reflects a net gearing ratio of zero and a bank and cash balance of R1,3 billion as at 30 June 2018 (H1 F2018: R1,7 billion and F2017: R2,3 billion). At year-end the Group reported R797,2 million (F2017: R724,8 million) in excess billings over work performed and R379,0 million (F2017: R442,4 million) in advance payments received.

CASH FLOW

The group absorbed R462,8 million (F2017: R244,4 million) cash from continuing operations before a working capital absorption

of R749,2 million (F2017: R649,0 million). This resulted in a net cash outflow R1,3 billion (F2017: R1,0 billion) after settlement of taxation liabilities of R86,2 million (F2017: R133,2 million) and cash outflow from discontinued operating activities of R23,1 million (F2017: R71,5 million generated). No dividends were paid to shareholders during the year (F2017: R44,6 million).

The Group received proceeds of R90,7 million (F2017: nil) following the disposal of its interest in Group Five Pipe for R80 million and the disposal of the Group's 50% share in the I&C operations and maintenance contract A-Way ITE in Hungary for R10,7 million. The group further invested R17,0 million in a South African property development. During the prior year the group invested R124,1 million in the acquisition of 10.0% in the M6 Phase III project in Hungary, and investment in long term concession asset.

After a net cash inflow of R52,5 million from property, plant and equipment disposals and additions (F2017: R41,6 million investment in plant and equipment), net borrowings raised of R316,5 million, which includes the short term bridge funding of R650 million raised, (F2017: net R300,5 million repaid), a net outflow of R920,9 million was realised (F2017: R989,8 million). The movement of the South African Rand against foreign currencies, especially the US Dollar, resulted in a R40 million inflow (F2017: R128,3 million outflow) in the South African Rand equivalent of foreign cash balances.

Although still cash positive, the Group has limited free cash at year end. As outlined to stakeholders previously this was mainly due to

- the additional cost to completion incurred and estimated to be incurred on the Kpone power contract in Ghana
- a decreasing order book in the Construction South Africa operations which resulted in the unwind of the businesses' working capital
- the further rationalisation of overheads in the Construction businesses and the corporate office

To address the risk of short term cash pressure, management has prepared budgets for the 2019 and 2020 financial years, as well as a robust liquidity model which includes cash flow forecasts covering a minimum period of 12 months from the date of these financial statements.

Refer to going concern note 2.1 on page 34 for detailed disclosure on liquidity management and going concern assumptions.

Details on capital expenditure by segment are set out on page 24, of these consolidated annual financial statements.

SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

The interest in subsidiaries, joint arrangements and associated companies, are set out on pages 102 to 112 of these consolidated annual financial statements.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As set out in the announcement released on SENS on 7 November 2017, although the Manufacturing cluster remains a strong performer within the Group, and contributes solid earnings and cash flow, it is regarded as a non-core operation. In light of the Group's revised strategy, it is thus being disposed of.

As announced on SENS on 22 November 2017, the Group commenced the disposal of its Manufacturing cluster with the sale of Group Five Pipe to black-owned LB Pipes Proprietary Limited (effective 1 November 2017). Group Five Construction received sale proceeds amounting to R80 million in H2 F2018. These proceeds were retained in Group Five Construction and applied to its working capital requirements.

Multiple credible non-binding offers were received by the Board for Manufacturing cluster's Everite and Sky Sands businesses. The disposal due diligence process with the selected bidder is nearing completion and legal document drafting has commenced. This disposal programme remains on track. Expressions of interest have also been received for the reinforcing steel business, BRI, and are being assessed by management before being presented to the Independent Board for consideration.

The Manufacturing cluster has been classified as held for sale, as the criteria for classification within IFRS 5 have been met.

Subsequent to 30 June 2018, the Board of Directors approved a partial disposal of the group's investment in service concessions assets in Eastern Europe, held via the group's joint venture investment in Intertoll Capital Partners B.V. The Group expects to dispose of 40% of its 50% currently held. This partial disposal relates to the investment in service concessions assets only and not the group's operations & maintenance operations. The proceeds from this disposal will be utilised to settle the group's short-term bridging funding. This transaction is subject to shareholder approval. This development is considered to be a non-adjusting post balance event. This will reduce the Group's current liabilities significantly and will substantially improve its liquidity.

- During May 2018, the Group sold its 50% share in Motlekar Proprietary Limited for cash proceeds of R1 and during April its 50% share in A-Way ITE for R10.7 million.

STATED CAPITAL

The movements in the number of shares during the year under review are summarised in the statement of changes in equity on page 19 of this group annual financial statements. The authorised and issued share capital is as follows:

AUTHORISED:

150 000 000 ordinary shares of no par value.

ISSUED:

112 258 283 ordinary shares of no par value (F2017: 112 258 283).

All shares have been fully paid up. 10 664 180 shares (F2017: 10 967 201) are held as treasury stock in terms of the trust deeds.

The group's ownership transaction comprises two components, namely:

- A Black Professionals Staff Trust
- The Izakhiwo Imfundo Bursary Trust

The implementation of the Black Professionals Staff Trust and Izakhiwo Imfundo Bursary Trust was approved by shareholders on 27 November 2012. The transaction was concluded on 16 January 2013 following the fulfilment of all conditions precedent.

The estimated share-based payment liability with respect to the Black Professionals Staff Trust at year-end date was R176 thousand (June 2017: R24,7 million, December 2017: R15,5 million) and is recognised as a cash-settled share-based payment transaction over the life of the scheme from the effective date of this transaction to the assumed end date of November 2020. A credit of R14 million (F2017: R2 million credit) was recorded in F2018.

The implementation of the Izakhiwo Imfundo Bursary Trust portion of the revised transaction resulted in a two million share increase in prior years. The implementation of the Black Professionals Staff Trust at the effective date did not increase the weighted average number of shares in issue, as these remain anti dilutive at 30 June 2018. However, this is required to be reassessed at each reporting period.

SPECIAL RESOLUTIONS

Other than the authorisation to repurchase shares, approval of non-executive directors' remuneration and authority to provide financial support to subsidiary companies, no special resolutions relating to the capital structure, borrowing powers or any other material matter that affects the understanding of the group were passed.

RELATED PARTY TRANSACTIONS

Related parties to the group are identified as the group's directors, prescribed officers, senior management, subsidiaries, joint ventures and associates. Disclosure of transactions with these parties during the year is provided on pages 79 to 85 of the group annual financial statements.

SHAREHOLDER SPREAD

Details of shareholder categories are set out on pages 113 to 115 of this integrated annual report.

DIVIDEND DECLARATION

The group has a four times basic earnings per share dividend cover policy. This policy is subject to review on a semi-annual basis, prior to dividend declaration, as distributions are influenced by sufficient available free cash, business growth expectations, acquisition activity or movements in earnings as a result of fair value accounting adjustments.

The board has made the decision to not declare a dividend at year end.

DIRECTORS AND SECRETARY

NAME	OFFICE(S) HELD	EFFECTIVE DATE
Cora Fernandez	Independent non-executive director	24 July 2017
Jackie Huntley	Independent non-executive director	
Dr John Job	Independent non-executive director	
Dr Thabo Kgogo	Independent non-executive director	
Nonyameko Mandindi	Independent non-executive director	
Nazeem Martin	Independent non-executive director	
Michael Upton	Non-executive director	
Edward Williams	Independent non-executive director	23 May 2017
Themba Mosai	CEO – executive	
Cristina Teixeira	CFO – executive	1 June 2008

The following changes in the board of directors occurred subsequent to year end:

- Dr JL Job resigned with effect from 13 August 2018.

Further information on the directors, including their interest in the shares of the company and share-based remuneration schemes are provided in Annexure 5 and note 22 of the annual financial statements.

No contracts in which the directors share an interest were entered into.

Appointments to the board are recommended by the nominations committee and considered by the board as a whole. This involves evaluating the existing balance of skills and experience against the needs of the group.

DIRECTORS' SHAREHOLDINGS

At 30 June 2018, the number of ordinary shares held beneficially and non-beneficially by the current directors was 50 233 and 1 000 respectively (F2017: 49 233 and 1 000 respectively). There has been no material change in their holdings between the year end and the date of this report. Refer to Annexure 5 in the annual financial statements for additional disclosure.

BORROWING POWERS

In terms of the memorandum of incorporation, the company has unlimited borrowing powers. The revised memorandum of incorporation was approved by the shareholders at the previous annual general meeting held in October 2016.

GOING CONCERN

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly, the annual financial statements have been prepared on a going concern basis. Refer to note 2.1 in the financial statements for the going concern assessment. The board is not aware of any new material changes that may adversely impact the group. The board is not aware of any material non-compliance with statutory or regulatory requirements. The board is not aware of any pending changes in legislation in any of the major countries in which it operates that may affect the group.

Refer to going concern note on page 34 for detailed disclosure on liquidity management and going concern assumptions.

EVENTS AFTER REPORTING DATE

Subsequent to 30 June 2018, the Board of Directors approved the partial disposal of the group's investment in service concessions assets in Eastern Europe, held via the group's joint venture investment in Intertoll Capital Partners B.V. This partial disposal relates to the investment in service concessions assets only and not the group's operations & maintenance operations. The proceeds from this partial disposal will be utilised to settle the group's short-term bridging funding. This transaction is subject to shareholder approval. This development is considered to be a non-adjusting post balance event.

Subsequent to 30 June 2018, two adjudication awards, valued at R203 million were made in the Group's favour in relation to a construction contract. This development is considered to be an adjusting post balance event.

In addition subsequent to year end the Group has continued to incur costs on the Kpone contract due to events post balance sheet date which had not been forecasted for. These have been considered within the Group's liquidity forecasts.

The board is not aware of any matter or circumstance arising since the end of the reporting period not otherwise dealt with in the consolidated annual financial statements, which significantly affects the financial position of the group as at 30 June 2018 or the results of its operations or cash flows for the year then ended.

INDUSTRY MATTERS

In H2 F2018 the Group attended a hearing with the Competition Commission (the Commission) after receiving conditional leniency from the Commission relating to disclosures relating to anti-competitive behaviour in the industry made to the Commission by the Group in 2009.

The contracts to which these activities related were executed between 2004 and 2008 and formed the basis of the Group's submission to the Commission in terms of possible transgressions. These disclosures allowed the Commission to launch its investigation into collusive behaviour in the sector.

This hearing, coupled with the conditional immunity already granted to Group Five, allows it to progress to finalising its leniency process with the Commission. The Group is pleased to be progressing towards closure on these matters which relate to activities of more than a decade ago.

In relation to the two remaining projects under review by the Commission, Group Five is hopeful that these matters can be resolved speedily on reasonable and equitable terms to the Group. Based on legal counsel assessment, any potential settlement or liability would be adequately covered by the provision raised by the Group in F2013.

In addition, the Group is addressing its requirements in terms of the VRP to achieve certain transformation commitments which are in addition to the current broad-based black economic empowerment (BBBEE) sector requirements. The Board is evaluating the optimal approach to meet the VRP commitments, as well as address the expiration of its current BBBEE transaction in 2020, to ensure that it remains relevant with clients and broader stakeholders. It has resolved to dispose of no less than a 51% economic interest in its Construction SA business to an enterprise that is more than 51% black owned, managed and controlled. Corporate finance activity is progressing, including regular engagement with relevant regulatory bodies. A pre-requisite in the short term is the stabilisation of the Construction SA business and its return to profitability.

SHARE OPTION SCHEMES

Details of the group's share option schemes are set out on page 76.

BOND ISSUE UNDER THE BOND EXCHANGE OF SOUTH AFRICA (BESA) DOMESTIC MEDIUM TERM NOTES (DMTN) PROGRAMME

The group settled bond: GFC 04 (R280 million) in April 2017 and subsequently deregistered the Domestic Medium Term Note Programme with Group Five Construction Limited as Borrower.

The group maintains the Domestic Medium Term Note Programme with Group Five Limited as Borrower.

No notes have been issued under this programme.

Global Credit Ratings agency awarded the group a long term National BB credit rating and short term National B credit rating.

BORROWINGS

During the current year, in addition to the trade asset backed capital equipment finance leases and property-backed finance, in May 2018 The group entered into a senior bridging facilities agreement ("Bridge Agreement"), and a creditors standstill agreement ("Standstill Agreement") with regards to this secured short-term bridge funding. The R650 million secured bridge funding ("Bridge Funding") is for a 12-month period and was obtained from a consortium of local banks. The Bridge Agreement contains financial covenants and events of default. The Bridge Agreement includes mandatory prepayment triggers customary for debt financing. The loan may also be voluntarily pre-paid without penalty. The Bridge Funding security, which secures both this new facility and existing lending arrangements, is comprised of a pledge and cession in security by the Group of its rights, title and interest in:

- its Manufacturing assets,
- its European Investments (namely its service concessions investments) and
- its European operations & maintenance businesses

The standstill period shall terminate on the earlier of the discharge date of the Bridge Funding or any event of default. The discharge date is expected to be 12 months from 11 May 2018.

During February 2018 the Group settled a GHC (cedi) 35 million facility bearing interest at 25%. The full facility was drawn down prior to settlement.

During the prior year a R250 million revolving credit facility was converted to a R190 million overnight money market facility bearing a variable interest, linked to prime of 11.5%. The overdraft was utilised and repaid during H2 F2018.

AUDITORS

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90(6) of the Companies Act. At the annual general meeting shareholders will be requested to appoint PricewaterhouseCoopers Inc. as the group's auditors for the 2019 financial year and it is noted that M Naidoo will be the individual registered auditor who will undertake the audit.

ANNUAL GENERAL MEETING (AGM)

The AGM will be held at 11:00 on 6 November 2018. Refer to pages 116 to 120 of this report for further details of the ordinary and special business for consideration at this meeting.

DOMICILE, COUNTRY OF INCORPORATION AND REGISTERED OFFICE

The company is incorporated in the Republic of South Africa, its domicile and registered offices are 2 Eglin Road, Sunninghill, Johannesburg, 2191

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2018

TO THE SHAREHOLDERS OF GROUP FIVE LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Group Five Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Group Five Limited's consolidated financial statements set out on pages 15 to 112 comprise:

- the group statement of financial position as at 30 June 2018;
- the group income statement for the year then ended;
- the group statement of comprehensive income for the year then ended
- the group statement of changes in equity for the year then ended;
- the group statement of cash flow for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

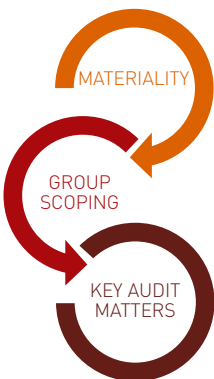
We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B)

Material uncertainty related to going concern

We draw attention to Note 2.1 in the financial statements, which indicates that the Group incurred a net loss of R1,3 billion during the year ended 30 June 2018 and, as of that date, the Group's current liabilities exceeded its current assets by R1 billion . As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview



Overall group materiality

- Overall group materiality: R73,484,569, which represents 1% of consolidated revenue.

Group audit scope

- The Group comprises of 182 components, 35 of which require full scope audits and 26 requiring specified procedures.

Key audit matters

- Estimation uncertainty involved in accounting for construction contracts
- Assessment of tax positions
- Material uncertainty related to going concern

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R73,484,569
How we determined it	1% of consolidated revenue.
Rationale for the materiality benchmark applied	We selected revenue as our materiality benchmark because, in our view, it reflects the activity levels of the Group and it is a benchmark against which the performance of the Group can be consistently measured in circumstances of volatile year-on-year earnings. This benchmark has remained a key driver of the Group's business. We chose 1% based on our professional judgement, after consideration of the range of qualitative materiality thresholds that we would typically apply and the cyclical nature of the construction industry.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of 182 subsidiaries, associates and joint ventures (referred to as components). We performed full scope audits on 35 components due to their financial significance, and specified procedures on 26 components in respect of which certain transactions and balances were material to the Group. The remaining components represent insignificant subsidiaries, associates and joint ventures for group scoping purposes. For these remaining components, we performed analytical review procedures.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, and component auditors from other PwC network firms and other networks operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section above, we have determined the matters described below to be the key audit matters to be communicated in our report on the consolidated financial statements

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
ESTIMATION UNCERTAINTY INVOLVED IN ACCOUNTING FOR CONSTRUCTION CONTRACTS Revenue relating to long term contracts comprises more than 84% of the Group's revenue. Revenue from long term contracts is accounted for using the percentage of completion method and is measured at the fair value of the consideration received or receivable and includes variations and claims (Refer to note 1.4 in this regard). In determining the percentage of completion, the group estimates the cost of construction services and activities performed as a proportion of the total costs of services and activities to be performed, at statement of financial position date. When it is probable that the total cost of construction services and activities will exceed total contract revenue, the expected loss is recognised as an expense. Judgement is also required when recognising and measuring any variations and claims on each contract (Refer to note 1.14 and 2.5 in this regard). Due to the high level of judgement and estimation required in determining the percentage of completion, as well as in the measurement of any variations and claims, we deemed the accounting for long term contracts to be a matter of most significance to our audit. Estimates and judgements are made based on the best available information at the time of approval of the financial statements, as indicated in the significant judgements and estimates note (note 2.5).	
	Our audit involved performing, based on a sample of construction contracts entered into by the Group, an assessment of the appropriateness of the estimates and judgements applied by management in determining the percentage of completion when accounting for construction contracts, which included the following procedures: • Assessing the reasonableness of significant assumptions and estimates, relating to the final cost of completion of the contract, final estimated revenue, claims recognised and penalties recognised, through inspection of contract documentation (e.g. bill of quantities, tender budgets and forecasts and correspondence between the contractor and client); • Utilizing our internal quantity surveying expertise to assess the reasonableness of total contract costs through performance of site visits and inspection of contract documentation (e.g. tender budgets and forecasts and bills of quantities); • Utilizing our PwC legal experts to assess the merits and probable outcome of claims against the client and subcontractors and claims against the Group; • Discussing the status of projects with management, quantity surveyors and contract directors involved in the projects in order to assess the reasonableness of estimates and judgements made on a contract; • Agreeing certified revenue amounts recognised to contracts documentation (e.g. revenue certificates and variation orders); • Agreeing of contract cost amounts to subcontractor certificates and supplier invoices; • Re-computation of percentage of completion calculations; and • Discussing the status of legal proceedings on construction contracts with management and their attorneys, in order to form our own view regarding the appropriateness of assumptions and estimates.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
ASSESSMENT OF TAX POSITIONS	
The Group operates in a number of tax jurisdictions across Africa and Eastern Europe. There are various complexities involved in the treatment, recognition and measurement of tax positions in each of these jurisdictions (e.g. compliance with different tax legislation/tax treatment in different jurisdictions and resolution of disputes/disagreements with foreign tax authorities). These include judgements and estimates made in concluding on foreign tax positions and accounting for controlled foreign companies. As such, the assessment of tax positions in the Group is considered a matter of most significance to our audit due to judgement arising from considerations relating to recognition and measurement of tax transactions and balances, and the magnitude of these balances in relation to the consolidated financial statements as a whole. Estimates and judgement exercised in respect of tax positions are disclosed in note 2.7 to the consolidated financial statements.	We involved our internal taxation expertise to perform an assessment of material tax positions faced by the Group and to assess the adequacy of provisions recognised in respect of potential tax consequences. We performed the following procedures: • Held discussions with management to obtain an understanding of their assessment of tax positions across the Group; • Held independent discussions with tax consultants engaged by management in the foreign tax jurisdictions in order to obtain an understanding of tax disputes with revenue authorities and to assess the adequacy of tax provisions raised, • Liaised and held discussions with colleagues with taxation expertise in those foreign tax jurisdictions to assess the adequacy of tax provisions raised; • Inspected the tax computations of significant components to the Group, in order to assess the appropriateness of tax transactions and balances recognised; and • Obtained written confirmations from the Group's attorneys of their independent assessment of tax matters in order to assess the appropriateness of tax transactions and balances recognised.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Consolidated Financial Statements for the year ended 30 June 2018 and Group Five Limited Annual Financial Statements for the year ended 30 June 2018, which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the Integrated Annual Report 18 which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

INDEPENDENT AUDITOR'S REPORT CONTINUED

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

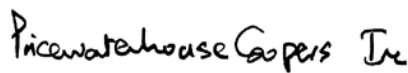
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Group Five Limited for 48 years.



PricewaterhouseCoopers Inc.

Director: M Naidoo
Registered Auditor
4 Lisbon Lane
Waterfall City

1 October 2018

GROUP INCOME STATEMENT

for the year ended 30 June 2018

(R'000)	Notes	GROUP	
		Audited	
		2018	2017*
Construction and related revenue		6 184 082	8 914 146
Revenue from goods and services supplied		1 155 944	1 040 961
Property sales and development fees		8 430	2 534
Revenue		7 348 456	9 957 641
Cost of material		(550 784)	(1 156 681)
Cost of sub-contractors		(4 350 834)	(5 247 854)
Direct payroll cost	21.1	(2 092 090)	(2 369 592)
Other staff cost		(290 139)	(212 441)
Depreciation	4.2	(123 846)	(134 996)
Plant costs		(395 023)	(505 389)
Manufacturing distribution cost		(32 941)	(32 975)
Site administration costs		(714 778)	(496 553)
Other administration cost		(251 467)	(617 659)
Operating expenses		(8 801 902)	(10 774 140)
Operating loss before fair value adjustments and profit on disposal of joint operation and subsidiaries		(1 453 446)	(816 499)
Fair value adjustment relating to investment in service concessions and investment property^	9, 10.3	(32 618)	98 156
Profit on disposal of joint operation and subsidiaries	4.4, 32, 34	59 067	-
Operating loss – continuing operations	4	(1 426 997)	(718 343)
Share of equity accounted profits^		189 654	35 471
Finance cost – net	5	(39 690)	(12 985)
Finance cost		(77 270)	(63 500)
Finance income		37 580	50 515
Loss before taxation		(1 277 033)	(695 857)
Taxation	6	(88 324)	(137 809)
Loss for the year – continuing operations		(1 365 357)	(833 666)
Profit for the period from discontinued operations	32	57 210	61 021
Loss for the year		(1 308 147)	(772 645)
Loss attributable to:			
Equity shareholders of Group Five Limited		(1 355 850)	(840 046)
Non-controlling interest		47 703	67 401
		(1 308 147)	(772 645)
Loss per share – (Rand) – continuing	7.3	(13,91)	(8,89)
Fully diluted loss per share – (Rand) – continuing	7.4	(13,91)	(8,89)
Loss per share – (Rand)	7.1	(13,35)	(8,29)
Fully diluted loss per share – (Rand)	7.2	(13,35)	(8,29)

* Restated for the application of IFRS 5 – discontinued operations.

^ Fair value adjustment relating to service concessions of R156,2 million (F2017: R98,2 million) reflected in share of equity accounting profits in F2018 as a result of a reduced shareholding in a joint venture at the end of F2017. In the prior year the fair value is reflected under fair value adjustments relating to investments in service concessions.

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

(R'000)	GROUP					
	Audited Continuing		Audited Discontinued		Audited Total	
	2018	2017	2018	2017	2018	2017
(Loss)/profit for the year	(1 365 357)	[833 666]	57 210	61 021	(1 308 147)	[772 645]
Other comprehensive (loss)/income						
<i>Items that may be subsequently reclassified to profit or loss</i>						
Exchange difference on translating foreign operations	(32 375)	[111 244]	–	–	(32 375)	[111 244]
<i>Items that will not be reclassified to profit or loss</i>	–		–	–	–	–
Re-measurements of pension fund	(12 494)	[32 477]	–	–	(12 494)	[32 477]
Tax on re-measurement of pension fund	3 498	9 094	–	–	3 498	9 094
Other comprehensive loss for the year	(41 371)	[134 627]	–	–	(41 371)	[134 627]
Total comprehensive (loss)/income for the year	(1 406 728)	[968 293]	57 210	61 021	(1 349 518)	[907 272]
Total comprehensive (loss)/income attributable to:						
Equity shareholders of Group Five Limited	(1 454 431)	[1 035 694]	57 210	61 021	(1 397 221)	[974 673]
Non-controlling interest	47 703	67 401	–	–	47 703	67 401
Total comprehensive (loss)/income for the year	(1 406 728)	[968 293]	57 210	61 021	(1 349 518)	[907 272]

GROUP STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

(R'000)	Notes	GROUP	
		Audited	
		2018	2017
Assets			
Non-current assets			
Property, plant and equipment	8	474 306	862 418
Investment property	9	289 000	267 685
Equity accounted investments		989 271	928 659
Equity accounted investments – associates and joint ventures	10.1, 10.2	292 174	309 550
Equity accounted investments – service concessions	10.3	697 097	619 109
Investments in service concessions	11	49 969	48 136
Pension fund surplus	21.2	158 918	272 917
Other financial asset held at amortised cost	21.2	42 612	–
Deferred taxation	12	12 786	24 232
Total non-current assets		2 016 862	2 404 047
Current assets			
Inventories	13	144 251	262 460
Contracts in progress	14	532 168	472 934
Derivative financial instruments	17	–	11
Other financial asset held at amortised cost	21.2	59 919	–
Trade and other receivables	15	1 613 708	2 194 793
Cash and cash equivalents	28	1 268 565	2 265 401
Total current assets		3 618 611	5 195 599
Non-current assets classified as held for sale	33	780 783	–
Total assets		6 416 256	7 599 646
Equity and liabilities			
Equity attributable to equity holders of the parent			
Stated capital		1 201 815	1 192 364
Accumulated (loss)/earnings		(403 236)	961 610
Foreign currency translation reserve		335 222	367 597
Equity – shareholders		1 133 801	2 521 571
Non-controlling interest		27 060	70 133
Total equity		1 160 861	2 591 704
Non-current liabilities			
Interest-bearing borrowings	16.1	180 236	256 923
Provision for employment obligations	21.3	123	40 020
Provision for environmental rehabilitation	18	–	5 516
Non-current trade and other payables	19	116 375	124 018
Deferred taxation	12	91 445	103 711
Total non-current liabilities		388 179	530 188
Current liabilities			
Excess billings over work		797 181	724 814
Trade and other payables	19	3 020 575	3 333 105
Contract-related provisions	20	52 227	41 885
Provision for employment obligation	21.3	204	13 627
Current taxation payable	27	15 314	21 178
Current portion of interest-bearing borrowings	16.1	769 625	343 145
Total current liabilities		4 655 126	4 477 754
Liabilities directly associated with non-current assets classified as held for sale	33	212 090	–
Total liabilities		5 255 395	5 007 942
Total equity and liabilities		6 416 256	7 599 646

GROUP STATEMENT OF CASH FLOW

for the year ended 30 June 2018

(R'000)	Notes	GROUP	
		Audited	
		2018	2017*
Cash flow from operating activities			
Cash from operations before working capital changes	25	(462 885)	(244 451)
Working capital changes	26	(749 284)	(649 573)
Cash utilised from operations		(1 212 169)	(894 024)
Finance income received	5	37 580	50 319
Finance costs paid	5	(63 674)	(56 980)
Taxation paid	27	(86 180)	(133 250)
Dividends paid	31	–	(44 616)
Cash flows from operating activities (discontinued operations)	32	(23 084)	71 539
Cash effects of operating activities		(1 347 527)	(1 007 012)
Cash flow from investing activities			
Acquisition of property, plant and equipment		(56 320)	(82 060)
Investment in investment property		(3 317)	(1 280)
Increase in investment in property development subsidiary		(17 320)	–
Proceeds on disposal of property, plant and equipment		112 133	41 659
Dividends received from equity accounted investments and joint operations		89 179	1 967
Proceeds on disposal of joint operations and subsidiaries	34	90 732	–
Acquisition of investment in service concession		–	(124 122)
Loans to equity accounted investments		(27 233)	(41 096)
Proceeds on service concessions investments		–	147 114
Proceeds on disposal of service concession investments		–	638 300
Cash effects of investing activities (discontinued operations)	32	(16 057)	(50 554)
Cash effects of investing activities		171 797	529 928
Cash flow from financing activities			
Distribution to non-controlling interest		(81 768)	(84 008)
Interest-bearing borrowings raised		663 280	103 414
Interest-bearing borrowings repaid		(346 764)	(403 932)
Proceeds from share options		5 078	149
Cash effects of financing activities (discontinued operations)	32	(25 000)	–
Cash effects of financing activities		214 826	(384 377)
Effects of exchange rates on cash and cash equivalents		40 005	(128 371)
Net decrease in cash and cash equivalents		(920 899)	(989 832)
Cash and cash equivalents at beginning of year		2 265 401	3 255 233
Cash and cash equivalents at end of year		1 344 502	2 265 401
– Included in cash and cash equivalents per statement of financial position	28	1 268 565	2 265 401
– Included in non-current assets classified as held for sale	33	75 937	–

* Restated for the application of IFRS 5 – discontinued operations.

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

R'000	Number of ordinary shares issued	Number of shares held by share trust	Net shares issued to public	Stated capital R'000	Foreign currency translation reserve R'000	Accumu- lated (loss)/ earnings R'000	Equity share- holders R'000	Non- controlling interest R'000	Total
Balance at 30 June 2016	112 216 980	(10 967 201)	101 249 779	1 197 494	478 841	1 869 655	3 545 990	86 740	3 632 730
Issue of shares to share trust in terms of share scheme (i)	41 303	(41 303)	-	-	-	-	-	-	-
Issue of shares from share trust	-	344 324	344 324	149	-	-	149	-	149
Share-based payment (credit)	-	-	-	(5 279)	-	-	(5 279)	-	(5 279)
Total comprehensive income	-	-	-	-	(111 244)	(863 429)	(974 673)	67 401	(907 272)
Loss for the year	-	-	-	-	-	(840 046)	(840 046)	67 401	(772 645)
Pension fund re-measurement	-	-	-	-	-	(32 477)	(32 477)	-	(32 477)
Tax on pension fund re-measurement	-	-	-	-	-	9 094	9 094	-	9 094
Exchange differences arising from foreign operations	-	-	-	-	(111 244)	-	(111 244)	-	(111 244)
Distribution to non-controlling interests	-	-	-	-	-	-	-	(84 008)	(84 008)
Dividends paid	-	-	-	-	-	(44 616)	(44 616)	-	(44 616)
Balance at 30 June 2017	112 258 283	(10 664 180)	101 594 103	1 192 364	367 597	961 610	2 521 571	70 133	2 591 704
Issue of shares to share trust in terms of share scheme (i)	-	-	-	-	-	-	-	-	-
Issue of shares from share trust	-	-	-	5 078	-	-	5 078	-	5 078
Share-based payment charge	-	-	-	4 373	-	-	4 373	-	4 373
Total comprehensive income	-	-	-	-	(32 375)	(1 364 846)	(1 397 221)	47 703	(1 349 518)
Loss for the year	-	-	-	-	-	(1 355 850)	(1 355 850)	47 703	(1 308 147)
Pension fund re-measurement	-	-	-	-	-	(12 494)	(12 494)	-	(12 494)
Tax on pension fund re-measurement	-	-	-	-	-	3 498	3 498	-	3 498
Exchange differences arising from foreign operations	-	-	-	-	(32 375)	-	(32 375)	-	(32 375)
Distribution to non-controlling interests	-	-	-	-	-	-	-	(83 945)	(83 945)
Disposal of minority interest	-	-	-	-	-	-	-	(6 831)	(6 831)
Dividends paid	-	-	-	-	-	-	-	-	-
Balance at 30 June 2018	112 258 283	(10 664 180)	101 594 103	1 201 815	335 222	(403 236)	1 133 801	27 060	1 160 861

GROUP STATEMENT OF CHANGES IN EQUITY CONTINUED

STATED CAPITAL

Authorised:

150 000 000 ordinary shares of no par value.

No share issues other than issues from the share trust occurred during the current financial year.

NON-CONTROLLING INTEREST

The group regularly enters into construction contracts with joint venture partners. The non-controlling interest mainly relates to the profit share of the joint venture partner, where the group controls such arrangements.

FOREIGN CURRENCY TRANSLATION RESERVE

Non-distributable reserve arising from the translation of the assets and liabilities attributable to foreign operations to the presentation currency.

GROUP SEGMENTAL ANALYSIS

for the year ended 30 June 2018

SEGMENT INFORMATION

Operating segments reflect the management structure of the group for the period under review and the manner in which performance is evaluated and resources allocated as managed by the group's chief operating decision-maker, defined as the executive committee members (exco) of the group.

These operating segments for the year under review are defined as:

OPERATING SEGMENT	REVENUE SOURCE
CONSTRUCTION	
Construction South Africa	• Building and Housing contractor for large real estate and related infrastructure contracts • Civil engineering contractor for ports, airports, pipelines and large structures in the mining and industrial sectors • Engineering project contractor for structural, mechanical, piping and electrical engineering, as well as complete plant construction solutions • Industrial services contractor
Construction Rest of Africa	
ENGINEER, PROCURE AND CONSTRUCT (EPC)	
	• Multi-disciplinary project delivery from feasibility through to supporting bankability and front-end design, as well as project management of contracts during execution to completion, with a focus on the energy sector, including power plant construction and nuclear construction services
INVESTMENTS & CONCESSIONS	
	• Equipment supply, operations and maintenance revenue in concession contract developments in the transport sector • Rental and development sales of A-grade property assets generating development and investment returns
MANUFACTURING	
	• Manufacture and sale of fibre cement products – exterior and interior walling, ceiling boards, roof tiles and pipes, fibre cement-clad, steel-framed modular housing systems • Manufacture and sale of steel products, including scaffolding, formwork and steel reinforcing for use in concrete structures, fabricated steel structures

The group is focused by segment (discipline) within a cluster and each cluster is led by an executive committee member (exco).

The role of the exco is to drive the strategic intent of the group per cluster. The exco members meet weekly to review the group's performance. Of primary focus to the exco is the revenue, operating profit, capital expenditure and current assets per cluster. The exco assesses the performance of the operating segments based on a measure of adjusted operating profit. This measurement basis excludes the effects of non-operational income and expenditure from the operating segments such as pension fund re-measurement, profit/loss on sale or impairment of equity accounted investments and re-measurement of employment obligations. Gains or losses on disposal of property, plant and equipment, as well as investment property and fair value adjustments on service concessions and investment property are not adjusted as these are deemed to be in the segments' core operational control.

Management does not believe that there are any additional segments that require separate reporting. The reportable operating segments derive their revenue as described above. The group is also considered by geographical segment due to the geographic footprint maintained by the group. The geographies are grouped into regions for reporting purposes as the group moves towards establishing operational hubs for management of regions.

For segmental reporting, certain joint ventures and subsidiaries were proportionally consolidated to reflect the manner in which performance is evaluated.

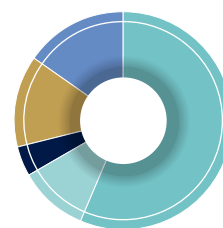
The segmental information presented, includes the reconciliation of International Financial Reporting Standards (IFRS) measures presented on the face of the income statement to non-IFRS measures, which are used by management to analyse the group's performance.

GROUP SEGMENTAL ANALYSIS CONTINUED

From 1 July 2017, the group was restructured into four clusters, namely Construction, Engineer, Procure and Construct (EPC), Investments & Concessions and Manufacturing. Within the Construction cluster, operational focus is delivery by region as opposed to by discipline and thus the segments within Construction are Construction South Africa (Inland and Coastal regions) and Construction Rest of Africa. This has resulted in restatement of prior year comparatives.

Managing Directors have been appointed to lead these businesses, with general managers supporting the operational delivery by discipline within these regions.

FINANCIAL PERFORMANCE: GROUP REVENUE AND OPERATING PROFIT



Note: Graph represents External revenue F2018 values only.

(R'000)

	Gross revenue	Internal revenue	External revenue	Operating profit
2018				
Operational segments				
● Construction	5 938 382	(172 511)	5 765 870	(255 419)
● South Africa	5 037 928	(172 511)	4 865 416	(234 026)
● Rest of Africa	900 454	–	900 454	(21 393)
● Engineer, Procure and Construct	386 979	–	386 979	(1 392 502)
● Investments & Concessions	1 169 551	(5 176)	1 164 375	280 359
● Manufacturing	1 434 905	(129 731)	1 305 175	70 369
	8 929 817	(307 418)	8 622 399	(1 297 193)
Revenue from discontinued operations			(915 059)	(65 029)
Fair value adjustment on service concession included in equity accounted profits			–	(156 179)
Joint arrangements equity accounted and joint arrangements wholly consolidated			(358 884)	(2 751)
			7 348 456	(1 521 152)
<i>Adjustment for non-operational items</i>				
Increase in pension fund surplus				33 200
Profit on disposal of joint operation and subsidiaries				59 067
Share of profit of associates – non-core				2 744
Loss on change in shareholding in investment in associate				(856)
Operating loss per income statement for continuing operations				(1 426 997)

FINANCIAL PERFORMANCE: GROUP REVENUE AND OPERATING PROFIT CONTINUED

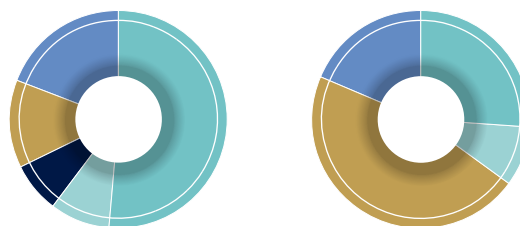
(R'000)	Gross revenue	Internal revenue	External revenue	Operating profit
2017*				
Operational segments				
● Construction	6 881 149	(257 543)	6 623 606	(831 241)
● South Africa	6 357 115	(257 543)	6 099 572	(743 658)
● Rest of Africa	524 034	–	524 034	(87 583)
● Engineer, Procure and Construct	2 185 155	–	2 185 155	(71 179)
● Investments & Concessions	1 054 615	(5 381)	1 049 234	173 772
● Manufacturing	1 223 152	(128 738)	1 094 414	69 347
	11 344 071	(391 662)	10 952 409	(659 301)
Revenue from discontinued operations			(843 061)	(64 528)
Joint arrangements equity accounted and joint arrangements wholly consolidated			(151 707)	(19 923)
			9 957 641	(743 752)
<i>Adjustment for non-operational items</i>				
Increase in pension fund surplus				24 343
Net profit on increase in shareholding in associate				615
Impairment on investment in associate and joint venture				(1 241)
Remeasurement of employment obligation				1 692
Operating loss per income statement for continuing operations				(718 343)

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

* Restated due to the restructuring of the group.

FINANCIAL POSITION: CURRENT ASSETS AND CAPITAL EXPENDITURE

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

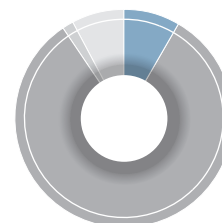


Note: Graphs represent F2018 values only.

	2018	2017	2018	2017
(R'000)	CURRENT ASSETS		CAPITAL EXPENDITURE	
Operational segments				
● Construction	1 740 891	1 982 513	29 554	60 559
● South Africa	1 481 023	1 603 279	22 052	50 893
● Rest of Africa	259 868	379 234	7 502	9 666
● Engineer, Procure and Construct	211 927	330 581	–	8 156
● Investments & Concessions	380 142	151 151	38 956	44 075
● Manufacturing	545 572	548 026	15 462	58 971
	2 878 532	3 012 271	83 972	171 761
Classified as non current assets held for sale	(386 271)	–	–	–
Joint arrangements equity accounted and joint arrangements wholly consolidated	(142 215)	(82 073)	(602)	(7 846)
	2 350 046	2 930 198	83 370	163 915
Bank balances and cash	1 268 565	2 265 401	–	–
Total current assets per statement of financial position	3 618 611	5 195 599	83 370	163 915
Property, plant and equipment – additions (note 8)				

GEOGRAPHICAL INFORMATION

South Africa is regarded as the group's country of domicile. As described, the various geographies are monitored via operational hubs and thus disclosed as such below.



	2018	2017
(R'000)	REVENUE	
Geographical regions		
● Eastern Europe	729 018	690 798
● Southern Africa	7 086 970	7 692 956
● Central Africa	149 585	409 636
● Western Africa	656 826	2 159 019
	8 622 399	10 952 409
Joint arrangements equity accounted and joint arrangements wholly consolidated	(358 884)	(151 707)
Revenue from discontinued operations	(915 059)	(843 061)
Revenue per income statement	7 348 456	9 957 641

ACCOUNTING POLICIES

as at 30 June 2018

1. PRINCIPAL ACCOUNTING POLICIES

These consolidated and company financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board and the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS, the JSE Listings Requirements, the Companies Act of South Africa and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council. The accounting policies are consistent with those of the previous year except where indicated otherwise. The financial statements are prepared on the historical cost basis except that, as set out in the accounting policies below, certain items, including derivatives, investment in service concessions and investment property are stated at fair value. The financial statements are prepared on a going concern basis. Set out below are the principal accounting policies used consistently throughout the group. Investments in subsidiaries are carried at cost in the company financial statements. The consolidated financial statements include those of the holding company, its subsidiaries, joint arrangements and associates.

1.1 BASIS OF CONSOLIDATION

a) Business combinations

The acquisition method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a business is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Subsequently, the carrying amount of non-controlling interest is the amount of the interest at initial recognition plus the non-controlling interest's share of the subsequent changes in equity. Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interest having a deficit balance.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

c) Transactions and non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

d) Joint arrangements

The group has applied IFRS 11 to all joint arrangements as of 1 July 2012. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures and joint operations.

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. Loans to joint ventures are included in equity accounted investment in the statement of financial position.

Joint operations are those entities in which the group has joint control. The group accounts for its assets and liabilities, revenue and expenses, as well as its share of assets, liabilities, revenue and expenses of joint operations in the consolidated financial statements.

The results of joint arrangements are included from the effective dates of acquisition and up to the effective dates of derecognition.

Inter-company transactions, balances and unrealised gains on transactions between the group and its joint arrangements are eliminated on consolidation to the extent of the group's interest. Unrealised losses are eliminated and are also considered an impairment indicator of the asset transferred.

e) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. The total carrying value of associates is evaluated when there is an indication/indicators for impairment.

Dividends received from associate reduce investment. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

and from the subsequent translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Where appropriate, in order to minimise its exposure to foreign exchange risks, the group enters into forward exchange contracts.

c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are also taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

1.2 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the exco which makes strategic decisions. The basis of segmental reporting is set out on page 21.

1.3 FOREIGN CURRENCY TRANSLATION**a) Functional and presentation currency**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Rand, which is the group's presentation currency.

b) Transactions and balances

Foreign currency transactions of a group entity are initially translated into its functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions

1.4 REVENUE RECOGNITION

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue relating to long term contracts are accounted for using the percentage of completion method and are measured at the fair value of the consideration received or receivable and include variations and claims; the stage of completion is measured by reference to the relationship of contract costs incurred or significant activity achieved to date for work performed relative to the estimated total costs or total significant activity of the contract. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

Property sales are recognised when risks and rewards of ownership are transferred. Revenue from purchased,

manufactured or mined products is recognised upon delivery of products and customer acceptance. Revenue from performance of services, including operations and maintenance services, is generally recognised in the period when the services are actually provided and is measured based on contractual rates.

All revenues are stated net of value added taxes and trade discounts, if applicable. Inter-company revenues are eliminated on consolidation. Other income, which is not included in revenue, earned by the group is recognised on the following basis:

- interest income – as it accrues (taking into account the effective yield on the asset);
- dividend income – when the shareholder's right to receive payment is established; and
- investment property and investments in concessions – fair value increases or decreases during the year.

1.5 OPERATING PROFIT

Transactions such as fair value adjustments on service concessions, fair value adjustments on investment property, fair value adjustments on property developments and impairment adjustments are considered to be a part of operating profit but are separately disclosed for additional disclosure as they are transactions in addition to the underlying operating activities of the business units, albeit still in the segment's core operational control.

1.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following categories:

a) Properties

Properties consist of the following:

- occupied property;
- investment property; and
- property development costs (disclosed as inventory and investment property).

The accounting for each category of properties is as follows:

- company occupied property is carried at cost less accumulated depreciation and accumulated impairment, other than land, which is not depreciated. Depreciation is calculated to write off the cost of these properties over their expected useful lives on a straight-line basis to their residual value; generally, buildings are depreciated over 50 years; gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in net profit; and
- property development costs held as inventory and investment property are measured in accordance with accounting policies 1.13 and 1.7 respectively.

b) Capital work in progress

Property, plant and equipment under construction is stated at initial cost and is not depreciated. The

cost of self-constructed assets includes expenditure on materials, direct labour, an allocated proportion of project overheads and related borrowing costs. Assets are transferred from capital work in progress to an appropriate category of property, plant and equipment when commissioned and ready for its intended use.

c) Factory plant

Factory plant, including capitalised leased assets, is stated at initial cost less subsequent accumulated depreciation and impairment. Depreciation is calculated to write off the cost of the factory plant to its estimated residual value on a straight-line basis over its expected useful life that can range between 10 and 20 years. Residual values are reviewed annually. Any remaining book value of a component replaced is written off immediately in the income statement. Other repair and maintenance expenditure is charged directly to the income statement as incurred.

d) Mobile plant and vehicles

Mobile plant and vehicles, including capitalised leased assets, are stated at initial cost less subsequent accumulated depreciation and impairment. Where mobile plant and vehicles comprise major components with different useful lives, these components are accounted for and depreciated as separate items and residual values are re-assessed annually. Depreciation is calculated to write off the value of mobile plant and vehicles to their estimated residual values on a straight-line basis over their expected useful lives. The expected useful lives are generally three to ten years. The estimated useful lives and residual values are reviewed annually.

e) Computerware and development costs

Computer equipment, including capitalised leased assets, is stated at initial cost less subsequent accumulated depreciation and impairment. Depreciation is calculated to write off the cost of these assets to their estimated residual values on a straight-line basis over their expected useful lives on a component basis. The expected useful lives are generally three years. The estimated useful lives and residual values are reviewed annually.

Development costs that enhance and extend the benefits of computer software programs are recognised as a capital improvement and added to the original cost of the software. These include purchased software and the direct costs associated with the customisation and installation thereof. Development costs recognised as assets are depreciated using the straight-line method over their useful lives, not exceeding a period of ten years.

f) Furniture, fittings and other items

Furniture, fittings and other items are stated at initial cost less subsequent accumulated depreciation and impairment. Depreciation is calculated to write off the cost of these assets to their estimated residual values on a straight-line

basis over their expected useful lives on a component basis. The expected useful lives are generally three to five years. The estimated useful lives and residual values are reviewed annually.

g) Replacement and modification expenditure (relate to all categories)

Expenditure incurred to replace or modify a significant component of property, plant and equipment is capitalised and any remaining book value of the component replaced is written off immediately in the income statement. Other repair and maintenance expenditure is charged directly to the income statement as incurred.

h) Gains and losses

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the income statement as appropriate.

1.7 INVESTMENT PROPERTY

Investment property is property held to generate independent cash flows through rental or capital appreciation, and is carried at fair value with changes in fair value recognised in the income statement.

1.8 IMPAIRMENT ADJUSTMENTS

a) Non-current non-financial assets

Non-current non-financial assets are tested for impairment when there is an indication for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

b) Financial assets: assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;

- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

1.9 FINANCIAL ASSETS

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

a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets held for trading or those designated as fair value through profit and loss on initial recognition. These assets are reflected in current and non-current assets respectively.

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

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. Loans and receivables include trade and other receivables and cash and cash equivalents in the statement of financial position. Loans and receivables are initially recognised at fair value, plus transaction costs, and subsequently carried at amortised cost using the effective interest rate method.

c) Derecognition

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

1.10 INVESTMENTS IN SERVICE CONCESSIONS

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

1.11 FINANCIAL INSTRUMENTS

Financial instruments carried on the statement of financial position include cash and cash equivalents (as defined), short term borrowings, investments in service concessions, investment in property development, trade and other receivables, contracts in progress, trade and other payables, interest-bearing borrowings and derivative financial instruments. The particular recognition methods adopted are disclosed in the individual policy statements or notes associated with each item.

1.12 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss

depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- a) hedges of the fair value of recognised fixed rate liabilities (fair value hedge);
- b) hedges of a particular risk associated with a recognised fixed rate liability (fair value hedge) or a highly probable forecast transaction (cash flow hedge); or
- c) hedges of a net investment in a foreign operation (net investment hedge).

The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, on whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 17. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The group applies fair value hedge accounting to hedge the fair value interest rate risk associated with fixed rate borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the ineffective portion is recognised in the income statement within other operating expenses – net. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the income statement within finance costs.

If the hedging relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to profit or loss over the period to maturity (pull to par).

b) Derivatives at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not

qualify for hedge accounting are recognised immediately in the income statement within other operating expenses.

1.13 INVENTORIES

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

Costs that are incurred in or benefit the construction materials process, are accumulated as stockpiles and consist of aggregates finished product. Stockpiles are verified via monthly surveys of estimated tonnes and are valued based on cost of production per tonne. Net realisable value tests are performed annually and represent the estimated future sales price of the product, based on prevailing prices, less estimated costs to completion and sale.

Property development costs held as inventory, which is property held for development and resale, are valued at the lower of cost and net realisable value.

1.14 CONSTRUCTION CONTRACTS

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

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

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

The group uses the "percentage of completion method" to determine the appropriate revenue to recognise in a given period. The stage of completion is measured with reference to the contract costs or major activity

incurred up to the statement of financial position date as a percentage of total estimated costs or major activity for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion and are presented as contracts in progress.

The group also presents as contracts in progress the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included in trade and other receivables.

The group presents as a liability (excess billings over work done) the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

1.15 TRADE AND OTHER RECEIVABLES

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

1.16 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flow, cash and cash equivalents comprise bank balances and cash with original maturities of three months or less and also include bank overdrafts repayable on demand. Cash and cash equivalents are reflected at year-end bank statement balance. Where bank overdrafts and cash balances are with the same financial institution and right of set-off exists, they are netted off for disclosure purposes.

1.17 NON-CURRENT ASSETS (OR DISPOSAL GROUPS) CLASSIFIED AS HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continued use. Depreciation on non current assets held for sale is ceased once IFRS 5's classification met.

1.18 STATED CAPITAL

Ordinary shares are classified as equity. Issued share capital is stated in the statement of changes in equity at the amount of the proceeds received less directly attributable issue costs. Cost of share options issued after 7 November 2002 have been charged to stated capital as described in note 1.23[d].

1.19 TRADE AND OTHER PAYABLES

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

1.20 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Where the fair value of the borrowings have been hedged, and qualify for hedge accounting, then the gain or loss on the hedged item attributable to the hedged risk is recognised in the income statement. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

1.21 CAPITALISATION OF BORROWING COSTS

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

Cash flows relating to borrowing cost capitalised are presented as part of the related asset in the cash flow.

1.22 TAXATION

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

The current taxation payable is based on the taxable income for the year. Taxable income differs from net income as reported in the income statement because it includes items of income and expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The group's liability for current taxation uses relevant rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences which arise from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding taxation basis used in the computation of taxable income. Deferred taxation liabilities are recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. The carrying value of deferred taxation assets is reviewed at each statement of financial position date and reduced to the extent that

it is no longer probable that sufficient taxable income will be available to allow part of the asset to be recovered.

Current enacted taxation rates are used to determine deferred income taxation. The principal temporary differences arise from depreciation on property, plant and equipment, various provisions, contracting allowances and taxation losses carried forward.

1.23 EMPLOYEE BENEFITS

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

a) Pension obligations

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

a.i Pension obligations – defined contribution plans

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

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

a.ii Pension obligations – defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated

future cash outflows using discount rates detailed in note 21.2 (i).

Actuarial gains and losses arising from experiential adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

b) Post-employment obligations

One group company provides post-employment medical costs for certain of its retirees. The expected costs of these benefits are accrued over the period of employment using a methodology similar to that of defined benefit plans. An actuarial valuation of this obligation is carried out on a periodic basis by professionally qualified independent actuaries. The post-employment obligations are not funded. Movement on remeasurement accounted for profit and loss.

c) Leave pay

Employee entitlements to annual leave are recognised when they accrue to employees. Full provision is made for the estimated liability for annual leave, as a result of services by employees, up to the statement of financial position date.

d) Equity compensation benefits

Share options and appreciation rights are granted to employees in terms of the schemes detailed in note 21.4. The net cost of share options, issued after 7 November 2002, calculated as the difference between the fair value of such options at grant date and the price at which the options were granted, are expensed over their vesting periods on a straight-line basis. The fair value of the share options is measured using the Black-Scholes pricing model. These share options are not subsequently re-valued.

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

Cash-settled share-based payments are granted to beneficiaries of the Black Professionals Staff Trust, which Trust was approved by shareholders during the 2013 financial year and to participants eligible to receive bonus shares in terms of the group's long term incentive plan. The cost of these payments is recognised as a cash-settled share-based payment transaction over the life of the schemes from the effective date of the transaction to vesting date. (Refer to note 21.4.3.)

e) Profit sharing and bonus plans

A liability for employee benefits, in the form of profit sharing and bonus plans, is recognised in trade and other payables when there is no realistic alternative

but to settle the liability and if at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are capable of being reliably estimated; or
- past practice has created a valid expectation by employees that they will receive a bonus/profit sharing and amounts can be determined before the time of issuing the financial statements.

1.24 PROVISIONS

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.25 ENVIRONMENTAL REHABILITATION

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

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

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

1.26 LEASED ASSETS

Where assets are acquired under finance lease agreements that transfer to the group substantially all the risks and rewards of ownership, they are capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The capital element of the leasing commitment is disclosed under current and non-current liabilities. Lease rentals are treated as consisting of capital and interest elements, using the effective interest rate method.

Leased assets are depreciated over the shorter of their useful lives or lease term. The interest amount is charged to the income statement and the capital elements reduce the liability.

1.27 OPERATING LEASES

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

1.28 DIVIDENDS PAID

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's directors.

1.29 EARNINGS PER SHARE

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

1.30 HEADLINE EARNINGS PER SHARE

Headline earnings per share is based on the same calculation as in 1.29 above except that attributable profit specifically excludes items as set out in Circular 4/2018 replacing circular 2/2015 "Headline Earnings" issued by the South African Institute of Chartered Accountants. Fully diluted headline earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on headline earnings per share.

1.31 CONTINGENCIES AND COMMITMENTS

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

commits itself to future transactions, particularly in the acquisition of property, plant and equipment.

1.32 RELATED PARTY TRANSACTIONS

All subsidiaries, joint arrangements and associated companies of the group are related parties. A list of the major subsidiaries, joint arrangements and associated companies are included on pages 93 to 103 of this consolidated annual financial statements. Director and senior management emoluments, as well as transactions with other related parties, are set out in note 22. There were no other material contracts with related parties.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

USE OF ESTIMATES

The preparation of the financial statements in conformity with International Financial Reporting Standards requires the group's management to make estimates and judgements concerning the future that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. The resulting accounting estimates and judgements can, by definition, only approximate the actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below.

Each construction contract has specific estimates and judgements attributed to it. A meaningful sensitivity analysis on construction contract estimates and judgements is not practical.

2.1 GOING CONCERN ASSESSMENT

Introduction

In determining the appropriate basis of preparation of the annual financial statements, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

Trading conditions during the year

The financial performance of the Group depends on the wider economic environment in which the Group operates.

The group's performance for the year was materially below expectations. The results in the current year were significantly impacted by the operating losses incurred on the Kpone contract of R1,3billion.

The Group's operating loss was negatively impacted by the following:

Onerous contract – Kpone contract (Kpone) – charge to earnings

The independent gas- and oil-fired combined cycle power engineer, procure and construct (EPC) contract in Kpone, Ghana incurred a significant loss which impacted the EPC cluster's results

Unmaterialised unsecured work – reduced profitability

Construction South Africa's results were impacted in H1 F2018 compared to the original forecast, due to the closure and rationalisation of a number of businesses, resulting in the cluster not pursuing opportunities originally anticipated, as well as the lack of contract awards.

Unsecured work materialising later than planned – reduced profitability

This impacted Construction's results both in South Africa and the Rest of Africa

Contract losses and contracts behind plan (net of contracts generating profits ahead of plan), impacting – reduced profitability

- the Construction South Africa business and
- the EPC cluster, excluding the impact of Kpone

Retrenchment costs – charge to earnings

These include the costs incurred during the retrenchment process implemented mainly in the Construction South Africa segment and the corporate office

In contrast, the Group's operating loss was reduced by the following:

Profit on disposal of joint ventures and subsidiary

Pension fund surplus credited to earnings

Profit on sale of property, plant and equipment which enhanced mainly Construction South Africa's results

As a result of the factors outlined above, the Group reported a net loss of R1,3 billion (F2017: R840,0 million)

Both the Manufacturing cluster and the Investment & Concessions clusters delivered solid results in the year and continued to generate free cash flow in line with expectations. The Investment & Concessions cluster's H2 F2018 results were positively impacted by a larger than forecasted upward fair value adjustment on service concessions following enhanced project cash flows and the impact of foreign exchange rates at year end. The group results and cash flows were also assisted by the sale of Group Five Pipe which was disposed of for R80 million. The sale of the remainder of Manufacturing is progressing in line with the planned timing of the disposal.

The Construction South Africa business achieved improved execution, with a reduction in contract losses over the previous year and profit from contracts trading ahead of plan more than compensating for contracts

trading behind plan. The subsequent closure and downsizing of businesses in the year, impacted the planned profit as the business did not pursue opportunities originally anticipated in the Group's plan. Market conditions remain weak. A delay in contract awards also impacted the budgeted profit with unsecured work not materialising. Cost overruns were incurred on a few ongoing contracts. Results were also impacted by retrenchment costs.

The Construction Rest of Africa business also delivered improved execution with no contract losses in F2018 and secured profit tracking largely in line with plan. However, as with Construction South Africa, project award delays impacted the recovery of overheads incurred in the period. These contracts have subsequently been awarded.

As outlined before, the key aspect of the loss reported by the Group was the Group's Kpone contract in Ghana.

The Group reported in a SENS update in H2 F2018 that the client requested that the Kpone plant be completed and handed over to operate on two fuels only and not the planned three fuels due to the unavailability of natural gas.

The plant is in its final commissioning phase, with the only remaining phase of performance and reliability testing to commence shortly. The current expected completion date and hand over of this contract is now estimated to occur in October 2018.

Additional charges against earnings were recorded in H2 F2018 due to further costs incurred to complete the contract, the impact of foreign exchange rates. Whilst certain claims do not yet meet the accounting recognition standards, as they are in the early stages of being determined through the alternate dispute resolution procedures set out in the respective agreements, Legal Counsel and Senior Legal Counsel, with experience in local and international dispute resolution, have considered the various claims and confirmed that these claims have merit. In determining the additional losses recorded on the contract, the group considered the contract's estimated final outcome based on various scenarios with their relevant associated costs. This resulted in a loss on the contract in F2018 of R1,3 billion (H1 F2018: R649 million).

As indicated previously, notwithstanding any further potential delays to the project or to the dispute resolution process, the gross maximum delay penalty exposure remains capped at US\$62,5million. The actual penalty, within the maximum of US\$62,5million, will be independently determined. This amount does not reflect the counter, or other, claims that Group Five is legally entitled to and is pursuing. Against these possible penalties, the Group continues to progress its own contractual rights and entitlements through the alternative dispute resolution procedures. These include

- claims as a result of the late arrival on site of procured goods due to port delays following a change in Ghanaian law affecting the clearing of the goods
- other material claims for extension of time with costs
- substantial claim against the design engineer sub-contractor
- claims against certain sub-contractors due to poor design, delays and additional work having to be undertaken by the Group

These claims are progressing to finalisation with the various counterparties to which they relate and could be of substantial benefit to the Group. However, the timing of the settlements is uncertain as each claim progresses independently. It should be noted that the Kpone contract does provide for the swifter resolution of claims compared to traditional contracts.

It is important to note that later completion dates do not necessarily translate to daily penalties if the Group is not responsible for the delay.

The later completion dates however result in additional costs being incurred. These costs have been budgeted for both in terms of its impact on the contract's loss recognition as well as the group's liquidity plans. The additional costs, accepted by the Board, ensure acceleration of the contract completion to its earliest possible completion date. The increase in the loss also includes unexpected costs, incurred outside of the Group's control, against which the Group will be claiming recovery.

The group has considered the recoverability of all deferred tax assets and has adopted a conservative approach adopted in terms of the raising of deferred taxation assets.

The board of directors working with external corporate finance advisors, have completed a valuation of the group as at year end date. This has been used to confirm the recoverability of the Group's carrying value and that no further impairments are deemed required.

Impact on liquidity

Although still cash positive, the Group has limited free cash at year end. As outlined to stakeholders previously this was mainly due to

- the additional cost to completion incurred and estimated to be incurred on the Kpone power contract in Ghana
- a decreasing order book in the Construction South Africa operations which resulted in the unwind of the businesses' working capital and unrecovered overheads
- the further rationalisation of overheads in the Construction businesses and the corporate office

Liquidity management

To address the risk of short term cash pressure, management has prepared a budget for the 2019 and 2020 financial years, as well as a robust liquidity model

which includes cash flow forecasts covering a period of 12 months from the date of these financial statements. These forecasts have been reviewed by independent international external advisers as part of an Independent Business Review undertaken in May and June 2018. An independent Contracts Officer was also appointed at the same time to review and evaluate the group's larger and potentially riskier construction contracts and, amongst other procedures, consider the accuracy of profit/loss recognition on these contracts. The outcome of these reviews have been incorporated into the group's forecasts.

The group liquidity model is a monthly consolidation of the group's individual cluster cash flow forecasts.

The cash flows forecasts are based on estimated free cash flow from operations, on a monthly basis, for the Manufacturing cluster, to the estimated date of sale, as well as the Investment & Concessions cluster.

For the Construction and EPC cluster, the cash flow forecasts are prepared by aggregating the forecasted monthly contract cash profit per contract less total expected business overheads. Thus reflecting the cash generation or absorption prior to any further contract awards. In addition the Construction balance sheet's net-current-liability position at year end is included as an outflow, based on the expected timing of outflow, and a normalized working capital, relevant to the reduced business size introduced. The EPC balance sheet's net-current working capital is fully forecast as an outflow. The total cash absorption from the net-current-liability, at the time of signing date, is due to the unwind in net-current-liabilities as a result of a natural unwind in cash with a repayment of contract liabilities, including advance payments and excess billings, in light of a reduced secured order book as well as liabilities due on loss making contracts, including Kpone. In addition insufficient volume of trade to recover committed overheads impacts cash requirements albeit that this risk has been consistently monitored during the year with multiple interventions implemented to reduce overheads and thus the impact on liquidity.

Due to its materiality, the Kpone contract and its cash flow requirements are separately monitored, with detailed estimated gross cash monthly outflows and inflows.

The cash flows forecasts are prepared monthly and reviewed by management. They are evaluated against forecasted expectations and variances monitored. The forecasts and any variances are presented to the Board of Directors at least on a quarterly basis or more frequently as required.

In response, to address future possible cash outflows, detailed performance and liquidity operational improvement initiatives have been developed, with their implementation regularly monitored, and are listed as follows.

Performance and liquidity improvement initiatives undertaken during F2018 which continue into F2019

Interventions to rationalise and restructure the Group and to improve liquidity have been implemented in the period and will continue into F2019. These include:

1. Closure of unsustainable businesses after assessing these against the availability and reliability of market demand and internal core competency and skills. These do not constitute discontinued operations as the accounting criteria have not been met.
 - a) A number of businesses, specifically within the Construction South Africa segment, have been exited, with some businesses materially downsized
 - b) The Construction South Africa business now includes a focused Building and Housing segment, a limited refined civil engineering capability, Structural, Mechanical, Electrical, Instrumentation & Piping (SMEIP) business, complemented by an oil & gas competency
 - c) The Construction Rest of Africa business is focused on SMEIP works
2. Cost reduction to match reduced business sizes
 - a) The Group has focused on cost reduction within the remaining Construction South Africa and EPC segments
 - b) Retrenchments have been implemented in the year with further retrenchments underway in F2019 within the EPC cluster
 - c) The Construction South Africa segment has relocated to the Group's owned premises in Spartan
 - d) The Construction Rest of Africa segment has relocated to more cost-effective rented premises in Boksburg
 - e) The Corporate office and the Investment & Concessions cluster has relocated from its current rented premises in Waterfall to more cost-effective offices in Sunninghill
 - f) Other non-staff related reductions continue
3. Focused and targeted contract selection within the disciplines and businesses selected
 - a) Critical evaluation of contracts in current markets is being undertaken, which has resulted in the Group more narrowly focusing only on work in those disciplines that now match the restructured group in terms of available opportunities, internal competencies and a proven track record
 - b) Tendering is more focused on contracts with more than an 80% probability of being awarded within the Group's Construction competency and skill set, conforming to a minimum gross profit margin

In the year the Group exited low-cost housing which it delivered through a partnership with Motlekar and only tendered very selectively in Civil Engineering. The Nuclear business was closed and the Oil & Gas business was downsized. Substantial rightsizing has taken place with further interventions planned and being implemented. Construction South Africa continues to be right-sized for current market conditions and for a streamlined service offering, focused on key disciplines and supported by proven core competencies only.

Construction Rest of Africa enjoys a good, secured order book, especially in the West and Central African mining sectors. The lower overhead structure and recently awarded contracts enhanced business performance in H2 F2018 and a profit is anticipated in F2019.

The EPC cluster is currently being downsized, including retrenchments.

Other liquidity improvement initiatives undertaken during F2018 which continue into F2019

In addition, in order to fund any potential monthly cash absorptions, other cash enhancing actions were addressed including

- converting long term assets within the Group to short term
- accelerating the realization of claim opportunities and other short term cash opportunities in favour of the Group, and
- Recovering any long-outstanding debtors due

The Group has been able to contribute positively to cash on hand and the funding of working capital in F2018 through the recovery of these long-outstanding debtors and conversion of non-current assets and other cash-enhancing initiatives. These cash recoveries and initiatives are expected to provide an enhancement to the Group's cash position over a 12- to 18-month period, with initiatives converting into cash to funding working capital on a monthly basis. These cash-enhancing actions are at an advanced stage. These include:

- Expected recovery of amounts, due to close out of claims relating to contracts, in an advanced stage of arbitration.
 - Material claims have been awarded in the group's favour since the establishment of the liquidity enhancing action plan and timing of payment by the client is awaited
- Sale of selected Property, Plant and Equipment. These do not constitute held for sale assets as the accounting criteria have not been met.
 - This portfolio of long term assets is currently not providing adequate return. The executive committee is monitoring the capital reduction of initiatives at an asset level and decisions has been made to dispose of assets not utilized. The disposal process has progressed well in the year.
- Partial utilization of the Company's pension fund asset.

- The group has received approval for the partial utilization of the group's pension fund in the year thus enhancing liquidity on a monthly basis

As previously advised, the Group established a R650 million short-term bridging funding to address the mismatch between the timing of the expected cash recoveries from these initiatives and its short-term funding requirements. The R650 million secured bridge funding is for a 12-month period until May 2019 and was obtained from a consortium of local banks. This facility was to satisfy the Group's short term cash requirements, as well as to allow the Group to honour short term outflows and realise its assets identified for disposal in an orderly manner.

The liquidity action plans originally set in the earlier part of F2018 excluded opportunities available to the construction portion of the Group to realise assets within its subsidiaries, as initiatives had been focused at the construction operating company level. These plans have since been updated to include access to long term assets from entities in the Group outside the construction operating company. This approach has been adopted to address the group's weakening liquidity forecasts during the year, subsequent to the initial liquidity models established, as a result of additional cash pressure in Construction and increased costs to complete on Kpone.

Estimates, assumptions and judgements considered within the group's liquidity assessment

As would be expected, the group's liquidity model forecasts the timing and quantum of key drivers of cash flow. These forecasts thus include a considerable amount of estimates, assumptions and judgments. The material assumptions include the following

- 1. Secured Construction and EPC contracts trade at their forecasted tendered margin**
 - a) A key assumption to the Construction and EPC businesses liquidity forecast is that contracts will be executed in line with forecasted contract margins
 - b) Contract performance is re-forecasted on a monthly basis and the liquidity model constantly updated with current contract conditions
 - c) "stretch targets" in terms of expected cash flows ahead of forecasted margins are only included for selected contracts where they are identified as highly probable
 - d) A general provision for possible contract losses (not specific, realized or expected but rather a general deduction) has been included within the construction liquidity model as a reduction to cash, based on loss ratios aligned to current trends
 - e) Thus any contract losses or any reduction in cash profitability from secured work would have a direct impact on the liquidity model
- 2. Construction contracts identified of greater than 80% probability of being awarded, are secured and traded in the period forecasted**
 - a) Some risk to the certainty, with regards to timing and profitability, of these awards could exist as the group has experienced a delay in contract awards which impacted the budgeted profit with unsecured work not materializing during F2018
 - b) In addition the group is experiencing an increase in the cost of doing business with input costs to contract bids increasing significantly
 - c) In response, the group has included a low level of cash profits from unsecured work within the liquidity model and thus the liquidity model is not materially impacted by unsecured contracts
- 3. The value of cash to be realized, per the liquidity model with respect to cash from Construction operations listed in 1 and 2 above, approximates 20% of the total liquidity enhancement forecasted for the group in F2019**
 - a) The liquidity model is thus materially sensitive to the ability of the construction cluster being able to execute their contracts in line with forecasted margins and thus generating relevant cash on these contracts
- 4. Overhead reduction strategies are implemented and achieved**
 - a) The group has forecasted further overheads reduction strategies, including retrenchments, within its F2019 liquidity model
 - b) The liquidity model would be impacted by any intervention not realized
 - c) To date, since the commencement of the rationalizing and restructuring of the group, it has been able to realize the benefits forecast
 - d) The value of cash benefits to be realized, included within the liquidity model, approximates 10% of the total liquidity enhancement forecasted for the group in F2019
 - e) Any further reduction in business size, as a result of lack of contract awards would necessitate further overhead reduction and retrenchments
- 5. EPC business is rationalized within the period**
 - a) The Board has taken the decision to rationalize the EPC business
 - b) The group does not expect to encounter difficulties with the rationalization of this cluster

6. Kpone contract is completed within the forecasted cost and time estimated

- a) The group, including the executive and the board of directors, closely monitor the execution of the Kpone contract
- b) An assessment of cost required to completion date has been completed and included in the liquidity model
- c) Any further delays in completion, which impacts increasing costs, or any reduction in estimated inflows on the group places direct pressure on the group's liquidity model in the short term
- d) Cash being collected from other cash enhancing actions listed above are being applied to fund the contract

7. Free cash to be realized from the Investment & Concessions and Manufacturing business (to date of sale)

- a) The liquidity model includes free cash from operations to be generated by both the Investment & Concessions and Manufacturing cluster
- b) The group does not deem there to be risk in this assessment

8. Net current liability repayments

- a) Full net-current-liability repayments are forecast and considered within the liquidity model as an outflow, based on the expected timing of outflow, and a normalized working capital, relevant to the reduced business size introduced.
- b) This is referred to as the balance sheet unwind forecast
- c) The unwind is based on a known balance sheet value at reporting period.
- d) The normalized working capital required is based on estimates determined on a reduced trading volume

9. Other cash enhancing actions are realized

- a) A material input into the group's liquidity model is the value of the cash enhancing activities which the group has forecast
- b) To date the group has been very successful in the realization of these opportunities with R227 million collected by June 2018
- c) An amount of R630m is forecast to be collected in F2019
- d) The group's short term liquidity model is very sensitive to these collections and delays in collection could place the group's liquidity under pressure in the short term and could breach short-term bridging funding covenants if not carefully managed

- e) The group's executive committee is responsible for the realization of these actions and monitor these on a weekly basis.
- f) Feedback to the banking consortium lenders is provided on
 - (i) the level of monthly cash enhancing activities including within the model
 - (ii) the rate of conversion of the opportunities,
 - (iii) details on specific items with a timing risk profile,
 - (iv) the impact on financial covenants should these be delayed in collection
 - (v) and the impact on funding requirements or needs of the group should opportunities be delayed

10. Disposal of a portion of the group's interest in its investment and concessions asset

- a) Subsequent to 30 June 2018, the Board approved the partial disposal of the Group's investment in service concessions assets in Eastern Europe, held through the Group's joint venture investment with Aberdeen in Intertoll Capital Partners B.V.
- b) The Group expects to reduce its holding to 10% (currently 50%).
- c) This partial disposal relates to the investment in service concessions assets only and not its operations and maintenance business.
- d) The proceeds from this disposal will be utilised to settle the Group's short-term bridge funding.
- e) The transaction is subject to shareholder approval. This will reduce the Group's current liabilities significantly and will improve its liquidity.
- f) The group does not believe there is a risk to this disposal and that proceeds is expected within the forecasted period

The Investment & Concessions and Manufacturing cluster's liquidity is stable with cash from operations being generated. Some improvement in the liquidity profile of both Construction SA and the Construction: Rest of Africa, which are the business where the cash pressure was previously experienced has been noted. This is supported by the interventions implemented. The EPC business is thus the only remaining material segment of the Group which is experiencing short term cash pressure, and this is largely due to the additional cost to complete being incurred on Kpone. Cash being collected from the other cash-enhancing actions listed above is being applied to fund the contract. As mentioned a key risk is the timing of the expected cash collection versus required application of funds to the contract.

The group's balance sheet and liquidity model are also key inputs into the financial covenants to the short-term bridging funding of R650 million. The banking consortium require covenant confirmations on a monthly

basis which are provided. The group has met its financial covenants on a monthly basis to the date of signing these annual financial statements. In addition the consortium has been provided with updated monthly liquidity models which are evaluated against forecasted expectations and variances monitored. The consortium is provided with expected monthly forecasted covenant position as a result of any variances to the model.

The group also reports contingent liabilities of R5,1bn in the form of financial institution-backed guarantees provided to third parties. The most material guarantees in issue relate to the Group's Kpone contract in Ghana. Included within the guarantees in issue to third parties is an performance bond of USD 62,3 million, a retention bond of USD 41,5 million and an advance payment bond of USD 2,6 million. As indicated previously, notwithstanding any further potential delays to the project or to the dispute resolution process, the gross maximum delay penalty exposure remains capped at US\$62,5million. The actual penalty, within the maximum of US\$62,5million, will be independently determined. This amount does not reflect the counter, or other, claims that Group Five is legally entitled to and is pursuing. Against these possible penalties, the Group continues to progress its own contractual rights and entitlements through the alternative dispute resolution procedures. The Group engages regularly with the providers of the guarantees to provide a status update on the performance of each contract where guarantees are in issue. The Group has engaged with providers of guarantees on the mechanism to manage any unforeseen impact on the Group's liquidity should a guarantee be converted into a cash call.

Expressions of interest continue to be received for the Group's assets and operations and the board of directors of Group Five continues to objectively assess these with a view to maximising shareholder value.

Solvency and Liquidity position at 30 June 2018

At 30 June 2018 the Group's total assets exceeded total liabilities by R1,1 billion. However current liabilities exceeded its current assets by R1,0 billion (August 2018: R991 million). This is an indication that the company may require further funding to settle its current obligations and continue as a going concern. The higher than expected current liabilities include the required repayment of the R650 million short-term bridge funding, by May 2019, as well as costs associated with loss-making contracts, notably Kpone.

To address this:

- Subsequent to 30 June 2018, the Board approved a partial disposal of the Group's investment in service concessions assets in Eastern Europe, held through the group's joint venture investment with Aberdeen in Intertoll Capital Partners B.V. The Group expects to reduce its holding to 10%, currently 50%. This partial disposal relates to the investment in service concessions assets only and not its operations and maintenance business. The proceeds from this disposal will be utilised to settle the Group's

short-term bridge funding. The transaction is subject to shareholder approval. This will reduce the Group's current liabilities significantly and will substantially improve its liquidity.

- The proceeds from the disposal of the Group's interest in its Manufacturing cluster will also be available for application to current liabilities, once completed. The disposal programme is on track with proceeds expected in F2019.

Conclusion

The events, conditions, judgements and assumptions described above inherently include material uncertainty on the timing of future cash flows and therefore any significant deviations may cast significant doubt on the group's ability to continue as a going concern and its ability to realize assets and discharge liabilities in the normal course of business.

The directors have considered the financial plans and forecasts, the actions taken by the Company, and based on the information available to them, are therefore of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.

2.2 ESTIMATES MADE IN DETERMINING CHANGES IN ESTIMATED USEFUL LIVES AND RESIDUAL VALUE OF MOBILE PLANT AND EQUIPMENT AND COMPUTER EQUIPMENT

The group maintains a large fleet of mobile plant and equipment and computer equipment. Annual evaluations on estimated useful lives and residual values are performed. These are conducted with reference to external valuations and confirmations supporting the reasonableness of estimates made.

2.3 ESTIMATES REGARDING IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The group continually assesses the recoverability of property, plant and equipment. Assets were evaluated with reference to external valuations and confirmations to support the reasonableness of carrying values as part of the assets' annual evaluation process.

2.4 FAIR VALUE OF INVESTMENT PROPERTIES, INVESTMENT IN SERVICE CONCESSIONS

The fair value of these items, which are not traded in an active market, is determined by using valuation techniques. The group uses a variety of methods, including discounted cash flow analysis and makes a variety of assumptions that are mainly based on market conditions existing at statement of financial position date. (Refer to notes 9 and 11 for valuation methodology and significant assumptions used.)

2.5 CONSTRUCTION CONTRACT REVENUE RECOGNITION AND PROFIT TAKING

The group uses the percentage-of-completion method in accounting for its construction contracts. Use of the percentage-of-completion method requires

the group to estimate the cost of construction services and activities performed to date as a proportion of the total cost of services and activities to be performed. In addition, judgements are required when recognising and measuring any variations or claims on each contract.

2.6 ESTIMATE OF LEVEL OF PROVISION REQUIRED FOR OBSOLETE STOCK AND DOUBTFUL DEBTS

The group estimates the level of provision required for obsolete stock and doubtful debts on an ongoing basis based on historical experience, as well as other specific relevant factors. A comparison between provision and actual loss incurred is performed to assess reasonableness of provisioning methodology. (Refer to notes 13 and 15 for additional disclosure.)

2.7 ESTIMATE OF TAXATION

The group is subject to income tax in numerous jurisdictions. Judgement is required in determining the worldwide provision for income taxes. Corporate and deferred taxation calculations have been determined on the basis of prior year assessed computation methodologies adjusted for changes in taxation legislation in the year. No significant new transactions that require specific additional estimates or judgements have been entered into in the year.

The group recognises the net future benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of the deferred income tax assets requires the group to make estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred taxation assets recorded at the statement of financial position date could be impacted. Additionally, future changes in taxation laws in the jurisdictions in which the group operates could limit the ability of the group to obtain taxation deductions in future periods. Deferred taxation assets are only raised in jurisdictions where there is significant certainty on the probability that legislation on the use of the assets will remain unchanged. In addition, assets are only raised in jurisdictions where the group has secured signed future contracts or orders sufficient to utilise these losses.

2.8 ESTIMATE OF EMPLOYEE BENEFIT LIABILITIES

An updated actuarial valuation is carried out at the end of each financial year for the defined benefit plan and post-employment liabilities of the group. Key assumptions used to determine the net assets and liabilities of these obligations and their sensitivities are set out in notes 21.2 and 21.3. Where valuations are not performed at year end, a review of key assumptions

used in the most recent valuation are performed at reporting date to ensure that no material changes in assumptions have occurred, valuations are performed annually.

2.9 FAIR VALUE OF SHARE-BASED COMPENSATION

The fair value of employee share options and share appreciation rights granted are being determined using the Black-Scholes valuation model. The significant inputs into the model are: vesting period and conditions, risk free interest rate, volatility, share price and dividend yield. (Refer to note 21.4 for details on each of the share option schemes.)

2.10 ESTIMATE OF EXPOSURE AND LIABILITIES WITH REGARDS TO REHABILITATION COSTS

Estimated non-current environmental obligations, comprising rehabilitation, mine and asbestos dump closure, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements. Actual costs incurred in future periods could differ from estimates. Additionally, future changes to environmental laws and regulations, life of asset and discount rates could affect the carrying amount of their provisions. (Refer to note 18 for valuation methodology and significant assumptions used.)

2.11 ESTIMATES MADE OF CONTINGENT LIABILITIES

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. Disclosure is made in note 23 of the contingent liabilities that the group is exposed to. As a global company, the group is exposed to legal risks. The outcome of any pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a lawsuit could result in additional costs that are not covered, either wholly or partly, and that could influence the business and results of operations.

Of particular relevance for the prior periods is that the group made provision for an estimated potential administrative penalty to be levied by the Competition Commission and the effects thereof is included in the 2013 reported results. Stakeholder attention is drawn to the contingent risk of civil claims possibly being lodged against the group, and all construction companies who have been allegedly party to the anti-competitive behaviour, following the Competition Commission release of its findings in June 2013.

Whilst some progress has been made, the management team continues to engage with the Competition Commission with the intent to finally resolve the two matters on fair terms.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2018

3. ADOPTION OF NEW ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

3.1 NEW STANDARDS AND INTERPRETATIONS

There are a number of new standards, improvements and interpretations effective and adopted in the current year with only the following expected to have an impact on the group:

ACCOUNTING STANDARDS/ INTERPRETATION	EFFECTIVE DATE	DESCRIPTION
Amendment to IAS 7 – Cash flow statements	1 January 2017	In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
<i>IMPACT: Additional disclosures relating to the cash flow statement refer to note 16.7</i>		
Amendment to IAS 12 – Income taxes	1 January 2017	The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.
<i>IMPACT: There is no significant impact. The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets</i>		
Amendment to IFRS 12 – Disclosure of interests in other entities	1 January 2017	Regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12)
<i>IMPACT: The impact will be significant for the current and prior year financial statements due to the held for sale disclosures required as a result of the sale of various entities in the current financial year note 32 and 33</i>		

3.2 STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

There are a number of new standards and amendments to standards which will only be effective to after the 2018 financial year. None of these are expected to have a significant impact on the Group except for IFRS 15 – Revenue from contracts with customers, IFRS 9 – Financial instruments and IFRS 16 – Leases.

No standards and interpretations have been early adopted.

ACCOUNTING STANDARDS/ INTERPRETATION	EFFECTIVE DATE	DESCRIPTION
IFRS 15 – Revenue from contracts with customers	1 January 2018	The FASB and IASB issued their standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfers to a customer.
<i>IMPACT: Refer below for full impact assessment on application of the IFRS 15</i>		

ACCOUNTING STANDARDS/ INTERPRETATION	EFFECTIVE DATE	DESCRIPTION
Amendment to IFRS 15 – Revenue from contracts with customers.	1 January 2018	The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. IMPACT: • <i>Supply and installation contracts – where the Group enters into two separate legal contracts these contracts should be combined at a consolidated financial statement level using the IFRS 15 guidance. The guidance in IFRS 15 also then requires the identification of both the supply and installation components as a single performance obligation. Consideration will need to be given to the accounting treatment in the separate financial statement of the legal contracting entity, as this may differ from the consolidated financial statements.</i> • <i>Advance payments – in the cases where a single advance payment is received up front and the period between the receipt of the cash and the period when the Group transfers the promised good or service is 12 months or less, no adjustment will be required for a financing component. However, in contracts where advances are received on a continuous or consistent basis, the financing component must be accounted for.</i> • <i>Measure of revenue when goods are supplied to the customer's site as part of the satisfaction of the performance obligation – Currently revenue is recognised using the percentage of completion method. Certified claims are used to measure the the percentage of completion. Goods delivered to site, but not yet installed are either invoiced separately on delivery, or are included in revenue as under certified revenue. IFRS 15 requires an entity applying a method for measuring progress, to exclude any goods or services for which the entity does not transfer control to a customer from the measurement of progress.</i> <i>Presentation of contract assets and contract liabilities in the balance sheet – IFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications, with the biggest impact relating to the goods delivered to site for which control has not yet transferred to the customer, IFRS 15 requires that if the criteria within IAS 2 are met, these goods should be recognised as inventory in accordance with IAS 2. In cases where the inventory guidance is not met, the amounts will be recognised on the balance sheet as fulfilment cost. In both scenarios (Inventory or fulfilment cost) no revenue is recognised. The costs will only be included in the measure of progress once control is transferred to the customer.</i> Transition <i>The group plans to adopt IFRS 15 using the simplified transition method (modified retrospective method) retrospectively only to contracts that are not completed at the date of initial application (i.e. 1 July 2018) applying certain practical expedients. As a result, the group expects will only apply the requirements of IFRS 15 to the comparative period presented for contracts extending over 30 June 2018 financial periods.</i> <i>The estimated impact of the adoption of IFRS 15 on the group is based on assessments undertaken to date. As the implementation of the standard progresses, the actual impact of adoption may vary due to:</i> • <i>Refinement of systems and the need for further extension of other contract assessments</i> • <i>Future contracts entered into</i> • <i>The new accounting policies are subject to change until the group presents its first financial statements that include the date of initial application</i>

ACCOUNTING STANDARDS/ INTERPRETATION	EFFECTIVE DATE	DESCRIPTION
IFRS 9 – Financial Instruments (2009 & 2010) • Financial liabilities • Derecognition of financial instruments • Financial assets • General hedge accounting	1 January 2018	This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
<i>IMPACT: No significant impact expected. However there is a risk of potential for increased impairment</i>		
Amendment to IFRS 9 – Financial instruments, on general hedge accounting	1 January 2018	The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following: The own credit risk requirements for financial liabilities. Classification and measurement (C&M) requirements for financial assets. C&M requirements for financial assets and financial liabilities. The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting).
<i>IMPACT: No significant impact expected</i>		
Amendment to IFRS 9 – Financial instruments • Prepayment features with negative compensation and • Modification of financial liabilities	1 January 2019	The narrow-scope amendment covers two issues: The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities. How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.
<i>IMPACT: No significant impact expected</i>		
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets	Effective date postponed	The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.
<i>IMPACT: No significant impact expected</i>		

ACCOUNTING STANDARDS/ INTERPRETATION	EFFECTIVE DATE	DESCRIPTION
Amendments to IFRS 2 – Share-based payments	1 January 2018	This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
<i>IMPACT: No significant impact expected</i>		
IFRIC 22 – Foreign currency transactions and advance consideration	1 January 2018	This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.
<i>IMPACT: Consider guidance on advance payments received in foreign currencies</i>		
IFRS 16 – Leases	1 January 2019	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.
<i>IMPACT: The accounting for leases which will result in the recognition of the obligation and asset for long term leases</i>		
IAS 40 – Investment property Transfers of investment property	1 January 2018	These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
<i>IMPACT: No significant impact expected</i>		

ACCOUNTING STANDARDS/ INTERPRETATION	EFFECTIVE DATE	DESCRIPTION
Annual improvements cycle 2015 – 2017	1 January 2019	These amendments include minor changes to: IFRS 3, 'Business combination' – a company remeasures its previously held interest in a joint operation when it obtains control of the business. IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. IAS 12, 'Income taxes' – The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
<i>IMPACT: No significant impact expected</i>		
Amendments to IAS 28 – Investments in associates and joint ventures – long-term interests in associates and joint ventures	1 January 2019	The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.
<i>IMPACT: No significant impact expected</i>		
Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	1 January 2019	The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must: • calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change • any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling • separately recognise any changes in the asset ceiling through other comprehensive income.
<i>IMPACT: No significant impact expected</i>		

ACCOUNTING STANDARDS/ INTERPRETATION	EFFECTIVE DATE	DESCRIPTION
IFRIC 23 – Uncertainty over income tax treatments	1 January 2019	IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.
<i>IMPACT: Reassess impact on all areas of tax uncertainty</i>		

		GROUP	
		Audited	
(R'000)		2018	2017*
4. OPERATING LOSS			
Operating loss is stated after charging/(crediting):			
4.1 STAFF COSTS, INCLUDING RETIREMENT AND BENEFIT CONTRIBUTIONS (SEE NOTE 21.1)		2 092 090	2 369 592
4.2 DEPRECIATION-CONTINUING OPERATIONS		123 846	134 996
Owner-occupied buildings		4 411	2 775
Mobile plant and vehicles – purchased		85 752	85 904
Mobile plant and vehicles – leased		10 217	21 738
Computerware and development costs – purchased		8 537	8 049
Computerware and development costs – leased		–	555
Furniture, fittings and other items – purchased		14 929	15 975
4.3 PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		(49 425)	(10 670)
4.4 PROFIT ON DISPOSAL OF JOINT OPERATIONS^ AND SUBSIDIARIES		(59 067)	–
4.5 FOREIGN EXCHANGE LOSS/(GAINS) – NET		35 740	(14 324)
4.6 AUDIT REMUNERATION		26 305	26 770
Local		18 336	16 225
Audit services – PwC		18 336	16 225
Audit services Non-PwC		–	–
Foreign		3 524	6 153
Audit services – PwC		1 470	4 393
Audit services Non-PwC		2 054	1 760
Non-audit services		4 445	4 392
PwC		1 781	2 316
Non-PwC		2 664	2 076
4.7 RENTALS UNDER OPERATING LEASES			
Land and buildings		82 502	77 756
Other equipment		646	781
4.8 REMUNERATION OTHER THAN TO EMPLOYEES		8 863	3 588
Management services		–	413
Technical services		8 863	3 175
4.9 INCLUDED IN OTHER SITE AND ADMINISTRATION COST			
Security		47 212	53 891
Electricity and water		41 243	42 089
Safety		42 206	24 943
Communications		31 006	24 921

* Restated for the application of IFRS 5 – discontinued operations.

^ Relates to the disposal of Group Five Pipe joint operation (R57,7 million profit), Group Five Motlekar Proprietary Limited (R7,2 million profit) and A-Way ITE Autopalya Zartkoreun Mukodo Reszventors asag (R5,8 million loss).

		GROUP	
		Audited	
(R'000)		2018	2017*
5.	FINANCE COST – NET		
	Finance income:	37 580	50 515
	Bank balances and cash	27 495	44 379
	Other finance income	10 085	6 136
	Finance cost:	(77 270)	(63 500)
	Unsecured borrowings	(27 442)	(40 699)
	Secured borrowings and other finance cost	(49 828)	(22 801)
	Total finance cost – net	(39 690)	(12 985)
	Net finance cost – discontinued operations	4 722	5 753
	* Restated for application of IFRS 5 – discontinued operations.		
	Finance cost of R11,6 million (2017: R13,0 million) was capitalised in the current year at an average borrowing rate of 10% (2017: 9.7%).		
6.	TAXATION		
	South African normal taxation		
	Current taxation	(2 176)	(35 103)
	– Current year	(3 515)	(33 721)
	– Prior year	1 339	(1 382)
	Foreign taxation		
	Current taxation	(80 945)	(65 870)
	– Current year	(82 662)	(75 914)
	– Prior year	1 717	10 044
	Deferred taxation	(5 203)	(36 836)
	– Current year	7 962	(31 785)
	– Prior year	(13 165)	(5 051)
		(88 324)	(137 809)
		%	%
	Reconciliation of normal taxation rate		
	South African normal taxation rate	(28.0)	(28.0)
	Adjusted for:		
	– Tax at rates in (lower)/higher tax jurisdictions	(5.05)	1.36
	– Deferred tax assets not raised	38.21	43.48
	– Tax under/(over) provided in respect of prior years	0.75	(0.15)
	– Expenses not deductible for tax purposes	1.01	3.12
	Effective rate of taxation	6.92	19.81
	Estimated taxation losses available for set-off against future taxable income	1 492 707	1 081 122
	Potential taxation relief at current taxation rates (unrecognised deferred taxation assets)	377 549	197 726
	The utilisation of the deferred tax assets depend on sufficient taxable income being earned in future by the subsidiaries concerned.		
	* Restated for the application of IFRS 5 – discontinued operations.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

		GROUP	
		Audited	
(R'000)		2018	2017*
7.	LOSS PER SHARE		
7.1	LOSS PER SHARE		
	Loss for the year – attributable to shareholders	(1 355 850)	(840 046)
	Shares outstanding 1 July ('000)	101 594	101 250
	Weighted average number of shares issued during the year ('000)	–	90
	Weighted average number at end of year ('000)	101 594	101 340
	Loss per share (R)	(13,35)	(8,29)
7.2	FULLY DILUTED LOSS PER SHARE		
	Loss for the year – income attributable to shareholders	(1 355 850)	(840 046)
	Weighted average number at end of year ('000)	101 594	101 340
	Adjusted for:		
	– Inclusion of dilutive shares held by share trusts ('000)	–	–
	Adjusted weighted average number of shares ('000)	101 594	101 340
	Fully diluted loss per share (R)	(13,35)	(8,29)
7.3	LOSS PER SHARE (CONTINUING OPS)		
	Loss for the year – attributable to shareholders	(1 413 060)	(901 067)
	Shares outstanding 1 July ('000)	101 594	101 250
	Weighted average number of shares issued during the year ('000)	–	90
	Weighted average number at end of year ('000)	101 594	101 340
	Loss per share (R)	(13,91)	(8,89)
7.4	FULLY DILUTED LOSS PER SHARE (CONTINUING OPS)		
	Loss for the year – income attributable to shareholders	(1 413 060)	(901 067)
	Weighted average number at end of year ('000)	101 594	101 340
	Adjusted for:		
	– Inclusion of dilutive shares held by share trusts ('000)	–	–
	Adjusted weighted average number of shares ('000)	101 594	101 340
	Fully diluted loss per share (R)	(13,91)	(8,89)
7.5	EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS		
	Profit for the year – attributable to shareholders	57 210	61 021
	Shares outstanding 1 July ('000)	101 594	101 340
	Weighted average number of shares issued during the year ('000)	–	90
	Weighted average number at end of year ('000)	101 594	101 340
	Earnings per share (R)	0,56	0,60
7.6	FULLY DILUTED EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS		
	Profit for the year – income attributable to shareholders	57 210	61 021
	Weighted average number of shares issued during the year ('000)	101 594	101 340
	Adjusted for:		
	Inclusion of diluted shares held by share trusts ('000)	–	–
	Adjusted weighted average number of shares ('000)	101 594	101 340
	Fully diluted profit per share (R)	0,56	0,60

* Restated for the impact of IFRS 5 – discontinued operations.

		GROUP			
		Audited			
		2018		2017	
	Notes	Gross pre-tax	Net	Gross pre-tax	Net
7. LOSS PER SHARE CONTINUED					
7.7 HEADLINE LOSS PER SHARE					
Loss for the year			(1 355 850)	–	(840 046)
Adjusted for:		(76 080)	(45 838)	(32 760)	(24 849)
– Profit on disposal of property, plant and equipment	4.3	(49 425)	(35 627)	(10 558)	(7 847)
– Fair value adjustment on investment property held by associate company included in equity accounted profit		(2 744)	(2 129)	(22 828)	(17 453)
– Fair value downward adjustment on investment property	9	32 618	32 618	–	–
– Net profit on shareholding changes in investment in associates	10.1	(2 155)	(1 552)	(615)	(443)
– Impairment of investment in associate and joint venture	10.1	4 693	3 380	1 241	894
– Net profit on sale of joint operation* and subsidiary	34	(59 067)	(42 528)	–	–
Headline loss			(1 401 688)		(864 895)
Weighted average number of shares ('000)			101 594		101 340
Headline loss per share (R)			(13,80)		(8,53)
7.8 HEADLINE EARNINGS PER SHARE – DISCONTINUED OPERATIONS					
Profit for the year			57 210		61 021
Adjusted for:		604	435	112	81
– Loss on disposal of property, plant and equipment		604	435	112	81
Headline earnings – discontinued operations			57 645		61 102
Weighted average number of shares ('000)			101 594		101 340
Headline earnings per share – discontinued operations			0,57		0,60
7.9 FULLY DILUTED HEADLINE LOSS PER SHARE					
Headline loss			(1 401 688)		(864 895)
Adjusted weighted average number of shares ('000)			101 594		101 340
Fully diluted headline loss per share (R)			(13,80)		(8,53)
7.10 HEADLINE LOSS PER SHARE FROM CONTINUING OPERATIONS					
Loss available to shareholders from continuing operations			(1 413 060)		(901 067)
Adjusted for headline items (continuing)			(46 273)		(24 930)
Headline loss from continuing operations			(1 459 333)		(925 997)
Weighted average number of shares ('000)			101 594		101 340
Headline loss per share from continuing operations (R)			(14,36)		(9,14)

* Net profit/(loss) on disposal of joint operation relating to items not requiring adjustment in headline earnings was negligible.

		GROUP			
		Audited			
		2018		2017	
		Gross pre-tax	Net	Gross pre-tax	Net
7.11	FULLY DILUTED HEADLINE LOSS PER SHARE FROM CONTINUING OPERATIONS				
	Loss available to shareholders from continuing operations		(1 413 060)		(901 067)
	Adjusted for headline items (continuing)		[46 273]		[24 930]
	Headline loss from continuing operations		(1 459 333)		(925 997)
	Adjusted weighted average number of shares ('000)		101 594		101 340
	Fully diluted headline loss per share from continuing operations (R)		(14,36)		(9,14)
7.12	FULLY DILUTED HEADLINE EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS				
	Income available to shareholders from discontinued operations		57 210		61 021
	Adjusted for headline items		435		81
	Headline earnings from discontinued operations		57 645		61 102
	Adjusted weighted average number of shares ('000)		101 594		101 340
	Fully diluted headline earnings per share from continuing operations (R)		0,57		0,60

	GROUP	
	Audited	
(R'000)	2018	2017
8. PROPERTY, PLANT AND EQUIPMENT		
Total property, plant and equipment		
Cost		
At the beginning of the year	2 009 679	2 343 365
Additions	83 370	163 915
Disposals	(284 801)	(497 601)
Foreign exchange translation differences	89 922	–
Assets included in discontinued operation	(423 771)	–
At the end of the year	1 474 399	2 009 679
Accumulated depreciation		
At the beginning of the year	(1 147 261)	(1 457 299)
Current year charge (continuing and discontinuing)	(150 562)	(156 461)
Disposals	213 708	466 499
Foreign exchange translation differences	(94 571)	–
Assets included in discontinued operation	178 593	–
At the end of the year	(1 000 093)	(1 147 261)
Net book value	474 306	862 418
Owner-occupied land and buildings		
Cost		
At the beginning of the year	101 007	125 176
Additions	2 251	712
Transfers	–	(23 074)
Disposals	(933)	(1 807)
Foreign exchange translation differences	1 419	–
Transferred to assets included in discontinued operation	(22 268)	–
At the end of the year	81 476	101 007
Accumulated depreciation		
At the beginning of the year	(27 662)	(43 896)
Current year charge	(4 928)	(2 775)
Transfers	–	17 202
Disposals	160	1 807
Foreign exchange translation differences	(746)	–
Assets included in discontinued operation	9 251	–
At the end of the year	(23 925)	(27 662)
Net book value	57 551	73 345
<i>A full list of the group's land and buildings is maintained at the registered office.</i>		
Capital work in progress		
Cost		
At the beginning of the year	16 152	64 712
Additions	13 153	47 666
Transfers	(17 283)	(96 226)
Assets included in discontinued operation	(3 381)	–
At the end of the year	8 641	16 152

		GROUP	
		Audited	
(R'000)		2018	2017
8. PROPERTY, PLANT AND EQUIPMENT CONTINUED			
Factory plant			
Cost			
At the beginning of the year		302 850	264 415
Additions		12 416	11 640
Transfers		7 963	76 991
Disposals		(16 409)	(50 196)
Assets included in discontinued operation		(306 820)	-
At the end of the year		-	302 850
Accumulated depreciation			
At the beginning of the year		(155 063)	(184 844)
Current year charge		(25 849)	(20 305)
Transfers		-	-
Disposals		14 920	50 086
Assets included in discontinued operation		165 992	-
At the end of the year		-	(155 063)
Net book value		-	147 787
Mobile plant and vehicles – purchased			
Cost			
At the beginning of the year		1 083 446	1 408 762
Additions		35 139	60 803
Transfers		9 082	43 678
Disposals		(225 253)	(429 797)
Foreign exchange translation differences		86 962	-
Assets included in discontinued operation		(88 909)	-
At the end of the year		900 467	1 083 446
Accumulated depreciation			
At the beginning of the year		(639 299)	(926 732)
Current year charge		(85 803)	(87 064)
Transfers		-	(24 462)
Disposals		174 056	398 959
Foreign exchange translation differences		(93 548)	-
Assets included in discontinued operation		1 633	-
At the end of the year		(642 961)	(639 299)
Net book value		257 506	444 147

		GROUP	
		Audited	
(R'000)		2018	2017
8. PROPERTY, PLANT AND EQUIPMENT CONTINUED			
Mobile plant and vehicles – leased			
Cost			
At the beginning of the year		198 481	183 605
Additions		8 265	24 550
Transfers		–	(9 599)
Disposals		(15 835)	(75)
Assets included in discontinued operation		–	–
At the end of the year		190 911	198 481
Accumulated depreciation			
At the beginning of the year		(80 636)	(65 276)
Current year charge		(10 217)	(21 738)
Transfers		–	6 330
Disposals		9 305	48
Assets included in discontinued operation		–	–
At the end of the year		(81 548)	(80 636)
Net book value		109 363	117 845
Computerware and development costs – purchased			
Cost			
At the beginning of the year		204 390	167 598
Additions		5 100	7 713
Transfers		238	38 648
Disposals		(6 547)	(9 569)
Foreign exchange translation differences		2 364	–
Assets included in discontinued operation		(1 066)	–
At the end of the year		204 479	204 390
Accumulated depreciation			
At the beginning of the year		(179 924)	(159 651)
Current year charge		(8 733)	(8 049)
Transfers		–	(21 720)
Disposals		6 111	9 496
Foreign exchange translation differences		(1 148)	–
Assets included in discontinued operation		850	–
At the end of the year		(182 844)	(179 924)
Net book value		21 635	24 466

(R'000)	GROUP	
	Audited	
	2018	2017
8. PROPERTY, PLANT AND EQUIPMENT CONTINUED		
Computerware and development costs – leased		
Cost		
At the beginning of the year	–	8 538
Additions	–	–
Transfers	–	(8 538)
At the end of the year	–	–
Accumulated depreciation		
At the beginning of the year	–	(7 942)
Current year charge	–	(555)
Transfers	–	8 497
At the end of the year	–	–
Net book value	–	–
Furniture, fittings and other items – purchased		
Cost		
At the beginning of the year	103 353	120 559
Additions	7 046	10 831
Transfers	–	(21 880)
Disposals	(19 824)	(6 157)
Foreign exchange translation differences	(823)	–
Assets included in discontinued operation	(1 327)	–
At the end of the year	88 425	103 353
Accumulated depreciation		
At the beginning of the year	(64 677)	(68 958)
Current year charge	(15 032)	(15 975)
Transfers	–	14 153
Disposals	9 156	6 103
Foreign exchange translation differences	871	–
Assets included in discontinued operation	867	–
At the end of the year	(68 815)	(64 677)
Net book value	19 610	38 676

Refer to note 16.6 for details on the total carrying amount of assets encumbered.

9.

INVESTMENT PROPERTY

Fair value at the beginning of the year
Additions

Borrowing cost capitalised

Development cost capitalised

Net loss from fair value adjustment through profit and loss

Fair value at end of the year

GROUP	
Audited	
2018	2017
267 685	184 186
21 315	83 499
11 553	13 037
42 380	70 462
(32 618)	–
289 000	267 685

Investment properties held on the statement of financial position consist of the following:

30 June Name	Description	Initial cost	R'000	R'000
The Angle on Oxford	100% owner of 1.4 hectares vacant land situated in Rosebank Gauteng	92 000	114 000	131 985
North Point Industrial Development	100% 10.9 hectares of vacant land under development in Brackenfell (Western Cape)	7 082	175 000	135 700
		99 082	289 000	267 685

In assessing the fair value of investment property, valuations include consideration of title deed information, town planning conditions, locality and improvements made to the property, property vacancy rates in surrounding areas, realised yields on comparative sales as well as micro- and macro-economic conditions pertaining to commercial properties.

In 2014, the group acquired approximately 1.4 hectares of vacant land to be utilised for a proposed 31 000 m² (GLA) commercial development including 1 272 m² of retail space. The land is situated on the intersection between Oxford and Bompas Roads in the prime business district of Rosebank. An external valuation was obtained on the vacant land held as investment property. The valuation was performed by an independent valuator, DDP Valuation and Advisory Services, who has experience in the valuation of similar investment property. In comparing the carrying value of investment property to the valuations performed, using applicable and available market related information, a fair value decrease of R27,6 million was deemed necessary, based upon comparable market information. The prior year internal valuation was performed using the capitilisation rate as a basis for valuation. The independent valuers have utilised market related rate per square metre to determine the valuation.

During the current year construction on phase one of the North Point Development was completed, comprising of 16 416 m² (GLA) of industrial warehousing situated at the Brackenfell Industrial site in the Western Cape. Internal valuations were performed by management at 30 June 2018 on the phase one warehousing as well as the remaining land which is to be utilised by phase two development. A fair value decrease of R5,0 million was deemed necessary based on comparable market information.

Both these valuations are considered level 3 valuations in terms of fair value hierarchy.

Both these investment properties are funded by loans of R231 million (2017: R187 million). Refer to note 16.6 for ageing of secured borrowings. R96 million is repayable within 12 months and is thus recognised as short term borrowings.

9. INVESTMENT PROPERTY CONTINUED

The analysis below depicts the effect on loss before taxation assuming changes in capitalisation rates and rate per square metre on the investment property.

(R'000)	GROUP	
	Audited	
	Increase/(decrease) in fair value and hence profit before taxation as assessed at 30 June	
	2018	2017
10.00% increase in 2% vacancy factor	–	(1 145)
10.00% decrease in 2% vacancy factor	–	1 145
5% increase in 10% (2017 9.5%) capitalisation factor	(5 238)	(26 745)
5% decrease in 10% (2017 9.5%) capitalisation factor	5 789	29 527
10.0% increase in rate per square metre	17 852	5 460
10.0% decrease in rate per square metre	(17 852)	(5 460)

A vacancy factor has not been considered in the current year as North Point phase 1 is concluding remaining leases to reach 100% occupancy, and Angle on Oxford was valued on a comparable sales approach.

(R'000)	GROUP	
	Audited	
	2018	2017
10. EQUITY ACCOUNTED INVESTMENTS		
Associates (note 10.1)	239 962	216 490
Joint ventures – other (note 10.2)	52 212	93 060
Total	292 174	309 550
Joint ventures – service concessions (note 10.3)	697 097	619 109
Total	989 271	928 659
10.1 ASSOCIATES		
10.1.1 Investment in associates		
Unlisted associates		
Shares at cost	39 612	42 151
Group's share of distributable reserves	104 675	79 975
Total non-financial instruments	144 287	122 126
10.1.2 Loans to associates		
Loans to associates	95 675	94 364
Total financial instruments	95 675	94 364
Total	239 962	216 490

Loans to associates bear interest at a rate of 13.0% (2017: 13.0%) and have no fixed repayment terms.

No loans are past due at reporting date for which the group has not provided for.

The approximate fair value of loans to associates is R92,4 million (F2017: R91,1 million). Fair values are determined using the discounted cash flow method of valuation. These are discounted at appropriated discount rates ranging between 10.0% and 13.0% (2017: 10.25% and 13.0%).

During the year the carrying value of the investment in associates was impacted by an impairment of R4,6 million, a gain on increase in shareholding of R2,2 million and a gain on fair value measurement of R1,6 million included in income relating to the associate Lesedi Nuclear Services (Proprietary) Limited.

During the prior year, the carrying value of the investment in associates increased, due to a share buy back with respect to associate Amanz' Abantu Services (Proprietary) Limited. A gain of R615k was recognised.

10. EQUITY ACCOUNTED INVESTMENTS CONTINUED

The summarised financial information of the group's share in the assets and liabilities, income and expenditure and cash flows are reflected in Annexure 4 on page 112.

Dividends of R3,9 million (2017: R1,9 million) were received from associates during the year.

		GROUP	
		Audited	
(R'000)		2018	2017
10.2	JOINT VENTURES – OTHER		
10.2.1	Investment in joint ventures		
	Unlisted joint ventures		
	Shares at cost	6	6
	Group's share of distributable reserves	26 640	20 321
	Transferred to held for sale	(24 129)	–
	Total non-financial instruments	2 517	20 327
10.2.2	Loans to joint ventures		
	Loans to joint ventures	91 116	72 733
	Transferred to held for sale	(41 421)	–
	Total financial instruments	49 695	72 733
	Total	52 212	93 060

Loans to joint ventures bear interest at an average borrowing rate of 10.0% (2017: 6.25%) with no fixed repayment terms.

No loans are past due at reporting date for which the group has not provided for.

The approximate fair value of loans to joint ventures is R45,1 million (2017: R66,5 million).

Fair values are determined using the discounted cash flow method of valuation. These are discounted at appropriate discount rate of 10% (2017: 6.25% and 10.25%). The movement in rates is due to the transfer of loans to discontinued operations.

The summarised financial information of the joint ventures' assets and liabilities, income and expenditure and cash flows are reflected in Annexure 3 on page 106.

		GROUP	
		Audited	
(R'000)		2018	2017
10.3	JOINT VENTURES – SERVICE CONCESSIONS		
	Investment in joint ventures –service concessions		
	Unlisted joint ventures		
	Shares at cost (transfer from investment in service concessions)	619 109	619 109
	Distribution from joint ventures	(75 919)	–
	Group share of distributable reserve – fair value adjustment net of operating costs	153 907	–
	Total non-financial instruments	697 097	619 109

The investment in joint venture service concession of R697 million consist of the group's interest in foreign toll road concessions.

Details of the investments at 30 June 2018 are as follows:

Name of road	Country	Km	% interest	Concessions period	Current status
A1 (Phase I and II)	Poland	151	7.50	30 years	Operational
M6 (Phase I)	Hungary	59	6.35	20 years	Operational
M6 (Phase III)	Hungary	78	10.00	28 years	Operational

10. EQUITY ACCOUNTED INVESTMENTS CONTINUED**10.3 JOINT VENTURES – SERVICE CONCESSIONS CONTINUED**

Investments in service concessions are investments made in targeted long term infrastructure projects where the group also has a development, construction and/or operating position. Such investments typically take the form of equity and subordinated shareholder loans in geared special purpose vehicles formed to undertake the project, such that reductions in the project risk have a leveraged effect on the value of the investment. These investments represent investments in foreign toll road concessions.

The group values its investments in service concessions at fair value at the time of investing or of making an irrevocable commitment to invest. Fair values are determined using the discounted cash flow method of valuation using anticipated future cash flows based on market-related exchange and inflation rates. These are discounted at appropriate discount rates that take into account the relevant market and project risks. Potential refinancing gains are not taken into account.

In determining the appropriate discount rate, consideration is given to the stage of completion of the project lifecycle and to the nature of the project. The applicable risk free rate is adjusted by both market and project-specific risk premia in determining the applied discount rate.

Market risk premia are determined with reference to the comparative term government bond yield of the country in which the infrastructure asset is located, and market liquidity. Project risk premia are sector- and project-specific, and decrease over time when the various design, construction, mobilisation, operations and maintenance, project revenue and project counterparty risks are successfully dealt with or are proven to be mitigated, or when their effects are known with certainty.

Fair values of investments in projects still under construction are considered to be the cost of the investment. Fair values of investments in projects where the effects of significant unmitigated project risks cannot be estimated with certainty (such as traffic risk on certain toll road concessions during early operating periods) are determined using the discounted cash flow method at appropriately high start-up phase risk premia. Where investments in service concessions are denominated in a currency other than Rand, the investments are translated at year-end spot rates, being the valuation date. The investments in the A1 phase I & II road projects in Poland and M6 phase III project in Hungary are valued by using the discounted cash flow method on the underlying Euro-denominated project cash flows as operations have commenced on all these projects.

The underlying project cash flows are derived from cash flow models provided by the Concession Company Management Board. The primary inputs to such models include the most recent independent traffic study, macro-economic forecast application, updated overhead budgets and road rehabilitation plans.

During the year, a net fair value gain of R156,2 million (2017: R98,2 million) was realised.

Fair value measurement using:

Observable input:

Exchange rates – ZAR:EUR	16,01	14,80
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Unobservable input:

Discount rate	11% – 12%	11% – 13%
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A basic sensitivity analysis, calculating the effect on investment valuation from differing exchange rates, on the fair value of investment in these service concessions was performed at 30 June 2018.

The effect, when varying Euro-Rand exchange rates by 10% on fair values of these investments, is R68,4 million (2017: R168,4 million). Similarly, every 10% increase or decrease in the discount rates used in the discounted cash flow basis of valuation results in a decrease or increase in the valuation of between R29 million and R33 million (2017: R112,7 million and R127,2 million). F2017 sensitivity based on investment shareholding of 100% vs F2018 on 50,01%.

10. EQUITY ACCOUNTED INVESTMENTS CONTINUED

10.3 JOINT VENTURES – SERVICE CONCESSIONS CONTINUED

In December 2016, the company entered into a sale and purchase agreement and shareholders' agreement with Aberdeen Infrastructure Funds ("AIF"), a wholly-owned subsidiary of Aberdeen Asset Management Plc., pursuant to which AIF acquired a 49.99% stake in Intertoll Europe's underlying Public-Private-Partnership ("PPP") project investment portfolio, which houses Group Five's key European transport investment and concessions assets, for a total cash consideration of R638 million. All conditions precedent to the transaction were fulfilled in the second half of the financial year. The transaction created a strategic alliance between Group Five and AIF to support the growth of the group's PPP business. The agreement will enable Group Five to source and participate in further attractive global concessions assets, alongside AIF, with the potential to procure new O&M roles for the group in the future, without having to solely invest large amounts of capital.

Following the transaction with AIF, these transport investments no longer met the criteria to be accounted for as an investment in service concession but rather that of an investment in joint venture.

The summarised financial information of the joint ventures' assets and liabilities, income and expenditure and cash flows are reflected in Annexure 3 on page 108.

		GROUP	
		Audited	
(R'000)		2018	2017
11. INVESTMENTS IN SERVICE CONCESSIONS			
At fair value		49 969	48 136

These investments represent investments in two Bulgarian development projects.

		GROUP	
		Audited	
(R'000)		2018	2017
Investments in Hungary and Poland		–	619 109
Other investments		49 969	48 136
Total		49 969	667 245
Transfer to equity accounted investments		–	(619 109)
Closing balance at end of year		49 969	48 136

The carrying value of the Bulgarian assets were assessed in the current and prior financial year utilising internal and external valuations. No fair value adjustment was deemed necessary based on comparable market information.

		GROUP	
		Audited	
(R'000)		2018	2017
12. DEFERRED TAXATION			
Deferred taxation asset		12 786	24 232
Deferred taxation liability		(91 445)	(103 711)
Net deferred taxation liability at end of year		(78 659)	(79 479)
Balance at beginning of year		(79 479)	(51 737)
Transferred to discontinued operations		2 525	–
Charge to the income statement		(5 203)	(36 836)
Charge to other comprehensive income		3 498	9 094
Balance at end of year		(78 659)	(79 479)
The closing balance deferred taxation liability is attributable to the following items:			
Capital allowances		(36 300)	(59 442)
Provisions		(87 547)	(31 022)
Contract allowances		(1 961)	(43 480)
Estimated tax losses*		47 149	54 465
Balance at end of year		(78 659)	(79 479)

* Deferred taxation assets raised by management due to sufficient future taxable income expected to be earned by the subsidiaries.

12. DEFERRED TAXATION CONTINUED

(R'000)	Total deferred taxation liability	Expected to reverse in		
		1 year	2 – 5 years	>5 years
2018: Deferred taxation reversal				
Capital allowances	(36 300)	(6 076)	(30 224)	-
Provisions	(87 547)	(27 777)	-	(59 770)
Contract allowances	(1 961)	(1 961)	-	-
Estimated tax losses	47 149	6 070	41 079	-
	(78 659)	(29 744)	10 855	(59 770)
2017: Deferred taxation reversal				
Capital allowances	(59 442)	(6 322)	(53 120)	-
Provisions	(31 022)	26 208	-	(57 230)
Contract allowances	(43 480)	(43 480)	-	-
Estimated tax losses	54 465	43 458	11 007	-
	(79 479)	19 864	(42 113)	(57 230)

(R'000)	GROUP	
	Audited	
	2018	2017
13. INVENTORIES		
Property developments in progress	97 317	13 054
Consumable stores	18 913	38 279
Manufacturing finished goods	3 060	149 593
Manufacturing work in progress	571	18 850
Manufacturing materials	24 390	42 684
	144 251	262 460
Inventory obsolescence (Manufacturing) (deducted from carrying value of inventories above)		
Balance at end of year	-	842
R21 million of inventories are encumbered.		
No borrowing costs have been capitalised to property developments in progress in 2018 (2017: R0).		
F2018 Manufacturing inventory relates to formwork activities within the Construction segment and inventory held by the Investment and Concession segment.		
Refer to note 33 for the inventory transferred to discontinued operations.		
14. CONTRACTS IN PROGRESS		
Costs incurred plus profits recognised, less estimated losses relating to contracts in progress at year end	23 356 178	22 666 515
Progress billings	(22 824 010)	(22 193 581)
	532 168	472 934

		GROUP	
		Audited	
(R'000)		2018	2017
15. TRADE AND OTHER RECEIVABLES			
Trade and other receivables include:			
Financial instruments			
– Contract debtors		1 440 664	1 862 432
– Less provision for impairment of contract debtors		(462 801)	(430 172)
– Trade debtors		123 532	323 211
– Less provision for impairment of trade debtors		(2 943)	(16 026)
– Retention debtors		195 072	177 539
– Other receivables		180 118	181 773
– Amounts owing by joint venture partners		79 362	43 737
Total financial instruments included in trade and other receivables		1 553 004	2 142 494
Non-financial instruments			
– Prepayments		60 704	52 299
Total non-financial instruments included in trade and other receivables		60 704	52 299
Total trade and other receivables		1 613 708	2 194 793

The carrying value of the financial instruments approximates their fair value due to the short term nature of these instruments. (Refer to note 24 for details on credit, currency and interest rate risk).

All trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost. No contract and trade debtors are encumbered. Included in the group's contract and trade debtors balance are debtors with a carrying amount of R332 million (2017: R347 million) which are past due at the reporting date. The group has not provided for impairment of these debtors as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The group does not hold collateral over these balances.

		GROUP	
		Audited	
(R'000)		2018	2017
15. TRADE AND OTHER RECEIVABLES CONTINUED			
Analysis of the age of financial assets that are past due but not impaired			
Contract debtors			
– One month past due		61 570	80 210
– Two months past due		56 817	13 090
– Three months past due		25 655	8 653
– Four months and greater past due		155 321	238 574
		299 363	340 527
Trade debtors			
– One month past due		17 610	1 523
– Two months past due		11 035	704
– Three months past due		265	1 389
– Four months and greater past due		3 541	3 161
		32 451	6 777
Total		331 814	347 304
Analysis of the age of financial assets that are past due but not impaired by region			
Contract debtors			
– Central Africa		8 297	51 009
– Southern Africa		246 779	277 608
– Western Africa		44 287	11 910
		299 363	340 527
Trade debtors			
– Eastern Europe		30 245	6 403
– Southern Africa		2 206	374
		32 451	6 777
Total		331 814	347 304

In line with IFRS 7 par 6, the group discloses trade receivables that are past due but not impaired by region as management monitors the trade receivables on this basis.

		GROUP	
		Audited	
(R'000)		2018	2017
15. TRADE AND OTHER RECEIVABLES CONTINUED			
Reconciliation of the provision for impairment of trade receivables			
Opening balance		446 198	455 756
Transferred to discontinued operations and disposal groups		(21 816)	–
Charges against the provision		50 458	10 482
Bad debts written off		(9 096)	(20 040)
Closing balance		465 744	446 198
Analysis of impaired trade receivables			
Included in the provision for impairment of trade receivables are individually impaired trade receivables with a balance of R465,7 million (2017: R503,3 million). The impairment recognised represents the difference between the carrying value of these trade receivables and the present value of any expected collections. All impairment amounts incurred during the year are charged to the income statement and recorded with operating costs.			
Gross value of trade receivables that have been individually impaired		465 744	503 360
Less: impairment loss against these trade receivables		(465 744)	(446 198)
		–	57 162
Analysis of gross value of trade receivables that have been individually impaired by region			
– Western Africa		36 406	34 833
– Southern Africa		413 322	447 644
– Middle East		–	2 057
– Central Africa		16 016	18 826
		465 744	503 360
In line with IFRS 7 par 6, the group discloses trade receivables that have been individually impaired by region as management monitors the trade receivables on this basis.			
Ageing of gross value of trade receivables that have been individually impaired			
One month past due		–	–
Two months past due		–	–
Three months past due		–	–
Four months past due		465 744	503 360
		465 744	503 360
Carrying amount per currency			
The carrying amounts of the group's trade and other receivables are denominated in the following currencies:			
South African Rand		1 436 957	1 712 931
US Dollars		79 918	226 644
United Arab Emirates Dirham		9 509	37 186
Other		87 324	218 032
		1 613 708	2 194 793

		GROUP	
		Audited	
(R'000)		2018	2017
16. BORROWINGS			
16.1 INTEREST-BEARING BORROWINGS			
Secured loans bearing variable interest at rates ranging from 8.68% (2017: 6.78%) to 12.23% (2017: 9.50%) (note 16.5)		949 861	317 644
Rnil unsecured loans in 2018 (2017: Unsecured loans bearing variable interest linked to prime at 11.5% and a fixed interest rate of 25% on cedi loan) (16.3 and 16.4)		–	282 424
		949 861	600 068
Less: current portion disclosed on face of statement of financial position		(769 625)	(343 145)
Non-current portion (secured loans)		180 236	256 923
Capital repayable during the years ending 30 June			
2018		–	343 145
2019		769 625	29 414
2020		154 517	205 665
2021		13 806	12 229
2022		10 038	8 501
2023		1 875	1 114
		949 861	600 068

16.2 FAIR VALUE OF BORROWINGS

The carrying amount of current borrowings is a reasonable approximation of the fair value. The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2018	2017	2018	2017
Secured loans	180 236	256 923	168 786	253 400
	180 236	256 923	168 786	253 400

Fair values are determined using the discounted cash flow method of valuation. These are discounted at appropriate discount rates ranging between 8.68% and 9.37% (2017: 9.17% and 9.75%).

16.3 UNSECURED BONDS

During the prior year the Group settled Bond: GFC 04 (R280 million) in April 2017 and subsequently deregistered the Domestic Medium Term Note (DMTN) programme with Group Five Construction Proprietary Limited as a Borrower.

The group continues to maintain the Domestic Medium Term Note (DMTN) programme with Group Five Limited as Borrower. No notes have been issued under this programme.

16.4 UNSECURED LOANS

During February 2018 the Group settled the GHC (Cedi) 35 million facility bearing interest at 25%. The full facility was drawn down prior to settlement. The Group also settled a R190 million local overdraft facility in H2 F2018.

		GROUP	
		Audited	
(R'000)		2018	2017
16.5 SECURED BRIDGE FUNDING			
Secured Bridge Funding		624 614	–

In May 2018 the Group entered into a senior bridging facilities agreement ("Bridge Agreement"), and a creditors standstill agreement ("Standstill Agreement") with regards to this secured short-term bridge funding.

16. BORROWINGS CONTINUED

16.5 SECURED BRIDGE FUNDING CONTINUED

The Standstill Agreement imposes limitations on the standstill creditors in relation to termination, cancellation or reduction of available commitments or limit in respect of existing facilities including not to exercise their rights or take enforcement action in terms of the funding documents against the Group. The standstill period is in effect for the period of the Bridge Funding. Early termination of the standstill would occur in the event of default, insolvency, or non-payment under Bridge Funding.

The R650 million secured bridge funding ("Bridge Funding") is for a 12-month period and was obtained from a consortium of local banks. Interest is charged at time variable interest rates.

The financial covenants contained within the Bridge Agreement are as follows;

- Loan to value percentage shall not exceed 50%
- The Group net asset value shall not be less than the monthly values set in the Bridge
- Group unrestricted cash, as defined, shall not be less than the monthly values set in the Bridge

Significant events of default, are breach of financial covenants, failure to make payment of amounts due under Bridge Agreement, The remaining events of default are customary to these types of funding arrangements.

The Bridge Agreement includes mandatory prepayment triggers customary for debt financing. Voluntarily repayment of the loan can be made without penalty. Therefore, the Bridge agreement is not a "restrictive funding arrangement".

The Bridge Funding security, which secures both this new facility and existing lending arrangements, comprises of a pledge and cession in security by the Group of its rights, title and interest in:

- its Manufacturing assets,
- its European Investments (namely its service concessions investments) and
- its European operations & maintenance businesses.

The carrying value of assets pledged as security amounts to R1,552 billion at 30 June 2018.

R29 million in structuring fees and transaction costs were capitalised against the Bridge Funding and will be amortised at an effective rate of 12.23%.

		GROUP	
		Audited	
(R'000)		2018	2017
16.6	SECURED LOANS EXCLUDING BRIDGE FUNDING NOTE 16.5		
Secured loans are secured over:			
Investment property, mobile plant and properties in development with a net book value of		411 097	385 530

		GROUP		
		Audited		
		Less than one year	Between one and five years	Total
2018				
Minimum lease payments		166 301	187 194	353 495
Lease finance charges		(21 290)	(6 957)	(28 247)
		145 011	180 237	325 248
2017				
Minimum lease payments		84 562	289 859	374 421
Lease finance charges		(23 840)	(32 937)	(56 777)
		60 722	256 922	317 644

Leased assets relating to mobile plant, are not subject to renewal clause, purchase options or escalation clauses.

16. BORROWINGS CONTINUED**16.7 MOVEMENT IN BORROWINGS***

R'000	Unsecured Loans (16.4)	Secured Loans – non-current (16.1)	Secured Loans Current (16.6)	Bridge Funding (16.5)	Total
Balance at 1 July 2017	282 424	256 923	60 721	–	600 068
Cash movements	(269 685)	–	(63 799)	650 000	316 516
Borrowings Raised	11 911	–	1 369	650 000	663 280
Borrowings Repaid	(281 596)	–	(65 168)	–	(346 764)
Non cash movements	(12 739)	(76 687)	148 089	(25 386)	33 277
Foreign Exchange adjustments	(12 739)	–	–	–	(12 739)
Transfer between non current and current	–	(84 952)	84 952	–	–
Secured loan transferred on acquisition of property in development	–	–	20 757	–	20 757
Acquisition of leased mobile plant and vehicles and investment properties	–	8 265	42 380	–	50 645
Non cash capitalisation and subsequent amortisation of Bridge Funding Costs	–	–	–	(25 386)	(25 386)
Balance at 30 June 2018	–	180 236	145 011	624 614	949 861

* Comparative information is not presented as this is the first year of the application of amendments to IAS 7 thus comparatives not required to be disclosed.

17. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives at fair value through profit and loss

Total forward foreign exchange contracts

Less: non-current portion: forward foreign exchange contracts

Current portion: forward foreign exchange contracts

GROUP				
2018		2017		
Assets	Liabilities	Assets	Liabilities	
–	–	11	–	
–	–	–	–	
–	–	11	–	

2018: Nil, 2017: Purchase of USD292,489 at a weighted average rate of R13,09.

18. PROVISION FOR ENVIRONMENTAL REHABILITATION

At 1 July

Unwinding of discount

Re-measurement of provision

Increase/(released) from provisions

Transfer to liabilities associated with non-current assets classified as held for sale

At 30 June

GROUP	
Audited	
2018	2017
5 516	6 559
356	480
(550)	(1 233)
295	(290)
(5 617)	–
–	5 516

The environmental rehabilitation provision consists of R4,5 million (2017: R4,0 million) relating to Everite and its costs associated with the close of asbestos waste dumps and R1,1 million (2017: R1,5 million) relating to the closure costs of the Sky Sands Quarry. A risk free rate of 8.8% (2017: 8.6%) and an average inflation rate of 4.1% (2017: 6.0%) was used in the calculation of the estimated net present value of the rehabilitation liability.

		GROUP	
		Audited	
(R'000)		2018	2017
19. TRADE AND OTHER PAYABLES			
Trade and other payables include:			
Financial instruments			
– Accrued expenses		1 690 129	1 532 104
– Trade and other creditors		347 738	503 665
– Sub-contractor creditors		318 570	475 364
– Retention creditors		268 052	290 053
– Amounts owing to joint venture partners		17 039	89 522
Total financial instruments included in trade and other payables		2 641 528	2 890 708
Non-financial instruments			
– Advance payments received		379 047	442 397
Total non-financial instruments included in trade and other payables		379 047	442 397
Total		3 020 575	3 333 105

The carrying value of the financial instruments approximates their fair value due to the short term nature of these instruments. (Refer to note 24 for details on the currency and interest risk).

R116 million (2017: R124 million) of trade payables with payment terms greater than one year is disclosed under non-current trade payables. This relates to the socio-economic contribution in terms of the agreement with the South African government.

(R'000)	Contract provisions	Sundry provisions	Total
20. CONTRACT-RELATED PROVISIONS			
Balance at 30 June 2016	31 121	4 492	35 613
Charged to income statement	23 130	1 047	24 177
Provision utilised	(16 762)	(1 143)	(17 905)
Balance at 30 June 2017	37 489	4 396	41 885
Charged to the income statement	11 386	(19)	11 367
Provision (utilised)/raised	(1 977)	1 352	(625)
Transfer to non-current assets held for sale	–	(400)	(400)
Balance at 30 June 2018	46 898	5 329	52 227

Contract provisions:

Contract provisions include amounts for sub-contractor estimated billings for which no certification has taken place.

Sundry provisions:

Sundry provisions relate to costs for contract maintenance periods.

The provisions have been determined based on assessments and estimates by management. Actual results could differ from estimates and there is no certainty as to the timing of the cash flows relating to these provisions.

		GROUP	
		Audited	
(R'000)		2018	2017*
21. EMPLOYEE BENEFITS			
21.1 STAFF COSTS			
Wages, salaries and bonuses		1 966 869	2 236 814
Retrenchment cost		66 670	40 305
Share option (credit)/cost		(18 469)	762
Pension costs – defined contribution plans (including industry plans)		93 572	109 908
Pension costs – defined benefit plan income		(16 552)	(18 197)
Service cost		10 371	9 614
Net finance income		(26 923)	(27 811)
		2 092 090	2 369 592
		Number^	Number^
Number of employees at 30 June:			
Full-time		3 489	4 154
Part-time		3 802	4 205
		7 291	8 359
South Africa		4 641	5 362
Over-border		2 650	2 997
		7 291	8 359

^ Number of employees, including staff employed by joint ventures equity accounted, is 7 394 (2017: 8 472). Employees include employees of discontinued operations.

* Restated for the application of IFRS 5 – discontinued operations.

		GROUP	
		Audited	
(R'000)		2018	2017
21.	EMPLOYEE BENEFITS CONTINUED		
21.2	PENSION SCHEME		
The latest actuarial valuation of the group's defined benefit plan was carried out in March 2018 in line with the year end of the pension fund and was considered by the actuaries to be in a sound financial condition. The fair value at 30 June 2018 approximates a similar value.			
21.2(i)	A summary of the valuation is presented below:		
Present value of funded obligations		(334 854)	(374 574)
Fair value of plan assets		501 273	651 923
Surplus		166 419	277 349
Non-current assets		158 918	272 917
Current assets included in trade and other receivables		7 501	4 432
		166 419	277 349
		%	%
The principal assumptions used for accounting purposes were as follows: Mortality tables		PA (90)	PA (90)
Discount rate		8.80	9.80
Expected return on assets		9.80	9.80
Future salary increases		8.00	8.00
Future pension increases		3.62	4.57

The group operates a defined benefit pension plan in South Africa under the regulatory requirements of the Pension Funds Act, 1956 (and amendments). Members contribute at a fixed rate of their pensionable salary. The group contributes the balance of the cost at a rate determined by management and trustees based on advice of the actuary. At the normal retirement age (65 for all members with the exception of directors who retire at 60), a pension equal to 2% of the final salary multiplied by the number of years of pensionable service is payable.

The legally required surplus apportionment exercise was carried out as at 29 February 2004. The rules of the fund stipulate that additional surplus arising after the surplus valuation date are for the account of the group as are any future deficits. A gain of R16,6 million was realised at 31 March 2018, this increased to an estimated R33,2 million at year end, and has been credited to the income statement. During the prior year, a gain of R18,2 million was credited against the income statement. Based on the rules of the fund, the company is required to recognise the full asset.

The trustees decided to outsource the fund's pensioners with effect from 1 March 2009. The entire assets in the fund attributable to pensioners as at 31 March 2009 has been utilised in this regard. The Section 14 transfer application to outsourcing active pensioners has been approved by the Financial Services Board and the pensioner assets and liabilities outsourced from the fund.

Other financial assets held at amortised cost

On 27 March 2018 an amount of R120 million was transferred from the Employer Surplus Account to the the Old Mutual Super Fund Provident Fund in terms of Section 15E of the Pension Funds Act. The Company is a participating employer in the Old Mutual SuperFund Provident Fund.

The R120 million is recognised as other financial asset held at amortised cost. At 30 June 2018, R17,5 million of the balance had been utilised against provident fund payments resulting in a closing balance of R102,5 million of which R59,9 million is reflected as a current asset and R42,6 million as a non-current asset. The balance is amortised using an interest rate of 6.9%.

21. EMPLOYEE BENEFITS CONTINUED**21.2 PENSION SCHEME CONTINUED**

	GROUP	
	Audited	
(R'000)	2018	2017
21.2(ii) A reconciliation of the opening and closing balances of plan assets		
Opening value: 1 April	651 923	660 676
– Employee contributions	1 084	1 328
– Company contributions	5 012	6 146
– Benefit payments	(74 050)	(43 175)
– Return on plan assets 8.8% (2017: 9.8%) per annum	60 528	62 882
– Transfer from employer surplus account	(120 000)	–
– Expenses	(2 258)	(3 252)
– Re-measurements ¹	(20 966)	(32 682)
Closing value: 31 March	501 273	651 923
21.2(iii) Closing balance of plan assets is comprised as follows:		
Local assets	392 422	535 160
– Equity instruments	195 932	291 906
– Fixed instruments	65 311	116 763
– Listed property	65 311	58 381
– Cash and deposits	65 868	68 110
International assets	108 851	116 763
– Equity instruments	108 851	116 763
Closing value: 31 March	501 273	651 923
21.2(iv) Reconciliation of the opening and closing balances of defined benefit obligations		
Projected benefit obligation (PBO): 1 April	374 574	375 193
– Service cost	10 371	9 614
– Employee contributions	1 084	1 328
– Benefit payments	(74 050)	(43 175)
– Interest cost 8.8% (2017: 9.8%) per annum	33 605	35 071
– Expenses	(2 258)	(3 252)
– Re-measurements:	(8 472)	(205)
– Gain due to change in salary increase assumption	(6 857)	(2 780)
– Loss due to change in financial assumptions	10 621	7 226
– Gain – other	(12 236)	(4 651)
Closing value: 31 March	334 854	374 574

		GROUP	
		Audited	
(R'000)		2018	2017
21. EMPLOYEE BENEFITS CONTINUED			
21.2 PENSION SCHEME CONTINUED			
21.2(v) Plan assets and defined benefit obligation by category			
Assets			
– Market value		501 273	651 923
Active member liabilities:			
– Active members		247 882	289 024
Pensioner liabilities:			
– Pensioners		12 585	12 354
SAE surplus (surplus as at 29 February 2004 to be apportioned)		74 387	73 196
Total liabilities		334 854	374 574
Surplus		166 419	277 349
Funding level		149.7%	174.0%
21.2(vi) Net periodic pension cost			
Service cost (net of employee contribution)		10 371	9 614
Interest cost		33 605	35 071
Return on plan assets ¹		(60 528)	(62 882)
Re-measurements ²		12 494	32 477
Net periodic pension (gain)/loss		(4 058)	14 280

1. A re-measurement loss arose during the year mainly due to the actual investment return of 6.4% (2017: 4.7%) not exceeding the expected investment return of 8.8% (2017: 9.8%) for the year ended 31 March 2018.

2. The company's policy is to recognise re-measurements in full as they arise. The actuarial loss of R20,9 million (2017: R32,6 million loss) on the assets and the re-measurement gain of R8,5 million (2017: R205 000 gain) on the liabilities gave rise to an overall re-measurement loss of R12,5 million (2017: R32,5 million) in the current year.

21.2(vii) Sensitivity analysis

The table below sets out the sensitivity of the valuation results to changes in the key financial assumptions as at 31 March 2018.

(R'000)	A decrease in the discount rate by 1%	An increase in the discount rate of 1%
Total assets	501 273	501 273
Total liabilities	369 245	306 665
Surplus	132 028	194 608
Funding level	136%	164%
Service cost	9 769	7 636
(R'000)	A decrease in salary of 1%	An increase in salary of 1%
Total assets	501 273	501 273
Total liabilities	324 376	346 337
Surplus	176 897	154 936
Funding level	155%	145%
Service cost	8 187	9 033
(R'000)	Pension decrease of 1%	Pension increase of 1%
Total assets	501 273	501 273
Total liabilities	318 061	354 546
Surplus	183 212	146 727
Funding level	158%	142%
Service cost	8 062	9 213

21. EMPLOYEE BENEFITS CONTINUED

21.2 PENSION SCHEME CONTINUED

21.2(vii) Sensitivity analysis continued

The table below sets out the sensitivity of the valuation results to changes in the key financial assumptions as at 31 March 2017.

(R'000)	A decrease in the discount rate by 1%	An increase in the discount rate of 1%
Total assets	651 923	651 923
Total liabilities	416 121	340 650
Surplus	235 802	311 273
Funding level	157%	191%
Service cost	11 848	9 183
(R'000)	An increase in salary of 1%	A decrease in salary of 1%
Total assets	651 923	651 923
Total liabilities	389 025	361 381
Surplus	262 898	290 542
Funding level	168%	180%
Service cost	10 962	9 837
(R'000)	Pension increase of 1%	Pension decrease of 1%
Total assets	651 923	651 923
Total liabilities	397 978	354 698
Surplus	253 945	297 225
Funding level	164%	184%
Service cost	11 126	9 736

		GROUP	
		Audited	
(R'000)		2018	2017
21.	EMPLOYEE BENEFITS CONTINUED		
21.3	PROVISION FOR EMPLOYMENT OBLIGATIONS		
	Black Professionals Staff Trust and Bonus share scheme share-based payment liability*	327	25 991
	Post-employment medical provision^	–	27 656
		327	53 647
	Non-current liability	123	40 020
	Current liability	204	13 627
		327	53 647
* Liability reduced as a result decrease in the share price from R18.60 at 30 June 2017 to R1.34 at 30 June 2018			
^ Post-employment medical provision, transferred to liabilities held for sale			
21.3.1	Black Professionals Staff Trust share-based payment liability		
	The Black Professionals Staff Trust liability is the obligation recognised as a cash-settled share-based payment transaction following the implementation of a revised BBBEE ownership transaction approved by shareholders in November 2012. (Refer to note 21.4.3)		
	Key actuarial assumptions used were:		
	Dividend yield %	–	2.35
	Volatility %	91.77	39.57
	Risk free interest rate %	7.32	7.21
	Share price – R	1,34	18,60
	A sensitivity analysis has been performed to determine the effect of a change due to an increase in the share price on the share-based payment liability. A 1% increase/(decrease) in the share price would have the effect of (decreasing)/increasing net profit before taxation by R4 500 (2017: R350 000) respectively.		
21.3.2	Post-employment medical provision		
	The group's accrual for post-employment medical provision of R26,3 million (2017: R27,7 million) is based on assumptions used by the independent actuaries which includes appropriate mortality tables, long term estimates of increases in medical costs and appropriate discount rates. This liability was transferred to liabilities directly associated with non-current assets held for sale.		
	Key actuarial assumptions used were:		
	Discount rate %	7.80	8.10
	Mortality table	PA (90)	PA (90)
	Future salary increases %	5.10	5.30
	A sensitivity analysis has been performed to determine the effect of a change to the rate at which former employees are assumed to qualify for, and make an application for, post-employment medical benefits. A 0.5% (2017: 0.5%) increase/(decrease) would have the effect of (decreasing)/increasing net profit before taxation by R1,7 million (2017: R2,9 million).		

21.4 EMPLOYEE SHARE OPTION SCHEMES

The group issues equity-settled and cash-settled incentives to certain employees. Equity-settled payments are measured at fair value at date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period. Employee share trusts are consolidated within the Group.

21.4.1 The Black Management Scheme (equity-settled)

The Black Management Scheme was implemented on 1 November 2005. The scheme is completed, with only 26 667 shares remaining unexercised at year end.

The purpose of the scheme is to give effect to one of the group's broad-based black economic empowerment objectives, by encouraging black employees within the group who are employed at management level to remain in the employment of the group and to promote the continued growth of the group by giving such employees, including future employees, an opportunity to acquire shares.

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

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

The vesting of shares takes place on the following basis:

- on the second anniversary of the date on which shares were allocated to the beneficiary, 33.3% of the shares will vest;
- on the third anniversary of such date, so many additional shares as represent 33.3% of the shares, allocated to the beneficiary will vest; and
- on the fourth anniversary of such date, the balance of the shares will vest.

A person will cease to be a beneficiary upon:

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

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

21.4.2 Long term incentive plan (LTIP)

The group's LTIP was implemented in February 2014 following its approval by shareholders. The employee share scheme remains active.

The long term incentive plan (LTIP) forms part of variable compensation and is used to attract, retain and motivate employees who influence the long term sustainability and strategic objectives of Group Five. The LTIP consists of three elements:

- a) Share appreciation rights (SARs) see 24.4.2.1
- b) **Performance shares** – allocate full value of shares to employee (equity-settled). Allocation made to executives and managers in selected Paterson grades in terms of LTIP programme
- c) **Bonus shares** – allocate full value of shares to employee (cash-settled). Allocation made to executives and managers in selected Paterson grades in terms of LTIP programme

21. EMPLOYEE BENEFITS CONTINUED

21.4 EMPLOYEE SHARE OPTION SCHEMES CONTINUED

21.4.2 Long term incentive plan (LTIP) continued

21.4.2.1 Management Incentive Scheme – share appreciation rights (SARs) (equity-settled)

Under the Management Incentive Scheme, employees of the group are awarded rights to receive shares in the company based on the value of these awards. Annual allocations of share appreciation rights will be made to executives and managers in the selected Paterson grades in terms of the long term incentive programme. These rights to receive shares are equal to the value of the difference between the exercise price and the SAR grant price. The SAR grant price is equal to the share price on grant date.

After vesting, the SAR will become exercisable. Upon exercise by a beneficiary, the company will settle the value of the difference between the exercise price and the SAR grant price, by the delivery of Group Five shares. Group Five may withhold any amounts or make such arrangements as are necessary to meet any liability to taxation or any other liabilities in respect of the SAR grants. The arrangements may include the sale of shares on behalf of the beneficiaries and the use of the proceeds of the sale to meet such liability.

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

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

	Management Incentive Scheme
Maximum number of shares available to the scheme	12 911 817*
Threshold as a percentage of current shares issued	0
Maximum number of unexercised shares available to individuals	2 418 236
Discount to market value on date of option/SAR	Nil**
Vesting period	3 years – 33.3% 4 years – 66.6% 5 years – 100%
Lapsing period	7 years

* At no time will the aggregate number of shares available exceed 12 911 817.

** Calculated at date of grant.

21.4.3 The Black Professionals Staff Trust (cash-settled) (refer to 21.3.1)

The implementation of the Trust was approved by shareholders on 27 November 2012. The transaction was concluded on 16 January 2013, following the fulfilment of all conditions precedent. The scheme's end date is 7 November 2020.

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

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

Group Five provided a loan to enable the Black Professionals Staff Trust to subscribe for 10 356 865 shares. Annual interest accrues at a rate of 9% naca (nominal annual compounded annually) and is repayable, including accrued interest following the amended end date of 7 November 2020.

Once the Black Professionals Staff Trust trustees have exercised their discretion to make a distribution in terms of the Black Professionals Staff Trust deed, the trustees shall distribute distributable income to the Black Professionals Staff Trust beneficiaries who are employed by the group on the applicable distribution date in accordance with the allocation formula as fully described in the Trust deed. The allocation formula takes into account the band and annual remuneration of each Black Professionals Staff Trust beneficiary and the total number of beneficiaries and will determine the allocation based on a fixed factor allocation per band. Pursuant to this, beneficiaries in higher bands will receive a proportionally higher percentage of annual remuneration in comparison to those in lower bands.

No obligations are imposed on beneficiaries in terms of the Black Professionals Staff Trust deed. Beneficiaries may not sell, assign or in any way encumber his/her rights as a Black Professionals Staff Trust beneficiary.

21. EMPLOYEE BENEFITS CONTINUED**21.4 EMPLOYEE SHARE OPTION SCHEMES CONTINUED****21.4.4 Reconciliation of options issued:**

	Management Incentive Scheme		Black Management Scheme	
	Number	Price R	Number	Price R
Balance at 30 June 2016	10 745 966	27,94	362 007	16,03
New shares granted and accepted	3 407 887	25,10	–	16,03
Shares paid for	(276 549)	19,48	(281 761)	16,03
Shares lapsed	(5 087 505)	28,46	(53 579)	16,03
Balance at 30 June 2017	8 789 799	26,68	26 667	16,03
Shares paid for	(413 825)	4,27	–	16,03
Shares lapsed	(2 753 731)	26,56	–	16,03
Balance at 30 June 2018	5 622 243	27,10	26 667	16,03
Number of shares vested and exercisable at 30 June 2018	1 811 966	27,10	13 334	16,03
(R'000)	Total	Management Incentive Scheme	Black Management Scheme	Black Professionals Staff Trust
Share options (credit)/charge year ended 30 June 2018	(18 469)	(4 541)	76	(14 004)
Cost of share options year ended 30 June 2017	762	2 408	414	(2 060)

The share option (credit)/charge during current year includes both equity and cash settled transactions. The equity settled charge in the current year amounted to R4,3 million (2017: R5,3 million credit). The remaining credit related to cash settled options of R8,8 million (2017: R6 million charge).

During the year ended 30 June 2018 no equity or cash settled share transactions occurred. The cost of equity-settled share appreciation rights issued during the year ended 30 June 2017 were costed using a Black-Scholes option model and the following factors:

	2018	2017
• exercise price R	–	25,10
• share price volatility %*	–	48.82
• risk free interest rate %	–	7.96
• dividend yield %	–	2.81

* Share price volatility is derived from the historical share price over the last 12 months.

22. RELATED PARTY TRANSACTIONS

22.1 DIRECTORS' EMOLUMENTS

Executive directors

(R'000)	Salaries		LTIP ^[3] bonus shares settled in cash		Short term incentive bonus ^[5]		Separation payment		Total	
	F2018	F2017	F2018	F2017	F2018	F2017	F2018	F2017	F2018	F2017
Name										
ST Mosai ^[1]	4 457	355	18	–	–	–	–	–	4 475	355
ECJ Vemer ^[2]	–	3 516	–	–	–	2 137	8 672	11 157	8 672	16 810
CMF Teixeira ^[4]	3 695	3 551	38	118	–	2 742	–	–	3 733	6 411
	8 152	7 422	56	118	–	4 879	8 672	11 157	16 880	23 576

The table above reflects earnings for the period in office as an executive director as required by the Companies Act and not full earnings for the year.

1 Appointed as CEO on 23 May 2017. These earnings refer to the period of employment as CEO. Earnings as an executive committee member are reflected below.

2 Resigned with effect from 28 February 2017. The CEO received a separation payment of R19,7 million, which was calculated based on the remaining term of his contract of employment, as well as the value of LTIP awards at separation date. An amount of R11,1 million was paid on his departure, with the balance of R8,7 million paid February 2018.

3 Long term incentive plan.

4 Presented with a retention award but did not accept award and thus no payment made in the prior year.

5 The group exceeded its pre-tax weighted average cost of capital for F2016. As a result, the remco approved STI payments which, in line with the STI policy, were paid.

Non-executive directors' fees

Fees, services expenses (R'000)	F2018		
	Fees	Expenses	Total
Name			
N Mandindi	1 439	–	1 439
C Fernandez	947	10	957
J Huntley	723	–	723
JL Job [^]	773	35	808
TC Kgogo	733	–	733
N Martin	892	5	897
M Upton	791	12	803
EB Williams	852	–	852
Non-executive directors for the full financial year	7 150	62	7 210

[^] Dr Job resigned on 13 August 2018.

Fees, services expenses (R'000)	F2017		
	Fees	Expenses	Total
Name			
MP Mthethwa	1 703	312	2 015
NJ Chinyanta	748	–	748
JL Job	221	7	228
W Louw	1 086	89	1 175
SG Morris	166	–	166
KK Mpinga	1 450	23	1 473
B Ngonyama	879	32	911
V Rague	736	285	1 021
MR Thompson	768	3	771
	7 757	751	8 508
Non-executive directors for the full financial year*	5 723	709	6 432
Non-executive directors who resigned in Q4**	1 647	35	1 682
Non-executive directors retired in August 2016	387	7	394
	7 757	751	8 508

* An amount of R1,1 million was paid for time spent on additional ad hoc special meetings which took place in Q4 of the financial year.

** An amount of R98k was paid for time spent on additional ad hoc special meetings which took place in Q4 of the financial year.

22. RELATED PARTY TRANSACTIONS CONTINUED**22.1 DIRECTORS' EMOLUMENTS CONTINUED****Executive committee members (exco)**

(R'000)	Salaries		LTIP ⁽⁶⁾ bonus shares settled in cash		Short term incentive bonus ⁽¹⁰⁾		Retention award ⁽⁷⁾		Separation payment		Total	
	F2018	F2017	F2018	F2017	F2018	F2017	F2018	F2017	F2018	F2017	F2018	F2017
Name												
J Doorasamy ⁽¹¹⁾	-	3 296	-	298	-	1 874	-	-	-	2 161	-	7 629
JW Hillary ⁽¹²⁾	-	3 694	-	127	-	3 538	-	-	-	-	-	7 359
NM Humphreys ^{(3),(9)}	3 667	869	26	-	-	-	-	-	-	-	3 693	869
KR Maharaj ^{(4),(9)}	3 135	431	29	-	66	-	-	-	-	-	3 230	431
ST Mosai ⁽⁵⁾	-	2 439	-	62	-	1 853	-	750	-	-	-	5 104
GD Mottram	3 039	2 763	31	85	-	1 874	-	810	-	-	3 070	5 532
JN Nzimande ⁽¹²⁾	1 841	-	-	-	500	-	-	-	-	-	2 341	-
JA Wallace ⁽⁸⁾	3 965	3 868	41	121	1 088	2 624	-	-	-	-	5 094	6 613
WI Zeelie ⁽¹¹⁾	-	4 081	-	92	-	2 478	-	2 500	-	-	-	9 151
	15 647	21 441	127	785	1 654	14 241	-	4 060	-	2 161	17 428	42 688

The table above reflects earnings for the period in office as a prescribed officer as required by the Companies Act and not full earnings for the year.

1 A mutual separation agreement was reached which involved Jesse's retrenchment to address operational requirements. An amount of R2,2 million was paid to J Doorasamy in this regard.

2 Resigned with effect from 31 March 2017.

3 Appointed to the exco on 31 March 2017. As required by the Companies Act, only earnings for the period in office as a prescribed officer, being from 1 April to 30 June 2017, are reflected above for the 2017 financial year.

4 Appointed to the exco on 23 May 2017. As required by the Companies Act, only earnings for the period in office as a prescribed officer, being from 1 June to 30 June 2017, are reflected above, per the 2017 financial year.

5 Refers to earnings in the period of employment as executive committee member. Earnings as CEO reflected are disclosed above, 22.1.

6 Long term incentive plan.

7 Following a period of significant senior management departures, including the CEO, the remco determined that retention awards, in the absence of an effective LTIP scheme, were required to ensure the retention of key personnel.

8 Presented with incentive bonus in F2017, which was declined, short-term incentive bonus was presented in F2018 which was accepted and paid.

9 Received retention award and bonus shares paid in cash but prior to becoming a prescribed officer and executive committee member, in prior year.

10 The group exceeded its pre-tax weighted average cost of capital for F2016. As a result, the remco approved STI payments which, in line with the STI policy, were paid.

11 At the commencement of the previous financial year, an individual retention award to the value of R5 million was concluded for W Zeelie specifically, with R2,5 million paid in July 2016. A further R2,5 million was to be paid in July 2019, provided W Zeelie was still employed by the group and provided he had successfully concluded on his F2019 key performance areas which would have been agreed at the commencement of F2019. There is no requirement to repay the initial cash retention payment made in July 2016 following his resignation from the group in F2017. W Zeelie entered into a consulting agreement with the group with effect from 1 May 2017 to 30 April 2018 which involved W Zeelie receiving an amount of R3,9 million payable at R450 000 per month in May and June 2017 and R300 000 per month to April 2018.

12 Presented with bonus at commencement of employment.

(R'000)	Long term incentive plan share option expense*	
	F2018	F2017
Name		
J Doorasamy	-	260
JW Hillary	-	357
ST Mosai	169	271
GD Mottram	379	495
CMF Teixeira	272	474
ECJ Vemer	-	569
JA Wallace	519	706
WI Zeelie	-	493
NM Humphreys	477	588
KR Maharaj	251	363
	2 067	4 576
Paid by subsidiaries	(2 067)	(4 576)

* Refers to the cost to the company of awarding the employee a share appreciation right, determined by IFRS 2 cost for the specific allocation.

22. RELATED PARTY TRANSACTIONS CONTINUED

22.1 DIRECTORS' EMOLUMENTS CONTINUED

Details of executive directors' share options and share appreciation rights

Name of director	Options granted – opening balance	Options granted during the current year	Strike price	Options exercised and paid	Options lapsed	Options granted – closing balance	Strike price	Options vested – closing balance
ECJ VEMER								
2017								
	25 659	–	27,70	–	(25 659)	–	27,70	–
	104 600	–	34,42	–	(104 600)	–	34,42	–
	37 316	–	40,68	–	(37 316)	–	40,68	–
	16 956	11 745	18,60	–	(28 701)	–	18,60	–
	99 609	–	25,60	–	(99 609)	–	25,60	–
	135 714	–	21,00	–	(135 714)	–	21,00	–
	–	124 851	25,11	–	(124 851)	–	25,11	–
	419 854	136 596		–	(556 450)	–		–

The options reflected as lapsed above with regards to the previous CEO ECJ Vemer did in fact not lapse but were instead paid out in cash on resignation. The value assigned to these shares amounted to R2,1 million.

Name of director	Options granted – opening balance	Options granted during the current year	Strike price	Options exercised and paid	Options lapsed	Options granted – closing balance	Strike price	Options vested – closing balance
ST MOSAI								
2017								
	9 424	–	16,03	(9 424)	–	–	16,03	–
	35 300	–	34,42	–	–	35 300	34,42	35 300
	13 919	–	40,68	–	(3 314)	10 605	40,68	3 535
	6 870	–	18,60	(2 502)	–	4 368	18,60	–
	39 531	–	25,60	–	–	39 531	25,60	–
	51 516	–	21,00	–	–	51 516	21,00	–
	–	50 379	25,11	–	(50 379)	–	25,11	–
	156 560	50 379		(11 926)	(53 693)	141 320		38 835
2018	35 300	–	34,42	–	–	35 300	34,42	35 300
	10 605	–	40,68	–	–	10 605	40,68	7 070
	4 368	–	1,34	(4 368)	–	–	1,34	–
	39 531	–	25,60	–	(14 531)	25 000	25,60	8 333
	51 516	–	21,00	–	–	51 516	21,00	–
	141 320	–		(4 368)	(14 531)	122 421		50 703

22. RELATED PARTY TRANSACTIONS CONTINUED**22.1 DIRECTORS' EMOLUMENTS CONTINUED****Details of executive directors' share options and share appreciation rights continued**

Name of director	Options granted – opening balance	Options granted during the current year	Strike price	Options exercised and paid	Options lapsed	Options granted – closing balance	Strike price	Options vested – closing balance
CMF TEIXEIRA								
2017	71 740	–	34,09	–	(71 740)	–	34,09	–
	44 337	–	27,70	–	–	44 337	27,70	44 337
	86 600	–	34,42	–	–	86 600	34,42	86 600
	34 828	–	40,68	–	(12 802)	22 026	40,68	7 342
	14 126	–	18,60	(4 745)	–	9 381	18,60	–
	59 712	–	25,60	–	–	59 712	25,60	–
	80 092	–	21,00	–	–	80 092	21,00	–
	–	71 235	25,11	–	(71 235)	–	25,11	–
	391 435	71 235		(4 745)	(155 777)	302 148		138 279
2018	44 337	–	27,70	–	(44 337)	–	27,70	–
	86 600	–	34,42	–	–	86 600	34,42	86 600
	22 026	–	40,68	–	–	22 026	40,68	14 684
	9 381	–	1,34	(9 381)	–	–	1,34	–
	59 712	–	25,60	–	(21 949)	37 763	25,60	12 588
	80 092	–	21,00	–	–	80 092	21,00	–
	302 148	–		(9 381)	(66 286)	226 481		113 872
Prescribed officers	Options granted – opening balance	Options granted during the current year	Strike price	Options exercised and paid	Options lapsed	Options granted – closing balance	Strike price	Options vested – closing balance
J DOORASAMY								
2017	3 731	–	16,03	(3 731)	–	–	16,03	–
	24 400	–	34,42	–	(24 400)	–	34,42	–
	14 454	–	40,68	–	(14 454)	–	40,68	–
	7 695	6 047	18,60	(13 742)	–	–	18,60	–
	44 176	–	25,60	–	(44 176)	–	25,60	–
	60 238	–	21,00	–	(60 238)	–	21,00	–
	–	54 409	25,11	–	(54 409)	–	25,11	–
	154 694	60 456		(17 473)	(197 677)	–		–

Bonus shares awarded to J Doorasamy in F2017 which would have vested in February 2018 and August 2019 were settled in cash on resignation. The cash value assigned to these shares amounted to R232k.

22. RELATED PARTY TRANSACTIONS CONTINUED

22.1 DIRECTORS' EMOLUMENTS CONTINUED

Details of prescribed officers' share options and share appreciation rights (including three highest paid members of management)

Prescribed officers continued	Options granted – opening balance	Options granted during the current year	Strike price	Options exercised and paid	Options lapsed	Options granted – closing balance	Strike price	Options vested – closing balance
JW HILLARY								
2017								
	13 321	–	34,09	–	(13 321)	–	34,09	–
	24 214	–	27,70	–	(24 214)	–	27,70	–
	53 000	–	34,42	–	(53 000)	–	34,42	–
	20 924	–	40,68	–	(20 924)	–	40,68	–
	13 533	11 413	18,60	(5 147)	(19 799)	–	18,60	–
	52 653	–	25,60	–	(52 653)	–	25,60	–
	68 623	–	21,00	–	(68 623)	–	21,00	–
	–	64 485	25,11	–	(64 485)	–	25,11	–
	246 268	75 898		(5 147)	(317 019)	–		–
Prescribed officers continued	Options granted – opening balance	Options granted during the current year	Strike price	Options exercised and paid	Options lapsed	Options granted – closing balance	Strike price	Options vested – closing balance
NM HUMPHREYS								
2017								
	13 910	–	27,70	–	–	13 910	27,70	13 910
	54 900	–	34,42	–	–	54 900	34,42	54 900
	21 681	–	40,68	–	(5 162)	16 519	40,68	5 506
	9 936	5 984	18,60	(3 572)	–	12 348	18,60	–
	59 297	–	25,60	–	–	59 297	25,60	–
	77 274	–	21,00	–	–	77 274	21,00	–
	–	68 837	25,11	–	–	68 837	25,11	–
	236 998	74 821		(3 572)	(5 162)	303 085		74 316
2018	13 910	–	27,70	–	(13 910)	–	27,70	–
	54 900	–	34,42	–	–	54 900	34,42	54 900
	16 519	–	40,68	–	–	16 519	40,68	11 013
	12 348	–	1,34	(6 364)	–	5 984	1,34	–
	59 297	–	25,60	–	(21 797)	37 500	25,60	12 500
	77 274	–	21,00	–	–	77 274	21,00	–
	68 837	–	25,11	–	–	68 837	25,11	–
	303 085	–		(6 364)	(35 707)	261 014		78 413

22. RELATED PARTY TRANSACTIONS CONTINUED**22.1 DIRECTORS' EMOLUMENTS CONTINUED**

Details of prescribed officers' share options and share appreciation rights (including three highest paid members of management) continued

Prescribed officers continued	Options granted – opening balance	Options granted during the current year	Strike price	Options exercised and paid	Options lapsed	Options granted – closing balance	Strike price	Options vested – closing balance
KR MAHARAJ								
2017								
	13 520	–	16,03	(13 520)	–	–	16,03	–
	42 400	–	34,42	–	–	42 400	34,42	42 400
	16 736	–	40,68	–	(3 985)	12 751	40,68	4 250
	9 105	7 008	18,60	(1 969)	–	14 144	18,60	–
	28 504	–	25,60	–	–	28 504	25,60	–
	37 020	–	21,00	–	–	37 020	21,00	–
	–	34 289	25,11	–	–	34 289	25,11	–
	147 285	41 297		(15 489)	(3 985)	169 108		46 650
2018								
	42 400	–	34,42	–	–	42 400	34,42	42 400
	12 751	–	40,68	–	–	12 751	40,68	8 501
	14 144	–	1,34	(7 136)	–	7 008	1,34	–
	28 504	–	25,60	–	(6 787)	21 717	25,60	7 239
	37 020	–	21,00	–	–	37 020	21,00	–
	34 289	–	25,11	–	–	34 289	25,11	–
	169 108	–		(7 136)	(6 787)	155 186		58 140
Prescribed officers continued	Options granted – opening balance	Options granted during the current year	Strike price	Options exercised and paid	Options lapsed	Options granted – closing balance	Strike price	Options vested – closing balance
GD MOTTRAM								
2017								
	61 672	–	34,09	–	(61 672)	–	34,09	–
	56 619	–	27,70	–	–	56 619	27,70	56 619
	71 700	–	34,42	–	–	71 700	34,42	71 700
	21 237	–	40,68	–	(5 056)	16 181	40,68	5 394
	11 059	6 047	18,60	(3 441)	–	13 665	18,60	–
	36 241	–	25,60	–	–	36 241	25,60	–
	60 238	–	21,00	–	–	60 238	21,00	–
	–	54 409	25,11	–	–	54 409	25,11	–
	318 766	60 456		(3 441)	(66 728)	309 053		133 713
2018								
	56 619	–	27,70	–	(56 619)	–	27,70	–
	71 700	–	34,42	–	–	71 700	34,42	71 700
	16 181	–	40,68	–	–	16 181	40,68	10 787
	13 665	–	1,34	(7 618)	–	6 047	1,34	–
	36 241	–	25,60	–	(8 629)	27 612	25,60	9 204
	60 238	–	21,00	–	–	60 238	21,00	–
	54 409	–	25,11	–	–	54 409	25,11	–
	309 053	–		(7 618)	(65 248)	236 187		91 691

22. RELATED PARTY TRANSACTIONS CONTINUED

22.1 DIRECTORS' EMOLUMENTS CONTINUED

Details of prescribed officers' share options and share appreciation rights (including three highest paid members of management) continued

Prescribed officers continued	Options granted – opening balance	Options granted during the current year	Strike price	Options exercised and paid	Options lapsed	Options granted – closing balance	Strike price	Options vested – closing balance
JA WALLACE								
2017								
	30 519	–	34,09	–	(30 519)	–	34,09	–
	55 213	–	27,70	–	–	55 213	27,70	55 213
	103 000	–	34,42	–	–	103 000	34,42	103 000
	36 748	–	40,68	–	(13 508)	23 240	40,68	7 747
	14 863	8 464	18,60	(4 865)	–	18 462	18,60	–
	62 479	–	25,60	–	–	62 479	25,60	–
	82 358	–	21,00	–	–	82 358	21,00	–
	–	73 049	25,11	–	–	73 049	25,11	–
	385 180	81 513		(4 865)	(44 027)	417 801		165 960
2018	55 213	–	27,70	–	(55 213)	–	27,70	–
	103 000	–	34,42	–	–	103 000	34,42	103 000
	23 240	–	40,68	–	–	23 240	40,68	15 493
	18 462	–	1,34	(9 998)	–	8 464	1,34	–
	62 479	–	25,60	–	(22 967)	39 513	25,60	13 171
	82 358	–	21,00	–	–	82 358	21,00	–
	73 049	–	25,11	–	–	73 049	25,11	–
	417 801	–		(9 998)	(78 180)	329 623		131 664
Prescribed officers continued	Options granted – opening balance	Options granted during the current year	Strike price	Options exercised and paid	Options lapsed	Options granted – closing balance	Strike price	Options vested – closing balance
WI ZEELIE								
2017								
	19 778	–	27,70	–	(19 778)	–	27,70	–
	97 600	–	34,42	–	(97 600)	–	34,42	–
	37 316	–	40,68	–	(37 316)	–	40,68	–
	10 056	6 810	18,60	(3 728)	(13 138)	–	18,60	–
	74 121	–	25,60	–	(74 121)	–	25,60	–
	114 285	–	21,00	–	(114 285)	–	21,00	–
	–	101 553	25,11	–	(101 553)	–	25,11	–
	353 156	108 363		(3 728)	(457 791)	–		–

22.2 SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

For a list of related parties refer to Annexure 1 – Interest in Subsidiaries, Annexure 2 – Interest in Joint Operations, Annexure 3 – Investment in Joint Ventures and Annexure 4 – Investment in Associates.

Apart from advances provided to joint venture partners, no other transaction exists that requires additional disclosure.

Refer to notes 10.1 and 10.2 of the annual financial statements.

		GROUP	
		Audited	
(R'000)		2018	2017
23. COMMITMENTS AND CONTINGENCIES			
Fixed asset commitments			
Contracts placed	18		11 076
Capital expenditure approved by directors but not placed at 30 June	84 301		122 454
	84 319		133 530
The above expenditure will be funded from existing resources and facilities.			
There are no fixed asset commitments relating to joint ventures.			
The following operating lease commitments mainly relate to building rentals.			
Operating lease commitments			
The future minimum lease payments under non-cancellable operating leases are as follows:			
Not later than one year	16 572		71 340
Later than one year and not later than five years	18 752		303 913
Later than five years	1 462		319 267
	36 786		694 520
Reduction in lease commitment as a result of re-location to owner occupied property and corporate office re-location to Sunninghill. Lease commitments relating to assets held for sale amounted to R56 million.			
Guarantees			
Total financial institution-backed guarantees provided to third parties on behalf of subsidiary companies amounted to R5 079 million (2017: R5 498 million). Total facilities in this regards amount to R6 269 million (2017: R10 582 million).			
Stakeholders attention is drawn to the contingent risk of claims on guarantees issued on contracts. The most material guarantees in issue relate to the group's Kpone contract in Ghana. Included within the guarantees in issue to third parties is a performance bond of USD62,3 million, a retention bond of USD41,5 million and an advance payment bond of USD2,6 million.			
As indicated previously, notwithstanding any further potential delays to the project or to the dispute resolution process, the gross maximum delay penalty exposure remains capped at US\$62,5million. The actual penalty, within the maximum of US\$62,5million, will be independently determined. This amount does not reflect the counter, or other, claims that Group Five is legally entitled to and is pursuing. Against these possible penalties, the group continues to progress its own contractual rights and entitlements through the alternative dispute resolution procedures			
Rm		2018	2017
The issued guarantees have the following expiry dates:			
Not later than one year	4 209		4 306
Later than one year and not later than five years	785		1 136
Later than five years	85		56
	5 079		5 498
Analysis of guarantees (at contractual amounts):			
Issued in lieu of advance payments received*	526		833
Issued as a guarantee of performance	2 996		2 806
Issued in lieu of retention monies received*	1 525		1 753
Issued in support of tenders submitted	3		45
Issued for non-contract-related activities	29		61
	5 079		5 498

* These financial guarantees relate to services already rendered or amounts recognised as payables in note 19. No additional fair value is attributable to the guarantees.

23. COMMITMENTS AND CONTINGENCIES CONTINUED

Other

The group is, from time to time, involved in various claims and legal proceedings arising in the ordinary course of business.

The directors do not believe that adverse decisions in any other pending proceedings or claims against the group will have a material adverse effect on the financial condition or future operations of the group.

Stakeholders' attention is drawn to the contingent risk of civil claims possibly being lodged against the group, and all construction companies who have been party to the anti-competitive behaviour, following the Competition Commission release of its findings in June 2013.

Whilst some progress has been made, the management team continues to engage with the Competition Commission with the intent to finally resolve the two matters on fair terms.

24. FINANCIAL INSTRUMENTS

Financial instruments carried on the statement of financial position include cash and cash equivalents (as defined), short term borrowings, investments in service concessions, trade and other receivables, contracts in progress, trade and other payables, interest-bearing borrowings and derivative financial instruments.

24.1 FINANCIAL RISK MANAGEMENT OBJECTIVES

Introduction

The group has a risk management and central treasury function that manages the financial risks relating to the group's operations.

The group's liquidity, credit, foreign currency and interest rate risk are continuously monitored. The group has developed a comprehensive risk management process to facilitate, control and monitor these risks. This process includes formal documentation of policies, including limits, controls and reporting structures. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group makes use of derivative financial instruments to hedge certain risk exposures in certain circumstances.

In the course of the group's business operations it is exposed to financial risk relating to liquidity, credit, foreign currency and interest rate risk. Risk management relating to each of this risk is detailed below.

Controlling risk in the group

The executive committee (exco) and the management committee (manco) are responsible for risk management activities within the group. The exco meets weekly to review market trends and develop strategies. Treasury is responsible for monitoring currency, interest rate and liquidity risk under the policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the group's operating business units. The board approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investments in excess liquidity.

24.2 CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing borrowings less cash and cash equivalents. Total equity is as shown in the consolidated statement of financial position.

During 2018, the group's strategy, which remains unchanged, is to maintain the gearing ratio below 33%. The gearing ratio at 30 June 2018 and 2017 was as follows:

(R'000)	2018	2017
Total interest-bearing borrowings, including bank overdrafts	949 861	600 068
Cash on hand	(1 268 565)	(2 265 401)
Net debt	(318 704)	(1 665 333)
Total equity	1 133 801	2 521 571
Gearing ratio	Net ungeared	Net ungeared

24. FINANCIAL INSTRUMENTS CONTINUED

24.3 CATEGORIES OF FINANCIAL INSTRUMENTS

In addition, the financial instruments carried at fair value are disclosed in accordance to a fair value hierarchy.

The hierarchy has three levels that reflect the significance of the inputs used in measuring fair value. These are as follows:

Level 1: Quoted prices unadjusted in active markets for identical assets and liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly derived from prices

Level 3: Inputs for the assets or liabilities that are not based on observable market data

(R'000)	Notes	Loans and receivables	Financial assets at fair value through profit and loss designated as such	Financial assets at fair value through profit and loss	Other	Total	Level
30 June 2018							
Assets as per the statement of financial position							
Loans to associates	10.1.2	95 675	–	–	–	95 675	n/a
Loans to joint ventures	10.2.2	49 695	–	–	–	49 695	n/a
Equity accounted investments – service concessions	10.3	–	697 097	–	–	697 097	3
Investments in service concessions	11	–	49 969	–	–	49 969	3
Other financial assets – Long term	21.2	42 612	–	–	–	42 612	1
Other financial assets – Short term	21.2	59 919	–	–	–	59 919	1
Trade and other receivables	15	1 553 004	–	–	–	1 553 004	3
Contracts in progress	14	532 168	–	–	–	532 168	n/a
Cash and cash equivalents	28	1 268 565	–	–	–	1 268 565	n/a
		3 601 638	747 066	–	–	4 348 704	

(R'000)	Notes	Financial liabilities at amortised cost	Financial liabilities held for trading	Other	Total	Level
30 June 2018						
Liabilities as per the statement of financial position						
Interest-bearing borrowings	16.1	180 236	–	–	180 236	n/a
Excess billings over work done		797 181	–	–	797 181	n/a
Trade and other payables (current and non-current)	19	2 757 903	–	–	2 757 903	n/a
Current portion of interest-bearing borrowings	16.1	769 625	–	–	769 625	n/a
		4 504 945	–	–	4 504 945	

24. FINANCIAL INSTRUMENTS CONTINUED

24.3 CATEGORIES OF FINANCIAL INSTRUMENTS CONTINUED

(R'000)	Notes	Loans and receivables	Financial assets at fair value through profit and loss designated as such	Financial assets at fair value through profit and loss	Other	Total	Level
30 June 2017							
Assets as per the statement of financial position							
Loans to associates	10.1.2	94 364	–	–	–	94 364	n/a
Loans to joint ventures	10.2.2	72 733	–	–	–	72 733	n/a
Equity accounted investments – service concessions	10.3	–	619 109	–	–	619 109	n/a
Investments in service concessions	11	–	48 136	–	–	48 136	3
Derivative financial instruments	17	–	–	11	–	11	3
Trade and other receivables	15	2 142 494	–	–	–	2 142 494	3
Contracts in progress	14	472 934	–	–	–	472 934	n/a
Cash and cash equivalents	28	2 265 401	–	–	–	2 265 401	n/a
		5 047 926	667 245	11	–	5 715 182	
(R'000)	Notes		Financial liabilities at amortised cost	Financial liabilities held for trading	Other	Total	Level
30 June 2017							
Liabilities as per the statement of financial position							
Interest-bearing borrowings	16.1		256 923	–	–	256 923	n/a
Excess billings over work done			724 814	–	–	724 814	n/a
Trade and other payables (current and non-current)	19		3 014 726	–	–	3 014 726	n/a
Current portion of interest-bearing borrowings	16.1		343 145	–	–	343 145	n/a
			4 339 608	–	–	4 339 608	

24. FINANCIAL INSTRUMENTS CONTINUED**24.4 FINANCIAL RISK FACTORS****Market risk****Foreign exchange risk**

The group through foreign entities, conducts business in various foreign currencies. As a result, it is subject to the transaction exposure that arises from foreign exchange rate movements between the dates that currency other than functional currency are recorded (foreign sales and purchases) and the dates they are consummated (cash receipts and cash disbursements in foreign currencies). The group may, from time to time, hedge its foreign currency exposures for either purchase or sale transactions through the use of foreign currency forward exchange contracts. Foreign currency denominated construction contracts entered into are primarily US Dollar-based in terms of revenue and cost. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through settling of liabilities in the relevant currencies. Limited foreign currency forward exchange contracts were entered into during the current year. No hedge accounting has been applied.

The carrying amount of the group's foreign currency denominated monetary assets and liabilities at statement of financial position date is as follows:

Foreign currency risk

(R'000)	Notes	South African Rand	US Dollar	AED	PLN and HUF	Other	Total
30 June 2018							
Assets as per the statement of financial position							
Loans to associate	10.1.2	65 402	30 273	–	–	–	95 675
Loans to joint ventures	10.2.2	49 695	–	–	–	–	49 695
Equity accounted investments – service concessions*	10.3	–	–	–	–	697 097	697 097
Investments in service concessions*	11	–	–	–	–	49 969	49 969
Other financial assets – long term	21.2	42 612	–	–	–	–	42 612
Other financial assets – short term	21.2	59 919	–	–	–	–	59 919
Trade and other receivables	15	1 223 454	76 672	8 098	63 836	180 944	1 553 004
Contracts in progress	14	228 018	172 607	–	–	131 543	532 168
Cash and cash equivalents^^	28	754 156	112 594	26 237	202 026	173 552	1 268 565
		2 423 256	392 146	34 335	265 862	1 233 105	4 348 704
Liabilities as per the statement of financial position							
Interest-bearing borrowings	16.1	176 339	–	–	3 897	–	180 236
Excess billings over work done		384 361	374 337	–	13 370	25 113	797 181
Trade and other payables (current and non-current)	19	2 080 532	400 168	–	81 162	196 041	2 757 903
Current portion of interest-bearing borrowings	16.1	767 472	–	–	2 153	–	769 625
		3 408 704	774 505	–	100 582	221 154	4 504 945
Net exposure		(985 448)	(382 359)	34 335	165 280	1 011 951	(156 241)

* Euro-denominated investments in service concessions.

^^ Other includes Euro-denominated cash and cash equivalents equivalent to ZAR26 million.

24. FINANCIAL INSTRUMENTS CONTINUED

24.4 FINANCIAL RISK FACTORS CONTINUED

Market risk continued

Foreign currency risk continued

(R'000)	Notes	South African Rand	US Dollar	AED	PLN and HUF	Other	Total
30 June 2017							
Assets as per the statement of financial position							
Loans to associate	10.1.2	64 091	30 273	–	–	–	94 364
Loans to joint ventures	10.2.2	72 733	–	–	–	–	72 733
Equity accounted investments – service concessions	10.3	–	–	–	–	619 109	619 109
Investments in service concessions*	11	–	–	–	–	48 136	48 136
Derivative financial instruments	17	11	–	–	–	–	11
Trade and other receivables	15	1 685 248	223 762	37 186	7 663	188 635	2 142 494
Contracts in progress	14	193 464	128 904	–	10	150 556	472 934
Cash and cash equivalents^^	28	1 081 520	133 474	39 158	179 610	831 639	2 265 401
		3 097 067	516 413	76 344	187 283	1 838 075	5 715 182
Liabilities as per the statement of financial position							
Interest-bearing borrowings	16.1	251 170	–	–	5 753	–	256 923
Excess billings over work done		701 819	13 886	–	–	9 109	724 814
Trade and other payables (current and non-current)	19	2 248 292	404 748	27 850	86 618	247 218	3 014 726
Current portion of interest-bearing borrowings	16.1	248 090	–	–	2 628	92 427	343 145
		3 449 371	418 634	27 850	94 999	348 754	4 339 608
Net exposure		(352 304)	97 779	48 494	92 284	1 489 321	1 375 574

* Euro-denominated investments in service concessions.

^^ Other includes Euro-denominated cash and cash equivalents equivalent to ZAR26 million.

Sensitivity analyses have been performed to monitor the financial effect of changes in foreign exchange rates. The analysis below depicts the effect on profit before taxation should the exchange rate strengthen or weaken by 10% based on the assets and liabilities at reporting date. The exchange rates applicable to the group's primary functional currencies at the current and previous reporting year end are as follows:

	2018	2017
ZAR:USD	13,84	12,97
ZAR:PLN	3,68	3,49
ZAR:HUF	0,049	0,048

24. FINANCIAL INSTRUMENTS CONTINUED

24.4 FINANCIAL RISK FACTORS CONTINUED

Market risk continued

Foreign currency risk continued

	Change in exchange rate	Weakening in functional currency resulting in an increase/(decrease) in profit before taxation or reserves R'000	Strengthening in functional currency resulting in an increase/(decrease) in profit before taxation or reserves R'000
As at 30 June 2018			
Net movement		82 922	(82 922)
Current assets		192 546	(192 546)
Denominated functional currency			
ZAR:USD	10%	39 215	(39 215)
ZAR:AED	10%	3 434	(3 434)
ZAR:PLN; HUF	10%	26 586	(26 586)
ZAR:other	10%	123 311	(123 311)
Current liabilities		(109 624)	109 624
Denominated functional currency			
ZAR:USD	10%	(77 451)	77 451
ZAR:PLN; HUF	10%	(10 058)	10 058
ZAR:other	10%	(22 115)	22 115
As at 30 June 2017			
Net movement		172 788	(172 788)
Current assets		261 811	(261 811)
Denominated functional currency			
ZAR:USD	10%	51 641	(51 641)
ZAR:AED	10%	7 634	(7 634)
ZAR:PLN; HUF	10%	18 728	(18 728)
ZAR:other	10%	183 808	(183 808)
Current liabilities		89 023	(89 023)
Denominated functional currency			
ZAR:USD	10%	(41 863)	41 863
ZAR:AED	10%	(2 785)	2 785
ZAR:PLN; HUF	10%	(9 500)	9 500
ZAR:other	10%	(34 875)	34 875

24. FINANCIAL INSTRUMENTS CONTINUED

24.4 FINANCIAL RISK FACTORS CONTINUED

Cash flow and fair value interest rate risk

Interest rate

The group is exposed to interest rate risk through its cash and cash equivalents and interest-bearing short term and non-current liabilities. Short term interest rate exposure is monitored and managed by corporate treasury and may be hedged from time to time through the use of financial instruments.

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

The analysis below depicts the effect on profit before taxation assuming changes in interest rates:

Description (R'000)	Decrease in rate resulting in an increase in profit before taxation		Increase in rate resulting in a decrease in profit before taxation	
	2018	2017	2018	2017
Assuming 1% movement in JIBAR rate	6 246	–	(6 246)	–
Assuming 1% movement in SA prime borrowing rate	3 252	5 076	(3 252)	(5 076)

Credit risk

Credit risk is the risk of suffering financial loss should any of the group's counterparties fail to fulfil their contractual obligations.

Financial instruments which potentially subject the group to concentrations of credit risk are primarily cash and cash equivalents, trade receivables and loans provided to associates and joint arrangements. With regards to cash and cash equivalents, the group deals primarily with major financial institutions in South Africa and over-border.

The group's cash and cash equivalents at year end were held in accounts with financial institutions with the following Moody's credit ratings:

Financial institution credit rating (R'000)	2018
A1	66 363
Aa3	123 320
B1	81 066
B3	6 959
Ba1	63 213
Baa3	911 189
Unrated	16 455
Total cash and cash equivalents	1 268 565

Loans provided to associate companies are of a long term nature and repayments are governed by contractual arrangements. In determining the recoverability of a loan provided, the group considers frequency of repayment, financial performance of the associate and/or joint arrangement and contractual agreements.

The group's customers are concentrated primarily in South Africa but also exist in the rest of Africa, Middle East and Europe. The majority of the customers are concentrated in the industrial, resource, financial institution and public sectors. The group establishes a provision for impairment based upon factors surrounding the credit risk of specific customers, historical trends and other information.

For trade debtors, estimates are determined with reference to past default experience. Before accepting new trade debtors, use is made of local external credit agencies, where necessary, to assess the potential customer's credit quality. Credit limits are defined by trade debtor and are regularly reviewed.

24. FINANCIAL INSTRUMENTS CONTINUED**24.4 FINANCIAL RISK FACTORS CONTINUED****Credit risk continued**

In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and geographically diverse. Accordingly, the directors believe that there is no further credit provision required in excess of the allowed provision for impairment of the trade receivable. Management do not expect a loss from fully performing financial assets.

Where appropriate, the group obtains appropriate collateral to mitigate risk. The group did not hold any collateral at 30 June 2018 or 30 June 2017.

The carrying amount of the financial assets represents the group's maximum exposure to credit risk without taking into consideration any collateral provided. The maximum exposure to credit risk in respect of guarantees issued is the maximum amount the group may need to pay under the guarantees, refer to note 23.

The group has the following amounts due from top five debtors:

	Number of customers	Value Rm	% of trade and other receivables	% of total revenue
2018	5	247	15.3	3.4
2017	5	339	15.5	3.1

The group has the following credit risk per geographical segment:

Region (R'000)	2018	2017
Central Africa	14 772	116 288
Eastern Africa	792	825
Europe	122 493	21 721
Middle East	9 509	37 188
Southern Africa	1 303 486	1 869 278
Western Africa	162 656	149 493
Total trade and other receivables	1 613 708	2 194 793

Central Africa: DRC

Europe: Hungary, Poland, Northern Ireland, Middle East and Jordan

Southern Africa: South Africa, Namibia, Mozambique, Zimbabwe and Botswana

Western Africa: Ghana, Burkina Faso and Guinea, Nigeria

Eastern Africa: Mauritius

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The group does not hold any collateral as security.

24. FINANCIAL INSTRUMENTS CONTINUED

24.4 FINANCIAL RISK FACTORS CONTINUED

Liquidity risk

Liquidity risk is the risk that the group will be unable to meet a financial commitment in any location or currency. The group manages its liquidity risk through its central treasury function. Cash flow forecasting is performed by the operating units of the group and consolidated by central treasury. Refer to note 2.1 in the accounting policies for detailed disclosure on group's liquidity management processes.

Central treasury monitors the rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash and facilities to meet operational needs. Such forecasting takes into consideration the group's covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements. The following table details the group's remaining contractual maturities for its financial assets and liabilities:

(R'000)	Notes	Within 1 – 6 months	Within 7 – 12 months	Within 1 – 2 years	Within 2 – 5 years	Greater than 5 years	Total
30 June 2018							
Assets as per the statement of financial position							
Loans to associates	10.1.2	–	–	36 320	59 355	–	95 675
Loans to joint ventures	10.2.2	–	–	49 695	–	–	49 695
Investments in service concessions	11	–	–	–	–	49 969	49 969
Equity accounted investment – service concessions	10.3	–	–	697 097	–	–	697 097
Other financial assets – long term	21.2	–	–	42 612	–	–	42 612
Other financial assets – short term	21.2	29 959	29 960	–	–	–	59 919
Derivative financial instruments	17	–	–	–	–	–	–
Trade and other receivables	15	993 697	559 307	–	–	–	1 553 004
Contracts in progress	14	356 568	137 508	38 092	–	–	532 168
Cash and cash equivalents	28	1 268 565	–	–	–	–	1 268 565
		2 648 789	726 775	863 816	59 355	49 969	4 348 704
Liabilities as per the statement of financial position							
Interest-bearing borrowings	16.1	–	–	175 236	11 957	–	187 193
Excess billings over work done		284 227	512 954	–	–	–	797 181
Trade and other payables	19	2 028 854	516 549	21 250	63 750	127 500	2 757 903
Current portion of interest-bearing borrowings	16.1	116 327	699 975	–	–	–	816 302
		2 429 408	1 729 478	196 486	75 707	127 500	4 558 579

24. FINANCIAL INSTRUMENTS CONTINUED

24.4 FINANCIAL RISK FACTORS CONTINUED

Liquidity risk continued

(R'000)	Notes	Within 1 – 6 months	Within 7 – 12 months	Within 1 – 2 years	Within 2 – 5 years	Greater than 5 years	Total
30 June 2017							
Assets as per the statement of financial position							
Loans to associates	40 180	–	–	35 008	59 356	–	94 364
Loans to joint ventures	40 211	–	–	72 733	–	–	72 733
Equity accounted investments – service concessions	10.3	–	–	–	–	619 109	619 109
Investments in service concessions	11	–	–	–	–	48 136	48 136
Derivative financial instruments	17	11	–	–	–	–	11
Trade and other receivables	15	1 141 073	1 001 421	–	–	–	2 142 494
Contracts in progress	14	467 550	5 384	–	–	–	472 934
Cash and cash equivalents*	28	2 265 401	–	–	–	–	2 265 401
		3 874 035	1 006 805	107 741	59 356	667 245	5 715 182
Liabilities as per the statement of financial position							
Interest-bearing borrowings	16.1	–	9 277	266 614	23 245	–	299 136
Excess billings over work done		530 942	193 872	–	–	–	724 814
Trade and other payables (current and non-current)	19	1 707 433	1 240 061	21 250	63 750	127 500	3 159 994
Current portion of interest-bearing borrowings	16.1	302 876	94 042	–	–	–	396 918
		2 541 251	1 537 252	287 864	86 995	127 500	4 580 862

* Cash and cash equivalents is the most liquid asset and disclosed within 1 – 6 months. Cash and cash equivalents will be used to settle current liabilities as they fall due.

		GROUP	
		Audited	
(R'000)	Notes	2018	2017*
25. CASH FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES			
Loss before taxation		(1 277 033)	(695 857)
Adjustments for:			
Depreciation	4.2	123 846	134 996
Fair value adjustments loss/(gain)	9	32 618	(98 156)
Foreign exchange loss/(profit)		35 123	(12 248)
Bridge transaction costs capitalised		(29 430)	–
Impairment on investment in associate and joint venture		4 693	1 241
Net profit		–	(615)
Voluntary Rebuild Programme contribution		–	137 816
Profit on disposal of property, plant and equipment	4.3	(49 425)	(10 670)
Profit on disposal of joint operation and subsidiary	4.4	(59 067)	–
Share-based payment (credit)/charge		(18 469)	762
Finance cost – net	5	39 690	11 721
Fair value gain on forward exchange contracts		–	(1 033)
Share of equity accounted profits		(189 654)	(35 471)
Pension fund valuation surplus		(33 200)	(24 343)
Contract in progress impaired [#]		156 647	238 874
Movement in provisions		800 776	108 532
		(462 885)	(244 451)
* Restated for the application of IFRS 5 – discontinued operations.			
# The impairment of contracts in progress relates to the impairment of work in progress raised in previous years, where in the current year the contract is considered to be onerous, which resulted in a negative revenue adjustment.			
26. WORKING CAPITAL CHANGES			
Trade and other payables		(963 147)	(1 792 859)
Trade and other receivables		424 922	719 511
Contracts in progress		(216 477)	414 016
Inventories		5 418	9 759
		(749 284)	(649 573)
27. TAXATION PAID			
Taxation owing at the beginning of the year		(21 178)	(53 681)
Transfer to discontinued operations		2 805	226
Charge per the income statement		(88 324)	(137 809)
Movement in deferred taxation		5 203	36 836
Taxation owing at the end of the year		15 314	21 178
		(86 180)	(133 250)
28. CASH AND CASH EQUIVALENTS AT END OF YEAR			
Bank balances and cash		1 268 565	2 265 401
Bank overdrafts		–	–
Cash and cash equivalents at end of year		1 268 565	2 265 401
29. CATEGORISATION OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents held by the group		839 131	1 677 833
Cash and cash equivalents held by joint operations		429 434	587 568
		1 268 565	2 265 401

30. NON-CASH TRANSACTIONS – CASH FLOW STATEMENT

Excluded from the cash flow statement are additions to fixed assets and investment property amounting to R62.1 million (2017: R115 million) which were funded by asset backed finance.

		GROUP	
		Audited	
(R'000)	Notes	2018	2017
31. DIVIDENDS PAID			
31.1 2017 Final dividend paid: Nil (2016: 30 cents) per ordinary share		–	30 390
31.2 2018 Interim dividend paid: Nil (2017: 14 cents) per ordinary share		–	14 226
		–	44 616

These dividends are reflected on the group's statement of changes in equity.

32. DISCONTINUED OPERATIONS

On 22 November 2017, the Board of Group Five announced its intention to dispose of its Manufacturing business refer to note 33 for discontinued operations held for sale.

The consolidated impact of the discontinued operations held for sale and joint operation disposed of is as follows:

		Combined impact of IFRS 5 on discontinued operations	
		Audited	
R'000		2018	2017
Income statement relating to discontinued operations			
Revenue from discontinued operations		915 059	843 061
Operating profit		65 029	64 528
Finance income – net		4 722	5 753
Profit before taxation		69 751	70 281
Taxation		(15 291)	(15 643)
Share of profit from joint ventures		2 750	6 383
Net profit for the year from discontinued operations		57 210	61 021
Cash Flows relating to discontinued operations are presented below:			
Net cash movement from operating activities		(23 084)	71 539
Net cash movement from investing activities		(16 057)	(50 554)
Net cash movement from financing activities		(25 000)	–
Net movement from discontinued operations		(64 141)	20 985

32. DISCONTINUED OPERATIONS CONTINUED

The Group's interest in Group Five Pipe, a joint operation, was sold in May 2018 and is reported as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

Below is the effect of the disposed assets on the financial performance and cash flow movement for the 11 months ended 31 May 2018 and the year ended 30 June 2017*.

DISPOSAL OF JOINT OPERATION

R'000	GROUP FIVE PIPE	
	Audited	
	2018	2017
Income statement relating to the discontinued operations		
Revenue from discontinued operations	43 051	62 944
Operating profit	1 452	148
Finance income – net	97	1 146
Profit before taxation	1 549	1 294
Net profit for the year from discontinued operations	1 549	1 294
Statement of financial position relating to the discontinued operations:		
Non-current assets (Property, Plant and Equipment)	5 888	6 437
Current assets	18 697	56 110
Inventories	9 979	19 256
Trade and other receivables	8 718	33 036
Cash and cash equivalents	–	3 818
Non-current assets disposed of	24 585	62 546
Current liabilities	2 295	6 420
Trade and other payables	2 295	6 420
Liabilities directly associated with non-current assets disposed of	2 295	6 420
Net assets	22 290	56 126
Cash flows relating to discontinued operations are presented below:		
Net cash movement from operating activities	25 723	3 240
Net cash movement from investing activities	–	(1 020)
Net cash movement from financing activities	(25 000)	–
Net movement from discontinued operations	723	2 220

DETAILS OF THE SALE OF THE JOINT OPERATION

	2018	2017
Consideration received or receivable:		
Cash	80 000	–
Total disposal consideration	80 000	–
Carrying amount of net assets sold	(22 290)	–
Gain on disposal	57 710	–

* This disclosure relates to Group Five's proportionate share of assets and liabilities of the joint operation (Group Five Pipe).

33. NON-CURRENT ASSETS HELD FOR SALE

On 22 November 2017, the Board of Group Five announced its intention to dispose of the Manufacturing business. The remaining Manufacturing assets consist of Everite and Sky Sands.

The recognition criteria in terms of IFRS 5 to classify Everite and Sky Sands as a discontinued operation were met on 4 May 2018, the date on which a binding offer was received.

Barnes Reinforcing Industries was determined to be discontinued operations as the criteria of IFRS 5 were met in 30 June 2018.

Below is disclosed the effect of the discontinued operations on the group's financial performance, position and cash.

R'000	MANUFACTURING SEGMENT – EX GROUP FIVE PIPE	
	Audited	
	2018	2017
Income statement relating to the discontinued operations		
Revenue from discontinued operations	872 008	780 117
Operating profit	63 577	64 380
Finance income – net	4 625	4 607
Profit before taxation	68 202	68 987
Taxation	(15 291)	(15 643)
Share of profit from joint ventures	2 750	6 383
Net profit for the year from discontinued operations	55 661	59 727
Statement of financial position relating to the discontinued operations:		
Non-current assets	318 575	302 654
Property, plant & equipment	245 178	256 552
Equity accounted investments	65 551	46 102
Goodwill	7 846	–
Current assets	462 208	484 965
Inventories	200 003	183 670
Trade and other receivables	186 268	160 495
Cash and cash equivalents	75 937	140 800
Non-current assets classified as held for sale	780 783	787 619
Non-current liabilities	31 988	33 172
Post employment medical provision and environmental rehabilitation	31 988	33 172
Current liabilities	180 102	165 404
Trade and other payables	166 517	160 571
Deferred taxation	8 108	2 525
Current taxation payable	477	2 308
Current portion of non-current interest-bearing borrowings	5 000	–
Liabilities directly associated with non-current assets classified as held for sale	212 090	198 576
Net assets	568 693	589 043
Cash flows relating to discontinued operations are presented below:		
Net cash movement from operating activities	(48 805)	68 299
Net cash movement from investing activities	(16 057)	(49 534)
Net cash movement from financing activities	–	–
Net movement from discontinued operations	(64 862)	18 765

34. DISPOSAL OF SUBSIDIARIES AND JOINT OPERATION

During the current year the following disposals occurred:

DISPOSAL OF SUBSIDIARIES

During May 2018 Group Five Construction Proprietary Limited ("Group Five Construction") disposed of its 51% interest in Group Five Motlekar Proprietary Limited for R1 the profit on disposal of this subsidiary was R7,1 million accompanied with an exclusion of the minority interest of R2,6 million.

During April 2018 Intertoll-Europe Tranacsado Zrt disposed of its 50% interest in A-Way ITE Autopalya Zrt, for R10,7 million. The resultant loss on disposal was R5,8 million with a minority interest disposed of R9,4 million.

JOINT OPERATION

During May 2018, the sale of Group Five Pipe by Group Five Construction was concluded, R80 million was received for the 50% interest held in the assets of Group Five Pipe, resulting in a profit of R57,7 million. Refer to note 32 for further information regarding this disposal.

35. POST BALANCE SHEET EVENT

PARTIAL DISPOSAL OF INVESTMENT IN SERVICE CONCESSIONS

Subsequent to 30 June 2018, the Board of Directors approved the partial disposal of the group's investment in service concessions assets in Eastern Europe, held via the group's joint venture investment in Intertoll Capital Partners B.V ("ICP"). The group expects to reduce its current 50% investment to 10%. This partial disposal relates to the investment in service concessions assets only and not the group's operations & maintenance operations. The proceeds from this partial disposal will be utilised to settle the group's short-term bridging funding.

This transaction is subject to shareholder approval.

This development is considered to be a non-adjusting post balance event.

The financial impact of this decision is summarised below:

- The Investment in the ICP Joint Venture, which is currently classified as a non-current asset with a carrying value of R697 million, would be transferred to Non-Current Assets Held For Sale in accordance with IFRS 5 "Non-Current Assets Held For Sale and Discontinued Operations".
- The group is required to measure the assets at the lower of carrying value and fair value less costs to sell. As the investment in ICP is already held at fair value as at balance sheet date, in accordance with the accounting policy adopted in relation to these assets, and as the costs to sell are considered to be immaterial, no impairment to the investment is required as a result of the decision to sell.

Other non-adjusting events

- Subsequent to 30 June 2018, two adjudication awards, valued at R203 million were made in the Group's favour in relation to a construction contract. This development is considered to be an adjusting post balance event. In addition subsequent to year end.
- The Group has continued to incur costs on the Kpone contract due to events post balance sheet date which had not been forecasted for.

ANNEXURE 1 – INTEREST IN SUBSIDIARIES

at 30 June 2018

	Issued ordinary share capital		Percentage held		Shares at cost		Amounts owing by subsidiaries	
	2018	2017	2018	2017	2018	2017	2018	2017
DIRECT SUBSIDIARIES								
Group Five Construction (Proprietary) Limited	1 000 001	1 000 001	100	100	14 177	14 177	151 870	175 891
Everite (Proprietary) Limited	51 191 400	51 191 400	100	100	368 570	368 570	–	–
					382 747	382 747	151 870	175 891

Name	Country	Proportion of ordinary shares held by non-controlling interests (%)
PRINCIPAL SUBSIDIARIES		
DIRECT AND INDIRECT		
Construction material supply:		
Cosmos Asphalt (Proprietary) Limited	South Africa	–
Manufacture of building products:		
Everite (Proprietary) Limited [#]	South Africa	–
Everite Pipes (Proprietary) Limited [#]	South Africa	–
Construction activities:		
Group Five (Botswana) (Proprietary) Limited	Botswana	–
Group Five Building (Proprietary) Limited*	South Africa	–
Group Five Burkina Faso SARL	Burkina Faso	–
Group Five Civil Engineering (Proprietary) Limited*	South Africa	–
Group Five Coastal (Proprietary) Limited*	South Africa	–
Group Five Construction (Ghana) Limited	Ghana	–
Group Five Construction (Kenya) Limited	Kenya	–
Group Five Construction Limited (Malawi)	Malawi	–
Group Five Construction Limited	South Africa	–
Group Five Construction (UK) Limited (Mauritius and Jordan)	United Kingdom	–
Group Five Contractors (Namibia) (Proprietary) Limited	Namibia	–
Group Five DRC SARL	Democratic Republic of Congo	–
Group Five Engineering and Construction (Proprietary) Limited*	South Africa	–
Group Five ET Construction PLC	Ethiopia	–
Group Five Housing (Proprietary) Limited*	South Africa	–
Group Five International Limited		
(Mauritius, Mozambique, Zimbabwe, Dubai)	Mauritius	–
Group Five Lesotho (Proprietary) Limited	Lesotho	–
Group Five Liberia Limited	Liberia	–
Group Five (Mauritius) Limited	Mauritius	–
Group Five Nuclear Construction Services (Proprietary) Limited*	South Africa	–
Group Five Oil & Gas (Proprietary) Limited*	South Africa	–
Group Five Plant & Equipment (Proprietary) Limited*	South Africa	–
G5 Power Project Limited	Nigeria	–
Group Five Power International (Proprietary) Limited	South Africa	–
Group Five Power International (Proprietary) Limited (Ghana branch)	Ghana	–
Group Five Power (Proprietary) Limited*	South Africa	–
Group Five Projects (Proprietary) Limited*	South Africa	–
Group Five Sierra Leone Limited	Sierra Leone	–
Group Five Swaziland (Proprietary) Limited	Swaziland	–
Group Five Tanzania Limited	Tanzania	–

Name	Country	Proportion of ordinary shares held by non-controlling interests (%)
Construction activities continued:		
Group Five Western Cape (Proprietary) Limited*	South Africa	–
Group Five (Zambia) Limited	Zambia	–
Group Five Siguiri SARL	Guinea	–
Group Five Bel Air SARL	Guinea	–
Infrastructure concessions:		
Group Five Energy Limited	United Kingdom	–
Intertoll (Africa) (Proprietary) Limited	South Africa	–
Intertoll (Proprietary) Limited	South Africa	–
Intertoll-Europe Tranacsado Zrt	Hungary	–
Intertoll Holdings (Proprietary) Limited	South Africa	–
Intertoll Infrastructure Developments B.V.	Netherlands	–
Duna-Intertoll M6-os Autopalya Uzemelteto Fenntarto Zrt	Hungary	–
Mecsek Autopalya – Uzemelteto Kartkoruen Mukodo Close Limited**	Hungary	50.0
Intertoll Zimbabwe (Proprietary) Limited (Zimbabwe branch)	Zimbabwe	–
Intertoll Zimbabwe (Proprietary) Limited	South Africa	–
Intertoll Limited	United Kingdom	–
Intertoll USA Incorporated	United States of America	–
Infrastructure developments:		
Group Five Infrastructure Developments (Proprietary) Limited*	South Africa	–
Property developments:		
Group Five Property Developments (Proprietary) Limited*	South Africa	–
Duro Brick Company (Proprietary) Limited	South Africa	–
G5 Properties (Proprietary) Limited	South Africa	–
Ruby Mountain Trading 38 (Proprietary) Limited	South Africa	33.0
Windfall 86 Properties (Proprietary) Limited	South Africa	–
Augusta Hills Development Company (Proprietary) Limited	South Africa	–
Q Free Zonke (Proprietary) Limited	South Africa	49.0
Glen Acre 16 (Proprietary) Limited	South Africa	–

CONTROLLED JOINT ARRANGEMENTS

Construction activities:		
ENM/Group Five NWP Legislative Joint Venture	South Africa	30.0
ENM/Bophelong Psychiatric Hospital Joint Venture	South Africa	30.0
Tsela Tshweu Construction Joint Venture	South Africa	36.3
ENM/Group Five Jouberton Community Centre Joint Venture	South Africa	30.0
Group Five Pomeroy CHC Joint Venture	South Africa	40.0
Group Five Pandev IRPTN Joint Venture	South Africa	40.0
Group Five/ENM Waterfall Joint Venture	South Africa	40.0
ENM/Group Five Brits Hospital Joint Venture	South Africa	30.0

NATURE OF BUSINESS

* Acting as an agent for Group Five Construction Limited.

** These investments are fully consolidated as the group is exposed to or has the rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its contractual right over the entity.

– The group maintains a register of all subsidiaries and non-controlling joint operations available for inspection at the registered office of Group Five Limited.

– The holding company's interest in the aggregate net loss earned by subsidiaries and joint ventures amounted to R1.3 billion loss (2017: R840 million loss) respectively.

– No part of the business of any subsidiary has been managed during the financial period by any third person.

– Transactions with non-controlling interest relates to distributions to them and their share of profit.

These subsidiaries have been classified as non-current assets held for sale.

ANNEXURE 1 – INTEREST IN SUBSIDIARIES

R'000	2018	2017
AGGREGATE FINANCIAL INFORMATION OF MATERIAL SUBSIDIARIES WITH A NON-CONTROLLING INTEREST		
STATEMENT OF CONSOLIDATED FINANCIAL POSITION AS AT 30 JUNE		
Assets		
Non-current assets	2 387	4 413
Current assets	302 072	507 328
Total assets	304 459	511 741
Equity and liabilities		
Shareholders' equity	101 323	188 949
Non-current liabilities	–	–
Current liabilities	203 136	322 792
Total equity and liabilities	304 459	511 741
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE		
Revenue	511 271	1 152 496
Profit before taxation	90 197	175 977
Taxation	(19 150)	(40 211)
Profit after taxation	71 047	135 766
Dividends paid	(168 599)	(203 212)
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE		
Cash flow from operating activities	(18 047)	(160 108)
Cash flow from investing activities	(653)	(932)
Cash flow from financing activities	–	–
Net decrease in cash and cash equivalents	(18 700)	(161 040)

ANNEXURE 2 – INTEREST IN JOINT OPERATIONS

for the year ended 30 June 2018

The total percentage holding by the group in the equity of significant joint arrangements is as follows:

	Country	Nature of business	Proportion of shares held (%)
JOINT OPERATION			
The Y Joint Venture	Burkina Faso	Construction	50
Group Five Construction LLC	UAE	Construction	49
Group Five Iberdrola Joint Venture	South Africa	Engineer, Procure and Construct	50:75
Group Five Thulanda Joint Venture	South Africa	Construction	65
Kgalagadi Pipeline Joint Venture	South Africa	Construction	45
Group Five WEC Consortium	South Africa	Construction	67
Kusile Civils Joint Venture	South Africa	Construction	25
Nokeng Joint Venture	South Africa	Construction	50
WBHO - G5 Deloitte Joint Venture	South Africa	Construction	50
The DRD&LR Joint Venture	South Africa	Construction	46.25
Group Five Liviero Joint Venture	South Africa	Construction	50
Structural Systems L&R Joint Venture	South Africa	Construction	50
Trotech Joint Venture	South Africa	Construction	50

The group maintains a register of all its joint operations for inspection at the registered office of Group Five Limited.

During the current financial year the Group disposed of its share holding in Group Five Pipe.

ANNEXURE 3 – INVESTMENT IN JOINT VENTURES

at 30 June 2018

The total percentage holding by the group in the equity of significant joint ventures is as follows:

	Country	Nature of business	Number of shares issued	Proportion of shares held (%)
JOINT VENTURE				
Barnes Reinforcing Industries (Proprietary) Limited^	South Africa	Steel supply	50 ordinary shares of no par value	50
Central Plaza Investments 28 (Proprietary) Limited	South Africa	Property development	50 ordinary shares of no par value	50
Group Five AP Investments (Proprietary) Limited	South Africa	Property development	50 ordinary shares of no par value	50
Group Five AP Developments (Proprietary) Limited	South Africa	Property development	50 ordinary shares of no par value	50
Intertoll Capital Partners BV	Netherlands	Investment holding	10 000 ordinary shares of no par value	50.01

^ Held for sale at 30 June 2018.

The investments are equity accounted as the group entered into a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

During the current financial year the Group acquired the remaining 50% of the shares in Glen Acre 16 Proprietary Limited, for a consideration of R17 million.

AGGREGATE FINANCIAL INFORMATION

– Relating to investments not considered material to the reporting entity

	GROUP	
	Audited	
(R'000)	2018	2017
STATEMENT OF CONSOLIDATED FINANCIAL POSITION AS AT 30 JUNE		
Group's proportionate share of assets and liabilities:		
Assets		
Non-current assets	49 368	50 018
Steel supply	14 228	17 622
Property development	35 140	32 396
Current assets	228 644	170 984
Steel supply	145 793	145 437
Property development	82 851	25 547
Total assets	278 012	221 002
Equity and liabilities		
Shareholders' equity	27 767	20 220
Steel supply	25 336	21 377
Property development	2 431	(1 157)
Non-current liabilities	112 537	42 911
Steel supply	21 674	22 728
Property development	90 863	20 183
Current liabilities	137 708	157 871
Steel supply	113 011	118 954
Property development	24 697	38 917
Total equity and liabilities	278 012	221 002

(R'000)	GROUP	
	Audited	
	2018	2017
AGGREGATE FINANCIAL INFORMATION CONTINUED		
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE		
Group's proportionate share of income and expenditure		
Revenue	394 754	324 542
Steel supply	390 115	318 905
Property development	4 639	5 637
Profit before taxation	8 952	11 513
Steel supply	3 826	8 880
Property development	5 126	2 633
Taxation	(2 631)	(2 817)
Steel supply	(1 073)	(2 498)
Property development	(1 558)	(319)
Profit after taxation	6 321	8 696
Steel supply	2 753	6 382
Property development	3 568	2 314
Dividends paid	-	-
Steel supply	-	-
Property development	-	-
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE		
Group's proportionate share of cash flows		
Cash flow from operating activities	(421)	(10 631)
Steel supply	(3 800)	(15 309)
Property development	3 379	4 678
Cash flow from investing activities	651	(8 451)
Steel supply	3 395	(8 451)
Property development	(2 744)	-
Cash flow from financing activities	(1 873)	17 801
Steel supply	(1 053)	22 153
Property development	(820)	(4 352)
Net decrease in cash and cash equivalents	(1 643)	(1 281)
Steel supply	(1 458)	(1 607)
Property development	(185)	326

There are no additional contingent liabilities that the group is aware of that require disclosure which have not been disclosed in note 23.

AGGREGATE FINANCIAL INFORMATION

– Relating to investment material to the reporting entity

	GROUP	
	Audited	
(R'000)	2018	2017
INVESTMENT IN INTERTOLL CAPITAL PARTNERS B.V.		
STATEMENT OF CONSOLIDATED FINANCIAL POSITION AS AT 30 JUNE		
100% of assets and liabilities		
Assets		
Non-current assets	1 368 709	1 268 611
Current assets	26 894	44 279
	1 395 603	1 312 890
Equity and liabilities		
Shareholders' interest	1 322 096	1 175 523
Non-current liabilities*	71 819	129 626
Current liabilities	1 688	7 741
	1 395 603	1 312 890
Shareholding reconciliation:		
Net asset value (Equity and liabilities and non-current liabilities)	1 393 915	–
Shareholding	50.01%	–
Investment in joint venture	697 097	–
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE		
100% of share of income and expenditure		
Revenue	–	–
Profit before taxation	273 155	55 841
Taxation	(1 137)	–
Profit after taxation	272 018	55 841
Dividends paid	(66 056)	(53 233)
STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE		
Cash flow from operating activities**	(146 101)	–
Cash flow from investing activities**	181 427	–
Cash flow from financing activities**	(59 820)	–
Net cash outflow	(24 494)	–

* Shareholder loan included in equity investment of Intertoll Capital Partners BV.

** Comparative period not disclosed as transfer occurred at 30 June 2017.

There are no additional contingent liabilities that the group is aware of relating to joint ventures that require disclosure which have not been disclosed in note 23.

ANNEXURE 4 – INVESTMENT IN ASSOCIATES

as at 30 June 2018

The total percentage holding by the group in the equity of significant associates is as follows:

	Country	Nature of business	Number of shares issued	Proportion of shares held [%]	Carrying value 2018 R'000	Carrying value 2017 R'000
ASSOCIATE						
Amanz' Abantu Services (Proprietary) Limited	South Africa	Water supply	900 ordinary shares at R1 each	28.3	6 721	5 600
Jozi Power Limited	United Kingdom	Power supply	4 174 400 shares of USD1 each	30.51*	38 014	35 781
Kalahari Village Mall (Proprietary) Limited	South Africa	Property development	255 ordinary shares of R1 each	13.0^	31 374	30 239
Enzani Technologies (Proprietary) Limited	South Africa	Power supply	240 ordinary shares of R1 each	15.0^	2 838	2 777
Lesedi Nuclear Services (Proprietary) Limited	South Africa	Power supply	14 000 ordinary shares of R0.10 each	19.19^	14 338	15 708
Capital Place Limited	Ghana	Property development	210 600 ordinary shares of GHS1 each	30.0	44 158	43 480
Tsela Tshweu Private Company (RF) (Proprietary) Limited	South Africa	Property development	100 ordinary shares of R1 each	34.24	98 916	79 968
Zuriclox (Proprietary) Limited	South Africa	Property development	200 ordinary shares of R0.50 each	25.0	3 603	2 937
					239 962	216 490

^ The investments are equity accounted as the group has the contractual right to participate in the financial and operating policy decisions of the investee.

* The investment is equity accounted at 26.34% to take the put option which would result in a dilution of options held from 30.51% to 26.34%.

All associate companies listed above are private companies and there are no quoted market prices available for their shares.

(R'000)	GROUP	
	Audited	
	2018	2017
AGGREGATE FINANCIAL INFORMATION		
STATEMENT OF CONSOLIDATED FINANCIAL POSITION AS AT 30 JUNE		
Group's proportionate share of assets and liabilities		
Assets		
Non-current assets	673 462	678 764
Power supply	24 878	31 109
Property development	647 143	645 975
Other	1 441	1 680
Current assets	184 186	151 615
Power supply	92 909	56 967
Property development	76 034	78 313
Other	15 243	16 335
Total assets	857 648	830 379
Equity and liabilities		
Shareholders' equity	118 817	106 058
Power supply	51 805	46 334
Property development	58 784	52 509
Other	8 228	7 215
Non-current liabilities	639 186	641 649
Power supply	1 083	1 816
Property development	637 934	639 525
Other	169	308
Current liabilities	99 645	82 672
Power supply	64 899	39 926
Property development	26 459	32 254
Other	8 287	10 492
Total equity and liabilities	857 648	830 379

ANNEXURE 4 – INVESTMENT IN ASSOCIATES CONTINUED

(R'000)	GROUP	
	Audited	
	2018	2017
AGGREGATE FINANCIAL INFORMATION CONTINUED		
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE		
Group's proportionate share of income and expenditure		
Revenue	197 789	309 839
Power supply	113 536	67 454
Property development	30 590	190 110
Other	53 663	52 275
Profit before taxation	35 438	43 353
Power supply	8 299	(4 068)
Property development	25 050	48 265
Other	2 089	(844)
Taxation	(6 796)	(10 196)
Power supply	(1 294)	(1 495)
Property development	(4 934)	(9 003)
Other	(568)	302
Profit after taxation	28 643	33 157
Power supply	7 005	(5 563)
Property development	20 116	39 262
Other	1 522	(542)
Dividends paid	(3 943)	(1 967)
Power supply	(3 506)	(1 967)
Property development	-	-
Other	(437)	-

ANNEXURE 4 – INVESTMENT IN ASSOCIATES CONTINUED

	GROUP	
	Audited	
(R'000)	2018	2017
AGGREGATE FINANCIAL INFORMATION CONTINUED		
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE		
Group's proportionate share of cash flows		
Cash flow from operating activities	34 647	46 908
Power supply	19 977	(483)
Property development	14 437	45 825
Other	233	1 566
Cash flow from investing activities	3 710	(163 862)
Power supply	6 231	138
Property development	(2 760)	(163 837)
Other	239	(163)
Cash flow from financing activities	(871)	(3 631)
Power supply	(732)	(2 326)
Property development	–	–
Other	(139)	(1 305)
Net increase/(decrease) in cash and cash equivalents	37 486	(120 585)
Power supply	25 476	(2 671)
Property development	11 677	(118 012)
Other	333	98

There are no additional contingent liabilities that the group is aware of that require disclosure which have not been disclosed in note 23.

ANNEXURE 5 – ANALYSIS OF SHAREHOLDERS

for the year ended 30 June 2018

	No of Shareholders	%	No of shares	%
1. SHAREHOLDER SPREAD				
1 – 1 000 shares	3 336	76.16	799 742	0.71
1 001 – 10 000 shares	674	15.39	2 282 501	2.03
10 001 – 100 000 shares	254	5.80	9 409 009	8.38
100 001 – 1 000 000 shares	95	2.17	26 480 438	23.59
1 000 001 shares and over	21	0.48	73 286 593	65.29
Totals	4 380	100.00	112 258 283	100.00
2. DISTRIBUTION OF SHAREHOLDERS				
Banks/Brokers	42	0.96	11 228 984	10.00
Close Corporations	17	0.39	87 835	0.08
Empowerment	3	0.07	12 658 129	11.28
Endowment Funds	27	0.62	461 764	0.41
Individuals	3 764	85.93	4 743 372	4.23
Insurance Companies	22	0.50	6 073 655	5.41
Investment Companies	3	0.07	4 081	0.00
Medical Schemes	10	0.23	372 512	0.33
Mutual Funds	93	2.12	39 939 630	35.58
Other Corporations	3	0.07	2 422	0.00
Private Companies	46	1.05	1 239 156	1.10
Public Companies	7	0.16	27 469	0.02
Retirement Funds	158	3.61	34 858 709	31.05
Share Trust	1	0.02	6 051	0.01
Trusts	184	4.20	554 514	0.49
Totals	4 380	100.00	112 258 283	100.00
3. PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	13	0.30	52 653 509	46.90
Directors of the company	2	0.05	50 233	0.04
Executive committee members of the company	4	0.09	142 462	0.13
Empowerment Trusts	3	0.07	12 658 129	11.28
Strategic Holding holding more than 5%	3	0.07	39 796 634	35.44
Share Trusts	1	0.02	6 051	0.01
Public shareholders	4 367	99.70	59 604 774	53.10
Totals	4 380	100.00	112 258 283	100.00

ANNEXURE 5 – ANALYSIS OF SHAREHOLDERS CONTINUED

	No of shares	%
4. BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE		
Government Employees Pension Fund	22 715 421	20.23
Group Five Ltd Black Professionals Staff Trust	10 356 865	9.23
Allan Gray	9 795 726	8.73
Coronation Fund Managers	7 285 487	6.49
Totals	50 153 499	44.68
5. DIRECTORS OF THE COMPANY		
ST Mosai	2 863	0.00
CM Teixeira	47 370	0.04
Totals	50 233	0.04
6. EXECUTIVE COMMITTEE MEMBERS OF THE COMPANY		
NM Humphreys	30 276	0.03
KR Maharaj	4 333	0.00
GD Mottram	25 703	0.02
JA Wallace	82 150	0.07
Totals	142 462	0.12
7. EMPOWERMENT TRUSTS		
Group Five Ltd Black Professionals Staff Trust	10 356 865	9.23
Izakhiwo Imfundo Trust	2 000 000	1.78
Group Five Black Management Scheme	286 237	0.25
Group Five Black Management Scheme – Exiting Participants	15 027	0.01
Totals	12 658 129	11.27
8. STAFF TRUST		
Rivonia Share Scheme Services (Pty) Ltd	6 051	0.01
Totals	6 051	0.01

		No of shares	%
9	TOP 20 BENEFICIAL SHAREHOLDERS		
Rank	Name of shareholder		
1	Government Employees Pension Fund	22 715 421	20.23
2	Group Five Ltd BEE Share Scheme	10 356 865	9.23
3	Allan Gray	9 795 726	8.73
4	Coronation Fund Managers	7 268 643	6.47
5	Investec	5 076 116	4.52
6	Element Investment Managers	4 400 074	3.92
7	Zurich Insurance Company SA	4 400 000	3.92
8	Dimensional Fund Advisors	3 672 409	3.27
9	Alexander Forbes Investments	2 863 911	2.55
10	Vanguard	2 655 485	2.37
11	Fairfax Africa	2 424 755	2.16
12	Eskom Pension & Provident Fund	2 004 147	1.79
13	Izakhiwo Imfundo Trust	2 000 000	1.78
14	Fidelity	1 460 913	1.30
15	Transnet Pension Fund	1 333 294	1.19
16	MMI Holdings Ltd	1 221 406	1.09
17	Metal & Engineering Industries	1 143 237	1.02
18	Ambersand Asset Management	926 383	0.83
19	APG Retirement Funds	880 330	0.78
20	Ellerine Group Investments (Pty) Ltd	857 996	0.76
Totals		87 457 111	77.91
10	TOP 10 COUNTRIES BASED ON BENEFICIAL SHAREHOLDERS		
Rank	Name of shareholder		
1	South Africa	97 006 351	86.41
2	UK	5 239 178	4.67
3	USA	7 898 380	7.04
4	Luxembourg	1 393 653	1.24
5	Namibia	468 751	0.42
6	Swaziland	164 530	0.15
7	Switzerland	67 380	0.06
8	Sweden	12 000	0.01
9	Lesotho	6 141	0.00
10	Botswana	1 000	0.00
11	Germany	718	0.00
12	Denmark	200	0.00
13	Kenya	1	0.00
Totals		112 258 283	100.00