

Review from the chairperson

“Within a contracting global economy and amidst challenging trading conditions across all markets, Group Five continued to emphasise a disciplined approach to strategy and operations during the period under review.”



Philisiwe Buthelezi

In a year of mixed fortunes, I am pleased to report that the Group Five management team has remained focused on the task at hand in a consistent manner despite the complex environment.

The macro-economic environment and strategy

The European sovereign debt crisis continued to define global economic conditions during the year under review. Short term solutions have periodically been put forward to address symptomatic ills in the Eurozone, but the long term, systemic changes necessary to lift Europe from its sustained recession have not yet emerged. While there have been flashes of positivity, it is unlikely that global markets will finally shrug off the impact of the 2008/2009 downturn until Europe fully and finally addresses its structural challenges.

With no clear end in sight to the stagnation impacting the global economy, trading conditions in South Africa mirrored those in many other parts of the world. The private sector has been constrained by the impact of the macro-economic environment and the industry has become markedly reliant on state-owned expenditure, resulting in significantly increased competition levels on contracts. The simultaneous failure or postponement of major private public partnership (PPP) initiatives in South Africa has placed further pressure on the local construction and engineering sector specifically.

With operational experience that extends to 25 countries, Group Five has taken important steps in ensuring that it is structured to navigate variable conditions and to take advantage of growth opportunities within the international market – particularly the African economy – as they arise.

Risk management

Group Five's risk management strategy is shaped by the markets' challenging context. It has thus developed in two primary areas. Firstly, the group has continued to focus on its own strategic and operational transformation to cope with challenging market conditions over the long term. Secondly, the group has sought to continue strengthening its strategic approach to risk management and to respond to risk factors at an operational level by threading a risk management mind-set into all of its business processes.

The group's culture of transparency and integrity underpins these efforts, particularly under adverse trading conditions when our stakeholders need to be assured of the group's capacity to deal with adversity.

Governance

Group Five manages and reports on key issues such as finance and sustainability in an integrated business model, inclusive of an integrated approach to reporting. This approach reflects our

The group is encouraged by the recent initiatives within government to better link the country's economic and social development needs with the necessary supporting infrastructure investment. The role of the Presidential Infrastructure Coordinating Commission (PICC) will be crucial in this regard. The group is committed to contribute to and support this important body.



GJ Crookes hospital – KwaZulu-Natal



ongoing commitment to adhering to the governance guidelines set out in the King Code of Governance (King III).

Last year's integrated report featured important new disclosure measures, such as reports from the chairpersons of key board committees. The move towards clear, concise and integrated reporting continues this year with an integrated report that is structured to address the group's material issues and feedback from stakeholders. The most notable improvement is a condensed format, supported by the use of electronic channels as a repository for a portion of the integrated report.

Transformation, skills development and socio-economic development

Group Five is transitioning into a multi-regional, multi-disciplinary group operating according to a singular company mind-set. A comprehensive internal change management programme, led by senior management, has played an important role in driving this transformation, as well as in embedding change readiness into the structure of the group as a whole. This has been a particularly important process given the relatively low change management and transformation score historically achieved in our employee surveys.

One of the major challenges during the year under review was continuing to strengthen the group's skills base while managing a headcount reduction in key areas, necessitated by the depressed economic environment. Given the challenging market conditions and the uncertainty that arises from such conditions, it is pleasing to note that the group's internal climate scores have generally held steady in the areas of performance and human capital management. One of the most significant ratings within these broad areas is that of communication, which has improved from 51% to 61% over a four-year period.

Group Five is rated as a level 2 broad-based black economic empowerment (BBBEE) contributor to the South African economy. Significant ongoing effort has been required to manage an increasingly rigorous auditing process around BBBEE status and certification. With the end goal of maintaining or even improving our overall BBBEE rating in mind, the group focused, in the year under review, on both improving the impact of its various



Refer to the online report at www.groupfive.co.za
for more information on the Group Five employee survey.

transformation and skills development programmes, as well as its ability to measure and communicate the effectiveness of these programmes. As the content of this report clearly shows, we have made important strides in this regard.

“Looking forward, Group Five will continue to develop the skills required for future growth while focusing on retaining existing capacity – which, in turn, requires the achievement of a delicate balance between investment in required resources against desired returns in fluid markets.

Within this context, Group Five's continued focus on operating seamlessly and according to a singular mind-set and culture across all areas of operation will be a decisive success factor.

Future growth opportunities

The International Monetary Fund (IMF) estimates that average growth on the African continent will be roughly 5.5% in the coming year. In addition, six of the ten fastest-growing economies in the world are currently estimated to be located on the African continent. In general, then, indicators appear to confirm South African Trade and Industry Minister Rob Davies' June 2012 assertion that a group of roughly 20 emerging economies are becoming the main drivers of global economic growth and dynamism¹.

There is an important corollary, however, to the widely accepted developing economy growth narrative, and it is provided by South Africa's own public infrastructure story. In South Africa there has been a significant lag in government's execution of crucial infrastructure projects which, when coupled with a depressed private sector and the postponement of key PPP initiatives, place projected economic growth rates under significant downward pressure. Simply put, forecasting growth becomes a complex exercise when major public projects are statistically likely to lag, at best, and at worst are likely to be delayed indefinitely. The ability of national governments to execute infrastructure development projects within original timeframes must therefore be factored into growth forecasts seeking to encapsulate the potential inherent in Africa's generally positive development story.

Africa's development trajectory has been largely more positive and the group's focus on strategic diversification beyond South Africa has thus proved to be well suited to the current economic climate.

Group Five possesses considerable strategic and operational experience across the continent as a whole. This experience puts it in a strong position to diversify from areas where growth is constrained and to mitigate against the risks of doing business on

the continent. The strength of the group's risk management focus will be central to its ability to maximise growth opportunities.

Group Five continues to monitor conditions carefully in the Middle East and North Africa, which experienced significant political upheaval over the year under review. The watchword continues to be prudence, and the scale of activity in this region has been limited to those areas of operation that clearly meet the group's risk management approach, whilst dealing with pre-global financial crisis legacies.

Central and Eastern Europe remain negatively impacted by the economic slowdown and the socio-political confusion that currently dominates the broader European economy. Group Five operates in Eastern Europe through its Intertoll brand, which has long term operating contracts in place, which to some extent mitigate short term volatility.

“While clear growth opportunities continue to present themselves, Group Five will seek over the coming year to continue to achieve the diversified scale necessary to take advantage of mainly South African and African growth opportunities.”

Appreciation

I take this opportunity to thank the members of the Group Five board most sincerely for their ongoing input and insight. A special appreciation to one of our longest-standing members, Baroness Lynda Chalker, who will be retiring from the board at the next AGM after 12 years of excellent service to Group Five. She has been an extremely valuable member of the board over the years and we will miss her insight.

Appreciation must also go to the group's executive management, which has shown strong leadership and strategic ability over the period under review. Special thanks, then, to Mike Upton and his team for the resilience they have shown in a difficult year and for their shared vision for the future. In addition, on behalf of Group Five I express our gratitude to our suppliers, clients and business partners.

The employees of Group Five as a whole also deserve considered appreciation. It is only through your efforts that the group has been able to navigate a challenging economic environment. I look forward to working with you next year.



Philisiwe Buthelezi
Chairperson

3 August 2012

1. polity.org.za



Group Five
plant
technician



Review from the CEO

“We had to deal with two specific issues in the year. Loss-making Construction Materials businesses had to be disposed of and previously reported problems in the Middle East dealt with.”



Mike Upton

In the F2011 integrated report, we indicated that market weakness was expected to extend for longer, with a slow rate of market recovery materialising from the second half of F2012.

The group's expectations were that margins would decline into F2012, with some order book recovery forecast for the second half, which would provide a base for margins improving in F2013.

These statements of a year ago were reasonably accurate, given the measures of performance in terms of order book progression, revenue, margins and the outlook for F2013.

As outlined on pages 68 and 71, we had to deal with two specific issues in the year. The process of disposing of loss-making Construction Materials businesses had to be commenced and previously reported problems in the Middle East dealt with. This included the termination of a loss-making contract in Jordan with run-on costs in that region relating to the commercial and financial close out of a number of cancelled and completed contracts in the United Arab Emirates (UAE). We have learnt some hard and valuable lessons.

To ensure capacity for future growth, the group continued to carry some under-utilised resources as holding costs, as well as to invest in future opportunities and capacity building in renewable power, nuclear readiness, local and new over-border PPPs and geographic expansion. Although the benefits of these will not be realised before F2013/F2014, the group is confident that it made the correct decision to finance these investments with the group's medium to long term growth strategies in mind.

Managing changed markets

The low lights

Market conditions changed significantly over the last three years following the global financial crisis.

“The group lost significant potential order book and incurred development costs in the last two years following postponements of concessions and private public partnerships (PPPs). These included prisons, toll roads and public building PPPs. Recent delayed decisions in the renewable power programme are a concern. The group is a preferred bidder or partner on three of those contracts.”

In South Africa, although we were cushioned to some extent from the global turmoil, due to a severe lack of clarity on contract time-scales from announcement to award in both public and private sectors, the construction sector has been hard hit.

Furthermore, South Africa's political machinations and the economic impact of mixed ideologies on mining and private sector involvement in infrastructure has had a big impact on job destruction, with wasteful cost to business.



New office development

– Waterfall, Gauteng





For a review of the group's financial performance, refer to page 82.



ONE OF OUR CORE ACHIEVEMENTS THIS YEAR WAS

NO FATALITIES

AND AN

IMPROVEMENT IN OUR OVERALL DISABLING INJURY FREQUENCY RATE TO **0.21 FROM 0.54**, WHICH EXCEEDED OUR GOAL SET LAST YEAR.

Delivery

Below we outline how we performed against goals set in our F2011 integrated report.

Key focus areas for F2012	Desired results	Status
Focus on improved efficiencies and a more effective operating structure	- Target cost cuts without impacting delivery - Implement a revised structure and operating model to enable delivery in tough markets. Entrench the group's sector and geographic focus in line with its strategy	A cost reduction programme was completed in March 2012. The group was restructured from 1 July 2012. Further re-engineering is taking place, with progressive implementation by December 2013.
Review portfolio of businesses	Thoroughly review current portfolio of businesses to ensure that the group consists of businesses in which it can add value and intervene to mitigate market cycles with returns aligned to its group measures	Portfolio reviewed with the board against a refreshed strategy. Two Construction Materials disposal agreements concluded by June 2012. Steel fabrication closed in the first half of F2012.
Reduce reliance on the South African market with a sustainable geographic diversification	The current over-border target for group revenue is 40%. This will be reviewed during F2013 based on markets, capacity and retained business	Construction over-border order book stands at 38% as at June 2012. The group's pipeline of Construction opportunities stands at 39% over-border. Fibre cement export sales represent 8% of its revenue. Refer to page 10 for details of the number of over-border regions each business is currently operating in.
Improved safety throughout the group	A 20% improvement in the group's DIFR, including sub-contractors, through a focus on appropriate sub-contractor selection	Achieved a 61% improvement in the group's DIFR. No fatalities in the year.
Expand contribution from turnkey multi-disciplinary construction	Demonstrate the group's capability in its target sectors through rebuilding the order book	43% of the group's contracts in its full Construction order book are of a turnkey or multi-disciplinary nature.
Continue to deliver on our stated strategy of concessions portfolio growth	Establish future returns in power, PPPs and transport in the Southern African Development Community (SADC) through securing contract awards where the group is currently a preferred bidder or co-developer	The South African public sector has either postponed, cancelled or delayed PPP projects. The group is still positioned as a preferred bidder on a number of those. Southern Africa is a new and active market for our concessions business.

This year also saw severe competition on tenders, with industry order books and margins under pressure.

With commercial and payment terms hardening in favour of the buyer, cash retention has become more pressured.

We have also seen more stringent requirements on contracts in terms of local procurement and community expectations in the locality of the contract, as well as with health and labour issues. These required more people and monetary investment in already tough markets.

Weak liquidity continued to influence the pace of resolution of cancelled and completed contracts in the UAE.

The highlights

Despite the lack of capacity in government, state-owned enterprises provided 38% of the Construction revenue in the year and are set to sustain a high level of spending over the next few years.

The group secured its level 2 broad-based black economic empowerment (BBBEE) certification for the second year running despite having to cancel the iLima portion of its original black empowerment ownership shareholding.

African markets delivered growing opportunities and contributed across all of the group's businesses. We saw early wins in particularly the re-emergence of the mining and energy markets, with 38% of the Construction order book of R11,3 billion being over-border.

The group's annuity businesses of local and over-border investments and concessions and domestic manufacturing businesses contributed 60% of the operating profit in partial mitigation of the reduced construction performance.

From a performance perspective, it is important to note that both the sale of Construction Materials and the close out of the Middle East contracts have been dealt with in the F2012 results and are expected to be expunged by the first half of F2013. The underlying performance of all the core construction, manufacturing and concessions businesses remains healthy.

Ensuring capacity for change

Against these conditions, we conducted a review of our markets to test and validate our strategy. We have invested in dedicated strategic project development resources and a lean support structure to further geographic expansion in African markets.

Operationally, in a purposefully defensive strategy, the group exercised strong discipline during the year to minimise the potential of future losses and undue cash absorption from low to zero margin work.

In line with our evaluation, we concluded that:	Refer to page
■ Our strategy of being a diversified construction, infrastructure concessions and services group primarily focused on Africa and Eastern Europe, whilst reviewing our presence in the Middle East, is correct	55
■ Our portfolio of businesses required refreshing to ensure we can add value and are aligned with a full-house infrastructure delivery strategy	64
■ The underlying core businesses demonstrated good resilience	82
■ Our annuity-type businesses of Investments and Concessions and Manufacturing were very relevant against volatile construction markets. The concessions business is particularly well positioned for the current and new markets in power and regional transport infrastructure	73
■ Our turnkey and engineer, procure and construct (EPC) delivery capability is an area of growth, with a particular emphasis on utilities and transport	58
■ Our decision to dispose of Construction Materials at this time is appropriate	59
■ The Middle East presence should currently be limited to recovery of debt and close-out of all legacy contracts	61
■ Our geographic expansion progression with a specific African focus delivered benefits during the year	36
■ We redefined some of our internal processes and structures to be agile and more efficient at lower cost	64

To rebuild order books in a sustainable manner, we have focused on a broader international stance, with an immediate emphasis on a larger African footprint involving more of our business units. The migration of resources back into Africa was successful, with the total over-border Construction order book increasing from 30% last year to 38% this year.

Looking forward

Competition Commission

As outlined previously, we proactively engaged with the Competition Commission in its investigation into the construction sector. We have been granted conditional leniency by the Commission pending the finalisation of the broader industry investigation. We believe a proactive approach was required in light of our culture of transparency and integrity. Refer to page 88.

BBBEE

The group has achieved a level 2 BBBEE scorecard rating despite the failure of one of its black shareholders, iLima, based on defaulting on agreements. This is a strong indication of the internal and supply chain transformation that has been achieved.

As a management team we are confident that our business focus is correct in terms of having concessions and manufacturing alongside construction as we need an element of diversification to improve growth prospects and returns to shareholders, as well as to successfully offer a full infrastructure solution.



As outlined in the online section of the report at www.groupfive.co.za, the group is actively reviewing its options for a future ownership structure. This will be presented to shareholders for their approval.

Target opportunity pipeline

Our target construction opportunity pipeline (TOP) is the indicator for medium to long term opportunities and expected performance. It is populated with targeted contracts that match the group's capabilities and areas of operation. The pipeline is further filtered as contracts are developed to provide a base for forecasting financial performance. The profile indicates a substantial reduction in our reliance on the public sector and South Africa. However, the continued uncertain timing remains a risk to forecasting.

Construction target opportunity pipeline*

– contracts being targeted by the group as at 30 June 2012 by sector

By sector (Rbn)	Total as at 30 June 2011: R134 billion						
	International split			Local split			Total
	Total	Private	Public	Total	Private	Public	
Mining	13	13	–	17	17	–	30
Industrial	1	1	–	–	–	–	1
Power	7	6	1	3	3	–	10
Oil and gas	–	–	–	3	1	2	3
Water	6	–	6	9	–	9	15
Real estate – Building	9	5	4	16	12	4	25
Real estate – Housing	1	1	–	5	3	2	6
Transport	20	2	18	38	5	33	58
Total	57	28	29	91	41	50	148

* Our Construction target opportunity pipeline is the group's indicator of medium to long term opportunities and performance. It represents the group's targeted contracts and includes only the value that could be traded by the group, not total contract values. In addition, it is not to be confused with the secured order book nor does the group expect to be awarded all of the opportunities listed.

Key focus areas for F2013

Key focus areas	Desired results
1 Complete the disposal of Construction Materials	Secure the cash from the proceeds on disposal and remove operating losses as soon as possible
2 Improve the group's return on equity	A target of 15% over 12-18 months
3 Stabilise the new group structure	- Implement and monitor the revised structure and operating model to enable delivery in tough markets - Entrench the group's sector and geographic focus in line with its strategy
4 Implement the group's internal fitness programme	- Reduce complexity and cost and improve the speed and efficiency of business support operations - Establish target improvements
5 Achieve a permanent presence in selected African markets for more of the group's businesses	- Implement regional structures - Secure at least two large infrastructure contracts during F2013
6 Continue to improve safety throughout the group	A further 15% improvement in the group's DIFR, including sub-contractors, through a focus on appropriate sub-contractor selection
7 Expand contribution from turnkey and multi-disciplinary construction	- Demonstrate the group's capability in its target sectors through rebuilding the order book - Measure the sector growth in the power sector
8 Continue to deliver on our stated strategy of concessions portfolio growth	Establish future returns in power, PPP and transport in Southern Africa through securing contract awards
9 Grow the Manufacturing cluster	Develop additional technical partnerships in Everite and more beneficial ownership agreements in the steel cluster
10 Conclude agreements on a new BBBEE structure	Target a level 1 BBBEE rating in 12 – 18 months

Appreciation

We experienced another year of unprecedented concentration of market and operational challenges. My sincere appreciation must therefore go to the group's stakeholders who have supported the management team in a difficult time.

I also thank the board and my executive management team, all of whom were required to take on multiple additional responsibilities and work extraordinary hours to deliver this year's results. Thank you to their families for supporting them.

Lastly, a special thank you to each and every Group Five employee who worked together with a common purpose to ensure the group

came through a very tough period stronger and ready to take on what we hope will be a year of growth ahead.



Mike Upton
CEO

3 August 2012

Managing market conditions

Group Five is a South African-based construction group, with 74% of its revenue being generated in the country. During the year, the group generated 21% of its revenue from the rest of Africa, marginal revenue from the Middle East and 5% from Eastern Europe.

The group has focused geographic and sector strategies. This spread outlines information on how market conditions impacted on both of these.

South Africa

74%

of group revenue



	Public sector	Private sector
% of Construction revenue**	64%	36%
% order book^	50%	50%
% pipeline~	55%	45%

** F2012 actual revenue.

^ Full secured Construction order book as reported at June 2012.

~ Full Group Five tender construction opportunity pipeline as reported at June 2012.

Market dynamics

Public sector



INVESTMENTS AND CONCESSIONS

- Government public private partnerships (PPPs) and concessions policy uncertain
- Market currently dominated by the renewable energy independent power programme (REIPP) and building PPPs; historically by toll road concessions



MANUFACTURING

- Spending in certain areas such as low-cost housing and power station construction, although delays have been experienced
- Strong competition in building materials and construction steel market



CONSTRUCTION AND ENGINEERING*

- Mooted spend potentially high
- State owned entities (SOEs) digesting current capex and struggling with resourcing for new contracts
- Government spending commitment restated, but capacity and timing questioned
- Expect new awards from F2013

Private sector



INVESTMENTS AND CONCESSIONS

- Private sector concessions are not currently common in our markets



MANUFACTURING

- Constrained by tight bank credit and continued low activity levels across most construction markets
- An increase in spending at lower LSM# levels has supported volumes for building materials
- Sustained downturn in steel markets



CONSTRUCTION AND ENGINEERING*

- Historically low activity levels

Living standards measure.

* Construction and Engineering refers to the group's Construction and Engineering & Construction Services clusters.

Sector dynamics

Mining	Industrial	Power	Oil and gas	Water	Real estate	Transport
Public sector No market currently in the public sector						
Private sector INVESTMENTS AND CONCESSIONS - Currently very limited opportunities, but has potential MANUFACTURING - Coal and iron ore active, with new capital projects in progress CONSTRUCTION AND ENGINEERING* - Coal and iron ore active, with new capital projects in progress - The mining housing market is strong, especially in the rural outlying areas						
Impact on the group Limited likely impact. Limited current work for the group, although it has the construction and operations expertise to participate. We have made inroads into the mining sector with our new mesh products from the group's steel business BRI and building components and housing systems from Everite. The South African mining sector constitutes 1.7% of the Construction order book.						

Mining	Industrial	Power	Oil and gas	Water	Real estate	Transport
Public sector No market currently in the public sector						
Private sector INVESTMENTS AND CONCESSIONS - Not traditionally a concessions environment MANUFACTURING - Limited demand currently due to depressed state of industrial demand CONSTRUCTION AND ENGINEERING* - Currently very quiet market, with some activity in chemicals, automotive, pulp and paper. Good demand for industrial power generation solutions						
Impact on the group Limited likely impact. This market has historically been a source of growth for South African construction. The group is well positioned for a recovery in this sector.						

Sector dynamics continued

Mining	Industrial	Power	Oil and gas	Water	Real estate	Transport	
Public sector			Impact on the group The group invested in PPP development costs and costs to build capacity to participate in REIPP projects. With contract tender and award delays, investment returns have been delayed. This is expected to provide a good base load for the group's steel business unit, BRI, for several years to come. Constitutes 5% of Construction order book. Constitutes 0.25% of Construction pipeline. Requires investment in capacity building.				
	INVESTMENTS AND CONCESSIONS						
The concessions market in South Africa over the last year has been dominated by delays in PPP road concessions and the REIPP							
	MANUFACTURING						
Construction steel has high volumes in the Eskom build programme							
	CONSTRUCTION AND ENGINEERING*						
- Eskom active on current base load build - REIPP awards imminent (wind, solar) for phase 1 Phase 2 and phase 3 timing uncertain - Thermal IPPs slow to market - Nuclear – tenders expected for R15 billion of pre-work in H2 F2013 - Expectation of a third base-load coal plant build to come							
Private sector							
	INVESTMENTS AND CONCESSIONS						
Industrial power plants have come to market. This does not currently include concessions opportunities for contractors. However, this does have high future potential							
	MANUFACTURING						
Limited market currently for our products							
	CONSTRUCTION AND ENGINEERING*						
- Industrial and mining power contract awards received - Co-generation (COFIT) contracts under development with the sugar industry							
			Private power IPPs in the mining and industrial markets provide construction opportunities. Potential wind and solar power manufacturing opportunity when renewables start. The group is experienced in this market. Current order book of R1,1 billion in this market.				

* Construction and Engineering refers to the group's Construction and Engineering & Construction Services clusters.

Mining

Industrial

Power

Oil and gas

Water

Real estate

Transport

Public sector

**INVESTMENTS AND CONCESSIONS**

- No market currently

**MANUFACTURING**

- Building components and construction steel supplied into this sector

**CONSTRUCTION AND ENGINEERING***

- The construction of the NMPP pipeline and infrastructure for Transnet in South Africa continues

Impact on the group

Limited likely impact.

Transnet's new multi-products pipeline (NMPP) contracts have provided a good base load for BRI, with some work for Everite.

Current Construction order book of R752 million.
Additional works by the group to continue until F2014.

Private sector

**INVESTMENTS AND CONCESSIONS**

- No market currently

**MANUFACTURING**

- Building components and construction steel supplied into this sector

**CONSTRUCTION AND ENGINEERING***

- Sasol capital projects expansion
- Plant shutdowns and upgrades
- Depot services and maintenance (new business)
- Over-border opportunities are increasing with the oil and gas developments in East Africa

Limited likely impact.

This sector constitutes an important client base and has provided work across all of the group's Manufacturing and Construction segments.

There is substantial growth potential ahead, both in South Africa and Africa.

Capacity building in progress.

Sector dynamics continued

Mining	Industrial	Power	Oil and gas	Water	Real estate	Transport
Public sector				Impact on the group We have prior experience in this key sector. We also have the necessary technology partners in place. Group Five Pipe operates extensively in this market. Projected volumes are large, but timing uncertainty makes resource planning difficult. Constitutes 4% of Construction order book. Anticipated award of AMD places the group in a new market.		
INVESTMENTS AND CONCESSIONS Currently no concessions of South Africa's public water assets, but potential future market in acid mine drainage (AMD) and de-salination						
MANUFACTURING - Increasing spend on large bore water pipe for bulk water contracts - Highly competitive. Timing and award processes erratic						
CONSTRUCTION AND ENGINEERING* Tendering activity increasing and some awards, particularly in pipelines, AMD and dam building						
Private sector						
INVESTMENTS AND CONCESSIONS Currently no market outside de-mineralisation of industrial and mine water						
MANUFACTURING Periodic demand for Group Five Pipe product for industrial plant application						
CONSTRUCTION AND ENGINEERING* Limited activity in this market in the group's product offering						

* Construction and Engineering refers to the group's Construction and Engineering & Construction Services clusters.

Mining	Industrial	Power	Oil and gas	Water	Real estate	Transport
Public sector					Impact on the group Investment in PPP development costs, with returns delayed. PPPs where the group is a preferred bidder are expected to be awarded in F2013. Everite and ABT have created a strong brand demand through consistent product development and reliable delivery, with volumes expected to grow. The group is well placed to participate in the expected healthcare PPPs. Some capacity has been held in reserve to service this market. This has been an unrecovered cost due to delays in awards where the group is a preferred bidder.	
 INVESTMENTS AND CONCESSIONS • PPPs for serviced accommodation are a possible market, but currently hampered by uncertainty in policy, process delays and lack of capacity from clients						
 MANUFACTURING • Government spend on low-cost housing erratic, but growing						
 CONSTRUCTION AND ENGINEERING* • PPPs in healthcare and government buildings uncertain • Timing of human settlements roll-out uncertain, but progressing • Some PPP awards pending						
Private sector						
 INVESTMENTS AND CONCESSIONS • The property market has been very volatile due to global macro-economic factors. However, confidence and fundamentals within certain sectors have started to recover						
 MANUFACTURING • Traditional residential market remains in one of the most severe downturns • Increased spending capability in lower LSM groups due to social grants and wage increases driving informal and entry-level real estate growth						
 CONSTRUCTION AND ENGINEERING* • Bidding activity weak. Although improving, pricing still unattractive • Excess capacity in market continues						

Sector dynamics continued

Mining	Industrial	Power	Oil and gas	Water	Real estate	Transport
Public sector						
INVESTMENTS AND CONCESSIONS Tolling and funding policy uncertainty						
MANUFACTURING Limited to construction steel and building components at Group Five						
CONSTRUCTION AND ENGINEERING* - SANRAL[†] active, but pricing very competitive - SANRAL likely to have a significantly increased mandate to take over provincial roads, which should be positive for the construction sector - Transnet rail and port extensions proposed in R300 billion capex budget - Urban transport infrastructure is growing in the major metros, with BRT** in Gauteng, IRT# in Cape Town and recent tenders awarded for Tshwane - Airport contracts across Africa an opportunity, but currently dominated by Chinese government grants						
Private sector						
There are very limited opportunities currently.						

Impact on the group

The group has been strongly affected by government's uncertainty around policy due to the development costs that have been expensed over many years in response to stated policy and firm tenders.

BRI is able to provide the construction steel to the local transport contracts included within its Construction order book.

Constitutes a major sector for the group at 10% of Construction order book and 23% of pipeline.

[†] South African National Roads Agency.

^{**} Bus rapid transit system.

[#] Integrated rapid transit system.



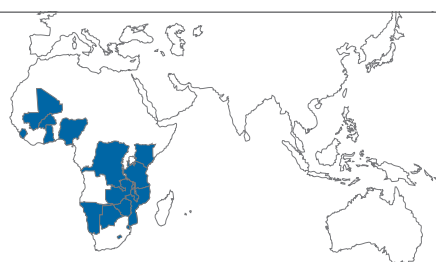
**M1 freeway
for SANRAL**
– Gauteng



Rest of Africa

21%

of group revenue



	Public sector	Private sector
% of Construction revenue**	29%	71%
% order book^	34%	66%
% pipeline~	49%	51%

** F2012 actual revenue.

^ Full secured Construction order book as reported at June 2012.

~ Full Group Five tender Construction opportunity pipeline as reported at June 2012.

Market dynamics

Public sector



INVESTMENTS AND CONCESSIONS

- Prospects for the rest of the African continent have improved
- There is a clearly identified need, with government and public support for private sector financing



MANUFACTURING

- Export volumes are improving on the back of a weaker Rand, economic growth and improved logistics



CONSTRUCTION AND ENGINEERING*

- Growing pipeline in road, rail transport, ports, power and real estate

Private sector



INVESTMENTS AND CONCESSIONS

- Some potential in power, real estate and mining



MANUFACTURING

- Export volumes are improving on the back of the weaker Rand, economic growth and improved logistics

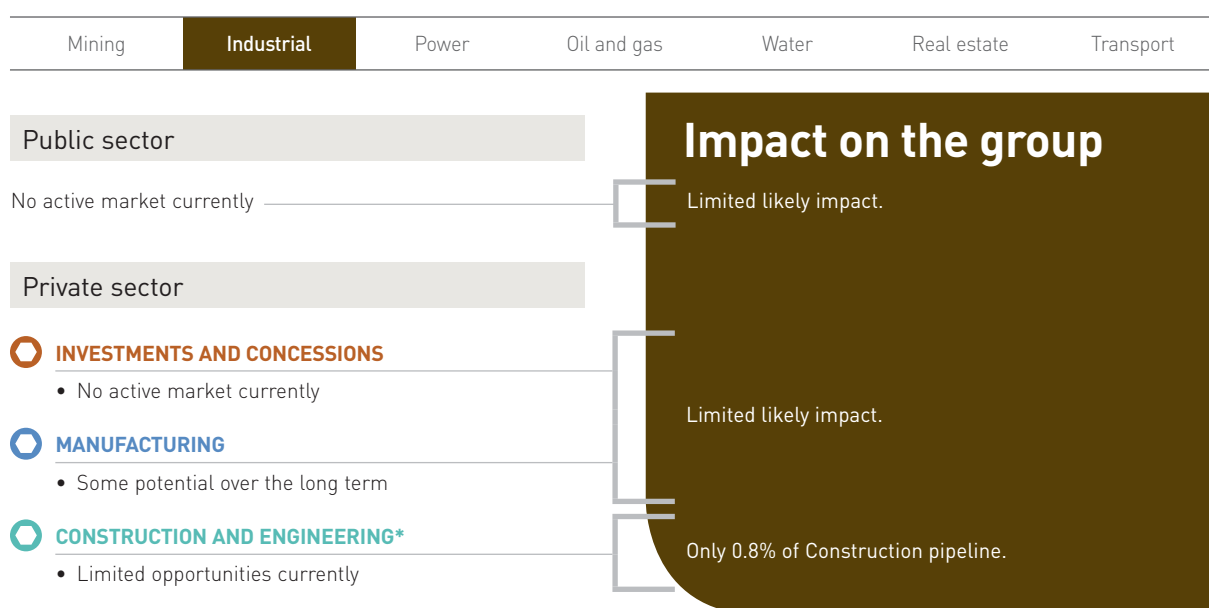
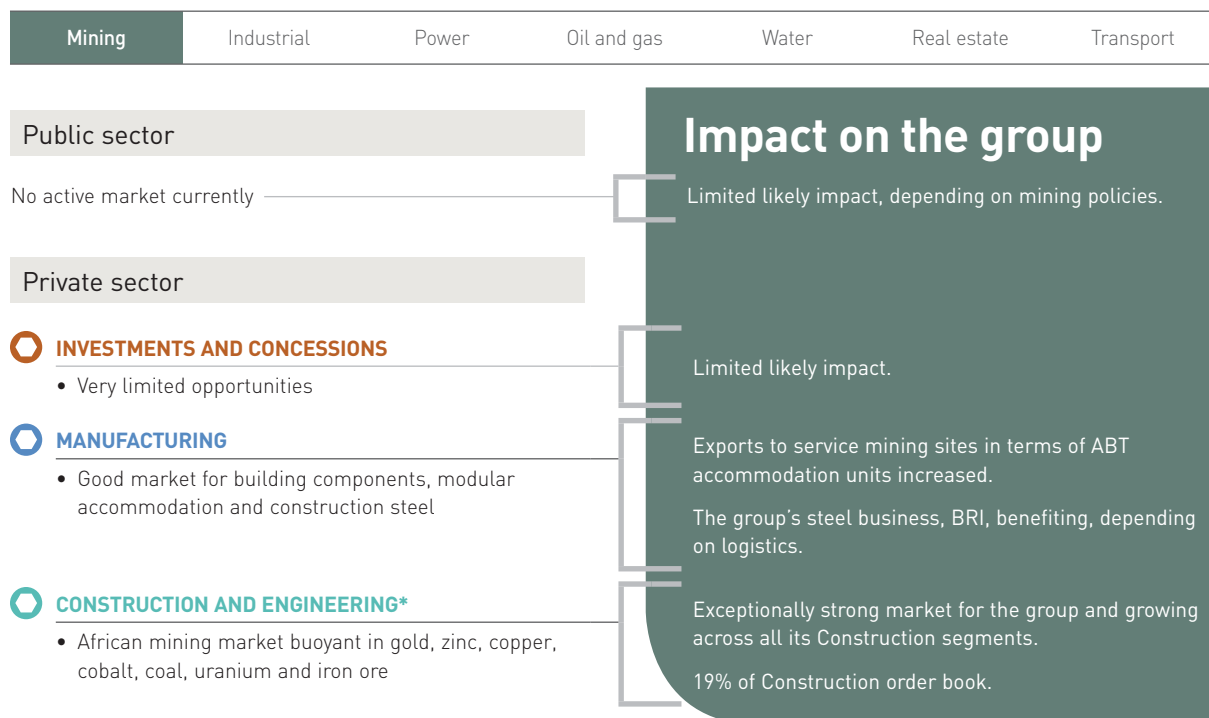


CONSTRUCTION AND ENGINEERING*

- Increasing scale of opportunities across more sectors and more of the group's business segments

* Construction and Engineering refers to the group's Construction and Engineering & Construction Services clusters.

Sector dynamics



Sector dynamics continued

Mining	Industrial	Power	Oil and gas	Water	Real estate	Transport	
Public sector			Impact on the group Limited appetite for equity in public sector African independent power projects (IPPs). Distance may preclude opportunities. Strong market demand, coupled with group experience and technical partnerships, offer significant opportunities. However, funding and long development times are a constraint. 1% of Construction pipeline. Some appetite for equity in African IPPs. The group's power rental business Jozi Power is benefiting. Distance mitigates significant opportunities. IPP growth in Africa has high potential, but bankable off-take agreements are a challenge.				
	INVESTMENTS AND CONCESSIONS						
	Significant opportunities in power in West Africa						
	MANUFACTURING						
	Limited opportunity						
	CONSTRUCTION AND ENGINEERING*						
	- Substantial IPP construction activity in West Africa (gas) - Mozambique active (coal and gas-fired IPP construction)						
Private sector							
	INVESTMENTS AND CONCESSIONS						
	Potential opportunity for power in Africa in oil and gas, mining and IPPs						
	MANUFACTURING						
	Limited exposure						
	CONSTRUCTION AND ENGINEERING*						
	Mining-related power opportunities for rental and captive power						

Mining	Industrial	Power	Oil and gas	Water	Real estate	Transport
Public sector			Impact on the group Limited activity currently. Distance mitigates significant opportunities. The group's dedicated and specialist business, as well as broad exposure to multi-disciplinary construction, provide potential in a new market.			
	INVESTMENTS AND CONCESSIONS					
No active market currently in Group Five's context						
	MANUFACTURING					
Limited exposure						
	CONSTRUCTION AND ENGINEERING*					
Over-border opportunities are increasing as government-owned facilities in East Africa are planned						

* Construction and Engineering refers to the group's Construction and Engineering & Construction Services clusters.

Mining	Industrial	Power	Oil and gas	Water	Real estate	Transport
--------	------------	-------	-------------	-------	-------------	-----------

Private sector

INVESTMENTS AND CONCESSIONS

- No active market currently in Group Five's context

MANUFACTURING

- Limited exposure

CONSTRUCTION AND ENGINEERING*

- High levels of activity in oil and gas exploration with new markets in East African gas finds

Impact on the group

Limited likely impact.

Limited likely impact.

The group's dedicated and specialist business, as well as broad exposure to multi-disciplinary construction, provides potential in a new market.

High potential, with plant shutdowns and upgrades, depot services and maintenance (new business) and new builds in East Africa.

Mining	Industrial	Power	Oil and gas	Water	Real estate	Transport
--------	------------	-------	-------------	-------	-------------	-----------

Public sector

INVESTMENTS AND CONCESSIONS

- Not currently in this sector

MANUFACTURING

- Some potential for Group Five Pipe

CONSTRUCTION AND ENGINEERING*

- Pipeline and dam construction has potential within Southern African Development Community

Impact on the group

Little appetite for placing equity in this market.

Distance may preclude significant opportunities.

Potential high across Africa. The group has good skills and technical partners.

Constitutes 4% in Construction pipeline.

Private sector

INVESTMENTS AND CONCESSIONS

- Not currently in this sector

MANUFACTURING

- Some potential for Group Five Pipe

CONSTRUCTION AND ENGINEERING*

- Limited opportunity

Limited likely impact.

Sector dynamics continued

Mining	Industrial	Power	Oil and gas	Water	Real estate	Transport
Public sector INVESTMENTS AND CONCESSIONS - Market under development MANUFACTURING - Growing demand for social housing in neighbouring countries CONSTRUCTION AND ENGINEERING* - Growing market where public sector pension funds invest in commercial real estate - Potential for large-scale social housing Private sector INVESTMENTS AND CONCESSIONS - Certain African markets are showing growth, with the Nigerian market in particular having strong real estate investment opportunities with South African and domestic retailers MANUFACTURING - Market for housing components CONSTRUCTION AND ENGINEERING* - Expanding commercial, retail and hotel construction opportunities						Impact on the group Currently limited demand. The group is penetrating the market with housing components and modular systems. Strengthening demand for pension fund investments into real estate is benefiting our Buildings segment. The group is currently focused on identifying investments in property developments in partnership with South African banks and retailers. Expanding distribution channels and superior quality contributed to volume growth in Africa – mostly for Everite. Expanding footprint in Africa is supported by group initiatives into selected high potential markets. 5% of Building and Housing's order book.

Mining	Industrial	Power	Oil and gas	Water	Real estate	Transport
Public sector INVESTMENTS AND CONCESSIONS - Development of large-scale transport corridors and urbanisation driving new market potential MANUFACTURING - Limited opportunity CONSTRUCTION AND ENGINEERING* - Large-scale infrastructure required for road, rail, port and airports. However, access to contracts limited due to funding and political influence from large donor countries - Potential for South African companies to secure some of this work Private sector No active market currently.						Impact on the group Targeted growth area for the group. This requires funding in advance of returns, which are expected to provide multi-year benefits. Distance may preclude significant opportunities. Significant potential for the group across Africa, evaluated against acceptable risk profiles.



**Kusile power
station for Eskom**
– Mpumalanga



Middle East

Only the group's Construction cluster is exposed to the Middle East.

— %

of group revenue



	Public sector	Private sector
% of Construction revenue**	100%	—%
% order book^	100%	—%
% pipeline~	90%	10%

** F2012 actual revenue.

^ Full secured Construction order book as reported at June 2012.

~ Full Group Five tender Construction opportunity pipeline as reported at June 2012.

Market dynamics

Public and private sector



CONSTRUCTION AND ENGINEERING*

- The tender market in the Middle East region has been quite active. However, due to massive over-capacity, awards that meet our criteria are very rare

Impact on the group

Our traditional base in the United Arab Emirates has been particularly weak.

The group has suffered significant costs while legacy contracts are closed out. This impact was pronounced in F2012.

The group has taken a longer term view on the Middle East recovery and has decided to postpone its repositioning there until markets meet acceptable criteria.

* Construction and Engineering refers to the group's Construction and Engineering & Construction Services clusters.

Eastern Europe

5%
of group revenue



Only the group's Investments and Concessions cluster is exposed to Eastern Europe.

Market dynamics

Public sector

INVESTMENTS AND CONCESSIONS

- The demand for new Central and Eastern European (CEE) concessions and tolling contracts remains depressed due to economic conditions and a change in government appetite for private public partnerships (PPPs)
- A number of other countries have identified new motorway infrastructure projects that are PPPs or concessions, including Poland, Albania, Kosovo, Bulgaria and Turkey

Impact on the group

The benefits of annuity income and blended returns from concessions operations were demonstrated during F2011 and F2012.

The benefits from equity investments in concessions were demonstrated in prior periods through the disposal of investments in excess of carrying value of investments, including fair value adjustments.

The group's strategy is to continue to build the portfolio of concessions contracts.

Due to the long lead times required to structure, bid, financially close and construct before operations can commence, the medium term growth for the business depends on projects being negotiated and closed soon.

Private sector

The group has not focused on work in this sector at this time.

Ensuring resilience of strategy

Against tough market conditions, we reviewed the fundamentals of our strategy and operations. This spread outlines interviews with the group's management team around the key issues that impacted their businesses during the year.

Two leading global financial, strategy and management consulting groups conducted research recently that provided a consensus for the construction sector globally, which included the South African and African context. Both researchers concluded that successful infrastructure companies adopted the following growth strategies:

1

Moved from being "pure builders" to diversified vertically-integrated, multi-disciplinary contractors and concessions operators.

This allows companies to capture growth from turnkey offerings and the full value chain in the building and infrastructure markets. It was also found that engineering and construction firms will have to develop capability to look after assets over the full infrastructure lifecycle.

How do we stack up?

The group's portfolio covers the full value chain from development and investment into infrastructure, through to construction, operations, services and supply of construction components.

43% of its total Construction order book is of a multi-disciplinary nature.

2

Internationalised by moving out of domestic markets and growing in emerging markets.

How do we stack up?

Diversification across seven sectors and 23 countries has been achieved, with revenue outside of South Africa contributing 26% to group revenue.

3

Drove efficiency programmes

How do we stack up?

The group implemented an efficiency programme early in F2012 to ensure proficiency in a new, more competitive era.



[Refer to page](#)

5

4

Stakeholder management

– Companies need to be more government-oriented. Client firms need to work closely with contractors and become business partners.

How do we stack up?

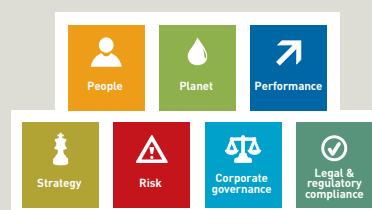
The group is recognised for transparency and its stakeholder management programmes. During the year, the group continued to improve its profile and relationships with government to better understand future strategies. It has a senior resource in place to proactively drive a focused public sector strategy. The group is experienced in contractor/client strategic alliance-based contracting.

Sustainability

– The sector must become leaders in sustainability. An increasing range of opportunities will arise from sustainability.

How do we stack up?

The group has followed an integrated approach to sustainability management for a number of years, with a total quality management system that underpins every aspect of our operations and reinforces the centrality of sustainability. A number of sustainability measures form part of senior management's remuneration.





So, what did we do this year?



MIKE UPTON Chief executive officer

Q What actions did you take as a management team, especially in view of tough markets?

We conducted a thorough review of our markets, how we are performing, whether our strategy is relevant and whether our structures support what we need to do. Our review outlined that we needed to be more focused on businesses that address key markets where we have strong expertise and some differentiation as well as where we can add value and manage them through cycles. In addition, the internal fitness and cost effectiveness of the group required an intervention. As outlined on page 64, we therefore restructured the group to ensure alignment with our sector and geographic strategies and to result in more seamless interaction across the group's businesses.

We focused on lowering the cash and margin drain incurred in F2012 by resolving a number of costly legacies from prior cycles and redundant strategies. This involved initiating the sale of our Construction Materials cluster and micro-managing our Middle East operations.

Our response to the very weak trading conditions was to keep a continuous focus on disciplined bid management and cash management, whilst accepting some carrying cost for specific areas of future growth and retaining capacity ahead of expected contract awards. Carrying costs and capital expenditure needed to be strongly motivated for return on investment and future cash generation.

Q Did you change your strategy to ensure resilience?

No, but we further refined it. We believe our strategy of being a diversified construction, infrastructure concessions and services group primarily focused on Africa and Eastern Europe, whilst reviewing our presence in the Middle East, is currently correct.

Q What were the hardest lessons you have learnt over the last two years?

The cyclical nature of the market in terms of highs and lows has been very volatile over the last few years, in particular in the materials supply chain into construction. This was one of our hardest lessons, as we suffered significant operating and investment losses in our Construction Materials cluster.

We had to evaluate carefully how we operate, as the current market conditions resulted in an increase in smaller value contracts rather than a few large ones, with work spread over a much wider geographic region. This highlighted the need for further centralisation of controls to mitigate risk, reduce complexity and duplication and to operate at a lower cost.

We have also refined our diversification strategy proactively in a short time, as at one point we were very reliant on the South African public sector. We now have a much better spread, with over-border work having contributed 26% to revenue during the year and a Construction order book that is 38% focused on work outside South Africa. We are also successfully operating in seven sectors.

Pleasingly, the contribution of annuity-type businesses increased in the year, contributing 19% to revenue and 60% to operating profit. This supports our strategy of diversity in the business portfolio as this somewhat mitigates the cyclical nature of construction. This was particularly relevant in a year where we had carrying costs and suffered losses in the Middle East.

“Management is incredibly disappointed by the destruction in shareholder value following the group’s investment into the Construction Materials businesses. Many lessons have been learnt from this experience, which the group has used to enhance its mergers and acquisition methodology and evaluation processes. We can confirm that following this refinement, acquisitions considered in recent years have been subjected to a more rigorous and strategic analysis and opportunities declined when sufficient comfort on the acquisition could not be obtained.”



Cristina Teixeira,
CFO

MIKE UPTON continued

Chief executive officer

Lastly, the importance of the basic business management principles has certainly been true over the last few years – having strong risk filters in place, sticking to the basics of cash being paramount and that people are truly your greatest assets.

With the refocusing of our business during the year, I believe we have the capacity to handle the changes and challenges the markets will continue to present to us.

Q Why do you think your business is well placed going forward?

As a management team we are confident that our business focus is correct in terms of having concessions and manufacturing businesses alongside our core construction, as we require diversification to ensure growth prospects and returns to shareholders and to offer a full infrastructure solution.

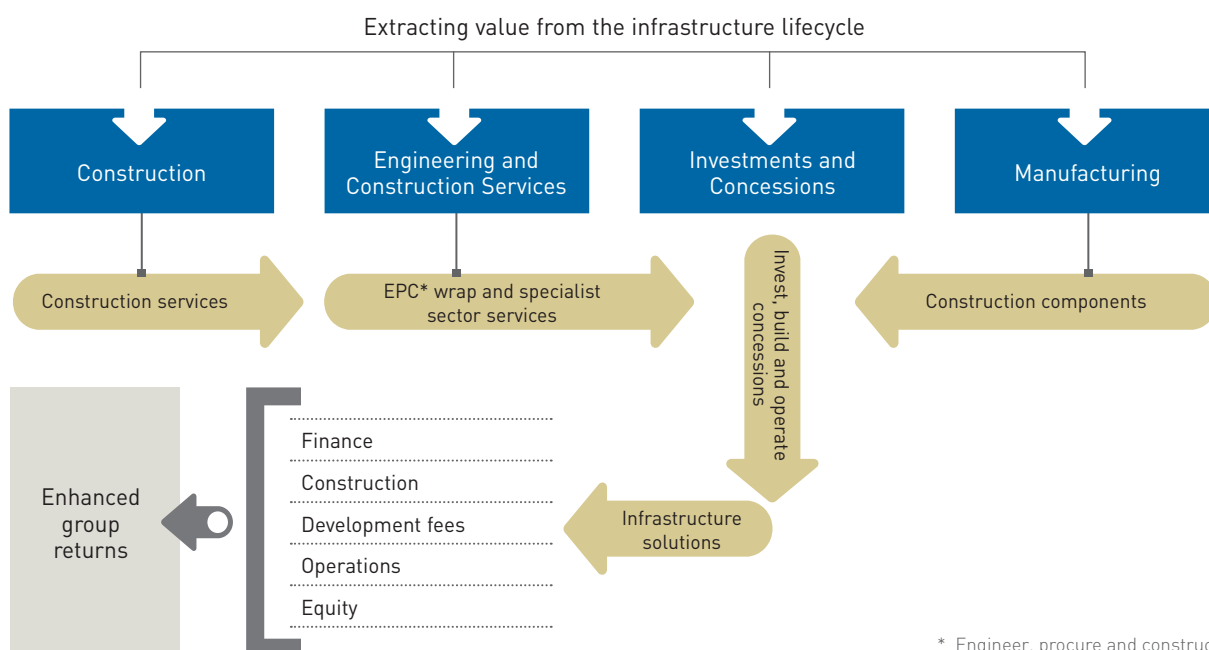
Cash generation can be volatile in construction, which is smoothed by the annuity-type businesses in concessions, services and manufacturing. We also believe that it provides more counter-cyclical as it is de-risked

from pure construction cycles, which provides more predictable earnings. These returns on investments are maximised when combined with an underlying pure construction business which carries a lean balance sheet and strong working capital opportunities.

Q What is your internationalisation strategy and what are some of your over-border revenue targets?

After detailed evaluation, we currently believe our key international markets will remain the rest of Africa and Eastern Europe, with the Middle East under review. A detailed internationalisation strategy was completed and approved by the board. The core focus will remain Africa, with the key strategy to establish a permanent presence in growth regions. This will ensure support to more of the group's businesses as they expand geographically. The group is re-assessing its goals in terms of the split of domestic versus over-border businesses in the context of weak domestic markets and increasing international opportunities.

Group Five's business model ensures it extracts value across the infrastructure lifecycle.





**Conveyer system
for Grootegeeluk
mine**
– Limpopo



Management Q&As



WILLIE ZEELIE

Executive: Engineering and Construction Services[✓]

Q You have spoken about an EPC strategy for a while. What have you achieved so far?

The Engineering and Construction Services (E&CS) cluster was established in line with the group's strategy to expand its offering to include packaged, turnkey and engineer, procure and construct (EPC) solutions for specific sectors.

We have been investing in this growth opportunity for two years now with little return due to general market weakness and the long term nature of developing and securing large contracts, as well as the slow progression of the South African independent and renewable energy policies. Pleasingly, our investments are starting to pay off as several significant power and oil and gas contracts have been secured for trading in F2013.

In support of servicing across the infrastructure lifecycle, E&CS is also building its services and maintenance capabilities to provide long term support aligned to the construction of plants.

Our order book now reflects orders in the power sector for thermal, nuclear and wind and solar renewable power, as well as oil and gas services and tankage contracts. The E&CS order book has a good over-border component at 34%.

Q What progress have you made on nuclear?

Good progress has been made on this front. The successful establishment of Group Five Nuclear Services is well under way, with key appointments made. The group's investment in Lesedi Nuclear Services (Lesedi NS) was approved, with an effective date of June 2012. Lesedi NS has been providing technical maintenance and engineering services to the Koeberg nuclear power station since it was constructed in the mid 1980s. This investment, together with the group's internal focus on establishing its nuclear services business unit, enhances the group's position with respect to nuclear readiness in preparation for the government's new build programme.

[✓] Based on revised structure effective 1 July 2012.



JUNAID ALLIE

Group human resources executive

Q What were the current key skills issues in the tough markets?

During the year the group launched a number of efficiency and cost reduction initiatives, as well as dealt quickly with the personnel costs associated with over-capacity in certain parts of the business. This included retrenchments, natural attrition and non-renewal of contracts. Where possible, a substantial number of people were redeployed to other parts of the business where there was some growth. The headcount from June 2011 to 2012 reduced from 11 440* to 10 414.

Against these changes, the HR function had to ensure the least amount of disruption to operations. At the same time we had to retain critical employees for future contracts and sufficient corporate capacity.

The group conducted a detailed succession planning review of the top three management levels. The exercise was well received and highlighted reasons for success as well as key risks around critical future vacancies.

Q As outlined by Mike, you are going through a number of changes in your group. How are you ensuring that your people are equipped to handle change?

We launched a comprehensive internal programme to improve both the change management and the change readiness of the group. A core group of senior leaders and change agents who will facilitate, implement and monitor any future change process has been put in place. The executives, operational management and change agents have had formal training on change management principles to ensure effective implementation.

* Restated for the exclusion of the discontinued Construction Materials.

For more information on our operations and people issues, refer to pages 83 to 87 of this report, as well as the online section of the report at www.groupfive.co.za.



JOHN WALLACE[#]

Executive: Manufacturing

Q You are experiencing increased competition in your core South African market as over-border manufacturers actively seek expansion within the South African building materials market. How are you addressing this?

The dynamic South African Rand in some ways negated this threat as import costs became less and less predictable. This impacted on the sustainability of import threats.

We have successfully invested in specific products and strategies to grow our export business, which has provided additional volumes. We continue to further grow and develop the expanding local market for cladding products.

We remain focused on improving our quality, back-up and service offerings to grow the differentiators between our and competing products from abroad.

Within the steel sector, market consolidation was evident in the steel reinforcing industry as the local market shrank and the dynamics of over-capacity severely affected margins. A new player within the spiral weld steel pipe industry grew market presence by reducing margins initially until the market established a new demand/supply equilibrium.

Our internal strategy has focused on cost reductions and efficiency gains, as well as a stronger export drive. New product development supported our entry into neighbouring territories.

The factories have simplified process flows and removed complexity through technology and the outsourcing of non-critical or non-commodity products.

Q Why do you think you made the right decision to sell Construction Materials now, at the bottom of the market?

The motivation for the acquisition of the quarry and readymix concrete businesses we acquired from 2007 was on the basis of a long term cycle of public infrastructure spend that was to include a number of phases of the Gauteng freeway projects, the expansion of Johannesburg to the East and West, as well as a buoyant residential and emerging social housing market.

However, the global financial crisis and an internal lack of capacity within the public sector reversed the infrastructure growth projects post 2009.

[#] John Wallace was also the executive: Construction Materials during the financial year.

The volumes we were mining at the time of the acquisition of the businesses in 2007 have progressively decreased by around 75% of original volumes, with the prognosis for activity in the areas where our quarries are located continuing to look depressed.

The required ongoing investment in capital-intensive businesses like these would not have provided us with the acceptable returns for shareholders for the foreseeable future. The further investment required and continued weak operating performance are just too significant to expect shareholders to assent to this while waiting for improved conditions.

Our initial strategy when acquiring this business in terms of feeding materials into our construction operation remains relevant. However, a construction company running quarries is not optimal as we mainly draw for our own contracts, which does not provide the required volumes. In the hands of owners who are suppliers of finished product they can more easily absorb this in their manufacturing value chain.



MARK HUMPHREYS

Managing director:
Engineering (Projects)

Q You often operate in extremely remote locations. How do you ensure you work effectively in those regions?

Projects achieved a record order book for F2013 even under the current market conditions. This is due to our ability to operate under harsh conditions on the African continent. We focus on ensuring that we recruit, train and develop individuals who can withstand and adapt to these conditions and we focus on developing our understanding of how to operate in foreign regions. Many of the contracts we execute are negotiated rather than tendered as we are recognised as a preferred contractor with many of our clients.



ERIC VEMER

Executive: Investments and Concessions

Q Do you believe Investments and Concessions is still the right business to have in the current global environment?

Absolutely. Despite the current challenging market environment for new public private partnerships, Investments and Concessions continues to perform well off a platform of secured long term contracts such as the A1 in Poland, M6 in Hungary, the various South African CTROM contracts and our new work being rolled out in Zimbabwe. These contracts provide sustainable and predictable annuity income over a long timeframe, with contracts typically no shorter than five years, usually at least ten years and some for as long as 30 years.

We have learnt to apply our resources to markets that enjoy the highest relative probability of success. This in turn has enabled us to find viable opportunities against the poor deal flow in the South African PPP market. The delivery of a recently awarded R1,6 billion Development Bank of Southern Africa (DBSA) funded Zimbabwean road construction and tolling project is a perfect example of the success of our strategy.

Whilst the current ongoing lack of political support for PPPs in the South African market is negative for anticipated project deal flow, in many other countries in Africa renewed economic growth has placed greater emphasis on the delivery of infrastructure to support the expanding economies. This growing trend, combined with a lack of maintenance in many regions and budgetary constraints, has acted as a catalyst for a new approach to PPPs on the African continent.

Q Is it worth having this business with such high project development costs?

Firstly, the costs carried for the development team are not significant in the long term when compared to the size of order book that can be won. This is evidenced by the values of these kinds of contracts, as well as the margins secured for mega contracts associated with concessions, PPPs and independent power projects (IPPs). Furthermore, the team delivers contracts that provide long term profitable annuity revenue streams that create a sustainable and predictable base-load of earnings for future years. These can be further leveraged into securing new investment, construction and operating contract opportunities in the future.

Patience is certainly required when developing PPP projects. However, in the long term we do believe that the rewards outweigh the short term carrying costs of development. While domestic markets have not been kind to our South African concessions business over the last few years, the team has not stood idle and has been able to create and deliver new projects elsewhere on the African continent.

The blend of predictable long term annuity income and investment return with more volatile construction earnings is positive for sustainable growth and offers some resilience to group earnings when markets fluctuate, as can be seen from the group's F2012 results.



PAUL LE SUEUR

Executive: Strategic Project Development*

Q Market conditions are at a 50-year low in the real estate sector, with margins under extreme pressure. What are you doing to address this?

We have a very strong focus on ensuring the best cost base at bid stage, with acceptable cash flow. If we cannot achieve that, we prefer to rather walk away from unprofitable work. We also look for specialist markets, such as healthcare and resources and mining-related work, large-scale developments like Waterfall City in Gauteng and negotiated opportunities with long term clients.

During the year our over-border strategy has paid off to some extent as reflected in the 21% of over-border revenue in F2012. We have strategically decided to keep some under-utilised core resources in place to secure capacity for the expected awards that have been tendered with strong prospects, are under adjudication or in negotiation.

* As outlined on page 64, the group's structure was changed post year end. Paul le Sueur was the Executive: Building and Housing during the financial year.



ANDREW McJANNET

Executive: Construction*

Q Your order book has been very South African focused. What are you doing to reduce the reliance, especially in the public sector?

We have deliberately not resorted to bidding for contracts at minimal returns. This has resulted in fewer contracts being won. However, to compensate for this, we have been concentrating on rebuilding our order book in the rest of Africa where there is more work and margin scope. As a result, we expect to see an increase in turnover levels during F2013. Our order book during the year moved from 42% to 57% over-border, creating a more healthy spread.

Q What is the plan in the Middle East?

Given that the group reviews its strategy and the balance of opportunities against resources every six months, the group has taken a longer term view on the Middle East recovery and has decided to postpone its repositioning there until markets meet acceptable criteria. This will mean a wind down or mothballing of operations at a rate, and to an extent commensurate with, the obligations we have in the region.

* Andrew McJannet was the Executive: Civil Engineering during the financial year. Post year end Andrew was appointed as the executive responsible for the group's Construction cluster.



GUY MOTTRAM

Executive: Group risk officer

Q Your loss-maker ratio has weakened and a problem contract impacted strongly on results. Does that indicate a problem in your risk management processes?

Although we experienced continued pressure on contract prices and margins, except for a few isolated contracts, our execution was generally of a high standard. We believe our risk filter systems contributed to this, as better selection of contracts leads to a more predictable outcome. However, an example of the severe impact of non-adherence to our risk processes, were the losses in the Middle East. These losses were the main reason for the weakening in the contract loss ratio from 15% to 27%. The single largest loss-making contract was the DISI contract in Jordan. The problem with DISI was not identifying risks early enough, having weak pre-bid local and technical knowledge, a lack of oversight from management and thus weak adherence to controls and non-compliant individual behaviour. We have learnt from these mistakes and have tightened our processes significantly. Excluding the contract losses incurred in the Middle East, the contract loss ratio for the Construction cluster is in line with previous years at 14%.

Q What will be your core focus in terms of risk management in F2013?

Effectively managing contracts will become even more crucial going forward as we enter new markets. Against this, management have spent considerable time assessing the group's operations and ensuring a more seamless approach between business units. In addition, a review of our contract risk assessment regime will take place by early F2013 with specific focus on areas of new risks, markets and growth.



In an address on the 17th of May 2012, the South African Minister of Economic Development highlighted that the country's New Growth Path placed employment and decent work opportunities at the centre of government's efforts to rebuild productive sectors in our economy.

Group Five is conscious of the fact that construction companies are labour intensive and therefore a key contributor to addressing the short term unemployment issues in South Africa.

This year the group was strongly impacted by the slow roll out of government's infrastructure programme, which has necessitated non-renewals of employment contracts and in a number of our segments, formal retrenchments. The group believes infrastructure programmes are a key lever for job creation and will continue to work with government to find ways to create momentum in this regard.

– Philisiwe Buthelezi, Chairperson

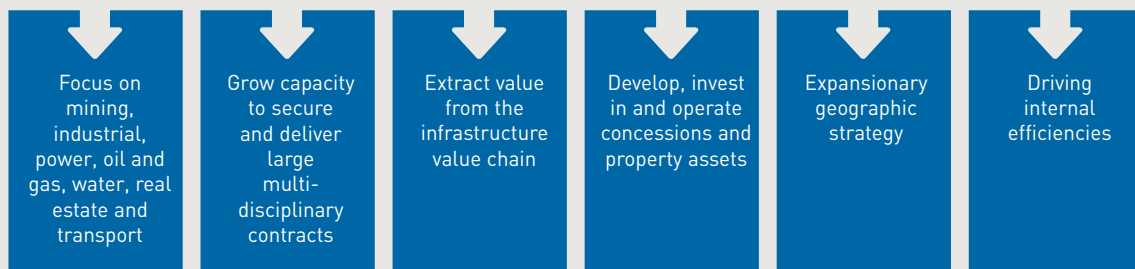
Ensuring capacity for change

As strategy naturally informs structure and organisational fitness to support the business case, this spread outlines the internal changes we made to ensure resilience for the future and capacity to cope with change. It contains information around the group's strategy, efficiencies, risk management, transformation and remuneration.

Group strategy

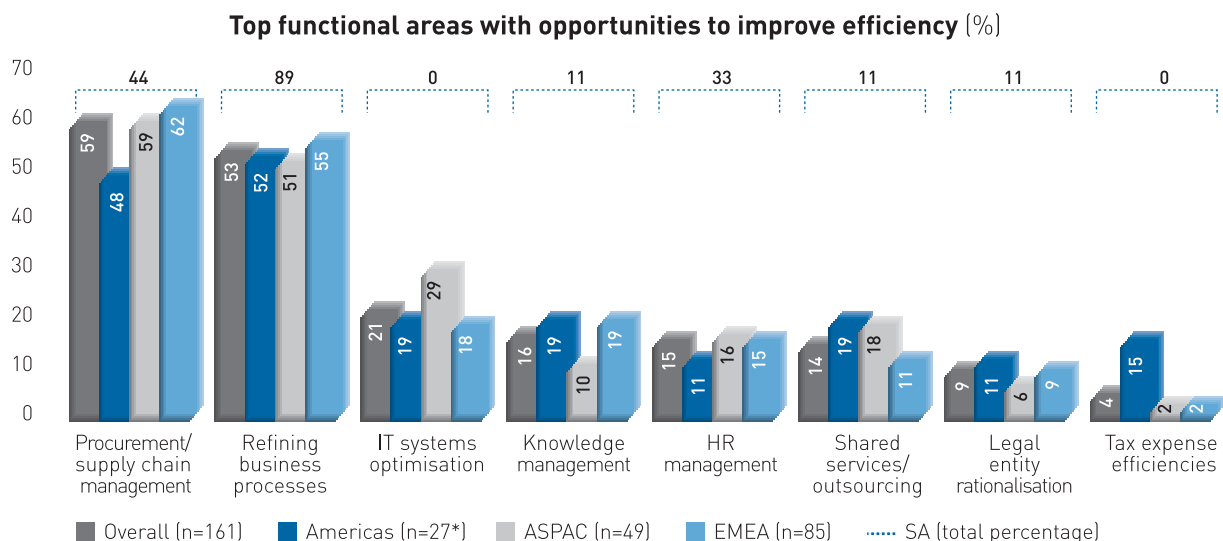
The group's growth drivers are a diversification of what we do, where we do it and when we do it.

Growth drivers translate into group strategies, which are:



Managing cost, efficiencies and business discipline

The *global infrastructure opportunity* KPMG survey of February 2012 clearly indicated that the majority of global and local construction firms identified a number of necessary internal modifications in a changed market, as depicted in the graph below.



*Yes' percentages represented

Respondents chose top two functional areas.

* Low base – findings are directional in nature.

Source: KPMG International, 2011.

As markets will remain tough, we echo the belief that companies should reflect on their cost and support structure and implement remedial action where needed.

Although the strategy is expected to deliver medium and long term growth, short term uncertainty of contract awards continued and margins remain under pressure. Our attention has therefore been directed at addressing inefficiencies in the group – the cost base, our structure and efficiencies in work streams and risk management.

The group implemented an internal efficiency programme at the start of this financial year, with the rationale to:

Simplify the business and reduce complexity

Lower risk

Increase the speed of delivery and decision-making

Reduce the costs base

The programme involves a number of inter-linked programmes, which include:

1 Change management

2 Cost out

3 Structure

4 Process efficiencies

1

Change management

In view of the change management challenges faced in our ongoing transformation of the group into a multi-regional, multi-disciplinary entity with a one-company mindset, the group launched a comprehensive programme to improve both the change management and the change readiness of the group.

As outlined in the online section of the report at www.groupfive.co.za, a core group of senior leaders and change agents who will facilitate, implement and monitor any future change processes has been put in place.

The programme will be focused on:

- ▶ Achieving a minimum resistance to change and gaining buy-in
- ▶ Minimising the decline in performance during the period of learning new behaviours
- ▶ Ensuring full productivity in the least possible time

2

Cost-out

Based on the projections of limited growth in the short term, we focused on cutting overheads whilst not reducing capacity for future growth.

Given that the group's businesses are in markets with different levels of activity and with uncertainty around the timing of contracts, certain capital investment was rescheduled and unfortunately some employees retrenched.

Other cost initiatives included:

- ▶ Shedding cost at the corporate office
- ▶ Selective overhead reduction at business units
- ▶ Selective allowance of strategic growth-related investment and retention costs



Refer to page 74 for further details.

3

Structure

Post the review of the group's strategy and its imminent sale of all the Construction Materials businesses, the group's portfolio and structure has been redefined in terms of its business model in line with its ability to develop, invest in, package, build and operate infrastructure.

The group remains focused on its strategy of being a diversified construction, infrastructure concessions and services group.

To support this strategy, with effect from 1 July 2012, the group has been restructured into a single Construction segment which is now led by one executive. This executive will deploy both the discipline and regional strategy of the Construction cluster.

He and his operational team will ensure that the culture and behaviour that is entrenched is one of a unified Group Five construction company with the ability to deliver multi-disciplinary contracts in a number of selected growth regions.

Andrew McJannet, previously executive director of Civil Engineering, has accepted the appointment as the executive director of Construction. Andrew has been with the group for just over 25 years. He has significant experience in working for both public and private clients in South Africa, the rest of Africa and the Middle East. He has technical and operational expertise in civil construction, with an ingrained ability to deliver highly

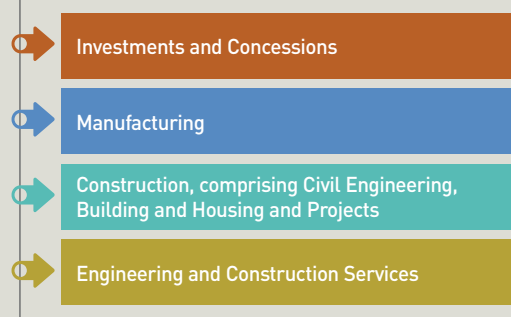
specialised and complex contracts. He has a keen understanding of integrating businesses, which he has successfully done in the amalgamation of the group's heavy civils, roads and earthworks and over-border civil engineering operations.

The result of the restructure is four clusters, as the Engineering and Construction Services (E&CS) cluster has been added in line with the group's strategy to expand its offering to include packaged, turnkey and engineer, procure and construct (EPC) solutions for specific sectors.

A new corporate function of strategic project development has been created to generate new income streams through strategic partnerships with governments, investors, clients and professional service consultants, as well as driving the group's African strategy. This role is intended to create the markets and income streams that entrenches Group Five's position as a multi-disciplinary construction company through a single point of contact for large and strategic clients.

Paul Le Sueur, previously the Building and Housing executive director, has accepted this new position. Paul has been with Group Five for more than 30 years and has a wealth of knowledge in the construction sector and a valuable network, with established relationships with both public and private clients. His relationship building and management skills will be a significant advantage in his new role.

The new group structure:



4

Process efficiencies

The group reviewed its operating processes and support structures relating to finance, administration, human resources, legal, commercial and safety, risk, health, environment and quality to reduce risk, complexity and to drive efficiencies at a lower cost. This process will be completed in the coming financial year now that the group's operating structure has been finalised.



**Asbestos-free
building
components**
– Everite



Managing risk

Although we experienced continued pressure on contract prices and margins, our generally good contract execution was maintained apart from a couple of contracts. As outlined, the worst single contract impact on the group's Construction results was from the DISI pipeline contract in Jordan. Refer to page 61 for more information. The contract losses in the Middle East represent the main reason for our loss-maker ratio worsening from 15% to 27%.

Effectively managing contracts will become even more crucial going forward as we enter new markets, particularly where multi-disciplinary contracts are involved. This requires more of the group's businesses to work together seamlessly.

A review of our contract risk assessment regime will also take place by early F2013 to cater for new markets and the impact on the group's risk-bearing capacity of large multi-disciplinary and engineer, procure and construct (EPC) contracts that are likely to be more prevalent in our new markets.

The group's risk-bearing capacity model was refined to cater for the measurement of both financial and operational capacity. The model is reviewed and monitored quarterly and utilised in the risk assessment of the impact of large contracts prior to tendering.

As part of our evaluation, it was found that the group should improve cross-business interaction and work more seamlessly. There is currently also too much duplication of certain functions.

It was therefore decided to move all Gauteng business unit head offices – with the exception of our manufacturing and plant operations – into a single building during calendar 2014. The Waterfall area in Gauteng has been selected as the best option based on cost, location and benefits. This will not result in any extra rental cost to the group and will realise the following benefits:

- ➔ Reduce costs
- ➔ Increase productivity, speed of business and decision-making
- ➔ Leverage our synergies, knowledge and culture
- ➔ Reduce complexity in the group and how we conduct business
- ➔ Reduce risk and cost through more central control and uniform systems, procedures and discipline

Coastal-based businesses will be co-locating in Durban and Cape Town where operationally possible.



ONE OF THE KEY INTERNAL ISSUES FOR THE GROUP DURING THE YEAR WAS ADDRESSING ITS

BBBEE ownership

FOLLOWING THE CANCELLATION OF THE SHARES OF ITS ONE PARTNER, ILIMA, AFTER A DEFAULT. THE GROUP HAS DEVELOPED AN EMPLOYEE-BASED EMPOWERMENT MODEL. THIS SCHEME INCLUDES AN EMPLOYEE-BASED SHARE TRUST AND A DIVIDEND-FUNDED EMPLOYEE BURSARY SCHEME. THIS WILL BE DETAILED TO SHAREHOLDERS THROUGH A CIRCULAR.



PHILISIWE BUTHELEZI

Chairperson

Q What do you want to achieve with your new ownership transaction?

The intent is not only to ensure that we comply with the spirit of South Africa's BBBEE legislation, but to also create truly empowered black individuals who are economically active in our sector. The new transaction will include an employee scheme which will allow for immediate economic participation through dividends paid and a bursary scheme that will fund students interested in a professional career in our sector.

It will be important that the transaction is acceptable to both the beneficiaries as well as the current shareholders of Group Five. These elements of the transaction will be detailed in a shareholder circular to be issued later this year.

Q What were the main lessons you learnt from the failure of the iLima shareholding transaction?

iLima was required to fulfil a number of ownership transaction requirements. These milestones were not met over a significant period of time and unfortunately this resulted in a default on the ownership transaction.

The iLima shareholding was held by the iLima Consortium, which was a BBBEE group with a majority stake in the iLima Group. The iLima Group was a successful Eastern Cape construction company that became one of the group's first enterprise development partners. Unfortunately, they grew too rapidly without keeping pace with managing the risks associated with being a national player on larger contracts. This business was eventually liquidated. The lessons learnt by the group include ensuring that it monitors the performance of all enterprise development partners from an early stage to ensure rectification and support action as and when required and to protect any exposure through step-in rights if possible.

Statement from the head of the remuneration committee

Additional responsibility has been placed on the chairperson and the remuneration committee according to the new Companies Act and King III. This has been compounded by the additional scrutiny of executive remuneration by stakeholders.

The group has actively engaged stakeholders to better understand their expectations in the design of executive remuneration. The committee also reviewed the group's proposed redesign of its long term incentive programme for executives and senior managers to achieve the correct balance between retention of employees and managing an underperforming sector and share price.

In recognition of the weak sector and company performance, the group's executive team accepted a zero increase to ensure that some increases would be allocated to more junior employees. Refer to page 92.

The remuneration committee also took a cautious approach to the overall employee annual increases to ensure that, after employee rationalisation, total payroll costs for the year decreased after effecting an increase to deserving employees. This required business units to evaluate efficiencies and certain downsizing.

In the coming year, the remuneration committee will be taking a closer look at the group's pay mix as the market trend indicates a leaning to offering larger guaranteed pay versus pay-at-risk or bonus pay.

Refer to page 90 for more information on the group's remuneration practices and payments made during the year.



A detailed audit of available talent and support structures was conducted this year, which was aligned to a uniform standard and rolled out in the group. This alignment also ensured that the group is better prepared for growth beyond South Africa with the correct skills base.

To ensure we are correctly positioned when markets start to recover, as well as continue progressing our black economic transformation goals and manage our critical vacancy risk, the group conducted a detailed succession planning review of the top three management levels. The exercise highlighted reasons for success as well as key risks around critical future vacancies. This process also provided a clear picture of the black management skill currently being developed and identified opportunities for further development.

Financial management – context to results

This spread outlines the key financial impacts during the year to provide effective context to this year's results. This spread should be read in conjunction with the review from the CFO on page 80 and the audited annual financial statements available in the online section of the report at www.groupfive.co.za.

1

Unpacking the accounting disclosures on the discontinuance of the Construction Materials cluster

Based on the group's operational and strategic focus, as well as the poor outlook for the construction market in the South Gauteng region, the board of directors of the group resolved in December 2011 to dispose of the businesses that constitute the Construction Materials cluster. We believe it would have been even more costly for shareholders to wait for a market recovery before exiting the business.

Accounting practice thus requires that:

- ▶ The Construction Materials operating performance and impairment adjustments to fixed assets be reflected as a discontinued operation for both the current and prior reporting periods (thus requiring a restatement of disclosure for the prior year)

- ▶ The assets and liabilities to be transferred to non-current assets classified as held for sale only from the date the decision to dispose was made. There was therefore no restatement required for the prior year's statement of financial position

During the current year, the group incurred a further two additional impairments relating to:

- ▶ The Construction Materials businesses being disposed of
- ▶ The group's long-standing Indian contract claim

Operating losses are not adjustable for headline earnings and impairments are adjustable in the determination of headline earnings.

To unpack the financial effects of this change in disclosure, a summary of the reconciliation of earnings to headline earnings for both the current and prior year is set out below. The previously reported results for F2011 has also been included to assist the user with comparison.

R'000	Audited 2012	Audited Restated 2011	Audited Previously reported 2011
Attributable loss	(278 405)	(218 107)	(218 107)
Adjusted for (net of tax)	389 982	531 695	536 989
Loss on sale of property, plant and equipment	3 675	832	832
(Profit)/loss on disposal of subsidiary	(36)	574	574
Impairment of property, plant and equipment	–	521 621	521 621
Net profit on fair value adjustment on investment property	(7 720)	(3 252)	(3 252)
Impairment of, and costs associated with, discontinued India contract claim	–	–	17 214
Impairment of non-current assets classified as held for sale	394 063	11 920	–
Headline earnings	111 577	313 588	318 882

Disclosure is also provided on the breakdown of the loss from discontinued operations for both the current and prior year.

R'000	Audited 2012	Audited Restated 2011	Audited Previously reported 2011
Impairment of, and costs associated with, discontinued India contract claim – net of tax	60 660	17 214	17 214
Construction Materials operating losses – net of tax	52 787	54 770	–
Profit on sale of Construction Materials businesses	(1 436)	–	–
Construction Materials impairment – net of tax	340 830	521 621	–
Total	452 841	593 605	17 214

2

Financial update on Construction Materials

The group invested in the Construction Materials businesses which comprise sand and aggregates, readymix and extenders and mining crushing services during F2007, with a few smaller acquisitions in F2008. This acquisition was concluded at the top of the construction cycle. The table below discloses the value of these acquisitions.

Rm	Total	Quarry Cats & Afrimix	Sky Sands	Bernoberg	BGM
Acquisition date		February 2007	July 2007	October 2007	July 2008
PPE*	208	166	29	6	7
Mining assets and undeveloped mining resources	1 052	821	159	–	72
Goodwill	25	–	–	25	–
Cash	14	19	3	(7)	(1)
Net (liability)/asset	(256)	(196)	(54)	1	(7)
Net purchase price	1 043	810	137	25	71
Cash	(14)	(19)	(3)	7	1
Purchase consideration	1 029	791	134	32	72

* Property, plant and equipment.

Since F2008 there have been cyclical shifts in the aggregates and readymix markets. Independent research confirms that this is the worst downturn in decades. This resulted in the two impairments in prior reporting periods to the carrying value of the assets, as the businesses were valued based on a discounted cash flow of future income streams. The level of clarity of infrastructure spend in the Gauteng region – where the assets are based – was not sufficient to justify the carrying value of the assets.

The two impairments were:

1. R326 million in June 2010.
2. R550 million in December 2010.

The operating performance of this cluster has been as follows since acquisition:

R'000	F2007	F2008	F2009	F2010	F2011	F2012
Revenue	231 081	689 220	671 317	491 860	434 233	309 743
PBIT [✓]	45 531	141 946	55 835	20 186	(68 157)	(72 250)
Operating margin (%)	20	21	8	4	–	–

[✓] Profit before interest and taxation.

The motivation for the acquisition of the quarry and readymix concrete businesses we acquired from F2007 was on the basis of a long term cycle of public infrastructure spend that was to include a number of phases of the Gauteng freeway projects, the expansion of Johannesburg to the East and West, as well as a buoyant residential and emerging social housing market. Our initial strategy when acquiring this business in terms of feeding materials into our construction operation remains relevant. However, a construction company running quarries is not optimal as we mainly draw for our own contracts, which does not provide the required volumes. However, in the hands of owners who are suppliers of finished product they can more easily absorb this in their manufacturing value chain. It would be even more costly for

shareholders if the group waited for a market recovery before exiting the business. The board of directors of the group thus resolved in December 2011 to dispose of the businesses that constitute the Construction Materials cluster.

The group's operating margin would have reduced to 2.9% from 3.8% had the cluster been recorded as continued operations.

The group has concluded two disposals relating to this cluster subsequent to the decision to sell these assets. These were BGM and Bernoberg.

At year end, an impairment to the carrying value of the Construction Materials cluster was recorded. The effect is as follows:

R million	June 2010 (F2010)	Dec 2010 (F2011)	June 2012 (F2012)
Gross impairment	325,5	550,5	362,1
– Mining assets and undeveloped mining resources	253,9	419,0	285,3
– Fixed assets	71,6	106,7	76,8
– Goodwill	–	24,8	–
Reducing earnings net of taxation by:	R293,1	R521,6	R340,8

Regarding the remaining assets within the Construction Materials cluster, the group is currently engaging with a number of parties who have made firm offers. These are under negotiation. The group expects these sales to be completed before December 2012.

The carrying value of this discontinued cluster at year end was as follows:

R'000	2012
Assets	
Non-current assets	155 794
Current assets	65 076
Non-current assets classified as held for sale	220 870
Liabilities	
Non-current liabilities	20 160
Current liabilities	95 235
Liabilities associated with non-current assets classified as held for sale	115 395
Net assets	105 475

3

Operational contract performance

The group monitors its contract profit/loss-maker ratio both in value and in number of contracts. It is a ratio of loss-making versus profit-making active contracts with a profit or loss greater than R100 000 for the year. In addition, it monitors the value generated or absorbed (and the number of contracts to which this is associated) for:

- ▶ Contracts where the actual margin exceeds the tender margin
- ▶ Contracts where the tender margin exceeds the actual margin

These indicators are reported to the audit committee and the main board of directors on a quarterly basis at a group and business unit level.

The group is the only local construction company to disclose and independently assure its profit/loss ratio to provide stakeholders with a level of confidence in these disclosed numbers.

During the year the group has seen a significant weakening in the contract profit/loss ratio with the single largest loss generated by the previously reported DISI pipeline contract in Jordan.

Based on contract value	2012	2011
Profit-making contracts	73%	85%
Loss-making contracts	27%*	15%

* Including Middle East losses.

Excluding the contract losses incurred in the Middle East, the contract loss ratio for the Construction cluster is in line with that previously reported at 14%.

4

Financial impact of Middle East operations on the group's results

The group has operated in the Middle East since it established a presence in 2004. It has successfully operated with local joint venture partners in the United Arab Emirates (UAE) and in Jordan for the past few years. The joint venture partner relationships were developed based on the ability of the local partner to procure

opportunities in the region, with the group being able to provide the technical skill.

The group was awarded material contracts since it arrived in the region and healthy contact margins were extracted in previous years. Unfortunately due to the financial crisis and the clients' inability to fund the contracts to completion, two of the group's contracts, DPF for the Engineers' office (Meraas) and 470A&B for the Department of Civil Aviation (DCA), were terminated by the clients in January 2009. Since then the group has invested much time and effort, along with its joint venture partner in Dubai, in closing out these terminated contracts.

The group is pleased with the progress it has been able to make in the close out of these two terminated contracts.

DPF –
Engineers'
Office (Meraas)

- A payment plan is in place to recover outstanding final certification
- All five payments due since the payment plan was signed, have been received timeously

470A&B –
Department
of Civil
Aviation
(DCA)

- Final contract value has been agreed
- The group is in a net credit position with the client. There is therefore no credit exposure to be collected
- The remaining advance payment received by the group will be repaid in F2013. The total advance payment due was reduced in F2012 as the group repaid a portion of it using cash on hand, specific to the contract. This was separately held and not reflected as part of the group's cash balances
- During the current year, the client agreed to set off any amounts due to the group in relation to other contracts with the DCA against the advance payment still due to be repaid by the group to minimise the cash outflow
- It was thus a focus for the group to conclude on final contract values on these other contracts. The effects are reflected in the additional losses in the year

As reported previously, no adjustment to carrying value on these terminated contracts and their claims were required as the group had been conservative in its accounting. The only adjustment processed, as previously disclosed, was the "time value of money" discounting adjustments on DPF of R13 million as the group agreed to a payment plan of quarterly instalments over five years.

During the last financial year the group was awarded a pipeline contract in Jordan which was not managed in accordance with the group's standard policies and procedures and which incurred substantial costs. The group recorded a R111 million loss over the two financial years while it was under construction. This has been an expensive lesson.

The group continued to incur annual holding costs in the form of overheads to:

The local UAE market is in a state of flux and in contract "close out" mode as clients struggle to finalise outstanding contract negotiations with contractors. Contractors are also struggling to manage their local operations with costs incurred and a limited ability to recover these timeously from clients. Negotiation timeframes are long and tedious, with many contractors reverting to arbitration and legal proceedings.

- ▶ Commercially close the above-mentioned two terminated contracts
- ▶ Continue business development opportunities in regions outside the UAE – see page 61 for further details on the group's strategy with respect to this region
- ▶ Commercially close individually smaller, multiple contracts awarded and traded between F2004 – F2010, which required final certification and finalisation. Management, in collaboration with the group's partners in the Middle East, took a proactive and pragmatic stance on these historic credit risks and claims awaiting commercial close in the current year to de-risk the business. This resulted in additional losses to reach closure

Although the local management team has always been confident of the full recovery of all contract claims and measure of works carried on each contract, effective and timeous closure on these contracts has become more difficult as:

- ➔ Client team changes occurred over time
- ➔ Opinions and decisions received from independent engineers supporting contract claims recorded were reversed by the client
- ➔ Internal team changes have taken place, including senior management changes
- ➔ Client supporting information requirements have become more onerous in light of the number of claims being presented by multiple contractors and limited liquidity available to clients

The group's focus in the year was on commercial close out and the final settlement of as many of these aged contracts as possible to improve its return, remove any "lazy" assets from the group's balance sheet and free up executive management time. The group has been able achieve this. However, this has come at some cost to the current year's performance.

Management believe that, similar to the process followed with the terminated contracts, where costs have been incurred in prior years it would be more optimal to negotiate a settlement. Although this potentially leads to some write off against income, it allows the group to finally settle claims, collect debtors and work in progress balances and free up the balance sheet more timeously. All contract positions taken have been agreed with our joint venture partners and through engagement with client representatives.

Management have addressed each remaining contract within the Middle East operations and expect to be in a position to achieve final completion certification per contract – including agreement on payment and cash flows – in the F2013 financial year.

Management have accrued for all known probable costs.

The two most material individual charges to the income statement with respect to the Middle East operations were:

Current year loss on DISI Jordan pipeline	R76 million
Overheads	R40 million

The net carrying value of the group's Middle East assets and liabilities at 30 June are outlined in the table below:

R'000	2012
Trade and other receivables	433 929
Work in progress	142 733
Cash and cash equivalents	60 379
Net trade and other payables	(609 453)
Net asset value	R27 588

“The group does not expect further credit or collection risk exposures on these balances. We believe we have taken the necessary action to address this risk.”

Inclusive of the contract losses recorded within this financial year, the group's financial return in the Middle East "Life to Date" at a contract level is still positive. However, since F2010 the operations have not been able to sustain the level of overheads required due to decreased trading levels. Reduction of overhead costs have been a focus. However, the cost of trading in UAE is substantially higher than in any of the other regions in which the group operates. This has been compounded by the cost of commercial staff and support required.

5

Diversification strategy

The benefit of the group's diversification strategy has come through as its annuity-type businesses of Infrastructure Concessions and Manufacturing were able to reduce the full effect of the current operating conditions. For example, the Investments and Concessions cluster contributed 46% of the group's total operating profit compared to 18% in the prior year.

Investments and Concessions' operating profit consists of mainly:

- ▶ Profits on the operation and maintenance of toll roads
- ▶ Fair value adjustments on the group's investment in service concessions, investment properties and investment in property developments

In the current year the group recorded the following fair value adjustments:

- ▶ Net upward fair value adjustment on service concessions

R56,7 million

- ▶ Net upward fair value adjustment on investment property

R10,9 million

The group's operating margin percentage is stated including these fair value adjustments. Excluding these, the group's operating margin would have been as follows:

	2012	2011
Total operating margin including fair value adjustments – %	3.8	6.9
Total operating margin excluding fair value adjustments – %	3.0	6.3

The group's investment in service concessions represents a material long term investment for the group. Its carrying value at year end was as follows:

Name of road	Country	Km	% interest	Concession period	2012	2011
A1 (Phase II)	Poland	61	15	30 years	228 585	168 776
A1 (Phase I)	Poland	90	15	30 years		
M6 (Phase III)	Hungary	78	10	28 years	68 050	84 324
Total					296 635	253 100

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, the discounted cash flow method is used at appropriately high start-up phase risk premiums. Where investments in service concessions are denominated in a currency other than Rand, the investments are translated at year end spot rates.

The investments in the A1 phase I and II road projects in Poland and M6 phase III project in Hungary are valued by using the discounted cash flow method on the underlying project cash flows due to operations having commenced on all these projects.

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 2012. The effect, when varying Euro-Rand exchange rates by 10% on fair values of these investments, was R29,6 million (2011: R25 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 R29,9 million to R35,2 million (2011: R18,7 million – R21,8 million).



Cost management

The group disclosed earlier in the year that its operating profit would be impacted by certain investment costs. These include:

➔	Growth costs	or capacity building to secure future growth opportunities for which no benefit would have been obtained in F2012. These include costs incurred in renewable energy submission bids, the establishment of the group's nuclear business and in taking more of the group's businesses into Africa
➔	Holding costs	of key skills – where the group resolved to accept the cost of key skills in preparation for the execution of specific contracts where the group had been named either: • contractor • preferred bidder • reserve bidder However, these contracts were then subsequently delayed.

In addition, as disclosed on page 63, the group reviewed its costs and implemented a “cost out” programme aimed at reducing costs based on projections of limited growth in the short term.

At the end of the F2011 financial year, it was clear to management that the group's structural steel business was not a market in which the group should be operating. It incurred losses in the F2011 year and a decision was made to cease operations and

close this business. Operational losses, retrenchment costs and closure costs totalling R11 million with respect to this steel business were incurred in the first half of this financial year.

The table below discloses the effect of the holding costs, growth costs, closure costs and retrenchments on the operating margin for the current year.

%	Group	Investments and Concessions	Manufacturing	Construction	Building and Housing	Civil Engineering	Engineering
Core operating profit [∇]	3.7	23.7	4.8	1.8	2.5	(1.1)	5.2
Core operating profit*	4.9	24.3	6.0	3.0	3.7	0.5	6.0

[∇] Excluding profit and losses on disposal of fixed assets.

* Adjusted for holding costs, growth costs, closure costs and retrenchment costs.

The group was also able to remove overheads in F2012 to contribute to the operational results for the year. Certain of these costs will have once off benefits, while others will have an annualised benefit going forward. The total overhead costs removed as part of our “costs out” programme totalled R112 million in the year. This had a 1.3% positive impact on the group operating margin. These savings offset the holding and growth costs incurred, which are discussed above.



EPC contract – Ghana



7

Driving growth

“The group is conscious that a leading indicator of financial performance for the coming year is the group’s order book. For this reason the group independently assures its secured Construction order book to provide stakeholders with a level of confidence on this disclosure. It remains the only local construction company to do so.

The group applies a conservative approach to its disclosure of the order book, as can be seen with its current and past treatment of awards. It only accounts for formally secured contracts.

For example:



1. Although the N1-N2 contract has been awarded to the group, it is not disclosed in the order book nor in its forecasts due the legal disputes between SANRAL and Cape Town Metro
2. A secured contract was removed from the Building and Housing order book, as conditions have changed. Financial close on this award is no longer assured and the group therefore does not have clarity on its start date
3. A significant number of housing units have been awarded to the group, but not included within the order book as clarity on timing of receipt of cash and off-take of units has not been received

The order book also does not include any of the secured operations, maintenance or service contracts which are applicable to the group’s Investments and Concessions cluster and its Engineering segment within Construction. These maintenance and service contracts are multi-year annuity-type contracts and total R4,8 billion.

The group’s Construction order book at year end is as follows:

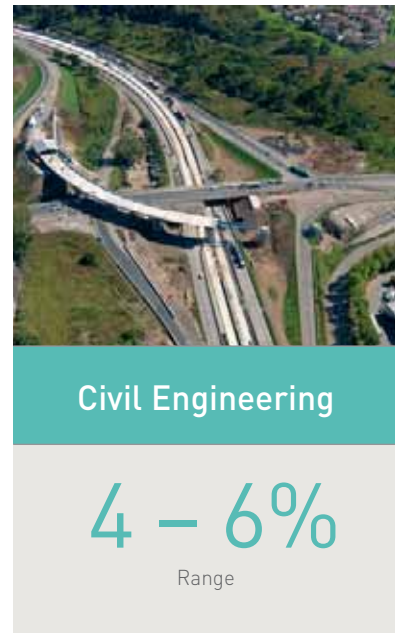
	Construction	Building and Housing	Civil Engineering	Projects and E&CS
Total order book – R’million	11 301	3 584	4 412	3 305
% over-border	38%	5%	57%	50%
– Public over-border	13%	–	34%	–
– Private over-border	25%	5%	23%	50%
% local	62%	95%	43%	50%
– Public local	31%	44%	31%	18%
– Private local	31%	51%	12%	32%
1 year order book – R’million	8 339	2 795	3 294	2 250
1 year order book as % of F2012 revenue	117%	135%	110%	110%
Total order book as % of F2012 revenue	159%	173%	147%	161%

The group commences its financial year with an order book which is geographically diversified. (The strong focus on South Africa in the Building and Housing order book is due to the removal of an over-border contract which no longer meets the group’s definition of secured and due to recent local awards.) The group expects growth in its Construction revenue in F2013.

8

Margin expectations

The group aims to deliver the following underlying operating margins by cluster and segment.



The information contained in this section has not been reviewed or reported on by Group Five's auditors.

9

Balance sheet positioning and the group's liquidity

	2012	2011
Net asset value per share – R	18,72	22,38
Net debt to equity ratio	–	–
Cash on hand – R millions	2 268	2 235
Current ratio	1.2	1.1

The weak trading performance and impairments in the year reduced the group's net asset value per share from R22,38 to R18,72. The group's non-current assets (excluding non-current assets classified held for sale) decreased from R1,9 billion to R1,5 billion mainly as a result of a transfer of these assets to non-current assets held for sale.

The group's liquidity position remains strong with:

- ➔ An increase in cash from operations, including improvements in working capital management. This was generated even after absorptions of cash in both Construction Materials and Middle East businesses
- ➔ The current ratio that remains largely unchanged
- ➔ A profile of realisation of financial assets versus settlement of financial debt which remains cash positive. Refer to the group's liquidity profile below

The following table details the group's remaining contractual maturities for its financial assets and liabilities and indicates that the group should have adequate liquidity to meet its existing financial commitments:

R'000	Within 1 – 6 months	Within 7 – 12 months	Within 1 – 2 years	Within 2 – 5 years	Greater than 5 years	Total
Financial assets	3 702 963	1 253 080	63 430	61 129	442 400	5 523 002
Financial liabilities	2 348 744	1 843 577	423 506	391 587	–	5 007 412

Bond issuance in terms of Domestic Medium Term Notes (DMTN) Programme

The JSE Limited granted a listing to the group in respect of two Senior Unsecured notes issued under the group's R1 billion Domestic Medium Term Note Programme. Two unsecured bonds were issued on 11 April 2012 as follows:

- ➔ GFC03: R220 million, three-year 7.35% floating (3-month Jibar) interest rate payable quarterly. The bond settlement due date is 10 April 2015
- ➔ GFC04: R280 million, five-year, 9.4850% fixed interest rate payable semi-annually. The settlement date for this bond is 11 April 2017

The primary application of these funds is intended to finance equity investments in power, transport, real estate opportunities and concessions.

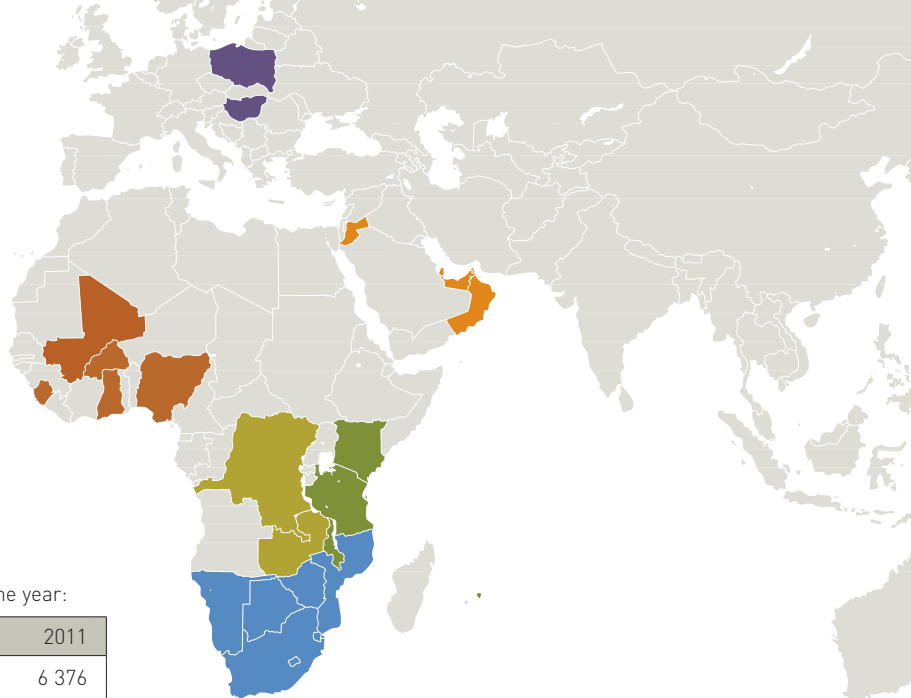
10

Capital investment

During the year there were no business combinations. Following the group's experience in investing in the Construction Materials businesses, the group has refined its merger and acquisition methodology and evaluation processes. Although certain investments have been earnestly investigated over the last few years, these have been declined as sufficient comfort on the acquisitions could not be obtained.

During the year the group grew its product and geographic diversification organically. A relevant change within the year has been the increased level of expenditure on capital equipment, specifically in the rest of Africa in support of the group's strategy of growth into the region and the infrastructure-related and capital intensive contracts won.

Expenditure is only incurred once approved by the group's central treasury. It is based on pre-required levels of return which are a function of either the group's weighted average cost of capital (WACC) – which was 12.2% in the year – or on the WACC based on the cost of new capital, as applicable. The central treasury funding requirements are raised from local debt markets and take into account the group's self-imposed net gearing ratio of a maximum of 33%. The group's current net gearing ratio is nil.



The group purchased the following fixed assets in the year:

R'000	2012	2011
Investments and Concessions	34 922	6 376
Manufacturing	25 368	32 020
Construction	278 632	96 340
Building and Housing	2 638	3 745
Civil Engineering	201 851	57 596
Engineering	74 143	34 999
Total	338 922	134 736*

It was allocated to the following regions:

R'000	2012	2011
Eastern Europe	33 653	5 277
Middle East	2 706	28 469
Eastern Africa	660	-
Southern Africa	172 275	84 059*
Central Africa	92 878	7 126
Western Africa	36 750	9 805
Total	338 922	134 736*

The group's total property, plant and equipment is allocated to the following regions:

R'000	2012
Eastern Europe	47 858
Middle East	9 818
Eastern Africa	642
Southern Africa	659 409
Central Africa	98 906
Western Africa	67 734
Total	884 367

In F2013 the group has the following capital requirements (committed or authorised):

R'000	2013
Investments and Concessions	10 310
Manufacturing	36 009
Construction	347 271
Building and Housing	20 982
Civil Engineering	238 969
Engineering	87 320
Total	393 590

* Excludes Construction Materials capital expenditure of R15,6 million.

11

Achieving the required return on equity

The group has a set target of 15 – 20% return on equity from continuing operations.

In the current year the group has not met its target, with a negative return on equity. This is as a result of losses from the Construction Materials cluster and operational losses from the Middle East.

With the actions taken in the current year, this should form a base from which growth and hence improved performance can take place.

The group provides the following voluntary disclosures:

	2012
Group margin excluding Middle East losses – %	6.1
Headline earnings from continuing operations* – R per share	1.78
Headline earnings from continuing operations* – excluding Middle East losses – R per share	3.87
Group return on equity excluding Middle East losses~ – %	(3.7)
Group return on equity from continuing operations^ – %	10.3
Group return on equity from continuing operations before Middle East losses\$# – %	21.1

* Excludes operational losses generated by Construction Materials and India contract claim legal costs.

~ Adjusts group return on equity by Middle East losses for 2012.

^ Adjusts group return on equity by Construction Materials financial performance and financial position life to date and carrying value of India life to date.

\$# Adjusts return on equity from continuing operations by excluding Middle East losses.

Review from the CFO

Against ongoing tough markets, the group continued to implement the conservative approach adopted last year in terms of both the quality of the order book secured and its philosophy towards cash preservation to fund activity which will support future profit growth.



Cristina Teixeira

It is thus encouraging to see an improvement in the Construction order book, with a good cash position supporting this strategy. However, the overall group performance and earnings during the period was impacted by a number of factors.

These include:

- ▶ Delayed Construction revenue due to contract delays and client scope changes
- ▶ Pre-disposal operating losses and further impairments of Construction Materials' assets
- ▶ Contract losses (including close out costs) and holding costs from the Middle East
- ▶ Impairments of claims due from previously discontinued operations in India

Material group statistics as at 30 June 2012

	Audited 2012	Audited 2011
Number of ordinary shares	96 600 761	96 004 779
Shares in issue	110 645 521	121 477 858
Less: Shares held by share trusts	(14 044 760)	(25 473 079)
Weighted average ('000s)	96 545	96 114
Fully diluted weighted average shares ('000)	96 946	101 137
Loss per share – R	(2,88)	(2,27)
Headline earnings per share – R	1,16	3,26*
Fully diluted loss per share – R	(2,88)	(2,27)
Fully diluted headline earnings per share – R	1,15	3,10*
Fully diluted earnings per share from continuing operations – R	1,80	3,71
Fully diluted headline earnings per share from continuing operations – R	1,77	3,69
Dividend cover (based on earnings per share)	–	–
Dividends per share (cents)	36,0	72,0
Interim	22,0	52,0
Final	14,0	20,0
Net asset value per share – R	18,72	22,38
Net debt to equity ratio	–	–
Current ratio	1.2	1.1

* Restated by 5 cents, which represents the prior year's operating loss on discontinuance regarding an India claim.



Group Five
plant



Financial performance

Headline earnings per share (HEPS) decreased by 64.4% and fully diluted HEPS (FDEPS) by 62.9%.

Earnings per share (EPS) and fully diluted EPS (FDEPS) was a loss of 288 cents per share. The material difference between earnings and headline earnings was mainly due to an impairment charge on assets reflected as non-current assets classified as held for sale on the group's statement of financial position, relating to:

- ▶ The Construction Materials businesses being disposed of
- ▶ A contract claim on a previously discontinued concessions business in India

Group revenue from continuing operations remained flat at R8,8 billion due to a reduction in activity levels within the buildings, housing and civil infrastructure markets, client-driven contract delays and the group's decision to avoid chasing volumes at the expense of margin as far as possible.

The losses stemming from the Middle East constitute the single largest reason for the material reduction in operating profit by 45.3% from R605,6 million to R331,4 million.

Included within operating profit is a surplus on the group's pension fund of R15,8 million (2011: deficit of R2,0 million) as a result of an actuarial valuation assessment. The actuarial gain arose during the year mainly due to the actual investment return of 10.8% exceeding the expected investment return of 9.6%.

Fair value net upward adjustments of R67,5 million (2011: R48,8 million) relating to the group's interests in Eastern European road transport concessions, as well as the group's investments in property developments and investment properties, positively affected the group's results in the period under review.

In line with expectations, group net finance costs of R3,8 million were recorded for the year compared to net finance income of R37,0 million in the prior year as a result of a reduction in average cash and cash equivalents year on year.

The effective tax rate of 32% (2011: 32%) was higher than the South African statutory tax rate of 28%. This was mainly due to a conservative approach adopted to the raising of deferred taxation assets, which was partially offset by liabilities in jurisdictions with lower taxation rates.

During the year, based on the group's operational and strategic focus, as well as the poor outlook for the construction market in the South Gauteng region, the board of directors of the group

resolved to dispose of the businesses that constitute the Construction Materials cluster. The construction materials market in Gauteng, where the group's Construction Materials businesses are located, has remained heavily over-supplied with insufficient work being available to quarry owners who need to move quality materials at heavily discounted prices. Competitors with the benefit of an integrated offering through the value chain of cement, aggregates and readymix concrete and others with mobile crushing operations that locate from opportunity to opportunity have survived this extended downturn better than fixed quarry businesses.

The group is therefore required to account for the Construction Materials operating cluster as a discontinued operation and transfer its net assets to non-current assets classified as held for sale. Accounting practice requires comparative numbers to be restated to reflect the effect of the discontinued operations on prior periods. The current year's headline earnings and earnings therefore include operating losses from Construction Materials of R52,8 million net of taxation (2011: losses of R54,8 million).

The group disposed of two businesses within this cluster prior to year end. This resulted in a net profit on disposal of R1,4 million.

It is acknowledged that there has been significant destruction in shareholder value in the group's venture into this market.

“The group is engaging with a number of parties who have made firm offers around the sale of the remaining assets within the Construction Materials cluster. These are currently being negotiated.”

Financial position

It is pleasing to note that the group's statement of financial position continues to be sound, with a nil net gearing ratio and bank and cash balances of

R2,3 billion

as at 30 June 2012 (F2011: R2,2 billion).

The statement of financial position reflects the transfer of the Construction Materials cluster to non-current assets classified as held for sale.

Non-current assets classified as held for sale

During the prior year, the group processed a gross impairment of R550 million in its Construction Materials business due to management concluding that the foreseeable market valuation of the aggregate and certain readymix assets was considerably less than the current carrying amount on the statement of financial position. This impairment was in addition to the gross impairment of R326 million taken at 30 June 2010. The prior year's impairments and operating losses (net of taxation) are now reflected as discontinued losses in the prior reporting period.

An impairment of non-current assets classified as held for sale of R394,1 million net of tax was charged against income at June 2012. R340,8 million of this relates to Construction Materials and R53,3 million relates to the amount carried from contract claims on a terminated Indian toll road contract which continues through arbitration.

The remaining fixed assets were evaluated with reference to external valuations and confirmations to support the reasonableness of carrying values as part of the assets' annual evaluation. Other than the impairments listed above, there has been no other major change in the nature of the fixed assets of the company and its subsidiaries, nor has there been any change in policy relating to the use of fixed assets.

Cash flow

R'000	Audited 2012	Audited Restated 2011
Cash from operations before working capital changes	424 692	769 979
Working capital changes	154 460	(1 240 002)
Cash generated/(utilised) from operations	579 152	(470 023)
Cash effects of operating activities	410 879	(838 914)
Cash effects of investing activities	(192 764)	68 717
Cash effects from financing activities	(270 166)	(92 809)
Effects of exchange rates on cash and cash equivalents	76 205	(8 032)
Net increase/(decrease) in cash and cash equivalents	33 447	(871 038)
Cash and cash equivalents	2 268 226	2 234 779

Capital expenditure

Refer to page 78 for details on the group's capital spend in the year under review, its capital management processes and its intended capital expenditure spend by cluster for F2013.

Business combinations

There were no business combinations during the current financial year.

Operational overview

Group

For comparative purposes, we provide both the group's total operating margins as well as the operating margins per segmental report which is net of non-core/headline transactions such as pension fund surpluses and deficits and profit/loss on sale or impairment of subsidiaries. We refer to the latter margin as the core operating margin, and as it reflects the underlying operating performance. Both margins exclude the impairment of non-current assets adjustment and the restatement of Construction Materials to discontinued operations but includes the fair value upward and downward adjustments on Investments and Concessions, as these are within the control of the cluster.

The group's operating margins are reflected below.

	Year ended	
	Audited 2012	Audited Restated 2011
Revenue (R'000)	8 783 379	8 772 765
Total operating margin %	3.8	6.9
Core operating margin %	3.7	6.9

The total operating margin percentage is defined as operating profit including fair value adjustments (but before impairment adjustments) as a percentage of revenue.

Core operating margin percentage is defined as total operating margin percentage adjusted for the non-core transactions listed above.

The group generated R424,7 million cash from operations

before working capital changes. In addition, it generated R154,5 million cash from working capital changes, resulting in a net cash inflow from operations of R410,9 million after paying taxation of R107,9 million. After investing R303 million in plant and equipment and net repaying liabilities of R146 million, the group still generated a net increase in cash of R33 million.

Investments and Concessions

(including Infrastructure Concessions and Property Developments)	Year ended	
	Audited 2012	Audited Restated 2011
Revenue (R'000)	647 739	554 659
Total operating margin %	23.7	19.5
Core operating margin %	23.7	20.0

Investments and Concessions consists of Infrastructure Concessions and Property Developments. This cluster contributed 7.4% (2011: 6.3%) to group revenue.

Infrastructure Concessions

This segment demonstrated a strong performance despite the continued effects of the deep recession across the European region and the absence of new concessions awards in South Africa.

Revenue, which consists primarily of fees for the operation and maintenance of toll roads, increased by 19% from R522,9 million to R619,9 million. The core operating profit margin increased from 20.2% to 23.2%, with core operating profit of R143,7 million (2011: R105,6 million). This core operating profit includes net upward fair value adjustments of R56,6 million (2011: R33,1 million).

In spite of South African policy uncertainty and delays in awards in domestic concessions and PPP activities and the economic pressures in Europe, Infrastructure Concessions performed ahead of expectations as new tolling and operations contracts came on line in Eastern Europe.

Going forward, the timing of awards in the South African public sector buildings and healthcare PPPs, renewable energy IPPs and transport concession markets remains uncertain in light of current delays and unconvincing government policy and commitment. The outcome of the government's deliberations on the resolution of the Gauteng Freeway Tolling impasse, the dispute over the N1-N2 Winelands concession and the work being done by the Presidential Infrastructure Coordinating Commission will be crucial in providing more clarity to the construction sector and job creation. African concession opportunities are set to remain attractive, with further new projects under development in transport projects and power.

Property Developments

Property Developments returned to profitability in line with the group's stated expectations. The group continues to progress its strategy of disinvestment from the traditional residential sector in favour of securing A-grade commercial and retail property development positions in targeted geographies.

Therefore, as expected, Property Developments' revenue decreased by 12% from R31,8 million in F2011 to R27,8 million. The business recorded a core operating profit for the year of R10,1 million (2011: R5,1 million). This core operating profit includes net upward fair value adjustments of R10,9 million (2011: R15,7 million).

Manufacturing

	Year ended	
	Audited 2012	Audited Restated 2011
Revenue (R'000)	1 024 329	867 523
Total operating margin %	4.2	2.9
Core operating margin %	4.5	2.9

Manufacturing consists of the fibre cement building products business, Everite, as well as BRI and Group Five Pipe. Manufacturing contributed 11.7% (2011: 9.9%) to group revenue.

Manufacturing produced pleasing results in a market where both private and public sector conditions continue to be weak. The results also included the closure costs of the steel fabrication business incurred in the first half of the year.

Revenue increased 18% from R867 million in 2011 to R1 024 million. The reported core operating profit for the year was R46,5 million. This was 82% higher than the prior year of R25,5 million, resulting in a core operating margin of 4.5% (2011: 2.9%).

An increase in volumes traded in Everite and BRI during the reporting period lifted the Manufacturing performance from the

last reported results. The Fibre Cement business achieved their returns through product range and export and local market extension, whilst continuing to improve production efficiencies. The modular housing systems business Advanced Building Technologies (ABT), created within Everite, is making an increasing contribution. Group Five Pipe remains tied to large water transport project demand. This business unit has long term prospects, but in the short term continues to experience some loading unpredictability due to uncertain tender award timescales.

Construction

During the year the Construction cluster comprised the business segments of Building and Housing, Civil Engineering and Engineering. Engineering incorporates the businesses of Projects and Engineering and Construction (E+C).

	Year ended	
	Audited 2012	Audited Restated 2011
Revenue (R'000)	7 111 310	7 350 583
Total operating margin %	1.9	6.4
Core operating margin %	1.7	6.4

Construction continued to be the largest cluster in the group. It contributed 81.0% of group revenue in the year under review (2011: 83.8%).

Construction revenue decreased by 3% from R7,4 billion to R7,1 billion and core operating profit decreased by 74% from R471 million to R121 million due to short term events in the second half of the year. These are discussed in the segmental review. The overall Construction core operating profit margin percentage was 1.7% (2011: 6.4%). Over-border work contributed 26% (2011: 27%) to Construction revenues.

Construction performance was impacted by delayed revenue due to postponements in domestic contract awards and customer-initiated scope change delays, as well as holding costs and contract close out losses in the Middle East.

In addition, the group purposefully continued to carry costs related to its investment in future opportunities and capacity building in renewable power, nuclear readiness, postponed local and new over-border PPPs, as well as oil and gas and geographic expansion. The benefits of these initiatives were not expected to be realised before F2013.

Building and Housing

	Year ended	
	Audited 2012	Audited Restated 2011
Revenue (R'000)	2 065 972	2 143 004
Total operating margin %	2.8	6.3
Core operating margin %	2.5	6.3

In spite of the private building sector remaining extremely weak, Building and Housing managed to partially mitigate this impact through the contribution of some public sector contracts, as well as a focus on over-border opportunities, improved execution and supply chain savings.

Building and Housing revenue remained flat at R2,1 billion (79% local) (2011: 70% local). The segment reported a 61% decrease in core operating profit from the prior year, from R134,5 million to R52,1 million. This resulted in the overall core operating margin percentage decreasing from 6.3% to 2.5%.

During the period, the private sector property market for buildings remained weak and overtraded, with inherently low margins and unattractive cash flows. This has been coupled with the slowdown in government's promised infrastructure spend and the lack of awards of certain PPP concession projects, including large public buildings, healthcare and correctional services. The group has been declared the preferred bidder on some of these projects. The coastal region performed well, although margins were constrained.

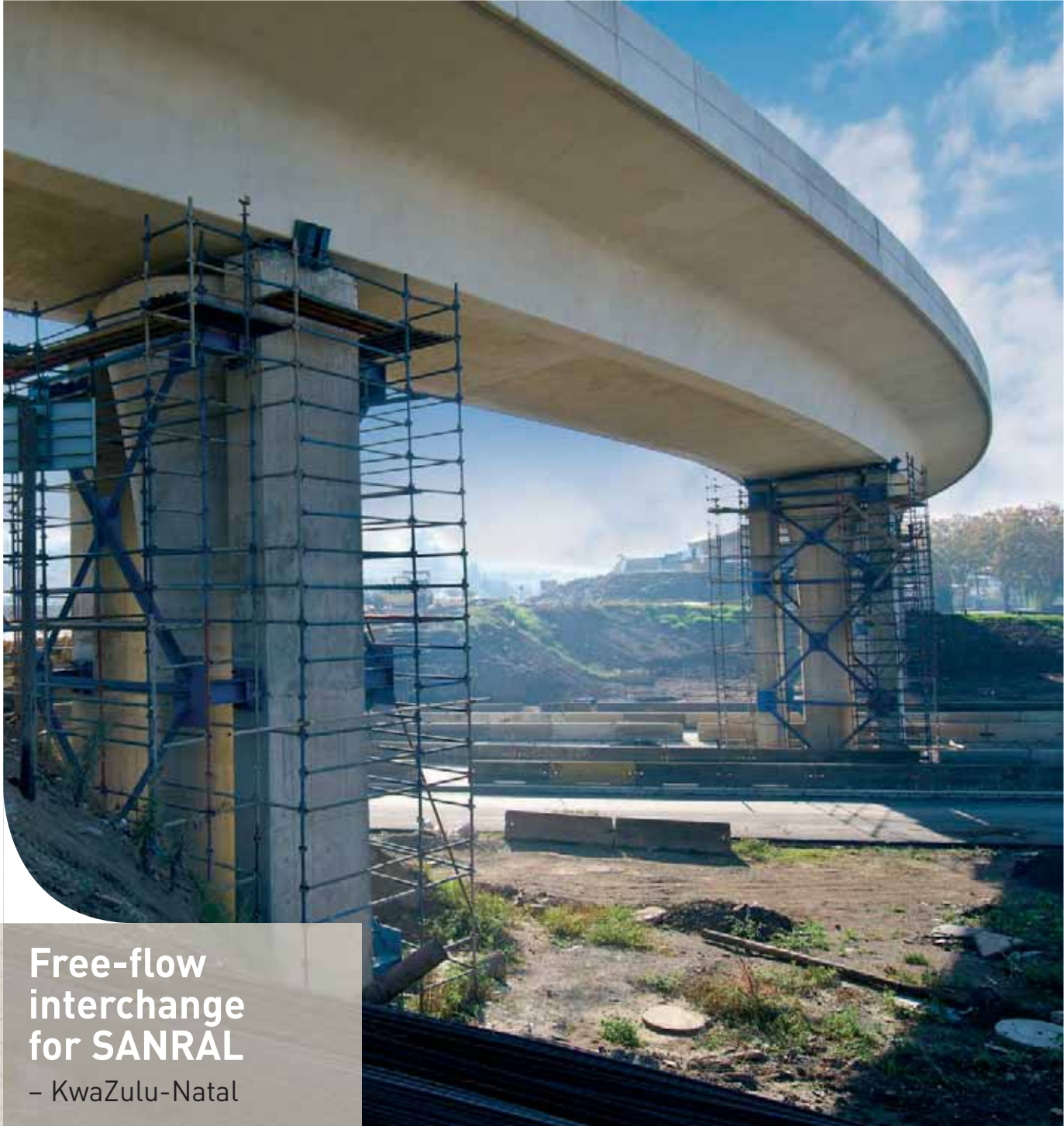
The Building and Housing segment established an over-border capability in new markets, which will mitigate some domestic market decline. In the short term the Building business will be under pressure while markets are further developed and while new awards against tenders under adjudication are awaited. The Housing business has, however, seen a recent marked improvement in domestic mining and affordable and RDP housing work load.

The secured one-year order book stands at:

R2,8 billion (94% local)	(2011: R2,1 billion and 88% local)
--------------------------	------------------------------------

Secured work is:

R3,6 billion (95% local)	(2011: R3,1 billion and 75% local)
--------------------------	------------------------------------



Free-flow interchange for SANRAL – KwaZulu-Natal

Civil Engineering

	Year ended	
	Audited 2012	Audited Restated 2011
Revenue (R'000)	2 997 747	3 548 361
Total operating margin %	(1.1)	6.4
Core operating margin %	(1.3)	6.4

Civil Engineering includes the group's civil engineering activities in South Africa, the rest of Africa and the Middle East.

Civil Engineering reported a 16% decrease in revenue from R3,5 billion (85% local) to R3,0 billion (83% local), while core operations reported a loss of R37,5 million for the year (2011: R227,7 million profit).

The Civil Engineering result has been impacted by revenue and margin shifting out in time due to late contract awards and hence delayed starting times, as well as scope changes on several large South African contracts.

The underlying South African and African Civil Engineering business delivered well on contracts executed in the period.

Unfortunately the good underlying performance was severely impacted by the losses reported from the Middle East relating to downward carrying value adjustments and additional provisions raised resulting from the de-risking action taken in preparation for final commercial close out of long standing legacy and loss-making contracts in the United Arab Emirates (UAE). Additional

losses were incurred in the rectification of a pipeline contract in Jordan. This has now been completed. Costs for commercial resources deployed in Dubai continue until the contractual and commercial finalisation and cash collection of these completed, as well as terminated, contracts are finalised.

Although tendering activity is high and increasing, both locally and in Africa, with awards currently infrequent, the order book has shown some signs of recovery in favour of African expansion. The business is proactively mitigating domestic market conditions by progressively rebuilding its African order book in geographies in which the group has prior operating experience and where growth opportunities are stronger.

The secured one-year order book stands at:

R3,3 billion (43% local)	(2011: R2,5 billion and 57% local)
---------------------------------	------------------------------------

The full order book is at:

R4,4 billion (43% local)	(2011: R3,7 billion and 58% local)
---------------------------------	------------------------------------

Engineering

	Year ended	
	Audited 2012	Audited Restated 2011
Revenue (R'000)	2 047 591	1 659 218
Total operating margin %	5.4	6.6
Core operating margin %	5.2	6.6

The Engineering cluster is the group's engineering, plant building and industrial services segment and incorporates the Projects business and the Engineering and Construction (E+C) business.

Engineering is experiencing a recovery in enquiry levels from the sub-Saharan African mining and energy markets, which resulted in new contract awards during the period under review. This trend is expected to continue in various mineral categories, technologies and geographies. This augurs well for a sustained recovery ahead, albeit lumpy in nature.

During the year, revenue increased by 23% from R1,7 billion (52% local) to R2,0 billion (56% local). Core operating profit decreased marginally by 2.4% from R109,3 million to R106,7 million. The core operating profit margin percentage decreased to 5.2% (2011: 6.6%).

Although the underlying contract margins are still good, they reflect increased competition. The margin for the period was also impacted by the high costs incurred in bidding for the many renew-

able energy projects against the renewable energy programmes and building capacity in nuclear. The margin retraction on higher revenues is temporary and should improve over the next 12 months. The E+C business has bid with a number of the power plant developers who have pre-qualified under the renewable energy independent power programme (REIPP) and expect to be awarded several EPC contracts, should the programme run as indicated by government.

The secured one-year order book increased materially to:

R2,2 billion (43% local)	(2011: R1,4 billion and 75% local)
---------------------------------	------------------------------------

The full secured order book stands at:

R3,3 billion (50% local)	(2011: R2,0 billion and 83% local)
---------------------------------	------------------------------------

Shareholder spread

The shareholding of the group has remained relatively unchanged in the year.

Refer to page 122 for additional detail on the group's analysis of shareholders at year end.



The group's share trading activity decreased during the year with 43 million shares (2011: 52 million) traded in the year, representing a value traded of approximately R1,1 billion (2011: R1,7 billion) at an average price of R25 per share (2011: R33 per share). Our market capitalisation at year end was R2,5 billion (2011: R3,6 billion). The percentage of shares held by South African residents remain unchanged at 86%. Refer to page 123. Below is an extract of the trading activity for the F2012 year.

	Close 2 276	High 3 200	Low 2 180	Traded price (cents per share)
Market capitalisation (R'000)	2 518 292			
Value of shares traded (R'000)	1 083 159			
Value traded as % of market capitalisation	43%			
Volume of shares traded (R'000)	43 234			
Volume traded as % of number in issue	39%			
Number of shareholders	5 071			

Share capital

The movements in share capital for the year under review are summarised in the statement of changes in equity on page 117 of this report.



The authorised and issued share capital is as follows:

Authorised:	Issued:
150 000 000 ordinary shares of no par value.	110 645 521 ordinary shares of no par value (2011: 121 477 858).

All shares have been fully paid up. On 19 October 2011 and 29 June 2012, 93 304 shares, at a price of R25,96 and 90 318 shares at a price of R29,72 respectively, were issued in terms of the group's BBBEE external ownership transaction. This involves the issuing of shares in lieu of dividends. No shares (2011: 92 699 shares) were issued during the year in terms of the provisions of the company's share incentive schemes.

Reduction in issued share capital in the year

The group announced in June 2009 that its BBBEE ownership transaction with the iLima Consortium portion of the iLima Mvela Transaction would unwind and that this would entail the return of the shares held by the iLima Consortium to the group. In line with this, Group Five made an application to the Johannesburg High Court in September 2009 for an order compelling the return of these shares due to iLima not fulfilling certain conditions and/or breaching certain terms to which the original transaction was subject. The judgement handed down by the Johannesburg High Court in April 2010 found in favour of Group Five. The result of the judgement is that the 11 015 959 Group Five shares held by iLima was returned to Group Five and cancelled in the current year. The capital of the group has been reduced.

The unwinding of the BBBEE transaction with iLima Consortium is a disappointment to Group Five as the group remains committed to the advancement of broad-based black economic empowerment. The group has excluded the iLima shareholding from its current BBBEE scorecard and confirms that its scorecard has not been adversely affected. The group's BBBEE status is currently a level 2.

In prior years, it has also been reported that the group entered into a formal enterprise development arrangement with iLima. The iLima Group is the majority shareholder of the iLima Consortium. Group Five had previously provided iLima bonds and guarantees to allow them to grow their order book. iLima leased various items required on some of their contracts from Group Five's plant business, for which rentals were charged at market-related rates. In addition, direct financial assistance was provided to iLima Group (Pty) Ltd.

The total capital amount outstanding on loans due by iLima Group (Pty) Ltd to the group as at 30 June 2011 amounted to R118 million. The total indirect financial assistance provided to iLima, in the form of bonds and guarantees, which remain in issue, amounts to R54 million (2011: R54 million). The direct financial assistance, reflected as a current asset at 30 June 2011, was set off against the return of the group's shares by iLima, as described above.

The indirect financial assistance remains reflected as a contingent liability until the guarantees are either returned or cancelled. The favourable close out of these outstanding guarantees remains a focus area for the group's commercial and legal team as a call on these guarantees would obviously affect both cash and earnings for the group.

Estimates and contingent liabilities

The group makes estimates and judgements concerning the future, particularly with regards to construction contract profit taking, provisions, arbitrations and claims and various fair value accounting policies. The resulting accounting estimates and judge-

ments 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.

Total financial institution guarantees given to third parties on behalf of subsidiary companies amounted to R4 310 million as at 30 June 2012 (2011: R4 537 million).

R'000	2012	2011
The issued guarantees have the following expiry dates:		
• No later than one year	3 295	1 243
• Later than one year and no later than five years	958	3 203
• Later than five years	57	91
	4 310	4 537

Refer to page 78 of the financial management spread for details on the group's capital spend in the year under review, its capital management processes and its intended capital expenditure by cluster for F2013.



Competition Commission

As announced on SENS on 1 February 2011, the group adopted a proactive stance in respect of the ongoing investigation by the Competition Commission into alleged anti-competitive behaviour within the construction industry. The group co-operated with the Commission for the last two years in the interest of determining if it had any exposure and to take advantage of the Commission's leniency programme to limit the risk of any penalties and/or fines.

The group is able to advise that it has continued to sign additional conditional leniency agreements with The Commission without penalty as it progresses its investigations. The group does not deem a provision for penalties and fines to be required and has subsequently not raised a provision in these reported results.

Memorandum of Incorporation

The group is required to update its Memorandum of Incorporation (MOI) before May 2013. In compliance with this requirement, the group has, during the current year, reviewed the Memorandum of Incorporation approved in 2003 with the primary aim of adhering to the transformed regulatory and legislative requirements. The board has accordingly presented its proposal for amendments of the MOI to shareholders for consideration and adoption at the forthcoming annual general meeting. A salient features extract of the MOI highlighting the changes made on this governance instrument is attached as Annexure 1 of the notice to the AGM.

Going concern

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future. The financial statements have accordingly been prepared on a going concern basis. 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 that may affect the group in any of the major countries in which it operates.

Prospects

- ▶ The group's total secured Construction order book stands at R11,3 billion (30 June 2011: R8,8 billion and December 2011: R10,3 billion)
- ▶ The Construction one-year order book stands at R8,3 billion (30 June 2011: R5,9 billion and December 2011: R6,4 billion)
- ▶ The value of the group's target opportunity pipeline stands at R148 billion, up from R134 billion in June 2011 and R144 billion in December 2011, with activity in all its markets

The Investments and Concessions cluster is delivering annuity business growth, with group-wide opportunities in active infrastructure sectors in increasing geographies. Manufacturing has been re-focused and its performance is improving on higher sales volumes to a broadening number of markets. The disposal of the loss-making Construction Materials cluster will relieve the cash drain from this part of the group and improve returns once completed.

Based on the group's positioning in the key infrastructure growth sectors of power, mining, oil and gas, water and transport and in the concessions and PPP market for specific projects, as well as the progress made in terms of improving the group's internal efficiencies, management expect a slow recovery in group activity levels.

This should support some improvement in the group's trading performance from F2013. The timing of this recovery is dependent on the timing of awards on visible projects.

Appreciation

I thank my finance team for their hard work in an extremely difficult year for the group. I acknowledge the long hours you have put in. To our CEO, Mike Upton, a special word of thanks for his leadership and support and to the board a note of appreciation for the guidance and assistance they provided in a challenging year.



Cristina Teixeira

3 August 2012

Remuneration review

Following the group's board review in 2011, the remuneration committee (remco) was reconstituted. After five years of chairing the committee, Stuart Morris handed over responsibility to John Job, an independent non-executive director, as the new chairman of the remuneration committee. This was effective from August 2011.



Refer to page 9 of the printed report, as well as the online section of the report at www.groupfive.co.za for details of John Job's credentials.

To ensure an effective hand over, Stuart Morris remained on the remco as an invitee for the first two committee meetings. New appointments to the committee during the financial year were Lindiwe Bakoro and Oyama Mabandla, both non-executive directors.

The remco implemented the remuneration policy as approved by shareholders by a 65.8% vote at the 2011 annual general meeting. It used its terms of reference as its guiding document on decisions made in the year.

Role of the committee

The role of the remco is to assist the board with the setting and administration of the remuneration policies of the group, as approved by the shareholders.

The group this year reviewed its approach to reporting on its remuneration and has as far as possible ensured that it complies with the principles and recommended practices of the King III report. Shareholders also provided us with their views on remuneration, which were incorporated in our principles.

The performance of the board and the executive team is appraised against a set of clear objectives and key performance areas (refer to page 102 of the printed report, as well as the online section of the report) to ensure they are remunerated fairly and responsibly.

Executive and senior management members are measured and remunerated according to the alignment, achievement and contribution to the group's strategy, the group's financial performance, business unit performance and individual performance.

Remuneration policy

The remuneration policy of Group Five is based on rewarding employees in line with company and individual performance. A pay for performance policy applies. The policy therefore aims to attract, retain and motivate skilled and performing employees to execute the current business strategy and to create sustainable growth.

The group offers an integrated remuneration and reward model which is made up of a cost to company component (CTC), a short term incentive (STI) and a long term incentive programme (LTIP). The group's pay mix is compared to the market from which it attracts and recruits employees with the skills required by the group.

We offer an integrated approach to remuneration.

Group Five integrated approach

	Elements	Group Five	Strategic intent	Eligibility	Pay criteria
Variable pay	Long term incentive	▶ Share options	▶ Reward long term company performance ▶ Attraction/retention	▶ Executives ▶ Prescribed officers	▶ Allocation based on seniority (see table on page 93) ▶ Target pay is 60% of CTC ▶ Subject to share appreciation
	Short term incentive	▶ Annual bonus scheme	▶ Reward company performance ▶ Reward individual performance ▶ Attraction/retention	▶ Executives ▶ Prescribed officers	▶ Hurdle rate for payment include return on investment and % profit thresholds ▶ Individual pay subject to profit and cash generation, transformation measures and individual performance ▶ Target payout 1.4 x CTC ▶ Maximum payout 3 x CTC
Cost to company	Base pay	▶ Monthly salary ▶ Hourly wage	▶ Skills ▶ Knowledge ▶ Competencies ▶ Experience ▶ Attraction/retention ▶ Individual performance		
	Benefits	▶ Medical aid ▶ Pension fund/provident fund ▶ Death benefit ▶ Car allowance		▶ All employees	▶ Market-based pay and individual skill and performance

Cost to company

Base pay or guaranteed pay

Group Five benchmarks its remuneration practices against both the market from which it recruits and the most relevant markets from which employees regularly seek alternative employment. We also utilise the available reputable benchmark remuneration surveys to ensure our remuneration packages are both competitive and fair.

Accurate construction sector remuneration data remains challenging as not many construction companies participate in these remuneration surveys.

The group follows a job grading system to ensure that salaried employees are paid at a level which meets market expectations for that particular job category. The group also uses an independent remuneration consultant to ensure appropriate benchmarking of jobs and salary bands.

“ Our policy is to pay competent performing employees on the 62nd percentile of the market to ensure employees are competitively above the market median on their guaranteed pay. Our executives' guaranteed pay is pegged at the median of the market while their incentives are more competitive to drive performance.

The annual CTC increase in base pay is determined based on individual performance criteria and company financial performance being met.

Our wage-based employees are paid either in line with relevant sectoral determinations as set out by the Department of Labour or in line with union-negotiated wages.

Benefits

Group Five offers a number of employee benefits, as approved by the remuneration committee. All permanent employees are required to participate and contribute to a retirement fund. Over and above this, all salaried employees are required to be members of a medical aid either through Group Five or as a member of a spouse's medical aid. The group also offers life assurance cover through the Group Personal Accident (GPA) fund to permanent and temporary employees. As with the base pay, the group reviews these offerings on a regular basis to ensure we remain competitive to prevailing market trends.

Variable pay

Short term incentives

The group grants management and most salaried employees an annual performance incentive. This is based on group, business unit, contract and individual performance over the past financial year of the company. Employees are measured against a set of individual, job or site-specific criteria. These standards have to be met or exceeded for an incentive to be paid. Non-executive directors do not participate in any variable pay offering.

At the level of executive and prescribed officers of the company, two thresholds need to be met before an incentive pay-out is considered by the remuneration committee. These are:

1

Meeting a minimum percentage of the year's target profit budget.

2

Meeting a return on investment percentage threshold.

BASED ON MARKET CONDITIONS AND COMPANY PERFORMANCE, THE EXECUTIVE TEAM ELECTED TO RECEIVE A ZERO INCREASE IN BASE PAY. THE EXCEPTION TO THIS WAS TWO EXECUTIVES WHO RECEIVED MARKET-RELATED PROMOTIONAL AND TASK-RELATED BASE PAY ADJUSTMENTS. THE OVERALL AVERAGE INCREASE FOR THE REMAINING OFFICERS OF THE COMPANY AND SALARIED EMPLOYEES WAS 5.7%.

Should the two thresholds be met, a maximum of 20% of profit after tax (PAT) is made available as an incentive pool. The individual incentive value is then based on a pre-determined participation percentage of company and business unit profit after tax. This is set subject to job scope and individual contribution to the group. The performance criteria and their respective weightings are as follows:

Profit generation	Cash generation	Meeting the annual transformation target			Internal company procurement	Individual performance
		Employment equity	Preferential procurement	Enterprise development		
30%	15%	15%	5%	5%	10%	20%

Executives can earn up to three times their cost to company (CTC) should they exceed their performance targets, with the expected on-target performance being 1,4 times their individual CTC. The incentive earned is divided into four tranches which are paid out respectively at six monthly intervals starting in September following the financial year end. This staggered payment contributes to retention and sustainable performance of the individual.

The remuneration committee has a discretionary clause in its mandate according to which it may consider external and internal factors that may have contributed to the thresholds not being met. They may then consider purely discretionary short term bonuses on an individual and business segment basis.

Long term incentives

The Share Appreciation Rights (SARs) scheme is currently the only long term incentive programme used by the group.

In terms of this scheme, SARs are allocated to executive and prescribed officers of the company. The intention of this scheme is to attract, retain and reward management that are able to influence the group's performance. The performance expectation of this scheme is based on a theoretical 15% compounded annual growth rate (CAGR) in the share price and targets to deliver an annualised average appreciation of 60% of an individual's CTC at the time of the award.

The annual SARs allocations made are based on seniority and based on an annual multiple of an individual's guaranteed earnings.

Employee category	Annual multiple of guaranteed earnings (AMOG)*
CEO	1,5
Executive committee members	1,2
Managing directors of business units	0,9
Business unit directors (other than managing directors)	0,6

* The SARs issued are based on the targeted AMOG. The base number of SARs to be issued is determined by dividing the 30-day volume adjusted weighted average price achieved in the 30 days prior to the issue into the employee's annual guaranteed cost to company package. This number is then multiplied by the AMOG to give the seniority differentiated individualised SARs issue.

No specific performance criteria are stipulated, although it is expected that employees who are granted these SARs are employees who have and will continue to meet or exceed expectations for at least the vesting period. A vesting period of three years is applicable to this scheme. 33% of the SARs allocation can be exercised per year over the following three years with a maximum life of the scheme being seven years from the grant date.

The SARs scheme has been in existence for the last six years and was approved by shareholders in 2005.

“ The continued under-performance of the share price in the market downcycle rendered a negative value to all SARs issued under this scheme since inception. The scheme in its current form has therefore proven ineffective in its ability to motivate or retain the participants to the scheme due to its reliance purely on an increasing share price performance. It therefore does not cater well for the cyclical nature of the construction sector.

To address this, a number of alternatives have been reviewed and proposed to the remuneration committee. After due consideration the committee made a recommendation to the main board for the introduction of the new long term incentive programme (LTIP) that caters for actual company performance against targets, as well as share price performance.

The board accepted this recommendation as well as approved the submission for shareholder approval. A separate circular will be issued to shareholders. The circular will detail the salient points of the proposed LTIP scheme and requires shareholder approval at the next AGM.

Employee and director contracts of employment

Permanent employees sign an employment contract that complies with the labour law requirements of the country of employment. Employees have a retirement age of 65. The CEO, executives and directors of the organisation have a retirement age of 60. The notice period of employees is one month and extends to two months for business unit directors and three months for general managers, managing directors, executives and the CEO. The group applies the standard statutory requirements to executives should their permanent employment contract be terminated.

Non-executive directors' fees

The remuneration committee reviews the annual increases in non-executive directors' fees and recommends these to the board. They in turn recommend the fees to the shareholders at the annual AGM. The current fee schedule was approved by shareholders at the AGM in November 2011.

Non-executive directors are approved by shareholders. The group's policy is that one third of directors are required to retire on an annual basis. The determination of candidates for retirement is informed by the longest-standing serving director. Therefore, depending on the size of the board, this may translate to retirement on a two or three year basis.

The chairperson of the board is remunerated on a fixed fee for the year. The rest of the non-executive board members are paid a base fee for being a main board member and then paid an attendance fee for each meeting.

The chairpersons of the sub-committees of the board are paid a fixed fee for the year and the members of these committees are. A penalty fee is applicable to a board member for failing to attend a scheduled meeting.

Details of non-executive directors' fees are detailed on page 96.

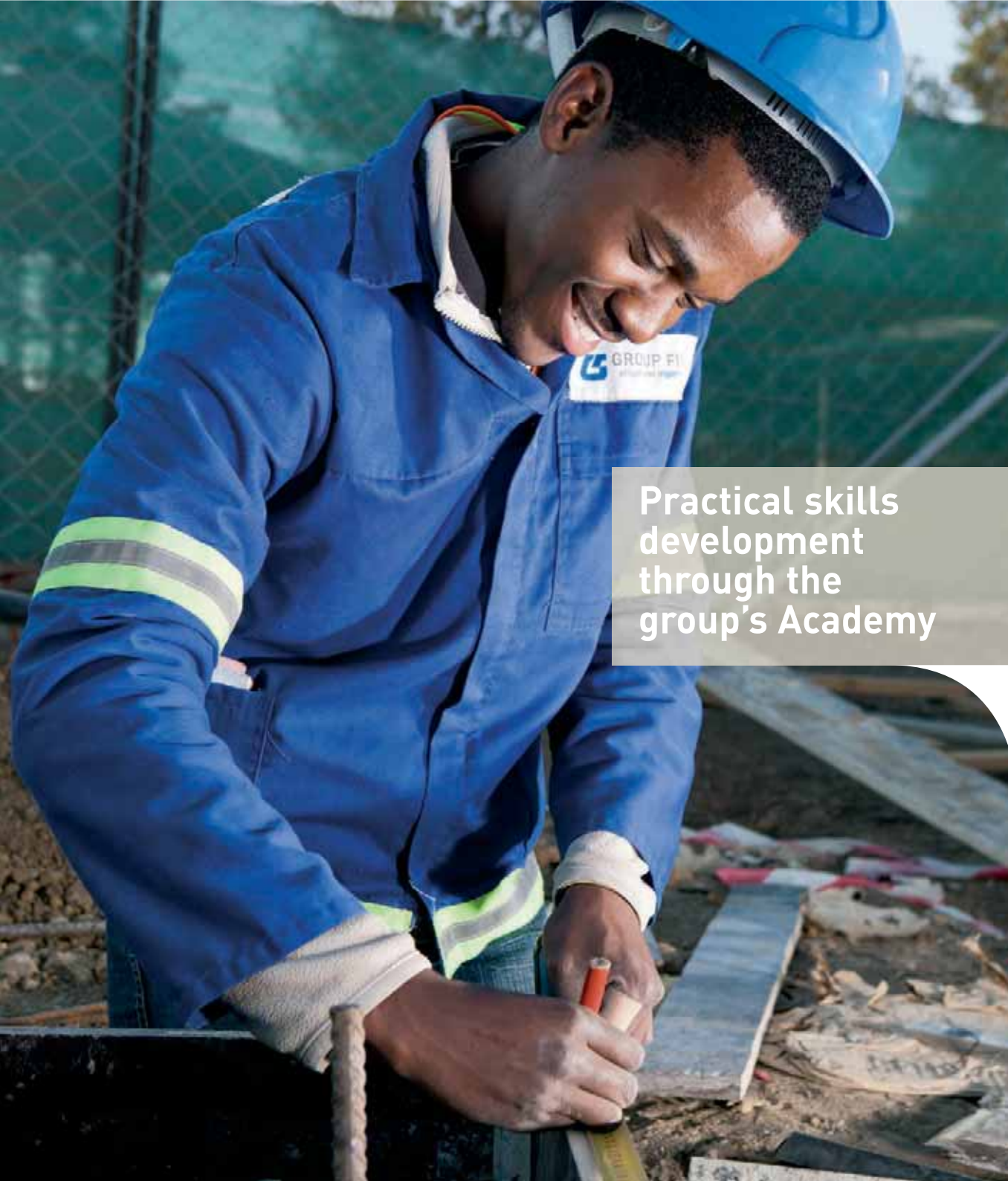
Remuneration committee key focus areas in the year

A key focus was to recommend a competitive rewards programme to the board to ensure that base remuneration of employees and executives balances responsible remuneration with market competitiveness and attracting the skills required.

In line with this, the committee:

- ▶ Reviewed the design of the remuneration and incentive programme for the senior management of the group
- ▶ Approved the pay-outs on both short and long term incentive programmes
- ▶ Approved the annual employee salary increase
- ▶ Reviewed and approved the executive salary reviews
- ▶ Reviewed and recommended for approval to the board a proposed new long term incentive programme
- ▶ Reviewed the proposal of the F2013 non-executive directors' fees before seeking board approval
- ▶ Reviewed the proposed BBBEE employee scheme and bursary foundation

The committee met quarterly as opposed to three times a year as it has done in the past. Going forward, meetings will continue to be held quarterly. The committee developed a clear strategy to continue attracting, motivating and retaining key skills in the group against pressure on profitability and to ensure that the group adheres to its pay for performance policy.



Practical skills
development
through the
group's Academy



Going forward

In the coming year, the remuneration committee will review the group's pay mix against the market trend that is leaning to offering larger guaranteed pay versus pay-at-risk or bonus pay.

A challenge in the coming year for remco will be to balance the need to incentivise and reward individuals who outperform while the sector still struggles with tough market conditions.

Director and senior management remuneration

Non-executive directors' fees

	Fees 30 June 2012 (R'000)	Expenses 30 June 2012 (R'000)	Total 30 June 2012 (R'000)	Fees 30 June 2011 (R'000)	Expenses 30 June 2011 (R'000)	Total 30 June 2011 (R'000)
Fees, services expenses						
Name						
P Buthelezi	794	–	794	740	–	740
LE Bakoro	401	–	401	394	–	394
L Chalker	517	149	666	550	223	773
OA Mabandla*	445	–	445	–	–	–
SG Morris	951	–	951	944	–	944
KK Mpinga	479	–	479	494	–	494
DDS Robertson*	450	–	450	–	–	–
JL Job	580	–	580	524	–	524
	4 617	149	4 766	3 646	223	3 869

* Appointed 1 August 2011.

Non-executive directors proposed fees F2013, subject to shareholder approval

Position	F2013 proposed fees (R per annum)	Comment	F2012 proposed fees (R per annum)
Main board – chairperson	782 800	Includes all board and committee attendances	739 450
Lead independent non-executive director	337 000	includes basic fee plus attendance fee for four meetings	318 000
Main board – non-executive director	195 500	includes basic fee plus attendance fee for four meetings	184 440
Audit committee – chairperson	195 500	Four meetings	184 440
Audit committee – member and attendee	98 000	Four meetings	92 430
Remuneration committee – chairperson	130 400	Four meetings	92 430
Remuneration committee – member and attendee	68 600	Four meetings	64 660
Risk committee – chairperson	130 400	Four meetings	122 960
Risk committee – member and attendee	68 600	Four meetings	64 660
Nominations committee – chairperson*	98 000	Two meetings	92 430
Nominations committee – member and attendee	51 700	Two meetings	48 760
SED committee – chairperson	130 400	Four meetings	n/a
SED committee – member and attendee	68 600	Four meetings	n/a
Extraordinary services (per hour)	2 800	Applied for ad hoc and/or non-scheduled meetings. Capped at daily rate of R19 600	2 650

A deduction of R13 500 per meeting will apply for non-attendance at a scheduled meeting and R28 090 will be payable for attendance at a special board meeting.

* Included in chairperson's fee.

Executive directors

	Salaries		Performance and equity incentives		Total	
(R'000)	30 June 2012	30 June 2011*	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Name						
MR Upton	3 799	3 691	5 045	7 323	8 844	11 014
CMF Teixeira	2 167	2 127	2 760	3 326	4 927	5 453
	5 966	5 818	7 805	10 649	13 771	16 467

* 2011 has been restated to be comparable to 2012 such that both periods reflect total earnings and is more reflective of "cost to company".

In line with the requirements of the Companies Act 2008, the group discloses the remuneration paid to prescribed officers who are defined as the group's executive committee.

The three highest paid members of management are also reflected in the table below as per the recommended practice suggested in 2.26.2 of the King III code.

Executive committee members (exco)

(R'000)	Salaries		Performance and equity incentives		Total	
	30 June 2012	30 June* 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Name						
Prescribed Officer 1	2 793	3 048	2 822	6 052	5 615	9 100
Prescribed Officer 2	2 763	2 772	2 251	3 399	5 014	6 171
Prescribed Officer 3	2 531	2 533	2 870	3 545	5 401	6 078
Prescribed Officer 4	2 481	2 285	1 790	3 364	4 271	5 649
Prescribed Officer 5	2 080	2 011	2 380	3 081	4 460	5 092
Prescribed Officer 6	1 945	2 067	2 113	2 778	4 058	4 845
Prescribed Officer 7	1 890	1 838	1 932	2 766	3 822	4 604
	16 483	16 554	16 158	24 985	32 641	41 539

Senior management[^] (excluding CEO, CFO and exco)

(R'000)	Salaries		Performance and equity incentives		Total	
	30 June 2012	30 June* 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Total earnings	24 932	26 318	15 272	25 121	40 204	51 439

The above represents earnings relating to senior management[^] at year end date only.

Details of executive directors' share options and share appreciations

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
MR Upton								
2011								
	400 000	–	30,44	–	–	400 000	30,44	400 000
	71 000	–	54,81	–	–	71 000	54,81	47 333
	100 000	–	50,20	–	–	100 000	50,20	66 667
	100 000	–	43,07	–	–	100 000	43,07	33 333
	166 000	–	28,63	–	–	166 000	28,63	55 333
	150 484	–	34,09	–	–	150 484	34,09	–
	–	138 154	27,70	–	–	138 154	27,70	–
	987 484	138 154		–	–	1 125 638		602 666
2012								
	400 000	–	30,44	–	–	400 000	30,44	400 000
	71 000	–	54,81	–	–	71 000	54,81	71 000
	100 000	–	50,20	–	–	100 000	50,20	100 000
	100 000	–	43,07	–	–	100 000	43,07	66 667
	166 000	–	28,63	–	–	166 000	28,63	110 667
	150 484	–	34,09	–	–	150 484	34,09	50 161
	138 154	–	27,70	–	–	138 154	27,70	–
	1 125 638	–		–	–	1 125 638		798 495

[^] As depicted on page 6.

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								
2011								
	25 000	–	24,77	–	–	25 000	24,77	25 000
	25 000	–	54,81	–	–	25 000	54,81	16 667
	25 000	–	50,20	–	–	25 000	50,20	16 667
	200 000	–	42,84	–	–	200 000	42,84	66 667
	72 000	–	28,63	–	–	72 000	28,63	24 000
	71 740	–	34,09	–	–	71 740	34,09	–
	–	66 175	27,70	–	–	66 175	27,70	–
	418 740	66 175		–	–	484 915		149 001
2012								
	25 000	–	24,77	–	–	25 000	24,77	25 000
	25 000	–	54,81	–	–	25 000	54,81	25 000
	25 000	–	50,20	–	–	25 000	50,20	25 000
	200 000	–	42,84	–	–	200 000	42,84	133 333
	72 000	–	28,63	–	–	72 000	28,63	48 000
	71 740	–	34,09	–	–	71 740	34,09	23 913
	66 175	–	27,70	–	–	66 175	27,70	–
	484 915	–		–	–	484 915		280 246

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

Prescribed officer	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
Prescribed Officer 1								
2011								
	18 750	–	12,55	–	–	18 750	12,55	18 750
	200 000	–	30,44	–	–	200 000	30,44	200 000
	42 000	–	54,81	–	–	42 000	54,81	28 000
	53 000	–	50,20	–	–	53 000	50,20	35 333
	100 000	–	28,63	–	–	100 000	28,63	33 333
	90 818	–	34,09	–	–	90 818	34,09	–
	–	83 377	27,70	–	–	83 377	27,70	–
	504 568	83 377		–	–	587 945		315 416
2012								
	18 750	–	12,55	–	–	18 750	12,55	18 750
	200 000	–	30,44	–	–	200 000	30,44	200 000
	42 000	–	54,81	–	–	42 000	54,81	42 000
	53 000	–	50,20	–	–	53 000	50,20	53 000
	100 000	–	28,63	–	–	100 000	28,63	66 667
	90 818	–	34,09	–	–	90 818	34,09	30 273
	83 377	–	27,70	–	–	83 377	27,70	–
	587 945	–		–	–	587 945		410 690

Prescribed officer	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
Prescribed Officer 2								
2011	400 000	–	30,44	400 000	–	–	30,44	–
	42 000	–	54,81	–	–	42 000	54,81	28 000
	53 000	–	50,20	–	–	53 000	50,20	35 333
	99 000	–	28,63	–	–	99 000	28,63	33 000
	89 762	–	34,09	–	–	89 762	34,09	–
	–	82 408	27,70	–	–	82 408	27,70	–
	683 762	82 408		400 000	–	366 170		96 333
2012	42 000	–	54,81	–	–	42 000	54,81	42 000
	53 000	–	50,20	–	–	53 000	50,20	53 000
	99 000	–	28,63	–	–	99 000	28,63	66 000
	89 762	–	34,09	–	–	89 762	34,09	29 921
	82 408	–	27,70	–	–	82 408	27,70	–
	366 170	–		–	–	366 170		190 921
Prescribed Officer 3								
2011	125 000	–	30,44	–	–	125 000	30,44	125 000
	34 000	–	54,81	–	–	34 000	54,81	22 667
	150 000	–	50,20	–	–	150 000	50,20	100 000
	91 000	–	28,63	–	–	91 000	28,63	30 333
	81 842	–	34,09	–	–	81 842	34,09	–
	–	75 469	27,70	–	–	75 469	27,70	–
	481 842	75 469		–	–	557 311		278 000
2012	125 000	–	30,44	–	–	125 000	30,44	125 000
	34 000	–	54,81	–	–	34 000	54,81	34 000
	150 000	–	50,20	–	–	150 000	50,20	150 000
	91 000	–	28,63	–	–	91 000	28,63	60 667
	81 842	–	34,09	–	–	81 842	34,09	27 281
	75 469	–	27,70	–	–	75 469	27,70	–
	557 311	–		–	–	557 311		396 948
Prescribed Officer 4								
2011	12 500	–	12,55	12 500	–	–	12,55	–
	25 000	–	24,77	–	–	25 000	24,77	25 000
	100 000	–	54,81	–	–	100 000	54,81	66 667
	39 000	–	50,20	–	–	39 000	50,20	26 000
	75 000	–	28,63	–	–	75 000	28,63	25 000
	72 514	–	34,09	–	–	72 514	34,09	–
	–	66 889	27,70	–	–	66 889	27,70	–
	324 014	66 889		12 500	–	378 403		142 667
2012	25 000	–	24,77	–	–	25 000	24,77	25 000
	100 000	–	54,81	–	–	100 000	54,81	100 000
	39 000	–	50,20	–	–	39 000	50,20	39 000
	75 000	–	28,63	–	–	75 000	28,63	50 000
	72 514	–	34,09	–	–	72 514	34,09	24 171
	66 889	–	27,70	–	–	66 889	27,70	–
	378 403	–		–	–	378 403	–	238 171

Remuneration review continued

Prescribed officer	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
Prescribed Officer 5								
2011	150 000	–	51,00	–	–	150 000	51,00	100 000
	50 000	–	50,20	–	–	50 000	50,20	33 333
	68 000	–	28,63	–	–	68 000	28,63	22 667
	67 938	–	34,09	–	–	67 938	34,09	–
	–	62 668	27,70	–	–	62 668	27,70	–
	335 938	62 668		–	–	398 606		156 000
2012	150 000	–	51,00	–	–	150 000	51,00	150 000
	50 000	–	50,20	–	–	50 000	50,20	50 000
	68 000	–	28,63	–	–	68 000	28,63	45 333
	67 938	–	34,09	–	–	67 938	34,09	22 666
	62 668	–	27,70	–	–	62 668	27,70	–
	398 606	–		–	–	398 606		267 979
Prescribed Officer 6								
2011	19 000	–	54,81	–	–	19 000	54,81	12 667
	100 000	–	50,20	–	–	100 000	50,20	66 667
	70 000	–	28,63	–	–	70 000	28,63	23 333
	63 362	–	34,09	–	–	63 362	34,09	–
	–	58 170	27,70	–	–	58 170	27,70	–
	252 362	58 170		–	–	310 532		102 667
2012	19 000	–	54,81	–	–	19 000	54,81	19 000
	100 000	–	50,20	–	–	100 000	50,20	100 000
	70 000	–	28,63	–	–	70 000	28,63	46 667
	63 362	–	34,09	–	–	63 362	34,09	21 121
	58 170	–	27,70	–	–	58 170	27,70	–
	310 532	–		–	–	310 532		186 788
Prescribed Officer 7								
2011	45 000	–	12,55	–	–	45 000	12,55	45 000
	300 000	–	30,44	150 000	–	150 000	30,44	150 000
	30 000	–	54,81	–	–	30 000	54,81	20 000
	37 000	–	50,20	–	–	37 000	50,20	24 667
	69 000	–	28,63	–	–	69 000	28,63	23 000
	61 672	–	34,09	–	–	61 672	34,09	–
	–	56 619	27,70	–	–	56 619	27,70	–
	542 672	56 619		150 000	–	449 291		262 667
2012	45 000	–	12,55	–	–	45 000	12,55	45 000
	150 000	–	30,44	–	–	150 000	30,44	150 000
	30 000	–	54,81	–	–	30 000	54,81	30 000
	37 000	–	50,20	–	–	37 000	50,20	37 000
	69 000	–	28,63	–	–	69 000	28,63	46 000
	61 672	–	34,09	–	–	61 672	34,09	20 557
	56 619	–	27,70	–	–	56 619	27,70	–
	449 291	–		–	–	449 291		328 557

Details of share options and share appreciation rights issued to senior management[✓]
(excluding CEO, CFO and exco)

	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
2011								
	40 000	–	12,28	–	–	40 000	12,28	40 000
	75 000	–	20,00	–	–	75 000	20,00	75 000
	162 500	–	20,25	75 000	–	87 500	20,25	87 500
	350 000	–	24,77	–	–	350 000	24,77	350 000
	25 000	–	26,39	–	–	25 000	26,39	25 000
	75 000	–	31,87	–	–	75 000	31,87	75 000
	277 000	–	54,81	–	30 000	247 000	54,81	164 667
	377 000	–	50,20	–	42 000	335 000	50,20	223 333
	69 389	4 147	16,03	–	–	69 389	16,03	27 159
	100 000	–	33,63	–	–	100 000	33,63	33 333
	754 505	–	28,63	–	98 000	656 505	28,63	14 168
	714 454	–	34,09	–	–	714 454	34,09	–
	–	577 766	27,70	–	70 755	507 011	27,70	–
	3 019 848	581 913		75 000	240 755	3 281 859		1 115 160
2012								
	40 000	–	12,28	–	–	40 000	12,28	40 000
	97 500	–	24,77	–	–	97 500	24,77	97 500
	75 000	–	31,87	–	–	75 000	31,87	75 000
	177 000	–	54,81	–	–	177 000	54,81	177 000
	219 000	–	50,20	–	–	219 000	50,20	219 000
	116 124	–	16,03	23 129	–	92 995	16,03	43 186
	457 000	–	28,63	–	–	457 000	28,63	304 667
	412 647	–	34,09	–	–	412 647	34,09	137 549
	391 943	–	27,70	–	–	391 943	27,70	–
	1 986 214	–		23 129	–	1 963 085		1 093 902

[✓] As depicted on page 6.

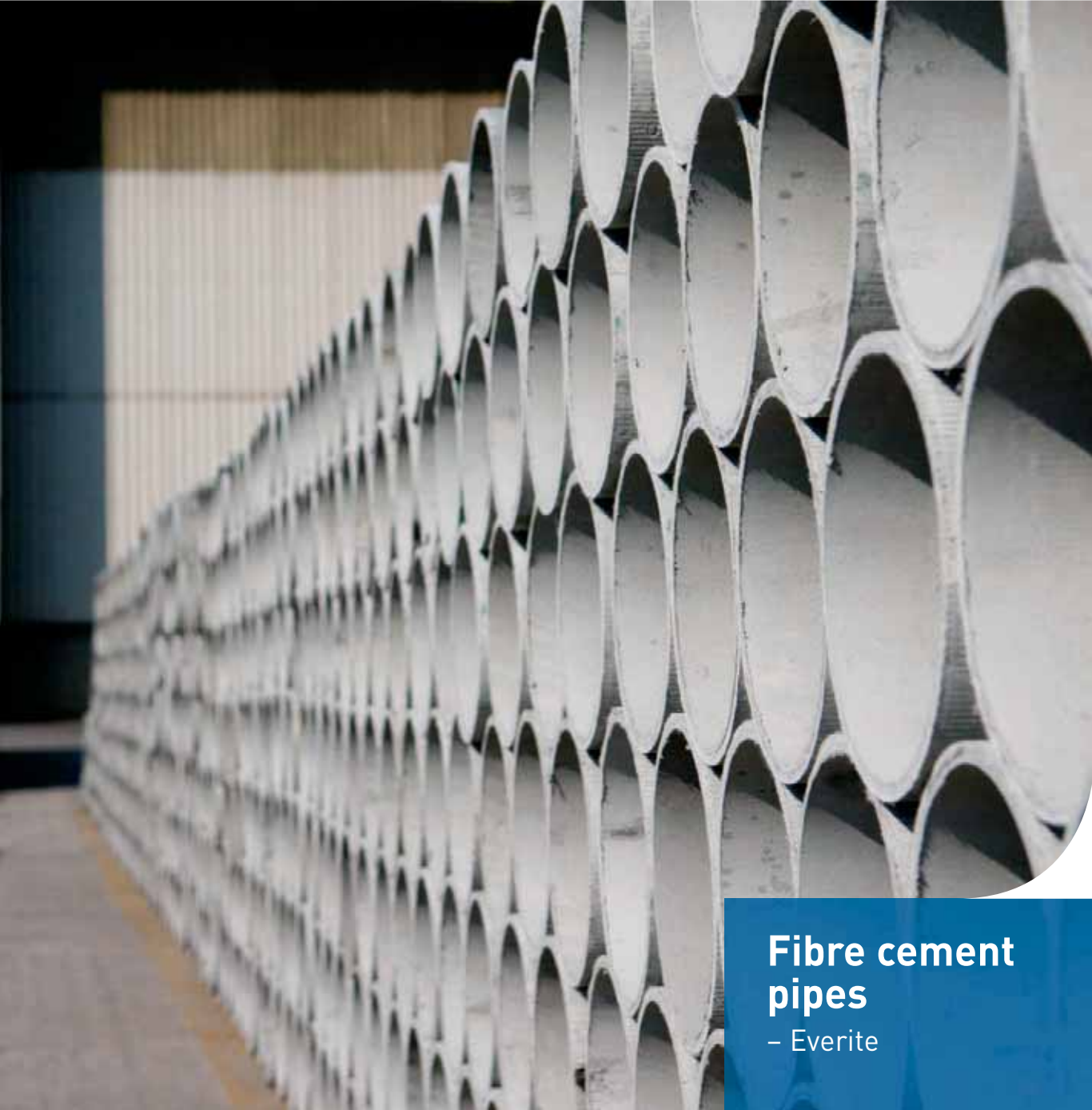
Key performance indicators

The board and management have clear performance measures. The next few pages outline the executive management's delivery against these. For information on board and management delivery, refer to the online section of the report at www.groupfive.co.za.

CEO Evaluated by: Chairperson and lead independent non-executive director

Key performance areas	How impact is measured	Delivery F2012	Delivery F2011
Leadership	Employee satisfaction survey.	Slight decrease to 66.7% employee satisfaction score, despite required retrenchments. Some interventions were required post the internal exco and manco "360" degree survey. These included the alignment of senior management ahead of the restructuring programme which was initiated in December 2011.	67.0% employee satisfaction score.
BBBEE	Construction Charter scorecard rating.	Level 2 BBBEE contributor, even against the failure of its one ownership partner iLima.	Level 2 BBBEE contributor.
Safety	Group DIFR and fatalities.	Group DIFR improved by 61% to 0.21 from 0.54 and no fatalities.	Group DIFR worsened from 0.33 to 0.36 with six fatalities in our sub-contractor base.
Client focus	Client survey.	Client feedback was positive in a stakeholder feedback conducted for the integrated report.	Formal survey to be undertaken every three years. In the current year, the focus was on building a client sector-focused orientation through the E+C structure and integration of the group's business development. This was achieved.
Capacity building	% of employees trained annually.	Against tough markets, the group still prioritised key training programmes, with 12 110 training interventions compared to 17 234 last year.	17 234 training interventions compared to 14 941 last year.
Organisational development, succession and transformation	Structural alignment with strategy and goals.	The group was successfully restructured to ensure alignment with strategy, risk profile and competitiveness.	Further structural changes identified in mitigation of weak markets and group strategy to expand geographically and become more sector focused.
Compliance/risk management	External audit report.	External audits clear.	External audits clear.
Group strategic development	Strength of order book as % of one year's revenue.	Construction one-year and total order book at 117% and 159% respectively of current year's construction revenue.	Construction over-border order book sustained at a year's revenue.

117%



Fibre cement pipes

– Everite



Key performance areas	How impact is measured	Delivery F2012	Delivery F2011
Group financial performance	HEPS/EPS growth.	HEPS down 64% based on market decline, losses in Construction Materials and losses and de-risking in the Middle East. This, together with an impairment adjustment on Construction Materials and an India claim, resulted in an EPS loss.	HEPS down 46% based on market decline and poor performance by Manufacturing and Construction Materials. EPS reported loss due to materials impairment.
Stakeholder communication and interaction	Client, investor and board communications feedback.	The group won the Investment Analysts Society award for communications and reporting in our sector for the sixth year in a row.	The group has won the Investment Analysts Society award for communications and reporting in our sector for five years in a row.
Inter-company initiatives and group procurement	% internal sales.	Internal sales accounted for 12% of revenue.	Manufacturing internal supply 13% and Construction Materials 16%.

CFO Evaluated by: CEO and chair of audit committee

Key performance areas	How impact is measured	Delivery F2012	Delivery F2011
Leadership	Employee satisfaction survey.	Slight decrease to 66.7% employee satisfaction score, despite required retrenchments. Some interventions were required post the internal exco and manco "360" degree survey. These included the alignment of senior management ahead of the restructuring programme which was initiated in December 2011.	67.0% employee satisfaction score.
Group financial performance and position	Actual versus targets to group over-arching financial goals.	HEPS down 64% based on market decline, losses in Construction Materials and losses and de-risking in the Middle East. This, together with an impairment adjustment on Construction Materials and an India claim, resulted in an EPS loss.	HEPS down 46% based on market decline and poor performance by Manufacturing and Construction Materials. EPS reported loss due to Construction Materials impairment.
Financial risk management	Global credit rating.	GCR level maintained.	GCR level maintained.
Organisational development, succession and transformation	Construction Charter scorecard rating.	Level 2 BBEE contributor, even against the failure of its one ownership partner iLima.	Level 2 BBEE rating.
External and internal compliance management	External and internal audit.	No material adverse internal or external audit findings.	No material adverse internal or external audit findings.
Technology enhancement and development	Extent of connectivity, integration, relevant and reliable management information.	100% site connectivity, disaster recovery plan in place, tested and externally verified as effective.	100% site connectivity, disaster recovery plan in place, tested and externally verified as effective.
Stakeholder communication and interaction	Investor and financial institution feedback.	The group has won the Investment Analysts Society award for communications and reporting in our sector for the sixth year in a row.	The group has won the Investment Analysts Society award for communications and reporting in our sector for five years in a row.

100%

Executive committee members Evaluated by: CEO

Key performance areas	How impact is measured	Delivery F2012	Delivery F2011
Leadership	Employee satisfaction survey/group policy set within specialist area.	Some interventions were required post the internal exco and manco "360" degree survey. These included the alignment of senior management ahead of the restructuring programme which was initiated in December 2011.	A "360" degree internal leadership survey was conducted in June. The feedback was generally positive, with "change management" and "dealing with complexities" to be addressed.
Transformation	Achievements of transformation targets and Construction Charter scorecard rating.	The group maintained its level 2 BBEE contributor rating.	The group this year focused on a single group scorecard and rating. It achieved a level 2 contributor rating.

Key performance areas	How impact is measured	Delivery F2012	Delivery F2011
Delivery to the group	Achieved roll out versus budgeted implementation plan.	South Africa and rest of Africa Construction, Manufacturing and Investments and Concessions delivered well against market conditions. Middle East corrective action adversely affected the group performance. Construction Materials was discontinued. A strong cash position and order book progression set a good base for F2013.	Construction (with the exception of the Middle East) and Investments and Concessions delivered well against market conditions. Manufacturing and Construction Materials were adversely affected and did not meet expectations largely due to the severe decline in market conditions.
Organisational development and succession	Effectiveness of succession and development plans.	The group conducted a detailed succession planning review of the top three management levels. This highlighted areas to address, which will be done in the new year.	Succession planning from junior to senior management was initiated during F2011. Exco succession and development is a focus area for F2012, along with a group structure review.
Technology/skills acquisition and development	Adoption of new technologies.	New orders were received for - Renewable energy in wind and solar - Acid mine drainage Additional preferred or best and final offer positions secured on some PPPs.	Successful strategic positioning and project development in energy and power sectors and PPPs through the group's increasing relationships with equipment and technology partners and its growing capabilities in concessions and EPC work.
Safety	Group and cluster DIFR and fatalities.	No fatalities and group DIFR improved by 61% to 0.21 from 0.54. One business segment's DIFR worsened and this has been proactively addressed.	Group DIFR worsened from 0.33 to 0.36 with six fatalities within the sub-contractor base.
Compliance and quality	Audit reports.	External, internal and ISO audits clear.	External, internal and ISO audits clear.
Group strategic development in area of responsibility	Discretionary rating by manager.	Strategy was further refined and firm actions delegated amongst exco, in particular in light of the new group structure.	Strategy was refined and firm actions delegated amongst exco. Progress in F2011 was slowed somewhat by economic conditions, but long term strategic goals progressed well.
Teamwork	Discretionary rating by manager.	68.6% The management style measured in our employee survey improved from 68.1% to 68.6% due to the group's focus on the development of managerial and leadership skills. A focused change management process has been implemented.	The leadership and strategy measured in our employee survey this year showed an increase in alignment and teamwork. A 360 degree internal learnership survey was conducted in June. The feedback is generally positive, with "change management" and "dealing with complexities" to be addressed.
Stakeholder relations	Market survey.	Exco focused mainly on client relationships, which was successful. A new dedicated senior position was created to drive senior client relationships.	Exco focused mainly on client relationships, which was successful.

Delivery against group measures

The group monitors its performance against targeted measures. This page outlines the core group measures and the value added during the year. The value added statement has been independently assured for the first time this year. Further information on delivery against targets across the group can be found in the online section of the report at www.groupfive.co.za.

Group scorecard

	Medium term target	F2012 ⁽⁵⁾ actual	F2012 target	F2011 ⁽⁵⁾ actual	F2011 target	F2010 actual
People						
Employee turnover (permanent employees) – %	10	7*	<9	6*	<9	9*
Employee satisfaction rating – %	>70	66.7	>70	67	>70	65.9
% of employees trained per annum – %	50	45	50	49	50	43
Average training spend per employee	R2 600	R2 435	R2 500	R2 601	R2 500	R2 132
Construction Charter BBBEE score – %	>80	89.4	>75	86	>75	79
Disabling injury frequency rate (DIFR) – employees	–	0.20	–	0.36	–	0.33
OHSAS 18001:2007 certification across group – %	100	100	100	73	100	75
Planet						
Electricity usage per permanent employee	– ⁽¹⁾	13.65 MWh ⁽³⁾	– ⁽¹⁾	11.30 MWh ⁽⁴⁾	– ⁽¹⁾	7.20 MWh ⁽²⁾
Carbon footprint per permanent employee	– ⁽¹⁾	22.77 ⁽³⁾ tonnes CO ₂ e	– ⁽¹⁾	21 ⁽⁴⁾ tonnes CO ₂ e	– ⁽¹⁾	13 ⁽²⁾ tonnes CO ₂ e
Environmental incidents	0	0	0	0	0	0
ISO 14001:2004 certification across group – %	100	100	100	77	100	71
Performance						
Revenue per employee – R'000	Increase	843	Increase	767	Increase	907
Net (loss)/profit for the year per employee – R'000	Increase	(27)	Increase	(19)	Increase	25
Geographic diversification (revenue from over-border operations) – %	40	26	>33	25	>33	20
Secured order book (Construction budget secured in order book at start of financial year) – %	70 of budget	84	75 of budget	58	75 of budget	75
Return on shareholders' equity – continuing operations – %	15 – 20	10.3	25 medium term	24.0	25 medium term	21.8
Fully diluted headline earning per share (decline)/growth – %	return to growth	(62.9)	10% – 15% growth per annum	(44.8)	10% – 15% growth per annum	10
Product diversification – (total operating profit from non-Construction business) – %	≥33	59	>33	22	>33	20.7
Net gearing – %	<33 of equity	–	<33 of equity	–	<33 of equity	–
Cash generated/(utilised) from operations – R million	cash generative	579	cash generative	(482)	cash generative	1 191
Total operating margin – %	5 medium term	3.8	6 – 8 medium term	6.9	6 – 8 medium term	7.7

(1) Whilst the group's goal is to continuously reduce emission intensity and electricity usage, the capturing and reporting of the carbon footprint still needs to reach maturity before formal targets can be set.

(2) Information for the year ended 30 June 2009 (part of the 2010 Carbon Disclosure Project report submitted on 31 May 2010).

(3) Information for the year ended 30 June 2011 (part of the 2012 Carbon Disclosure Project report submitted on 31 May 2012).

(4) Information for the year ended 30 June 2010 (part of the 2011 Carbon Disclosure Project report submitted on 31 May 2011).

(5) F2011 and F2012 exclude Construction Materials as this cluster is being disposed of.

* These numbers relate to voluntary terminations only and do not include involuntary labour turnover as a result of retrenchments and non-renewal of contracts.



We are extremely pleased with the 44% improvement in our disabling injury frequency rate for employees from 0.36 to 0.20.



The group's carbon footprint was verified by an independent carbon auditor for the first time this year.



We are pleased to start the year with secured Construction revenue to be traded in F2013 at a level which is 17% higher than actual Construction revenue of F2012.

Economic value added

Value-added statement depicting distribution to government, including all taxes.

Sustainability indicator	%	F2012 ⁽¹⁾ R'000	%	F2011 ⁽¹⁾ Restated R'000
Revenue ⁽²⁾		9 804 457		10 023 627
Less purchased cost of goods and services ⁽²⁾		(7 106 636)		(6 761 831)
Value added	97.5	2 697 821	98.5	3 261 796
Other income	2.5	68 680	1.5	49 665
Wealth created	100.0	2 766 501	100.0	3 311 461
Employees ⁽³⁾	65.8	1 819 241	58.2	1 926 370
Providers of equity	1.5	40 548	3.7	121 008
Providers of funding	0.1	3 800	(1.1)	(36 960)
Social economic development	0.1	3 730	0.2	6 100
Government ⁽⁴⁾	24.4	673 392	29.2	965 769
Funding of discontinued operations	17.9	496 449	18.3	609 226
Utilised from retained funds	(9.8)	(270 659)	(8.5)	(280 052)
Wealth distribution	100.0	2 766 501	100.0	3 311 461
Number of employees		10 414		11 440
Wealth created per employee (R)		265 652		289 463
Weighted average number of shares		96 545		96 114
Wealth created per share (R)		28,66		34,45

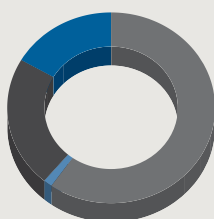
(1) F2011 and F2012 exclude Construction Materials as this cluster of business is being disposed of.

(2) Including value added taxation (VAT).

(3) Excluding employee taxes.

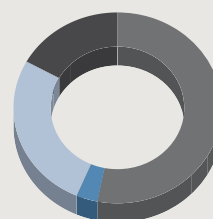
(4) Includes income taxation, deferred taxation, employee taxes and net value added taxation (VAT).

Distribution of wealth created – 2012



- 65.8% Employees
- 1.5% Providers of equity
- 0.1% Providers of funding
- 0.1% Social economic development
- 24.4% Government
- 17.9% Funding and discontinued operations
- (9.8%) Utilised from retained funds

Distribution of wealth created – 2011



- 58.2% Employees
- 3.7% Providers of equity
- (1.1)% Providers of funding
- 0.2% Social economic development
- 29.2% Government
- 18.3% Funding and discontinued operations
- (8.5%) Utilised from retained funds

Assurance processes

The group applies a combined assurance model with a co-ordinated approach to all the group's internal and external assurance. This was monitored for the year under review by the group's audit committee. Further detail on the group's combined assurance processes can be found in the online report at www.groupfive.co.za.

The group is independently assured by external assurance providers on a variety of ratios each year. In the table below we outline the material ones.

Assurance processes

Business process assured	Output from assurance	Status	Assurance provider
Operational/risk/financial			
Value of construction works secured to be executed	Construction secured order book confirmation	Assured	PricewaterhouseCoopers Inc.
Extent of construction contract profitability	Contract profit/loss maker ratio	Assured	PricewaterhouseCoopers Inc.
Economic value added	Value added statement	Assured	PricewaterhouseCoopers Inc.
Fair presentation in all material aspects – financial position and performance of the group and company	External audit report	Assured	PricewaterhouseCoopers Inc.
Insurance claims	Insurance claim history report	Assured – determined by external source	Marsh South Africa
Quality			
Quality systems	ISO 9001:2008	Assured – 100% of business units certified	DEKRA
Health and safety			
Disabling injury frequency rate (DIFR)	Verified DIFR statistics	Assured – verified statistics	DEKRA
Procedures and policies	DEKRA certification	Assured – verified procedures	DEKRA
Safety systems	OSHAS 18001:2007	Assured – 100% of business units certified	DEKRA
Environment			
Carbon emissions	Confirmed carbon disclosure emission	Verified for F2010 and F2011. F2012 being verified	Promethium Carbon
Environmental audits	ISO 14001:2004	Assured – 100% of business units certified	DEKRA
Empowerment			
BBBEE credentials	BBBEE scorecard	Assured	BEE Verification Agency cc
Human resources			
Employee satisfaction	Employee satisfaction survey	Independently verified	SoftCraft Research
Training and HR systems	ISO 9001:2008	Assured – audited processes	DEKRA and BEE Verification Agency cc

The group identified two key sustainability measures of its business to be independently assured for the third year in a row. It also added a third sustainability measure this year.

Independent Assurance Report

to the Directors of Group Five Limited

Introduction

We have been engaged by the Directors of Group Five Limited ("Group Five") to perform an independent assurance engagement in respect of selected Identified Sustainability Information included in Group Five's Integrated Report for the year ended 30 June 2012 ("the Report").

Scope and subject matter

The following Identified Sustainability Information was selected for an expression of limited assurance:

- ▶ Construction Secured Order Book [full order book – R million] (Page 76)
- ▶ Contract Profit/Loss Maker Ratio [%] (Page 70)
- ▶ Economic Value Added Statement (Page 107)

Our responsibilities do not extend to any other information.

Responsibilities of the Directors

Group Five's Directors are responsible for the preparation and presentation of the Identified Sustainability Information, as incorporated in the 2012 Integrated Report, in accordance with their internally defined procedures ("Reporting Criteria") and for maintaining adequate records and internal controls that are designed to support the reporting process.

Responsibility of the independent assurance provider

Our responsibility is form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the Identified Sustainability Information is not stated, in all material respects, in accordance with the Reporting Criteria.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 Assurance engagements other than audits or reviews of historical financial information issued by the International Auditing and Assurance Standards Board. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain assurance on the Identified Sustainability Information as per the terms of our engagement.

This report has been prepared solely for the Directors of Group Five, to assist the Directors in reporting on Group Five's sustainable development performance and activities. We permit the disclosure of this report within the Report for the year ended 30 June 2012, to enable the Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and Group Five for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Summary of work performed

The internally defined procedures by which Group Five's Identified Sustainability Information is generated and aggregated have been applied as assurance criteria. Definitions for the Identified Sustainability Information applied are those determined by Group Five and provided in the Report (refer pages 70 and 76).

The procedures selected depend on the assurance provider's judgement, including the assessment of the risks of material non-compliance of the Identified Sustainability Information with the criteria. Within the scope of our work we performed among other the following procedures:

- ▶ reviewing processes that Group Five have in place for determining the Identified Sustainability Information included in the Report;
- ▶ obtaining an understanding of the systems used to generate, aggregate and report the Identified Sustainability Information;
- ▶ conducting interviews with management at corporate head office;
- ▶ evaluating the data generation and reporting processes against the reporting criteria;
- ▶ performing key controls testing and testing the accuracy of data reported on a sample basis; and
- ▶ reviewing the consistency between the Identified Sustainability Information and related statements in Group Five's Report.

Inherent limitations

The accuracy and completeness of sustainability data is subject to inherent limitations given the nature and methods for determining, calculating and estimating such data. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements.

For a limited assurance engagement the evidence gathering procedures are more restricted than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

We have not carried out any work on data reported for prior reporting periods, except for data that was included in the prior year's assurance scope.

Conclusion

Based on our work performed, nothing has come to our attention that causes us to believe that the Identified Sustainability Information selected for limited assurance has not been prepared, in all material respects, in accordance with the defined Reporting Criteria.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: Wessie van der Westhuizen

Johannesburg

10 August 2012