GROUP FIVE
structured ingenuity

INTEGRATED REPORT

CONTENTS

Online contents

These reports can be accessed on the group's website at **www.groupfive.co.za**.

The group's management team believes that early identification and subsequent effective management of risk are fundamental skills that lead to sustainability and improved predictability of performance of construction and engineering companies. Given the inherent cyclical nature of infrastructure programmes, these goals are tested in both buoyant and challenging market conditions.

Within this strategic context, the group continues to apply lessons learnt in the progressive improvement of its integrated total quality management system that underpins every aspect of our operations and reinforces the centrality of discipline.

People | Planet | Performance | Strategy | Risk | Corporate governance | Legal & regulatory compliance

The group has over-arching measures to consistently monitor performance and aims to empower employees to live its corporate values.

Refer to page 106

Corporate values						
People	Excellence	Transformation	Client focus	Integrity	Innovation	Performance

The group's Code of Ethics can be found at **www.groupfive.co.za**.

Group Five is a diversified **construction, infrastructure concessions and services group** with an established and growing international client base engaged in resources, energy and infrastructure delivery.

The group operates in South Africa, the rest of Africa, the Middle East and Eastern Europe.

Report approach

During the year, the group again canvassed stakeholders on their information needs. This assisted us to further refine our disclosure.

Our approach allowed us to include only material matters in the printed report, which has reduced volume. However, as the remainder of the report is contained in an electronic format to support the printed report, we have not reduced any previous disclosure provided.

The online section of the report can be found at **www.groupfive.co.za**.

The printed report focuses on the group's key issues against fundamental market changes and tough market conditions. It outlines how we reviewed our strategy and re-aligned our structure and operating systems to improve internal fitness during these tough times and to be correctly positioned for when trading conditions improve.

To provide feedback on our report, please contact us at feedback@groupfive.co.za or +27 11 806 0278.

Stakeholder reporting requirements

These stakeholder issues are discussed throughout the printed and online section of the report.

Clients

- Government strategy, including localisation requirements and managing exposure
- Challenges during the year
- Key growth areas, including geographic focus
- Organisational improvements
- Sustainability issues, including health and safety, skills development and empowerment credentials
- Future development focus in property developments and construction contracts
- International strategy
- Strategy around renewable energy and nuclear contracts
- Contract updates

Employees

- Managing change in the tough environment
- Remuneration practices
- Job security
- The group's ability to continue its employee value proposition, including training and quality of leadership and management
- Transformation and broad-based black economic empowerment (BBBEE)

Shareholders, analysts and media

- Financial measures, such as order book, margins, cash flows and cost management
- Maximisation of value over the long term
- Management's view on market conditions
- How the multi-disciplinary full-service approach will create value
- Balancing the investment in growth opportunities against a weak trading market, together with a lack of clarity on the timing of return on investment
- International strategy, including rest of Africa and the Middle East
- Update on discontinued operations
- Risk management issues, i.e. loss-making ratio slippage and problem contracts
- Effect of carbon tax on operations
- Traction on concessions strategy in light of government delays
- BBBEE ownership elements with the loss of one partner and potential loss of another

Financial institutions (debt providers) and credit rating agencies

- Loss-making ratio and loss-making contracts
- Risk management, including sub-contractors and African strategy
- Protection of capital and equity investments into Africa
- Risk of changed balance sheet structure and weakening of liquidity profile following limited market activity
- Managing the operational losses in Construction Materials

Suppliers

- Group strategy and opportunities for growth with the group
- Extent of enterprise development initiatives

Government

- Increased communication around successes
- Private sector role in enabling public and other infrastructure contracts
- BBBEE ownership elements with the loss of one partner and potential loss of another
- Socio-economic impact of projects and addressing government's social agenda

Regulatory bodies

- Transparent disclosure on levels of compliance with regulations
- Evidence of transformation in line with commitments, both in terms of BBBEE and employment equity

Insurers

- Change in risk profile as business offering changes from single discipline to multi-disciplinary, as well as increased offerings such as engineer, procure and construct (EPC) contracting
- Protection of capital investments into Africa

A further source for the identification of material issues for disclosure was the risks addressed with the group's first combined assurance risk plan.

Further details of this can be found on the online section of the report at **www.groupfive.co.za**.

The documented risks include:

Risk	Action
Resilience and relevance of strategy	➧ The board and exco evaluate the group's strategy every six months
Align the group to market changes and strategy focus	➧ Complete the group's restructuring programme as soon as possible ➧ Formal company-wide change management programmes have been launched in parallel to the business optimisation process
Skills shortage, including attraction and retention of key skills	➧ The remuneration committee has tasked management with revising the group's remuneration structures to retain its competitiveness in the industry. This will cater for incentives to key black candidates ➧ South African employees will be incentivised to travel over-border to support the group's growth strategy ➧ The group has also further increased communication with employees and has implemented a change management programme. With the restructuring of the group, a number of employees have been moved to new roles with increased opportunities provided. We also reviewed our incentivisation programmes. Even against tough market conditions, we still invested in people through our Academy programmes
Manage weakened and changed market conditions	➧ The group's internal efficiency programme is designed to lower the group's cost base and enhance its competitiveness in current market conditions ➧ New markets that offer more favourable conditions and enhanced returns are continually sought ➧ Relevant conditions of contracts are assessed by the commercial team (as a function within the risk review process) and are considered relative to the returns and benefits of the contract before authority is granted to proceed. Cash flow projections are signed off before the contract bid to maximise cash generation
Over-border complexity, including rest of Africa and the Middle East	➧ During the year, the group reassessed the various risks it experiences in Africa and the Middle East through a formal and stringent risk evaluation process. In line with this, it amended its structure and policies to cater for changed market conditions and the increased presence of the business units in the rest of Africa ➧ Country, client and contract screening already forms part of the group's risk review process
Focus on strategic business development needed	➧ The group's new structure caters for a strategic project development executive responsible for driving large contract opportunities in key sectors and geographies that can provide benefits across the group
Execution risk with reduced margins	➧ Continued focus is placed on clients in key sectors and geographies that provide long term opportunities for mutually beneficial strategic relationships across more of the group's businesses. These include multi-disciplinary contracts, operations and maintenance and concessions opportunities that provide better combined returns ➧ A disciplined approach to our execution policies and procedures from bid phase though to close out is in place ➧ The revised operating structure will ensure that the Construction cluster is more integrated and effective. Contract performance will be monitored regularly

The material issues identified through an internal strategy evaluation process include:

Pages where this is discussed	38	54	62	68
Material issue	Managing market conditions	Ensuring resilience of strategy	Ensuring capacity for change	Financial management – context to results

Risk	Action
Sub-contractor risk of non-performance	• More weight is currently placed on the assessment of the sustainability of sub-contractors, with the focus not only on price, but also on the ability to perform • Where appropriate, sub-contractors are required to furnish security in respect of their performance obligations. Their performance is monitored regularly, with a renewed focus on adequate sub-contractor management to ensure clarity of contract terms and recourse
Inadequate return on investment and equity	• The cost base is being driven down and lazy assets eradicated • Under-performing business units are being disposed of • Lessons learnt are used to minimise and eliminate loss-making contracts • The group's capital rationing programme has been refined, with a focus on returns which are the responsibility of not only the group executive, but also of the business unit management
Risk of lack of transformation	• The group maintained its level 2 BBBEE certification • A new ownership structure is being developed • A key focus of the group's succession planning for senior management is the requirement to transform • Optimising employment equity, preferential procurement and enterprise development remains a constant focus
Amended risk management practices to account for a changed environment	• As part of the group's internal efficiency drive, the risk processes, policies and procedures are amended to cater for changes in risks relevant to the current market • Time has been spent on working with business segments in the re-evaluation of their risk profiles to ensure that mitigation procedures are in place to address identified risks
Increased SHEQ* requirements when entering new markets and businesses	• The group has a comprehensive set of policies and procedures that cover health, safety and quality. The team is driving this strongly in each market to adhere to uniform standards across all businesses in all geographies
Delayed, postponed and cancelled South African contract awards and the effect on the group's resources	• The group has focused on clients in key sectors and geographies that provide long term opportunities for mutually beneficial strategic relationships across more of the group's businesses. These include multi-disciplinary contracts, operations and maintenance and concessions opportunities that provide better combined returns • Continued engagement with public sector clients to obtain a deeper understanding of the realistic timing of government's infrastructure roll out plan

* Safety, health, environment and quality.

Group structure and team

As outlined on page 64, following the review of the group's strategy and its decision to sell the Construction Materials businesses, the group's portfolio and structure have been redefined in terms of its business model of developing, investing in, packaging, building and operating infrastructure.

Eric Vemer*

John Wallace*

Cluster	Investments and Concessions		Manufacturing	
Team	Managing director Intertoll Group Jon Hillary Managing director Intertoll Africa Themba Mosai	Managing director Property Developments Kushil Maharaj	Managing director Everite and Advanced Building Technologies (ABT) Jurgen Stragier	
Business segments	Infrastructure Concessions	Property Developments	Fibre Cement	Steel
Competencies	Full concessions and PPP developer, including operations and maintenance	Development, ownership and management of selected A-grade property assets generating development and investment returns	Exterior and interior walling, ceiling boards, roofing systems and pipes and fibre cement-clad steel-framed modular housing systems	Large bore steel pipes, fabricated steel structures, scaffolding, formwork and steel reinforcing for use in concrete structures
Sectors	Transport, power and real estate in public and private sectors	Real estate in private sectors	Real estate in public and private sectors	All sectors

Country risk, taxation, supply chain, finance, treasury and corporate secretarial – reporting to the CFO

Head, corporate and business structuring
Wim Fourie

Group supply chain director
Malcolm Farrell

Group finance operations director
Deon van Tonder

Company secretary
Nonqaba Katamzi

Paul le Sueur*

Strategic project development

Head, Africa project developments
John Lotz

* Executive committee member.

This spread depicts the new group structure of Investments and Concessions, Manufacturing, Construction and Engineering and Construction Services that came into effect from 1 July 2012.

CEO
Mike Upton*

CFO
Cristina Teixeira*

Andrew McJannet*†

Construction

Managing director
Housing
Frank Enslin

Managing director
Building
Michael van Rooyen

Managing director
Coastal
Craig Jessop

Managing director
Projects
Mark Humphreys

Building and Housing	Civil Engineering	Projects
Design to build and construction of large buildings and human settlements	**Construction of large structures in public and private infrastructure, including heavy civil structures, roads, ports, airports and pipelines**	**Multi-disciplinary plant construction covering structural, mechanical, electrical and piping**
Real estate and related infrastructure in public and private sectors	All sectors	Predominantly mining, industrial and power in public and private sectors

† Member of board risk committee (to be approved at 2012 AGM).

Willie Zeelie*

E&CS#

Managing director
Willie Zeelie

Engineering & Construction Services

Multi-disciplinary project delivery from feasibility through to supporting bankability and front-end design, as well as project management of contracts during execution to completion

Industrial services contractor

Industrial, power, oil and gas and water in public and private sectors

Engineering and Construction Services.

Guy Mottram*

Safety, health, risk, environment and quality

Group SHEQ manager
Izak van der Watt

Group commercial manager
Andrew Fairfax

Junaid Allie*

Human resources and corporate affairs

Human resources director: operations
Richard du Toit

Group corporate affairs director
Isabella Makuta

The board

The group believes the board has a good spread of skill, gender and race. The board has strict performance criteria. Refer to the online section of the report at **www.groupfive.co.za** for the board members' delivery on their key performance areas.

CHAIRPERSON

P (Philisiwe) Buthelezi (48)
BA Economics, MSC in Economics (University of Paris, Sorbonne), MBA (UK)

Chairperson of nominations committee

Philisiwe provides strategic input to the group through her diverse knowledge of banking, capital markets and international investment in South Africa. As a skilled executive in both the private and public sectors, she provides insight into the South African landscape, with a particular focus on economic requirements and the strategic direction of policy makers. She has strong international business acumen, which has been very valuable to the group.

LE (Lindiwe) Bakoro (38)
BCom, Post-graduate diploma in Accounting, H Dip Tax Law, MCom, CA(SA)

Chairperson of social and ethics committee, member of audit committee, member of remuneration committee

Lindiwe brings strong experience in project finance, with a particular focus on infrastructure projects. She has a questioning mind and strong financial acumen, providing valuable financial advice and guidance in support of the group's financial position.

CHIEF EXECUTIVE OFFICER

MR (Mike) Upton (57)
BSc Electrical Engineering, Professional Engineer (Pr Eng), Business Management Diploma (Newcastle, UK), FSAIEE

Executive committee member, member of risk committee, member of social and ethics committee

Mike adds significant value to the development of the group's strategy through his extensive experience in multi-disciplinary engineering and infrastructure contracts. He has a keen understanding of new business opportunities and how to deliver on them. Mike has an empowering management style, which has produced an inclusive culture enhanced by the diversity of ideas generated from within the group. He encourages the continuous development of employees and has entrenched a performance and quality-orientated culture.

CHIEF FINANCIAL OFFICER

CMF (Cristina) Teixeira (39)
BCom, BCompt (Hons), CA(SA)

Executive committee member, member of social and ethics committee

During Cristina's ten years at Group Five, with the last four as CFO, she has demonstrated her ability to manage the group's complex and demanding local and global financial environment. Under her guidance, the group's financial position has been very robust. She is also a valuable member of the group's strategic development team. Cristina has led the group's reporting strategy. This has been recognised through a number of awards for reporting and disclosure, including the Investment Analysts Society (IAS) award for six years in a row, as well as being the overall South African winner in 2010.

Baroness L (Lynda) Chalker of Wallasey (70) (British)
Fellow of the Institute of Statisticians, Recipient of nine UK honorary degrees

Member of audit committee*, member of nominations committee*

Lynda has extensive experience of working in Africa. She has deep insight into the dynamics of African business and politics, including interacting with African governments, resulting in an understanding of their fiscal policies and the regulatory environment. She also has a strong track record in community and social development. With her previous experience in the public sector and as a director in commodity-driven entities working in Africa, her understanding of the group's sectors and clients provides critical assistance to the group.

* Retiring at upcoming AGM.

Independent non-executive director

Executive director

Lead independent non-executive director

Non-executive director

SG (Stuart) Morris (66)

BCom, CA(SA)

Chairperson of audit committee, member of nominations committee, member of risk committee

Stuart is a very experienced executive in South Africa, with an ability to critically assess controls and financial risks and to advise on the adequacy of systems and procedures. He provides a solid sounding board to the group's financial team and the chief financial officer. Stuart is also the board's lead independent non-executive director. During the year, he continued to provide substantial value with respect to some material matters the group had to deal with, including the economic issues experienced in the Middle East.

Dr JL (John) Job (67)

BSc (Hons), PhD in Physical Chemistry

Chairperson of remuneration committee, member of audit committee, member of risk committee

John brings significant operational, executive and strategic leadership experience to the group. He assists the group and management with evaluating new opportunities and is able to question decisions on a very practical level. He has a particularly strong ability to identify potential problem areas and provide advice on how those should be resolved. During the year he was instrumental in continuing to guide management in the Construction Materials disposal process.

OA (Oyama) Mabandla (49)

Juris Doctor (Columbia University, New York), BA Political Science (University of California)

Member of audit committee, member of remuneration committee, member of social and ethics committee

Oyama was appointed in August 2011. He adds legal and commercial insight to the board and has a solid understanding of the socio-political landscape in South Africa and the rest of Africa. Oyama also contributes meaningfully to the strategic discourse within the group.

KK (Kalaa) Mpinga (51) (Congolese)

BSc Agricultural Economics, MSc International Agricultural Development

Chairperson of risk committee, member of audit committee, member of nominations committee

Kalaa brings significant experience in mining, construction, operations and relationships in Africa. He has a clear understanding of the over-border political and operating environment, with keen insight into effective risk management. His experience as an executive and shareholder of his own businesses also offers a constructive perspective to assist the board and management team. He is a strong supporter of the group's African expansion strategy.

DDS (Struan) Robertson (British) (62)

BSc (Mech) Eng MBA

Member of audit committee, member of risk committee

Struan was appointed in August 2011. He brings international and very relevant industrial and engineering experience to the board. His experience of managing a major UK contracting business and his commitment to health and safety in the workplace has already been of particular benefit to the board.

Memberships listed are after the reconstitution of the existing committees and the introduction of the social and ethics committee. This is pending shareholder approval at the AGM. Refer to the online section of the report at **www.groupfive.co.za** for more information.

Geographic footprint

The group proved its ability to move its focus to over-border countries where some growth was experienced, with the total secured Construction order book having moved from 30% to 38% over-border.

10 414
Employees in F2012

West Africa

Countries of operation

1 Burkina Faso*
2 Ghana*
3 Nigeria*
4 Sierra Leone*
5 Mali#

Segments active within region

- Building and Housing*
- Civil Engineering#
- Engineering and Construction Services#
- Projects*
- Property Developments#

	F2011	F2012	F2013
Revenue	229	**427**	316[1]
Employees	664	**894**	n/a
Sector			
Construction works			
• Private: public	100%:0%	**100%:0%**	100%:0%
• Mining and industrial	99%	**100%**	100%
• Power	–	**–**	–
• Oil and gas	–	**–**	–
• Water	–	**–**	–
• Real estate	1%	**–**	–
• Transport	–	**–**	–

	F2012[2]	F2013[1][2]
Major contracts	Perkoa Zinc mining works.	Akyem mining works gold plant.

ˇ F2011 and F2012 exclude Construction Materials as this cluster is being disposed of.

Southern Africa

Countries of operation

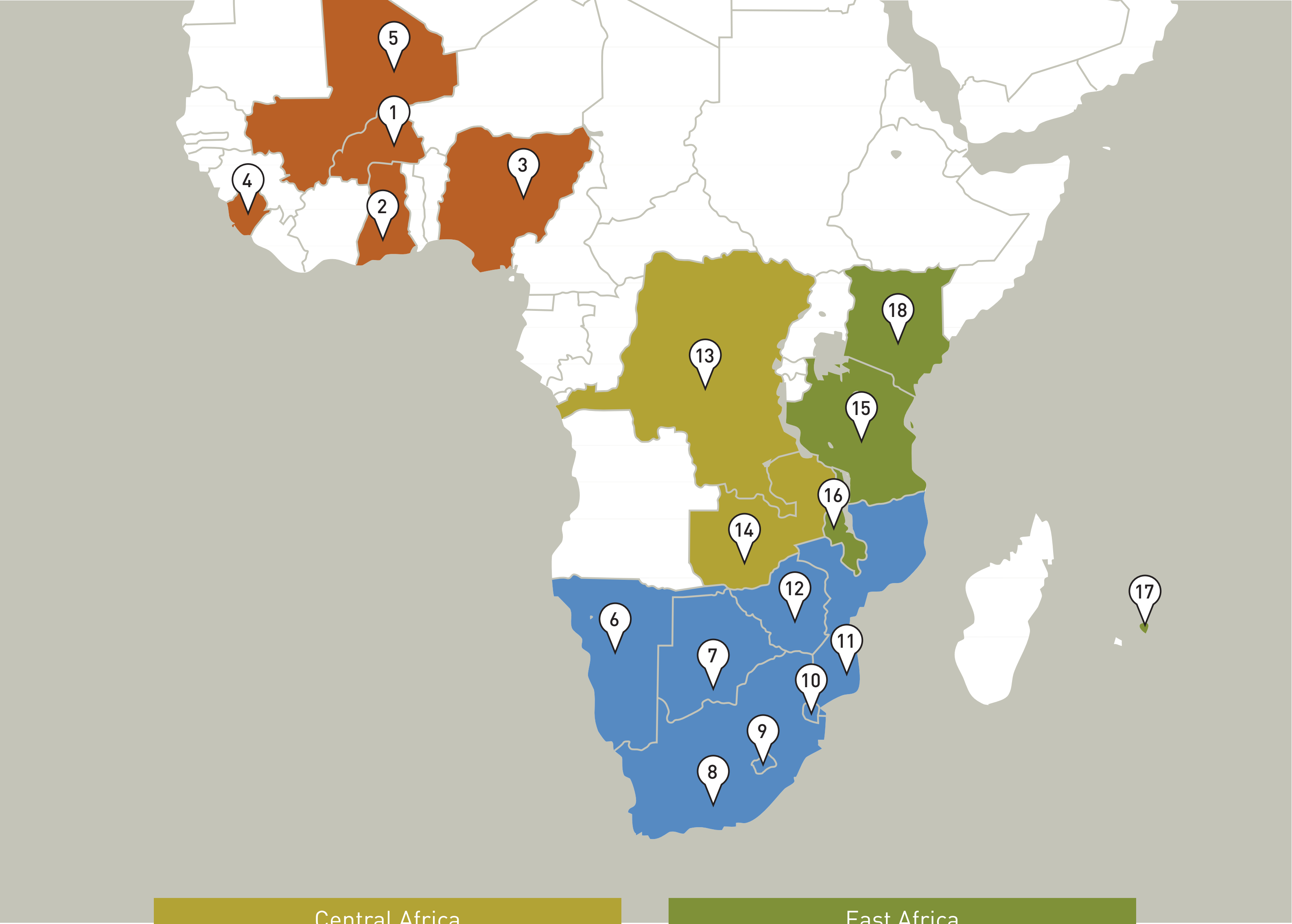
6 Namibia*
7 Botswana*
8 South Africa*
9 Lesotho*
10 Swaziland*
11 Mozambique*
12 Zimbabwe*

Segments active within region

- Building and Housing*
- Civil Engineering*
- Engineering and Construction Services*
- Infrastructure Concessions*
- Manufacturing*
- Projects*
- Property Developments*

	F2011ˇ	F2012ˇ	F2013
Revenue	6 783	**6 962**	6 593[1]
Employees	9 474	**8 171**	n/a
Sector			
Construction works			
• Private: public	29%:71%	**37%:63%**	45%:55%
• Mining and industrial	12%	**11%**	6%
• Power	6%	**9%**	18%
• Oil and gas	11%	**8%**	11%
• Water	1%	**5%**	6%
• Real estate	22%	**25%**	30%
• Transport	48%	**42%**	29%

	F2012[2]	F2013[1][2]
Major contracts	Zimbabwe roads rehabilitation. Construction contract.	Cell C Campus commercial property development.



Central Africa

Countries of operation

13 DRC*
14 Zambia*

Segments active within region

- Building and Housing*
- Civil Engineering*
- Manufacturing*
- Projects*

	F2011	**F2012**	F2013
Revenue	1 031	**830**	1 304[1]
Employees	354	**428**	n/a
Sector			
Construction works			
• Private: public	40%:60%	**68%:32%**	100%:0%
• Mining and industrial	39%	**66%**	100%
• Power	–	**–**	–
• Oil and gas	–	**–**	–
• Water	–	**–**	–
• Real estate	61%	**34%**	–
• Transport	–	**–**	–

	F2012[2]	F2013[1][2]
Major contracts	Levy Junction, mixed-use development. Commercial property.	Mongbwalu gold mine earth and civil works.

East Africa

Countries of operation

15 Tanzania*
16 Malawi*
17 Mauritius*
18 Kenya#

Segments active within region

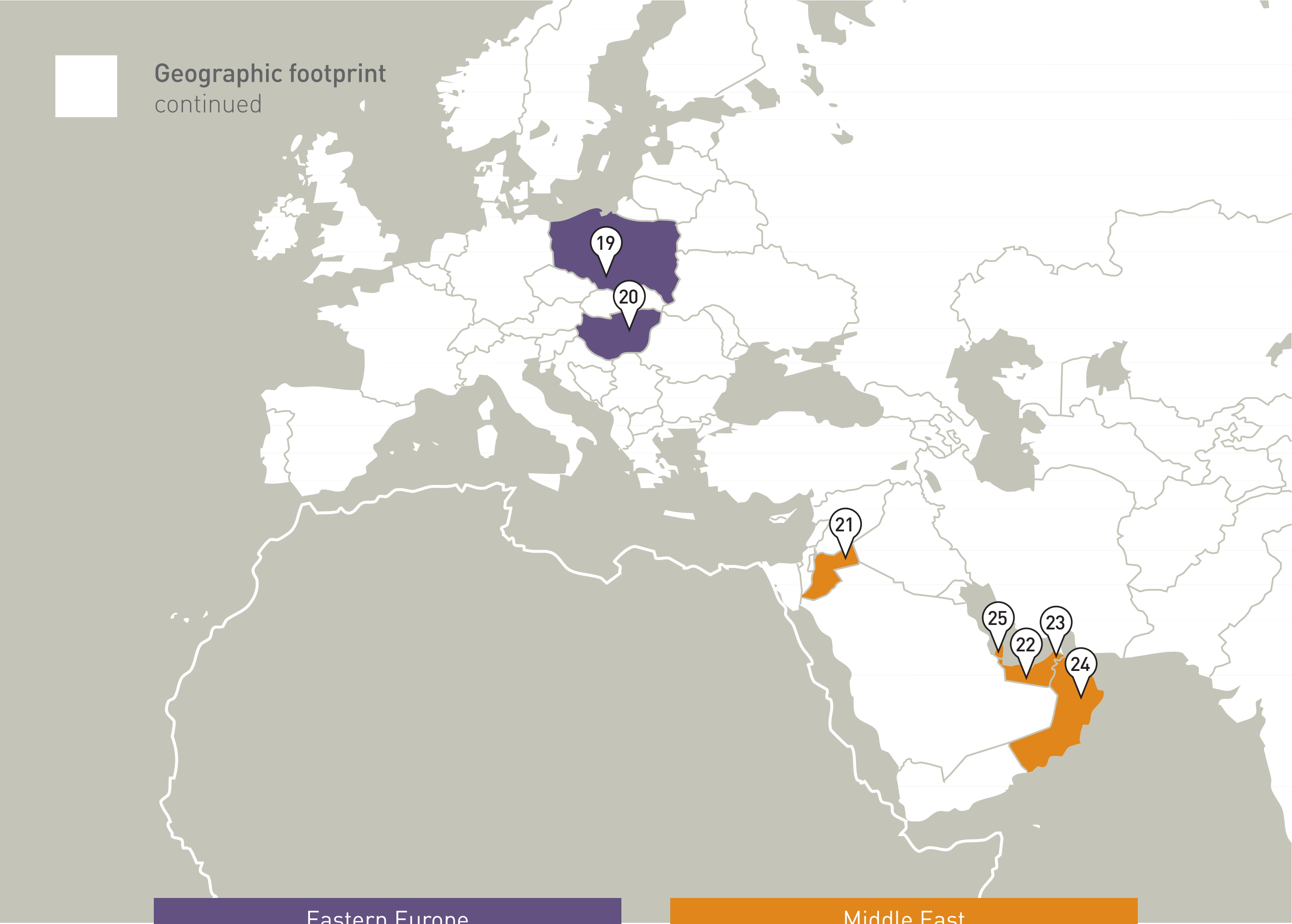
- Civil Engineering*
- Projects*

	F2011	**F2012**	F2013
Revenue	25	**86**	44[1]
Employees	110	**104**	n/a
Sector			
Construction works			
• Private: public	95%:5%	**90%:10%**	100%:0%
• Mining and industrial	95%	**80%**	100%
• Power	5%	**10%**	–
• Oil and gas	–	**–**	–
• Water	–	**–**	–
• Real estate	–	**10%**	–
• Transport	–	**–**	–

	F2012[2]	F2013[1][2]
Major contracts	North Mara gold mine plant upgrade.	North Mara gold mine plant upgrade.

(1) Based on one-year forward looking secured order book – Construction only.
(2) Key information on selected secured contracts per region.
* Operating in region in F2012.
\# Experience in region.

Geographic footprint
continued



Eastern Europe

Countries of operation

19 Poland*	20 Hungary*

Segments operating within region

Infrastructure Concessions*

	F2011	**F2012**
Revenue	300	**434**
Employees	434	**619**

Middle East

Countries of operation

21 Jordan*
22 Abu Dhabi*
23 Dubai*
24 Oman*
25 Qatar*

Segments operating within region

Civil Engineering*

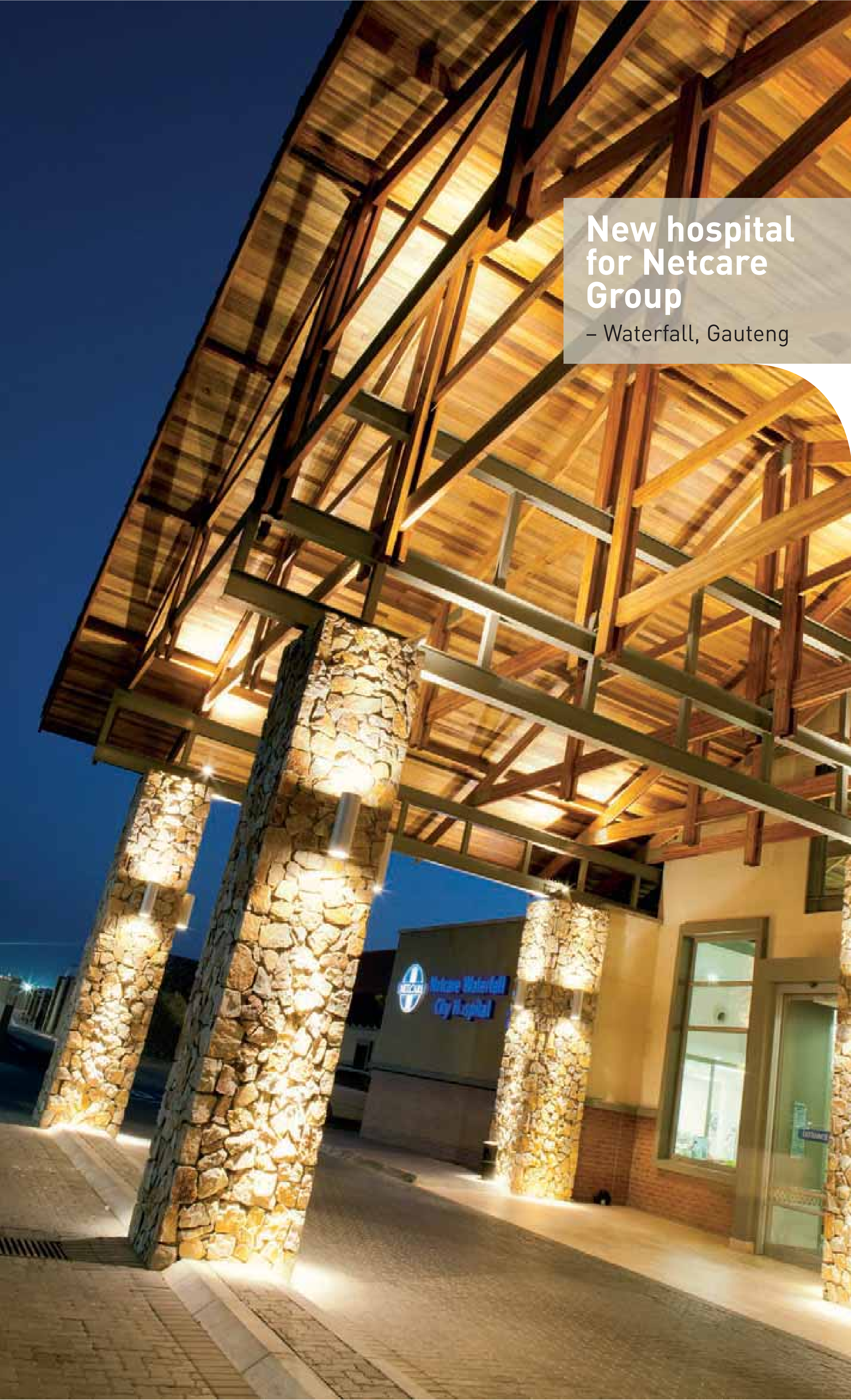
	F2011	**F2012**	F2013
Revenue	405	**44**	82[1]
Employees	404	**198**	n/a
Sector			
Construction works			
• Private: public	28%:72%	**0%:100%**	0%:100%
• Mining and industrial	17%	**–**	–
• Power	–	**–**	–
• Oil and gas	–	**–**	–
• Water	14%	**51%**	–
• Real estate	–	**10%**	100%
• Transport	69%	**39%**	–

	F2012[2]	F2013[1][2]
Major contracts	New Doha International Airport Metro station.	Kasab hotel development, Oman.

(1) Based on one-year forward looking secured order book – Construction only.
(2) Key information on selected secured contracts per region.
* Operating in region.
# Experience in region.

New hospital for Netcare Group

– Waterfall, Gauteng



Sector focus

The group's capabilities have been refined to deliver comprehensive infrastructure solutions in sectors with high potential. The next few spreads outline the group's capabilities in its target sectors.

Mining	Industrial	Power	Oil and gas	Water	Real estate	Transport

MINING

2008

Bogoso sulphide expansion contract – Ghana

This brownfields contract to increase output was the largest BIOX plant constructed at the date of completion.

2009

Tenke Fungurume mining contract – Democratic Republic of Congo

Supply, fabrication and installation of structural steel, platework, piping, electrical cabling and instrumentation, as well as installation of mechanical equipment.

2010

Kayelekera uranium contract – Malawi

Erection of piping, structural and mechanical equipment, heavy lifts, as well as electrical and instrumentation works. The plant consisted of 1 168 tonnes of steelwork, 711 tonnes of plate work, 27 kilometres of piping and 52 site-fabricated tanks.

2011

Kinsevere – Democratic Republic of Congo

The structural, mechanical, electrical, instrumentation and piping (SMEIP) supply, construct and commissioning of a copper plant to produce 60 000 tonnes grade A copper per annum.

Key competencies

- Multi-disciplinary international mine and process plant constructor
- Consortium partner in engineer, procure and construct (EPC) mine construction
- Contract crushing and hauling services
- On-site services contractor
- Supply chain logistics into remote sites
- Supply of construction and mine housing systems
- Supply of construction steel

Key differentiators

- Experienced African mining and process plant constructor across 18 countries
- Strong repeat business client base
- Reputation for delivery of complex contracts in remote and difficult conditions

2012

Grootegeluk run of mine and waste contract – South Africa

The contract is to construct a sophisticated conveyer system to enable conveyance of coal from the Grootegeluk mine to the Medupi power station in Lephalale. The contract commenced in March 2011 and is due for completion in 2012.

CASE STUDY

Kibali gold contract – DRC

[Construction of new gold plant]

The contract comprises the construction of a new gold plant in the North East province of the Democratic Republic of the Congo (DRC) for a joint venture between Rand Gold, AngloGold Ashanti and Okimo, the state-owned DRC mining company. This is one of the largest mine construction contracts for the group in the DRC.

This gold concession was last mined in the 1960s. The restarting of this mine will involve open cast, incline shaft and vertical shaft mining. Road logistics is served by a gravel road from the Ugandan border, which requires careful planning.

In line with the group's strategy of intra-group engagement and offering sector solutions, we have secured a construction package that includes the majority of the civils surface work (bulk earthworks and terraces), the civils for a hydroelectric power plant, the process plant and a major portion of the tailings and the building of the plant itself. This includes the installation and erection of steelwork, plate work and mechanical and electrical equipment. The work will be undertaken by the group's Civil Engineering and Projects segments.

Challenges of the contract involve working in an extremely high rainfall and malaria area in a very remote location, which involves complicated logistics. As Group Five Projects has over six years' experience in working in the DRC, the group is well placed to address these challenges.

This contract demonstrates Group Five's comprehensive multi-disciplinary mining plant and materials handling construction expertise. This continues to be a differentiator in South African and African mining.

INDUSTRIAL

2008

Highveld induction furnace – South Africa

Installation of a furnace and the supply of structural steel, handrailing, grating, piping and electrical and instrumentation works.

2009

Emirates Aluminium Smelter – UAE

Six packages ranging from a power plant and sub-station building to an anode bake furnace. We also constructed materials handling infrastructure.

2010

Matola cement mill – Mozambique

Demolition of the existing concrete structures, construction of new civil structures, installation of the mill and associated items, structural steel, mechanical items and piping.

2011

Sasol FT wax expansion – South Africa

Demolition of existing structures and the re-routing of services. Construction of bulk earthworks, access roads, underground drainage works, structural foundations and building extensions.

CASE STUDY

Industrial services contracts

[The group is the largest multi-disciplinary industrial services contractor in South Africa]

Group Five Engineering and Construction Services (E&CS) is the largest multi-disciplinary industrial services contractor of its kind in South Africa. It provides a broad spectrum of specialist contracting services primarily to the oil and gas, pulp and paper, sugar and chemical industries. Services include preventative maintenance studies and cost compilation, maintenance, turnarounds, brownfield plant upgrades, petrochemical technology packaging, storage tank refurbishment and repair, as well as construction and maintenance services.

Based on the specialist expertise and onerous safety and quality control systems that are required in the industrial services market, the business also contracts as a specialist oil and gas and petrochemical constructor of larger contracts in collaboration with Group Five Civil Engineering and Group Five Projects. Recent contracts include the new multi-products pipeline pump stations and terminals for Transnet.

Core maintenance contracts include the Engen Refinery since 1996, the Chevron Refinery since 2006, the Sappi Tugela Mill since 1999, Huntsman Tioxide since 2003 and Shell depots since 2009.

Turnaround and shutdown experience includes Chevron refinery turnarounds since 2007, Sapref refinery turnarounds in 2004 and 2009, Engen refinery turnarounds since 1997, the South African Oil Refinery turnaround in 2009 and Sappi shutdowns since 1999.

The group's experience demonstrates its ability to support infrastructure from inception through construction to operations and maintenance.

Key competencies

- Multi-disciplinary industrial plant constructor
- Factory layout design and build
- Construction services, including civils, building, mechanical and electrical works
- Resident multi-disciplinary maintenance and shutdown services contractor
- Supply of construction materials
- Supply of construction steel

Key differentiators

- Track record in civils, heavy mechanical, electrical and piping construction and services
  - Aluminium, steel, zinc and gold smelting
  - Petrochemical
  - Sugar
  - Paper
  - Cement

2012

Sappi Tugela Mill – South Africa

Supply of boilermaking, piping and mechanical fabrication and welding services to support the Sappi mill's engineering services and production maintenance units. This is an evergreen core contract established in December 1999.

POWER

2008

Aba power station – Nigeria

Design, supply and installation of three gas turbines, with a combined output of 120 megawatt for the Aba power station.

2009

Orapa Botswana IPP – Botswana

Engineering and design work, including conceptual works, as well as the procurement of two GE LM6 000 gas turbines.

2010

Sasol OCGT contract – South Africa

Engineer, procure, construct and commission, including performance testing the open cycle gas turbines as part of the Combined Cycle Power Generation Project at Secunda.

2011

Kusile power station – South Africa

Construction of site-wide civil works for a coal-fired power station using flue gas desulphurisation technology.

Key competencies

- Power plant co-developer, equity participant and turnkey design and build contractor
- EPC for thermal, liquid and gas power plants
- Solar, wind and mini hydro power plant contractor
- Operations and maintenance services
- Supply of construction steel and advanced building technology systems

Key differentiators

- Track record in engineer, procure and construct (EPC) power plant delivery in Africa
- Approved EPC contractor to General Electric (GE) and other technology providers
- Capability to co-develop contracts to bankability
- Capability to execute across Africa and Middle East
- Operations and maintenance systems

2012

Eskom's Kusile air cooled condenser columns – South Africa

Following Kusile's main civils works, the group is now building support columns for the air cooled condensers by using concrete sliding technology.

CASE STUDY

Namakwa Sands EPC power contract

[Furnace off-gas captive power plant]

Group Five Engineering and Construction Services (E&CS) was awarded this engineer, procure and construct (EPC) contract for Exxaro TSA Sands in December 2011. The contract involves harnessing furnace off-gas to generate electrical power using gas engines. Total plant electrical output will be 15 MW. The contract started in June 2012, with the expected completion date in June 2013.

All construction work has to be undertaken whilst the existing plant is in production, with the resultant safety requirements of a working site in place.

The contract involves collecting the furnace-generated off-gas, which is presently being flared into the atmosphere and using this fuel source to run gas engines capable of generating electrical power. The off-gas will be collected, mixed, scrubbed, cleaned and the moisture removed before being used in the gas engines. The group has been responsible for the detailed engineering and design for the gas handling and the complete power plant.

The technology to be used draws on the group's long term relationship with global power group General Electric, in particular their range of "Jenbacher" industrial gas-powered generators.

During 2011, the group constructed a similar plant for Exxaro at their Beatrix Mine.

The contract is a good fit with the group's sector focus on power and demonstrates the group's ability, particularly the EPC packaging of small to medium power plants using industrial waste, gas and liquid fuels.

OIL AND GAS

2008

Chevron maintenance shutdown – South Africa

Planned plant maintenance and repair.

2009

Engen maintenance shutdown – South Africa

Planned plant maintenance and repair.

2010

NMPP pipeline – South Africa

New multi-products pipeline designed to convey various petroleum products between Durban and Johannesburg.

2011

Sasol Alrode tanks – South Africa

Construction of a new fuel storage facility for Sasol in Johannesburg, using tank technology from HMT, our US-based liquid storage tank partner.

Key competencies

- Multi-disciplinary plant and infrastructure constructor
- Resident multi-disciplinary services contractor
- Refinery shutdown and turnaround contractor
- Specialist tankage design and build contractor

Key differentiators

- Dedicated oil and gas business
- Experienced shutdown and maintenance contractor to all oil and petrochemical majors
- Piping and steel fabrication facilities in compliance with ISO 3834
- Tankage and pipeline technology constructor and services

2012

NMPP pipeline pump stations – South Africa

This contract involved the construction of five large pump stations in KwaZulu-Natal for Transnet's NMPP pipeline. This required heavy civils, mechanical and electrical construction. Four of the group's business segments worked as part of the team. Post contract works are in progress.

CASE STUDY

New multi-products pipeline (NMPP) terminals

[Construction of two large petroleum storage and handling plants]

The NMPP pipeline for Transnet involved a number of phases. The main pipeline from Durban to Johannesburg started commercial operations in December 2011, followed by five large pump stations that were operational a few months later. The last stage was the construction of a large fuel handling facility at each end of the pipeline. The group is currently involved in the construction of two large petroleum storage and handling plants, due to be completed in December 2013.

Similar to the other phases of the NMPP contract, this phase also requires significant logistical planning. It involves Group Five Civil Engineering, Building and Housing, Projects and Engineering and Construction Services to provide a unified multi-disciplinary construction solution.

The storage and handling plant contracts include heavy concrete structures below and above ground, as well as water retaining tanks and extensive earthworks relating to the re-engineering of the existing site. Further large components are mechanical piping, equipment installation, electrical installations and instrumentation, as well as a fuel tank farm. Building works consist of sub-stations, administration buildings, laboratories, reservoirs, water sewer, fire articulation and associated road works.

The contract started in 2011. So far it has an excellent safety record, with five million injury-free man hours and an overall DIFR of 0.

Challenges have included fluctuations in scheduling and staffing required due to late and out of sequence construction information and material supply. To address this, the group has formed a core team with the client to enable accelerated deliverables and a cooperative construction schedule.

This contract demonstrates Group Five's ability to offer a complete construction package.

Mining | Industrial | Power | Oil and gas | **Water** | Real estate | Transport

WATER

2008

Berg River dam – South Africa

65 metres high, 990 metres long concrete faced rock fill dam near Franschhoek to augment water supply to Cape Town.

2009

Vresap pipeline – South Africa

Supply and installation of 126 kilometres of pipeline as a water supply system for Sasol between the Vaal dam and Secunda.

2010

Olifantspoort water treatment works – South Africa

Extension of existing water treatment works for Polokwane to increase capacity by 20 megalitres per day.

2011

BG3 pipeline – South Africa

Group Five Pipe was awarded Rand Water's R124 million BG3 pipeline in 2008. It completed the manufacture, coating and lining of the entire pipeline. The pipes were the largest pipes with the thinnest walls ever to have been manufactured by the group, with new coating and lining technology used.

Key competencies

- Multi-disciplinary constructor of bulk water transport, treatment and storage systems
- Engineer, procure and construct (EPC) delivery of bulk water systems
- Design and manufacture of large bore spiral wound water pipes
- Supply of construction steel
- Supply of fibre cement pipe systems

Key differentiators

- More than 35 years' track record of delivery in water and marine civils sector, which includes some of the largest contracts in the SADC* region
- Dedicated pipe manufacture
- Specialist experience in building pipelines and water treatment facilities

* Southern African Development Community.

2012

Spring Grove dam – South Africa

The Spring Grove dam in KwaZulu-Natal is being constructed by Group Five Civil Engineering and Coastal in joint venture with Pandev, one of the group's long-standing enterprise development partners. The contract is on track for completion in 2013.

CASE STUDY

Sewage pump station relocation – KwaZulu-Natal

[Includes under-sea pump station shaft]

Due to the recent upgrading of the Durban Point Precinct close to the Durban Harbour, one of the municipality's sewage pump stations had to be upgraded and relocated closer to the harbour. Group Five Civil Engineering and Coastal teamed up for this contract.

The contract also involves the construction of a 1,2 metre diameter concrete pipe micro tunnel of 220 metres. Micro tunnelling over such a distance is a specialist task. In this case the pipe was jacked horizontally five metres below ground level from the existing overflow chamber to the relocated pump station. This allowed the installation of the pipe tunnel without the need for excavation or disruption to traffic and existing services.

The new pump station vertical shaft is 12 metres below sea level. This necessitated dewatering of the shaft before construction could start. The construction of the diaphragm walls and concrete plug required that approximately 2 300 m^3 of concrete had to be poured under water.

It is an extremely difficult and technical contract as the construction is carried out nine metres below sea level. The site is also very confined. Managing to operate in tight spaces and environmental and safety precautions are therefore key focus areas. Pleasingly, since starting the contract the group has had no environmental incidents and no lost-time injuries.

Water-related contracts are an important and growing sector in the group's strategy.

This contract demonstrates the group's ability to execute contract works in confined public areas safely and environmentally responsibly.

REAL ESTATE

2008

Bank of Tanzania – Zanzibar

Construction of the 12 000 m^2 branch office for the Bank of Tanzania, comprising a basement, ground floor and one tower.

2009

Moses Mabhida soccer stadium – South Africa

Construction of a 70 000-seater stadium, including hospitality boxes, an athletics track, sports field, basement parking and external works.

2010

Brandvlei Prison – South Africa

Demolition of an existing prison and construction of a new prison for 1 000 inmates.

2011

Khayelitsha District Hospital – South Africa

Construction of a new 230-bed hospital in Cape Town for the Department of Public Works.

Key competencies

- Developer, equity participant and turnkey design and build contractor in real estate developments
- Design to build contractor, with particular green building expertise
- Public private partnerships (PPPs)

Key differentiators

- Design to build capability
- In-house financial structuring capability for PPP delivery
- Large building capacity and track record
- International delivery capacity
- Green building contractor

2012

Crystal Park affordable housing – South Africa

Over 4 000 units in Benoni in Gauteng secured by the group. To be included in the order book post year end. Group Five Motlekar is the developer and Group Five Housing the contractor. The contract is expected to continue until July 2017.

CASE STUDY

Construction of healthcare facilities

[Strong healthcare position in the real estate sector]

Both the private and public sectors continue to focus on the improvement of healthcare facilities.

The government in particular is aiming to address the backlog of public healthcare facilities. Included in the programme are contracts under a public private partnership (PPP) model. Whilst the timing of these tenders is uncertain, the group has the capability and experience in concessions contracts and in the construction of hospitals.

The group was recently responsible for the construction of seven high-profiled healthcare-related contracts to the value of R1,1 billion. Four of these contracts are greenfields sites. Three involved additions and alterations that took place in tight timelines at fully-operational hospitals.

New Mantsopa Hospital in the Free State is a joint venture with enterprise development partners of the Department of Public Works and the Free State provincial government.

Three hospitals in Gauteng (Netcare Femina, Netcare Linmed and Lenmed private hospital) require significant additions and alterations.

One new 230-bed hospital (Khayelitsha Hospital) in Cape Town for the Department of Public Works.

Two facilities in KwaZulu-Natal (Pomeroy Community Health Centre and GJ Crookes Hospital) require the construction of either new facilities or additions to facilities. These are both joint ventures with the group's enterprise development partners.

One of the group's significant healthcare contracts completed last year was the construction of the new **Netcare Hospital at Waterfall City in Gauteng.**

Healthcare-related contracts demand high quality and performance. The group has established a strong reputation in this field.

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

TRANSPORT

2008

Durban harbour entrance widening – South Africa

Durban harbour widening by 100 metres. Removal and replacement of existing northern breakwater, extension of southern breakwater and deepening of harbour entrance by three metres to a depth of 19 metres.

2009

King Shaka International Airport – South Africa

Design and construction of an international airport in KwaZulu-Natal.

2010

Gauteng Freeway Improvement Project – packages A and E – South Africa

Packages included lane additions and improvements to interchanges as part of SANRAL's freeway improvements.

2011

Gauteng Freeway Improvement Project – package E – South Africa

Extensive lane additions and improvements to interchanges as part of SANRAL's freeway improvements.

Key competencies

- Co-developer, equity participant and turnkey design and build contractor in transport concessions
- Engineer, procure and construct (EPC) delivery of transport infrastructure
- Multi-disciplinary constructor of roads, railways, ports, harbours and airports

Key differentiators

- International experience across Africa, the Middle East and Europe
- Reputation for timeous and technically complex delivery
- Large contract capability
- EPC competence

2012

Chota Motala Interchange – South Africa

This contract in KwaZulu-Natal comprises an upgrade of the freeway from a four-lane carriage way to a six-lane free flowing and remodelled interchange. The interchange consisted of two major structures, including the demolition and the reconstruction of the grade separation bridge and an incrementally launched fly-over bridge, as well as all associated works.

CASE STUDY

Koeberg interchange – Cape Town

[A critical road upgrade]

The Koeberg interchange carrying more than 200 000 vehicles per day had been operating below acceptable service levels for many years prior to the award of the 2010 FIFA Soccer World Cup. The time pressure to achieve the improvement to both the N1 and the M5 freeways prior to the event required quick action and innovative design from Group Five and its joint venture partner, Power Construction. Alternative technical solutions were proposed during tendering, which contributed to the group securing the contract.

Ramp A was opened on schedule in time for the 2010 FIFA Soccer World Cup and Ramp B was opened to traffic in June 2011, four months ahead of schedule.

The design challenges of threading two new intersecting ramps, each approximately 700 metres long, at a third level above the existing interchange, required the design of elements such as piers and capping beams, to allow repetitive use of formwork and the aesthetically pleasing precast u-beam structures. This allowed maximum off-site production which minimised the build programme and reduced traffic disruption. The contract used the largest pre-cast beams to have ever been constructed in South Africa.

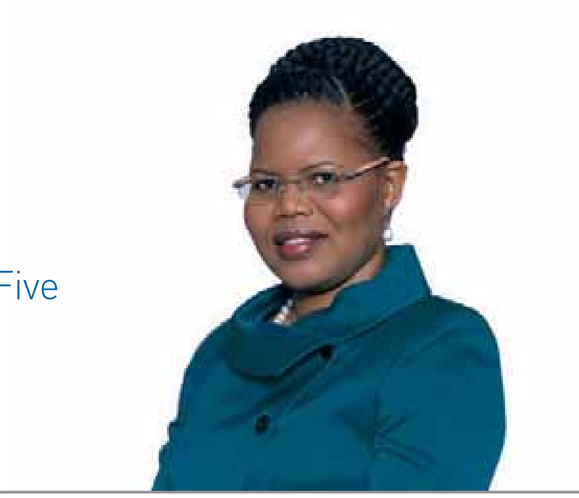
The construction team had to overcome enormous challenges, such as several buried and unrecorded services. This even included a buried old naval oil pipeline still full of oil from the second World War!

An entire riverbed had to be relocated during winter, which required careful hydraulic control and innovative use of labour-intensive gabion baskets.

This contract demonstrates the group's ability to construct technically complex infrastructure upgrades in a working urban environment through the use of specialist technologies.

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 dynamism[1].

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

82
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

	Total as at 30 June 2011: R134 billion						
	International split			Local split			
By sector (Rbn)	Total	Private	Public	Total	Private	Public	Total
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

Mining

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

Industrial

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

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

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.

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

Limited likely impact.

MANUFACTURING

- Building components and construction steel supplied into this sector

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

CONSTRUCTION AND ENGINEERING*

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

Current Construction order book of R752 million.

Additional works by the group to continue until F2014.

Private sector

INVESTMENTS AND CONCESSIONS

- No market currently

Limited likely impact.

MANUFACTURING

- Building components and construction steel supplied into this sector

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

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

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

Capacity building in progress.

Impact on the group

Sector dynamics continued

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

Public sector

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

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.

Potential future concessions market.

Potential future market if water concessions come to market.

Potential future market if water concessions come to 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

- 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

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.

Investment in South African and African property development costs, with returns delayed.

Production volumes at Everite have recovered over the year and internal forecasts are pointing to capacity expansion plans being required.

Alternative building technologies (ABT) volumes continue to grow.

The local private real estate order book constitutes 47% of the Building and Housing order book.

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

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.

Private sector

There are very limited opportunities currently.

† South African National Roads Agency.
** Bus rapid transit system.
# Integrated rapid transit system.

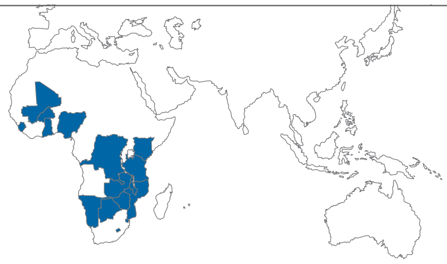
M1 freeway for SANRAL

– 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

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

Public sector

No active market currently

Private sector

INVESTMENTS AND CONCESSIONS

- Very limited opportunities

MANUFACTURING

- Good market for building components, modular accommodation and construction steel

CONSTRUCTION AND ENGINEERING*

- African mining market buoyant in gold, zinc, copper, cobalt, coal, uranium and iron ore

Impact on the group

Limited likely impact, depending on mining policies.

Limited likely impact.

Exports to service mining sites in terms of ABT accommodation units increased.

The group's steel business, BRI, benefiting, depending on logistics.

Exceptionally strong market for the group and growing across all its Construction segments.

19% of Construction order book.

Mining | **Industrial** | Power | Oil and gas | Water | Real estate | Transport

Public sector

No active market currently

Private sector

INVESTMENTS AND CONCESSIONS

- No active market currently

MANUFACTURING

- Some potential over the long term

CONSTRUCTION AND ENGINEERING*

- Limited opportunities currently

Impact on the group

Limited likely impact.

Limited likely impact.

Only 0.8% of Construction pipeline.

Sector dynamics continued

Mining | Industrial | **Power** | Oil and gas | Water | Real estate | Transport

Public sector

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

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.

Mining | Industrial | Power | **Oil and gas** | Water | Real estate | Transport

Public sector

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

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.

* 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

Private sector

INVESTMENTS AND CONCESSIONS

- Not currently in this sector

MANUFACTURING

- Some potential for Group Five Pipe

CONSTRUCTION AND ENGINEERING*

- Limited opportunity

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.

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

–%

of group revenue

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

	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.

63
Refer to page

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?

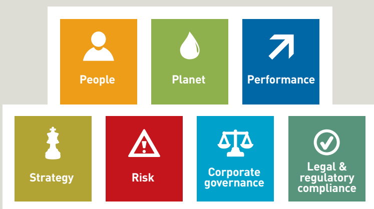
The group is recognised for transparency and its stakeholder management programmes. During the year, the group continued to improve its profile and relationships with government to better understand future strategies. It has a senior resource in place to proactively drive a focused public sector strategy.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

5

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.

> "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

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 cyclicality 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.

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?

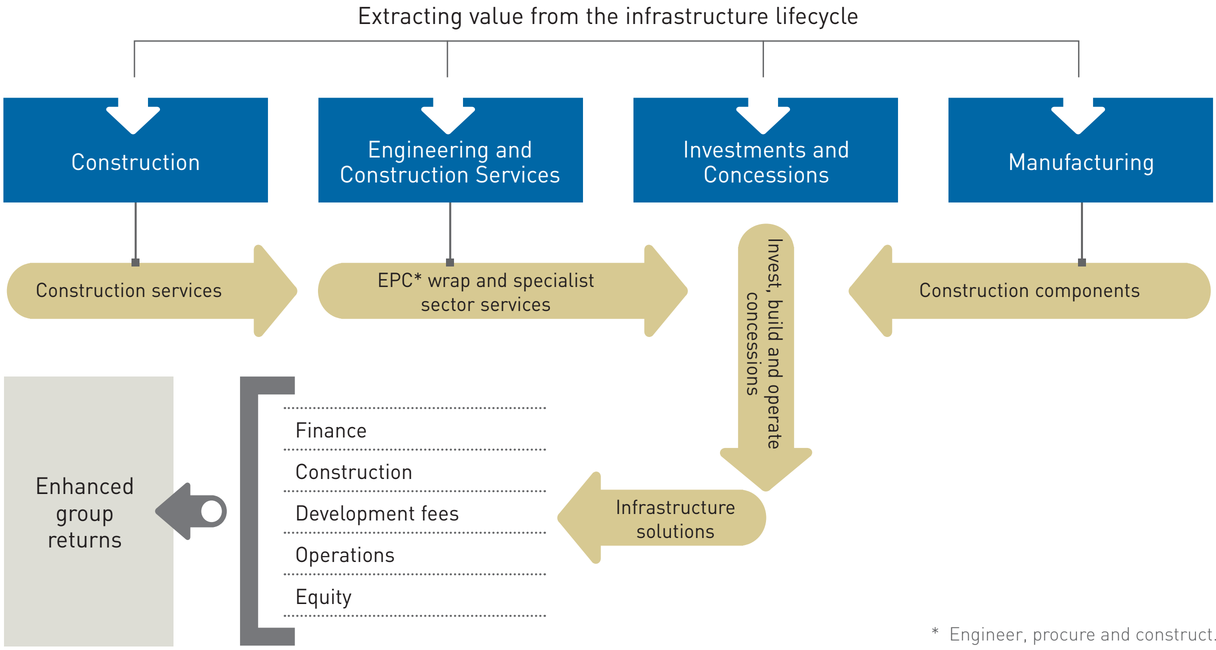
As a management team we are confident that our business focus is correct in terms of having concessions and manufacturing businesses alongside our core construction, as we require diversification to ensure growth prospects and returns to shareholders and to offer a full infrastructure solution.

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-cyclicality 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.



* Engineer, procure and construct.

Conveyer system for Grootegeluk 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.

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.

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

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: Constructionˇ

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.

ˇ 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.

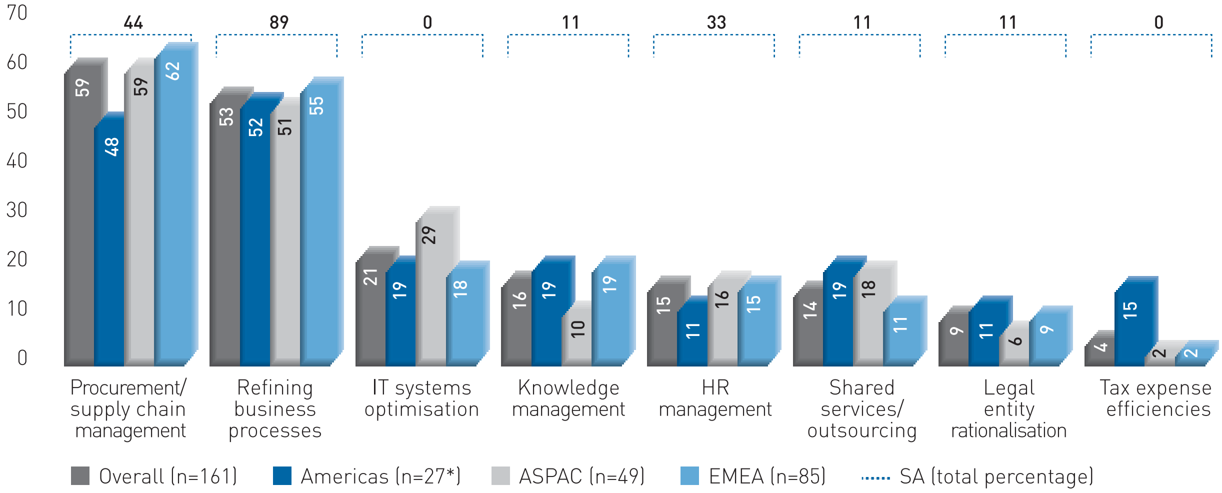
Growth drivers translate into group strategies, which are:

- Focus on mining, industrial, power, oil and gas, water, real estate and transport
- Grow capacity to secure and deliver large multi-disciplinary contracts
- Extract value from the infrastructure value chain
- Develop, invest in and operate concessions and property assets
- Expansionary geographic strategy
- Driving internal efficiencies

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.

Top functional areas with opportunities to improve efficiency (%)



'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

74 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:

- Investments and Concessions
- Manufacturing
- Construction, comprising Civil Engineering, Building and Housing and Projects
- Engineering and Construction Services

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.

90

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.

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.

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:

- 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) A1 (Phase I)	Poland Poland	61 90	15 15	30 years 30 years	228 585	168 776
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).

6 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.

Investments and Concessions

15 – 20%

Range, including fair value adjustments

Building and Housing

3 – 4%

Range

Civil Engineering

4 – 6%

Range

Manufacturing

5 – 7%

Range

Projects

5 – 8%

Range

Engineering and Construction Services

3 – 5%

Range

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

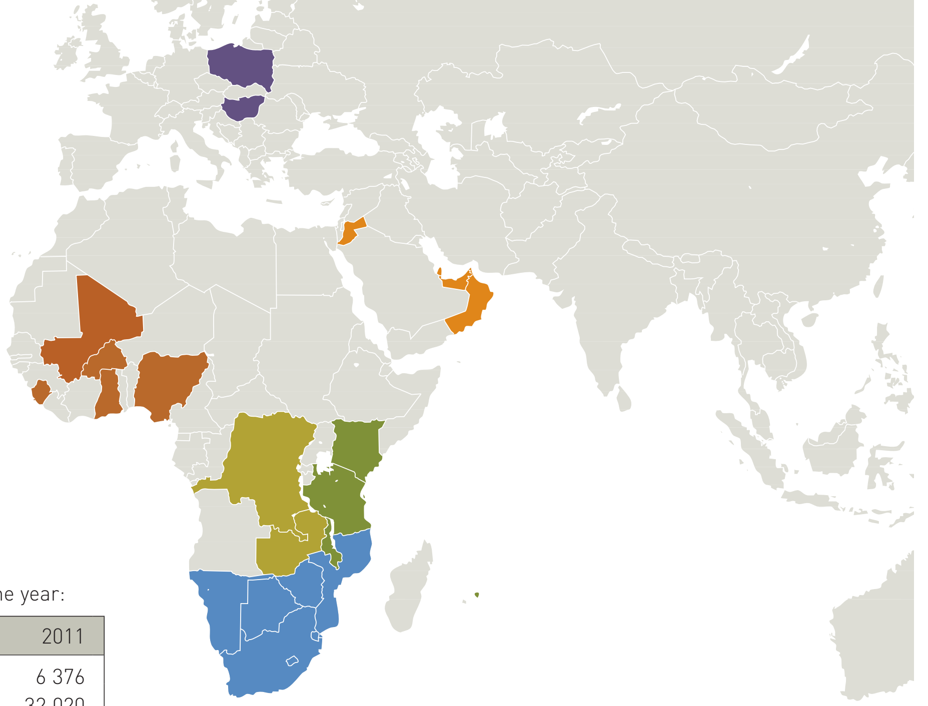
The primary application of these funds is intended to finance equity investments in power, transport, real estate opportunities and concessions.

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 (FDHEPS) 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 renewable 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.

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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	High	Low	Traded price (cents per share)
2 276	3 200	2 180	

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

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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 judgements can, by definition, only approximate the actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

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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.

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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 polices 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
Variable pay	**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	All employees	Market-based pay and individual skill and performance
Cost to company	**Benefits**	Medical aid Pension fund/ provident fund Death benefit Car allowance			

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 (AMOGE)*
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 AMOGE. 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 AMOGE 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, services expenses	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)
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

(R'000)	Salaries 30 June 2012	Salaries 30 June 2011*	Performance and equity incentives 30 June 2012	Performance and equity incentives 30 June 2011	Total 30 June 2012	Total 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**

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**	**22 646**
	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[ˇ] (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

ˇ As depicted on page 6.

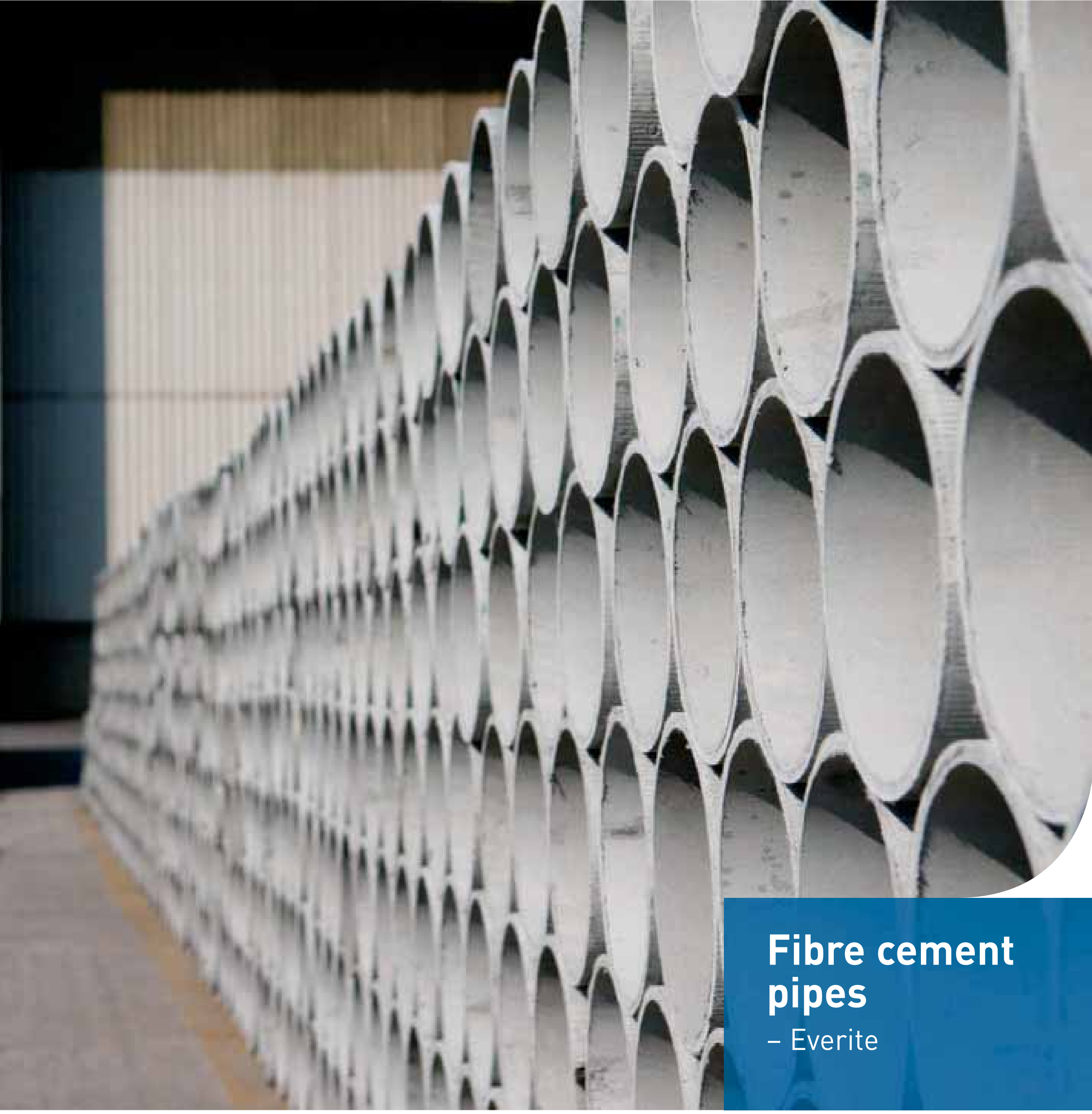
Key performance indicators

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 BBBEE contributor, even against the failure of its one ownership partner iLima.	Level 2 BBBEE 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 BBBEE 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 68.6%	Discretionary rating by manager.	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_2e**	–[1]	21[4] tonnes CO_2e	–[1]	13[2] tonnes CO_2e
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 withthe 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.

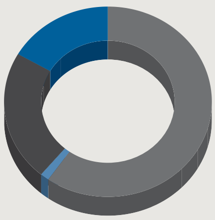
Economic value added

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

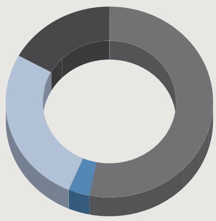
(1) F2011 and F2012 exclude Construction Materials as this cluster of business is being disposed of.
(2) Including value added taxation (VAT).
(3) Excluding employee taxes.
(4) Includes income taxation, deferred taxation, employee taxes and net value added taxation (VAT).

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

Directors' responsibility statement

for the year ended 30 June 2012

The board acknowledges its responsibility to ensure the integrity of the integrated report. The board has applied its mind to the integrated report and believes that it addresses all material issues, and presents fairly the integrated performance of the organisation and its impacts.

The integrated report has been prepared in line with best practice and the recommendations of King III.

The integrated report was approved by the board on 3 August 2012 and is signed on its behalf:

P (Philisiwe) Buthelezi
Chairperson

3 August 2012

MR (Mike) Upton
Chief executive officer

3 August 2012

CMF (Cristina) Teixeira
Chief financial officer

3 August 2012

Report of the independent auditor on the summary consolidated financial statements to the shareholders of Group Five Limited

for the year ended 30 June 2012

The summary consolidated financial statements, which comprise the consolidated group income statement, consolidated statement of financial position as at 30 June 2012, consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, as set out on pages 112 to 123, are derived from the audited consolidated annual financial statements of Group Five Limited for the year ended 30 June 2012. We expressed an unmodified audit opinion on those consolidated annual financial statements in our report dated 10 August 2012.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated annual financial statements of Group Five Limited.

Directors' responsibility for the summary consolidated financial statements

The company's directors are responsible for the preparation of a summary of the audited consolidated annual financial statements in accordance with IAS 34 and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing ("ISA") 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated annual financial statements of Group Five Limited for the year ended 30 June 2012 are consistent, in all material respects, with those consolidated annual financial statements, in accordance with IAS 34 and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

PricewaterhouseCoopers Inc.
Director: AJ Rossouw
Registered Auditor
Sunninghill

10 August 2012

Summary consolidated annual financial statements

for the year ended 30 June 2012

These consolidated annual financial statements comprise a summary of the audited consolidated annual financial statements of the group for the year ending 30 June 2012 that were approved by the board on 3 August 2012.

The summary consolidated annual financial statements are not the group's statutory accounts and do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated annual financial statements, therefore, is not a substitute for reading the audited consolidated annual financial statements of the group, as they do not contain sufficient information to allow for a complete understanding of the results and state of affairs of the group. The audited consolidated annual financial statements are available online at www.groupfive.co.za, or may be obtained from the company secretary.

The annual financial statements have been audited by the independent accounting firm, PricewaterhouseCoopers Inc. Their unmodified audit report is available for inspection at the group's registered office and their opinion on these summary consolidated annual financial statements is on page 111.

Basis of preparation

These summary consolidated annual financial statements have been prepared in accordance with the framework concepts, the recognition and measurement criteria of International Financial Reporting, Standards ("IFRS") and the information required by International Accounting Standard 34: Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"), the JSE Listings Requirements and the requirements of the Companies Act of 2008, as amended. The summary consolidated annual financial statements have been prepared on the historical cost basis, except for certain items including derivatives, investment in service concessions and investment property that are stated at fair value, and are presented in South African Rand, which is the parent company's presentation currency.

The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous period. The summary consolidated annual financial statements should be read with the full set of annual financial statements as available on the company's website.

The financial statements were prepared by the Chief Financial Officer CA(SA) and approved by the board of directors on 3 August 2012 and are signed on its behalf by:

P (Philisiwe) Buthelezi
Chairperson

3 August 2012

MR (Mike) Upton
Chief executive officer

3 August 2012

CMF (Cristina) Teixeira
Chief financial officer

3 August 2012

Group income statement

for the year ended 30 June 2012

(R'000)	GROUP 2012	GROUP Restated 2011
Construction revenue	7 111 310	7 350 583
Invoiced value of goods and services supplied	1 644 244	1 390 393
Property sales and development fees	27 824	31 789
Revenue – continuing operations	8 783 378	8 772 765
Cost of material	1 370 182	890 308
Cost of subcontractors	3 216 699	3 320 366
Direct payroll cost	2 232 800	2 296 314
Other staff cost	254 902	221 074
Depreciation	165 356	167 875
Plant costs	555 363	583 137
Manufacturing distribution cost	132 197	120 348
Site administration costs	389 637	364 149
Other administration cost	202 361	252 480
Operating expenses before fair value adjustments	8 519 497	8 216 051
Operating profit before fair value adjustments	263 881	556 714
Fair value adjustment relating to investment in service concessions	56 652	33 160
Fair value adjustment relating to investment properties – net	10 865	2 419
Fair value adjustment relating to investment in property developments	–	13 265
Operating profit	331 398	605 558
Share of profit of associates	1 163	820
Finance (cost)/income – net	(3 800)	36 960
Finance cost	(79 487)	(66 595)
Finance income	75 687	103 555
Profit before taxation	328 761	643 338
Taxation	(106 032)	(208 777)
Profit after taxation from continuing operations	222 729	434 561
Loss for the year from discontinued operations (refer page 68)	(452 841)	(593 605)
Loss for the year	(230 112)	(159 044)
(Loss)/profit attributable to:		
Equity shareholders of Group Five Limited	(278 405)	(218 107)
Non-controlling interest	48 293	59 063
	(230 112)	(159 044)
Loss per share – basic [Rand]	(2,88)	(2,27)
Fully diluted loss per share – basic [Rand]	(2,88)	(2,27)
Earnings per share from continuing operations [Rand]	1,81	3,91
Fully diluted earnings per share from continuing operations [Rand]	1,80	3,71

Group statement of comprehensive income

for the year ended 30 June 2012

(R'000)	GROUP 2012	GROUP 2011
Loss for the year	(230 112)	(159 044)
Other comprehensive income		
Exchange difference on translating foreign operations*	68 411	(45 948)
Other comprehensive income/(loss) for the year	68 411	(45 948)
Total comprehensive loss for the year	(161 701)	(204 992)
Total comprehensive (loss)/profit attributable to:		
Equity shareholders of Group Five Limited	(209 994)	(264 055)
Non-controlling interest	48 293	59 063
	(161 701)	(204 992)

* With no resultant tax impact.

Determination of headline earnings

for the year ended 30 June 2012

R'000	GROUP 2012	GROUP Restated 2011
Attributable loss	(278 405)	(218 107)
Adjusted for (net of tax)	389 982	531 695
– Loss on disposal of property, plant and equipment	3 675	832
– (Profit)/loss on disposal of subsidiary	(36)	574
– Net profit on fair value adjustments on investment property	(7 720)	(3 252)
– Impairment of property, plant and equipment	–	521 621
– Impairment of non-current assets classified as held for sale	394 063	11 920
Headline earnings	111 577	313 588

Group statement of financial position

as at 30 June 2012

(R'000)	GROUP 2012	GROUP 2011
Assets		
Non-current assets		
Property, plant and equipment	884 367	1 380 226
Investment property	9 025	50 231
Investment in associates	33 892	15 158
Loan to associates	8 314	7 572
Investments in service concessions	296 635	253 100
Investment in property developments	8 716	8 691
Pension fund surplus	137 049	121 339
Deferred taxation	55 743	83 676
Trade and other receivables	116 245	–
Total non-current assets	1 549 986	1 919 993
Current assets		
Inventories	288 181	247 178
Contracts in progress	541 869	506 474
Derivative financial instruments	–	22 403
Trade and other receivables	2 667 980	2 786 918
Cash and cash equivalents	2 268 226	2 234 779
Total current assets	5 766 256	5 797 752
Non-current assets classified as held for sale (refer page 70)	272 928	53 233
Total assets	7 589 170	7 770 978
Equity and liabilities		
Equity attributable to equity holders of the parent		
Stated capital	1 219 119	1 307 971
Retained earnings	709 979	1 028 932
Other components of equity	(120 362)	(188 773)
	1 808 736	2 148 130
Non-controlling interest	67 968	117 565
Total equity	1 876 704	2 265 695
Non-current liabilities		
Interest-bearing borrowings (refer page 78)	613 464	232 203
Provision for employment obligations	33 935	26 756
Provision for environmental rehabilitation	4 000	14 743
Deferred taxation	15 921	45 827
Trade and other payables	59 270	–
Total non-current liabilities	726 590	319 529
Current liabilities		
Excess billings over work done	828 113	492 103
Trade and other payables	3 778 412	3 813 995
Derivative financial instruments	854	–
Contract related provisions	59 294	80 430
Current taxation payable	38 956	71 838
Current portion of non-current interest-bearing borrowings	63 240	677 532
Short term borrowings	38 646	49 856
Total current liabilities	4 807 515	5 185 754
Liabilities associated with non-current assets classified as held for sale (refer page 70)	178 361	–
Total liabilities	5 712 466	5 505 283
Total equity and liabilities	7 589 170	7 770 978

Group statement of cash flow

for the year ended 30 June 2012

R'000	GROUP 2012	GROUP Restated 2011
Cash flow from operating activities		
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)
Finance income	75 687	103 555
Finance costs	(77 201)	(71 449)
Taxation paid	(107 921)	(254 748)
Dividends paid	(40 548)	(121 008)
Cash effects of operating activities (discontinued operations)	(18 290)	(25 240)
Cash effects of operating activities	410 879	(838 914)
Cash flow from investing activities		
Acquisition of property plant and equipment	(303 162)	(97 129)
Acquisition of investment property and service concessions	(11 653)	(20 139)
Proceeds on disposal of property plant and equipment	102 854	24 704
Proceeds on disposal of subsidiaries	–	2 000
Proceeds on disposal of investment property	13	21 456
Proceeds on disposal of property developments	–	133 265
Cash effects of investing activities (discontinued operations)	19 184	4 560
Cash effects of investing activities	(192 764)	68 717
Cash flow from financing activities		
Changes in associates/non-controlling interest	(103 601)	(18 874)
Proceeds on repayment of service concessions loans	24 745	22 119
Long and short term interest-bearing borrowings repaid – net	(146 428)	(56 262)
Proceeds from share options	–	5 704
Cash effects of financing activities (discontinued operations)	(44 882)	(45 496)
Cash effects of 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	24 154	(871 038)
Cash and cash equivalents at beginning of year	2 234 779	3 105 817
Cash and cash equivalents at end of year	2 258 933	2 234 779
Included in cash and cash equivalents per the statement of financial position	2 268 226	2 234 779
Included in non-current assets classified as held for sale	(9 293)	–

Capital expenditure and depreciation

for the year ended 30 June 2012

R'000	GROUP 2012	GROUP 2011
• Capital expenditure for the year	338 922	150 352
• Capital expenditure committed or authorised for the next year	393 590	203 745
• Depreciation for the year	165 356	211 557

Group statement of changes in equity

for the year ended 30 June 2012

	Number of ordinary shares issued	Number of shares held by share trust	Net shares issued to public	Stated capital R'000	Foreign currency translation reserve R'000	Distri-butable reserves R'000	Equity share-holders R'000	Non-controlling interest R'000	Total R'000
Balance at 30 June 2010	120 911 817	(25 576 647)	95 335 170	1 261 135	(142 825)	1 368 047	**2 486 357**	75 055	**2 561 412**
Issue of shares to share trust in terms of share scheme	92 699	(92 699)	–	–	–	–	**–**	–	**–**
Issue of shares from share trust	–	669 609	669 609	5 704	–	–	**5 704**	–	**5 704**
Issue of shares in terms of BEE ownership scheme in lieu of dividends	473 342	(473 342)	–	–	–	–	**–**	–	**–**
Share option costs	–	–	–	41 132	–	–	**41 132**	–	**41 132**
Total comprehensive income	–	–	–	–	(45 948)	(218 107)	**(264 055)**	59 063	**(204 992)**
Net loss for the year	–	–	–	–	–	(218 107)	**(218 107)**	59 063	**(159 044)**
Translation differences arising from foreign operations	–	–	–	–	(45 948)	–	**(45 948)**	–	**(45 948)**
Distribution to non-controlling interests	–	–	–	–	–	–	**–**	(16 553)	**(16 553)**
Dividends paid	–	–	–	–	–	(121 008)	**(121 008)**	–	**(121 008)**
Balance at 30 June 2011	121 477 858	(25 473 079)	96 004 779	1 307 971	(188 773)	1 028 932	**2 148 130**	117 565	**2 265 695**
Issue of shares from share trust	–	595 982	595 982	–	–	–	**–**	–	**–**
Cancellation of shares	(11 015 959)	11 015 959	–	(117 945)	–	–	**(117 945)**	–	**(117 945)**
Issue of shares in terms of BEE ownership scheme in lieu of dividends	183 622	(183 622)	–	–	–	–	**–**	–	**–**
Share option costs	–	–	–	29 093	–	–	**29 093**	–	**29 093**
Total comprehensive income	–	–	–	–	68 411	(278 405)	**(209 994)**	48 293	**(161 701)**
Net loss for the year	–	–	–	–	–	(278 405)	**(278 405)**	48 293	**(230 112)**
Translation differences arising from foreign operations	–	–	–	–	68 411	–	**68 411**	–	**68 411**
Distribution to non-controlling interests	–	–	–	–	–	–	**–**	(97 890)	**(97 890)**
Dividends paid	–	–	–	–	–	(40 548)	**(40 548)**	–	**(40 548)**
Balance at 30 June 2012	110 645 521	(14 044 760)	96 600 761	1 219 119	(120 362)	709 979	**1 808 736**	67 968	**1 876 704**

Share capital

There was no movement in the authorised share capital of 150 000 000 ordinary shares during the year. 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 BEE external ownership transactions, whereby shares are issued in lieu of dividends.

Non-controlling interest

Non-controlling interest mainly relates to profit share of joint ventures controlled by the entity.

Group segmental analysis

for the year ended 30 June 2012

Segment information

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

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

Operating segment	Revenue source
Investments and Concessions	
– Infrastructure Concessions	– Equipment supply, operations and maintenance revenue in concession contract developments in the transport, power and real estate sectors
– Property Developments	– Rental and development sales of A-grade Group Five branded property assets generating development and investment returns
Manufacturing	– Manufacture and sale of fibre cement products – exterior and interior walling, ceiling boards, roof tiles and pipes, fibre cement-clad, steel-framed modular housing systems – Manufacture and sale of steel products, including scaffolding, formwork and steel reinforcing for use in concrete structures, fabricated steel structures and large bore steel pipes
Construction	
– Building and Housing	– Building and housing contractor for large real estate and related infrastructure contracts
– Civil Engineering	– Civil engineering contractor for roads, ports, airports, pipelines and large structures in the mining and industrial sectors
– Engineering	– Engineering projects contractor for structural, mechanical, piping and electrical engineering, as well as complete plant construction solutions – Multi-disciplinary project delivery from feasibility through to supporting bankability and front-end design, as well as project management of contracts during execution to completion – Industrial services contractor

The group is focused by discipline and each discipline is led by an executive committee member.

The role of exco is to drive the strategic intent of the group per segment. The executive committee members meet monthly to review the group's performance. Of primary focus to exco is the revenue, operating profit, capital expenditure and current assets per segment. Exco assesses the performance of the operating segments based on a measure of adjusted operating profit. This measurement basis excludes the effects of non-operational income and expenditure from the operating segments such as pension fund valuation assets and deficits and profit or losses on sale of subsidiaries. Gains or losses on disposal of property, plant and equipment as well as investment property and fair value adjustments on service concessions, investment in property development and investment property are not adjusted as these are deemed to be in the segments' core operational control. The operating profit does not include any impairment adjustments. As exco reviews operating profit the results of discontinued operations are not included in the measure of operating profit.

Management do not believe that there are any additional segments that require separate reporting.

The reportable operating segments derive their revenue as described above.

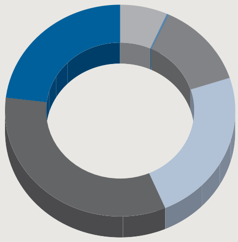
The group is also considered by geographical segment due to the extensive geographic footprint maintained by the group. The geographies are grouped into regions for reporting purposes as the group moves towards establishing operational hubs for management of regions.

The prior year comparatives have been restated to adjust for the exclusion of the construction material business now reflected as a discontinued operation and the inclusion of all fair value adjustments as these are deemed to be in the segments' core operational control.

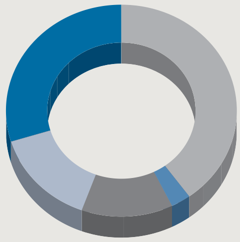
The segmental information presented below includes the reconciliation of IFRS measures presented on the face of the income statement to non-IFRS measures which are used by management to analyse the group's performance.

Financial performance: Group revenue and operating profit

Revenue



Operating profit



Note: Graphs represent F2012 values only.

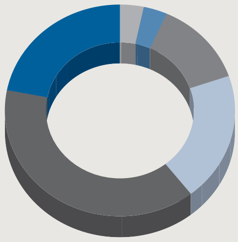
2012	Gross revenue	Internal revenue	External revenue	Operating profit
R'000				
Operational segments				
Investments and Concessions	647 739	–	647 739	153 795
Infrastructure Concessions	619 915	–	619 915	143 708
Property Developments	27 824	–	27 824	10 087
Manufacturing	1 164 849	(140 520)	1 024 329	46 490
Construction	7 204 326	(93 016)	7 111 310	121 315
Building and Housing	2 139 449	(73 477)	2 065 972	52 133
Civil Engineering	2 998 800	(1 053)	2 997 747	(37 541)
Engineering	2 066 077	(18 486)	2 047 591	106 723
	9 016 914	(233 536)	8 783 378	321 600
Adjustment for non-operational items				
Pension fund valuation surplus				15 790
Impairment of investment in associate – Investments and Concessions				(1 399)
Remeasurement of employment obligation				(4 593)
Operating profit per income statement				331 398

2011 Restated	Gross revenue	Internal revenue	External revenue	Operating profit
R'000				
Operational segments				
Investments and Concessions	554 659	–	554 659	110 774
Infrastructure Concessions	522 870	–	522 870	105 641
Property Developments	31 789	–	31 789	5 133
Manufacturing	997 375	(129 852)	867 523	25 547
Construction	7 404 220	(53 637)	7 350 583	471 536
Building and Housing	2 174 074	(31 070)	2 143 004	134 506
Civil Engineering	3 550 849	(2 488)	3 548 361	227 723
Engineering	1 679 297	(20 079)	1 659 218	109 307
	8 956 254	(183 489)	8 772 765	607 857
Adjustment for non-operational items				
Pension fund valuation deficit				(2 000)
Loss on disposal of subsidiary				(299)
Operating profit per income statement				605 558

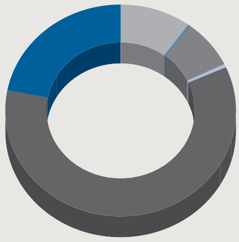
Sales between segments are carried out at arm's length and are reflected above.

Financial position: Current assets and capital expenditure

Current assets



Capital expenditure



Note: Graphs represent F2012 values only.

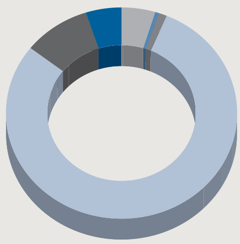
Operational segments (R'000)	2012	2011	2012	2011
Investments and Concessions	234 850	231 280	34 922	6 376
Infrastructure Concessions	118 916	147 205	34 820	6 081
Property Developments	115 934	84 075	102	295
Manufacturing	459 931	402 767	25 368	32 020
Construction Materials	–	168 731	–	15 616
Construction	2 803 249	2 760 195	278 632	96 340
Building and Housing	689 507	650 514	2 638	3 745
Civil Engineering	1 352 077	1 649 477	201 851	57 596
Engineering	761 665	460 204	74 143	34 999
	3 498 030	3 562 973	338 922	150 352
Bank balances and cash	2 268 226	2 234 779	–	–
Total current assets per statement of financial position	5 766 256	5 797 752		
Property, plant and equipment – additions			338 922	150 352

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

Geographic information

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

Revenue



Note: Graphs represent F2012 values only.

Geographical regions (R'000)	2012	Restated 2011
Eastern Europe	433 948	300 358
Middle East	43 805	405 211
Eastern Africa	85 986	25 550
Southern Africa	6 962 809	6 782 019
Central Africa	830 197	1 030 594
Western Africa	426 633	229 033
	8 783 378	8 772 765
Per income statement	8 783 378	8 772 765

Statistics

as at 30 June 2012

	GROUP	
	2012	Restated 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 shares ('000s)	96 545	96 114
Fully diluted weighted average shares ('000s)	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
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

Estimates and contingencies

The group makes estimates and judgments 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 judgments can, by definition, only approximate the actual results. Estimates and judgments 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).

Dividend declaration

On 3 August 2012, the directors declared a gross dividend of 14.0 cents per ordinary share (14.0 cents per ordinary share net of dividend withholding tax and STC credits) (2011: 20 cents). This brings the total dividend for the year to 36 cents (2011: 72 cents).

The dividend has been declared from income reserves.

In terms of the new Dividends Tax effective 1 April 2012, the following additional information is disclosed:

- The dividend is subject to dividend withholding tax at 15%. In determining dividend withholding tax, STC credits must be taken into account.
- The STC credits utilised per share amounts to 14 cents per share.
- There is no tax payable which results in a net dividend of 14 cents per share to shareholders who are not exempt from dividends withholding tax.
- The amount of shares in issue at the date of this declaration is 110 645 521 (96 600 761 exclusive of treasury shares) and the company's tax reference number is 9625/077/71/5.

To comply with the requirements of STRATE, the relevant details are:

Event	Date
Last day to trade (cum-dividend)	Thursday, 20 September 2012
Shares to commence trading (ex-dividend)	Friday, 21 September 2012
Record date (date shareholders recorded in books)	Friday, 28 September 2012
Payment date	Monday, 1 October 2012

No share certificates may be dematerialised or rematerialised between Friday, 21 September 2012 and Friday, 28 September 2012, both dates inclusive.

Analysis of shareholders

at 30 June 2012

	No of shareholders	%	No of shares	%
1. Shareholder spread				
1 – 1 000 shares	3 760	74.14	1 063 481	0.97
1 001 – 10 000 shares	880	17.35	2 892 878	2.61
10 001 – 100 000 shares	297	5.86	9 996 486	9.03
100 001 – 1 000 000 shares	119	2.35	38 827 548	35.09
1 000 001 shares and over	15	0.30	57 865 128	52.30
Totals	**5 071**	**100.00**	**110 645 521**	**100.00**
2. Distribution of shareholders				
Banks	55	1.08	5 648 883	5.11
Close corporations	31	0.61	77 083	0.07
Empowerment trusts	2	0.04	14 044 286	12.69
Endowment funds	17	0.34	492 637	0.45
Individuals	4 235	83.51	5 170 687	4.67
Insurance companies	44	0.87	8 965 627	8.10
Investment companies	13	0.26	1 715 794	1.55
Medical schemes	11	0.22	376 266	0.34
Mutual funds	130	2.56	33 446 142	30.23
Nominees and trusts	308	6.07	1 314 479	1.19
Other corporations	17	0.34	18 586	0.02
Private companies	55	1.08	2 523 373	2.28
Public companies	5	0.10	60 263	0.05
Retirement funds	147	2.90	36 790 941	33.25
Share trust	1	0.02	474	0.00
Totals	**5 071**	**100.00**	**110 645 521**	**100.00**
3. Public/non-public shareholders				
Non-public shareholders	11	0.22	14 303 971	12.93
Directors of the company	2	0.04	161 000	0.15
Executive committee members of the company	4	0.08	66 211	0.06
Management committee members of the company	2	0.04	32 000	0.03
Empowerment trusts	2	0.04	14 044 286	12.69
Share trusts	1	0.02	474	0.00
Public shareholders	5 060	99.78	96 341 550	87.07
Totals	**5 071**	**100.00**	**110 645 521**	**100.00**

	No of shares	%
4. Beneficial shareholders holding 5% or more		
Government Employees Pension Fund	19 496 694	17.62
Coronation Fund Managers	13 708 595	12.39
Mvelaphanda Group Ltd	12 292 908	11.11
Sanlam	9 505 022	8.59
Totals	**55 003 219**	**49.71**
5. Directors of the company		
MR Upton	160 000	0.14
CMF Teixeira	1 000	0.00
Totals	**161 000**	**0.14**

		No of shares	%
6.	**Executive committee members of the group**		
	P Le Sueur	44 000	0.04
	AJ McJannet	1 817	0.00
	JA Wallace	18 750	0.02
	WI Zeelie	1 644	0.00
	Totals	**66 211**	**0.06**
7.	**Management committee members of the group**		
	FH Enslin	25 000	0.02
	NM Humphreys	7 000	0.01
	Totals	**32 000**	**0.03**
8.	**Empowerment trusts**		
	Mvelaphanda Group Ltd	12 292 908	11.11
	Black Management Scheme	1 751 378	1.58
	Totals	**14 044 286**	**12.69**
9.	**Share trust**		
	Rivonia Share Scheme Services (Pty) Ltd	474	0.00
	Totals	**474**	**0.00**

10. Top twenty beneficial shareholders by size

Rank	Name of shareholder	No of shares	%
1	Government Employees Pension Fund	19 496 694	17.60
2	Group Five BEE Share Scheme Control Account	14 044 286	12.64
3	Coronation Fund Managers	13 708 595	12.39
4	Sanlam	9 505 022	8.58
5	Investment Solutions	5 374 202	4.85
6	Eskom Pension & Provident Fund	3 197 588	2.89
7	Old Mutual	3 118 583	2.81
8	Dimensional Fund Advisors	2 288 407	2.07
9	Ellerine Brothers	2 144 991	1.94
10	Absa	2 072 478	1.87
11	Metal & Engineering Industries	2 066 585	1.87
12	Allan Gray	1 824 900	1.65
13	Namibian Government Institutions Pension Fund	1 356 255	1.22
14	Transnet Pension Fund	1 250 011	1.13
15	Charlemagne Capital	1 200 100	1.08
16	Momentum Investments	958 277	0.86
17	Strategic Investment Service Management Company	829 476	0.75
18	PPS	692 481	0.62
19	Element Investment Managers	681 379	0.61
20	Mineworkers Provident Fund	655 280	0.59
Totals		**86 465 590**	**78.02**

Top ten countries based on beneficial shareholders

Rank	Name of shareholder	No of shares	%
1	South Africa	95 679 133	86.47
2	USA	4 371 589	3.95
3	Namibia	1 538 045	1.39
4	Isle of Man	906 492	0.82
5	Ireland	869 690	0.79
6	Luxembourg	319 225	0.29
7	Botswana	144 966	0.13
8	Australia	141 673	0.13
9	Portugal	129 000	0.12
10	Bermuda	80 000	0.07
Totals		**104 179 813**	**94.16**

Notice of the AGM

Group Five Limited

(Registration number 1969/000032/06)
(Incorporated in the Republic of South Africa)
Share code: GRF ISIN Code: ZAE000027405
("Group Five" or "the company" or "the group")

Notice of annual general meeting

Notice is hereby given that the annual general meeting of shareholders of the company will be held at the registered office of Group Five, 371 Rivonia Boulevard, Rivonia, on Tuesday 6 November 2012 at 11:00, for the purpose of dealing with the following business and considering, and if deemed fit, passing with or without modification, the following resolutions:

1. **ORDINARY RESOLUTION NUMBER 1: approval of annual financial statements**
   To receive, consider and approve the annual financial statements of the group for the year ended 30 June 2012, together with the directors' and independent auditors' reports and the audit committee's report.

2. **ORDINARY RESOLUTIONS NUMBER 2.1 TO 2.3: Re-election of directors**
   To re-elect by separate resolutions, directors of the company in accordance with the Companies Act 71 of 2008 (as amended) ("the Companies Act") and the company's Memorandum of Incorporation which provide that at least one-third of the directors, being those longest in office at the date of the annual general meeting, should retire, but that such directors may offer themselves for re-election:

   2.1 **ORDINARY RESOLUTION NUMBER 2.1**
   Stuart Morris who retires by rotation and being eligible offers himself for re-election; and

   2.2 **ORDINARY RESOLUTION NUMBER 2.2**
   Kalaa Mpinga who retires by rotation and being eligible offers himself for re-election.

   A brief CV in respect of each director standing for re-election appears on page 8 of this annual report as well as in the online section of the integrated report.

3. **ORDINARY RESOLUTION NUMBER 3: Appointment of group audit committee members**
   Subject, where necessary, to their reappointment as directors of the company in terms of the resolutions in paragraph 2 above:
   "RESOLVED THAT an audit committee comprising independent, non-executive directors, as provided in section 94(4) of the Companies Act, set out below be and is hereby appointed by way of a separate resolution and in terms of section 94(2) of the Companies Act to hold office until the next annual general meeting and to perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and King III and to perform such other duties and responsibilities as may from time to time be delegated by the board of directors for the company and all subsidiary companies:

   3.1. SG Morris (chairperson);

   3.2. LE Bakoro (member);

   3.3. JL Job (member);

   3.4. OA Mabandla (member);

   3.5. KK Mpinga (member); and

   3.6. DDS Robertson (member)"

4. **ORDINARY RESOLUTION NUMBER 4: Appointment of group social and ethics committee members**
   "RESOLVED THAT a social and ethics committee, as provided in section 72(4) of the Companies Act and regulation 43 of the Companies Regulations, 2011 ("Regulations"), set out below be and is hereby appointed by way of a separate resolution and in terms of regulation 43(2) of the Regulations to hold office until the next annual general meeting and to perform the duties and responsibilities stipulated in regulation 43(5) of the Regulations and to perform such other duties and responsibilities as may from time to time be delegated by the board of directors for the company and all subsidiary companies:

   4.1. LE Bakoro (chairperson);

   4.2. OA Mabandla (member);

   4.3. MR Upton (member);

   4.4. C Teixeira (member);

   4.5. J Allie (member); and

   4.6. G Mottram (member)"

5. **ORDINARY RESOLUTION NUMBER 5: Approval of remuneration policy**
   "RESOLVED to approve, through a non-binding advisory vote, the company's remuneration policy and its implementation, as set out in the Remuneration Report contained on page 90 of this annual report."

6. **ORDINARY RESOLUTION NUMBER 6: Re-appointment of auditors**
   To re-appoint PricewaterhouseCoopers Inc., with the designated audit partner being Mr A Rossouw, as independent auditors of the company for the ensuing year and that the term of engagement and fees be determined by the Audit Committee.

7. **ORDINARY RESOLUTION NUMBER 7: Control of authorised but unissued shares**
   "RESOLVED THAT the authorised but unissued shares in the capital of the company be and are hereby placed under the control and authority of the directors of the company and that the directors of the company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors of the company may from time to time and at their discretion deem fit, subject to the provisions of the Companies Act, the Memorandum of Incorporation of the company and the JSE Limited ("JSE") Listings Requirements, when applicable. The issuing of shares granted under this authority will be limited to Group Five's existing contractual obligations to issue shares, including for purposes of the Group Five Share Appreciation Right Scheme approved in October 13, 2010, any scrip dividend and/or capitalisation share award, and shares required to be issued for the purpose of carrying out the terms of the Group Five Share Appreciation Right Scheme."

8. **ORDINARY RESOLUTION NUMBER 8: Authority to sign all documents required**
   "RESOLVED THAT any one of the directors and/or the group secretary be and is hereby authorised to do all such things and sign all documents and procure the doing of all such things and the signature of all such documents as may be necessary or incidental to give effect to all ordinary and special resolutions to be proposed at the annual general meeting at which this resolution will be proposed."

9. **SPECIAL RESOLUTION NUMBER 1: Authorisation of non-executive directors' remuneration**

"**RESOLVED THAT** the proposed remuneration of non-executive directors for the year ended 30 June 2013 be approved as follows:

	F2013	F2012
Main board – chairperson	R782 800	R739 450
Main board – non-executive director	R195 500	R184 440
Lead independent director	R337 000	R318 000
Audit committee – chairperson	R195 000	R184 440
Audit committee – member	R98 000	R92 430
Remuneration committee – chairperson	R130 400	R92 430
Remuneration committee – member	R68 600	R64 660
Risk committee – chairperson	R130 400	R122 960
Risk committee – member	R68 600	R64 660
Nominations committee – member	R51 700	R48 760
Social and ethics committee – chairperson	R130 400	R122 960
Social and ethics committee – member	R68 600	R64 660
Extraordinary services – per hour	R2 800	R2 650

10. **SPECIAL RESOLUTION NUMBER 2: General authority to repurchase shares**

"**RESOLVED THAT,** subject to compliance with the JSE Listings Requirements, the Companies Act and the Memorandum of Incorporation of the company, the directors of the company be and are hereby authorised at their discretion to procure that the company or subsidiaries of the company acquire by repurchase on the JSE ordinary shares issued by the company provided that:

- the number of ordinary shares acquired in any one financial year shall not exceed 20% (twenty percent) of the ordinary shares in issue at the date on which this resolution is passed;
- this must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party;
- this authority shall lapse on the earlier of the date of the next annual general meeting of the company or 15 months after the date on which this resolution is passed; and
- the price paid per ordinary share may not be greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date on which a purchase is made."

Rationale for the authority

The rationale for this special resolution is to authorise the directors, if they deem it appropriate in the interests of the company, to procure that the company or subsidiaries of the company acquire or repurchase ordinary shares issued by the company subject to the restrictions contained in the above resolution.

At the present time the directors have no specific intention with regard to the utilisation of this authority which will only be used if the circumstances are appropriate.

The directors, after considering the effect of a repurchase of up to 20% (twenty percent) of the company's issued ordinary shares, are of the opinion that if such repurchase is implemented:

- the company and the group will be able to pay their debts in the ordinary course of business for a period of 12 months after the date of this notice;
- the recognised and measured assets of the company and the group in accordance with the accounting policies used in the latest audited annual group financial statements, will exceed the liabilities of the company and the group for a period of 12 months after the date of this notice;
- the ordinary capital and reserves of the company and the group will be adequate for the purposes of the business of the company and the group for a period of 12 months after the date of this notice;
- the working capital of the company and the group will be adequate for the purposes of the business of the company and the group for a period of 12 months after the date of this notice.

The directors undertake that:

- the company or the group will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless the company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant prohibited period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement released on SENS prior to the commencement of the prohibited period;
- an announcement will be made when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter;
- the company will only appoint one agent to effect any repurchase(s) on its behalf; and
- prior to entering the market to repurchase the company's securities, a company resolution to authorise the repurchase will have been passed in accordance with the requirements of section 46 of the Companies Act, and stating that the board has acknowledged that it has applied the solvency and liquidity test as set out in section 4 of the Companies Act and has reasonably concluded that the company will satisfy the solvency and liquidity test immediately after completing the proposed distribution; and
- the company will not enter the market to repurchase the company's securities until the company's sponsor has provided written confirmation to the JSE regarding the adequacy of the company's working capital in accordance with Schedule 25 of the JSE Listings Requirements.

Disclosures required in terms of the JSE Listings Requirements

The following information is provided in accordance with paragraph 11.26 of the JSE Listings Requirements and relates to Special Resolution number 2 above.

Litigation statement

Other than disclosed or accounted for in the annual financial statements, the directors of the company, whose names are given on page 8 of this report, are not aware of any legal or arbitration proceedings, pending or threatened against the group, which may have or have had a material effect on the group's financial position in the 12 months preceding the date of this notice of annual general meeting.

Directors' responsibility statement

The directors, whose names are given on page 8 of this report, collectively and individually accept full responsibility for the accuracy of the information given in special resolution number 2, and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statements false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this resolution and additional disclosure in terms of paragraph 11.26 of the JSE Listings Requirements pertaining thereto contain all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in these annual financial statements, there have been no material changes in the affairs, financial or trading position of the group since the signature date of this annual report and the posting date thereof.

The following disclosures required in terms of the JSE Listings Requirements are set out in accordance with the reference pages in the report of which this notice forms part

- directors and management (pages 6 and 8);
- major shareholders of the company (page 123);
- directors' interests in securities (page 122); and
- share capital of the company (page 117)

11. **SPECIAL RESOLUTION NUMBER 3: General authority to provide financial assistance to related companies and inter-related companies**
    "RESOLVED as a special resolution in terms of the Companies Act that the provision by the company of any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any 1 (one) or more related or inter-related companies of the company, be and is hereby approved, provided that:
    1. (i) the specific recipient or recipients of such financial assistance;
       (ii) the form, nature and extent of such financial assistance;
       (iii) the terms and conditions under which such financial assistance is provided
       are determined by the board of directors of the company from time to time;
    2. the board has satisfied the requirements of section 45 of the Companies Act in relation to the provision of any financial assistance;
    3. such financial assistance to a recipient thereof is, in the opinion of the board of directors of the company, required for the purpose of
       (i) meeting all or any of such recipient's operating expenses (including capital expenditure), and/or
       (ii) funding the growth, expansion, reorganisation or re-structuring of the businesses or operations of such recipient; and/or
       (iii) any other purpose, which in the opinion of the board of directors of the company, is directly or indirectly in the interests of the company; and
    4. the authority granted in terms of this special resolution shall end 2 (two) years from the date of adoption of this special resolution."

Rationale for the authority

The rationale for Special Resolution number 3 is to grant the directors of Group Five the authority to provide direct or indirect financial assistance through the lending of money, guaranteeing of a loan or other obligation and securing any debt or obligation, to its subsidiaries, associates and inter-related companies.

12. **SPECIAL RESOLUTION NUMBER 4: Adoption of Memorandum of Incorporation**
    "RESOLVED to approve a new Memorandum of Incorporation, which has been harmonised with the Companies Act and schedule 10 of the JSE Listings Requirements."

    The Memorandum of Incorporation has been initialled by the chairman for identification purposes and is available for inspection at the registered office of the company at 371 Rivonia Boulevard, Rivonia, Sandton 2128, during normal office hours from the date of issue of this notice of annual general meeting up to and including the date of the annual general meeting or any adjourned meeting.

    The minimum percentage of voting rights that is required for this special resolution to be adopted, is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

    A summary of the new Memorandum of Incorporation is attached to this notice of the annual general meeting as Annexure 1.

13. **To transact such other business as may be transacted at an annual general meeting.**

Record date

The board of directors of the company have set 10:00 Friday, 26 October 2012, as the record date for determining which shareholders are entitled to participate in and vote at the annual general meeting.

Voting and proxies

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy/proxies to attend, speak, and on a poll, vote in his/her stead. A proxy need not to be a member of the company. A form of proxy is attached for the convenience of any certificated shareholder and own-name registered dematerialised shareholder who cannot attend the annual general meeting, but who wishes to be represented thereat.

Certificated shareholders and dematerialised shareholders with own name registration

Shareholders wishing to attend the annual general meeting have to ensure beforehand with the transfer secretaries of the company that their shares are in fact registered in their own name. Should this not be the case and the shares are registered in another name or in the name of a nominee company, it is incumbent on shareholders attending the meeting to make the necessary arrangements with that party to be able to attend and vote in their capacity.

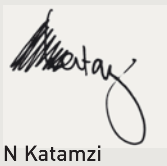
Dematerialised shareholders

Shareholders who have dematerialised their shares and who wish to attend the annual general meeting have to request their Central Securities Depository Participant ("CSDP") or broker to provide them with a Letter of Representation. Should shareholders who have dematerialised their ordinary shares wish to vote by proxy, they must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between the dematerialised shareholders and their CSDP or broker.

Proxies

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below, by no later than 10:00 Friday, 2 November 2012. On a poll every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by the shareholder.

By order of the board



N Katamzi
Company secretary
3 August 2012

Registered office
Group Five Limited
371 Rivonia Boulevard
Rivonia Ground Floor
2128

PO Box 3951
Rivonia
2128

Transfer secretaries
Computershare Investor Services
(Pty) Limited
70 Marshall Street
Johannesburg 2001

PO Box 61051
Marshalltown
2107

Annexure 1 – Salient features of the Memorandum of Incorporation of Group Five Limited ("the company")

for the year ended 30 June 2012

1. Powers of the company and restrictive conditions

The company has all the legal powers and capacity contemplated in the Companies Act, 71 of 2008, as amended, ("the Act") and no provision contained in the Memorandum of Incorporation should be interpreted or construed as negating, limiting, or restricting those powers in any way whatsoever.

2. Issue of shares and variation of rights

2.1 The company is authorised to issue:

2.1.1 150 000 000 (one hundred and fifty million) no par value ordinary shares, of the same class, each of which ranks *pari passu* in respect of all rights and entitles the holder to:

2.1.1.1 vote on any matter to be decided by the shareholders of the company and to 1 (one) vote in the case of a vote by means of a poll;

2.1.1.2 participate proportionally in any distribution made by the company; and

2.1.1.3 receive proportionally the net assets of the company upon its liquidation;

2.1.2 such number of each of such further classes of shares, if any, as set out in schedule 1 to the Memorandum of Incorporation hereto. The shares in each such further class shall rank pari passu in respect of all rights and be subject to the preferences, rights, limitations and other terms associated with each such class set out in the applicable schedule to the Memorandum of Incorporation.

2.2 The board shall have all of the powers afforded to it in terms of the Memorandum of Incorporation and under and in terms of the Act, except for the power to:

2.2.1 create any class of shares;

2.2.2 convert one class of shares into one or more other classes; or

2.2.3 increase or decrease the number of authorised shares of any class of shares; or

2.2.4 consolidate and reduce the number of the company's issued and authorised shares of any class; or

2.2.5 subdivide its shares of any class by increasing the number of its issued and authorised shares of that class without an increase of its capital; or

2.2.6 reclassify any classified shares that have been authorised but not issued; or

2.2.7 classify any unclassified shares that have been authorised but not issued, or

2.2.8 determine the preferences, rights, limitations or other terms of any shares,

which powers shall only be capable of being exercised by the shareholders by way of a special resolution of the shareholders.

3. Debt instruments

The granting of special privileges to holders of debt instruments, such as attending and voting at general meetings and the appointment of directors, is prohibited.

4. Financial assistance

The board may authorise the company:

4.1 as contemplated in section 44 of the Act, to provide financial assistance by way of loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any such securities of the company or a related or inter-related company; and

4.2 as contemplated in section 45 of the Act, to provide direct or indirect financial assistance to a related or inter-related company or corporation, or to a member of a related or inter-related corporation,

and the authority of the board in this regard is not limited or restricted by the Memorandum of Incorporation.

5. Acquisition by the company of its own shares

Subject to the JSE Limited ("JSE") Listings Requirements, the provisions of section 48 of the Act and the further provisions of this clause:

5.1 the board may determine that the company acquire a number of its own shares; and

5.2 the board of any subsidiary of the company may determine that such subsidiary acquire shares of the company.

6. Shareholders' meetings

6.1 The board, or any prescribed officer or company secretary of the company, authorised by the board, is entitled to call a shareholders' meeting at any time.

6.2 Subject to the provisions of section 60 of the Act dealing with the passing of resolutions of shareholders other than at a meeting of shareholders, the company shall hold a shareholders' meeting:

6.2.1 at any time that the board is required by the Act, the JSE Listings Requirements or the Memorandum of Incorporation to refer a matter to shareholders for decision; or

6.2.2 whenever required in terms of the Act to fill a vacancy on the board; or

6.2.3 by any other provision of the Memorandum of Incorporation.

6.3 The board shall call a meeting of shareholders if 1 (one) or more written and signed demands by shareholders calling for such a meeting are delivered to the company and:

6.3.1 each such demand describes the specific purpose for which the meeting is proposed; and

6.3.2 in aggregate, demands for substantially the same purpose are made and signed by the holders, as of the earliest time specified in any of those demands, of at least 10% (ten percent) of the voting rights entitled to be exercised in relation to the matter proposed to be considered at the meeting.

6.4 In addition to other meetings of the company that may be convened from time to time, the company shall convene an annual general meeting of its shareholders once in each calendar year, but no more than 15 (fifteen) months after the date of the previous annual general meeting.

7. Shareholders' meetings by electronic communication

Subject to the provisions of the JSE Listings Requirements, the company may conduct a shareholders' meeting by electronic communication, as set out in section 63 of the act, and the power of the company to do so is not limited or restricted by the Memorandum of Incorporation.

Subject to what the board may determine in terms of any notice of any meeting of shareholders at which it will be possible for shareholders to participate by way of electronic communication, participation by way of electronic communication at a meeting of shareholders shall exclude the right to vote on any matter put to the vote of the shareholders at that meeting.

8. Votes of shareholders

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Memorandum of Incorporation, at a meeting of the company:

8.1 every person present and entitled to exercise voting rights shall be entitled to 1 (one) vote on a show of hands, irrespective of the number of voting rights that person would otherwise be entitled to exercise;

8.2 on a poll any person who is present at the meeting, whether as a shareholder or as proxy of a shareholder, has the number of votes determined in accordance with the voting rights associated with the securities held by that shareholder; and

8.3 the holders of securities other than ordinary shares shall not be entitled to vote on any resolution at a meeting of shareholders.

9. Shareholders' resolutions

9.1 For an ordinary resolution to be approved it must be supported by more than 50% (fifty percent) of the voting rights of shareholders exercised on the resolution, as provided in section 65(7) of the Act. Notwithstanding anything to the contrary contained in the Memorandum of Incorporation, to the extent that the JSE Listings Requirements require a higher percentage in respect of any particular ordinary resolution, the company shall not implement such ordinary resolution unless the company has obtained the support of the applicable percentage prescribed in terms of the JSE Listings Requirements.

9.2 For a special resolution to be approved it must be supported by the holders of at least 75% (seventy five percent) of the voting rights exercised on the resolution, as provided in section 65(9) of the Act.

10. Shareholders acting other than at a meeting

10.1 In accordance with the provisions of section 60 of the Act, a resolution that could be voted on at a shareholders' meeting (other than in respect of the election of directors) may instead be:

10.1.1 submitted by the board for consideration by the shareholders entitled to exercise the voting rights in relation to the resolution; and

10.1.2 voted on in writing by such shareholders within a period of 20 (twenty) business days after the resolution was submitted to them.

10.2 The provisions of this clause 10 shall not apply to any shareholder meetings that are called for in terms of the JSE Listings Requirements or the passing of any resolution in terms of clause 11.2 or to any annual general meeting of the company.

11. Composition of the board of directors

11.1 In addition to the minimum number of directors, if any, that the company must satisfy any requirement in terms of the Act to appoint an audit committee and a social and ethics committee, the board must comprise not less than 4 (four) directors and not more than 15 (fifteen) directors.

11.2 All directors shall be elected by an ordinary resolution of the shareholders at a general or annual general meeting of the company and no appointment of a director in accordance with a resolution passed in terms of section 60 of the Act shall be competent.

12. Powers of directors

The management of the company shall be vested in the directors who, in addition to the powers and authorities expressly conferred upon them by the Memorandum of Incorporation, may exercise all such powers, and do all such acts and things, as may be exercised or done by the company and are not hereby or by the Act expressly directed or required to be exercised or done by the company in general meeting, but subject nevertheless to such management and control not being inconsistent with the Memorandum of Incorporation or with any resolution passed at any general meeting of the shareholders in accordance therewith, but no resolution passed by the company in general meeting shall invalidate any prior act of the directors which would have been valid if such resolution had not been passed. The general powers given by this clause shall not be limited or restricted by any special authority or power given to the directors by any other provision of the Memorandum of Incorporation.

13. Directors' meetings

13.1 Save as may be provided otherwise herein, the directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit.

13.2 The directors may elect a chairperson and a deputy chairperson and determine the period for which each is to hold office. The chairperson, or in his absence the deputy chairperson, shall be entitled to preside over all meetings of directors. If no chairperson or deputy chairperson is elected, or if at any meeting neither is present or willing to act as chairperson thereof within 10 (ten) minutes of the time appointed for holding the meeting, the directors present shall choose 1 (one) of their number to be chairperson of such meeting.

13.3 In addition to the provisions of section 73(1), any director shall at any time be entitled to call a meeting of the directors.

14. Directors' compensation

The company may pay remuneration to the directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous 2 (two) years, as set out in sections 66(8) and (9) of the Act and the power of the company in this regard is not limited or restricted by the Memorandum of Incorporation.

15. Executive directors

The directors may from time to time appoint 1 (one) or more of their body to the office of executive director for such term and at such remuneration as they may think fit (subject only to the requirements of sections 66(8) and (9) of the Act and may revoke such appointment subject to the terms of any agreement entered into in any particular case, provided that the period of office of an executive director appointed in terms of an agreement shall not exceed the terms of his employment with the company. A director so appointed shall be subject to retirement in the same manner as the other directors except during the period of his agreement, and his appointment shall terminate if he ceases for any reason to be a director.

16. Indemnification of directors

The company may:

16.1 advance expenses to a director or directly or indirectly indemnify a director in respect of the defence of legal proceedings, as set out in section 78(4) of the Act;

16.2 indemnify a director in respect of liability as set out in section 78(5) of the Act; and/or

16.3 purchase insurance to protect the company or a director as set out in section 78(7) of the Act,

and the power of the company in this regard is not limited, restricted or extended by the Memorandum of Incorporation.

17. Borrowing powers

17.1 Subject to the provisions of clause 18.2 and the other provisions of the Memorandum of Incorporation, the directors may from time to time

17.1.1 borrow for the purposes of the company such sums as they think fit; and

17.1.2 secure the payment or repayment of any such sums, or any other sum, as they think fit, whether by the creation and issue of securities, mortgage or charge upon all or any of the property or assets of the Company.

17.2 The directors shall procure (but as regards subsidiaries of the company only in terms of the exercised voting and other rights or powers of control exercisable by the company they may so procure) that the aggregate principal amount at any one time outstanding in respect of moneys so borrowed or raised by:

17.2.1 the company; and

17.2.2 all the subsidiaries for the time being of the company (excluding moneys borrowed or raised by any of such companies from any other of such companies but including the principal amount secured by any outstanding guarantees or suretyships given by the company or any of its subsidiaries for the time being for the indebtedness of any other company or companies whatsoever and not already included in the aggregate amount of the moneys so borrowed or raised),

shall not exceed the aggregate amount at that time authorised to be borrowed or secured by the company or the subsidiaries for the time being of the company (as the case may be).

18. Annual financial statements

18.1 The company shall keep all such accurate and complete accounting records, in English, as are necessary to enable the company to satisfy its obligations in terms of:
18.1.1 the Act;
18.1.2 any other law with respect to the preparation of financial statements to which the company may be subject; and
18.1.3 the Memorandum of Incorporation.

18.2 The company shall each year prepare annual financial statements within 6 (six) months of the end of its financial year, or such shorter period as may be appropriate to provide the required notice of an annual general meeting in terms of section 61(7) of the Act.

18.3 The company shall appoint an auditor each year at its annual general meeting. If the company appoints a firm as its auditor, any change in the composition of the members of that firm shall not by itself create a vacancy in the office of auditor.

18.4 The annual financial statements of the company must be prepared and audited in accordance with the provisions of section 30 of the Act.

18.5 A copy of the annual financial statements must be sent to shareholders at least 15 (fifteen) business days before the date of the annual general meeting of the company, where such annual financial statements will be considered.

18.6 In accordance with section 62(3)(d) of the Act, a summary of the annual financial statements shall be prepared on a basis that is not inconsistent with any unalterable or non-elective provision of the Act.

19. Distributions

19.1 Subject to the provisions of the Act, and particularly section 46, the company may make a proposed distribution if such distribution:
19.1.1 is pursuant to an existing legal obligation of the company, or a court order; or
19.1.2 is authorised by resolution of the board, in compliance with the JSE Listings Requirements.

19.2 No distribution shall bear interest against the company, except as otherwise provided under the conditions of issue of the shares in respect of which such distribution is payable.

19.3 Distributions may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the company may be liable.

19.4 The directors may from time to time declare and pay to the shareholders such interim distributions as the directors consider to be appropriate.

19.5 The company in general meeting or the directors may declare dividends, provided that the company in general meeting will not be able to declare a larger dividend than that declared by the directors.

19.6 All unclaimed distributions may be invested or otherwise made use of by the directors for the benefit of the company until claimed, provided that distributions unclaimed for a period of 3 (three) years from the date on which they were declared may be declared forfeited by the directors for the benefit of the company. The directors may at any time annul such forfeiture upon such conditions (if any) as they think fit. All unclaimed monies, other than distributions, that are due to any shareholder(s) shall be held by the company in trust for an indefinite period until lawfully claimed by such shareholder(s).

19.7 Any distribution, interest or other sum payable in cash to the holder of a share may be paid in any way determined by the directors, including by way of cash, electronic funds transfer or by cheque or warrant sent by post.

20. Access to company records

Each person who holds or has a beneficial interest in any securities issued by the company is entitled to inspect and copy, without any charge for any such inspection or upon payment of no more than the prescribed maximum charge for any such copy, the information contained in the records of the company referred to in section 26(1) of the Act, being:

20.1 the Memorandum of Incorporation, and any amendments or alterations thereof;

20.2 a record of the directors, including the details of any person who has served as a director, for a period of 7 (seven) years after that person has ceased to serve as a director, and any information relating to such persons referred to in section 24(5) of the Act;

20.3 all:
20.3.1 reports presented at an annual general meeting of the company for a period of 7 (seven) years after the date of any such meeting; and
20.3.2 annual financial statements required by the Act for a period of 7 (seven) years after the date on which each such particular statements were issued;
20.3.3 notice and minutes of all shareholders' meetings, including:
20.3.3.1 all resolutions adopted by them, for 7 (seven) years after the date each such resolution was adopted; and
20.3.3.2 any document that was made available by the company to the holders of securities in relation to each such resolution;

20.4 any written communications sent generally by the company to all holders of any class of the company's securities, for a period of 7 (seven) years after the date on which each of such communications was issued; and

20.5 the Securities Register of the company, as established in terms of section 50(1) of the Act.

21. Payment of commission

The company may pay a commission at a rate not exceeding 10% (ten percent) of the issue price of a share to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares of the company or for procuring or agreeing to procure, whether absolutely or conditionally, subscriptions for any shares of the company.

22. Winding up

If the company shall be wound up, whether voluntarily or otherwise, the liquidator may with the sanction of a special resolution divide among the shareholders in specie any part of the assets of the company, and may with the like sanction vest any part of the assets of the company in trustees upon such trusts for the benefit of the shareholders as the liquidator with the like sanction shall think fit, and if thought expedient any such division so sanctioned may be otherwise than in accordance with the legal rights of the shareholders of the company, and in particular any class may be given preferential or special rights or may be excluded altogether or in part.

23. Notices

23.1 All notices shall be given by the company to each shareholder of the company and simultaneously to the Issuer Services Division of the JSE, and shall be given in writing in any manner authorised by the JSE Listings Requirements and the Companies Regulations 2011 ("Regulations") and particularly Table CR 3 annexed to the Regulations. All notices shall, in addition to the above, be released through SENS provided that, in the event that the shares or other securities of the company are not listed on the JSE, all the provisions of the Memorandum of Incorporation relating to the publication of notices via SENS shall no longer apply and such notices shall thereafter only be published in accordance with the provisions of the Act.

23.2 Any notice or document delivered or sent by electronic mail, by post or delivered to the registered address of any shareholder in pursuance of the Memorandum of Incorporation shall, notwithstanding that such shareholder was then deceased, and whether or not the company has notice of his death, be deemed to have been duly served in respect of any shares, whether held solely or jointly with other persons by such shareholder, until some other person be registered in his stead as the sole or joint holder thereof, and such service shall for all purposes of the Memorandum of Incorporation be deemed a sufficient service of such notice or document on his heirs, executors or administrators, and all persons (if any) jointly interested with him in any such shares.

24. Amendment of Memorandum of Incorporation

The Memorandum of Incorporation may only be altered or amended by way of a special resolution of the ordinary shareholders in accordance with section 16(1)(c) of the Act, except if such amendment is in compliance with a court order as contemplated in section 16(1)(a) of the Act.

25. Company rules

The board is prohibited from making any rules as contemplated in section 15(3) of the Act and the board's capacity to make such rules is hereby excluded.

Form of proxy

Group Five Limited

(Registration number 1969/000032/06)
(Incorporated in the Republic of South Africa)
Share code: GRF ISIN Code: ZAE000027405
("Group Five" or "the company" or "the group")

For use at the annual general meeting of the holders of ordinary shares in the company ("Group Five shareholders") to be held at the registered office of Group Five, 371 Rivonia Boulevard, Rivonia on Tuesday, 6 November 2012 ("the annual general meeting") at 11:00.

Group Five shareholders who have dematerialised their Group Five shares through a CSDP or broker must not complete this form of proxy and must provide their CSDP or broker with their voting instructions, except for Group Five shareholders who have elected own name registration in the sub-register through a CSDP or broker and certificated shareholders, which shareholders must complete this form of proxy and lodge it with the transfer secretaries.

Holders of dematerialised Group Five shares wishing to attend the annual general meeting must inform their CSDP or broker of such intention and request their CSDP/broker to issue them with the relevant authorisation to attend.

I/We

of (address)

being the registered holder/s of ordinary shares in the capital of the company, hereby appoint (See note1):

1. or, failing him/her

2. or, failing him/her

3. or, failing him/her

the chairperson of the annual general meeting as my/our proxy to act for me/us at the annual general meeting for the purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s in accordance with the instructions/notes on the reverse side hereof.

Proposed ordinary/special resolutions	In favour	Against	Abstain
1. **Ordinary Resolution number 1:** Receive, consider and approve the annual financial statements for the year ended 30 June 2012			
2. **Ordinary Resolution number 2:** Re-election of directors 2.1. Re-election of SG Morris as director 2.2. Re-election of KK Mpinga as director			
3. **Ordinary Resolution number 3:** Appointment of group audit committee members: 3.1. election of SG Morris as member and chairperson of group audit committee 3.2. election of LE Bakoro as member of group audit committee 3.3. election of JL Job as member of group audit committee 3.4. election of OA Mabandla as member of group audit committee 3.5. election of KK Mpinga as member of group audit committee 3.6. election of DDS Robertson as member of group audit committee			
4. **Ordinary Resolution number 4:** Appointment of group social and ethics committee members: 4.1. election of L Bakoro as member and chairperson of group social and ethics committee 4.2. election of OA Mabandla as member of social and ethics committee 4.3. election of MR Upton as member of social and ethics committee 4.4. election of C Teixeira as member of social and ethics committee 4.5. election of J Allie as member of social and ethics committee 4.6. election of G Mottram as member of social and ethics committee			
5. **Ordinary Resolution number 5:** Approval of remuneration policy			
6. **Ordinary Resolution number 6:** Re-appointment of auditors			
7. **Ordinary Resolution number 7:** Control of authorised but unissued shares			
8. **Ordinary Resolution number 8:** Authority to sign all documents			
Special business 9. **Special Resolution number 1:** Authorisation of non-executive directors' remuneration			
10. **Special Resolution number 2:** General authority to repurchase shares			
11. **Special Resolution number 3:** General authority to provide financial assistance to related companies and inter-related companies			
12. **Special Resolution number 4:** Adoption of Memorandum of Incorporation			

A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, vote, speak and act in his stead. A proxy need not be a member of the company.

Signed at on 2012

Signature

assisted by me (where applicable)
(State capacity and full name) (see note 10). Please use block letters.

Please read the notes on the reverse side hereof.

Notes to proxy

1. This form of proxy must only be used by certificated ordinary shareholders or dematerialised ordinary shareholders who hold dematerialised ordinary shares with "own name" registrations.
2. Dematerialised ordinary shareholders are reminded that the onus is on them to communicate with their CSDP or broker.
3. A Group Five shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the spaces provided, with or without deleting "the chairperson of the general meeting", but any such deletion must be initialled by the Group Five shareholder concerned.
4. If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the form of proxy, and whose name is not deleted, shall be regarded as the validly appointed proxy.
5. The authority of a person signing a form of proxy in a representative capacity must be attached to the form of proxy unless that authority has already been recorded by the company's transfer secretaries or waived by the chairperson of the annual general meeting.
6. In order to be effective, forms of proxy must reach the registered office of the company or the company's transfer secretaries at least 48 hours before the time appointed for holding the meeting (excluding Saturdays, Sundays and public holidays).
7. Any alteration or correction made to this form of proxy must be initialled by the signatory/(ies).
8. If this form of proxy is returned without any indication as to how the proxy should vote, the proxy will be entitled to vote or abstain from voting as he thinks fit.
9. The delivery of the duly completed form of proxy shall not preclude any member or his duly authorised representative from attending the meeting, speaking and voting instead of such duly appointed proxy.
10. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company.
11. Where there are joint holders of any shares:
    - any one holder may sign this form of proxy; and
    - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

Registered office
371 Rivonia Boulevard
Rivonia Ground Floor
Sandton
2128

PO Box 3951
Rivonia 2128

Transfer secretaries
Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg
2001

PO Box 61051
Marshalltown 2107

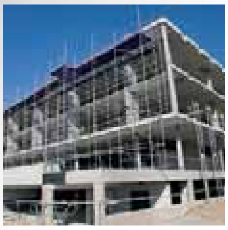
Feedback over the last few years indicated that most stakeholders would prefer an abbreviated printed annual report, which we produced for the first time in F2008.

This year, we further condensed the printed section of our integrated report, with additional information available on our website. Not printing a detailed report this year resulted in a saving of 512 460 sheets of paper.

This integrated report is printed on Magno, a paper produced in South Africa. It is certified by the Forest Stewardship Council and Programme for the Endorsement of Forest Certification Schemes (PEFC)/Chain of Custody. The paper is essentially chlorine free and manufactured from acid free pulp. Only wood from sustainable forests is used.

STUDIO S

GROUP FIVE
structured ingenuity



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