2016
AUDITED GROUP RESULTS

for the year ended 30 June 2016

GROUP FIVE
structured ingenuity

WE CREATE INFRASTRUCTURE SOLUTIONS.

CONTENTS

AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2016

REVENUE

% OF GROUP

- Engineering & Construction
- Investments & Concessions
- Manufacturing

REVENUE

R13,8 billion

down 1%

June 2015:
R13,9 billion

OPERATING PROFIT

R722 million

up 97%

June 2015:
R366 million

TOTAL ORDER BOOK†

R17,3 billion

down 8% from June 2015

Dec 2015:	June 2015:
R17,6 billion	R18,8 billion

NET ASSET VALUE

R35,02 per share

up 21% from June 2015

Dec 2015:	June 2015:
R33,79	R28,96

CASH AND CASH EQUIVALENTS

R3,3 billion

down 4% from June 2015

Dec 2015:	June 2015:
R3,6 billion	R3,4 billion

FULLY DILUTED HEADLINE EARNINGS PER SHARE

335 cents per share

up 64%

June 2015:
204 cents

EARNINGS PER SHARE

375 cents per share

up 69%

June 2015:
222 cents

TOTAL DIVIDENDS PER SHARE

72 cents per share

up 31%

June 2015:
55 cents

† *Total order book is the sum of the group Contracting order book and Operations & Maintenance order book.*

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	GROUP AUDITED	
	2016	2015
(R'000)		
Revenue	**13 773 618**	13 875 570
Operating (loss)/profit before fair value adjustments	**(51 277)**	250 750
Fair value adjustment relating to investment in service concessions and investment property	**773 557**	115 726
Operating profit	**722 280**	366 476
Share of equity accounted profits	**27 359**	24 592
Finance costs	**(76 351)**	(64 255)
Finance income	**61 437**	62 633
Profit before taxation	**734 725**	389 446
Taxation	**(277 726)**	(109 045)
Profit for the year	**456 999**	280 401
Allocated as follows:		
Equity shareholders of Group Five Limited	**379 245**	223 884
Non-controlling interest	**77 754**	56 517
	456 999	280 401
Earnings per share – R	**3,75**	2,22
Fully diluted earnings per share – R	**3,75**	2,21

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	GROUP AUDITED	
	2016	2015
(R'000)		
Profit for the year	**456 999**	280 401
Other comprehensive income for the year net of tax		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations	**281 842**	131 114
Items that will not be reclassified to profit or loss		
Re-measurement of pension fund	**(2 800)**	20 440
Tax on re-measurement of pension fund	**784**	(5 723)
Other comprehensive income for the year	**279 826**	145 831
Total comprehensive income for the year	**736 825**	426 232
Other comprehensive income attributable to:		
Equity shareholders of Group Five Limited	**659 071**	369 715
Non-controlling interest	**77 754**	56 517
Total comprehensive income for the year	**736 825**	426 232

DETERMINATION OF HEADLINE EARNINGS

FOR THE YEAR ENDED 30 JUNE 2016

	GROUP AUDITED	
	2016	2015
(R'000)		
Attributable profit	**379 245**	223 884
Adjusted for (net of tax)	**(40 435)**	(17 331)
– Profit on disposal of property, plant and equipment	**(27 250)**	(918)
– Net loss/(profit) on disposal of investment in associate and impairment/(reversal of impairment) of investment in associate	**24 866**	(2 626)
– Profit on fair value adjustment on investment property	**(38 051)**	–
– Profit on fair value adjustment on investment property held by associate company	**–**	(13 787)
Headline earnings	**338 810**	206 553

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

(R'000)	GROUP AUDITED 2016	GROUP AUDITED 2015
ASSETS		
Non-current assets		
Property, plant and equipment and investment property	**1 070 252**	954 091
Investments – service concessions	**1 230 381**	384 095
Other non-current assets	**544 644**	729 717
	2 845 277	2 067 903
Current assets		
Other current assets	**4 311 479**	4 807 222
Bank balances and cash	**3 255 233**	3 389 936
	7 566 712	8 197 158
Total assets	**10 411 989**	10 265 061
EQUITY AND LIABILITIES		
Capital and reserves		
Equity attributable to equity holders of the parent	**3 545 990**	2 928 378
Non-controlling interest	**86 740**	58 969
	3 632 730	2 987 347
Non-current liabilities		
Interest-bearing borrowings	**187 654**	477 234
Other non-current liabilities	**138 752**	120 122
	326 406	597 356
Current liabilities		
Other current liabilities	**6 452 853**	6 680 358
	6 452 853	6 680 358
Total liabilities	**6 779 259**	7 277 714
Total equity and liabilities	**10 411 989**	10 265 061

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE 2016

	GROUP AUDITED	
	2016	2015*
(R'000)		
Cash flow from operating activities		
Cash from operations before working capital changes	**449 403**	425 144
Working capital changes	**30 204**	118 838
Cash generated from operations	**479 607**	543 982
Finance costs – net	**(14 914)**	(1 622)
Taxation and dividends paid	**(318 426)**	(304 209)
Net cash generated by operating activities	**146 267**	238 151
Property, plant and equipment and investment property – net	**(155 269)**	(69 749)
Investments – net	**(42 382)**	138 204
Net cash (utilised in)/ generated by investing activities	**(197 651)**	68 455
Net cash (utilised in)/ generated by financing activities	**(438 904)**	79 439
Effects of exchange rates on cash and cash equivalents	**355 585**	82 794
Net (decrease)/increase in cash and cash equivalents	**(134 703)**	468 839
Cash equivalents at beginning of year	**3 389 936**	2 921 097
Cash equivalents at end of year	**3 255 233**	3 389 936

* *Proceeds on service concession investment and loans to equity accounted investments have been reclassified from cash effects of financing activities to cash effects of investing activities to provide improved presentation and disclosure.*

CAPITAL EXPENDITURE AND DEPRECIATION

FOR THE YEAR ENDED 30 JUNE 2016

	GROUP AUDITED	
	2016	2015
(R'000)		
– Capital expenditure for the year	**275 031**	148 596
– Capital expenditure committed or authorised for the next year	**219 535**	376 496
– Depreciation for the year	**167 881**	187 138

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	GROUP AUDITED	
	2016	2015
(R'000)		
Balance at 1 July	**2 987 347**	2 692 973
Net profit for the year	**456 999**	280 401
Other comprehensive income for the year	**279 826**	145 831
Share-based payment expense	**26 327**	24 744
Distribution to non-controlling interest	**(49 983)**	(70 846)
Dividends paid	**(67 786)**	(85 756)
Balance at 30 June	**3 632 730**	2 987 347

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

FOR THE YEAR ENDED 30 JUNE 2016

	% change	GROUP AUDITED 2016	2015
(R'000)			
Revenue			
Engineering & Construction	(0.9)	**11 767 899**	11 875 357
Building & Housing	1.0	**4 932 560**	4 885 951
Civil Engineering	(6.5)	**2 493 265**	2 665 751
Projects	10.4	**2 443 494**	2 213 758
Energy	(10.0)	**1 898 580**	2 109 897
Investments & Concessions	15.2	**1 146 814**	995 125
Manufacturing	(11.7)	**935 280**	1 058 795
Total	(0.6)	**13 849 993**	13 929 277
Joint arrangements equity accounted and joint arrangements wholly consolidated		**(76 375)**	(53 707)
Revenue per income statement		**13 773 618**	13 875 570

	% margin	% change	2016	2015
(R'000)				
Operating profit				
Engineering & Construction	(2.0)	(640.5)	**(236 926)**	43 836
Building & Housing	1.5	(18.5)	**74 459**	91 383
Civil Engineering	(15.3)	(296.0)	**(381 197)**	(96 263)
Projects	1.5	79.3	**36 604**	20 411
Energy	1.7	17.3	**33 208**	28 305
Investments & Concessions	80.0	287.7	**917 440**	236 638
Manufacturing	6.0	(17.5)	**55 993**	67 894
Total core operating profit	5.3	111.4	**736 507**	348 368
Adjustments for non-operational transactions				
Joint arrangements equity accounted and joint arrangements wholly consolidated			**(11 788)**	(11 313)
Pension fund surplus			**14 846**	18 874
Re-measurement of employment obligation			**7 581**	7 921
Net loss/(profit) on disposal of investment in associate and impairment/(reversal of impairment) of investment in associate			**(24 866)**	2 626
Operating profit per income statement			**722 280**	366 476
Share of equity accounted profits			**27 359**	24 592
Finance costs – net			**(14 914)**	(1 622)
Profit before taxation per income statement			**734 725**	389 446

STATISTICS

AS AT 30 JUNE 2016

	GROUP AUDITED	
	2016	2015
Number of ordinary shares	**101 249 779**	101 124 905
– Shares in issue	**112 216 980**	112 206 869
– Less: shares held by share trusts	**(10 967 201)**	(11 081 964)
Weighted average number of shares ('000s)	**101 147**	100 895
Fully diluted weighted average number of shares ('000s)	**101 220**	101 298
EPS – R	**3,75**	2,22
HEPS – R	**3,35**	2,05
Fully diluted EPS – R	**3,75**	2,21
Fully diluted HEPS – R	**3,35**	2,04
Dividend cover (based on earnings per share)	**5,21**	4,00
Dividends per share (cents)	**72,00**	55,00
– Interim	**42,00**	30,00
– Final	**30,00**	25,00
Net asset value per share – R*	**35,02**	28,96
Net debt to equity ratio	**net ungeared**	net ungeared
Current ratio	**1,20**	1,20

EPS: Earnings per share.
HEPS: Headline earnings per share.
* *Net asset value relates to that attributable to equity holders of the parent.*

COMMENTARY

INTRODUCTION

The group delivered a pleasing improvement in earnings in F2016 over the prior year due to an exceptional result from the Investments & Concessions cluster, boosted by a significant fair value gain realised from the group's Eastern European project investment portfolio. The strong fair value gain was realised as a result of:

- Maturing project risk profiles, with construction complete and final defects lists determined and known
- Actual proven project traffic flows being materially better than those conservatively forecast at time of tender submission
- As a result of the above, actual underlying project cash-flows were materially better than those originally forecast in the base-case models compiled at the time of project financial close.

Operating profit performance was also strong, with excellent delivery across all secured projects.

Good progress in the development of the South African property portfolio realised further fair value profit in the year.

The Manufacturing cluster delivered a reduced, but acceptable, result despite difficult South African trading conditions in all its product markets. Group Five Pipe, in particular, experienced very weak new order intake through the second half of the financial year. The team lessened the effect of the weak markets by proactively delivering improvements in manufacturing efficiencies and overhead costs, whilst assertively maintaining market share and pursuing available contract work.

Performance by the Engineering & Construction cluster continued at low levels, with operating performance below expectations. Of the underlying segments that constitute Engineering & Construction, Building and Housing was again the strongest performer. However, it delivered a weaker result compared to the prior year due to ongoing margin pressure. Margin improvement was realised in the second half of the financial year. Results in the Projects and Energy segments were below recent guidance due to the overall tight market conditions and continued holding costs through the downturn. Although Civil Engineering's underlying operating performance improved in line with recent guidance provided, its margins were impacted by a material provision raised by the group within this segment in the second half of the financial year against a previously certified but now problematic debt. The group is pursuing its rights on this matter with a focus on recovery. The Kpone Power contract in Ghana continues to make good progress and is performing in line with plan. The Engineering & Construction cluster has made solid progress in delivery against the operational improvement plan and the overall loss-making ratio showed improvement over the prior year.

Additional restructuring costs for the group were incurred during the year in line with continued weak trading conditions, with further rightsizing of the underlying operating business segments and associated realignment of the group's support structures being implemented.

FINANCIAL PERFORMANCE

Headline earnings per share (HEPS) of 335 cents represents an increase of 63.6%, and fully diluted HEPS (FDHEPS) of 335 cents per share an increase of 64.2% compared to the HEPS and FDHEPS of 205 cents and 204 cents per share respectively for F2015.

Earnings per share (EPS) of 375 cents and fully diluted EPS (FDEPS) of 375 cents per share represents a 69.0% and 69.7% increase respectively over the 222 cents per share and 221 cents per share for F2015.

The difference between earnings and headline earnings in the year is mainly as a result of a profit on the fair value adjustment of an investment property and profits on sale of fixed assets, offset by a loss on a partial dilution from a shareholding in an associate.

Group revenue remained largely unchanged at R13,8 billion (F2015: R13,9 billion), with increased revenue from the Investments & Concessions cluster and the Projects segment within the Engineering & Construction cluster offset by decreased revenue from the Manufacturing cluster and the Civil Engineering and Energy segments within the Engineering & Construction cluster. Revenue from the Building & Housing segment remained flat for the year.

The group's core operating profit increased by 111.4% from R348,4 million to R736,5 million, mainly as a result of the stronger fair value gain realised on service concessions (R730,1 million) and fair value gains on investment property (R43,5 million), compared to those reported in the previous period (F2015: R115,7 million and nil respectively).

The stronger fair values, along with a solid performance from operations, resulted in the Investments & Concessions cluster core operating profit increasing by 287.7% to R917,4 million. This record performance was diluted by the weaker result from the Engineering & Construction cluster, which reported a core operating loss of R236,9 million, mainly as a result of a core operating loss in the Civil Engineering segment of R381,2 million. The group's total core operating profit is therefore reported at R736,5 million. Although the Civil Engineering segment returned to a break-even operating performance in H2 F2016 after reporting losses of R17,1 million in H1 F2016, its results were impacted by a R365,4 million provision for a potential impaired debt.

The group's overall core operating margin increased from 2.5% in the prior year to 5.3%. The group's total reported operating margin increased from 2.6% to 5.2%.

In line with expectations, group net finance costs of R14,9 million were recorded for the year compared to the net finance costs of R1,6 million in the prior year.

The effective tax rate of 38% (F2015: 28%) was impacted by the taxation effect of the provision raised for the potential bad debt, as outlined in the operational review. The effective tax rate excluding this adjustment was 25%, which is more comparable to that of the South African statutory tax rate of 28%. This is also as a result of the prudent approach adopted with the raising of deferred taxation assets and an increase in under-provided taxation from the previous year, which was offset by liabilities in jurisdictions with lower taxation rates.

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 balance of R3,3 billion as at 30 June 2016 (F2015: R3,4 billion and H1 F2016: R3,6 billion). At year-end the group reported R1,9 billion (F2015: R938,6 million) in excess billings over work performed and R479,4 million (F2015: R1,1 billion) in advance payments received.

Notice is hereby given that, in terms of the provisions of section 45(5) of the Companies Act, No 71 of 2008 (South Africa) and pursuant to the special resolution passed at the annual general meeting of the company held on 3 November 2015, authorising the company to provide direct or indirect financial assistance to related or inter-related parties, the board of directors has resolved in terms of section 45(2) of the Act to authorise Group Five to provide financial assistance to its subsidiary, which financial assistance exceeds one-tenth of one percent of the company's net worth. The financial assistance is in the form of a guarantee for borrowing facilities.

In H1 F2016 the group reported that the following transactions were concluded:

- Settlement of a revolving credit facility for USD 20 million, bearing a variable interest, linked to LIBOR, at the 2015 year end of 2.03%, which was repaid in September 2015
- Raising of a USD15 million facility in December 2015, of which USD12 million has been utilised, bearing variable interest, linked to LIBOR, at the time of 1.64%. This was repaid in May 2016
- Retaining a revolving credit facility of R250 million bearing a variable interest, linked to JIBAR, at year-end of 9.6%

Financial instruments, other than investments in service concessions that are measured at fair value through profit and loss, are measured at carrying value which approximates their fair value. The group values its investments in service concessions at fair value at the time of investing or making an irrevocable commitment to invest. Fair values are determined using the discounted cash flow method of valuation using anticipated future cash flow based on market-related exchange and inflation rates. The relevant South Africa Rand to Euro exchange rate used was R16,67 (F2015: R13,64). The cash flows are discounted at appropriate rates that take into account the relevant market and project risks. Discount rates ranging between 11% and 13% were used. (F2015: 9% – 14%).

CASH FLOW

The group's cash flow position is pleasing. The group generated R449,4 million (F2015: R425,1 million) cash from operations before a minimal level of working capital enhancement of R30,2 million (F2015: R118,9 million). This resulted in a net cash inflow from operating activities of R146,3 million (F2015: R238,1 million) after settlement of taxation liabilities of R250,6 million (F2015: R218,4 million) and the dividend to shareholders of R67,8 million (F2015: R85,7 million).

The group invested R168,7 million with the acquisition of 12.7% in the M6 Phase I project in Hungary, a long term concession with a remaining ten-year term.

After a net cash investment of R149,7 million (F2015: R69,9 million) in plant and equipment, net borrowings repaid of R391,9 million (F2015: net R145,5 million raised), and proceeds on service concessions investments of R142,7 million (F2015: R153,1 million), a net outflow of R134,7 million was realised (F2015: R468,8 million inflow).

The depreciation of the South Africa Rand against foreign currencies, especially the US Dollar, resulted in a R355,6 million (F2015: R82,8 million) enhancement in the South African Rand equivalent of foreign cash balances.

DIVIDEND

The group has an approximate four times basic earnings per share dividend cover policy. This policy is subject to review on a semi-annual basis, prior to dividend declaration, as distributions are influenced by business growth expectations, acquisition activity or movements in earnings as a result of fair value accounting adjustments. A dividend for this period of 30 cents per share (H2 F2015: 25 cents) was declared based on an adjusted earnings per share. The full-year dividend is therefore 72 cents (F2015: 55 cents). The dividend policy remains unchanged, based on the medium term business outlook and the availability of liquid resources.

BUSINESS COMBINATIONS

There were no business combinations during the current year. In the prior year, the remaining business within the group's discontinued cluster of Construction Materials was transferred into continuing operations. This operation now trades within the Manufacturing cluster.

SHAREHOLDING

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

The estimated share-based payment benefit with respect to the Black Professionals Staff Trust at 30 June 2016 was R46,8 million (June 2015: R86,4 million) and is recognised as a cash-settled share-based payment transaction over the life of the scheme from the effective date of this transaction to the assumed end date of November 2020. An amount of R500k (F2015: R8,1 million) was charged to earnings in F2016.

The implementation of the Izakhiwo Imfundo Bursary Trust portion of the revised transaction resulted in a two million share increase in prior years. The implementation of the Black Professionals Staff Trust at the effective date did not increase the weighted average number of shares in issue, as these remain anti-dilutive at 30 June 2016. This is required to be reassessed at each reporting period.

INDUSTRY MATTERS

Management continue to engage with the Competition Commission with the intent to finally resolve the two remaining matters on fair terms. Whilst some progress has been made, this matter remains outstanding. The group acknowledges that investors would like this issue resolved as quickly as possible and will continue to work hard at a resolution whilst still protecting the interests of all our stakeholders. Based on legal counsel assessment, any settlement or liability would be adequately covered by the provision raised in F2013.

During the year, the group was notified of a single client contract claim which was lodged against one of the contracts that is under review by the Competition Commission. The group believes it is well placed to defend this potential R7 million claim.

Under the leadership of the board and chief executive officer, Group Five continues to play a leading role in driving change and transformation in the industry. The group is committed to actively working with the South African government and all industry stakeholders to increase sector investment and job creation, foster industry innovation and entrepreneurial activity and improve positive collaboration between business, government, labour and civil society in achieving sustainable and inclusive industry growth in South Africa and across the rest of the African continent.

ESTIMATES AND CONTINGENCIES

The group makes estimates and assumptions concerning the future, particularly with regard to construction contract profit taking, provisions, arbitrations and claims and various fair value accounting policies.

Accounting estimates and judgements can, by definition, only approximate results, as the actual results may differ from such estimates. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

While the group has received only one civil claim, stakeholder attention is drawn to the contingent risk of further civil claims possibly being lodged against the group, and all construction companies which were implicated in anti-competitive behaviour, following the Competition Commission release of its findings in June 2013 and the public interest reported in recent months.

Total financial institution guarantees given to third parties on behalf of subsidiary companies amounted to R6 521 million as at 30 June 2016, compared to R7 448 million as at 31 December 2015 and R7 144 million as at 30 June 2015.

OPERATIONAL REVIEW

GROUP

The group provides both its total operating margin, as well as the core operating margin from operations as per the segmental report.

The core operating margin is the total operating margin adjusted for non-core/headline transactions such as pension fund surpluses, profit/loss on sale of or impairment/reversal of impairment of subsidiaries and associates and the re-measurement of employment obligations.

The core operating margin reflects the underlying operating performance. Both margins include the fair value gains in Investments & Concessions and profit/loss on sale of property, plant and equipment and investment property, as these are within the control of the group.

The total operating margin excludes joint arrangements equity accounted and wholly consolidated, whilst the core margin does not adjust for these joint ventures for segmental reporting purposes.

During the prior year, the group transferred the remaining business within its discontinued cluster of Construction Materials into continuing operations. This operation now trades within the Manufacturing cluster.

	AUDITED	
	Year ended 30 June 2016	Year ended 30 June 2015
Group		
Revenue – (R'000)	**13 773 618**	13 875 570
Total operating margin per income statement – %	**5.2**	2.6
Core operating margin per segmental report – %	**5.3**	2.5

The group results were impacted by:

- a surplus on the group's pension fund of R14,9 million (F2015: R18,9 million) as a result of an actuarial valuation assessment
- a charge against earnings of R500k (F2015: R8,1 million) as a result of the group's broad-based black economic empowerment (BBBEE) ownership transaction approved by shareholders in F2013

	AUDITED	
	Year ended 30 June 2016	Year ended 30 June 2015
Engineering & Construction		
Revenue – (R'000)	**11 767 899**	11 875 357
Core operating margin per segmental report – %	**(2.0)**	0.4

The Engineering & Construction cluster contributed 85.0% to group revenue (F2015: 85.3%), but delivered an operating loss of R236,9 million (F2015: R43,8 million profit). Prior to a R365,4 million provision made for a problematic debtor in Civil Engineering, the cluster performance stabilised with an overall operating profit of R128,5 million or a 1.1% core operating margin. (F2015: R43,8 million or a 0.4% core operating margin).

Revenue remained largely unchanged at R11,8 billion (F2015: R11,9 billion). Over-border work contributed 32% (F2015: 26%) to cluster revenues.

While there was an improvement in order book intake during the latter part of the financial year, most of F2016 was characterised by order book decline, with the resultant negative operational gearing weighing on the cluster results. Continued competitive market conditions translated into tighter margins on work secured, but still at acceptable levels compared to the group's target returns.

Additional retrenchment costs were incurred, which further weighed on reported results.

The cluster continued to deliver well against client contractual commitments, with positive client feedback on overall contract performance supported by an improving contract loss-making ratio.

The Kpone Power contract in Ghana continues to make good progress in line with plan.

Sadly the cluster reported four fatalities within the year, all having occurred within our sub-contracting and supplier base. Two of the fatalities were falling from height incidents within the Buildings and Projects segments, and two separate vehicle related incidents within the Civil Engineering segment. Focused action has been taken to address sub-contractor safety performance and consequence management, and in maintaining our relentless efforts to ensure a safe working environment for all our employees, sub-contractors and contract partners.

The following segment performances contributed to Engineering & Construction's total core operating profit:

	AUDITED	
	Year ended 30 June 2016	Year ended 30 June 2015
Building & Housing		
Revenue – (R'000)	**4 932 560**	4 885 951
Core operating margin per segmental report – %	**1.5**	1.9

Building & Housing revenue remained flat at R4,9 billion (100% local). The segment reported a 18.5% decrease in core operating profit from the prior year, decreasing from R91,4 million to R74,5 million. This resulted in the overall core operating margin percentage decreasing from 1.9% to 1.5%. The order book, whilst reduced from June 2015, remains at a high level and reflects an increase over that reported with the H1 F2016 results.

The results continue to reflect a tight trading environment operating on thin margins, despite good contract execution against tender budgets and programme.

While tender enquiries continue to be at a relatively high level, and the value of new contracts secured encouraging, segment competition remains strong. The medium to longer term outlook for the building market is less certain in a rising domestic interest rate environment. The housing sector is however showing a number of significant opportunities both in the private residential development and public housing sector markets, thus providing greater certainty of future order book growth.

Both the Building and Housing businesses successfully completed large projects in the public and private sectors this year and measured strong client satisfaction levels. Notable successes were the completion of the Nelson Mandela Children's Hospital in Gauteng, the Mall of Africa in Waterfall City and successful progress with the construction of the City of Tshwane's public private partnership project for its new municipal headquarters (Munitoria).

There was a pleasing order book increase, with a number of new awards specifically in the Western Cape building sector, as well as increased activity and spend in the public and private sector mass and high-density housing sectors. Construction has commenced on numerous new contracts and Building capacity in particular is almost fully utilised.

The segment also continues to develop select building and housing contracts in targeted African markets where the group is competitive. These provide strong medium term prospects in line with the group's contracting capacity and country risk appetite.

The secured one-year order book stands at R4,3 billion (96% local) (H1 F2016: R3,6 billion and 100% local) (F2015: R4,4 billion and 100% local). The total secured order book stands at R5,6 billion (95% local) (H1 F2016: R5,0 billion and 100% local) (F2015: R6,1 billion and 100% local).

	AUDITED	
	Year ended 30 June 2016	Year ended 30 June 2015
Civil Engineering		
Revenue – (R'000)	**2 493 265**	2 665 751
Core operating margin per segmental report – %	**(15.3)**	(3.6)

This segment reported a 6.5% decrease in revenue from R2,7 billion (62% local) to R2,5 billion (63% local), while core operations generated a disappointing loss of R381,2 million for the year (F2015: R96,3 million loss).

The Civil Engineering segment returned to a near break-even operating performance in H2 F2016 after reporting losses of R17,1 million in H1 F2016.

However, the segment's results were impacted by a R365,4 million provision for a potential impaired debt. Given uncertainty surrounding the recoverability of this previously-certified debtor, the board and management have deemed it appropriate to raise a provision against the carrying value of this debtor until resolution is achieved.

Included within the operating losses is retrenchment and holding costs. These costs exceed originally planned costs, as the group continues to right size this segment to match its view on future market demand and conditions.

In addition, the business realised R24,6 million profit on sale of fixed assets. This is included within the segment's reported core margin, in line with the group's policy, but adjusted for the determination of headline earnings.

The legacy Middle East operations' close-out continued, with good progress on the collection of cash and the finalisation of contract final accounts with clients, joint venture partners and sub-contractors.

Order intake for the Civil Engineering segment remains the most challenging area for the Engineering & Construction cluster. Although tendering activity levels increased during the second half of the year, the volume of awarded work in the sector remains low, with very strong competition on generally smaller-sized contracts across the roads, earthworks and general civils markets.

Short term prospects remain challenging, but signs of a possible recovery in contract awards during the forthcoming year are improving, with a few recent contract awards providing greater confidence for a recovery. A revival in commodity prices will further bolster the prospects for improvement in the African civil engineering and infrastructure markets.

Civil Engineering's secured one-year order book stands at R2,0 billion (59% local) (H1 F2016: R2,2 billion and 54% local) (F2015: R2,1 billion and 58% local). The full order book is at R3,0 billion (64% local) (H1 F2016: R3,1 billion and 49% local) (F2015: R3,3 billion and 53% local).

	AUDITED	
	Year ended 30 June 2016	Year ended 30 June 2015
Projects		
Revenue – (R'000)	**2 443 494**	2 213 758
Core operating margin per segmental report – %	**1.5**	0.9

During the year, revenue increased by 10.4% from R2,2 billion (30% local) to R2,4 billion (26% local). Core operating profit increased by 79.3% from R20,4 million to R36,6 million.

Although the core operating profit margin percentage increased to 1.5% (F2015: 0.9%) the traded operating margin is much lower than historically reported, with a reduction in margin in the second half of the year largely due to an increase in the portion of the current order book being executed in South Africa and in neighbouring regions, which traditionally delivers lower margins than those in the rest of Africa and from the Kpone contract which is in its early stages of completion. Labour unrest, mainly at a KwaZulu-Natal contract, further impacted segment performance in the first half of the year. The business realised R14,1 million profit on sale of fixed assets in the first half of the year. In line with the group's policy, this is included within the segment's reported core margin, but adjusted for the determination of headline earnings.

While the mining sector remains subdued, select prospects are being pursued, most notably in the gold mining and minerals sectors. A gradual improvement in the number of enquiries for African mining contracts has also been noted, but are yet to translate into new contract awards. Short term order intake is a priority for the business, with some reasonable awards expected early in the new financial year.

The secured one-year order book stands at R1,2 billion (12% local) (H1 F2016: R1,5 billion and 22% local) (F2015: R2,0 billion and 23% local). The full secured order book stands at R1,5 billion (22% local) (H1 F2016: R2,1 billion and 15% local) (F2015: R2,8 billion and 18% local).

	AUDITED	
	Year ended 30 June 2016	Year ended 30 June 2015
Energy		
Revenue – (R'000)	**1 898 580**	2 109 897
Core operating margin per segmental report – %	**1.7**	1.3

During the year, revenue decreased by 10.0% from R2,1 billion (77% local) to R1,9 billion (42% local). Core operating profit increased by 17.3% from R28,3 million to R33,2 million. This resulted in a core operating profit margin of 1.7% (F2015: 1.3%). Included within these trading results are the costs related to investment in future opportunities and capacity building for nuclear readiness.

Progress on the Kpone power project in Ghana continues to proceed in line with plan, with the contract remaining on track for completion in F2018. Substantial advancement has been made on procurement and delivery of key equipment items, construction of civil infrastructure and power island bases, sub-station construction, fuel and cooling water systems and tank construction, as well as sea cooling water intake sub-shaft completion and commencement of tunnel boring activities.

Bidding activity levels across Africa on a number of significant power contracts continues to be strong. Competition levels are high, with the incubation period from budget to tendering to order placement remaining long and often unpredictable. A number of notable contracts have also been tendered within the South African market under the renewable energy programme for private clients and for Eskom.

Although progress continues to be made on the secured Koeberg work undertaken for Eskom, Group Five Nuclear is still not trading at sufficiently high volumes to cover the business overhead.

The secured one-year order book stands at R913 million (12% local) (H1 F2016: R1,1 billion and 9% local) and (F2015: R1,3 billion and 21% local). The full secured order book stands at R1,2 billion (22% local) (H1 F2016: R1,6 billion and 6% local) (F2015: R1,9 billion and 14% local).

	AUDITED	
	Year ended 30 June 2016	Year ended 30 June 2015
Investments & Concessions		
Revenue – (R'000)	**1 146 814**	995 125
Core operating margin per segmental report – %	**80.0**	23.8

Investments & Concessions consists of transport concessions and property developments.

The cluster contributed 8.3% (F2015: 7.1%) to group revenue, and 124.6% to group core operating profit (F2015: 67.9%).

The Investments & Concessions cluster delivered a record-breaking result for the year. In addition to the substantial fair value profit realised on the cluster's motorway investments in Eastern Europe, operating results were excellent across all business segments including G5 Properties, with Intertoll Europe's performance being particularly noteworthy.

Revenue, which consists primarily of fees for the operation and maintenance of toll roads, increased by 15.2% from R995,1 million to R1,1 billion. The core operating profit margin increased from 23.8% to 80.0%, on the back of core operating profit of R917,4 million (F2015: R236,6 million).

The operating profit includes fair value gains on investment property held of R43,5 million and investment in service concessions of R730,1 million, totalling R773,6 million (F2015: R115,7 million).

The strong fair value profit realised in service concessions was realised as a result of:

- Maturing project risk profiles, with construction complete and final defects lists determined and known
- Actual proven project traffic flows being materially better than those conservatively forecast at time of tender submission
- As a result of the above, actual underlying project cash-flows are materially better than those originally forecast in the base-case models compiled at the time of project financial close, with these improved cash-flows being the primary driver for the significant growth in the value of the investments

As disclosed at interim reporting date, the Intertoll Europe business, together with international infrastructure financing partners, successfully acquired 12.7% of the M6 Phase 1 project in Hungary, thereby obtaining an attractive investment with a remaining ten-year term linked to a secured long term operating contract.

The 20-year Westlink DBFO1 contract in Belfast (Northern Ireland) awarded in the first half successfully commenced operations in line with plan on 1 April 2016, with excellent client feedback on our performance. New prospects are being explored in the region on the back of this highly-successful project start-up. Positive early-stage progress continues to be made with the development of concession road prospects in North America with our existing European partners.

The Intertoll Africa business made a solid contribution to earnings for the year as a result of cost efficiencies in the South African operations and a good performance on the Zimbabwean Infralink operating contract. The portfolio of new project opportunities continues to expand across sub-Saharan Africa, with an increasing likelihood of a material new contract win in the shorter term.

G5 Properties delivered an improved result for the year, recording a fair value gain of R43,5 million on the Northpoint Industrial Park development (Cape Town) in the first half of the year. The St. Aidan's residential project (Gauteng) was successfully completed during the year, with good progress being made in the development of a number of new residential and accommodation projects located in Gauteng, targeted for launch in F2017 to F2018.

Development of the African project portfolio also continues to make steady progress, with at least one new project launch expected in F2017 following the successful completion of Capital Place in Ghana.

	AUDITED	
	Year ended 30 June 2016	Year ended 30 June 2015
Manufacturing		
Revenue – (R'000)	**935 280**	1 058 795
Core operating margin per segmental report – %	**6.0**	6.4

Manufacturing consists of fibre cement building products business Everite, steel fabrication business BRI, Group Five Pipe and the one previously discontinued Construction Materials sand business.

The Manufacturing cluster contributed 6.8% (F2015: 7.6%) to group revenue, and 7.6% to group core operating profit (F2015: 19.5%).

Revenue decreased by 11.7% from R1,1 billion to R935,3 million. The reported core operating profit for the year was R56,0 million. This was 17.5% lower than the prior year core profit of R67,9 million, resulting in a core operating margin of 6.0% (F2015: 6.4%).

The Manufacturing cluster continued to experience the impact of a very tough market environment, which impacted volumes and revenues. Ongoing innovation was essential to decrease manufacturing costs in line with declining market demand and rising imported material costs of production. There was some growth in tender activity in South Africa for large bore water pipe and contract awards are expected to deliver an increased factory output late in H1 F2017. The group's reinforcing steel business was able to deliver a steady performance and mitigate a declining demand from Civil Engineering contracts through product supplies to the Building segment, which continues to exceed supply to the Civil Engineering segment.

A continued focus in the fibre cement business Everite on cost efficiencies, product marketing and sales strategies, cautious regional expansion and diversification into a broader range of complementary traded products assisted in negating the pressure from decreasing volumes and price in the local market.

The lightweight block and panel (Hebel Aerated Autoclaved Concrete or AAC) production line being built at Everite's Kliprivier factory will complement the dry lightweight building material product range. Initial launch testing of the AAC product into the Gauteng building market has been extremely positively received, which bodes well for a successful product introduction expected to enhance cluster earnings during the course of F2017.

Cluster revenue and earnings will continue to be supported through ongoing innovation and expansion of the manufactured and supplied lightweight dry building materials product range, underpinned by a robust and cost-effective approach to manufacturing, distribution and client service. Recovery in the local building materials and infrastructure markets will materially leverage Manufacturing's future earnings. However, the timing of a recovery remains difficult to predict and is highly dependent on both global and local macro-economic factors.

PROSPECTS

Group Five has a focused strategy that is set to deliver strong growth and returns over the longer term, with a complementary business portfolio that provides downside protection to earnings through tough times, diversification between Euro, US Dollar and Rand revenues, and strong leverage for growth and profitability in periods of infrastructure and resource market expansion.

Our robust strategy is directed to four core areas:

1. GENERAL CONSTRUCTION

- Being the first choice discipline contractor in our South African home market, covering Building & Housing, Civil Engineering and structural, mechanical, electrical, instrumentation and piping works
- Localising our construction capabilities through a growing on the ground presence in our target African markets

2. MULTI-DISCIPLINARY ENGINEER, PROCURE AND CONSTRUCT (EPC) CONSTRUCTION

- Becoming the leading sector-led EPC construction company from Africa able to deliver complex multi-disciplinary mega contracts in the target geographic areas of power, resources and infrastructure

3. INVESTMENTS & CONCESSIONS

- Transport concessions (Intertoll)
  - Leading European and African motorway development, investment and operating group
- G5 Properties
  - Niche, focused real estate development and investment business targeting A and B-grade real estate assets aligned to our South African and rest of Africa footprint

4. MANUFACTURING

- Southern Africa's leading dry lightweight building materials manufacturing and supply group, anchored on Everite
- South Africa's leading reinforcing steel and wire mesh supplier
- The No.1 South African large-bore spiral welded steel water-pipe manufacturer

These four areas each provide opportunity for growth in the year ahead, supported by specific tactical and operational plans, with clear performance and delivery targets for implementation. Following a period of introspection and cost-reduction, the group's attention is again more firmly focused outwardly on target markets and securing the orders that will deliver the value-enhancing growth management seek, while improving our returns on capital employed across the group.

The group's total secured Engineering & Construction contracting order book stands at R11,2 billion (December 2015: R11,8 billion, June 2015: R14,1 billion).

In addition, the group has R6,1 billion in secured operations and maintenance contracts (December 2015: R5,8 billion, June 2015: R4,7 billion).

The overall group reported order book at June 2016 therefore stands at R17,3 billion (December 2015: R17,6 billion, June 2015: R18,8 billion).

The value of the group's target opportunity pipeline stands at R164 billion, with R76 billion of this pipeline currently in tender and pre-tender stage. This is higher than the R131 billion pipeline and R50 billion tender and pre-tender pipeline reported in December 2015. The pipeline indicates ongoing strong demand in power, a strengthening transport sector, continued activity in real estate and an improving mining sector.

COMMENTARY
CONTINUED

DIVIDEND DECLARATION

On 5 August 2016, the directors declared a gross dividend of 30 cents per ordinary share (25,50 cents per ordinary share net of dividend tax) (H2 F2015: 25 cents).

- The dividend has been declared from income reserves.
- In terms of dividend tax, the following additional information is disclosed:
- The dividend is subject to dividend tax at 15% (4,50 cents per share)
- The net dividend will therefore be 25,50000 cents per share for shareholders who are not exempt from dividend tax
- The amount of shares in issue at the date of this declaration is 112 223 667 (101 256 466 exclusive of treasury shares) and the company's tax reference number is 9625/077/71/5.

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

Event	Event
Last date to trade (cum dividend)	Tuesday, 20 September 2016
Shares to commence trading (ex-dividend)	Wednesday, 21 September 2016
Record date (date shareholders recorded in books)	Friday, 23 September 2016
Payment date	Monday, 26 September 2016

No share certificates may be dematerialised or rematerialised between Wednesday, 21 September 2016 and Friday, 23 September 2016, both dates inclusive.

BASIS OF PREPARATION

The consolidated condensed annual financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2016, which have been prepared in accordance with the framework concepts, the recognition and measurement criteria of International Financial Reporting, Standards (IFRS).

The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous period.

LEVEL OF ASSURANCE

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.

The financial statements were prepared by the Chief Financial Officer CA(SA) and approved by the board of directors on 5 August 2016 and signed on its behalf by:

On behalf of the board

MP Mthethwa
Chairperson

5 August 2016

ECJ Vemer
Chief Executive Officer

NOTES

Board of directors: MP Mthethwa* (Chairperson), ECJ Vemer (CEO), CMF Teixeira (CFO), NJ Chinyanta*~, Dr JL Job*, W Louw*, SG Morris*, KK Mpinga*•, B Ngonyama*, VM Rague*^, MR Thompson*

** Non-executive director ~ Zambian • DRC ^ Kenyan*

Transfer secretaries: Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg 2001

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