AUDITED
GROUP RESULTS
for the year ended 30 June

2018

GROUP FIVE
structured ingenuity

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REVENUE

R7,3 billion

(Continued ops)

June 2017:
R9,9 billion**

TOTAL ORDER BOOK†

R11,2 billion

Dec 2017:
R13,4 billion

June 2017:
R14,5 billion

OPERATING LOSS

R1,427 million loss

June 2017:
R718 million loss**

CASH AND CASH EQUIVALENTS

R1,3 billion

(Continued ops)

Dec 2017:
R1,7 billion

June 2017:
R2,3 billion

EARNINGS PER SHARE

1 335 cents loss

(1 391 cents loss from continued ops)

June 2017:
829 cents loss

FULLY DILUTED HEADLINE EARNINGS PER SHARE

1 380 cents loss

June 2017:
853 cents loss

† *Total order book is the sum of the group Contracting order book and Operations & Maintenance order book.*
* *Net asset value relates to that attributable to equity holders of the parent.*
** *Restated for the application of IFRS 5 – discontinued operations.*

NET ASSET VALUE PER SHARE*

R11,16

Dec 2017: R18,05

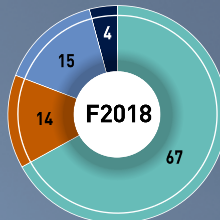
June 2017: R24,82

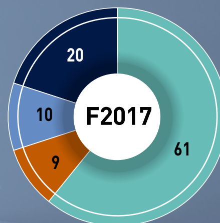
TOTAL DIVIDENDS PER SHARE

NIL cents

June 2017: 14 cents

REVENUE % OF GROUP





- Construction
- Investments & Concessions
- Manufacturing
- Engineer, Procure and Construct (EPC)

CONDENSED CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2018

	GROUP	
	AUDITED	
(R'000)	**2018**	2017*
Revenue	**7 348 456**	9 957 641
Operating loss before fair value adjustments and profit on disposal of joint operations and subsidiaries	**(1 453 446)**	(816 499)
Fair value adjustment relating to investment in service concessions and investment property^	**(32 618)**	98 156
Profit on disposal of joint operations and subsidiary	**59 067**	–
Operating loss	**(1 426 997)**	(718 343)
Share of equity accounted profits^	**189 654**	35 471
Finance costs	**(77 270)**	(63 500)
Finance income	**37 580**	50 515
Loss before taxation	**(1 277 033)**	(695 857)
Taxation	**(88 324)**	(137 809)
Loss for the year – continuing operations	**(1 365 357)**	(833 666)
Profit for the period from discontinued operations	**57 210**	61 021
Loss for the year	**(1 308 147)**	(772 645)
Allocated as follows:		
Equity shareholders of Group Five Limited	**(1 355 850)**	(840 046)
Non-controlling interest	**47 703**	67 401
	(1 308 147)	(772 645)
Loss per share – R	**(13,35)**	(8,29)
Fully diluted loss per share – R	**(13,35)**	(8,29)
Loss per share – R – Continued ops	**(13,91)**	(8,89)
Fully diluted loss per share – R – Continued ops	**(13,91)**	(8,89)

* *Restated for the application of IFRS 5 – discontinued operations.*
^ *Fair value gain R156,2 million accounted for in share of equity accounted profits.*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

	GROUP					
	AUDITED					
	Total		Continued activities		Discontinued activities	
(R'000)	**2018**	2017	**2018**	2017	**2018**	2017
(Loss)/profit for the year	**(1 308 147)**	(772 645)	**(1 365 357)**	(833 666)	**57 210**	61 021
Other comprehensive (loss)/income for the year net of tax						
Items that may be subsequently reclassified to profit or loss						
Exchange differences on translating foreign operations	**(32 375)**	(111 244)	**(32 375)**	(111 244)	**–**	–
Re-measurement of pension fund	**(12 494)**	(32 477)	**(12 494)**	(32 477)	**–**	–
Tax on re-measurement of pension fund	**3 498**	9 094	**3 498**	9 094	**–**	–
Other comprehensive loss for the year	**(41 371)**	(134 627)	**(41 371)**	(134 627)	**–**	–
Total comprehensive (loss)/income for the year	**(1 349 518)**	(907 272)	**(1 406 728)**	(968 293)	**57 210**	61 021
Other comprehensive loss attributable to:						
Equity shareholders of Group Five Limited	**(1 397 221)**	(974 673)	**(1 454 431)**	(1 035 694)	**57 210**	61 021
Non-controlling interest	**47 703**	67 401	**47 703**	67 401	**–**	–
Total comprehensive (loss)/income for the year	**(1 349 518)**	(907 272)	**(1 406 728)**	(968 293)	**57 210**	61 021

DETERMINATION OF HEADLINE EARNINGS/LOSS

for the year ended 30 June 2018

	GROUP					
	AUDITED					
	Continuing and Discontinued activities		Continuing activities		Discontinued activities	
(R'000)	**2018**	2017	**2018**	2017	**2018**	2017
Attributable (loss)/profit for the year	**(1 355 850)**	(840 046)	**(1 413 060)**	(901 067)	**57 210**	61 021
Adjusted for (net of tax)	**(45 838)**	(24 849)	**(46 273)**	(24 930)	**435**	81
– Net profit on disposal of property, plant and equipment	**(35 627)**	(7 847)	**(36 062)**	(7 928)	**435**	81
– Impairment of investment in associate and joint venture	**3 380**	894	**3 380**	894	**–**	–
– Net (profit)/loss on shareholding changes in investment in associates	**(1 552)**	(443)	**(1 552)**	(443)	**–**	–
– Fair value adjustment on investment property held by associate companies included in equity profit	**(2 129)**	(17 453)	**(2 129)**	(17 453)	**–**	–
– Profit on sale of subsidiaries and joint ventures	**(42 528)**	–	**(42 528)**	–	**–**	–
– Fair value adjustment on investment property held by subsidiaries	**32 618**	–	**32 618**	–	**–**	–
Headline (loss)/earnings	**(1 401 688)**	(864 895)	**(1 459 333)**	(925 997)	**57 645**	61 102

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

(R'000)	GROUP AUDITED 2018	GROUP AUDITED 2017
ASSETS		
Non-current assets		
Property, plant and equipment and investment property	**763 306**	1 130 103
Investments – service concessions	**747 066**	667 245
Other non-current assets	**506 490**	606 699
	2 016 862	2 404 047
Current assets		
Other current assets	**2 350 046**	2 930 198
Bank balances and cash	**1 268 565**	2 265 401
	3 618 611	5 195 599
Non-current assets classified as held for sale	**780 783**	–
Total assets	**6 416 256**	7 599 646
EQUITY AND LIABILITIES		
Capital and reserves		
Equity attributable to equity holders of the parent	**1 133 801**	2 521 571
Non-controlling interest	**27 060**	70 133
	1 160 861	2 591 704
Non-current liabilities		
Interest-bearing borrowings	**180 236**	256 923
Other non-current liabilities	**207 943**	273 265
	388 179	530 188
Current liabilities		
Other current liabilities	**4 655 126**	4 477 754
Liabilities directly associated with non-current assets classified as held for sale	**212 090**	–
Total liabilities	**5 255 395**	5 007 942
Total equity and liabilities	**6 416 256**	7 599 646

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 30 June 2018

(R'000)	Audited year ended 30 June 2018	Audited year ended 30 June 2017*
Cash flow from operating activities		
Cash from operations before working capital changes	**(462 885)**	(244 451)
Working capital changes	**(749 284)**	(649 573)
Cash utilised in operations	**(1 212 169)**	(894 024)
Finance costs – net	**(26 094)**	(6 661)
Taxation and dividends paid	**(86 180)**	(177 866)
Cash (utilised)/generated by operating activities (discontinued operations)	**(23 084)**	71 539
Net cash utilised in operating activities	**(1 347 527)**	(1 007 012)
Property, plant and equipment and investment property – net inflow/(outflow)	**52 496**	(41 681)
Investments – net	**135 358**	622 163
Cash utilised from investing activities (discontinued operations)	**(16 057)**	(50 554)
Net cash generated by investing activities	**171 797**	529 928
Net cash generated/(utilised) in financing activities (continued operations)	**239 826**	(384 377)
Net cash utilised in financing activities (discontinued operations)	**(25 000)**	–
Net cash generated by/(utilised in) financing activities	**214 826**	(384 377)
Effects of exchange rates on cash and cash equivalents	**40 005**	(128 371)
Net decrease in cash and cash equivalents	**(920 899)**	(989 832)
Cash equivalents at beginning of the year	**2 265 401**	3 255 233
Cash equivalents at end of the year	**1 344 502**	2 265 401
– Included in cash and cash equivalents per the statement of financial position	**1 268 565**	2 265 401
– Included in non-current assets classified as held for sale	**75 937**	–
	1 344 502	2 265 401

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

CAPITAL EXPENDITURE AND DEPRECIATION

for the year ended 30 June 2018

	GROUP	
	AUDITED	
(R'000)	**2018**	2017
– Capital expenditure for the year	**83 370**	163 915
– Capital expenditure committed or authorised for the next year	**84 319**	133 530
– Depreciation for the year*	**123 846**	134 996

* *Restated for discontinued operations.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	GROUP	
	AUDITED	
(R'000)	**2018**	2017
Balance at 1 July	**2 591 704**	3 632 730
Net loss for the year	**(1 308 147)**	(772 645)
Other comprehensive loss for the year	**(41 371)**	(134 627)
Share-based payment expense/(credit)	**9 451**	(5 130)
Distribution to non-controlling interest	**(83 945)**	(84 008)
Dividends paid	**–**	(44 616)
Disposal of minority shares	**(6 831)**	–
Balance at 30 June	**1 160 861**	2 591 704

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

for the year ended 30 June 2018

(R'000)	% change	**Audited year ended 30 June 2018**	Audited year ended 30 June 2017*^
REVENUE			
Construction	(12.9)	**5 765 870**	6 623 606
South Africa	(20.2)	**4 865 416**	6 099 572
Rest of Africa	71.8	**900 454**	524 034
Engineer, Procure and Construct	(82.3)	**386 979**	2 185 155
Investments & Concessions	11.0	**1 164 375**	1 049 234
Manufacturing	19.3	**1 305 175**	1 094 414
Total	(21.3)	**8 622 399**	10 952 409
Joint arrangements equity accounted and joint arrangements wholly consolidated		**(358 884)**	(151 707)
Revenue from discontinued operations		**(915 059)**	(843 061)
Revenue from continuing operations per income statement	(26.2)	**7 348 456**	9 957 641

(R'000)	% margin	% change	**Audited year ended 30 June 2018**	Audited year ended 30 June 2017*^
OPERATING (LOSS)/PROFIT				
Construction	(4.4)	69.3	**(255 419)**	(831 241)
South Africa	(4.8)	68.5	**(234 026)**	(743 658
Rest of Africa	(2.4)	75.6	**(21 393)**	(87 583)
Engineer, Procure and Construct	(359.8)	(1 856.3)	**(1 392 502)**	(71 179)
Investments & Concessions	24.1	61.3	**280 359**	173 772
Manufacturing	5.4	1.5	**70 369**	69 347
Total core operating loss including fair value adjustment	(15.0)	96.8	**(1 297 193)**	(659 301)
Adjustments for non-operational transactions				
Profit/(loss) on disposal of subsidiary and joint operation			**59 067**	–
Joint arrangements equity accounted and joint arrangements wholly consolidated			**(2 751)**	(19 923)
Pension fund surplus			**33 200**	24 343
Re-measurement of employment obligation			**–**	1 692
Net profit on increase in shareholding and disposal of investment in associate			**2 744**	615
Impairment of investment in associate and joint venture			**(856)**	(1 241)
Core operating profit – discontinued operations pre tax and interest			**(65 029)**	(64 528)
Operating loss per income statement including fair value adjustment			**(1 270 818)**	(718 343)
Share of equity accounted profits#			**33 475**	35 471
Net finance (costs)/income			**(39 690)**	(12 985)
Loss before taxation from continuing operations per income statement			**(1 277 033)**	(695 857)

* *Restated for application of IFRS 5 – discontinued operations.*
\# *This excludes fair value adjustment of R156,2 million relating to investment in service concessions.*
^ *Restated due to change in operating structure of the entity in the 2018 financial year.*

STATISTICS

as at 30 June 2018

(R'000)	GROUP AUDITED 2018	GROUP AUDITED 2017
Number of ordinary shares	**101 594 103**	101 594 103
– Shares in issue	**112 258 283**	112 258 283
– Less: shares held by share trusts	**(10 664 180)**	(10 664 180)
Weighted average number of shares ('000s)	**101 594**	101 340
Fully diluted weighted average number of shares ('000s)	**101 594**	101 340
EPS – R	**(13,35)**	(8,29)
EPS (continuing activities) – R	**(13,91)**	(8,89)
EPS (discontinued activities) – R	**0,56**	0,60
HEPS – R	**(13,80)**	(8,53)
HEPS (continuing activities) – R	**(14,36)**	(9,14)
HEPS (discontinued activities) – R	**0,57**	0,60
Fully diluted EPS – R	**(13,35)**	(8,29)
Fully diluted EPS (continuing activities) – R	**(13,91)**	(8,89)
Fully diluted EPS (discontinued activities) – R	**0,56**	0,60
Fully diluted HEPS – R	**(13,80)**	(8,53)
Fully diluted HEPS (continuing activities) – R	**(14,36)**	(9,14)
Fully diluted HEPS (discontinued activities) – R	**0,57**	0,60
Dividends per share (cents)	**–**	14,00
– Interim	**–**	14,00
– Final	**–**	–
Net asset value per share – R*	**11,16**	24,82
Net asset value per share (continuing activities) – R*	**5,6**	–
Net debt to equity ratio	**Net ungeared**	Net ungeared
Current ratio	**0,78**	1,16

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

COMMENTARY

INTRODUCTION

As indicated to the market in the Group's recent trading update, its performance for the F2018 year was materially below expectations.

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

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

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

Unsecured work materialising later than planned
This impacted Construction's results both in South Africa and the Rest of Africa

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

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

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

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

Profit on disposal of joint operation and subsidiaries

Pension fund surplus credited to earnings

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

For further information on these factors, please refer to the group's year-end presentation to stakeholders available on http://www.groupfive.co.za/ir_presentations.php

As a result of the factors outlined above, the Group reported a net loss of R1,3 billion (F2017: R840,0 million), with the main contributor being the loss reported on the Kpone contract, as outlined later in this document.

The Group continues to report through four clusters:

CONSTRUCTION	ENGINEER, PROCURE AND CONSTRUCT (EPC)	INVESTMENTS & CONCESSIONS (I&C)	MANUFACTURING (HELD FOR SALE)
South Africa (Construction SA)			
Rest of Africa (Construction: Rest of Africa)			

Solid results were delivered by Manufacturing and I&C, with continued free cash flow in line with expectations. Construction achieved improved execution, with a reduction in contract losses over the previous year and profit from contracts trading ahead of plan more than compensating for contracts behind plan. Construction: Rest of Africa had no loss-making contracts and returned to profitability in H2 F2018. Refer to the operational review section of this report for additional detail on the financial performance per segment.

Certain comparative figures have been restated for the application of IFRS 5, Non-current assets held for sale and discontinued operations, as a result of the disposal of the Manufacturing cluster and the restructuring of segments. These are outlined where relevant.

FINANCIAL PERFORMANCE

Headline earnings per share (HEPS) and fully diluted HEPS (FDHEPS) weakened from a loss of 853 cents per share in F2017 to a loss of 1 380 cents in F2018. Earnings per share (EPS) and fully-diluted EPS (FDEPS) weakened from a loss of 829 cents per share in F2017 to a loss of 1 335 cents per share in the current year.

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

Group revenue decreased by 26.2% from R9,9 billion to R7,3 billion, mainly as a result of a 20.2% decrease in revenue from Construction SA and an 82.3% decrease in revenue from EPC. Construction: Rest of Africa grew its revenue by 71.8%, and the I&C cluster's revenue increased by 11.0% compared to F2017. The Manufacturing cluster, reflected as discontinued operations, grew its revenue by 19.3%.

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

Included in the core operating loss reported in the prior period is an amount of R159,1 million relating to the net present value charge related to the recognition of the Group's financial contribution of R255 million in terms of the Voluntary Rebuild Programme (VRP) agreement reached with the South African government, as well as a R244 million charge following the commercial close out of the New Multi-Product Pipeline (NMPP) contracts.

Fair value gains on service concessions of R156,2 million (F2017: R98,2 million) are also included in the core operating loss. As a result of the improved fair value gains, the I&C core operating profit improved by 61.3%. The profit from the underlying operations of I&C increased by 64.2% as a result of a more normalised performance following an unexpected claim in Intertoll Africa in the second half of F2017.

The Manufacturing cluster's core operating profit increased by 1.5%. This profit is reflected as a discontinued operation.

* *Refer to the operational review for the definition of core margins.*

The Construction cluster reported an improved core operating loss of R255,4 million (F2017: R831,2 million) and the EPC cluster reported a significant increase in its core operating loss to R1,4 billion (F2017: R71,2 million).

The Group's overall core operating margin decreased from (6.0%) in the prior year to (15.0%). The Group's total operating margin decreased to (19.4%) (F2017: (7.2%)).

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

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

FINANCIAL POSITION

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

CASH FLOW

The Group absorbed R462,8 million (F2017: R244,4 million) cash from continuing operations before a working capital absorption of R749,2 million (F2017: R649,0 million). This resulted in a net cash outflow of R1,3 billion (F2017: R1,0 billion) after settlement of taxation liabilities of R86,2 million (F2017: R133,2 million) and cash outflow from discontinued operating activities of R23,1 million (F2017: R71,5 million generated). No dividends were paid to shareholders during the year (F2017: R44,6 million).

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

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

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

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

The Board and executive management have implemented strong actions to assess the ongoing financial position of the Group. To address the risk of short term cash pressure, management has prepared budgets for the 2019 and 2020 financial years, as well as a robust liquidity model which includes cash flow forecasts covering a period of 12 months from the date of these financial statements. These forecasts were reviewed by independent international advisors as part of an Independent Business Review undertaken in May and June 2018. An independent Contracts Officer was appointed at the same time to review and evaluate the Group's larger and potentially riskier construction contracts and, amongst other procedures, to consider the accuracy of profit/loss recognition on these contracts. The outcomes of these reviews have been incorporated into the Group's forecasts.

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

To address cash outflows, detailed performance and liquidity improvement initiatives have been developed, with their implementation regularly monitored, including:

1. Closure of unsustainable Construction businesses after assessing these against the availability and reliability of market demand and internal core competency and skills
   a) A number of businesses, specifically within Construction SA, have been exited, with some businesses materially downsized
   b) Construction SA now includes a focused Building & Housing segment, a limited, refined civil engineering capability and a Structural, Mechanical, Electrical, Instrumentation & Piping (SMEIP) business which is complemented by an oil & gas competency
   c) The Construction: Rest of Africa is focused on SMEIP works

2. Cost reduction to match reduced business sizes
   a) The Group has focused on cost reduction within the remaining Construction SA and EPC segments
   b) Retrenchments have been implemented in the year, with further retrenchments underway in F2019 in EPC
   c) Construction SA has relocated to the Group's owned premises in Spartan
   d) The Construction: Rest of Africa segment has relocated to more cost-effective rented premises in Boksburg
   e) The corporate office and the I&C cluster have relocated from rented premises to more cost-effective offices in Sunninghill
   f) Other non-staff related cost reductions continue

3. Focused and targeted contract selection within the disciplines and businesses selected
    a) Critical evaluation of contracts in current markets continues to be undertaken, which has resulted in the Group focusing only on work in those disciplines that match the restructured Group in terms of available opportunities, internal competencies and a proven track record
    b) Tendering has been focused on contracts exhibiting more than an 80% probability of being awarded within the Group's construction competency and its core capabilities and which conform to a minimum gross profit margin

In addition, to fund any potential monthly cash absorptions, other cash-enhancing actions have and are being addressed, including:

- Converting long term assets within the company to short term
- Accelerating the realisation of claim opportunities and other short term cash opportunities in favour of the company, which are not recorded as assets
- Recovering any long-outstanding debtors due

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

Some improvement in the liquidity profile of both Construction SA and the Construction: Rest of Africa, which are the businesses where the cash pressure were previously experienced has been noted. This improvement was due to the interventions implemented. The EPC business is therefore the only remaining cluster of the Group which is experiencing considerable short term cash pressure. This is largely due to the additional cost to complete being incurred on Kpone. Cash being collected from the other cash-enhancing actions listed above is being applied to fund the contract.

The I&C and Manufacturing clusters' liquidity is stable, with cash from operations being generated.

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

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

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

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

To address this:

- Subsequent to 30 June 2018, the Board approved the partial disposal of the Group's investment in service concessions assets in Eastern Europe, held through the Group's joint venture investment with Aberdeen in Intertoll Capital Partners B.V. Refer to Business Combinations for additional information
- The proceeds from the disposal of the Group's interest in its Manufacturing cluster will also be available for application to current liabilities, once completed

DIVIDEND

The Group has a four times basic earnings per share dividend cover policy.

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

No dividend was declared in H1 2018 and the Board concluded to again not declare a dividend at year-end (F2017: 14 cents).

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

The Manufacturing cluster has been classified as held for sale as the recognition criteria within IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations have been met.

Subsequent to 30 June 2018, the Board approved a partial disposal of the Group's investment in service concessions assets in Eastern Europe, held through the group's joint venture investment with Aberdeen in Intertoll Capital Partners B.V. The Group expects to reduce its current 50% investment to 10%. This partial disposal relates to the investment in service concessions assets only and not its

operations and maintenance business. The proceeds from this disposal will be utilised to settle the Group's short-term bridge funding. The transaction is subject to shareholder approval. This will reduce the Group's current liabilities significantly and will substantially improve its liquidity.

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 liability with respect to the Black Professionals Staff Trust at 30 June 2018 was R176 000 (June 2017: R24,7 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 R14 million (F2017: R2,0 million) was credited to earnings in F2018.

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

INDUSTRY MATTERS

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

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

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

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

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

OPERATIONAL REVIEW

GROUP

The Group discloses both its total operating margin and 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 the 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.

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.

Both margins include the fair value gains in I&C and profit/loss on sale of property, plant and equipment and investment property, as these are within the control of the Group.

	AUDITED	
	Year ended 30 June 2018	Year ended 30 June 2017#
Group		
Revenue (R'000)	**7 348 456**	9 957 641
Total operating margin per income statement – %	**(19.4)**	(7.2)
Core operating margin per segmental report – %	**(15.0)**	(6.0)
Core operating margin per segmental report – %*	**(0.0)**	(2.2)
Core operating loss per segmental report (R'000)	**(1 297 193)**	(659 301)
Core operating profit/(loss) per segmental report (R'000)*	**2 162**	(222 958)

* *Excluding the impact of Kpone and excluding the impact on F2017 of the financial contribution in terms of the settlement agreement reached with the government of the Republic of South Africa, regarding contributions to be made into a jointly-administered trust fund and the impact of losses on NMPP contracts.*

\# *Re-stated for the application of IFRS 5 discontinued operations as a result of the planned disposal of the Manufacturing cluster.*

The Group's total operating margin as per income statement was impacted by a number of factors, as outlined in the Introduction section of this announcement.

	AUDITED	
	Year ended 30 June 2018	Year ended 30 June 2017#
Construction		
Revenue (R'000)	**5 765 870**	6 623 606
Core operating margin per segmental report – %	**(4.4)**	(12.5)
Core operating margin per segmental report – %*	**(4.4)**	(6.5)
Core operating loss per segmental report (R'000)	**(255 419)**	(831 241)
Core operating loss per segmental report (R'000)*	**(255 419)**	(428 141)

* *Excluding impact on F2017 of the financial contribution in terms of the settlement agreement reached with the government of the Republic of South Africa, regarding contributions to be made into a jointly-administered trust fund and impact of losses incurred on NMPP contracts.*

\# *Re-stated due change in operating structure resulting in amended segments.*

During the year, Construction revenue decreased by 12.9% from R6,6 billion to R5,8 billion. Core operating losses decreased from R831,2 million to R255,4 million, which represents a 69.3% improvement. When excluding the impact of the VRP contribution and the impact of the settlement on the NMPP contracts in H1 F2017, the R255,4 million loss for the year represents a R172,7 million improvement over the loss recorded in the F2017 year. These improved results reflect the benefits being realised following the interventions implemented, as described in this document. Included within the current loss is R63,0 million in retrenchment costs.

The Construction one-year secured order book stands at R4,1 billion. The total secured order book stands at R5,2 billion (H1 F2018: R6,5 billion and F2017: R7,2 billion), reflecting an expected unwind during the period for the reasons listed in the Introduction section of this report.

	AUDITED	
	Year ended 30 June 2018	Year ended 30 June 2017#
Construction: South Africa		
Revenue (R'000)	**4 865 416**	6 099 572
Core operating margin per segmental report – %	**(4.8)**	(12.2)
Core operating margin per segmental report – %*	**(4.8)**	(5.6)
Core operating loss per segmental report (R'000)	**(234 026)**	(743 658)
Core operating loss per segmental report (R'000)*	**(234 026)**	(340 558)

* *Excluding impact on F2017 of financial contribution in terms of the settlement agreement reached with the government of the Republic of South Africa, regarding contributions to be made into a jointly-administered trust fund and impact of NMPP contracts.*

\# *Re-stated due change in operating structure resulting in amended segments.*

Construction SA contributed 56.4% to Group revenue~ (F2017: 55.7%). Revenue decreased by 20.2% from R6,1 billion to R4,9 billion. The cluster delivered an operating loss of R234,0 million, representing an negative operating margin of 4.8% and a 68.5% improvement over the prior year (31.3% improvement over the prior year, excluding the impact of the VRP and NMPP contracts referred to above).

The Construction: SA segment achieved improved execution, with a reduction in contract losses over the prior year and profit from contracts trading ahead of plan more than compensating for contracts trading behind plan. However, the subsequent closure and downsizing of businesses during the year impacted the planned profit as the business did not pursue opportunities originally anticipated in the Group's plan. Market conditions also remained weak. This resulted in a delay in contract awards, which impacted the budgeted profit, with unsecured work not materialising. This affected overhead recovery. Cost overruns were incurred on a few ongoing contracts. Results were also impacted by R59,4 million in retrenchment costs during the year.

During the year, the Group exited low-cost housing which it delivered through a partnership with Motlekar and only tendered very selectively in Civil Engineering. The Nuclear business was closed and the Oil & Gas business was downsized.

Substantial rightsizing has taken place in the period, with further interventions planned and being implemented in H1 F2019. The segment now operates on a much lower cost structure.

~ *Revenue as per group segmental analysis.*

The Construction SA secured one-year order book stands at R3,6 billion. The total secured order book supporting the smaller and downsized Construction stands at R4,8 billion (H1 F2018: R5,5 billion and F2017: R6,7 billion).

	AUDITED	
	Year ended 30 June 2018	Year ended 30 June 2017#
Construction: Rest of Africa		
Revenue (R'000)	**900 454**	524 034
Core operating margin per segmental report – %	**(2.4)**	(16.7)
Core operating loss per segmental report (R'000)	**(21 393)**	(87 583)

Restated due change in operating structure resulting in amended segments.

Construction: Rest of Africa contributed 10.4% to group revenue~ (F2017: 4.8%).

Revenue increased by 71.8% from R524,0 million to R900,4 million.

The segment recorded a profit in H2 F2018 of R29,6 million compared to a loss of R50,9 million in H1 F2018. This resulted in the loss for the full year improving by 75.6% to R21,4 million from R87,6 million in F2017.

The Construction: Rest of Africa segment delivered improved execution, with no contract losses and secured profit tracking largely in line with plan. However, as with Construction SA, contract award delays impacted the recovery of overheads incurred in the period. These contracts have subsequently been awarded. Results were also impacted by an increase in once-off overhead costs to exit non-focus countries and retrenchment costs of R3,6 million.

This segment has a good order book, especially in West and Central African mining, with recently-awarded contracts that will enhance performance. As with the South African business, this segment requires a low level of capex investment and will operate on a lower cost structure.

The Construction: Rest of Africa secured one-year order book stands at R483 million. The total secured order book is the same at R483 million (H1 F2018: R954,3 million and F2017: R542,4 million).

	AUDITED	
	Year ended 30 June 2018	Year ended 30 June 2017#
Engineer, Procure and Construct (EPC)		
Revenue (R'000)	**386 979**	2 185 155
Core operating margin per segmental report – %	**(359.8)**	(3.3)
Core operating margin per segmental report – %*	**(24.1)**	(1.7)
Core operating loss per segmental report (R'000)	**(1 392 502)**	(71 179)
Core operating loss per segmental report (R'000)*	**(93 147)**	(37 936)

* *Excluding losses on Kpone contract*
# *Restated due change in operating structure resulting in amended segments.*

~ *Revenue as per group segmental analysis.*

The EPC cluster contributed 4.5% to group revenue~ (F2017: 20.0%). During the year, revenue decreased by 82.3% from R2,2 billion to R386,9 million.

The core operating loss increased from R71,2 million to R1,4 billion.

As stated before, the key contributor to the loss was the Kpone contract in Ghana.

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

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

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

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

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

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

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

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

Outside of Kpone, the EPC cluster currently has only one other active contract, an open cycle gas-fired 90MW power plant contract in South Africa. The earthworks have been completed, with the civil engineering underway since March 2018. The design and engineering work is recovering from a slow start. The balance of the plant construction will commence in November 2018. There have also been delays in the client accepting the original equipment manufacturer (OEM) equipment, which the Group is working to finalise in October 2018. The results were also impacted by retrenchment costs of R3,7 million.

The EPC cluster is currently being right-sized to cater for its existing workload, with downsizing to continue into F2019.

The secured one-year order book stands at R1 billion (81% local). The full secured order book stands at R1,1 billion (81% local) (H1 F2018: R1,2 million and 79% local and F2017: R1,4 billion and 90% local).

	AUDITED	
	Year ended 30 June 2018	Year ended 30 June 2017#
Investments & Concessions (I&C)		
Revenue (R'000)	**1 164 375**	1 049 234
Core operating margin per segmental report – %	**24.1**	16.6
Core operating profit per segmental report (R'000)	**280 359**	173 772

~ *Revenue as per group segmental analysis.*

I&C consists of transport concessions and property developments. The cluster contributed 13.5% (F2017: 9.6%) to Group revenue~ and R280,4 million to Group core operating profit (F2017: R173,8 million).

Revenue, which consists primarily of fees for the operation and maintenance of toll roads, increased by 11.0% from R1,0 billion to R1,2 billion.

The core operating profit margin increased from 16.6% to 24.1% on the back of a 61.3% increase in core operating profit of R280,4 million (F2017: R173,8 million). This was supported by a higher quantum of fair value upward adjustments recorded from the Group's investment in service concessions of R156,2 million following enhanced project cash flows and the impact of foreign exchange rates at year-end (F2017: R98,2 million). Core profit from the underlying operations therefore rose by 64.2%.

Intertoll Europe's trading results were pleasing despite a reduction in profit in H2 F2018 from a project exited, additional tender development costs and foreign exchange losses on repatriation of funds during H2 F2018 compared to H1 F2018. Targeted pipeline projects in Intertoll Europe have come to market, with others to follow in the rest of F2019.

Intertoll Africa comprising South Africa and the rest of Africa delivered a more normalised performance following an unexpected claim incurred in the second half of F2017.

The Properties business recorded an impairment of an investment property in H2 F2018 of R32,6 million. The Real Estate business in South Africa experienced a slowdown in projects coming to market due to weak South African market confidence and the Group's capital constraints.

~ *Revenue as per group segmental analysis.*

Project commencement was also delayed in the rest of Africa, primarily as a result of the Group's capital constraints.

As mentioned under Business Combinations, subsequent to 30 June 2018, the Board approved the partial disposal of the group's investment in service concessions assets in Eastern Europe to assist Group liquidity.

	AUDITED	
	Year ended 30 June 2018	Year ended 30 June 2017
Manufacturing		
Revenue (R'000)	**1 305 175**	1 094 414
Core operating margin per segmental report – %	**5.4**	6.3
Core operating profit per segmental report (R'000)	**70 369**	69 347

Manufacturing consists of fibre cement building products business Everite, steel fabrication business BRI and a sand business Sky Sands. Group Five Pipe was disposed of during the year and the rest of the cluster is currently Held for Sale.

The Manufacturing cluster contributed 15.1% (F2017: 10.0%) to Group~ revenue, and R70,4 million to Group core operating profit (F2017: R69,3 million). Revenue increased by 19.3% from R1,1 billion to R1,3 billion. The reported core operating profit for the year was 1.5% higher than the prior year's. This resulted in a core operating margin of 5.4% (F2017: 6.3%).

This was a pleasing performance under tough market conditions. In Everite, there is ongoing pressure on pricing, with results also impacted by a power interruption in H1 F2018. To counter these challenges, the team focused on the enhancement of complementary traded goods and exports and improving production efficiencies, as well as strategic supply chain initiatives.

Until the sale of the business has been finalised, management will continue to focus on further cost reductions and efficiency gains in its traditional business entities. Management will additionally drive to enhance Autoclaved Aerated Concrete (AAC) production yield and sales.

With regards to the Steel businesses, the Group Five Pipe sale process was concluded in H2 F2018. BRI saw volume improvement, although margin was negatively impacted in an oversupplied market.

PROSPECTS

The total secured Construction and EPC contracting order book stands at R6,4 billion, supporting the smaller and downsized Construction and EPC business (June 2017: R8,7 billion and June 2016: R11,2 billion).

In addition, the Group has R4,8 billion in secured operations and maintenance contracts (June 2017: R5,8 billion and June 2016: R6,1 billion).

The overall Group reported order book at June 2018 therefore stands at R11,2 billion (June 2017: R14,5 billion and June 2016: R17,3 billion).

~ *Revenue as per group segmental analysis.*

Going forward, as outlined in the interim market update, Developments & Investments (D&I) and Operations & Maintenance (O&M) will be the core businesses of the Group. D&I will provide the route to market for infrastructure funders, with solid growth expected off the current high O&M base. D&I is part of a consortia that are preferred bidders on several projects in Sub-Saharan Africa. Intertoll Europe has a strong pipeline, with a few pending awards. The Intertoll Africa team has secured a well-advanced project pipeline in select African countries where we will aggressively utilise our in-house toll system and diversify beyond tolling into offerings such as highway management systems. The O&M cluster aims to build on a long term, annuity base of earnings and cash flow in select markets and defined sectors.

It was decided to decrease our focus on EPC and Turnkey Project Solutions (TPS) activities. Unfortunately, there will be some additional retrenchments and we have started the relevant consultation processes.

Construction SA continues to be rightsized for current market conditions and for a streamlined service offering, focused on key disciplines and supported by proven core competencies. Although the business is operating on a much lower cost structure, further interventions are required due to the lack of contract awards and the increased cost of doing business. Construction: Rest of Africa enjoys a good, secured order book, especially in the West and Central African mining sectors. The lower overhead structure and recently-awarded contracts will enhance business performance. The Board is working with its corporate finance advisors to evaluate various options to maximise shareholder value for both the Construction SA and Construction: Rest of Africa businesses, as well as identifying a structure to address the Group's VRP commitments.

ACCOUNTING POLICIES

Financial instruments other than investments in service concessions, currently reflected as equity accounted investments and investments in service concessions, are measured at carrying value which approximates their fair value.

The Group values its investment 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 African Rand to Euro exchange rate used was R16,01 (F2017: R14,80). The cash flows are discounted at appropriate rates that take into account the relevant market and project risks. Discount rates ranging between 11% and 12% were used in the year under review (F2017: 11% to 13%).

SPECIAL RESOLUTIONS

No special resolutions, the nature of which might be significant to the shareholder in their appreciation of the state of affairs of the company, were made by the company during the period covered by this report other than the approval of the short-term bridging funding discussed earlier by various subsidiaries of the Group.

Notice is hereby given that, in terms of the provisions of section 45(5) of the Companies Act, No 71 of 2008 (South Africa) (the Act) and pursuant to the special resolution passed at the annual general meeting of the company held on 7 November 2017, 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.

During H1 F2018, no new borrowing facilities were entered into or settled.

During H2 F2018

- The Group settled a GHC (cedi) 35 million facility bearing interest at 25%. The full facility as drawn down prior to settlement
- The Group settled a R190 million bank overdraft facility.
- In May 2018 the Group entered into a senior bridging facilities agreement ("Bridge Agreement"), and a creditors standstill agreement ("Standstill Agreement") with regards to this secured short-term bridge funding.
  - The R650 million secured bridge funding ("Bridge Funding") is for a 12-month period and was obtained from a consortium of local banks
  - The Bridge Agreement contains financial covenants and events of default
  - The Bridge Agreement includes mandatory prepayment triggers customary for debt financing. The loan may also be voluntarily pre-paid without penalty.
  - The Bridge Funding security, which secures both this new facility and existing lending arrangements, is comprised of a pledge and cession in security by the Group of its rights, title and interest in its:
    - Manufacturing assets,
    - European Investments (namely its service concessions investments) and
    - European operations & maintenance businesses
  - The standstill period shall terminate on the earlier of the discharge date of the Bridge Funding or any event of default. The discharge date is expected to be 12 months from 11 May 2018.

BOARD CHANGES

The following changes occurred on the Board of directors subsequent to year-end:

Dr J Job resigned on 13 August 2018. Dr Job served on the new board for a year following a previous term as an independent board member at Group Five from 2008 to 2016. The Board thanks Dr Job for his valuable contribution to the Board and the Group over the years.

EXECUTIVE COMMITTEE AND SENIOR MANAGEMENT CHANGES

Judith Nzimande was appointed as human resources executive committee member, effective 09 October 2017.

Abel Mudau was appointed as Operations & Maintenance executive committee member, effective 01 September 2018.

John Wallace, the Manufacturing executive committee member, retired at the Group's retirement age of 60 in July 2018. The Board thanks John for the dynamic contribution he has made to both the Manufacturing cluster and the Group as a whole over 16 years. An agreement has been reached with

John to remain with the Group for an additional 12 months to the end of July 2019 to assist the CEO with a number of strategic and restructuring work flows in addition to his valuable ongoing leadership of the Manufacturing cluster until its disposal.

The Board announces the resignation of the CFO, Cristina Freitas Teixeira, with effect from 1 October 2018, with her departure from the Group on 15 December 2018.

The Board and management team thank her for her invaluable contribution and dedication during her 16 years at Group Five, which included eight years on the Board. Cristina has been instrumental in managing the Group through extremely volatile conditions over the years, with this past year being particularly challenging. She spearheaded the procurement of the bridging finance facility during the first half of the year under very trying circumstances. This facility paved the way for Group Five to continue implementing significant changes and the restructuring initiatives in the Construction cluster.

During her notice period as CFO, she will also focus on a number of corporate initiatives in the Construction cluster, the sale of Manufacturing and the group's partial disposal of its investment in Intertoll Capital Partners. Cristina has also offered her continued availability to the Board and Group on an ad hoc advisory basis after her exit. This demonstrates Cristina's continued commitment and dedication to the Group.

As announced to the market earlier this year, Group Five is currently undergoing significant restructuring and resizing, with its future focus on developments, investments and concessions. As Cristina wishes to pursue a different career, the Group's transition to a simpler and smaller business provided the ideal opportunity for to pursue her further ambitions.

Cristina has an experienced finance team that has been working with her. The Board has commenced a search for a new chief financial officer for the Group.

ESTIMATES AND CONTINGENCIES

The Group makes estimates and assumptions concerning the future, particularly with regard to construction contract profit taking, provisions, arbitrations, 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.

Whilst the Group has no civil claims pending, stakeholder attention is drawn to the contingent risk of civil claims, other than those claims or potential claims for damages that certain identified public entities may be entitled to make against the Group in relation to contracts listed in the settlement agreement mentioned earlier and in the SENS announcement on 11 October 2016 possibly being lodged against the Group, as well as against all construction companies following the Competition Commission's release of its findings in June 2013.

Total financial institution guarantees offered to third parties on behalf of subsidiary companies amounted to R5 079 million as at 30 June 2018, compared to R5 091 million as at 31 December 2017 and R5 498 million as at 30 June 2017.

BASIS OF PREPARATION

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to condensed financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the condensed consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

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 27 September 2018 and signed on its behalf by:

N Mandindi
Chairperson

T Mosai
Chief Executive Officer

27 September 2018

Board of directors:
N Mandindi* (Chairperson), T Mosai (CEO), CMF Teixeira (CFO), C Fernandez*, J Huntley*, T Kgogo*, N Martin*, M Upton*, E Williams*

* *Non-executive director.*

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