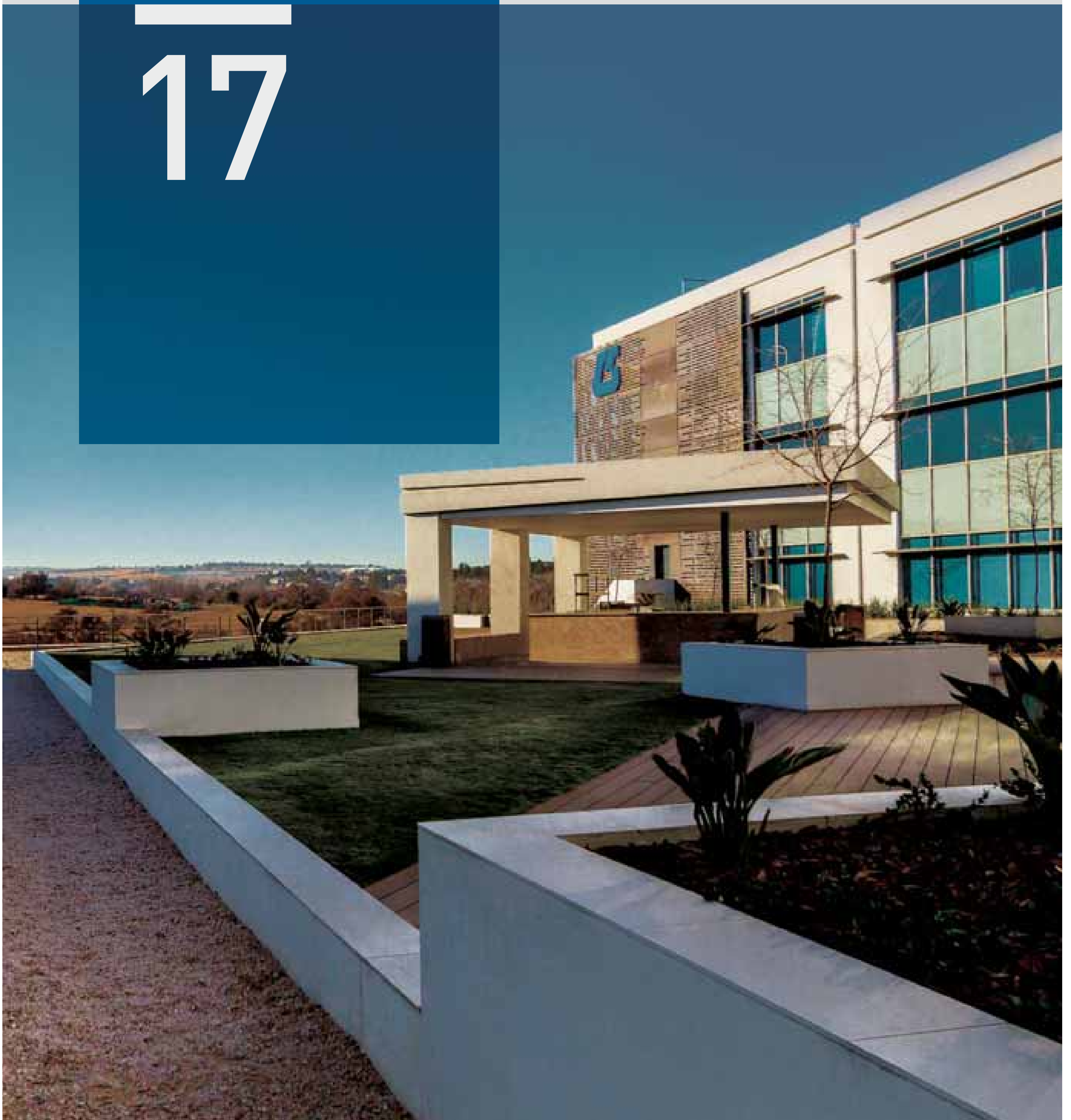
GROUP FIVE
structured ingenuity

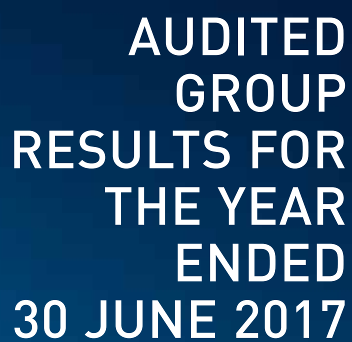
AUDITED GROUP RESULTS

for the year ended 30 June

17



AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2017



WE CREATE INFRASTRUCTURE SOLUTIONS.

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REVENUE

R10,8 billion

June 2016:
R13,8 billion

TOTAL ORDER BOOK†

R14,6 billion

Dec 2016:
R15,7 billion

June 2016:
R17,3 billion

CASH AND CASH EQUIVALENTS

R2,3 billion

Dec 2016:
R2,8 billion

June 2016:
R3,3 billion

EARNINGS PER SHARE

829 cents loss

June 2016:
375 cents earnings

† *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.*

OPERATING (LOSS)/PROFIT

R654 million loss

June 2016:
R722 million profit

NET ASSET VALUE PER SHARE*

R24,82

Dec 2016:
R30,78

June 2016:
R35,02

FULLY DILUTED HEADLINE EARNINGS PER SHARE

853 cents loss

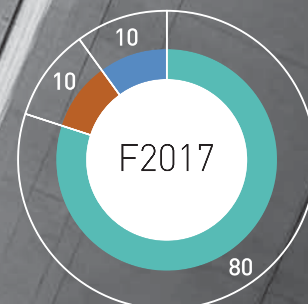
June 2016:
335 cents earnings

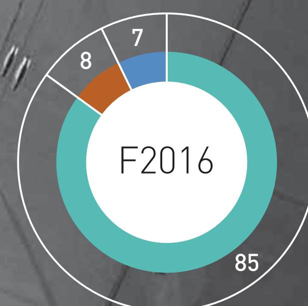
TOTAL DIVIDENDS PER SHARE

14 cents

June 2016:
72 cents

REVENUE % OF GROUP





Engineering & Construction
Investments & Concessions
Manufacturing

Condensed consolidated income statement

for the year ended 30 June 2017

(R'000)	Group Audited 2017	2016
Revenue	**10 800 702**	13 773 618
Operating loss before fair value adjustments	**(751 967)**	(51 277)
Fair value adjustment relating to investment in service concessions and investment property	**98 156**	773 557
Operating (loss)/profit	**(653 811)**	722 280
Share of equity accounted profits	**41 853**	27 359
Finance costs	**(64 565)**	(76 351)
Finance income	**57 330**	61 437
(Loss)/profit before taxation	**(619 193)**	734 725
Taxation	**(153 452)**	(277 726)
(Loss)/profit for the year	**(772 645)**	456 999
Allocated as follows:		
Equity shareholders of Group Five Limited	**(840 046)**	379 245
Non-controlling interest	**67 401**	77 754
	(772 645)	456 999
Earnings per share – R	**(8,29)**	3,75
Fully diluted earnings per share – R	**(8,29)**	3,75

Condensed consolidated statement of comprehensive income

for the year ended 30 June 2017

(R'000)	Group Audited 2017	Group Audited 2016
(Loss)/profit for the year	**(772 645)**	456 999
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	**(111 244)**	281 842
Items that will not be reclassified to profit or loss		
Re-measurement of pension fund	**(32 477)**	(2 800)
Tax on re-measurement of pension fund	**9 094**	784
Other comprehensive (loss)/income for the year	**(134 627)**	279 826
Total comprehensive (loss)/income for the year	**(907 272)**	736 825
Other comprehensive (loss)/income attributable to:		
Equity shareholders of Group Five Limited	**(974 673)**	659 071
Non-controlling interest	**67 401**	77 754
Total comprehensive (loss)/income for the year	**(907 272)**	736 825

Determination of headline earnings

for the year ended 30 June 2017

(R'000)	Group Audited 2017	Group Audited 2016
Attributable (loss)/profit for the year	**(840 046)**	379 245
Adjusted for (net of tax)	**(24 849)**	(40 435)
– Profit on disposal of property, plant and equipment	**(7 847)**	(27 250)
– Impairment of investment in associate and joint venture	**894**	3 475
– Net (profit)/loss on shareholding changes in investment in associates	**(443)**	21 391
– Fair value adjustment on investment property held by associate company included in equity profit	**(17 453)**	–
– Fair value adjustment on investment property	**–**	(38 051)
Headline (loss)/earnings	**(864 895)**	338 810

Condensed consolidated statement of financial position

as at 30 June 2017

(R'000)	Group Audited 2017	Group Audited 2016
ASSETS		
Non-current assets		
Property, plant and equipment and investment property	**1 130 103**	1 070 252
Equity accounted investments	**928 659**	229 194
Equity accounted investments – other	**309 550**	229 194
Equity accounted investments – service concessions	**619 109**	–
Investments – service concessions	**48 136**	1 230 381
Other non-current assets	**297 149**	315 450
	2 404 047	2 845 277
Current assets		
Other current assets	**2 930 198**	4 311 479
Bank balances and cash	**2 265 401**	3 255 233
	5 195 599	7 566 712
Total assets	**7 599 646**	10 411 989
EQUITY AND LIABILITIES		
Capital and reserves		
Equity attributable to equity holders of the parent	**2 521 571**	3 545 990
Non-controlling interest	**70 133**	86 740
	2 591 704	3 632 730
Non-current liabilities		
Interest-bearing borrowings	**256 923**	187 654
Other non-current liabilities	**273 265**	138 752
	530 188	326 406
Current liabilities		
Other current liabilities	**4 477 754**	6 452 853
	4 477 754	6 452 853
Total liabilities	**5 007 942**	6 779 259
Total equity and liabilities	**7 599 646**	10 411 989

Condensed consolidated statement of cash flow

for the year ended 30 June 2017

(R'000)	Group Audited 2017	2016
Cash flow from operating activities		
Cash from operations before working capital changes	**(170 905)**	449 403
Working capital changes	**(640 197)**	30 204
Cash (utilised)/generated from operations	**(811 102)**	479 607
Finance costs – net	**(2 175)**	(14 914)
Taxation and dividends paid	**(193 735)**	(318 426)
Net cash (utilised)/generated by operating activities	**(1 007 012)**	146 267
Property, plant and equipment and investment property – net	**(92 235)**	(155 269)
Investments – net	**622 163**	(42 382)
Net cash generated/(utilised) by investing activities	**529 928**	(197 651)
Net cash utilised by financing activities	**(384 377)**	(438 904)
Effects of exchange rates on cash and cash equivalents	**(128 371)**	355 585
Net decrease in cash and cash equivalents	**(989 832)**	(134 703)
Cash equivalents at beginning of year	**3 255 233**	3 389 936
Cash equivalents at end of year	**2 265 401**	3 255 233

Capital expenditure and depreciation

for the year ended 30 June 2017

(R'000)	Group Audited 2017	2016
– Capital expenditure for the year	**163 915**	275 031
– Capital expenditure committed or authorised for the next year	**133 530**	219 535
– Depreciation for the year	**156 461**	167 881

Condensed consolidated statement of changes in equity

for the year ended 30 June 2017

(R'000)	Group Audited 2017	2016
Balance at 1 July	**3 632 730**	2 987 347
Net (loss)/profit for the year	**(772 645)**	456 999
Other comprehensive (loss)/income for the year	**(134 627)**	279 826
Share-based payment (credit)/expense	**(5 130)**	26 327
Distribution to non-controlling interest	**(84 008)**	(49 983)
Dividends paid	**(44 616)**	(67 786)
Balance at 30 June	**2 591 704**	3 632 730

Condensed consolidated segmental analysis

for the year ended 30 June 2017

(R'000)	% change	Group Audited 2017	Group Audited 2016
Revenue			
Engineering & Construction	(25.1)	**8 808 759**	11 767 899
Building & Housing	(10.2)	**4 428 936**	4 932 560
Civil Engineering	(22.0)	**1 945 306**	2 493 265
Projects	(46.8)	**1 300 654**	2 443 494
Energy	(40.3)	**1 133 863**	1 898 580
Investments & Concessions	(8.5)	**1 049 234**	1 146 814
Manufacturing	17.0	**1 094 416**	935 280
Total	(20.9)	**10 952 409**	13 849 993
Joint arrangements equity accounted and joint arrangements wholly consolidated		**(151 707)**	(76 375)
Revenue per income statement		**10 800 702**	13 773 618

(R'000)	% margin	% change	2017	2016
Operating (loss)/profit				
Engineering & Construction	(10.2)	(280.9)	**(902 420)**	(236 926)
Building & Housing	(3.4)	(299.9)	**(148 851)**	74 459
Civil Engineering	(11.9)	39.3	**(231 258)**	(381 197)
Projects	(19.5)	(794.6)	**(254 239)**	36 604
Energy	(23.6)	(907.3)	**(268 072)**	33 208
Investments & Concessions	16.6	(81.1)	**173 772**	917 440
Manufacturing	6.3	23.9	**69 351**	55 993
Total core operating (loss)/profit	(6.0)	(189.5)	**(659 297)**	736 507
Joint arrangements equity accounted and joint arrangements wholly consolidated			**(19 923)**	(11 788)
Adjustments for non-operational transactions				
Pension fund surplus			**24 343**	14 846
Net profit/(loss) on increase in shareholding and disposal of investment in associate			**615**	(21 391)
Re-measurement of employment obligation			**1 692**	7 581
Impairment of investment in associate and joint venture			**(1 241)**	(3 475)
Operating (loss)/profit per income statement			**(653 811)**	722 280
Share of equity accounted profits			**41 853**	27 359
Finance costs – net			**(7 235)**	(14 914)
(Loss)/profit before taxation per income statement			**(619 193)**	734 725

Statistics

as at 30 June 2017

(R'000)	Group Audited 2017	Group Audited 2016
Number of ordinary shares	**101 594 103**	101 249 779
– Shares in issue	**112 258 283**	112 216 980
– *Less:* shares held by share trusts	**(10 664 180)**	(10 967 201)
Weighted average number of shares ('000s)	**101 340**	101 147
Fully diluted weighted average number of shares ('000s)	**101 340**	101 220
EPS – R	**(8,29)**	3,75
HEPS – R	**(8,53)**	3,35
Fully diluted EPS – R	**(8,29)**	3,75
Fully diluted HEPS – R	**(8,53)**	3,35
Dividends per share (cents)	**14,00**	72,00
– Interim	**14,00**	42,00
– Final	**–**	30,00
Net asset value per share – R*	**24,82**	35,02
Net debt to equity ratio	**net ungeared**	net ungeared
Current ratio	**1,16**	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's performance for the year was materially below expectations, with an operating loss compared to a profit in the prior year. The main reasons for this loss are summarised below:

R159,1 million	The recognition of the group's financial socio-economic contribution of the Voluntary Rebuild Programme (VRP)* with the government of South Africa.	The VRP is a programme of initiatives that will significantly accelerate transformation of the South African construction sector, as announced on the JSE SENS on 11 October 2016. Although payment will occur at R21,25 million per annum over a 12-year period (totalling R255 million), the full liability must be recorded in the current year, as this represents the period in which the obligation has been incurred. R159,1 million, reflecting the net present value of the liability, was therefore charged in full against earnings in this year. In addition, an amount of R7,5 million is included as a finance cost relating to the annual discount unwind.	
R244 million	The commercial close out and final settlement of the long-outstanding Transnet New Multi Product Pipeline (NMPP)* contracts.	This is discussed below.	
R40,5 million	Additional restructuring costs.	Following the R7,3 million impact in H1, an additional R33,2 million in costs were incurred in H2 and charged against earnings. This follows further rightsizing of the underlying operating business segments and the associated realignment of the group's support structures.	
R470 million	A reduction in profitability from the underlying Engineering & Construction segments against guidance.	H1 R172 million* H2 R298 million	Profitability reduced due to unsecured orders that did not materialise and continued margin erosion.

* *Disclosed in H1 F2017.*

The group's Manufacturing cluster delivered a strong result in markets that further contracted. Although the Investments & Concessions cluster continued to perform well on the back of a solid performance by the European operations, the cluster's results were impacted by an unexpected claim at Intertoll Africa as a result of an undetected overpayment to the group over several years by a key client following an error from the client's consulting engineer.

FINANCIAL PERFORMANCE

Headline earnings per share (HEPS) and fully diluted HEPS (FDHEPS) decreased from a profit of 335 cents per share in F2016 to a loss of 853 cents in F2017. Earnings per share (EPS) and fully diluted EPS (FDEPS) decreased from a profit of 375 cents per share in F2016 to a loss of 829 cents per share in the current year.

The difference between earnings and headline earnings this year was mainly as a result of a profit on the fair value adjustment of an investment property held by an associate company and profits on disposal of property, plant and equipment.

Group revenue decreased by 21.6% from R13,8 billion to R10,8 billion, mainly as a result of a 25% decrease in revenue from the Engineering & Construction cluster. Revenue from all this cluster's segments traded lower than the prior year. The Manufacturing cluster grew its revenue by 17.0% and the Investments & Concessions cluster's revenue decreased by 8.5% compared to F2016.

The group's core operating profit decreased from R736,5 million profit to a loss of R659,3 million. The prior year's results reflect a high base due to stronger than usual fair value gains realised on service concessions (R730,1 million) and fair value gains on investment property (R43,5 million) in Investments & Concessions. This was offset at a group level in F2016 by a provision for a potential impaired debt in Engineering & Construction.

In line with expectations, group net finance costs of R7,2 million were recorded for the year compared to the net finance costs of R14,9 million in the prior year.

The effective tax rate of 25% against a loss before tax (F2016 tax rate: 38%) was impacted by:

- the taxation effect of the VRP
- a more conservative approach adopted on the tax treatment of a transaction, and its resultant impact on the group's deferred taxation asset
- unrecognised deferred taxation assets

In the prior year, taxation rates were impacted by the non-deductibility of a provision raised for a potential bad debt.

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 a bank and cash balance of R2,3 billion as at 30 June 2017 (F2016: R3,3 billion and H1 F2017: R2,8 billion). At year end the group reported R724,8 million (F2016: R1,9 billion) in excess billings over work performed and R442,4 million (F2016: R479,4 million) in advance payments received.

CASH FLOW

The group absorbed R170,9 million (F2016: R449,4 million generated) cash from operations before a working capital absorption of R640,1 million (F2016: R30,2 million generated). This resulted in a net cash outflow from operating activities of R1,0 billion (F2016: R146,3 million) after settlement of taxation liabilities of R149,1 million (F2016: R250,6 million) and dividends paid to shareholders of R44,6 million (F2016: R67,8 million).

The group invested R124,1 million with the acquisition of 10.0% in the M6 Phase III project in Hungary. This is a long term concession.

After a net cash investment of R91,0 million (F2016: R149,7 million) in plant and equipment, net borrowings repaid of R300,5 million (F2016: net R391,9 million) and proceeds on service concessions investments of R785,4 million (F2016: R142,7 million), a net outflow of R989,8 million was realised (F2016: R134,7 million). The depreciation of the South African Rand against foreign currencies, especially the US Dollar, resulted in a R128,3 million outflow (F2016: R355,6 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.

The new board has made the decision to not declare a dividend at year end. This was based on their commitment to conduct a detailed review of the group's strategy, positioning and growth requirements. The board will conclude on a dividend decision by the next reporting period. The full-year dividend is therefore 14 cents based on the interim dividend declared in February 2017 (F2016: 72 cents).

BUSINESS COMBINATIONS

There were no business combinations during the current reporting period.

In December 2016, the group entered into a sale and purchase agreement and shareholders' agreement with Aberdeen Infrastructure Funds (AIF), a wholly-owned subsidiary of Aberdeen Asset Management Plc. This transaction involved AIF's acquisition of a 49.99% stake in Intertoll Europe's underlying public private partnership (PPP) project investment portfolio, which houses Group Five's key European investments and concessions assets. The cash consideration of approximately EUR43,0 million was structured to include accrued interest from the effective date of 1 April 2016 to the financial closing date, after deducting accrued distributions to be paid to AIF and including contract performance payments due to the underlying investment portfolio companies at the closing date. The transaction achieved financial close before financial year end, with proceeds of EUR40 million relating to the seed assets and a net EUR4,3 million relating to the purchase of the investment in M6 Phase III, referred to later. All proceeds were received by 30 June 2017.

Intertoll Europe's PPP project investment portfolio comprised a 15.00% holding in Gdansk Transport Company SA (GTC), Poland, a 10.00% holding in Mecsek autopalya koncesszios zrt (M6 Mecsek), Hungary, and a 12.67% holding in M6 Duna autopalya koncesszios zrt (M6 Duna), Hungary. Intertoll Europe's interests in GTC, M6 Mecsek and M6 Duna together represent the "seed assets".

Following implementation of the transaction, Group Five holds 50.01% of the seed assets and AIF the remaining 49.99%. Both parties' interests in the seed assets are held through Intertoll Capital Partners BV, a joint venture established to facilitate this partnership (the JV). The parties' relative interests within the JV are subject to change based on future investments. The transaction created a strategic alliance with AIF, which will co-invest with the group in future projects that require access to capital. This should improve Group Five's ability to participate in the development, investment, operations and maintenance of global concessions assets without having to invest large amounts of capital on its own.

Intertoll Europe therefore retains its entire operations and maintenance (O&M) capability and current contract portfolio, whilst its prospects for securing new projects are enhanced.

Going forward, the JV will direct its efforts to acquiring further equity investments in similar concessions assets across select markets. In acquiring further equity investments within the JV, it is the group's intention to continue co-investing in the JV. Where Group Five elects not to co-invest proportionately alongside AIF, the group will accordingly dilute its shareholding within the JV. The parties have further agreed to a minimum five-year lock-in period in terms of the transaction agreements. The JV will endeavour to secure any O&M roles corresponding to new investment assets for Group Five, thereby delivering on the group's strategy of growing its O&M order book and annuity income.

In February 2017, Group Five also exercised its pre-emptive right in terms of the sale of a 10% stake in M6 Mecsek by a co-shareholder for a cash consideration of EUR8,70 million. In line with the strategic intent of the JV formed with AIF, the group elected to on-sell 49.99% of this stake to AIF for EUR4,35 million. Group Five and AIF therefore now jointly hold the additional 10% stake in M6 Mecsek (50.01% and 49.99% respectively).

As a result of these transactions, the seed assets, as well as the additional 10% stake in M6 Mecsek, which would have been reflected as investment in service concessions carried at fair value through profit and loss, have been reclassified as an equity accounted joint venture on the group's balance sheet as at 30 June 2017.

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 2017 was R24,7 million (June 2016: R46,8 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 R2 million (F2016: R0,5 million expense) was credited to earnings in F2017.

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 2017. This is required to be reassessed at each reporting period.

INDUSTRY MATTERS

Whilst some progress has been made, the management team continues to engage with the Competition Commission with the intent to finally resolve the two remaining matters on fair terms. Based on legal counsel assessment, any potential settlement or liability would be adequately covered by the provision raised by the group in F2013.

As outlined on SENS on 11 October 2016, the group entered into an agreement with the government of the Republic of South Africa (the VRP), together with six other construction companies, to implement a programme of initiatives to significantly accelerate transformation of the South African construction sector. The VRP also addresses the construction companies' exposure to potential claims for damages from certain identified public entity projects arising primarily from the fast-track settlement process launched by the South African Competition Authorities in February 2011.

The settlement agreement comprises:

- A financial contribution by the construction companies into a jointly-administered trust fund
  - The objective of the fund will be the development, enhancement and transformation of the construction industry, as well as the promotion of social infrastructure for all South Africans
  - The group has committed to contributing an amount of R255 million through annual payments of R21,25 million over a 12-year period, commencing in F2017
  - The total payment to be made to the fund by Group Five may be reduced by any claims or potential claims for damages that certain identified public entities have made, or may be entitled to make, against the group in relation to projects listed in the agreement. The payment is limited to the total contribution by Group Five of R255 million
  - The agreement does not address or eliminate any claims by the Competition Commission of South Africa with regards to administrative penalties which may be levied on the group. The group's engagement with the Competition Commission therefore continues
- Certain transformation commitments over and above the current broad-based black economic empowerment (BBBEE) sector requirements
  - In addition to existing enterprise development programmes, Group Five can either:
    - commit to mentoring up to three emerging black-owned enterprises to develop the necessary skills, systems, status and quantity of work to sustain a cumulative combined annual revenue equal to at least 25% of each of the group's annual revenue by 2024 of works delivered in South Africa
      - Aligned to this obligation are fixed interim period transformation targets for each construction company, as well as penalties, calculated in accordance with a formula, for a failure to meet such targets
    - or dispose of not less than a 40% economic interest in its South African civil engineering and general building construction business to an enterprise that is more than 51% black owned, managed and controlled
      - The settlement agreement stipulates that the group will be released from its responsibility for the development initiatives of the emerging contractors if the group enters into a BBBEE transaction.

The new board is evaulating the best approach to meet the VRP commitment, as well as address the fact that the group's current BBBEE transaction expires in 2020 to ensure that it remains business relevant with clients and broader stakeholders. Any BBBEE ownership transaction should be aligned to the group's strategy, which is currently being assessed by the newly-established board of directors.

OPERATIONAL REVIEW

Group

The group provides 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 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 core and total operating margin for the period under review includes the accounting impact of the financial contribution committed to by the group in the settlement agreement reached with the government of the Republic of South Africa, described earlier.

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 Investments & Concessions 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 2017	Year ended 30 June 2016
Group		
Revenue (R'000)	**10 800 702**	13 773 618
Total operating margin per income statement – %	**(6.1)**	5.2
Core operating margin per segmental report – %	**(6.0)**	5.3
Core operating margin per segmental report – %*	**(4.6)**	5.3
Core operating (loss)/profit per segmental report (R'000)	**(659 297)**	736 506
Core operating (loss)/profit per segmental report (R'000)*	**(500 230)**	736 506

* *Excluding the impact of the VRP agreement with the government of South Africa.*

The group's total operating margin per income statement was impacted by a surplus on the group's pension fund of R24,3 million (F2016: R14,9 million) as a result of an actuarial valuation assessment.

	AUDITED	
	Year ended 30 June 2017	Year ended 30 June 2016
Engineering & Construction		
Revenue – (R'000)	**8 808 759**	11 767 899
Core operating margin per segmental report – %	**(10.2)**	(2.0)
Core operating margin per segmental report – %*	**(8.4)**	(2.0)
Core operating (loss)/profit per segmental report (R'000)	**(902 420)**	(236 926)
Core operating (loss)/profit per segmental report (R'000)*	**(743 353)**	(236 926)

* *Excluding the impact of the VRP agreement with the government of South Africa.*

The Engineering & Construction cluster contributed 80.4% to group revenue (F2016: 85.0%). Over-border work contributed 31% (F2016: 32%) to cluster revenues. Revenue decreased by 25.1% from R11,8 billion to R8,8 billion.

The cluster delivered an operating loss of R902,4 million, representing a core operating margin of (10.2%). The R236,9 million loss in the prior year included a R365,4 million provision for a problematic debtor in Civil Engineering, as discussed later. Excluding the cost impact of the VRP agreement, the margin was -8.4% or a loss of R743,3 million.

Although the Contracting order book decreased in the second half of the year, the decline was less than the first half. However, the ongoing order book decline resulted in negative operational gearing as costs could not be reduced quickly enough. Continued competitive market conditions translated into tighter margins on work secured.

The results were impacted by a number of issues:

- Additional retrenchment costs of R40,5 million in the year
- The VRP agreement, which impacted both the Building & Housing and Civil Engineering segments
- The commercial close out and final settlement of previously-disclosed long outstanding South African public NMPP contracts, as reported to the market in the SENS announcement of 14 December 2016
  - A decision was taken by the group to enter into a settlement agreement on these contracts instead of embarking on what was expected to be a protracted and expensive commercial and legal process to recover material costs incurred in previous periods. This settlement agreement impacted the Civil Engineering and Project segments and, most materially, the Energy segment. The conclusion of this matter has allowed the group to remove non-performing assets, improve the group's balance sheet and ensure additional liquidity for the group, with the uncertainty of an outcome removed
- Continued weak trading conditions which impacted all segments and led to a subdued order intake for the cluster during the year. This included:
  - housing contracts which could not reach financial close
  - decreased levels of awards in the civils market and the competitive landscape in the roads sector, which impacted the Civil Engineering segment
  - low tendering activity in the mining and oil and gas sectors which impacted the Projects and Energy segments
  - Although bidding activity in the power sector remains buoyant, the length of time taken to achieve contract awards resulted in only one award in the Power business within Energy segment, during the fourth quarter of F2017. This impacted the recovery of direct and indirect overheads and the profitability for this segment through the year
- Contract losses due to operational difficulties and inefficiencies on sites. This mainly affected the Projects and Civil Engineering segments

The Kpone Independent Power Plant contract in Ghana continues to make good progress. Although the group has been faced with challenging site conditions, logistical hurdles and varying weather conditions, steady progress has been achieved since the commencement of the contract in the second half of F2015. The contract has now entered its final construction and commissioning stage. Despite more than 12 months in cumulative delays, the contract is expected to be completed in the

fourth quarter of the 2017 calendar year. As outlined in the F2017 interim results and the market announcement of May 2017, design, which was sub-contracted to a major international engineering company, and certain tunnelling delays have been experienced. The tunnelling delays have been resolved and the completion of the steam pipe system, as well as the on-shore and off-shore seawater intake chamber system are now on the critical path to completion. A case study on this contract is included in the group's integrated annual report, which has been published on the same day as releasing the group's results.

The design delays, together with the late arrival of procured items on site following a change in Ghanaian law during the contract, negatively impacted the completion date. The contract makes provision for relief in the event of any change in law. These delays will result in a completion date post the contractual date. However, when considered together with claims on the contract to which the group has assessed its entitlement, the group does not expect this to further negatively impact the contract's profit recognition reported to 30 June 2017. Due to the contract being close to the completion stage, key focus areas in the short term include daily micro-scheduling and monitoring of critical paths and key contract deliverables. In addition, the group is implementing commercial processes which include claim notifications to the client and applying the group's rights within the contract to utilise the fast-track mechanism for the resolution of claims.

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

	AUDITED	
	Year ended 30 June 2017	Year ended 30 June 2016
Building & Housing		
Revenue – (R'000)	**4 428 936**	4 932 560
Core operating margin per segmental report – %	**(3.4)**	1.5
Core operating margin per segmental report – %*	**(1.0)**	1.5
Core operating (loss)/profit per segmental report (R'000)	**(148 851)**	74 459
Core operating (loss)/profit per segmental report (R'000)*	**(42 277)**	74 459

* *Excluding the impact of the VRP agreement with the government of South Africa.*

Building & Housing's results continue to reflect a tight trading environment operating on very thin margins.

Revenue decreased by 10.2% from R4,9 billion (100% local) to R4,4 billion (97% local). The segment reported a core operating loss of R148,9 million (F2016: R74,5 million profit), mainly due to accounting for the Building & Housing segment's portion of the financial contribution to the VRP. This resulted in the overall core operating margin percentage decreasing from 1.5% to -3.4%. Excluding this, the segment reported a core operating loss of R42,2 million and a margin of -1.0%. This loss was mainly as a result of unsecured work not materialising in line with plan within the Housing segment, as well as a provision of R28 million raised on a possible irrecoverable advance to a joint venture partner. The segment incurred retrenchment costs of R3,3 million in F2017.

A landmark contract within Building was the City of Tshwane's public private partnership for its new municipal headquarters (Munitoria). This contract reached successful completion during the year. Although the building market has been vibrant for the financial year in the private sector, this segment maintains a balanced order book between public and private contracts. Whilst tender

enquiries continue to be at an acceptable level, and the value of new contracts secured is encouraging, 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 segment successfully completed some notable contracts for the mining sector. Whilst replacement work in the private sector has been difficult to secure in this market, we are seeing traction within the mining sector with a recent award in the Northern Cape. However, the largest opportunities exist in offering housing on a number of multi-disciplinary local and over-border contracts. The Housing strategy is to create a new pipeline of work within the private sector, especially residential developments in the social and entry-level markets. The Housing team recently secured the first of these contracts and the group anticipates that this could become a significant negotiated multi-year pipeline in years to come. This will provide greater certainty of future order book growth at acceptable margins.

The Housing public sector has been difficult. Despite a number of significant opportunities, lead times confirming contract financing prior to construction commencement, as well as delayed start-ups and on-site delays, remain an issue.

The order book, whilst reduced from June 2016 and December 2016, remains at a high level.

The secured one-year order book stands at R3,1 billion (95% local) (H1 F2017: R4,4 billion and 94% local) (F2016: R4,3 billion and 96% local). The total secured order book stands at R4,0 billion (96% local) (H1 F2017: R5,7 billion and 95% local) (F2016: R5,6 billion and 95% local).

	AUDITED	
	Year ended 30 June 2017	Year ended 30 June 2016
Civil Engineering		
Revenue – (R'000)	**1 945 306**	2 493 265
Core operating margin per segmental report – %	**(11.9)**	(15.3)
Core operating margin per segmental report – %*	**(9.2)**	(15.3)
Core operating (loss)/profit per segmental report (R'000)	**(231 258)**	(381 197)
Core operating (loss)/profit per segmental report (R'000)*	**(178 767)**	(381 197)
Core operating (loss)/profit per segmental report (R'000)**	**(156 564)**	(15 834)

* *Excluding the impact of the VRP agreement with the government of South Africa.*

** *Excluding the impact of the NMPP contracts in F2017 and provision for a potential impaired debt in F2016.*

This segment reported a 22.0% decrease in revenue from R2,49 billion (63% local) to R1,94 billion (62% local), whilst core operations generated an unacceptable loss of R231,2 million for the year (F2016: R381,2 million loss after recording a R365,4 million provision for a potential impaired debt). The overall core operating margin percentage improved from -15.3% to -11.9% but remains disappointing.

As previously communicated, this segment raised a R365,4 million provision for a potential debtor in the prior year. Although positive traction was made in H1 F2017 in resolving a portion of the disputed amounts, the group continues to adopt a cautious stance, with the full provision remaining unaltered until cash flow from the client recommences. No further traction on the resolution of this matter was achieved in H2 F2017.

Included within the core operating loss is Civil Engineering's portion of the financial contribution for the VRP. Excluding this transaction, the segment still reported a core operating loss of R178,8 million and a core operating margin of -9.2%.

The segment's results were impacted in H1 F2017 by the commercial close out and final settlement of the previously-disclosed long-outstanding NMPP public contracts. Excluding the impact of the NMPP settlement agreement and government agreements, performance would still have been weak, with a core operating loss of R156,6 million. R49,0 million of this was incurred in H1 F2017 and R107,3 million in the second half of the financial year, resulting in an operating margin of -8.0%.

As cautioned at interim results time, the segment was expected to be impacted further by restructuring costs, which could not be defined at the time. The second half was therefore weaker than guided, due to the R14,1 million in retrenchment costs to right-size the segment to match its view on future market demand and conditions as well as additional costs incurred on certain contracts, mainly roads and earthworks. These have now been completed.

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

Order intake for the Civil Engineering segment remains challenging. The volume of awarded work in the sector is very low, with strong competition experienced across all roads, earthworks and civils contracts. Tender activity is at an all-time low and highly competitive.

Industry Insight reports that "the estimated value of civil projects out to tender during the second quarter of 2017 fell by 39% year-on-year, following the decrease of 43% year-on-year during the first quarter of 2017. This means the value of tenders released during the first two quarters of 2017 has declined by over 40% compared to the same period last year. The drop in tender values is broad-based, affecting all provinces across the country, except for a marginal increase in tender values in the Northern Cape."

In line with this, delays have been experienced by the group, with contract award times of between six to 12 months. With the depressed South African economic growth and financial limitations experienced by state owned entities, an improvement in the short term is not anticipated. The segment has therefore been further rightsized and the operations teams split to focus separately on civil engineering and roads and earthworks.

The segment is focusing on securing over-border contracts and multi-disciplinary contracts with the Projects segment. Some success was achieved, with awards prior to the financial year end. Committed expenditure under the South African government's capital programme and a revival in commodity prices should bolster prospects in the South African and rest of Africa civil engineering and infrastructure markets.

Civil Engineering's secured one-year order book stands at R1,0 billion (85% local) (H1 F2017: R1,6 billion and 67% local) (F2016: R2,0 billion and 59% local). The full order book is at R1,6 billion (90% local) (H1 F2017: R2,0 billion and 70% local) (F2016: R3,0 billion and 64% local).

	AUDITED	
	Year ended 30 June 2017	Year ended 30 June 2016
Projects		
Revenue – (R'000)	**1 300 654**	2 443 494
Core operating margin per segmental report – %	**(19.5)**	1.5
Core operating margin per segmental report – %*	**(17.3)**	1.5
Core operating (loss)/profit per segmental report (R'000)	**(254 239)**	36 604
Core operating (loss)/profit per segmental report (R'000)*	**(225 107)**	36 604

* *Excluding the impact of the NMPP contracts.*

During the year, revenue was severely under pressure and decreased by 46.8% from R2,4 billion (26% local) to R1,3 billion (11% local). Core operating profit decreased from R36,6 million to R254,2 million loss. This was partially due to the impact of the commercial close out and final settlement of NMPP public contracts in H1 F2017. Excluding the impact of the settlement agreement reached on the NMPP contracts, the segment reported a core operating loss of R225,1 million and an operating margin of -17.3%, with a core operating loss of R106,4 million incurred in H1 F2017 and R118,7 million in H2 F2017.

As communicated at interim results time, the segment was impacted by losses incurred on a contract due to additional unrecoverable costs incurred H1 F2017. This contract is now complete and intervention included the removal of the senior contracts management.

In H2 F2017 the segment incurred R9,1 million in retrenchment costs to right size the business following a reduction in market volumes that nearly halved revenue. In addition, subdued tendering activity in the mining and oil and gas sectors resulted in a reduced order intake for the segment. This impacted the recovery of direct and indirect overheads. Additional retrenchments were actioned at the end of the financial year, with the benefits to be generated in F2018. The segment also deferred the continued recognition of a claim on a contract which experienced labour unrest and malicious damage, as this could not be recovered through insurance entitlement. The group continues to pursue its entitlement.

Whilst the mining sector remains depressed, select prospects are being pursued, highlighted by the recent awards within the gold, coal and fluorspar contracts. The segment continues to support group tenders in the energy markets. A gradual improvement in the number of enquiries for African mining contracts has been noted and the outlook for F2018 has been improved after securing a pleasing amount of work within the mining sector.

The secured one-year order book stands at R1,2 billion (56% local) (H1 F2017: R915,7 million and 34% local) (F2016: R1,2 billion and 12% local). The full secured order book stands at R1,6 billion (66% local) (H1 F2017: R1,2 billion and 46% local) (F2016: R1,5 billion and 22% local).

	AUDITED	
	Year ended 30 June 2017	Year ended 30 June 2016
Energy		
Revenue – (R'000)	**1 133 863**	1 898 580
Core operating margin per segmental report – %	**(23.6)**	1.7
Core operating margin per segmental report – %*	**(6.7)**	1.7
Core operating (loss)/profit per segmental report (R'000)	**(268 072)**	33 208
Core operating (loss)/profit per segmental report (R'000)*	**(75 443)**	33 208

* *Excluding the impact of the NMPP contracts.*

During the year, revenue decreased by 40.3% from R1,9 billion (42% local) to R1,1 billion (40% local).

Core operating profit decreased from R33,2 million to R268,1 million loss. This resulted in a core operating profit margin of -23.6% (F2016: 1.7% profit).

The extremely weak results in H1 F2017 were mainly as a result of the impact of the commercial close out and final settlement of previously-disclosed long-outstanding NMPP contracts. Excluding this impact, the segment reported a core operating profit of R11,5 million in H1 F2017 and a margin of 2.0%.

However, the segment was materially impacted in H2 F2017 by an under-recovery of direct overheads following a reduced rate of trade and lower levels of contract awards against budget. Although the group has been actively bidding thermal, gas and alternative fuels contracts, it was impacted by the 18-month delay in the financial close of the renewables programme. Awards in this segment are traditionally lumpy and this business was most impacted by the lack of contract awards, which was anticipated to be awarded and traded in H2 F2017. The segment incurred R8,1 million in retrenchment costs in June 2017.

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

Although progress continues to be made on the secured Koeberg contract, Group Five Nuclear is still not trading at sufficiently high volumes to cover the business overheads. To reduce the ongoing level of holding costs, the group has made a decision to consolidate its activities in the nuclear sector and rationalise its cost structure.

The secured one-year order book stands at R907 million (83% local) (H1 F2017: R630,1 million and 27% local) and (F2016: R913 million and 12% local). The full secured order book stands at R1,5 billion (90% local) (H1 F2017: R781,7 million and 41% local) (F2016: R1,2 billion and 22% local).

	AUDITED	
	Year ended 30 June 2017	Year ended 30 June 2016
Investments & Concessions		
Revenue – (R'000)	**1 049 234**	1 146 814
Core operating margin per segmental report – %	**16.6**	80.0
Core operating profit per segmental report (R'000)	**173 772**	917 440

Investments & Concessions consists of transport concessions and property developments.

The cluster contributed 9.6% (F2016: 8.3%) to group revenue and R173,8 million to group core operating profit (F2016: 124.6%).

Revenue, which consists primarily of fees for the operation and maintenance of toll roads, decreased by 8.5% from R1,1 billion to R1,0 billion.

The core operating profit margin decreased from 80.0% to 16.6% on the back of core operating profit of R173,8 million (F2016: R917,4 million). As expected, the quantum of fair value upward adjustments recorded from the group's investment in service concessions of R98,2 million was significantly lower than the prior year (F2016: R773,6 million). As indicted in F2016, fair value adjustments for the current year was expected to return to normalised levels. This net fair value adjustment represents an upward fair value adjustment on transport concessions of R140,3 million and a devaluation of R42 million on the group's Bulgarian development assets.

The R730,1 million fair value gains in F2016 in the investment in service concessions recorded were due to:

- 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 the time of tender submission
- This resulted in the actual underlying project cash flows that were materially better in F2016 than those originally forecast in the base-case models compiled at the time of project financial close. The improved cash flow was the primary driver for the significant growth in the value of the investments.

Intertoll Africa's operating profit was materially impacted by an unexpected claim. This stems from an undetected overpayment to the group over several years by a key client based on an error from the client's consulting engineer. Notwithstanding the claim, the underlying business in both South Africa and Zimbabwe is performing well. Profitability was somewhat reduced due to additional equipment supply costs and legal costs. To enhance performance, the team continues to focus on cost efficiencies, with good progress made towards targets. Attractive opportunities within select markets in sub-Saharan Africa are being pursued.

In Intertoll Europe, the 20-year Westlink DBFO1 contract in Belfast (Northern Ireland), which commenced in H2 F2016, has operated ahead of expectations in its first full year of operations. Intertoll Europe was also awarded a six-year operations and maintenance contract in Poland in H1 F2017 for the A1 Phase III. This has commenced and is performing in line with expectations.

The remainder of Intertoll Europe's projects continues to perform strongly. Additional new prospects are being explored in the region, including the UK, Czech Republic, Poland, Greece and Turkey. Positive early-stage progress has been made with the development of concessions road prospects in North America, working together with existing European partners in that region. The underlying performance in H2 F2017 remained strong.

G5 Properties performed in line with expectations and is making steady progress with the development of its current portfolio of industrial, mixed-use and residential projects in South Africa, whilst continuing to develop select prospects across sub-Saharan Africa. In South Africa, several residential projects have been launched, whilst the African projects are largely dependent on securing tenants for a number of commercial projects.

As outlined earlier, the group entered into a sale and purchase agreement and shareholders' agreement with AIF, a wholly-owned subsidiary of Aberdeen Asset Management Plc. in December 2016. This involved AIF acquiring a 49.99% stake in Intertoll Europe's underlying PPP project investment portfolio.

	AUDITED	
	Year ended 30 June 2017	Year ended 30 June 2016
Manufacturing		
Revenue – (R'000)	**1 094 416**	935 280
Core operating margin per segmental report – %	**6.3**	6.0
Core operating profit per segmental report (R'000)	**69 351**	55 993

Manufacturing consists of fibre cement building products business Everite, steel fabrication business BRI, Group Five Pipe and a sand business Sky Sands.

The Manufacturing cluster contributed 10.0% (F2016: 6.8%) to group revenue, and R69,4 million to group core operating profit (F2016: 7.6% of group core operating profit).

Revenue increased by 17.0% from R935,3 million to R1,1 billion. The reported core operating profit for the year was R69,3 million, which was 23.9% higher than the prior year's core operating profit of R56,0 million. This resulted in a core operating margin of 6.3% (F2016: 6.0%).

The South African manufacturing market was subdued, with business confidence deteriorating. This impacted demand for our manufactured range of products. The ability to pass on inflation related price increases was affected by competing complementary products and imports. The internal cost of production also continued to rise as demand for higher wages and the rising cost of energy squeezed margins.

Against this challenging environment, the Manufacturing operations have performed exceptionally well by increasing both revenue and earnings. The Fibre Cement business grew volumes by aggressively defending local market share, whilst growing export volumes into Southern Africa. The strategy of growth into alternative revenue streams bore fruit, with a pleasing increase in traded goods revenues and contribution. A number of internal efficiency projects, especially in the area of raw material procurement and processing, positively impacted performance. The continued focus on labour productivity led to the overall cost of production achieving its robust targets, with core operating profit increasing.

The Aerated Autoclaved Concrete (AAC) lightweight building material plant was fully commissioned during the financial year and will start contributing to results from F2018.

The Steel businesses performed reasonably well in an oversupplied civil engineering market, with little demand and a high level of price competition. This was achieved through stringent focus on cost efficiencies and cost associated with delivering product to market.

Looking forward, the market is not expected to recover in the short term and management will be focusing on further cost reductions and efficiency gains in its traditional business entities. Revenue and margin growth will be driven through additional exports, growth in the AAC process output and sales, additional traded goods opportunities and further market penetration in the rural market growth nodes in South Africa.

PROSPECTS

Results were significantly impacted by a number of exceptional items recorded in this reporting period, together with operating losses incurred in the Engineering & Construction segments and the impact of continuing weak order book intake in this cluster as a whole, with the resultant under-recovery of direct and indirect overheads.

It is important that the group is structured to respond more effectively to the changing market dynamics. The management team has reduced the size of the group and de-layered its operations to become leaner, with a strong emphasis on transparency in all its major risk areas. This also allows the group to move resources to where they are most needed as the markets dictate.

Short term actions include an intensive focus on discipline in contract management and tight cost control, improved management review levels and heightened accountability and action on non-performance. As a group it is imperative to heighten its focus on accountability.

The poor performance in Engineering & Construction is being addressed by entrenching new procedures on sites, such as:

- Improved cost to completion procedures on all contracts and linking these directly to contract risk registers. This ensures that risks are properly assessed when calculating the cost base of a contract
- An enhanced early-warning dashboard, which will enable management to react much sooner once a contract displays signs of distress
- Tighter controls to manage operational risk and internal challenges on sites
- Increasing the discipline implemented to ensure employees adhere to all procedures, as well as implement training around lessons learnt

The group's attention is also firmly focused on its target clients and markets to secure work that will deliver the value-enhancing growth the management team seeks, whilst improving returns on capital employed across the group.

The group's total secured Engineering & Construction contracting order book stands at R8,7 billion (December 2016: R9,6 billion, June 2016: R11,2 billion).

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

The overall group reported order book at June 2017 therefore stands at R14,6 billion (December 2016: R15,7 billion, June 2016: R17,3 billion).

The value of the group's target opportunity pipeline stands at R151 billion, with R84 billion of this pipeline currently in tender and pre-tender stage. This is slightly lower than the R193 billion pipeline and R97 billion tender and pre-tender pipeline reported in December 2016 due to a refinement of target contracts. The pipeline indicates ongoing strong demand in power and transport, with continued activity in real estate and an improving mining and industrial sector.

DIVIDEND DECLARATION

The new board has made the decision to not declare a dividend at year end. This was based on their commitment to conduct a detailed review of the group's strategy positioning and growth requirements. The board will conclude on a dividend decision by the next reporting period.

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.

It 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 R14,80 (F2016: R16,67).

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 in the year under review (F2016: 11% to 13%).

SPECIAL RESOLUTION

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 31 October 2016, 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 relation to this authority granted,

In H1 F2017:

- No borrowing facilities were raised

In H2 F2017:

- The group settled bond GFC 04 (R280 million) in April 2017 and subsequently deregistered the Domestic Medium Term Note (DMTN) programme with Group Five Construction Limited as a borrower. The group continues to maintain the DMTN programme with Group Five Limited as borrower. No notes have been issued under this programme
- A R250 million revolving credit facility was converted to a R190 million overnight money market facility
- The group secured a R190 million overdraft facility. As at 30 June 2017, the overdraft was not utilised
- The group secured a GHC 35 million Cedi facility. The facility is available until March 2018. As at 30 June 2017, GHC 31 million had been drawn down

BOARD CHANGES

The following changes in the board of directors occurred during the financial year:

- Mr S Morris and Dr J Job retired on 31 August 2016
- Mr E Vemer resigned from the board and as CEO with effect from 28 February 2017
- Mr M Thompson resigned with effect from 6 April 2017
- Ms Ngonyama resigned with effect from 5 May 2017
- Ms P Mthethwa, Mr K Mpinga, Mr J Chinyanta, Mr W Louw and Mr V Rague resigned with effect from 24 July 2017
- Mr T Mosai was appointed as acting CEO on 1 March 2017 and as permanent CEO on 23 May 2017
- Following the conclusion of the extraordinary general meeting of shareholders on 24 July 2017, and acceptance by the directors of their election as non-executive directors of the company, the group announced the appointments of Ms N Mandindi, Ms C Fernandez, Ms J Huntley, Dr J Job, Dr T Kgogo, Messers N Martin, M Upton and E Williams as non-executive directors, with effect from 24 July 2017

The new board is committed to restoring stability to the group after a period of significant change. The members have the appropriate skills and expertise to assist the management team to lead Group Five back to a sound base and pleasing returns for shareholders. The members were nominated and voted on by shareholders and are committed to addressing the immediate challenges without losing sight of the importance of also having a more medium and long term strategy horizon.

EXECUTIVE COMMITTEE AND SENIOR MANAGEMENT CHANGES

The following changes in the executive committee occurred during the financial year:

- Mr W Zeelie, the previous Engineering & Construction executive committee member, resigned from the group with effect from 31 March 2017. He continues working with Group Five under a consultancy agreement until March 2018
- Mr J Doorasamy, the previous human resources executive committee member of the group, was retrenched from the group through mutual agreement with effect from 31 March 2017. His replacement is currently being sought
- Mr J Hillary, the previous Investments & Concessions executive committee member, resigned from the group with effect from 31 March 2017

The board thanks these members of senior management for their contribution over the years and wishes them well in their future endeavours.

As previously reported:

- Mr M Humphreys was appointed as the Engineering & Construction executive committee member with effect from 31 March 2017 and remains the chief operations officer for this cluster
- Mr K Maharaj was appointed as the Investments & Concessions executive committee member with effect from 23 May 2017

ESTIMATES AND CONTINGENCIES

The group makes estimates and assumptions concerning the future, particularly with regards 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 projects 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 498 million as at 30 June 2017, compared to R5 484 million as at 31 December 2016 and R6 521 million as at 30 June 2016.

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 2017, which have been prepared in accordance with the framework concepts and 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 17 August 2017 and signed on its behalf by:

On behalf of the board

N Mandindi
Chairperson

T Mosai
Chief Executive Officer

17 August 2017

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

* *Non-executive director.*

Transfer secretaries:
Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196

Sponsor:
Nedbank Corporate and Investment Banking

Registered address:
No 9 Country Estate Drive, Waterfall Business Estate, Jukskei View Johannesburg 1662, South Africa

Postnet Suite 500, Private Bag X26, Sunninghill 2157, South Africa

Tel: +27 10 060 1555
Vax: 086 206 3885

E-mail: info@groupfive.co.za

Please visit our website:
www.groupfive.co.za

STUDIO 5

No 9 Country Estate Drive,
Waterfall Business Estate,
Jukskei View, Johannesburg 1662
Postnet Suite 500, Private Bag X26
Sunninghill 2157, South Africa
Tel: +27 10 060 1555
Fax: +27 86 206 3885
info@groupfive.co.za

www.groupfive.co.za