

2016

UNAUDITED INTERIM
GROUP RESULTS



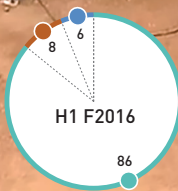
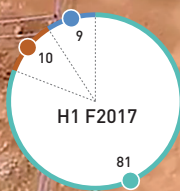
for the six months ended 31 December 2016

WE CREATE INFRASTRUCTURE SOLUTIONS.

CONTENTS

GROUP FIVE UNAUDITED INTERIM GROUP RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

CONDENSED CONSOLIDATED INCOME STATEMENT	2
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	3
DETERMINATION OF HEADLINE EARNINGS	4
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW	6
CAPITAL EXPENDITURE AND DEPRECIATION	6
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS	8
STATISTICS	9
COMMENTARY	10



REVENUE

% OF GROUP

- Engineering & Construction
- Investments & Concessions
- Manufacturing

REVENUE

R5,8 billion

December 2015:
R7,3 billion

OPERATING (LOSS)/PROFIT

R343 million loss

December 2015:
R289 million profit

TOTAL ORDER BOOK[^]

R15,7 billion

June 2016:
R17,3 billion

NET ASSET VALUE*

R30,78

June 2016:
R35,02

CASH AND CASH EQUIVALENTS

R2,8 billion

June 2016:
R3,3 billion

FULLY DILUTED HEADLINE EARNINGS PER SHARE

309 cents loss

December 2015:
131 cents earnings

EARNINGS PER SHARE

302 cents loss

December 2015:
168 cents earnings

DIVIDENDS PER SHARE

14 cents

December 2015:
42 cents

[^] Total order book is the sum of the group Contracting order book and Operations and Maintenance order book.

* Net asset value relates to that attributable to equity holders of the parent.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	UNAUDITED SIX MONTHS ENDED 31 DECEMBER	2015	AUDITED YEAR ENDED 30 JUNE 2016
	2016	2015	2016
(R'000)			
Revenue	5 834 640	7 265 425	13 773 618
Operating expense	(6 253 090)	(7 129 997)	(13 824 895)
Operating (loss)/profit before fair value adjustments	(418 450)	135 428	(51 277)
Fair value adjustment relating to investment in service concessions and investment property	74 979	153 837	773 557
Operating (loss)/profit	(343 471)	289 265	722 280
Share of equity accounted profits	17 607	9 686	27 359
Finance costs	(29 166)	(39 870)	(76 351)
Finance income	31 793	31 535	61 437
(Loss)/profit before taxation	(323 237)	290 616	734 725
Taxation	50 342	(90 091)	(277 726)
(Loss)/profit for the period	(272 895)	200 525	456 999
Allocated as follows:			
Equity shareholders of Group Five Limited	(305 747)	169 650	379 245
Non-controlling interest	32 852	30 875	77 754
	(272 895)	200 525	456 999
(Loss)/earnings per share – R	(3,02)	1,68	3,75
Fully diluted (loss)/earnings per share – R	(3,02)	1,68	3,75

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	UNAUDITED SIX MONTHS ENDED 31 DECEMBER	AUDITED YEAR ENDED 30 JUNE
	2016	2015
	2016	2016
(R'000)		
(Loss)/profit for the period	(272 895)	200 525
Other comprehensive (loss)/income for the period net of tax		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations	(109 029)	331 882
Items that will not be reclassified to profit or loss		
Re-measurement of pension fund	-	-
Tax on re-measurement of pension fund	-	-
Other comprehensive (loss)/income for the period	(109 029)	331 882
Total comprehensive (loss)/income for the period	(381 924)	532 407
Other comprehensive (loss)/income attributable to:		
Equity shareholders of Group Five Limited	(414 776)	501 532
Non-controlling interest	32 852	30 875
Total comprehensive (loss)/income for the period	(381 924)	532 407

DETERMINATION OF HEADLINE EARNINGS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	UNAUDITED SIX MONTHS ENDED 31 DECEMBER	AUDITED YEAR ENDED 30 JUNE
	2016	2015
	2016	2016
(R'000)		
Attributable (loss)/profit	(305 747)	379 245
Adjusted for (net of tax)	(8 046)	(40 435)
- Profit on disposal of property, plant and equipment	(1 815)	(27 250)
- Profit on fair value adjustment of investment property	-	(38 051)
- Profit on fair value adjustment on investment property held by associate company	(6 231)	-
- Net loss on disposal of investment in associate and impairment of investment in associate	-	24 866
Headline (loss)/earnings	(313 793)	338 810

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	UNAUDITED SIX MONTHS ENDED 31 DECEMBER	AUDITED YEAR ENDED 30 JUNE
	2016	2015
	2016	2016
(R'000)		
ASSETS		
Non-current assets		
Property, plant and equipment and investment property	1 111 512	1 031 250
Investments – service concessions	81 138	605 836
Other non-current assets	702 602	850 598
Total non-current assets	1 895 252	2 487 684
Current assets		
Inventories	251 544	283 306
Contract in progress	443 338	1 252 753
Trade and other receivables	2 759 383	3 069 887
Other current assets	–	614
Bank balances and cash	2 794 768	3 592 829
Assets held for sale through restructuring	1 126 773	–
Total current assets	7 375 806	8 199 389
Total assets	9 271 058	10 687 073
EQUITY AND LIABILITIES		
Capital and reserves		
Equity attributable to equity holders of the parent	3 117 515	3 416 983
Non-controlling interest	95 330	62 492
Total equity	3 212 845	3 479 475
Non-current liabilities		
Interest-bearing borrowings	175 499	475 028
Other non-current liabilities	160 440	135 650
Total non-current liabilities	335 939	610 678
Current liabilities		
Excess billings over work done	1 270 003	1 599 825
Current portion of interest-bearing borrowings	574 976	479 388
Short term borrowings	52 723	–
Other current liabilities	3 824 572	4 517 707
Total current liabilities	5 722 274	6 596 920
Total liabilities	6 058 213	7 207 598
Total equity and liabilities	9 271 058	10 687 073

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	UNAUDITED SIX MONTHS ENDED 31 DECEMBER	AUDITED YEAR ENDED 30 JUNE	
	2016	2015*	2016
(R'000)			
Cash flow from operating activities			
Cash from operations before working capital changes	(317 326)	214 633	449 403
Working capital changes	140 061	98 210	30 204
Cash (utilised in)/generated from operations	(177 265)	312 843	479 607
Finance income/(costs) – net	2 627	(8 335)	(14 914)
Taxation and dividends paid	(119 390)	(139 324)	(318 426)
Net cash (utilised in)/generated by operating activities	(294 028)	165 184	146 267
Property, plant and equipment and investment property – net	(62 693)	(58 999)	(155 269)
Investments – net	66 947	(111 486)	(42 382)
Net cash generated by/(utilised in) investing activities	4 254	(170 485)	(197 651)
Net cash utilised in financing activities	(28 251)	(117 163)	(438 904)
Effects of exchange rates on cash and cash equivalents	(142 440)	325 357	355 585
Net (decrease)/increase in cash and cash equivalents	(460 465)	202 893	(134 703)
Cash equivalents at beginning of period	3 255 233	3 389 936	3 389 936
Cash equivalents at end of period	2 794 768	3 592 829	3 255 233

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

CAPITAL EXPENDITURE AND DEPRECIATION

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	UNAUDITED SIX MONTHS ENDED 31 DECEMBER	AUDITED YEAR ENDED 30 JUNE	
	2016	2015	2016
(R'000)			
– Capital expenditure for the period	87 095	124 272	275 031
– Capital expenditure committed or authorised for the next period	162 602	143 493	219 535
– Depreciation for the period	74 241	80 771	167 881

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Stated Capital	Foreign currency translation reserve	Retained earnings	Non- controlling interest	Total
(R'000)					
Balance at 30 June 2015	1 281 275	196 999	1 450 104	58 969	2 987 347
Net profit for the period	–	–	169 650	30 875	200 525
Other comprehensive income for the period	–	331 882	–	–	331 882
Share-based payment expense	12 366	–	–	–	12 366
Distribution to non-controlling interests	–	–	–	(27 352)	(27 352)
Dividends paid	–	–	(25 293)	–	(25 293)
Balance at 31 December 2015	1 293 641	528 881	1 594 461	62 492	3 479 475
Net profit for the period	–	–	209 595	46 879	256 474
Other comprehensive loss for the period	–	(50 040)	(2 016)	–	(52 056)
Historical reclassification of dividend paid*	(110 108)	–	110 108	–	–
Share-based payment expense	13 961	–	–	–	13 961
Distribution to non-controlling interests	–	–	–	(22 631)	(22 631)
Dividends paid	–	–	(42 493)	–	(42 493)
Balance at 30 June 2016	1 197 494	478 841	1 869 655	86 740	3 632 730
Net loss for the period	–	–	(305 747)	32 852	(272 895)
Other comprehensive loss for the period	–	(109 029)	–	–	(109 029)
Share-based payment expense	16 691	–	–	–	16 691
Distribution to non-controlling interests	–	–	–	(24 262)	(24 262)
Dividends paid	–	–	(30 390)	–	(30 390)
Balance at 31 December 2016	1 214 185	369 812	1 533 518	95 330	3 212 845

* As part of the process of ongoing taxation governance, a review of historic dividend payments and relevant taxes was performed. All dividend related taxation matters were found to be in order, however, a historic dividend payment was shown as having paid out of retained earnings instead of correctly being shown as paid out of stated capital. The above is a correction of the anomaly, which is immaterial and has a nil impact on equity.

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

		UNAUDITED SIX MONTHS ENDED 31 DECEMBER	AUDITED YEAR ENDED 30 JUNE
	% change	2016	2015
[R'000]			
Revenue			
Engineering & Construction	(23.4)	4 787 326	6 250 981
Building & Housing	(15.7)	2 240 664	2 656 924
Civil Engineering	(11.8)	1 112 963	1 261 940
Projects	(33.7)	867 173	1 308 640
Energy	(44.6)	566 526	1 023 477
Investments & Concessions	(3.7)	564 468	586 386
Manufacturing	20.9	539 340	446 094
Total	(19.1)	5 891 134	7 283 461
Joint arrangements equity accounted and joint arrangements wholly consolidated		(56 494)	(18 036)
Revenue per income statement	(19.7)	5 834 640	7 265 425

	% margin	% change		
[R'000]				
Operating profit				
Engineering & Construction	(10.8)	(965.0)	(517 777)	59 855
Building & Housing	(3.5)	(329.4)	(79 310)	34 579
Civil Engineering	(10.9)	(611.7)	(121 861)	(17 122)
Projects	(15.6)	(681.2)	(135 500)	23 315
Energy	(32.0)	(1 049.0)	(181 106)	19 083
Investments & Concessions	25.8	(36.1)	145 485	227 502
Manufacturing	6.4	25.0	34 725	27 780
Total core operating profit	(5.7)	(207.1)	(337 567)	315 137
<i>Adjustments for non-operational transactions</i>				
Joint arrangements equity accounted and joint arrangements wholly consolidated			(6 463)	(5 672)
Pension fund surplus			-	-
Re-measurement of employment obligation			559	55
Net loss on disposal of investment in associate and impairment of investment in associate			-	(20 255)
Operating (loss)/profit per income statement			(343 471)	289 265
Share of equity accounted profits			17 607	9 686
Net finance income/(costs)			2 627	(8 335)
(Loss)/profit before taxation per income statement			(323 237)	290 616

STATISTICS

AS AT 31 DECEMBER 2016

	UNAUDITED SIX MONTHS ENDED 31 DECEMBER	2015	AUDITED YEAR ENDED 30 JUNE 2016
	2016	2015	2016
Number of ordinary shares	101 292 111	101 126 895	101 249 779
– Shares in issue	112 258 283	112 206 869	112 216 980
– Less: shares held by share trusts	(10 966 172)	(11 079 974)	(10 967 201)
Weighted average number of shares ('000s)	101 274	101 126	101 147
Fully diluted weighted average number of shares ('000s)	101 393	101 144	101 220
EPS – R	(3,02)	1,68	3,75
HEPS – R	(3,10)	1,31	3,35
Fully diluted EPS – R	(3,02)	1,68	3,75
Fully diluted HEPS – R	(3,09)	1,31	3,35
Dividend cover (based on adjusted earnings per share)	4,0	4,0	4,0
Dividends per share (cents)	14,0	42,0	72,0
– Interim	14,0	42,0	42,0
– Final	–	–	30,0
Net asset value per share – R*	30,78	33,79	35,02
Net debt to equity ratio	Net ungeared	Net ungeared	Net ungeared
Current ratio	1,3	1,2	1,2

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 first six months of F2017 was materially below expectations, with a trading loss compared to a profit of the prior comparable period. This loss was as a result of:

- ⑤ The recognition of the group's financial socio-economic contribution of R255 million in terms of the agreement reached with the government of South Africa to implement 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, the total liability must be recorded in the current reporting period, as it is the period in which the obligation has been incurred. R152,7 million, reflecting the net present value of the liability, was thus charged in full against earnings in this reporting period
- ⑤ The commercial close out and final settlement of certain long-outstanding South African public sector contracts which negatively impacted operating profit by R244 million. This is discussed below.
- ⑤ A reduction in profitability from the underlying Engineering & Construction operations of R172 million against margin guidance provided for this cluster in August 2016, excluding the impact of the above-mentioned transactions. This, together with the priority management focus areas and corrective action being implemented to address the Engineering & Construction underperformance, is further explained later in the commentary.

The group's Manufacturing cluster delivered an improved result in markets that remain flat. The Investments & Concessions cluster continued to perform well on the back of a continued solid performance by the European operations.

FINANCIAL PERFORMANCE

Headline earnings per share (HEPS) decreased from a profit of 131 cents per share in H1 F2016 to a loss of 310 cents in the period under review, with fully diluted HEPS decreasing from a profit of 131 cents per share in H1 F2016 to a loss of 309 cents per share. Earnings per share (EPS) and fully diluted EPS (FDEPS) decreased from a profit of 168 cents per share in H1 F2016 to a loss of 302 cents per share in the current period.

The difference between earnings and headline earnings in the period was mainly as a result of a profit on the fair value adjustment of an investment property held as an associate, as well as profit on sale of fixed assets.

Group revenue decreased by 19.7% from R7,3 billion to R5,8 billion as a result of decreased revenue from the Engineering & Construction cluster. Revenue from all this cluster's segments traded lower than the prior comparable period. The Manufacturing cluster grew its revenue by 20.9% and the Investments & Concessions cluster revenue decreased by 3.7% compared to H1 F2016.

The group's core operating profit decreased from R315,1 million profit to a loss of R337,6 million. As outlined earlier, this was mainly as a result of:

- ⑤ recognition of the group's financial socio-economic contribution of R255 million, charged to earnings at a net present value of R152,7 million

- ⊗ the commercial close out and final settlement of the long-outstanding New Multi Product Pipeline (NMPP) South African public sector contracts impacting operating profit negatively by R244 million
- ⊗ profits from the underlying Engineering & Construction operations not trading in line with expectations, impacting operating profit by R172 million.

Included in the core operating loss are fair value gains on service concessions of R74,9 million (H1 F2016: R153,8 million for investments in service concessions and investment property). As a result of the reduced fair value gains, the Investments & Concessions core operating profit decreased by 36.1%. The Manufacturing core operating profit increased by 25.0% and the Engineering & Construction cluster reported a core operating loss of R517,8 million. The group's overall core operating margin decreased from 4.3% in the comparable period to -5.7%. The group's total operating margin decreased to -5.9% (H1 F2016: 4.0% profit).

Group net finance income of R2,6 million was recorded (H1 F2016: R8,3 million net finance costs). The effective tax rate of 16%, a credit to income, was lower than the South African statutory tax rate of 28% (H1 F2016: 31% tax charge). This was mainly due to a prudent approach adopted in terms of the raising of deferred taxation assets. This was partially offset by taxation liabilities in jurisdictions with lower taxation rates and an increase in over-provided taxation from the past year.

FINANCIAL POSITION

The group's statement of financial position continues to be sound, with a nil net gearing ratio and a bank and cash balance of R2,8 billion as at 31 December 2016 (F2016: R3,3 billion and H1 F2016: R3,6 billion). At year-end the group reported R1,3 billion (F2016: R1,9 billion) in excess billings over work performed and R377,2 million (F2016: R479,4 million) in advance payments received.

CASH FLOW

The group's closing cash balance for the period is pleasing in light of a reduced rate of trade and contract awards. The group absorbed R317,3 million (H1 F2016: R214,6 million generated) cash from operations before working capital enhancements of R140,1 million (H1 F2016: R98,2 million). This resulted in a net cash outflow from operating activities of R294,0 million (H1 F2016: R165,2 million net inflow) after settlement of taxation liabilities of R89,0 million (H1 F2016: R114,0 million) and a dividend to shareholders of R30,4 million (H1 F2016: R25,3 million).

A net cash investment of R62,7 million (H1 F2016: R59,0 million) in plant and equipment and investment property was made, with net borrowings repaid of R4,1 million (H1 F2016: net R105,7 million).

Proceeds on service concessions investments of R97,4 million (H1 F2016: R57,9 million) were realised.

The strengthening of the South Africa Rand against foreign currencies, especially the USD Dollar, resulted in a reduction in the South African Rand equivalent of foreign cash balances by R142,4 million (H1 F2016: R325,4 million enhancement).

COMMENTARY

CONTINUED

This resulted in a net outflow of R460,5 million (H1 F2016: R202,9 million inflow) and closing bank and cash on hand at the end of the period of R2,8 billion (H1 F2016: R 3,6 billion and F2016: R3,3 billion).

DIVIDEND

The group has an approximate four times basic earnings per share dividend cover policy. This policy is subject to review on a semi-annual basis, prior to dividend declaration, as distributions are influenced by business growth expectations, acquisition activity or movements in earnings as a result of fair value accounting adjustments. A dividend for this period of 14 cents per share (H1 F2016: 42 cents) is therefore declared, based on an adjusted earnings per share. The dividend policy remains unchanged, based on the medium term business outlook and the availability of liquid resources.

BUSINESS COMBINATIONS

There were no business combinations during the current reporting period.

In December 2016 the company entered into a sale and purchase agreement and shareholders' agreement with Aberdeen Infrastructure Funds ("AIF"), a wholly-owned subsidiary of Aberdeen Asset Management Plc., pursuant to which AIF will acquire a 49.99% stake in Intertoll Europe's underlying Public-Private-Partnership ("PPP") project investment portfolio, which houses Group Five's key European investment and concession assets, for a total cash consideration of approximately EUR43.0 million. The cash consideration of EUR43.0 million will include accrued interest from the effective date (1 April 2016) to the closing date (expected to be on or about the end of April 2017), after deducting any accrued distributions to be paid to AIF and including any potential contract performance payments due to the underlying investment portfolio companies at the closing date.

Intertoll Europe's PPP project investment portfolio comprises of 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 will hold 50.01% of the Seed Assets and AIF will hold the remaining 49.99%. Both parties' interests in the Seed Assets will be 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 creates a strategic alliance with AIF, which will co-invest with the company in future projects that provide access to capital. This will improve Group Five's ability to participate in the development, investment, operations and maintenance of global concession assets without having to invest large amounts of capital on its own.

Intertoll Europe will retain its entire operations and maintenance ("O&M") capability and current contract portfolio, while its prospects for securing new projects are enhanced.

Following the successful completion of the transaction and the establishment of the strategic alliance, Group Five and AIF will together own 100% of the Seed Assets through the JV. 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 such new investment assets for Group Five, thereby delivering on the group's strategy of growing its O&M order book and annuity income.

The implementation of the transaction is subject to the fulfilment by 30 June 2017, or waiver, as the case may be, of the following outstanding conditions precedent:

- ⊗ the approval of the European Union, the Hungarian State and the Minister of Infrastructure for Poland
- ⊗ the approval of the Financial Surveillance Department of the South African Reserve Bank, to the extent required
- ⊗ standard lenders' consents to the transfer of the Seed Assets.

The transaction is progressing well, with expected financial close expected by 30 April 2017.

As a result of this transaction, the Seed Assets which are reflected as investment in service concessions carried at fair value through profit and loss have been reclassified as assets held for sale through restructuring on the group's balance sheet as at 31 December 2016.

Pursuant to this transaction, the group elected to exercise its pre-emptive right with regards to the sale of a 10% stake in a service concession M6 Mecsek by a co-shareholder. In line with the strategic intent of the JV formed with AIF, the group has elected to on-sell to AIF, 49.99% of the acquisition stake in M6 Mecsek to be acquired by the company from the M6 Mecsek co-shareholder.

Accordingly, following implementation of this pre-emptive right exercise and on-sell to AIF, Group Five and AIF will jointly hold the additional 10% stake in M6 Mecsek (50.01% and 49.99% respectively), alongside the Seed Assets described above.

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 period-end date was R56,8 million (December 2015: R46,8 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 R11,2 million (H1 F2016: R6,8 million credit) was charged to earnings in H1 F2017.

COMMENTARY

CONTINUED

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 31 December 2016. This is required to be reassessed at each reporting period.

INDUSTRY MATTERS

Management continue to engage with the Competition Commission with the intent to finally resolve the two remaining matters on fair terms. Whilst some progress has been made, this matter remains outstanding. Based on legal counsel assessment, any potential settlement or liability would be adequately covered by the provision raised by the Group in F2013.

In the prior financial year, the group was notified of a single client contract claim which was lodged against one of the contracts that was under review by the Competition Commission. This claim, of a potential R7 million, was dropped by the client during the current reporting period.

As outlined on SENS, on 11 October 2016, the group entered into an agreement with the government of the Republic of South Africa, together with six other construction companies, to implement a programme of initiatives to significantly accelerate transformation of the South African construction sector, as well as to address the construction companies' exposure to potential claims for damages from certain identified public entities 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, via annual payments of R21,250 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 outstanding claims by the Competition Commission of South Africa with regards to administrative penalties which may be levied on the group. The engagement with the Competition Commission referred to above therefore continues.

- ⊗ certain transformation commitments over and above the current broad-based black economic empowerment sector requirements.
- In addition to existing enterprise development programmes, Group Five will 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. The referenced revenue is from civil engineering and building 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
 - The settlement agreement also stipulates that the group will be released from its responsibility for the development initiatives of the emerging contractors above if the group disposes 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.

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.

While 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 of 11 October, possibly being lodged against the group, and all construction companies following the Competition Commission release of its findings in June 2013

Total financial institution guarantees given to third parties on behalf of subsidiary companies amounted to R5 484 million as at 31 December 2016, compared to R6 521 million as at 30 June 2016 and R7 448 million as at 31 December 2015.

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 above.

The total operating margin excludes joint arrangements equity accounted and wholly consolidated, while 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.

	UNAUDITED	AUDITED
	Six months ended 31 December 2016	Six months ended 31 December 2015 Year ended 30 June 2016
Group		
Revenue – (R'000)	5 834 640	7 265 425 13 773 618
Total operating margin per income statement – %	(5.9)	4.0 5.2
Core operating margin per segmental report – %	(5.7)	4.3 5.3
Core operating margin per segmental report – %*	(3.1)	4.3 5.3

* Excluding impact 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.

	UNAUDITED	AUDITED
	Six months ended 31 December 2016	Six months ended 31 December 2015 Year ended 30 June 2016
Engineering & Construction		
Revenue – (R'000)	4 787 326	6 250 981 11 767 899
Core operating margin per segmental report – %	(10.8)	1.0 (2.0)
Core operating margin per segmental report – %*	(7.6)	1.0 (2.0)

* Excluding impact 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.

The Engineering & Construction cluster contributed 81.2% to group revenue (H1 F2016: 85.8%). Revenue decreased by 23.4% from R6,2 billion to R4,8 billion. The cluster made a core operating loss of R517,8 million (H1 F2016: R59,9 million profit), representing a core operating margin of -10.8% (H1 F2016: 1.0%). Over-border work contributed 35% (H1 F2016: 29%) to cluster revenues.

Included within these reported results is the impact of the:

- ⑤ financial contribution incurred as a result of the agreement reached with the government of South Africa mentioned earlier, which impacted both the Building & Housing and Civil Engineering segments
- ⑤ 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 suite of contracts instead of embarking on, which 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 uncertainty on outcome removed.

In addition, the cluster's operating performance for the period under review was unsatisfactory, mostly as a result of:

- ⑤ continued weak trading conditions, impacting the Civil Engineering, Projects and Energy segments, with a subdued order intake for the cluster during the period
 - This included subdued tendering activity in the mining and oil and gas sectors which impacted Projects, low levels of award in the civils market and the competitive landscape in the roads sector impacting the Civil Engineering segment, as well as cyclical revenue and profit in the Power sector. Although bidding activity in the Power sector remains buoyant, the length of time taken to achieve contract awards resulted in no new awards materialising in the first six months of the financial year. This impacted the recovery of direct and indirect overheads and the profitability for this segment through the period
- ⑤ contract losses, affecting the Projects and Civil Engineering segments due to contract operational difficulties
 - While there has been an improved performance on civils contracts, the Civil Engineering segment results were impacted by losses on roads contracts due to weak site supervision and project management and inadequate monitoring and review by senior management
 - In addition, losses were incurred on a contract in the Project segment due to additional costs incurred which could not be recovered. This contract is now complete and intervention included removal of senior contract management.

While there was an improvement in order book intake during the latter part of the reporting period, most of H1 F2017 was characterised by low levels of contract awards, with the resultant negative operational gearing weighing on the cluster results. Continued competitive market conditions translated into tighter margins on work secured, but still within the group's prudent risk management policies.

COMMENTARY

CONTINUED

Results from the Kpone contract are reflected equally within the Civil Engineering, Projects and Energy segments. The procurement and delivery of key equipment items are now substantially complete. The construction of civil infrastructure and power island bases, sub-station construction, fuel and cooling water systems and tank construction, sea cooling water intake, sub-shaft completion and tunnel boring activities have progressed well. The contract continues to receive focused management attention in line with contract size. It is now approaching crucial completion phase with tight timelines.

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

	UNAUDITED	AUDITED
	Six months ended 31 December 2016	Six months ended 31 December 2015 Year ended 30 June 2016
Building & Housing		
Revenue – (R'000)	2 240 664	2 656 924 4 932 560
Core operating margin per segmental report – %	(3.5)	1.3 1.5
Core operating margin per segmental report – %*	1.0	1.3 1.5

* Excluding impact 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.

Building & Housing revenue decreased by 15.7% from R2,7 billion (100% local) to R2,2 billion (98% local). The segment reported a core operating loss of R79,3 million (H1 F2016: R34,6 million profit), mainly as a result of accounting for the Building & Housing segment's portion of the financial contribution incurred as a result of the agreement reached with the government of South Africa mentioned earlier. This resulted in the overall core operating margin percentage decreasing from 1.3% to -3.5%. Excluding this, the segment reports a core operating profit of R23,0 million, which represents a 33,5% decrease in core operating profit over the comparable period and a margin of 1.0%.

The order book, which is slightly higher than last reported in August 2016, remains at a high level.

The results continue to reflect a tight trading environment operating on thin margins, despite good contract execution against tender budgets and programme. While tender enquiries continue to be at a relatively high level, and the value of new contracts secured is encouraging, segment competition remains strong. The housing sector continues to show a number of significant opportunities both in the private residential development and public housing sector markets, but lead times confirming project financing prior to construction commencement remain long.

Construction has commenced on numerous new contracts and the group's Building capacity, in particular, is almost fully utilised. The segment also continues to develop select building and housing contracts in targeted African markets where the group is competitive. These provide strong medium term prospects in line with the group's contracting capacity and country risk appetite.

The secured one-year order book stands at R4,4 billion (94% local) (F2016: R4,3 billion and 96% local; H1 F2016: R3,6 billion and 100% local). The total secured order book stands at R5,7 billion (95% local) (F2016: R5,6 billion and 95% local; H1 F2016: R5,0 billion and 100% local).

	UNAUDITED	AUDITED
	Six months ended 31 December 2016	Six months ended 31 December 2015 Year ended 30 June 2016
Civil Engineering		
Revenue – (R'000)	1 112 963	1 261 940 2 493 265
Core operating margin per segmental report – %	(10.9)	(1.4) (15.3)
Core operating margin per segmental report – %*	(6.4)	(1.4) (15.3)

* Excluding impact 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.

Civil Engineering reported an 11.8% decrease in revenue from R1,3 billion (68% local) to R1,1 billion (59% local), while core operations generated a loss of R121,9 million for the period (H1 F2016: R17,1 million loss). The overall core operating margin percentage weakened from -1.4% to - 10.9%.

Included within this operating loss is Civil Engineering's portion of the financial contribution liability incurred as a result of the agreement reached with the government of South Africa. Excluding this transaction, the segment still reported a core operating loss of R71,5 million and a core operating margin of -6.4%. The segment's results were further impacted by the commercial close out and final settlement of the previously-disclosed long outstanding NMPP public contracts mentioned earlier. Excluding the impact of the NMPP settlement agreement and government agreements, performance would still have been weak, with a core operating loss of R49,0 million and an operating margin of -4.4% due to poor performance on roads contracts as a result of weak site supervision and project management and inadequate monitoring and review by senior management. An under-recovery of direct and indirect overheads, following a lower rate of trade and reduced level of contract awards against plan, also impacted profitability. Pleasingly operational performance on civils contracts has improved.

The segment's results in H2 F2016 were impacted by a R365,4 million provision for a potential impaired debt. Given uncertainty surrounding the recoverability of this previously-certified debtor, the board and management deemed it appropriate, in H2 F2016, to raise a provision against the carrying value of this debtor until resolution was achieved. Although positive traction has been made in the current reporting period in resolving a portion of the disputed amounts, the group has adopted a cautious stance and, at interim reporting sign off in February 2017, the full provision was retained unaltered until cash flow from the client recommences. This resulted in the group releasing a JSE SENS announcement on 9th February 2017 advising of an increased loss for the current period, from that expected and advised in the JSE SENS announcement dated 14th December 2016.

COMMENTARY

CONTINUED

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

Order intake for the Civil Engineering segment remains the most challenging area for the Engineering & Construction cluster. Although tendering activity levels are increasing, the volume of awarded work in the sector remains low, with strong competition experienced across all roads, earthworks and civils contracts. Committed expenditure under the South African government's capital programme and a revival in commodity prices should bolster the prospects for improvement in the local and African civil engineering and infrastructure markets.

Civil Engineering's secured one-year order book stands at R1,6 billion (67% local) (F2016: R2,0 billion and 59% local; H1 F2016: R2,2 billion and 54% local) The full order book is at R2,0 billion (70% local) (F2016: R3,0 billion and 64% local; H1 F2016: R3,1 billion and 49% local).

	UNAUDITED	AUDITED
	Six months ended 31 December 2016	Six months ended 31 December 2015 Year ended 30 June 2016
Projects		
Revenue – (R'000)	867 173	1 308 640
Core operating margin per segmental report – %	(15.6)	1.8

During the period, revenue decreased from R1,3 billion (25% local) to R867,2 million (13% local).

Projects delivered a core operating loss of R135,5 million compared to a R23,3 million profit in the previous period. The core operating margin percentage was -15.6% (H1 F2016: 1.8%). This was partially due to the impact of the commercial close out and final settlement of NMPP public contracts mentioned earlier. Excluding the impact of the settlement agreement reached on the NMPP contracts, the segment reported a core operating loss of R106,4 million and an operating margin of -12.3%.

The segment was impacted by losses incurred on a contract due to additional costs incurred which could not be recovered. This contract is now complete and intervention included removal of senior contract management. In addition subdued tendering activity in the mining and oil and gas sectors resulted in a reduced order intake for the segment and impacted the recovery of direct and indirect overheads through the period.

While the mining sector remains subdued, select prospects are being pursued, most notably in the gold mining and minerals sectors, while the business continues to support group tenders in the Energy markets. A gradual improvement in the number of enquiries for African mining contracts has also been noted, but is yet to translate into material new contract awards.

The secured one-year order book stands at R915,7 million (34% local) (F2016: R1,2 billion and 12% local; H1 F2016: R1,5 billion and 22% local). The full secured order book stands at R1,2 billion (46% local) (F2016: R1,5 billion and 22% local; H1 F2016: R2,1 billion and 15% local).

	UNAUDITED	AUDITED
	Six months ended 31 December 2016	Six months ended 31 December 2015 Year ended 30 June 2016
Energy		
Revenue – (R'000)	566 526	1 023 477 1 898 580
Core operating margin per segmental report – %	(32.0)	1.9 1.7

Revenue decreased by 44.6% from R1,0 billion (56% local) to R566,5 million (8% local). A core operating loss of R181,1 million was reported (H1 F2016: R19,1 million profit). This resulted in a core operating margin of -32.0% (H1 F2016: 1.9%). Included within these trading results are the costs related to the investment in future opportunities of R12,5 million.

The weak trading results 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, which represents a 39.6% decrease in core operating profit over the comparable period and a margin of 2.0%. The segment was impacted by an under-recovery of direct overheads, following a reduced rate of trade and reduced level of contracts awards against budget. Although the group has been actively bidding thermal, gas and alternative fuels contracts, it has been impacted by the 18-month delay in the renewables programme financial close.

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

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

The secured one-year order book stands at R630,1 million (27% local) (F2016: R913 million and 12% local; H1 F2016: R1,1 billion and 9% local). The full secured order book stands at R781,7 million (41% local) (F2016: R1,2 billion and 22% local; H1 F2016: R1,6 billion and 6% local).

COMMENTARY

CONTINUED

	UNAUDITED	AUDITED
	Six months ended 31 December 2016	Six months ended 31 December 2015 Year ended 30 June 2016
Investment & Concessions		
Revenue – (R'000)	564 468	586 386 1 146 814
Core operating margin per segmental report – %	25.8	38.8 80.0

Investments & Concessions consists of transport concessions and property developments.

This cluster contributed 9.6% (H1 F2016: 8.1%) to group revenue.

Revenue, which consists primarily of fees for the operation and maintenance of toll roads, decreased by 3.7% from R586,4 million to R564,4 million. The core operating profit margin decreased from 38.8% to 25.8%, with a decrease in core operating profit of 36.1% to R145,5 million (H1 F2016: R227,5 million). The cluster delivered a solid underlying operating result on the back of a good performance from the European operations. The decrease in operating profit was as a result of a 51% decrease in the fair value upward adjustments recorded from the group's investment in service concessions period on period. The operating profit includes upward fair value adjustments on investments in service concessions of R74,9 million (H1 F2016: R153,8 million).

The recently-secured 20-year Westlink DBF01 contract in Belfast (Northern Ireland) commenced operations in H2 F2016 and continues to operate well, in line with expectations. Intertoll Europe was also awarded a six-year operations and maintenance contract in Poland in H1 F2017 for the A1 Phase 3. This will commence trading in H2 F2017. Additional new prospects continue to be explored in the region and positive early-stage progress is being made with the development of concessions road prospects in North America, working together with existing European partners.

The Intertoll Africa business made a solid contribution to earnings in this reporting period, while the portfolio of new project prospects continues to grow across sub-Saharan Africa.

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.

	UNAUDITED	AUDITED
	Six months ended 31 December 2016	Six months ended 31 December 2015 Year ended 30 June 2016
Manufacturing		
Revenue – (R'000)	539 340	446 094 935 280
Core operating margin per segmental report – %	6.4	6.2 6.0

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 9.2% (H1 F2016: 6.1%) to group revenue.

Revenue increased by 20.9% to R539,3 million (H1 F2016: R446,1 million) and the reported core operating profit for the period increased by 25.0% to R34,7 million, from H1 F2016 of R27,8 million. This resulted in a core operating margin of 6.4% (H1 F2016: 6.2%).

The Manufacturing cluster continued to experience the impact of a very tough market environment, with flat markets, import competition and substantial margin pressure.

Ongoing innovation in the fibre cement business Everite was essential to decrease manufacturing costs in line with rising imported and local material costs of production. Pleasingly, market demand has recovered against the prior comparable reporting period. The focus for the period under review included introducing complementary traded products, attention to efficiencies and cautious entry into new markets.

The lightweight block and panel (Hebel Aerated Autoclaved Concrete or AAC) production line has been built at Everite's Kliprivier factory to complement the dry lightweight building material product range. The block and panel line has been fully commissioned, with the business slowly building output to capacity. The AAC product has been extremely positively received in the Gauteng building market, which bodes well for cluster earnings going forward.

Volumes and therefore profit have remained low in the large bore water pipe market.

The group's reinforcing steel business was able to deliver a steady performance and mitigate a declining demand from the group's Civil Engineering contracts through product supplies to the Building segment, which continues to exceed supply to the Civil Engineering segment.

Cluster revenue and earnings will continue to be supported through continued innovation and expansion of the manufactured and supplied lightweight dry building materials product range, underpinned by a robust and cost-effective approach to manufacturing, distribution and client service.

Recovery in the local building materials and infrastructure markets would materially leverage Manufacturing's future earnings. However, the timing of a recovery remains difficult to predict and is highly dependent on both global and local macro-economic factors.

PROSPECTS

A number of exceptional items recorded in this reporting period, together with operating losses incurred by the Projects and Civil Engineering segments, the impact of continuing weak order book intake in the Engineering & Construction cluster as a whole and the resultant under recovery of direct and indirect overheads, have weighed heavily on these results.

Reported operational shortcomings within the Engineering & Construction cluster have been firmly dealt with in the period. Short term action 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. An additional programme of restructuring has been developed in H1 F2017 and is being implemented in H2 F2017. This restructuring will primarily impact Engineering & Construction and group support functions, further reducing overhead costs and complexity in the group.

The group retains its focused strategy in general discipline-based construction, sector-led engineer, procure and construct (EPC) construction, concessions, property development and manufacturing that is expected to deliver good growth and returns over the longer term. The group enjoys a complementary business portfolio that provides downside protection to earnings through tough times, diversification between Euro, US Dollar and Rand revenues, and strong leverage for growth and profitability in periods of infrastructure and resource market expansion.

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

The group's total secured Engineering & Construction Contracting order book stands at R9,6 billion (June 2016: R11,2 billion and December 2015: R11,8 billion).

In addition, the group has R6,1 billion (June 2016: R6,1 billion and December 2015: R5,8 billion) in secured operations and maintenance contracts.

The overall group reported order book at December 2016 therefore now stands at R15,7 billion (June 2016: R17,3 billion and December 2015: R17,6 billion).

The value of the group's target opportunity pipeline stands at R193 billion, with R97 billion of this pipeline currently in tender and pre-tender stage. This is higher than the R164 billion pipeline and R76 billion tender and pre-tender pipeline reported in June 2016. The pipeline indicates ongoing strong demand in power, transport sector, real estate and an improving mining sector.

DIVIDEND DECLARATION

On 20 February 2017, the directors declared a gross interim dividend of 14 cents per ordinary share (11,90 cents per ordinary share net of dividend tax) (H1 F2016: 42 cents).

- ⊗ The dividend has been declared from income reserves.
- ⊗ In terms of dividend tax, the following additional information is disclosed:
- ⊗ The dividend is subject to dividend tax at 15% (2,10 cents per share)
- ⊗ The net dividend will therefore be 11,90000 cents per share for shareholders who are not exempt from dividend tax
- ⊗ The amount of shares in issue at the date of this declaration is 112 258 283 (101 292 111 exclusive of treasury shares) and the company's tax reference number is 9625/077/71/5.

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

Event	Date
Last date to trade (cum dividend)	Tuesday, 4 April 2017
Shares to commence trading (ex-dividend)	Wednesday, 5 April 2017
Record date (date shareholders recorded in books)	Friday, 7 April 2017
Payment date	Monday, 10 April 2017

No share certificates may be dematerialised or rematerialised between Wednesday, 5 April 2017 and Friday, 7 April 2017, both dates inclusive.

ACCOUNTING POLICIES

Financial instruments other than investments in service concessions, currently reflected as assets held for sale through restructuring that are measured at fair value through profit and loss, are measured at carrying value which approximates their fair value. The group's investments in service concessions is reflected on the statement of financial position as "Non-Current Assets" of R81 million and as Current Assets as "Assets held for sale through restructuring" of R1,1 billion. The R1,1 billion relates to the investment in services concessions being disposed of as part of the sale and purchase agreement and shareholders' agreement with Aberdeen Infrastructure Funds (AIF) described earlier. The total value of the investments referred to as Seed Assets in terms of the AIF transaction is reflected as "Assets held for sale through restructuring" although the group is disposing of only 49,99% of these assets due to a change in legal structure post this sale. The group will however retain 50,01% of these Seed Assets post conclusion of the AIF transaction as described earlier. 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 Africa Rand to Euro exchange rate used was R14,25 (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 period under review (F2016: 11% – 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, no borrowing facilities were raised in H1 F2017.

BOARD CHANGES

In accordance with the SENS released on 27 May 2016, Mr SG Morris and Dr JL Job, having reached the board retirement age of 70, retired on 31 August 2016.

Eric Vemer, the current CEO, will be leaving the company in the next few weeks. The CEO and the Board will be working towards transitional arrangements which will result in the eventual identification of a suitable replacement candidate.

EXECUTIVE COMMITTEE AND SENIOR MANAGEMENT CHANGES

Willie Zeelie, currently Exco member and E&C executive director will be leaving the company on 31 March 2017. Willie will continue working with Group Five under a consultancy agreement for the next twelve months.

Mark Humphreys is appointed as E&C Exco member with effect from 31 March 2017 and remains the Chief Operations Officer for E&C. We welcome Mark onto Exco.

BASIS OF PREPARATION

These consolidated condensed interim financial statements for the six months ended 31 December 2016 have been prepared in accordance with the framework concepts, the recognition and measurement criteria of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting guides, as issued by the Accounting Practices Committee and the financial pronouncements as issued by the Financial Reporting Standards Council, and the information required by International Accounting Standard 34: Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), the JSE Listings Requirements and the requirements of the Companies Act of South Africa of 2008, as amended.

The consolidated condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2016, which have been prepared in accordance with 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.

COMMENTARY

CONTINUED

LEVEL OF ASSURANCE

The above information has not been reviewed or reported on by the Group's auditors.

The financial statements were prepared by the Chief Financial Officer CA(SA) and approved by the board of directors on 20 February 2017 and signed on its behalf by:

On behalf of the board



MP Mthethwa

Chairperson

20 February 2017



ECJ Vemer

Chief Executive Officer

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

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

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

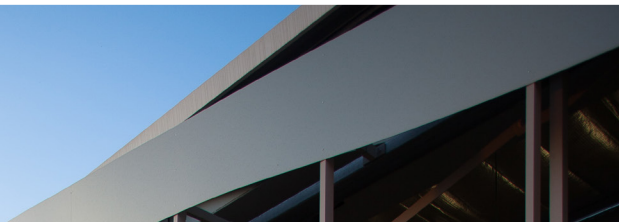
Sponsor: Nedbank Corporate and Investment Banking

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

Email: info@groupfive.co.za

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



www.groupfive.co.za

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