GROUP FIVE
structured ingenuity

INTEGRATED REPORT

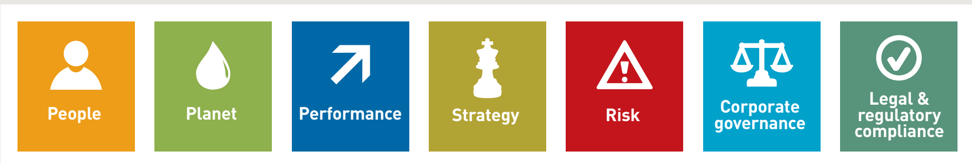
CONTENTS

Online contents

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

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

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



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

Refer to page 106

Corporate values						
People	Excellence	Transformation	Client focus	Integrity	Innovation	Performance

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

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

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

Report approach

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

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

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

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

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

Stakeholder reporting requirements

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

Clients

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

Employees

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

Shareholders, analysts and media

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

Financial institutions (debt providers) and credit rating agencies

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

Suppliers

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

Government

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

Regulatory bodies

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

Insurers

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

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

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

The documented risks include:

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

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

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

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

* Safety, health, environment and quality.

Group structure and team

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

Eric Vemer*

Cluster	Investments and Concessions	
Team	**Managing director** Intertoll Group Jon Hillary; **Managing director** Intertoll Africa Themba Mosai; **Managing director** Property Developments Kushil Maharaj	
Business segments	Infrastructure Concessions	Property Developments
Competencies	Full concessions and PPP developer, including operations and maintenance	Development, ownership and management of selected A-grade property assets generating development and investment returns
Sectors	Transport, power and real estate in public and private sectors	Real estate in private sectors

John Wallace*

Cluster	Manufacturing	
Team	**Managing director** Everite and Advanced Building Technologies (ABT) Jurgen Stragier	
Business segments	Fibre Cement	Steel
Competencies	Exterior and interior walling, ceiling boards, roofing systems and pipes and fibre cement-clad steel-framed modular housing systems	Large bore steel pipes, fabricated steel structures, scaffolding, formwork and steel reinforcing for use in concrete structures
Sectors	Real estate in public and private sectors	All sectors

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

Head, corporate and business structuring
Wim Fourie

Group supply chain director
Malcolm Farrell

Group finance operations director
Deon van Tonder

Company secretary
Nonqaba Katamzi

Paul le Sueur*

Strategic project development

Head, Africa project developments
John Lotz

* Executive committee member.

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

CEO
Mike Upton*

CFO
Cristina Teixeira*

Andrew McJannet*†

Construction

Managing director
Housing
Frank Enslin

Managing director
Building
Michael van Rooyen

Managing director
Coastal
Craig Jessop

Managing director
Projects
Mark Humphreys




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

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

Willie Zeelie*

E&CS#

Managing director
Willie Zeelie

Engineering & Construction Services

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

Industrial services contractor

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

Engineering and Construction Services.

Guy Mottram*

Safety, health, risk, environment and quality


Group SHEQ manager
Izak van der Watt

Group commercial manager
Andrew Fairfax

Junaid Allie*

Human resources and corporate affairs


Human resources director: operations
Richard du Toit

Group corporate affairs director
Isabella Makuta

The board

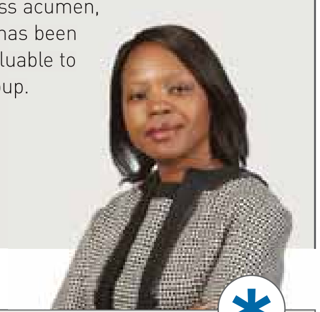
The group believes the board has a good spread of skill, gender and race. The board has strict performance criteria. Refer to the online section of the report at **www.groupfive.co.za** for the board members' delivery on their key performance areas.

CHAIRPERSON

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

Chairperson of nominations committee

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



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

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

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

CHIEF EXECUTIVE OFFICER

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

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

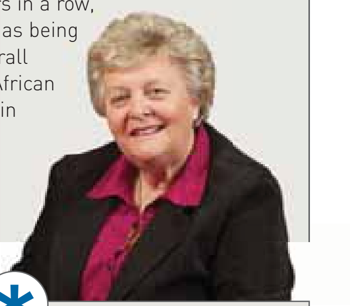
Mike adds significant value to the development of the group's strategy through his extensive experience in multi-disciplinary engineering and infrastructure contracts. He has a keen understanding of new business opportunities and how to deliver on them. Mike has an empowering management style, which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

CHIEF FINANCIAL OFFICER

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

Executive committee member,
member of social and ethics committee

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



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

Member of audit committee*, member of nominations committee*

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

* Retiring at upcoming AGM.

Independent non-executive director

Executive director

Lead independent non-executive director

Non-executive director

SG (Stuart) Morris (66)

BCom, CA(SA)

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

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

Dr JL (John) Job (67)

BSc (Hons), PhD in Physical Chemistry

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

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

OA (Oyama) Mabandla (49)

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

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

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

KK (Kalaa) Mpinga (51) (Congolese)

BSc Agricultural Economics, MSc International Agricultural Development

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

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

DDS (Struan) Robertson (British) (62)

BSc (Mech) Eng MBA

Member of audit committee, member of risk committee

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

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

Geographic footprint

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

10 414

Employees in F2012

West Africa

Countries of operation

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

Segments active within region

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

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

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

Southern Africa

Countries of operation

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

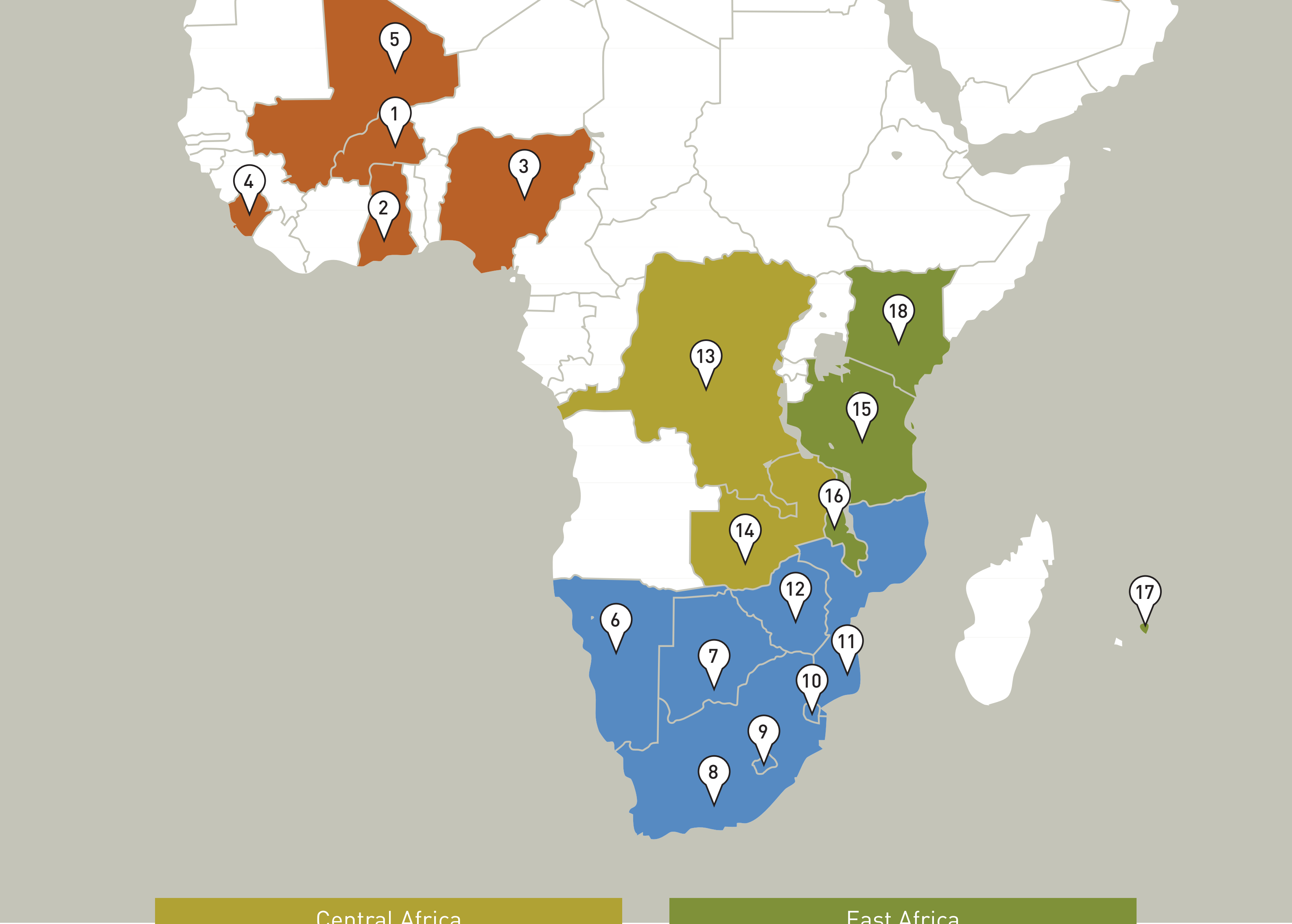
Segments active within region

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

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

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

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



Central Africa

Countries of operation

13 DRC*
14 Zambia*

Segments active within region

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

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

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

East Africa

Countries of operation

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

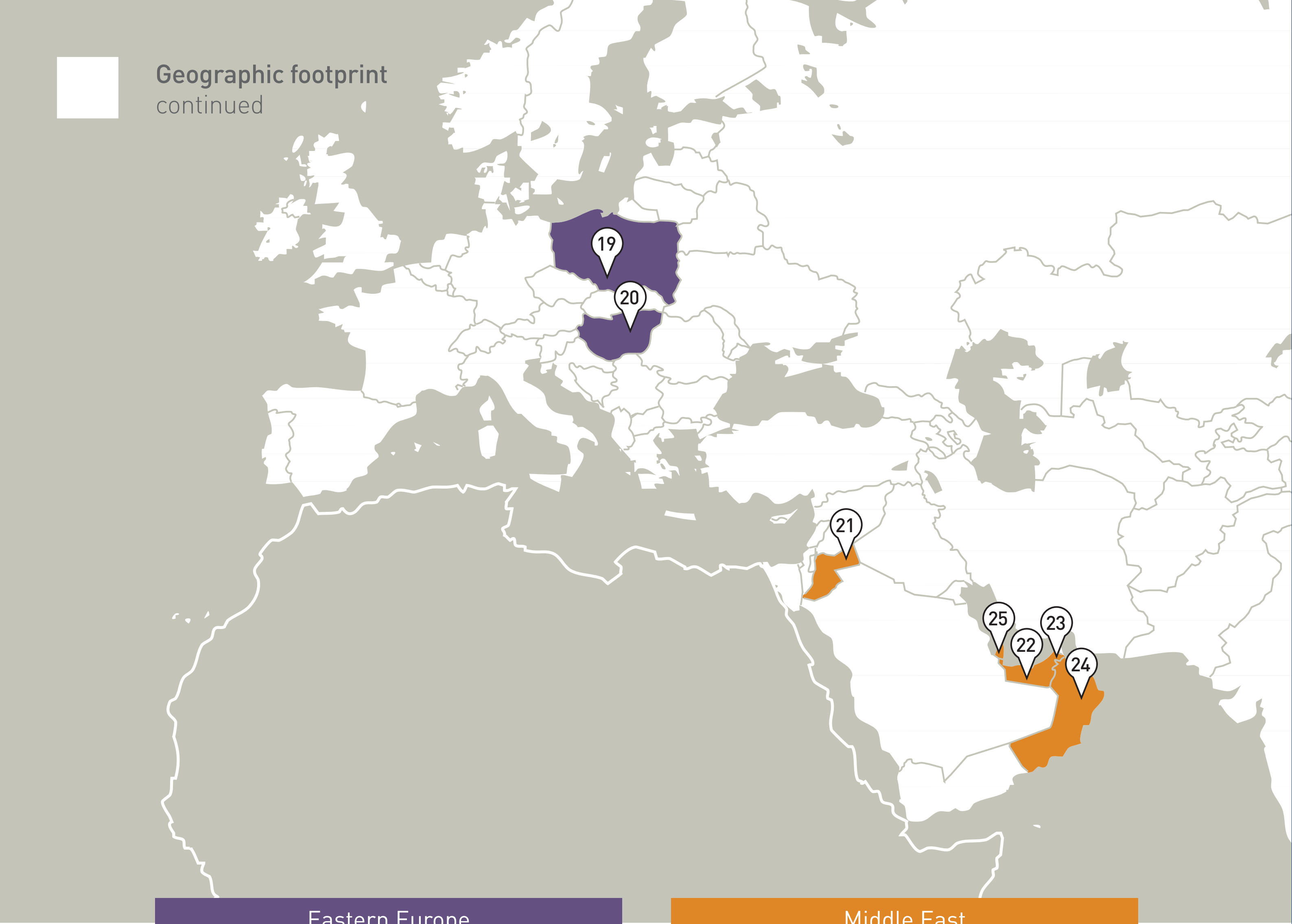
Segments active within region

- Civil Engineering*
- Projects*

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

	F2012(2)	F2013(1)(2)
Major contracts	North Mara gold mine plant upgrade.	North Mara gold mine plant upgrade.

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



Eastern Europe

Countries of operation

19 Poland*
20 Hungary*

Segments operating within region

Infrastructure Concessions*

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

Middle East

Countries of operation

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

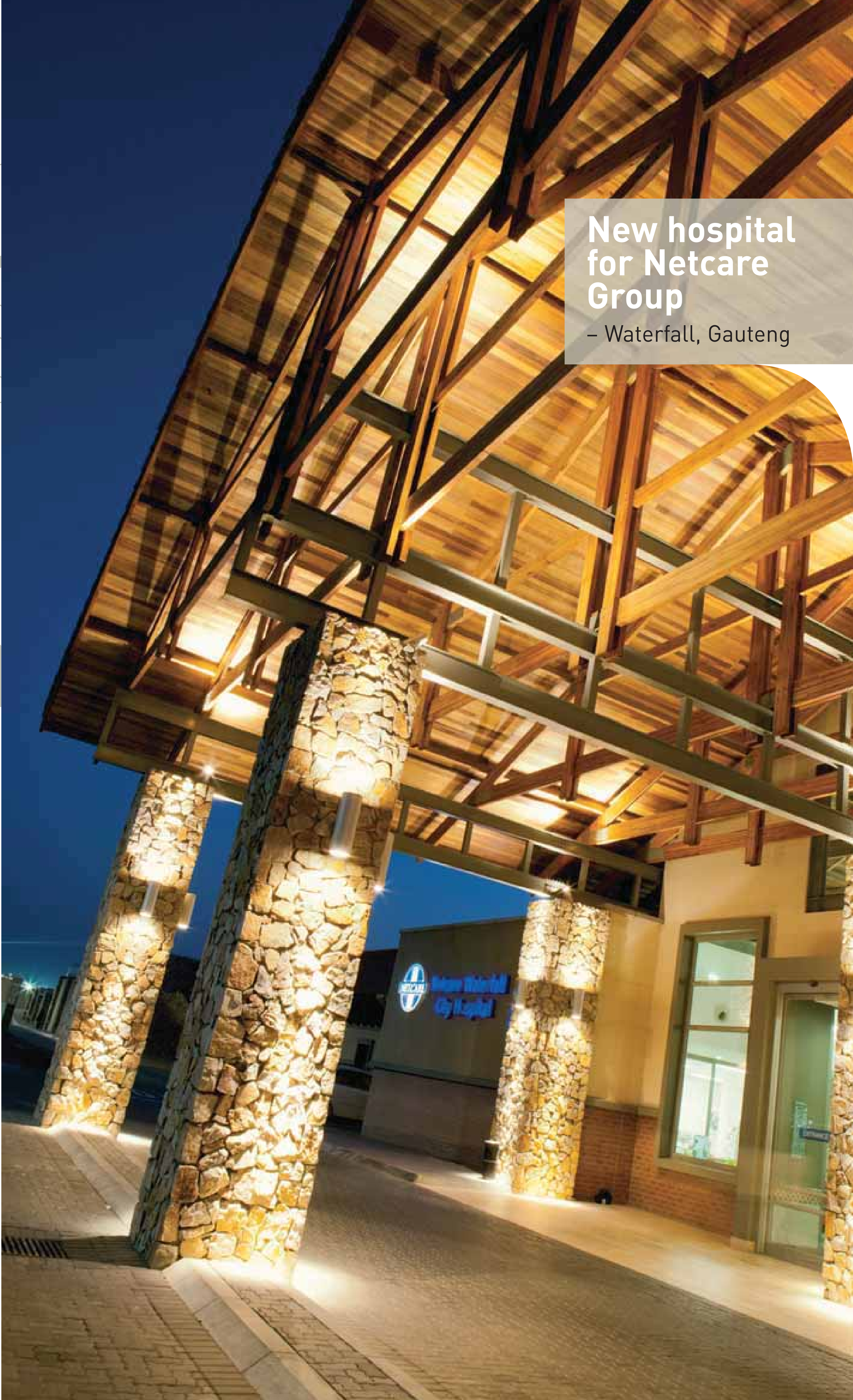
Segments operating within region

Civil Engineering*

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

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

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



New hospital for Netcare Group

– Waterfall, Gauteng