GROUP FIVE
structured ingenuity

AUDITED GROUP RESULTS for the year ended 30 June 2012

GROUP FIVE
structured ingenuity

(Incorporated in the Republic of South Africa)
(Registration number 1969/000032/06)
Share code: GRF ISIN: ZAE 000027405
("Group Five" or "the company")

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Condensed consolidated income statement

for the year ended 30 June 2012

R'000	AUDITED 2012	Restated 2011
Revenue – continuing operations	8 783 378	8 772 765
Operating profit before fair value adjustments	263 881	556 714
Fair value adjustments relating to investment in service concessions	56 652	33 160
Fair value adjustments relating to investment properties – net	10 865	2 419
Fair value adjustment relating to investment in property developments	–	13 265
Operating profit	331 398	605 558
Share of profit of associates	1 163	820
Finance cost	(79 487)	(66 595)
Finance income	75 687	103 555
Profit before taxation	328 761	643 338
Taxation	(106 032)	(208 777)
Profit after taxation from continuing operations	222 729	434 561
Loss for the year from discontinued operations	(452 841)	(593 605)
Loss for the year	(230 112)	(159 044)
Allocated as follows:		
Equity shareholders of Group Five Limited	(278 405)	(218 107)
Non-controlling interest	48 293	59 063
	(230 112)	(159 044)
Loss per share – [Rand]	(2,88)	(2,27)
Fully diluted loss per share – [Rand]	(2,88)	(2,27)
Earnings per share from continuing operations – [Rand]	1,81	3,91
Fully diluted earnings per share from continuing operations – [Rand]	1,80	3,71

Determination of headline earnings

for the year ended 30 June 2012

R'000	AUDITED 2012	Restated 2011
Attributable loss	(278 405)	(218 107)
Adjusted for (net of tax)	389 982	531 695
– Loss on disposal of property, plant and equipment	3 675	832
– (Profit)/loss on disposal of subsidiary	(36)	574
– Net profit on fair value adjustments on investment property	(7 720)	(3 252)
– Impairment of property, plant and equipment	–	521 621
– Impairment of non-current assets classified as held for sale	394 063	11 920
Headline earnings	111 577	313 588

Condensed consolidated statement of comprehensive income

for the year ended 30 June 2012

R'000	AUDITED 2012	2011
Loss for the year	(230 112)	(159 044)
Other comprehensive income		
Exchange difference on translating foreign operations*	68 411	(45 948)
Other comprehensive income/(loss) for the year	68 411	(45 948)
Total comprehensive loss for the year	(161 701)	(204 992)
Other comprehensive income/(loss) attributable to:		
Equity shareholders of Group Five Limited	(209 994)	(264 055)
Non-controlling interest	48 293	59 063
	(161 701)	(204 992)

* With no resultant tax impact

Condensed consolidated statement of financial position

as at 30 June 2012

R'000	AUDITED 2012	2011
ASSETS		
Non-current assets		
Property, plant and equipment and investment property	893 392	1 430 457
Investments – service concessions	296 635	253 100
Investments – property developments	8 716	8 691
Other non-current assets	351 243	227 745
	1 549 986	1 919 993
Current assets		
Other current assets	3 498 030	3 562 973
Bank balances and cash	2 268 226	2 234 779
	5 766 256	5 797 752
Non-current assets classified as held for sale	272 928	53 233
Total assets	7 589 170	7 770 978
EQUITY AND LIABILITIES		
Capital and reserves		
Equity attributable to equity holders	1 808 736	2 148 130
Non-controlling interest	67 968	117 565
	1 876 704	2 265 695
Non-current liabilities		
Interest bearing borrowings	613 464	232 203
Other non-current liabilities	113 126	87 326
	726 590	319 529
Current liabilities		
Other current liabilities	4 807 515	5 185 754
	4 807 515	5 185 754
Liabilities associated with non-current assets classified as held for sale	178 361	–
Total liabilities	5 712 466	5 505 283
Total equity and liabilities	7 589 170	7 770 978

Condensed consolidated statement of cash flow

for the year ended 30 June 2012

R'000	AUDITED 2012	AUDITED Restated 2011
Cash from operations before working capital changes	424 692	769 979
Working capital changes	154 460	(1 240 003)
Cash generated/(utilised) from operations	579 152	(470 024)
Finance (cost)/income – net	(1 514)	32 106
Taxation and dividends paid	(148 469)	(375 756)
Cash utilised in operating activities (discontinued operations)	(18 290)	(25 240)
Net cash generated by/(utilised in) operating activities	410 879	(838 914)
Property, plant and equipment and investment property – net	(200 295)	(53 360)
Investments – net	(11 653)	117 517
Cash generated from investing activities (discontinued operations)	19 184	4 560
Net cash (utilised in)/generated by investing activities	(192 764)	68 717
Cash utilised in financing activities (continued operations)	(225 284)	(47 313)
Cash utilised in financing activities (discontinued operations)	(44 882)	(45 496)
Net cash utilised in financing activities	(270 166)	(92 809)
Effects of exchange rates on cash and cash equivalents	76 205	(8 032)
Net increase/(decrease) in cash and cash equivalents	24 154	(871 038)
Cash and cash equivalents at beginning of year	2 234 779	3 105 817
Cash and cash equivalents at end of year	2 258 933	2 234 779
Included in cash and cash equivalents per the statement of financial position	2 268 226	2 234 779
Included in non-current assets classified as held for sale	(9 293)	–
	2 258 933	211 557

Capital expenditure and depreciation

for the year ended 30 June 2012

R'000	AUDITED 2012	AUDITED 2011
• Capital expenditure for the year	338 922	150 352
• Capital expenditure committed or authorised for the next year	393 590	203 745
• Depreciation for the year	165 356	211 557

Condensed consolidated segmental analysis

for the year ended 30 June 2012

R'000	% change	AUDITED 2012	AUDITED Restated 2011
REVENUE			
Investments and Concessions	17	647 739	554 659
Infrastructure Concessions	19	619 915	522 870
Property Developments	(12)	27 824	31 789
Manufacturing	18	1 024 329	867 523
Construction	(3)	7 111 310	7 350 583
Building and Housing	(4)	2 065 972	2 143 004
Civil Engineering	(16)	2 997 747	3 548 361
Engineering	23	2 047 591	1 659 218
Total revenue	–	8 783 378	8 772 765

R'000	2012 core margin %	% change	AUDITED 2012	AUDITED Restated 2011
OPERATING PROFIT				
Investments and Concessions	23.7	39	153 795	110 774
Infrastructure Concessions	23.2	36	143 708	105 641
Property Developments	36.3	97	10 087	5 133
Manufacturing	4.5	82	46 490	25 547
Construction	1.7	(74)	121 315	471 536
Building and Housing	2.5	(61)	52 133	134 506
Civil Engineering	(1.3)	(116)	(37 541)	227 723
Engineering	5.2	(2)	106 723	109 307
Total core operating profit	3.7	(47)	321 600	607 857
Adjustments for non-operational items				
Pension fund valuation surplus/(deficit)			15 790	(2 000)
Impairment of investment in associates			(1 399)	(299)
Remeasurement of employment obligation			(4 593)	–
Operating profit per income statement			331 398	605 558

Condensed consolidated statement of changes in equity

for the year ended 30 June 2012

R'000	AUDITED 2012	2011
Balance at 1 July	2 265 695	2 561 412
Net loss for the year	(230 112)	(159 044)
Other comprehensive profit/(loss) for the year	68 411	(45 948)
Share options expense	29 093	46 836
Cancellation of shares	(117 945)	–
Distribution to non-controlling interest	(97 890)	(16 553)
Dividends paid	(40 548)	(121 008)
Balance at 30 June	1 876 704	2 265 695

Statistics

as at 30 June 2012

	AUDITED 2012	Restated 2011
Number of ordinary shares	96 600 761	96 004 779
– Shares in issue	110 645 521	121 477 858
– Less: Shares held by share trusts	(14 044 760)	(25 473 079)
Weighted average shares ('000s)	96 545	96 114
Fully diluted weighted average shares ('000s)	96 946	101 137
Loss per share – R	(2,88)	(2,27)
Headline earnings per share – R	1,16	3,26
Fully diluted loss per share – R	(2,88)	(2,27)
Fully diluted headline earnings per share – R	1,15	3,10
Earnings per share from continuing operations – R	1,81	3,91
Headline earnings per share from continuing operations – R	1,78	3,89
Fully diluted earnings per share from continuing operations – R	1,80	3,71
Fully diluted headline earnings per share from continuing operations – R	1,77	3,69
Dividend cover (based on earnings per share)	–	–
Dividends per share (cents)	36,0	72,0
– Interim	22,0	52,0
– Final	14,0	20,0
Net asset value per share – R	18,72	22,38
Net debt to equity ratio	–	–
Current ratio	1.2	1.1

Estimates and contingencies

The group makes estimates and judgements concerning the future, particularly with regards to construction contract profit taking, provisions, arbitrations and claims and various fair value accounting policies. The resulting accounting estimates and judgements can, by definition, only approximate the actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Total financial institution guarantees given to third parties on behalf of subsidiary companies amounted to R4 310 million as at 30 June 2012 (2011: R4 537 million).

Dividend declaration

On 3 August 2012, the directors declared a gross dividend of 14.0 cents per ordinary share (14.0 cents per ordinary share net of dividend withholding tax and STC credits) (2011: 20 cents). This brings the total dividend for the year to 36 cents (2011: 72 cents).

The dividend has been declared from income reserves.

In terms of the new Dividends Tax effective 1 April 2012, the following additional information is disclosed:

- The dividend is subject to dividend withholding tax at 15%. In determining dividend withholding tax, STC credits must be taken into account.
- The STC credits utilised per share amounts to 14 cents per share.
- There is no tax payable which results in a net dividend of 14 cents per share to shareholders who are not exempt from dividends withholding tax.
- The amount of shares in issue at the date of this declaration is 110 645 521 (96 600 761 exclusive of treasury shares) and the company's tax reference number is 9625/077/71/5.

To comply with the requirements of STRATE, the relevant details are:

Event	Date
Last day to trade (cum-dividend)	Thursday, 20 September 2012
Shares to commence trading (ex-dividend)	Friday, 21 September 2012
Record date (date shareholders recorded in books)	Friday, 28 September 2012
Payment date	Monday, 1 October 2012

No share certificates may be dematerialised or rematerialised between Friday, 21 September 2012 and Friday, 28 September 2012, both dates inclusive.

Basis of preparation

These consolidated condensed annual financial statements for the year ended 30 June 2012 have been prepared in accordance with the framework concepts, the recognition and measurement criteria of International Financial Reporting, Standards ("IFRS") 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 2008, as amended. The consolidated condensed annual financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2012 as available on the company's website 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.

These results have been audited by the independent accounting firm, PricewaterhouseCoopers Inc. Their unmodified audit report is available for inspection at the group's registered office.

Commentary

Introduction

Against ongoing tough markets, the group continued to implement the conservative approach adopted last year in terms of both the quality of the order book secured and its philosophy towards cash preservation to fund activity which will support future profit growth.

It is thus encouraging to see an improvement in the Construction order book, with a good cash position supporting this strategy. However, the overall group performance and earnings during the period was impacted by a number of factors.

These include:

- Delayed Construction revenue due to contract delays and client scope changes
- Pre-disposal operating losses and further impairments of Construction Materials' assets
- Contract losses (including close out costs) and holding costs from the Middle East
- Impairments of claims due from previously discontinued operations in India

Financial performance

Headline earnings per share (HEPS) decreased by 64.4% and fully diluted HEPS (FDHEPS) by 62.9%.

Earnings per share (EPS) and fully diluted EPS (FDEPS) was a loss of 288 cents per share. The material difference between earnings and headline earnings was mainly due to an impairment charge on assets reflected as non-current assets classified as held for sale on the group's statement of financial position, relating to:

- The Construction Materials businesses being disposed of
- A contract claim on a previously discontinued concessions business in India

Group revenue from continuing operations remained flat at R8,8 billion due to a reduction in activity levels within the buildings, housing and civil infrastructure markets, client-driven contract delays.

The losses stemming from the Middle East constitute the single largest reason for the material reduction in operating profit by 45.3% from R605,6 million to R331,4 million.

Included within operating profit is a surplus on the group's pension fund of R15,8 million (2011: deficit of R2,0 million) as a result of an actuarial valuation assessment. The actuarial gain arose during the year mainly due to the actual investment return of 10.8% exceeding the expected investment return of 9.6%.

Fair value net upward adjustments of R67,5 million (2011: R48,8 million) relating to the group's interests in Eastern European road transport concessions, as well as the group's investments in property developments and investment properties, positively affected the group's results in the period under review.

In line with expectations, group net finance costs of R3,8 million were recorded for the year compared to net finance income of R37,0 million in the prior year as a result of a reduction in average cash and cash equivalents year on year.

The effective tax rate of 32% (2011: 32%) was higher than the South African statutory tax rate of 28%. This was mainly due to a conservative approach adopted to the raising of deferred taxation assets, which was partially offset by liabilities in jurisdictions with lower taxation rates.

Financial position

It is pleasing to note that the group's statement of financial position continues to be sound, with a nil net gearing ratio and bank and cash balances of R2,3 billion as at 30 June 2012 (F2011: R2,2 billion).

The statement of financial position reflects the transfer of the Construction Materials cluster to non-current assets classified as held for sale.

An impairment of non-current assets classified as held for sale of R394,1 million net of tax, was charged against income at June 2012. R340,8 million of this relates to Construction Materials and R53,3 million relates to the amount carried from contract claims on a terminated Indian toll road contract.

Cash flow

The group generated R424,7 million cash from operations before working capital changes. In addition, it generated R154,5 million cash from working capital changes, resulting in a net cash inflow from operations of R410,9 million after settlement of taxation liabilities of R107,9 million. After a net investment of R200 million in plant and equipment and net repayment of liabilities of R146 million, the group generated an increase in cash of R24 million.

The JSE Limited granted a listing to the group in respect of two senior unsecured notes, issued under the groups R1 billion Domestic Medium Term Note Programme, in April 2012, totalling R500 million with a repayment date of R220 million in April 2015 and R280 million in April 2017. The primary application of these funds is intended to finance equity investments in Power and Transport concessions and Real Estate opportunities. The groups GFC 02 bond of R550 million matured in February 2012 and was settled.

Dividends

The group has previously disclosed that the company has adopted 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 will be influenced by business growth, acquisition activity, or movements in earnings as a result of fair value accounting adjustments.

An impairment of the carrying value of non-current assets classified as held by sale of R394,1 million, discussed above, is the main difference between the reported earnings loss per share and headline earnings per share for the year. As a result the board of directors have approved a final dividend based on a cover of four times on an adjusted earnings per share of 14,0 cents. The total dividend for the year is 36 cents per share (2011: 72 cents).

Business combinations

There were no business combinations during the current financial year.

During the year, based on the group's operational and strategic focus, as well as the poor outlook for the construction market in the South Gauteng region, the board of directors of the group resolved to dispose of the businesses that constitute the Construction Materials cluster. The construction materials market in Gauteng, where the group's Construction Materials businesses are located, has remained heavily over-supplied with insufficient work being available to quarry owners who need to move quality materials at heavily discounted prices. Competitors with the benefit of an integrated offering through the value chain of cement, aggregates and ready-mix concrete and others with mobile crushing operations that locate from opportunity to opportunity have survived this extended downturn better than fixed quarry businesses.

The group is therefore required to account for the Construction Materials operating cluster as a discontinued operation and transfer its net assets to non-current assets classified as held for sale. Accounting practice requires comparative numbers to be restated to reflect the effect of the discontinued operations on prior periods. The current year's headline earnings and earnings therefore include operating losses from Construction Materials of R52,8 million net of taxation (2011: losses of R54,8 million).

The group disposed of two businesses within this cluster prior to year end.

It is acknowledged that there has been significant destruction in shareholder value in the group's venture into this market.

Withdrawal of cautionary announcement

Shareholders are referred to the cautionary announcements of which the last was renewed on 22 June 2012. The group announces that offers have been received and the related negotiations are either at an advanced stage or concluded for each of the businesses that constitute the Construction Materials cluster. Disclosure is provided above on the resultant impairments to the carrying value of assets within this segment.

Due to the nature of these disposals being to individual purchasers of these businesses, the consideration in respect of each business will fall below the categorisation thresholds of the JSE Limited Listings Requirements and accordingly, shareholders are advised that caution is no longer required when trading in the company's shares.

Shareholding

The group announced in June 2009 that its BBBEE ownership transaction with the iLima Consortium portion of the iLima Mvela Transaction would unwind and that this would entail the return of the shares held by the iLima Consortium to the group. 11 015 959 Group Five shares held by iLima was returned to Group Five and cancelled in the current year. The capital of the group has been reduced.

The unwinding of the BBBEE transaction with iLima Consortium is a disappointment to Group Five as the group remains committed to the advancement of broad-based black economic empowerment. The group has excluded the iLima shareholding from its current BBBEE scorecard and confirms that its scorecard has not been adversely affected. The group's BBBEE status is currently a level 2.

In prior years, it has also been reported that the group entered into a formal enterprise development arrangement with iLima. The iLima Group is the majority shareholder of the iLima Consortium. The total capital amount outstanding on loans due by iLima Group (Pty) Ltd to the group as at 30 June 2011 amounted to R118 million. The total indirect financial assistance provided to iLima, in the form of bonds and guarantees, which remain in issue, amounts to R54 million (2011: R54 million). The direct financial assistance, reflected as a current asset at 30 June 2011, was set off against the return of the group's shares by iLima, as described above. The indirect financial assistance remains reflected as a contingent liability until the guarantees are either returned or cancelled. The favourable close out of these outstanding guarantees remains a focus area for the group's commercial and legal team as a call on these guarantees would affect both cash and earnings for the group. There is no probable exposure on these contingent liabilities and hence no provision for these can be raised.

Industry matters

As announced on SENS on 1 February 2011, the group adopted a proactive stance in respect of the ongoing investigation by the Competition Commission into alleged anti-competitive behaviour within the construction industry. The group co-operated with the Commission for the last few years in the interest of determining if it had any exposure and to take advantage of the Commission's leniency programme to limit the risk of any penalties and/or fines. The group is able to advise that it has continued to sign additional conditional leniency agreements with The Commission without penalty as it progresses its investigations. The group does not deem a provision for penalties and fines to be required and has subsequently not raised a provision in these reported results.

Operational overview

Group

For comparative purposes, we provide both the group's total operating margins as well as the core operating margins per segmental report which is net of non-core/headline transactions such as pension fund surpluses and deficits and profit/loss on sale or impairment of subsidiaries. We refer to the latter margin as the core operating margin, and as it reflects the underlying operating performance. Both margins exclude the impairment of non-current assets and the restatement of Construction Materials to discontinued operations but includes the fair value upward and downward adjustments on Investments and Concessions, as these are within the control of the cluster.

The group's operating margins are reflected below.

	Year ended	
	Audited 2012	Audited Restated 2011
Revenue (R'000)	**8 783 379**	8 772 765
Total operating margin %	**3.8**	6.9
Core operating margin %	**3.7**	6.9

Investments and Concessions

(including Infrastructure Concessions and Property Developments)	Year ended	
	Audited 2012	Audited Restated 2011
Revenue (R'000)	**647 739**	554 659
Total operating margin %	**23.7**	19.5
Core operating margin %	**23.7**	20.0

Infrastructure Concessions

This segment demonstrated a strong performance despite the continued effects of the deep recession across the European region and the absence of new concessions awards in South Africa.

Revenue, which consists primarily of fees for the operation and maintenance of toll roads, increased by 19% from R522,9 million to R619,9 million. The core operating profit margin increased from 20.2% to 23.2%, with core operating profit of R143,7 million (2011: R105,6 million). This core operating profit includes net upward fair value adjustments of R56,6 million (2011: R33,1 million).

In spite of South African policy uncertainty and delays in awards in domestic concessions and PPP activities and the economic pressures in Europe, Infrastructure Concessions performed ahead of expectations as new tolling and operations contracts came on line in Eastern Europe.

Going forward, the timing of awards in the South African public sector buildings and healthcare PPPs, renewable energy IPPs and transport concession markets remains uncertain in light of current delays and unconvincing government policy and commitment. The outcome of the government's deliberations on the resolution of the Gauteng Freeway Tolling impasse, the dispute over the N1-N2 Winelands concession and the work being done by the Presidential Infrastructure Coordinating Commission will be crucial in providing more clarity to the construction sector and job creation. African concession opportunities are set to remain attractive, with further new projects under development in transport projects and power.

Property Developments

Property Developments returned to profitability in line with the group's stated expectations. The group continues to progress its strategy of disinvestment from the traditional residential sector in favour of securing A-grade commercial and retail property development positions in targeted geographies.

Therefore, as expected, Property Developments' revenue decreased by 12% from R31,8 million in F2011 to R27,8 million. The business recorded a core operating profit for the year of R10,1 million (2011: R5,1 million). This core operating profit includes net upward fair value adjustments of R10,9 million (2011: R15,7 million).

Manufacturing

	Year ended	
	Audited 2012	Audited Restated 2011
Revenue (R'000)	**1 024 329**	867 523
Total operating margin %	**4.2**	2.9
Core operating margin %	**4.5**	2.9

Manufacturing consists of the fibre cement building products business, Everite, as well as BRI and Group Five Pipe.

Manufacturing contributed 11.7% (2011: 9.9%) to group revenue.

Manufacturing produced pleasing results in a market where both private and public sector conditions continue to be weak. The results also included the closure costs of the steel fabrication business incurred in the first half of the year.

Revenue increased 18% from R867 million in 2011 to R1 024 million. The reported core operating profit for the year was R46,5 million. This was 82% higher than the prior year of R25,5 million, resulting in a core operating margin of 4.5% (2011: 2.9%).

An increase in volumes traded in Everite and BRI during the reporting period lifted the Manufacturing performance from the last reported results. The Fibre Cement business achieved their returns through product range and export and local market extension, whilst continuing to improve production efficiencies. The modular housing systems business Advanced Building Technologies (ABT), created within Everite, is making an increasing contribution. Group Five Pipe remains tied to large water transport project demand. This business unit has long term prospects, but in the short term continues to experience some loading unpredictability due to uncertain tender award timescales.

Construction

During the year the Construction cluster comprised the business segments of Building and Housing, Civil Engineering and Engineering. Engineering incorporates the businesses of Projects and Engineering and Construction (E+C).

	Year ended	
	Audited 2012	Audited Restated 2011
Revenue (R'000)	**7 111 310**	7 350 583
Total operating margin %	**1.9**	6.4
Core operating margin %	**1.7**	6.4

Construction continued to be the largest cluster in the group. It contributed 81.0% of group revenue in the year under review (2011: 83.8%).

Construction revenue decreased by 3% from R7,4 billion to R7,1 billion and core operating profit decreased by 74% from R471 million to R121 million due to short term events in the second half of the year. These are discussed in the segmental review. The overall Construction core operating profit margin percentage was 1.7% (2011: 6.4%). Over-border work contributed 26% (2011: 27%) to Construction revenues.

Construction performance was impacted by delayed revenue due to postponements in domestic contract awards and customer-initiated scope change delays, as well as holding costs and contract close out losses in the Middle East.

In addition, the group purposefully continued to carry costs related to its investment in future opportunities and capacity building in renewable power, nuclear readiness, postponed local and new over-border PPPs, as well as oil and gas and geographic expansion. The benefits of these initiatives were not expected to be realised before F2013.

Building and Housing

	Year ended	
	Audited 2012	Audited Restated 2011
Revenue (R'000)	**2 065 972**	2 143 004
Total operating margin %	**2.8**	6.3
Core operating margin %	**2.5**	6.3

In spite of the private building sector remaining extremely weak, Building and Housing managed to partially mitigate this impact through the contribution of some public sector contracts, as well as a focus on over-border opportunities, improved execution and supply chain savings.

Building and Housing revenue remained flat at R2,1 billion (79% local) (2011: 70% local). The segment reported a 61% decrease in core operating profit from the prior year, from R134,5 million to R52,1 million. This resulted in the overall core operating margin percentage decreasing from 6.3% to 2.5%.

During the period, the private sector property market for buildings remained weak and overtraded, with inherently low margins and unattractive cash flows. This has been coupled with the slowdown in government's promised infrastructure spend and the lack of awards of certain PPP concession projects, including large public buildings, healthcare and correctional services. The group has been declared the preferred bidder on some of these projects. The coastal region performed well, although margins were constrained.

The Building and Housing segment established an over-border capability in new markets, which will mitigate some domestic market decline. In the short term the Building business will be under pressure while markets are further developed and while new awards against tenders under adjudication are awaited. The Housing business has, however, seen a recent marked improvement in domestic mining and affordable and RDP housing work load.

The secured one-year Building and Housing order book stands at R2,8 billion (94% local) ((2011: R2,1 billion (88% local)).

The total secured Building and Housing order book stands at R3,6 billion (95% local) ((2011: R3,1 billion (75% local).

Civil Engineering

	Year ended	
	Audited 2012	Audited Restated 2011
Revenue (R'000)	**2 997 747**	3 548 361
Total operating margin %	**(1.1)**	6.4
Core operating margin %	**(1.3)**	6.4

Civil Engineering includes the group's civil engineering activities in South Africa, the rest of Africa and the Middle East.

Civil Engineering reported a 16% decrease in revenue from R3,5 billion (85% local) to R3,0 billion (83% local), while core operations reported a loss of R37,5 million for the year (2011: R227,7 million profit).

The Civil Engineering result has been impacted by revenue and margin shifting out in time due to late contract awards and hence delayed starting times, as well as scope changes on several large South African contracts.

The underlying South African and African Civil Engineering business delivered well on contracts executed in the period.

Unfortunately the good underlying performance was severely impacted by the losses reported from the Middle East relating to downward carrying value adjustments and additional provisions raised resulting from the de-risking action taken in preparation for final commercial close out of long standing legacy and loss-making contracts in the United Arab Emirates (UAE). Additional losses were incurred in the rectification of a pipeline contract in Jordan. This has now been completed. Costs for commercial resources deployed in Dubai continue until the contractual and commercial finalisation and cash collection of these completed, as well as terminated, contracts are finalised.

Although tendering activity is high and increasing, both locally and in Africa, with awards currently infrequent, the order book has shown some signs of recovery in favour of African expansion. The business is proactively mitigating domestic market conditions by progressively rebuilding its African order book in geographies in which the group has prior operating experience and where growth opportunities are stronger.

The secured one-year Civil Engineering order book stands R3,3 billion (43% local) ((2011: R2,5 billion (57% local)).

The total secured Civil Engineering order book stands at R4,4 billion (43% local) ((2011: R3,7 billion (58% local)).

Engineering

	Year ended	
	Audited 2012	Audited Restated 2011
Revenue (R'000)	**2 047 591**	1 659 218
Total operating margin %	**5.4**	6.6
Core operating margin %	**5.2**	6.6

The Engineering cluster is the group's engineering, plant building and industrial services segment and incorporates the Projects business and the Engineering and Construction (E+C) business.

Engineering is experiencing a recovery in enquiry levels from the sub-Saharan African mining and energy markets, which resulted in new contract awards during the period under review. This trend is expected to continue in various mineral categories, technologies and geographies. This augurs well for a sustained recovery ahead, albeit lumpy in nature.

During the year, revenue increased by 23% from R1,7 billion (52% local) to R2,0 billion (56% local). Core operating profit decreased marginally by 2.4% from R109,3 million to R106,7 million. The core operating profit margin percentage decreased to 5.2% (2011: 6.6%).

Although the underlying contract margins are still good, they reflect increased competition. The margin for the period was also impacted by the high costs incurred in bidding for the many renewable energy projects against the renewable energy programmes and building capacity in nuclear. The margin retraction on higher revenues is temporary and should improve over the next 12 months. The E+C business has bid with a number of the power plant developers who have pre-qualified under the renewable energy independent power programme (REIPP) and expect to be awarded several EPC contracts, should the programme run as indicated by government.

The secured one-year Engineering order book stands R2,2 billion (43% local) ((2011: R1,4 billion (75% local)).

The total secured Engineering order book stands at R3,3 billion (50% local) ((2011: R2,0 billion (83% local)).

Prospects

The group's total secured Construction order book stands at R11,3 billion (30 June 2011: R8,8 billion and December 2011: R10,3 billion).

The Construction one-year order book stands at R8,3 billion (30 June 2011: R5,9 billion and December 2011: R6,4 billion).

The value of the group's target opportunity pipeline stands at R148 billion, up from R134 billion in June 2011 and R144 billion in December 2011, with activity in all its markets

The Investments and Concessions cluster is delivering annuity business growth, with groupwide opportunities in active infrastructure sectors in increasing geographies. Manufacturing has been refocused and its performance is improving on higher sales volumes to a broadening number of markets. The disposal of the lossmaking Construction Materials cluster will relieve the cash drain from this part of the group and improve returns once completed.

Based on the group's positioning in the key infrastructure growth sectors of power, mining, oil and gas, water and transport and in the concessions and PPP market for specific projects, as well as the progress made in terms of improving the group's internal efficiencies, management expect a slow recovery in group activity levels.

This should support an improvement in the group's trading performance from F2013.

Board changes

During the financial year the following non-executive directors were appointed.

- Mr OA Mabandla was appointed to the board on 1 August 2011
- Mr DDS Robertson was appointed to the board on 1 August 2011

Acknowledgments

The group wishes to recognise the hard work and commitment of its employees.

On behalf of the board

P Buthelezi	**MR Upton**
Chairperson	Chief Executive Officer

3 August 2012

Board of directors: P Buthelezi* (Chairperson), MR Upton (CEO), CMF Teixeira (CFO), LE Bakoro*, L Chalker*†, Dr JL Job*, OA Mabandla*, SG Morris*, KK Mpinga*•, DDS Robertson*†

* (Non-executive director) † (British) • (DRC)

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

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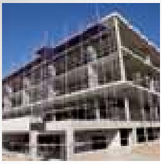

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