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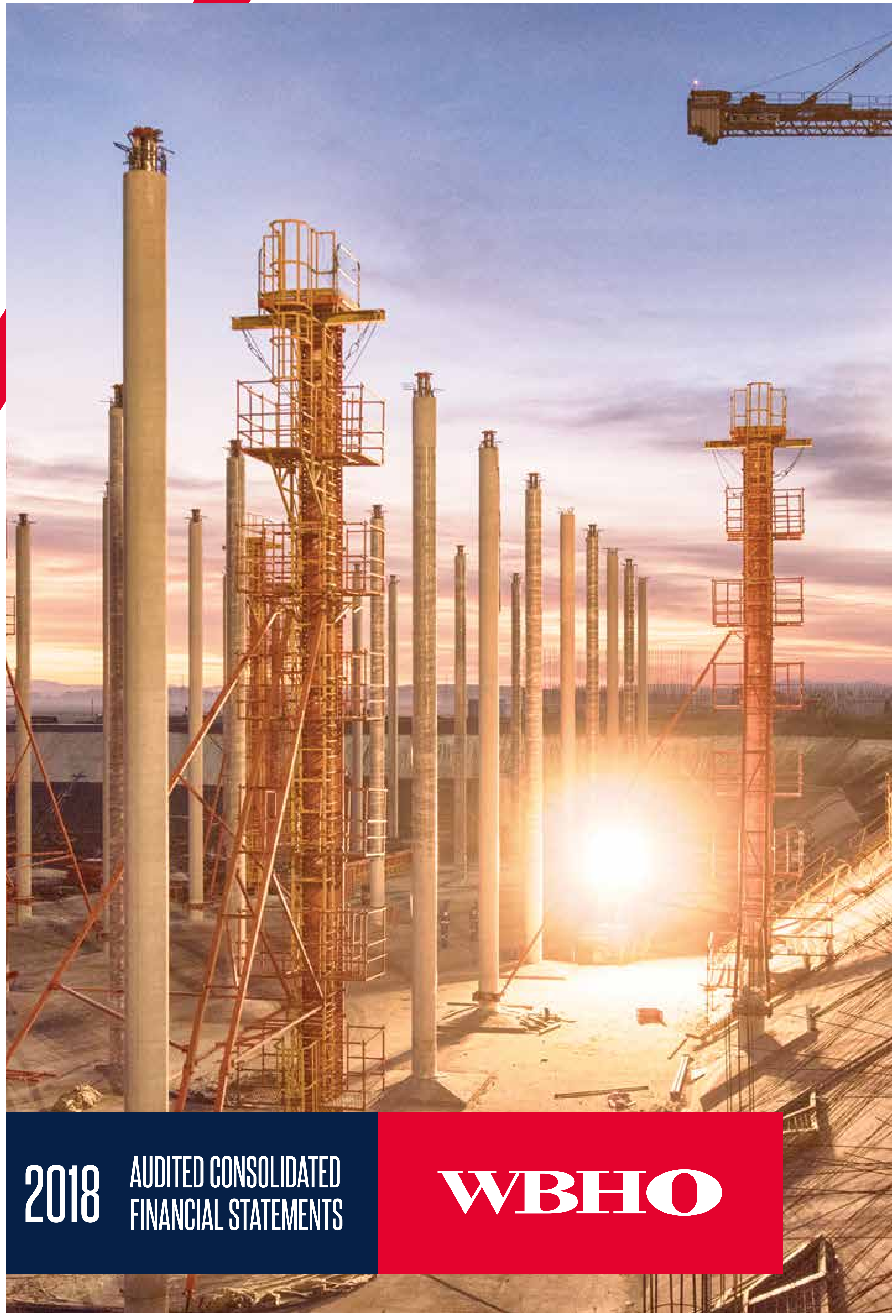

2018 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

WBHO

STATUTORY INFORMATION

Wilson Bayly Holmes-Ovcon Limited
(Incorporated in the Republic of South Africa)
(Registration number 1982/011014/06)
Share code: WBO
ISIN: ZAE000009932
(WBHO)

Registered office and contact details
53 Andries Street
Wynberg, Sandton, 2090
PO Box 531
Bergvlei, 2012
Telephone: +27 11 321 7200
Fax: +27 11 887 4364
Website: www.wbho.co.za
Email: wbhoho@wbho.co.za

Company Secretary
Shereen Vally-Kara
ACIS

Auditors
BDO South Africa Inc.

Transfer secretaries
Computershare Investor Services Proprietary Ltd
Rosebank Towers
15 Biermann Ave
Rosebank
Johannesburg 2196
South Africa
Telephone: +27 11 370 5000
Fax: +27 11 370 5271

Sponsor
Investec Bank Limited

Level of assurance:
These consolidated financial statements have been audited in compliance with the applicable requirement of the Companies Act of South Africa.

Published: 3 September 2018

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STATEMENT OF RESPONSIBILITY BY THE BOARD

for the year ended 30 June 2018

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Wilson Bayly Holmes-Ovcon Limited and its subsidiaries. The consolidated annual financial statements have been prepared in compliance with the Listings Requirements of the JSE Limited, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa and include amounts based on judgements and estimates made by management. The directors have also prepared any other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The directors acknowledge that, ultimately, they are responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring that the business of the group is conducted in a manner which, in all reasonable circumstances, is above reproach. The focus of risk management within the group is to identify, assess and monitor all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Based on the information and explanations given by management and the internal auditors, the directors are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements, however, a system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The going concern basis has been adopted in preparing the financial statements. Based on budgets and available cash resources, the directors have no reason to believe that the group will not be a going concern in the foreseeable future. The viability of the group is supported by the financial statements.

The financial statements have been audited by the independent auditor, BDO South Africa Inc., who was given unrestricted access to all financial records and the related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. The unqualified audit report of BDO South Africa Inc. is presented on pages 6 to 9.

The preparation of the financial statements was supervised by the Chief Financial Officer, Charles Henwood CA(SA) and approved by the board of directors on 3 September 2018 and are signed on its behalf.

Mike Wylie
Chairman

Louwtjie Nel
Chief Executive Officer

3 September 2018

STATEMENT OF COMPLIANCE BY THE AUDIT COMMITTEE

for the year ended 30 June 2018

MEMBERS

AJ Bester (Chairman)
KM Forbay
R Gardiner
NS Maziya

Each of the members of the audit committee are independent non-executive directors. The committee meets at least four times a year to fulfil its mandate. The internal and external auditors as well as certain members of the executive and senior management attend committee meetings by invitation.

The audit committee has executed its duties and responsibilities in accordance with its terms of reference which are informed by the Companies Act and King IV and are approved by the Board.

The committee performed certain statutory and other duties during the year including:

- monitoring the effectiveness and implementation of internal financial controls and the adequacy of financial reporting;
- ensured that the financial reporting of the group comply with IFRS and Companies Act of South Africa;
- considered the effectiveness of the CFO and financial function;
- considered and reviewed the independence of the external auditor and the extent of non-audit services provided;
- reviewed the audit plans for internal and external audit; and
- reviewed the key audit matters and work performed thereon by the external auditors.

Cobus Bester
Audit Committee Chairman

3 September 2018

STATEMENT OF COMPLIANCE BY THE COMPANY SECRETARY

for the year ended 30 June 2018

I confirm that the company has lodged with the Registrar of Companies all returns that are required to be lodged by a public company in terms of the Companies Act of South Africa in respect of the year ended 30 June 2018 and that all such returns are true, correct and up to date.

Shereen Vally-Kara
Company Secretary

3 September 2018

DIRECTORS' REPORT
for the year ended 30 June 2018

NATURE OF BUSINESS
The company is listed on the securities exchange operated by JSE Limited and is the holding company of a number of subsidiary companies principally engaged in civil engineering and building construction activities in Africa, Australia and the United Kingdom.

GROUP RESULTS
Revenue from continuing operations increased by 9,8% to R35,0 billion (2017: R31,9 billion) while operating profit before non-trading items increased by 6,0% to R1,05 billion (2017: R986 million). Total earnings attributable to the equity shareholders of the group amounted to R816 million (2017: R722 million) and headline earnings attributable to equity shareholders of the group amounted to R752 million (2017: R702 million). A full reconciliation between earning and headline earnings is disclosed in note 19. The financial statements set out on pages 10 to 53 provide full details of the financial position, results of operations and cash flows for the year ended 30 June 2018.

SUBSIDIARIES
Details of the group's principal subsidiary companies are included within annexure 1. A full list of subsidiary companies is available on request from the company secretary.

The holding company is an investment company and consequently all profits recognised within the consolidated statement of financial performance were earned by subsidiary companies.

In terms of the shareholder agreements, Probuild Contructions (Probuild) acquired a further 3,8% interest from minority shareholders during the period at a cost of AU$8,4 million, while WBHO Australia acquired a further 0,8% from minority shareholders at a cost of AU$1,6 million. The combined effect of these transactions resulted in the group's interest in Probuild increasing from 80,4% to 85,0%. At the end of June 2018, WBHO Infrastructure issued 5% to management for a consideration of AU$2,6 million. This effectively reduced the group's shareholding from 95,1% to 90,1%.

The group acquired a further 40% interest in the Byrne Group Ltd in the United Kingdom for no further consideration thus increasing the total interest in the business to 80% Full details of the transaction are included in note 30.

LOSSES IN SUBSIDIARIES
Included in the group's profit before tax of R1,2 billion are pre-tax losses from the following subsidiaries:

Subsidiary	Country of incorporation	Amount of loss
VSL Construction Solutions	South Africa	R21,2 million
WBHO UK Limited	United Kingdom	R7,8 million
WBHO Guinea (SA) Limited	Guinea	R28,2 million

ASSOCIATES
During the year the group disposed of its controlling interest in iKusasa Rail South Africa and recognised a gain of R5 million on the transaction. The group's remaining effective interest in the company is 42%.

SHARE CAPITAL
The company has 59 890 514 ordinary shares in issue.

Subject to the regulations of the JSE, 10% of the unissued ordinary shares are under the control of the directors until the annual general meeting (AGM) to be held on 21 November 2018 at which time shareholders will be requested to grant the directors control over 5% of the unissued ordinary shares until the next annual general meeting in 2019.

DIVIDENDS
The group declares dividends dependent upon profits earned and the availability of cash. On 3 September 2018 the directors declared a final gross dividend of 325 cents (2017: 325 cents) per ordinary share from income reserves, which together with the interim dividend of 150 cents (2017: 150 cents) per ordinary share, results in a total payment to shareholders of 475 cents per share (2017: 475 cents).

SHARE SCHEMES
Details of transactions undertaken by the share trusts and empowerment vehicles are disclosed under note 26. There have been no changes to the trustees of the share schemes for the year under review. Participants in the management schemes are advanced interest-free loans by the trust to enable them to purchase the shares offered.

The trusts are consolidated for the purposes of the consolidated annual financial statements.

BORROWING POWERS
In terms of the memorandum of incorporation the company has unlimited borrowing powers.

DIRECTORATE
Details of the company's directors are available online at www.wbho.co.za. The business physical address, postal address and company secretary details are set out on the last page of the financial statements.

In terms of the company's memorandum of incorporation Ms SN Maziya retires at the forthcoming annual general meeting however, Ms Maziya is eligible for re-election.

Ms KM Forbay and Messrs AJ Bester and H Ntene were appointed as directors to the board on 1 November 2017.

Ms NA Matyumza resigned on 24 November 2017.

DIRECTORS' SHAREHOLDING
The direct and indirect interests of the directors are disclosed in note 23 of the financial statements.

There have been no changes to directors' shareholdings between the reporting date and the date of this report.

RELATED PARTY TRANSACTIONS
Related party transactions are disclosed under note 23.

PROPERTY, PLANT AND EQUIPMENT
Full details of the property, plant and equipment are disclosed under note 2.

EVENTS AFTER THE REPORTING DATE
Subsequent to the end of the reporting period, the group acquired a 60% interest in Russells Limited and a 31,7% interest in Russell Homes Limited for a consideration of £32,8 million (R572 million) and £3,3 million (R56,4 million) respectively.

The amount of R40 million held in escrow pending the lapsing of the warranty period and disclosed in note 5 was received in July 2018.

The board is not aware of any other matter or circumstance arising since the reporting date not otherwise dealt with in the consolidated annual financial statements, which significantly affects the financial position of the group as at 30 June 2018 or the results of its operations or cash flows for the year then ended.

GOING CONCERN
The directors have reviewed the budget and forecast cash flows of the group for the year to 30 June 2019. On the basis of this review, and in light of the current financial position, the directors are satisfied that the group have access to adequate resources to continue in operational existence for the foreseeable future. The going concern basis has been adopted in preparing the consolidated annual financial statements.

SPECIAL RESOLUTIONS
The following special resolutions were passed at the 2017 AGM:

Special resolution number 1
Approval of non-executive directors' fees for the 2018 financial year.

Special resolution number 2
Financial assistance to directors, prescribed officers, employee share scheme beneficiaries and related or inter-related companies and corporations.

Special resolution number 3
General authority to repurchase company shares.

AUDITORS
BDO South Africa Inc. will continue in office in accordance with section 90(6) of the Companies Act. At the AGM, shareholders will be requested to re-appoint BDO South Africa Inc. as the group auditors for the 2019 financial year and it is noted that J Roberts will be the individual registered auditor who will undertake the audit.

INDEPENDENT AUDITOR'S REPORT
for the year ended 30 June 2018

TO THE SHAREHOLDERS OF WILSON BAYLY HOLMES-OVCON LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Wilson Bayly Holmes-Ovcon Limited and its subsidiaries (the group) set out on pages 10 to 52 which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 30 June 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Recognition of contract revenue, margin and related receivables and liabilities	
The construction industry is characterised by contract risk with significant judgements involved in the assessment of both current and future contract financial performance. Revenue and margin are recognised based on the stage of completion of individual contracts. The stage of completion is determined using surveys of work performed relative to the estimated total costs of the contract. The status of contracts is updated on a regular basis. In doing so, management are required to exercise significant judgement in their assessment of the valuation of contract variations, claims and liquidated damages, the completeness and accuracy of forecast costs to complete and the ability to deliver contracts within forecast timescales. The potential final contract outcomes can cover a wide range. Dependent on the level of judgement in each, the range on each contract can be individually material. In addition, changes in these judgements, and the related estimates, as contracts progress can result in material adjustments to revenue and margin, which can be both positive and negative. The significant judgment involved when recognising contract revenue has resulted in this area being regarded as a Key Audit Matter. *(Refer to the significant judgements and critical accounting estimates e), accounting policies note on pages 18 and 19 and notes 7 and 14 to the annual financial statements for selected disclosures applicable to this matter)*	Our procedures included amongst others: • We evaluated and tested the relevant IT systems, and assessed the operating effectiveness of key internal controls over the accuracy and timing of revenue recognised in the financial statements, including controls relating revenue, purchases and payroll cycles. • For a sample of contracts, we performed the following procedures: – obtained an understanding of the performance and status of the contracts through enquiries with management and contract directors having oversight over the various contracts. – tested the contract status through the examination of externally generated evidence, such as approved variations and customer correspondence. – analysed the estimates for total forecast revenue, costs and profit to complete through inspection of contract documentation, including taking into account the historical accuracy of such estimates to perform a reasonability of the stage of completion of the contract. – calculated the stage of completion and compared it to the survey of work performed. – agreed to the certified revenue amounts recognised to revenue certificates. – assessed the provisions for loss making contracts to determine whether these appropriately reflected the expected contractual positions. – tested the recoverability of amounts due from construction contract customers and the related receivables. – assessed the completeness and validity of allowances recorded by management based upon the liabilities that may arise from disputes with customers or rectification works required by interviewing contract directors, and reviewing the correspondence with customers and legal advisors.

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill	
IFRS requires from management to carry out an annual impairment test of goodwill. The assessment process is complex and requires significant management judgement based on assumptions about the reasonable earnings multiple used, including future profitability for the related businesses against which appropriate long-term growth rates and discount rates must be applied. The significant judgment involved when testing for the impairment of Goodwill has resulted in this area being a Key Audit Matter. *(Refer to the significant judgements and critical accounting estimates b), accounting policies note on page 16 and note 3 to the annual financial statements for selected disclosures applicable to this matter)*	Our procedures included amongst others: • We obtained copies of the valuation models used to determine the recoverable amount of each cash-generating unit, evaluated the appropriateness of the modules used and tested the arithmetical accuracy of the models. • We challenged the assumptions underpinning the models, including the discount rates or earnings multiple used, long-term growth rates and cash flow forecasts. This was achieved through: – consultation with our internal valuation specialists to critically assess the model used, multiples or discount rates and long-term growth rates applied; – assessment of the reasonableness of forecast future cash flows by comparison to historical performance and future outlook; – discussions with management; and – performed a sensitivity analysis taking into account the historical forecasting accuracy of the group. • We also assessed whether assumptions have been determined and applied consistently year on year and across the group.
Completeness and adequacy of closed contract provisions and other provisions	
The Group holds provisions in respect of claims and construction related provisions that have arisen, or that prior claims experience indicates may arise subsequent to the completion of certain contracts, as well as in relation to other matters of litigation including legal disputes. The determination and valuation of provisions is judgmental by its nature and require a high degree of estimation and judgement by contract directors and management. The significant judgement involved when estimating the provision has resulted in this area being a Key Audit Matter. *(Refer to the significant judgements and critical accounting estimates d), accounting policies note on page 19 and note 13 to the annual financial statements for selected disclosures applicable to this matter)*	Our procedures included amongst others: • Enquired of contract directors and management, and inspected board minutes for actual and potential claims arising during the year, and challenged whether the provisions are required for these claims. • For all significant known issues and claims provided for, we inspected the calculation of the provision held and compared this to third party evidence, where available. • In respect of open matters of litigation, we had discussions with the group's internal and external legal advisors and reviewed correspondence in respect of these matters. • We assessed each provision against the requirements of the relevant accounting standards and assessed whether the group's disclosures present the potential liabilities of the group in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT (continued)

for the year ended 30 June 2018

Key audit matter	How our audit addressed the key audit matter
Business combination: Byrne Group Limited	
The interest in Byrne Group Ltd increased from 40% to 80%. This transaction is significant due to the individual nature, size, significant management judgement required and the related specific measurement and disclosure requirements. Accordingly, the transaction is material and significant judgement is required in relation to the fair valuation of the business, purchase price allocation including the resulting significant loss on disposal of the associate and significant gain on bargain purchase. As a result, this area is regarded as a Key Audit Matter. *(Refer to the significant judgements and critical accounting estimates f), accounting policies note on page 16 and note 30 to the annual financial statements for selected disclosures applicable to this matter)*	Our procedures included amongst others: • We obtained an understanding of the nature of the transaction through assessment of the relevant agreements and discussions with management. • We assessed and recalculated the proposed accounting treatment in relation to the group's accounting policies and relevant International Financial Reporting Standards. • We confirmed key transaction terms to the agreement assessing whether it was appropriately recognised in the period as well as determining the acquisition date considering all pertinent facts and circumstances. • We challenged the inputs used by management in the fair valuation model used when assessing the fair value of the previously held interest in Byrne Group Ltd. We verified the historical and current financial performance data used by management. We validated the main assumptions against external data such as the earnings multiple with a peer group. We have tested the mathematical accuracy of the model used by management. • We verified and challenged management's assumptions in assessing the fair value of the identifiable assets acquired, liabilities assumed and non-controlling interest in the business acquired. We verified the mathematical accuracy of the gain on bargain purchase recognised. • We challenged management's assumptions regarding the recognition of acquired intangible assets. • We involved our internal valuation specialists to evaluate the model, method and assumptions used by management in calculating the fair value of the business at disposal of the associate and the purchase price allocation. • We also reviewed the related disclosures in the financial statements to ensure the accuracy of the disclosures and compliance with International Financial Reporting Standards.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Inc. has been the auditor of Wilson Bayly Holmes-Ovcon Limited for 32 years.

BDO South Africa Inc

Per: **J Roberts**
Director

Registered Auditor

3 September 2018

22 Wellington Road
Parktown
2193

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Note	Audited 2018 R'000	Audited 2017 R'000
Revenue	14	**35 028 475**	31 906 660
Operating profit before non-trading items	15	**1 045 397**	986 297
Settlement agreement expense		–	(170 274)
Profit on disposal of shares		–	12 726
Gain on loss of control of subsidiary		**5 092**	9 607
Loss on deemed disposal of associate		**(57 544)**	–
Gain on bargain purchase of subsidiary		**101 675**	–
Share-based payment expense		**(63 759)**	(57 788)
Operating profit		**1 030 861**	780 568
Share of losses and profits from equity accounted investments		**(4 830)**	68 916
Net finance income	16	**168 467**	240 894
Profit before tax		**1 194 498**	1 090 378
Income tax expense	17	**(351 053)**	(319 161)
Profit from continuing operations		**843 445**	771 217
Loss from discontinued operations		**–**	(1 671)
Profit for the year		**843 445**	769 546
Other comprehensive income			
Items that may be reclassified through profit or loss:			
Translation of foreign entities		**23 493**	(256 522)
Translation of net investment in a foreign operation		**3 304**	(20 908)
Revaluation of a designated cash-flow hedge		**–**	(11 269)
Tax effect of above items		**(925)**	9 235
Share of associates' comprehensive income	4	**(10 153)**	(33 933)
Total comprehensive income for the year		**859 164**	456 149
Profit from total operations attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		**815 872**	722 064
Non-controlling interests		**27 573**	47 482
		843 445	769 546
Total comprehensive income attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		**831 591**	410 187
Non-controlling interests		**27 573**	45 962
		859 164	456 149
Earnings per share (cents)	19		
Basic earnings per share		**1 534,3**	1 345,6
Diluted earnings per share		**1 533,8**	1 345,1
Headline earnings per share		**1 414,6**	1 307,9
Diluted headline earnings per share		**1 414,1**	1 307,5
Dividend per share (cents)		**475,0**	475,0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018

	Note	Audited 2018 R'000	Audited 2017 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	2	**1 883 072**	1 635 349
Goodwill	3	**531 117**	523 613
Equity accounted investments	4	**745 059**	650 246
Long-term receivables	5	**373 136**	446 924
Deferred taxation	10	**667 779**	631 799
Total		**4 200 163**	3 887 931
Current assets			
Inventories	6	**284 543**	258 858
Amounts due by customers	7	**1 816 792**	758 001
Trade and other receivables	8	**6 213 877**	5 635 000
Taxation receivable		**116 020**	148 534
Cash and cash equivalents	28	**5 992 461**	5 545 583
Total		**14 423 693**	12 345 976
Total assets		**18 623 856**	16 233 907
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**28 565**	28 597
Reserves		**5 783 074**	5 271 908
Shareholders' equity		**5 811 639**	5 300 505
Non-controlling interests	11	**207 517**	139 895
Total		**6 019 156**	5 440 400
Non-current liabilities			
Long-term liabilities	9	**169 718**	192 637
Deferred taxation	10	**27 527**	57 211
Total		**197 245**	249 848
Current liabilities			
Excess billings over work done	7	**2 093 158**	1 673 161
Trade and other payables	12	**8 538 478**	6 931 937
Provisions	13	**1 764 968**	1 913 262
Taxation payable		**10 851**	25 299
Total		**12 407 455**	10 543 659
Total equity and liabilities		**18 623 856**	16 233 907

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018

	Number of ordinary shares issued	Number of shares held by share trusts	Net shares issued to the public	Share capital R'000	Foreign currency translation reserve R'000	Non-distributable reserves R'000	Distributable reserves R'000	Shareholders' equity R'000	Non-controlling interests R'000	Total equity R'000
Balance at 30 June 2016	63 190 064	8 329 550	54 860 514	28 597	490 407	212 107	4 697 318	5 428 429	258 421	5 686 850
Vested shares	–	(198 492)	198 492	–	–	–	–	–	–	–
Treasury shares acquired	–	1 893 000	(1 893 000)	–	–	(278 996)	–	(278 996)	–	(278 996)
Profit for the year	–	–	–	–	–	–	722 064	722 064	47 482	769 546
Other comprehensive income for the year	–	–	–	–	(256 522)		(21 423)	(277 945)	(1 519)	(279 464)
Share of movement in associates' equity	–	–	–	–	(33 933)	–	–	(33 933)	–	(33 933)
Dividend paid	–	–	–	–	–	–	(277 410)	(277 410)	(24 671)	(302 081)
Share-based payments expense	–	–	–	–	–	57 788	–	57 788	–	57 788
Share-based payment settlement	–	–	–	–	–	6 226	–	6 226	–	6 226
Loans repaid to non-controlling interests	–	–	–	–	–	–	–	–	(22 220)	(22 220)
Acquisition of businesses	–	–	–	–	–	–	–	–	8 263	8 263
Changes in interests in subsidiaries	–	–	–	–	–	–	(45 718)	(45 718)	(125 861)	(171 579)
Balance at 30 June 2017	63 190 064	10 024 058	53 166 006	28 597	199 952	(2 875)	5 074 831	5 300 505	139 895	5 440 400
Vested shares	–	(34 115)	34 115	–	–	–	–	–	–	–
Shares bought back	(3 299 550)	(3 299 550)	–	(32)	–	–	–	(32)	–	(32)
Profit for the year	–	–	–	–	–	–	815 872	815 872	27 573	843 445
Other comprehensive income for the year	–	–	–	–	23 493	2 379	–	25 872	3 781	29 653
Share of movement in associates' equity	–	–	–	–	(10 153)	–	–	(10 153)	–	(10 153)
Dividend paid	–	–	–	–	–	–	(275 153)	(275 153)	(10 186)	(285 339)
Share-based payments expense	–	–	–	–	–	63 759	–	63 759	–	63 759
Share-based payment settlement	–	–	–	–	–	(48 951)	–	(48 951)	–	(48 951)
Loans repaid to non-controlling interests	–	–	–	–	–	–	–	–	1 388	1 388
Acquisition of businesses	–	–	–	–		–	–	–	55 368	55 368
Changes in interests in subsidiaries	–	–	–	–	–	–	(60 080)	(60 080)	(10 302)	(70 382)
Balance at 30 June 2018	59 890 514	6 690 393	53 200 121	28 565	213 292	14 312	5 555 470	5 811 639	207 517	6 019 156

Authorised share capital	
– ordinary shares of no par value	100 000 000
– redeemable preference shares of no par value	20 000 000

There were no changes to the authorised share capital during the current year.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2018

	Note	Audited 2018 R'000	Audited 2017 R'000
Operating profit before working capital requirements		**1 126 373**	1 084 403
Working capital changes		**263 158**	32 225
Cash generated from operations	28.1	**1 389 531**	1 116 628
Net finance income		**186 129**	259 765
Taxation paid	28.2	**(362 634)**	(252 139)
Dividends paid		**(285 339)**	(302 081)
Cash retained from operations		**927 687**	822 173
Cash flow from investing activities			
Advances of long-term receivables		**(38 774)**	(265 356)
Repayment of long-term receivables		**131 923**	90 765
Repayment of contributed equity		**–**	152 211
Additional investment in equity accounted investments		**(241 921)**	(202 962)
Disposal of equity-accounted investments		**–**	13 386
Proceeds on disposal of businesses		**–**	112 726
Proceeds from share buy-back in subsidiary		**–**	8 815
Proceeds on disposal of property, plant and equipment		**78 175**	130 369
Purchase of property, plant and equipment		**(238 274)**	(220 402)
		(308 871)	(180 448)
Cash flow from financing activities			
Repayment of borrowings		**–**	(21 288)
Transactions with owners		**(93 148)**	(184 531)
Purchase of treasury shares		**–**	(278 996)
Equity-settled incentives		**(63 611)**	–
Instalments in respect of capitalised finance leases	28.4	**(63 165)**	(46 321)
		(219 924)	(531 136)
Net increase in cash and cash equivalents		**396 830**	110 589
Foreign currency translation effect		**(31 002)**	(167 054)
Cash and cash equivalents at the beginning of the year		**5 545 583**	5 752 194
Cash and cash equivalents acquired	30	**83 756**	12 451
Cash and cash equivalents derecognised		**(4 768)**	(162 597)
Cash and cash equivalents at the end of the year	28.3	**5 992 461**	5 545 583

PRINCIPAL ACCOUNTING POLICIES
for the year ended 30 June 2018

STATEMENT OF COMPLIANCE

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations adopted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee of the IASB. The consolidated financial statements comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued the by Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa.

BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, except for specific financial assets which are measured at fair value through profit and loss. The accounting policies adopted have been consistently applied throughout the group to all the periods presented. The consolidated financial statements have been prepared on the going concern basis.

The consolidated financial statements are presented in South African Rands which is the presentation currency and functional currency of the holding company in the group.

SIGNIFICANT JUDGEMENTS AND CRITICAL ACCOUNTING ESTIMATES

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Judgements and estimates 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. Actual results in the future could differ from these estimates, which may be material to the financial statements. Significant judgements and estimates include:

a) Classification of investments

Judgement has been applied in determining the classification of joint arrangements, other investments and associates depending on the contractual rights and obligations of each investor.
The judgements used have been disclosed in note 4.

b) Impairment of goodwill

Estimates are made in determining the recoverable amounts of cash-generating units, based on the greater of value-in-use and fair value less costs to sell calculations. The estimates used have been disclosed in note 3.

c) Property, plant and equipment

Judgement is applied in determining the residual value and useful lives of items of property, plant and equipment using relevant information available for similar assets.

d) Provisions

Estimates are made of the expected cash outflow taking into account that the exact amount and timing of the outflow is uncertain.

e) Construction profit or loss recognition

Estimates are made of the total expected costs and revenue of individual contracts when applying the stage of completion method. In certain instances management is required to exercise judgement to determine whether the outcome of a contract can be reliably estimated, taking into consideration any variations or claims on each contract.

f) Fair value

The group is required to measure fair value for both financial and non-financial assets and liabilities and when recognising identifiable assets and liabilities under business combinations. Judgement and estimates are required when determining the inputs to be used in the various valuation methods used.

BASIS OF CONSOLIDATION

The consolidated financial statements include the statements of financial position, financial performance and other comprehensive income and cash flow information of the holding company, its subsidiaries, joint arrangements and associates.

The financial results of subsidiaries are consolidated with similar items on a line-by-line basis.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method.

Structured entities are consolidated on a line for line basis where the group is deemed to have control over the entity.

Where subsidiaries, associates or joint arrangements use accounting policies other than those adopted in the consolidated financial statements, appropriate adjustments are made in preparing the consolidated financial statements.

Inter-company and inter-segment transactions and balances as well as unrealised gains and losses between entities are eliminated on consolidation.

Unrealised gains and losses in respect of associates are eliminated against the investment in the associate to the extent of the group's interest in these entities.

The parent's share in a joint operation's profits and losses resulting from these transactions is eliminated.

Subsidiaries

Subsidiaries are entities controlled by the group. The group obtains control of a subsidiary when it becomes exposed to, or gains rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated into the group financial statements from the date control is obtained until it is classified as held-for-sale or any other date control ceases.

Non-controlling interests

Any non-controlling interest's in a subsidiary is initially recognised at the non-controlling interest's proportionate share of the subsidiary's net assets. Thereafter the carrying amount of non-controlling interests includes any subsequent changes in the subsidiary's equity. Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in shareholding

Changes in shareholding that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The non-controlling interest is adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between this amount and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

Loss of control

When the group ceases to have control over a subsidiary the carrying amount of the consolidated assets and liabilities are derecognised together with any associated NCI and other component of equity. Any retained interest in the entity is remeasured at its fair value at the date control is lost. The resulting gain or loss is recognised in profit or loss.

Joint operations

The group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its share of the revenue from the sale of the output by the joint operation and
- its expenses, including its share of any expenses incurred jointly.

BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for business combinations when control is transferred to the Group. The consideration transferred for the acquisition of a business is measured at fair value, which is calculated as the sum of the net fair values of the assets transferred by the Group. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value. Transaction costs arising from the acquisition are expensed in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition and remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, is recognised in profit or loss.

If the initial accounting for the business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquire over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirers' previously held interest in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill arising on the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses. Goodwill recognised on the acquisition of associates or joint ventures is included in the equity accounted investment.

On disposal of a subsidiary the attributable goodwill is included in the determination of the profit or loss on disposal.

EQUITY ACCOUNTED INVESTMENTS

The group's interest in equity accounted investees comprise interests in associates and joint ventures.

An associate company is an entity over which the group has the ability to exercise significant influence. A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint venture are initially recognised at cost, which includes transaction costs. Subsequently, the equity method of accounting is applied whereby the group's share of the post-acquisition earnings and reserves are incorporated into the financial statements. The equity method is applied until the effective date of disposal, or any other date where significant influence or joint control has ceased. The group's share of post-acquisition losses is recognised up to the value of its investment and any subordinated loans.

JOINT OPERATIONS

Joint operations are arrangements where the parties have joint control of the arrangement's assets and obligations in respect of the arrangement's liabilities. The financial and operating decisions in respect of joint operations require the unanimous consent of all the parties.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers, identified as the executive committee. The group's reportable segments represent strategic business units that offer the main services of the group. Refer to note 27 where the segment report has been disclosed.

MEASUREMENT OF FAIR VALUES

Fair values are categorised into different levels within a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Where the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the lowest level is used to categorise the fair value measurement in its entirety.

The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

FINANCIAL INSTRUMENTS

Financial instruments are recognised when the entity becomes party to the contractual provisions of the instruments. Financial instruments are recognised initially on transaction date at fair value plus transactions costs except for financial instruments carried at fair value through profit and loss, where transaction costs are recognised immediately in profit or loss.

Financial assets which are expected to be recovered within 12 months of the reporting date are classified as current.

The group classifies its financial instruments into the following categories depending on the purpose for which the instrument was acquired. Management determines the classification at the time of initial recognition.

The group's categories are as follows:

- Loans and receivables
- Financial liabilities held at amortised cost

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, they are measured at amortised cost. Amortised cost is calculated using the effective interest method.

Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The recoverable amount of the group's loans and receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

The group assesses at the end of each reporting period whether there is objective evidence that loans and receivables are impaired. Objective evidence of impairment may be as a result of one or more events occurring that has an impact on the estimated future cash flows of the asset.

An impairment loss is reversed if there is subsequently an increase in the recoverable amount.

Trade and other receivables are measured at amortised cost less allowance for credit losses. Any credit loss is recognised in profit or loss.

For the purpose of the statement of cash flow, cash and cash equivalents comprise bank balances and cash with original maturities of three months or less and also include bank overdrafts repayable on demand. Cash and cash equivalents are reflected at year-end bank statement balance. Where bank overdrafts and cash balances are with the same financial institution and right of set-off exists, they are netted off for disclosure purposes.

Financial liabilities held at amortised cost

These instruments include trade payables, accruals, and amounts owed for assets held under finance lease agreements and are carried at amortised cost using the effective interest method.

Borrowings and bank overdrafts are recognised at amortised cost net of finance costs.

Derecognition

Financial assets or a portion thereof are derecognised when the group`s rights to the cash flows expire ,when the group transfers all the risks and rewards related to the financial asset or when the group loses control of the financial asset.

Financial liabilities or a portion thereof are derecognised when the obligations specified in the contract are discharged, cancelled or expire.

PRINCIPAL ACCOUNTING POLICIES (continued)
for the year ended 30 June 2018

PROPERTY, PLANT AND EQUIPMENT

Measurement
Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Land is not depreciated. Cost includes all qualifying expenditure that is directly attributable to the acquisition of the item.

Subsequent costs
Subsequent costs are included in an asset's carrying value only when it is probable that the future economic benefits associated with the item will flow to the group and these costs can be measured reliably.

Depreciation
Property, plant and equipment is depreciated to its estimated residual value over its expected useful life. The depreciation methods, estimated remaining useful lives and residual values are reviewed at each reporting date. The depreciation methods and average depreciation periods are set out in note 2.

Disposals
Gains and losses on disposal of property, plant and equipment are determined by deducting the carrying amount from the proceeds and are recognised within profit or loss as appropriate.

CONSTRUCTION CONTRACTS
A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology, and functions, or their ultimate purpose or use.

The operating cycle of construction assets and associated liabilities is considered more than 12 months, as the net assets are continually circulating as working capital distinguishing it form those net assets used in the group's long-term operations. Accordingly, the construction assets and associated liabilities are classified as current as they are expected to be settled within the same operating cycle.

Where the outcome of a long-term contract can be reliably estimated, revenue and profit is recognised on an individual contract basis using the stage of completion method. For incomplete contracts on which losses are anticipated, such losses are provided for as soon as they are foreseen and include any losses relating to future work. The stage of completion is determined using surveys of work performed.

Contracts in progress are stated at cost plus profit recognised to date, less cash received or receivable, less any provision for losses. The gross amounts due from customers, for which costs incurred plus recognised profits (or less recognised losses) exceeds progress billings, and the gross amounts due to customers, for which progress billings exceed costs incurred plus recognised profits (or less recognised losses) are presented in the statement of financial position as amounts due by customers and excess billings over work done.

INVENTORIES
Inventories are measured at the lower of cost or net realisable value.

The cost of materials on site, raw materials, consumable stores and trading stock is determined using the weighted-average basis.

Net realisable value represents the estimated selling price less all estimated costs to completion and the estimated costs to be incurred in marketing, selling and distribution.

IMPAIRMENT OF NON-FINANCIAL ASSETS
Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired to its recoverable amount.

Impairment tests in respect of goodwill are performed at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment tests in respect of assets other than goodwill are performed when there is an indicator of impairment.

The recoverable amount is the greater of an asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows independently from other assets, including goodwill, the recoverable amount is determined for the cash-generating unit to which the asset relates. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to such cash generating units and thereafter, to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

Impairment losses and reversal of impairment losses are included in profit or loss. An impairment loss recognised for goodwill is not reversed.

LEASES

Finance leases
Assets held under finance leases, where the risks and rewards of ownership have been transferred, are capitalised as property, plant and equipment. Finance lease assets are initially recognised at an amount equal to the lower of the fair value of the leased property and the present value of the minimum lease payments, and depreciated over their useful lives. The capital portion of the lease is included under other current or non-current liabilities as appropriate in the statement of financial position. The finance cost portion is expensed in profit or loss over the period.

Operating leases – lessee
Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Operating lease rentals are expensed to profit or loss on a straight-line basis over the period of the lease. The difference between the amount recognised as an expense and the contractual payment is recognised as an operating lease asset or liability. This asset or liability is not discounted.

PROVISIONS
Provisions are recognised when there is a present legal or constructive obligation resulting from past events, where the settlement of such obligation will result in the probable outflow of resources from the group and the obligation can be reliably estimated. If a present obligation does not exist or the amount cannot be reliably measured, the provision is not recognised but rather disclosed as a contingent liability.

Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognised as finance cost in profit or loss.

REVENUE RECOGNITION
Revenue is recognised when it can be reliably measured and it is probable that the economic benefits associated with the transaction will flow to the group. All revenue is recognised based on the fair value of the consideration received or receivable, and is stated net of value added taxes and trade discounts, if applicable.

Construction revenue
Where the outcome of a construction contract can be reliably estimated, contract revenue is recognised based on the fair value of the consideration received or receivable, including variations and claims, taking into account the stage of completion of each contract. The stage of completion is determined using surveys of work performed relative to the estimated total costs of the contract. Changes to the original estimate of total revenue, cost or the stage of completion are reflected in profit or loss in the period in which the circumstances that gave rise to the revision becomes known.

For contracts where the outcome cannot be reliably estimated, contract revenue is recognised to the extent that the recoverability of costs incurred is probable.

Sale of materials
Revenue arising from the sale of materials is recognised when the group transfers the item, through delivery, to the customer or collection by the customer, and the significant risks and rewards of ownership have been transferred to the customer.

Other income
Other income earned by the group which is not included in revenue, is recognised on the following basis in profit and loss:
- Finance income is recognised using the effective interest rate method; and
- Dividend income is recognised when the shareholder's right to receive payment has been established.

FOREIGN CURRENCY

Foreign operations
The results and financial position of all the group's entities are measured using the currency of the primary economic environment in which the entity operates, namely the functional currency. Where the functional currency differs from that of the presentation currency, assets and liabilities are translated at the closing exchange rate and income and expenses are translated at average exchange rates.

The resulting translation difference is recognised as a separate component of equity, in other comprehensive income, until such time the foreign entity is disposed of, at which time the translation difference is recognised in profit or loss.

Transactions and balances
Foreign currency transactions are recognised in the functional currency using the exchange rates prevailing at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical costs in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions as well as the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

INCOME TAX
Income tax for the period comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or items directly recognised in equity or in other comprehensive income.

Current taxation
The current tax charge represents the calculated taxation payable on the taxable income for the year using substantively enacted tax rates and includes any adjustments to tax payable in respect of prior years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also included any tax arising from dividends.

PRINCIPAL ACCOUNTING POLICIES (continued)
for the year ended 30 June 2018

Deferred taxation

Deferred taxation is recognised in respect of temporary differences between the carrying amounts for financial reporting purposes and the tax base used for tax purposes.

Deferred taxation is not recognised on temporary differences relating to:

- taxable temporary differences arising on the initial recognition of goodwill;
- temporary differences on the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss ; and
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent they will probably not reverse in the foreseeable future.

A deferred tax asset is recognised to the extent that it is probable that future taxable income will be available against which any unused tax losses and deductible temporary differences can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Enacted or substantively enacted tax rates that are expected to apply when the asset is realised or liability settled are used to determine the deferred tax provision at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Dividend withholding tax

Dividend tax is withheld at a rate of 20% on South African all shareholders registered unless a shareholder qualifies for an exemption or at a lower rate in terms of double taxation agreements.

EMPLOYEE BENEFITS

Defined contribution benefits

Under defined contribution plans the group’s legal or constructive obligation is limited to the amount contributed to the fund. Consequently the risk that assets invested will be insufficient to meet the expected benefits is borne by the employees.

Contributions to a defined contribution plan in respect of the services rendered in a particular period are recognised as an expense in that period.

Short-term employee benefits

Short-term employee benefits are expenses as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present or legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Bonus plans

A liability for employee benefits in the form of bonus plans is recognised as a provision as past practice has created a valid expectation by employees that they will receive a bonus.

Share-based payment arrangements

Equity-settled

The fair value of equity-settled share-based payment arrangements granted to employees is recognised as an expense on the grant date with a corresponding increase in equity over the vesting period of the awards. The fair value is measured at grant date taking into account the structure of the grant, and expensed over the period during which the employees are required to provide services in order to become unconditionally entitled to the equity instruments and allowing for an estimate of the number of shares that will eventually vest. The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. Where an employee resigns from the scheme, the estimated share based payment expense is adjusted such that on a cumulative basis, no expense is recognised in respect of that employee.

Where goods or services are received by the group in return for the equity-settled share-based payment arrangements, the fair value of the goods or services received is expensed on receipt of goods or, in the case of services, on a straight-line basis over their vesting periods. Where no goods or services can be determined to be received by the group the net cost of shares, as calculated above, is expensed in profit or loss immediately.

Share appreciation rights

The fair value of the amount payable to employees in respect of share appreciation rights is recognised as an expense with a corresponding increase in liabilities. The liability is re-measured at each reporting date or any settlement dates to fair value. The fair value of the instruments granted is measured by using valuation techniques.

ORDINARY SHARES

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

TREASURY SHARES

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the non-distributable reserve.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented in share premium.

EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

Earnings per share is calculated by dividing attributable earnings by the weighted average number of ordinary shares in issue. Appropriate adjustments in terms of Circular 4/2018 issued by The South African Institute of Chartered Accountants are made in calculating headline earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to include conversion of all dilutive potential ordinary shares.

CONTINGENT LIABILITIES AND COMMITMENTS

A contingent liability arises where:

- there is a possible obligation that arises from past events where its existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group; or
- a present obligation that arises from past events but has not been recognised as the outflow of economic benefits required to settle the obligation are not probable;
- or the amount of the obligation cannot be reliably measured.

RELATED PARTY TRANSACTIONS

A list of the major subsidiaries, joint arrangements and associated companies are included in annexures 1 and 2 of these annual financial statements. All transactions with subsidiaries and associated companies were entered into under terms no more favourable than those with third parties and have been eliminated in the group accounts. Director and senior management emoluments as well as transactions with other related parties, are set out in note 23.

STANDARDS AND INTERPRETATIONS

There were no significant new standards, amendments or interpretations effective in the current year.

PRINCIPAL ACCOUNTING POLICIES (continued)
for the year ended 30 June 2018

NEW AND REVISED STANDARDS AND INTERPRETATIONS

The following standards and amendments are significant to the group:

Standard	Effective date – annual periods commencing on or after:	Description
IFRS 15 Revenue from Contracts with Customers	1 January 2018	IFRS 15 establishes a comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It replaces existing revenue recognition guidance, including IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The group will apply IFRS 15 on 1 July 2018. The group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements. **Construction contracts** Contract revenue currently includes the contract value together with any approved variations and claims to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognised, the cumulative contract price is revised and the stage-of-completion is reassessed at each reporting date. Under IFRS 15, revenue is recognised when (or as) a performance obligation is satisfied, i.e. when control of the goods or service underlying the particular performance obligation is transferred to the customer It was concluded that the pattern of revenue recognition will not be materially different as a result of changing from the stage of completion recognition in terms of IAS 11 to transfer of control over time recognition in terms of IFRS 15. **Sale of goods and property** In respect of the sale of goods and properties, revenue is currently recognised when the significant risks and rewards of ownership have been transferred to the customer either through delivery or collection. Under IFRS 15, revenue will be recognised when a customer obtains control of the goods which will be through delivery or collection by the customer. There is no variable consideration with the sale of goods and property and the revenue is recognised at a point in time. It was assessed that there will not be a significant difference between how the group currently account for revenue on the sale of goods and property and IFRS 15 revenue recognition requirements. **Disclosure** The group is expecting to provide more extensive disclosures with regards to revenue transactions.

Standard	Effective date – annual periods commencing on or after:	Description
IFRS 9 Financial instruments (2009 and 2010)	1 January 2018	IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The group will apply IFRS 9 on 1 July 2018. IFRS 9 replaces IAS 39 Financial instruments: Recognition and Measurement and requires the group to revise its accounting processes and internal controls related to the reporting of financial instruments and these changes are in progress. A preliminary assessment of the potential impact of IFRS 9 based on the position at 30 June 2018 has been performed. **Classification of financial assets** IFRS 9 requires a new approach to the classification and measurement of financial assets. It contains three principle classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). These categories replace the existing IAS 39 categories, namely financial assets held to maturity, held for trading, loans and receivables and available for sale. **Classification of financial liabilities** IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities The adoption of this standard will not materially impact the current classification or measurement of any of its financial assets and financial liabilities. **Impairment** Financial assets measured at amortised cost and amounts due from customers under construction contracts will be subject to the impairment requirements of IFRS 9. IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The ECL model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables and amounts due from customer under construction contracts in terms of IFRS 9. **Disclosure** IFRS 9 will require extensive new disclosure, in particular on credit risk and expected credit losses. At 30 June 2018, the group's preliminary assessment indicates that following the application of the impairment requirements applicable to IFRS 9 would have resulted in an insignificant increase in the loss allowances recognised at that date when compared with the impairment losses, which have been recognised under IAS39.
IFRS 16 Leases	1 January 2019	IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The group will apply IFRS 16 on 1 July 2019. The standard incorporates all existing standards and interpretations relating to leases under one new standard. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Consequently, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and classifies cash repayments of the lease liability into a principal portion and an interest portion. The group evaluated the impact of the change on all operations whose office premises are leased. The impact is expected to be significant although not material.

2. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Aircraft R'000	Plant, vehicles and equipment R'000	Office and computer equipment R'000	Total R'000
Cost					
At 30 June 2017	407 273	54 298	2 729 616	128 087	3 319 274
Additions	6 645	–	297 633	11 689	315 967
Acquisition through business combination (note 30)	34 539	–	186 252	–	220 791
Loss of control of a subsidiary	–	–	(1 289)	(518)	(1 807)
Disposals	(2 794)	–	(302 626)	(14 789)	(320 209)
Exchange rate effects	3 951	–	13 024	974	17 949
At 30 June 2018	449 614	54 298	2 922 610	125 443	3 551 965
Accumulated depreciation					
At 30 June 2017	86 577	4 607	1 494 804	97 937	1 683 925
Depreciation	17 018	247	209 101	13 844	240 210
Loss of control of a subsidiary	–	–	(1 208)	(315)	(1 523)
Disposals	–	–	(248 856)	(14 079)	(262 935)
Exchange rate effects	756	–	8 150	310	9 216
At 30 June 2018	104 351	4 854	1 461 991	97 697	1 668 893
Net book value at 30 June 2018	345 263	49 444	1 460 619	27 746	1 883 072
Cost					
At 30 June 2016	417 351	54 298	2 917 052	134 829	3 523 530
Additions	6 588	–	287 889	14 610	309 087
Acquisition through business combination	6 041	–	67 036	1 159	74 236
Loss of control of a subsidiary	–	–	(92 984)	(2 725)	(95 709)
Disposals	(4 312)	–	(383 755)	(13 359)	(401 426)
Exchange rate effects	(18 395)	–	(65 622)	(6 427)	(90 444)
At 30 June 2017	407 273	54 298	2 729 616	128 087	3 319 274
Accumulated depreciation					
At 30 June 2016	74 475	4 416	1 634 865	99 416	1 813 172
Depreciation	21 261	191	174 092	15 878	211 422
Acquisition through business combination	19	–	39 478	1 144	40 641
Loss of control of a subsidiary	–	–	(42 125)	(1 978)	(44 103)
Disposals	(4 312)	–	(272 206)	(8 883)	(285 401)
Exchange rate effects	(4 866)	–	(39 300)	(7 640)	(51 806)
At 30 June 2017	86 577	4 607	1 494 804	97 937	1 683 925
Net book value at 30 June 2017	320 696	49 691	1 234 812	30 150	1 635 349

	2018	2017
The net book value of land and buildings comprise:		
Land	131 321	131 319
Buildings	213 942	189 377
	345 263	320 696

The depreciation rates applied are set out below:

Aircraft	Variable rates based on flying hours
Land	Nil
Buildings	2% straight-line or over the lease term
Plant and vehicles	Variable rates based on expected production units
Equipment	33,3% straight-line
Office and computer equipment	10% – 33,3% straight-line

Plant, vehicles and equipment with a book value of R198 million (2017: R148 million) are subject to capitalised finance lease agreements (note 9).

3. GOODWILL

		2018 R'000	2017 R'000
Cost		762 143	762 143
Accumulated impairment and exchange rate effects		(231 026)	(238 530)
Carrying amount		531 117	523 613
The carrying amount of goodwill is reconciled as follows:			
Carrying amount at the beginning of year		523 613	572 102
Goodwill derecognised on loss of control of subsidiary		–	(974)
Exchange rate effects		7 504	(47 515)
Carrying amount at the end of year		531 117	523 613
Business segment	Cash generating units		
Roads and earthworks	WBHO Pipelines division	70 545	70 545
Australia	Probuild Constructions (Aust) Pty Ltd	460 572	453 068
		531 117	523 613

Probuild Constructions (Aust) Pty Ltd impairment assessment

The recoverable amount of the Australian cash-generating units was determined based on fair value less cost of disposal. The estimation of the fair value has been determined using an earnings multiple method.

The multiples used are benchmarked against the construction sector in which the cash-generating unit operates and are as follows:

	2018	2017
Probuild Constructions (Aust) Pty Ltd	4,95	4,95

A change in the earnings multiple applied to 4,21 (2017: 2,95) in the estimation of fair value would result in the carrying amount and recoverable amount being equal.

4 EQUITY ACCOUNTED INVESTMENTS

	2018 R'000	2017 R'000
Investment at cost	141 169	339 039
Additional equity contributions	452 755	196 059
Total investment	593 924	535 098
Attributable post-acquisition profits, losses and equity movements	133 055	115 148
Loans advanced	18 080	–
	745 059	650 246
The carrying amount of equity accounted investments is reconciled as follows:		
Carrying amount at the beginning of the year	650 246	347 171
Additions	5 092	202 962
Transferred from investments	–	35 459
Loss of control of subsidiary	–	96 582
Disposals (note 30)	(168 279)	(13 925)
Share of profits	(4 830)	68 916
Share of other comprehensive income	(10 153)	(33 933)
Dividends received	(16 983)	(56 551)
Equity drawdowns	256 697	6 205
Loans advanced	18 080	–
Exchange rate effects	15 189	(2 460)
Carrying amount at the end of the year	745 059	650 246

4. EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

Equity accounted investments include:

	Country of incorporation	Effective interest 2018 %	Effective interest 2017 %	Investments at cost 2018 R'000	Investments at cost 2017 R'000	Equity loans and other loans advanced 2018 R'000	Equity loans and other loans advanced 2017 R'000
Unlisted associates							
Gigajoule International (Pty) Ltd#	South Africa	**26,6**	26,6	**31 835**	31 835	**–**	–
Gigajoule Power (Pty) Ltd#	South Africa	**13,0**	13,0	**7 657**	7 657	**106 704**	106 704
Ilembe Airport Construction Services (Pty) Ltd^	South Africa	**28,3**	28,3	**3**	3	**–**	–
Dipalopalo Concession (RF) (Pty) Ltd*	South Africa	**27,7**	27,7	**–**	–	**61 258**	53 896
Dipalopalo FM Solutions (RF) (Pty) Ltd*	South Africa	**14,6**	–	**–**	–	**–**	–
Edwin Construction (Pty) Ltd^	South Africa	**49,0**	49,0	**96 582**	96 582	**–**	–
iKusasa Rail (SA) (Pty) Ltd^	South Africa	**49,0**	–	**5 092**	–	**10 722**	–
Byrne Group Ltd^	England	**–**	40,0	**–**	202 962	**–**	–
BPG Caulfield Village Pty Ltd†	Australia	**30,0**	30,0	**–**	–	**130 866**	35 459
The Glen Redevelopment Project†	Australia	**20,0**	–	**–**	–	**66 212**	–
Joint ventures							
Insitu Pipelines (Pty) Ltd^	South Africa	**49,0**	–	**–**	–	**(5)**	–
Catchu Trading (Pty) Ltd†	South Africa	**50,0**	–	**–**	–	**95 078**	–
				141 169	339 039	**470 835**	196 059

The loans will not be repaid within the next 12 months in terms of the loan agreements. The secured loan with Gigajoule Power (Pty) Ltd bears interest at 15% per annum, the unsecured loan with Dipalopalo Concession (RF) (Pty) Ltd bears interest at 13% per annum and the unsecured loan with BPG Caulfield Village Pty Ltd bears no interest.

The entities listed above are involved in construction^, power generation#, serviced accomodation and property development†.*

The group has significant influence over Gigajoule Power (Pty) Ltd and Dipalopalo FM Solutions (RF) (Pty) Ltd due to its investments in Gigajoule International (Pty) Ltd and Dipalopalo Concession (RF) (Pty) Ltd respectively.

iKusasa Rail (SA) (Pty) Ltd became an associate from October 2017 and the Byrne Group Ltd ceased being an associate on 30 June 2018.

The summary financial information for material equity accounted investments is as follows:

	Gigajoule International Group R'000	Edwin Construction (Pty) Ltd R'000	BPG Caulfield Village Pty Ltd R'000	Byrne Group Ltd R'000
2018				
Non-current assets	**2 257 145**	**68 980**	**473 752**	**–**
Current assets	**1 726 924**	**308 080**	**11 924**	**–**
Total assets	**3 984 069**	**377 060**	**485 676**	**–**
Shareholders' equity	**913 319**	**182 941**	**467 755**	**–**
Non-controlling interest	**700 307**	**–**	**–**	**–**
Non-current liabilities	**1 663 679**	**25 511**	**–**	**–**
Current liabilities	**706 764**	**168 608**	**17 921**	**–**
Total equity and liabilities	**3 984 069**	**377 060**	**485 676**	**–**
Revenue	**1 717 333**	**482 126**	**–**	**2 393 891**
Net profit/(loss) after tax	**335 836**	**19 665**	**–**	**(117 060)**
Other comprehensive income	**44 713**	**–**	**–**	**–**
Total comprehensive income/(loss) for the year	**380 549**	**19 665**	**–**	**(117 060)**
2017				
Non-current assets	2 301 682	51 606	181 743	216 395
Current assets	1 476 484	321 084	75 441	1 088 046
Total assets	3 778 166	372 690	257 184	1 304 441
Shareholders' equity	938 367	169 752	244 205	366 177
Non-controlling interest	584 135	–	–	–
Non-current liabilities	1 737 550	41 734	–	39 363
Current liabilities	518 114	161 204	12 979	898 901
Total equity and liabilities	3 778 166	372 690	257 184	1 304 441
Revenue	2 371 211	–	–	55 681
Net profit after tax	295 498	–	–	–
Other comprehensive income	(113 309)	–	–	–
Total comprehensive income for the year	182 189	–	–	–

	Gigajoule International Group R'000	Edwin Construction (Pty) Ltd R'000	BPG Caulfield Village Pty Ltd R'000	Byrne Group Ltd R'000	Other R'000	Total R'000
2018						
Comprised of:						
The group's share of profits/(losses) in equity accounted investments	**35 022**	**9 636**	**–**	**(46 824)**	**(2 664)**	**(4 830)**
Dividends received	**6 040**	**10 943**	**–**	**–**	**–**	**16 983**
Investment at cost	**39 492**	**96 582**	**–**	**–**	**5 095**	**141 169**
Equity contributions and loans advanced	**106 704**	**–**	**130 866**	**–**	**233 265**	**470 835**
	146 196	**96 582**	**130 866**	**–**	**238 360**	**612 004**
Post acquisition gains and movements in reserves less dividends received	**125 864**	**(1 307)**	**4 291**	**–**	**4 207**	**133 055**
Carrying amount of the group's interest	**272 060**	**95 275**	**135 157**	**–**	**242 567**	**745 059**
2017						
Comprised of:						
The group's share of profits in equity accounted investments	31 396	–	37 520	–	–	68 916
Dividends received	24 686	–	31 602	–	263	56 551
Investment at cost	39 492	96 582	–	146 471	3	282 548
Consideration paid above carrying amount	–	–	–	56 491	–	56 491
Equity contributions and loans advanced	106 704	–	35 459	–	53 896	196 059
	146 196	96 582	35 459	202 962	53 899	535 098
Post acquisition gains and movements in reserves less dividends received	107 036	–	4 291	–	3 822	115 148
Carrying amount of the group's interest	253 232	96 582	39 750	202 962	57 721	650 246

The aggregate summary financial information for individually immaterial equity accounted investments is as follows:

	2018 R'000	2017 R'000
Net asset value	**34 446**	154 488
Profit for the year	**(2 664)**	–
Distributions received	**–**	263

Fair value measurement of the Byrne Group

On deemed disposal of the associate, the estimation of fair value of the Byrne Group was determined using an earnings multiple method. The multiples used are considered a Level 2 input as they were obtained from other construction companies listed on the London Stock Exchange in the same sector in which the Byrne Group operates. The earnings multiple used was 6.

The financial year end for Gigajoule International and Gigajoule Power is 31 December. The operations of both companies are located in Mozambique.

		2018 R'000	2017 R'000
5.	**LONG-TERM RECEIVABLES**		
	At amortised cost:		
	Mezzanine financing arrangements[1]	**150 000**	281 924
	Other long-term receivables	**64 164**	2 932
	Loans to employees for shares[2]	**146 997**	199 998
	Consideration receivable[3]	**62 225**	68 555
		423 386	553 409
	less: Current portion (note 8)	**(50 250)**	(106 485)
		373 136	446 924

1. *The mezzanine financing arrangement is secured by listed company shares and bears interest at prime. Repayments are at terms agreed with the entity.*
2. *Loans to employees for shares are secured by the shares issued, bear interest at variable rates and are repayable between five and ten years (note 26).*
3. *An amount of R40 million remains in escrow pending the lapsing of the warranty period of the sale of 3Q Mahuma Concrete that was concluded in the prior year. The remaining amount of R22 million relates to consideration receivable in respect of the loss of control of Edwin Construction.*

The fair value of long-term receivables is disclosed in note 24.

		2018 R'000	2017 R'000
6.	**INVENTORIES**		
	Raw materials	**130 750**	140 981
	Consumable stores and finished goods	**105 342**	89 287
	Properties for development	**48 451**	28 590
		284 543	258 858
7.	**CONTRACTS IN PROGRESS**		
	Costs incurred to date	**97 421 112**	91 827 370
	Plus: Profit recognised to date	**7 819 342**	5 704 774
		105 240 454	97 532 144
	Less: Work certified to date	**(105 761 322)**	(98 592 771)
	Net amounts due to customers	**(520 868)**	(1 060 627)
	Income received in advance (note 12)	**244 502**	145 467
	Excess billings over work done	**2 093 158**	1 673 161
	Amounts due by customers	**1 816 792**	758 001
8.	**TRADE AND OTHER RECEIVABLES**		
	Contract receivables	**4 848 121**	4 716 666
	Allowances for credit losses	**(205 176)**	(212 484)
	Contract retentions	**487 522**	252 635
	Sundry receivables	**375 202**	311 849
	Receivables due by joint operators	**149 778**	52 345
	Current portion of long-term receivables (note 5)	**50 250**	106 485
	Prepayments	**262 988**	227 922
	Value-added tax	**245 192**	179 582
		6 213 877	5 635 000
9.	**LONG-TERM LIABILITIES**		
	At amortised cost:		
	Secured		
	Capitalised finance leases *(market-related interest rates linked to prime)*	**136 398**	120 261
	Bank loans *(effective interest rate between 3% and 5%)*	**40 709**	–
	Other long-term borrowings	**19 869**	17 778
	Unsecured		
	Settlement agreement liability	**127 252**	136 321
		324 228	274 360
	less: Current portion (note 12)	**(154 510)**	(81 723)
		169 718	192 637

Capitalised finance leases

Capitalised finance leases are for periods up to 48 months and are secured by certain plant, vehicles and equipment disclosed in note 2.

Bank loans

The bank loans are secured by mortgage debentures over the assets of Byrne Group Ltd, composite guarantees and first legal charges over freehold land and buildings owned by Byrne Group Ltd. Interest is charged and payable quarterly in arrears at rates of 3% to 5% above the London Inter Offered Rate (LIBOR).

Settlement agreement liability

In the prior year, the group signed a settlement agreement with the Government of South Africa in terms of which annual amounts of R22 million are payable to the Tirisono Trust over a period of 12 years. A discount rate of 8,5% was used in determining the present value.

The contractual maturity of long-term liabilities is disclosed in note 24.

		2018 R'000	2017 R'000
10.	**DEFERRED TAXATION**		
	Deferred taxation assets		
	The balance of the deferred taxation asset can be reconciled as follows:		
	At the beginning of year	**631 799**	558 840
	Recognised in profit or loss (note 17)	**4 679**	75 458
	Loss of control of subsidiary	**(5 669)**	(4 663)
	Acquisition through business combination (note 30)	**35 111**	4 046
	Transfer to deferred taxation liability	**–**	5 577
	Exchange rate effects	**1 859**	(7 459)
	At the end of the year	**667 779**	631 799
	Comprising of:		
	Construction allowances	**(59 057)**	183 538
	Capital allowances	**(157 909)**	(187 294)
	Provisions	**600 999**	514 657
	Assessed losses (note 17)	**276 213**	114 874
	Other	**7 533**	6 024
		667 779	631 799
	Deferred taxation liabilities		
	The balance of the deferred taxation liability can be reconciled as follows:		
	At the beginning of year	**(57 211)**	(24 253)
	Disposal of businesses	**–**	8 069
	Recognised in profit or loss (note 17)	**29 410**	(45 131)
	Transfer from deferred taxation asset	**–**	(5 577)
	Exchange rate effects	**274**	9 681
	At the end of the year	**(27 527)**	(57 211)
	Comprising:		
	Construction allowances	**(8 064)**	(41 144)
	Capital allowances	**(24 122)**	(21 847)
	Provisions	**15 194**	5 022
	Other	**(10 535)**	758
		(27 527)	(57 211)

Deferred tax assets have been recognised in respect of tax losses and other temporary differences where, having reviewed the financial projections of the group, the directors are of the opinion that it is probable that these assets will be recovered.

Deferred tax assets have not been recognised in respect of companies in the group with tax losses amounting to R112 million (2017: R161 million).

11. NON-CONTROLLING INTERESTS

		2018 R'000	2017 R'000
Carrying amount of non-controlling interest (NCI)			
Subsidiary	Principle place of business		
Probuild Constructions (Aust.) Pty Ltd	Australia	**81 955**	102 158
WBHO Infrastructure (Pty) Ltd	Australia	**43 906**	14 741
Byrne Group Ltd	England	**55 368**	–
Individually immaterial subsidiaries		**26 288**	22 996
		207 517	139 895

The information below summarises the information relating to each of the subsidiaries of the group in which there is a material NCI.

The subsidiaries in which the group has direct and indirect interests are set out in annexure 1.

2018	**Probuild Constructions (Aust.) Pty Ltd**	**WBHO Infrastructure Pty Ltd**	**Byrne Group Ltd**
% ownership interest held by NCI	**15,0%**	**9,9%**	**20,0%**
	R'000	**R'000**	**R'000**
Summarised statement of financial position			
Non-current assets	**1 013 364**	**648 887**	**250 847**
Current assets	**5 136 939**	**1 712 784**	**818 964**
Total assets	**6 150 303**	**2 361 671**	**1 069 811**
Non-current liabilities	**(172 471)**	**(353 770)**	**(13 488)**
Current liabilities	**(4 949 942)**	**(1 593 847)**	**(779 485)**
Total liabilities	**(5 122 413)**	**(1 947 617)**	**(792 973)**
Summarised statement of financial performance and other comprehensive income			
Revenue	**18 309 311**	**3 632 127**	**–**
Profit for the year	**170 896**	**71 317**	**–**
Total comprehensive income	**170 896**	**71 317**	**–**
NCI share of profit for the year	**25 122**	**7 060**	**–**
Dividends paid to NCI	**10 187**	**–**	**–**
Summarised statement of cash flows			
Cash flows from operating activities	**653 201**	**33 479**	**–**
Cash flows from financing activities	**(169 161)**	**(14 983)**	**–**
Cash flows from investing activities	**(128 435)**	**25 915**	**–**
Net increase in cash and cash equivalents	**355 605**	**44 411**	**–**

No information in respect of the financial performance and other comprehensive income is disclosed for the Byrne Group Ltd as the company was consolidated with effect from 30 June 2018.

2017	Probuild Constructions (Aust.) Pty Ltd	WBHO Infrastructure Pty Ltd
% ownership interest held by NCI	19,26%	4,8%
	R'000	R'000
Summarised statement of financial position		
Non-current assets	642 463	362 507
Current assets	4 899 840	480 146
Total assets	5 542 303	842 653
Non-current liabilities	(280 389)	(50 145)
Current liabilities	(4 311 131)	(482 192)
Total liabilities	(4 591 520)	(532 337)
Summarised statement of financial performance and other comprehensive income		
Revenue	16 589 392	2 010 586
Profit for the year	213 342	27 394
Total comprehensive income	213 342	27 394
NCI share of profit for the year	29 198	968
Dividends paid to NCI	6 611	–
Summarised statement of cash flows		
Cash flows from operating activities	510 246	106 767
Cash flows from financing activities	23 700	(14 907)
Cash flows from investing activities	16 065	(20 380)
Net increase in cash and cash equivalents	550 011	71 480

12. TRADE AND OTHER PAYABLES

	2018 R'000	2017 R'000
Trade payables	**819 388**	654 371
Subcontractor creditors	**2 110 122**	1 997 373
Subcontractor retentions	**797 861**	738 439
Contract and other accruals	**2 900 840**	2 440 239
Payroll accruals	**496 744**	367 886
Consideration payable	**–**	62 259
Short-term portion of long-term liabilities (note 9)	**154 510**	81 723
Income received in advance (note 7)	**244 502**	145 467
Sundry creditors	**738 800**	259 368
Value-added tax	**275 711**	184 812
	8 538 478	6 931 937

13. PROVISIONS

	Contracting provision	Bonus provision	Other provisions	Total
Balance at 30 June 2016	1 587 123	442 211	30 311	2 059 645
Recognised	899 786	388 516	10 081	1 298 383
Utilised	(876 565)	(412 748)	(3 229)	(1 292 542)
Unutilised amounts reversed	(49 953)	(7 785)	(923)	(58 661)
Loss of control of subsidiary	(51 538)	(6 732)	(109)	(58 379)
Exchange rate effects	(27 398)	(7 882)	96	(35 184)
Balance at 30 June 2017	**1 481 455**	**395 580**	**36 227**	**1 913 262**
Recognised	**1 149 038**	**389 481**	**2 904**	**1 541 423**
Utilised	**(1 198 835)**	**(432 019)**	**(1 221)**	**(1 632 075)**
Unutilised amounts reversed	**(67 609)**	**(4 129)**	**–**	**(71 738)**
Loss of control of subsidiary	**54**	**9 060**	**1 788**	**10 902**
Exchange rate effects	**10 203**	**67**	**(7 076)**	**3 194**
Balance at 30 June 2018	**1 374 306**	**358 040**	**32 622**	**1 764 968**

Contracting provisions

Contracting provisions represents estimated amounts relating to obligations to third parties at the reporting date including provisions for estimated claims arising on contracts. The provisions will be utilised as and when the claims are finalised and settled within a period of twelve months.

Bonus provision

The bonus provision arises from a constructive obligation to staff members, where an annual bonus based on the performance of the group is calculated. The actual bonus is approved by the board of directors. The bonuses are finalised and settled within a period of twelve months.

	2018 R'000	2017 R'000
14. REVENUE		
Construction revenue	**34 392 755**	31 229 123
Sale of goods and properties	**635 720**	677 537
	35 028 475	31 906 660
15. OPERATING PROFIT		
Operating profit is arrived at after taking into account the following:		
Auditors' remuneration	**11 515**	15 528
Depreciation	**240 210**	211 422
Operating lease rentals	**48 152**	76 040
Profit on disposal of property, plant and equipment	**18 996**	14 345
Credit losses		
Written off	**9 975**	1 192
Recovered	**(95 820)**	(58 167)
Allowances recognised	**78 537**	98 430
	(7 308)	41 455
Net foreign exchange gains/(losses)		
Realised	**(28 890)**	(27 428)
Unrealised	**156 882**	21 875
	127 992	(5 553)
Employee benefits		
Salaries and wages	**4 077 240**	3 777 954
Defined benefit fund contributions	**147 049**	137 539
Other contributions	**434 784**	407 489
	4 659 073	4 322 982

	2018 R'000	2017 R'000
16. NET FINANCE INCOME		
Finance income		
Bank accounts	**142 054**	204 138
Unlisted investments	**9 454**	7 253
Other	**40 586**	45 849
	192 094	257 240
Finance costs		
Bank overdrafts	**661**	18
Instalment sale agreements	**7 145**	4 555
Other	**15 821**	11 773
	23 627	16 346
Net finance income	**168 467**	240 894
17. INCOME TAX EXPENSE		
South African normal tax		
Current tax		
Current year	**205 306**	156 841
Prior year over provision	**(10 221)**	(1 363)
Deferred taxation (note 10)		
Current year	**(18 209)**	(50 287)
Prior year under provision	**613**	615
	177 489	105 806
Foreign tax (including withholding tax)		
Current tax		
Current year	**187 028**	188 708
Prior year under provision	**3 029**	5 302
Deferred taxation (note 10)		
Current year	**(11 258)**	32 310
Prior year over provision	**(5 235)**	(12 965)
	173 564	213 355
Income tax expense	**351 053**	319 161
Reconciliation of tax rate:	**%**	%
South African normal tax rate	**28,0**	28,0
Adjusted for:		
Capital and non-taxable items	**(4,9)**	(4,2)
Non-deductible expenses	**4,0**	3,6
Foreign tax rate differential	**2,3**	2,5
Assessed losses utilised	**(0,4)**	(0,1)
Prior year over provision	**(1,2)**	(0,8)
Foreign withholding taxes	**1,5**	0,3
Deferred tax assets not recognised in respect of losses	**0,1**	0,0
Effective tax rate	**29,4**	29,3
Estimated tax losses available for utilisation against future taxable income	**976 250**	494 814
Potential tax relief at current tax rates (note 10)	**276 213**	138 548

R72,5 million of unutilised tax losses has a regulatory expiry period of ten years.

		2018 R'000	2017 R'000
18.	**DIVIDEND PAID**		
	Final dividend in respect of the year ended 30 June 2017: 325 cents (30 June 2016: 313 cents)	189 070	188 210
	Interim dividend in respect of the period ended 31 December 2017: 150 cents (31 December 2016: 150 cents)	86 083	89 200
		275 153	277 410
19.	**EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE**		
	Earnings for the year attributable to equity shareholders		
	Continuing operations	815 872	722 133
	Discontinued operations	–	(69)
		815 872	722 064
	Weighted average number of shares ('000)		
	Shares in issue at the beginning of the year	53 166	54 861
	Shares vested	4	44
	Options vested	5	–
	Treasury shares acquired	–	(1 242)
	Weighted average treasury shares in issue at the end of the year	53 175	53 663
	Dilutive effect of share options allocated	17	17
	Diluted weighted average number of shares	53 192	53 680
	Basic earnings per share (cents)		
	Continuing operations	1 534,3	1 345,7
	Discontinued operations	–	(0,1)
		1 534,3	1 345,6
	Diluted earnings per share (cents)		
	Continuing operations	1 533,8	1 345,3
	Discontinued operations	–	(0,1)
		1 533,8	1 345,1
	Attributable earnings from continuing operations	815 872	722 133
	Adjusted for:		
	Gain on loss of control of subsidiary	(5 092)	(9 607)
	Loss on deemed disposal of equity accounted investment	57 544	–
	Gain on bargain purchase of subsidiary	(101 675)	–
	Profit from the disposal of property, plant and equipment	(18 996)	(14 345)
	Non-controlling interests in above transactions	645	401
	Tax effect of above transactions	5 339	3 813
	Equity accounted investments		
	Profit from the disposal of property, plant and equipment	(3 223)	–
	Impairment of investments	1 097	–
	Tax effect of above transactions	683	–
		752 194	702 395

		2018 R'000	2017 R'000
	Attributable earnings from total operations	815 872	722 064
	Adjusted for:		
	Gain on loss of control of subsidiary	(5 092)	(9 607)
	Loss on deemed disposal of equity accounted investment	57 544	–
	Gain on bargain purchase of subsidiary	(101 675)	–
	Profit from the disposal of property, plant and equipment	(18 996)	(15 545)
	Non-controlling interests in above transactions	645	934
	Tax effect of above transactions	5 339	4 000
	Equity accounted investments		
	Profit from the disposal of property, plant and equipment	(3 223)	–
	Impairment of investments	1 097	–
	Tax effect of above transactions	683	–
		752 194	701 846
	Basic headline earning per share (cents)		
	Continuing operations	1 414,6	1 308,9
	Discontinued operations	–	(1,0)
		1 414,6	1 307,9
	Diluted headline earnings per share (cents)		
	Continuing operations	1 414,1	1 308,5
	Discontinued operations	–	(1,0)
		1 414,1	1 307,5
20.	**GUARANTEES AND CONTINGENT LIABILITIES**		
	Guarantees issued in respect of due performance of contracts by:		
	Subsidiaries	8 866 329	9 568 692
	Associates and joint arrangements	1 800 762	986 719
	Third parties	3 889	20 936
		10 670 980	10 576 347
	It is the opinion of the directors that the possibility of any loss is improbable and it is not anticipated that any material liabilities will arise.		
	Contingent liabilities Civil damages to the value of R143 million have been claimed from the City of Cape Town related to the investigation by the Competition Commission. The matter is in the early stages of litigation where the outcome cannot be reliably measured. Two further cases have been referred to the Competition Tribunal and may result in future civil claims.		
21.	**CAPITAL COMMITMENTS**		
	Capital commitments include expenditure relating to property, plant and equipment for which specific board approval has been obtained.		
	Authorised and contracted for	58 034	35 119
	Authorised but not yet contracted for	200 485	284 295
		258 519	319 414

Expenditure on estimated commitments will occur within one year. Capital commitments will be funded from internal cash resources and existing facilities.

	2018 R'000	2017 R'000
22. COMMITMENTS UNDER OPERATING LEASES		
The minimum lease rentals to be paid under non-cancellable leases at the reporting date are as follows:		
Buildings, plant and equipment:		
Due within 1 year	**75 131**	39 441
Due later than 1 year but less than 5 years	**231 435**	80 299
Greater than 5 years	**149 315**	390
	455 881	120 130

The majority of the operating lease commitments relate to premises in the United Kingdom and Australia. The lease term for the Byrne Group Ltd in the United Kingdom expires on 31 July 2027. The lease term for the Melbourne premises of Probuild Constructions (Aust.) Pty Ltd expires on 31 March 2019. The lease term for the Perth premises of WBHO Infrastructure Pty Ltd expires on 31 December 2020.

23. RELATED PARTY TRANSACTIONS

23.1 Identification of related parties

The group has a related party relationship with its subsidiaries (annexure 1), equity accounted investments (note 4), joint operations (annexure 2) and directors and prescribed officers.

23.2 Related party transactions and balances

During the year, group companies, in the ordinary course of business, entered into various inter-group sales and purchase transactions. These transactions are no less favourable than those arranged with third parties. Transactions and balances between the group companies have, where appropriate, been eliminated on consolidation and are not disclosed.

Details of transactions and balances with other related parties are set out below:

	2018 R'000	2017 R'000
Amounts owing by related parties		
Amounts owing by equity accounted investments are disclosed in note 4	**470 836**	196 059
Amounts owing by related parties are disclosed in note 5	**22 225**	28 555
Amounts owing by joint operators are disclosed in note 8	**149 778**	52 345
Amounts owing to related parties		
Amounts owing to joint operators	**12 040**	3 403
The amounts owing to/by joint operators are unsecured, interest-free and have no fixed terms of repayment.		
Transactions with related parties		
Contracts with equity accounted investments	**108 185**	15 990
Dividends received from equity accounted investments	**16 983**	56 551

23.3 Directors' emoluments

	Directors' fees R'000	Salaries R'000	Incentive bonuses R'000	Retirement and medical R'000	Other benefits R'000	Total emoluments R'000
2018						
Executive						
MS Wylie	**–**	**1 175**	**5 522**	**501**	**281**	**7 479**
EL Nel	**–**	**1 984**	**7 382**	**589**	**408**	**10 363**
CV Henwood	**–**	**1 874**	**7 028**	**559**	**440**	**9 901**
	–	**5 033**	**19 932**	**1 649**	**1 129**	**27 743**
Non-executive						
SN Maziya	**552**	**–**	**–**	**–**	**–**	**552**
AJ Bester*	**415**	**–**	**–**	**–**	**–**	**415**
NA Matyumza#	**441**	**–**	**–**	**–**	**–**	**441**
JM Ngobeni~	**69**	**–**	**–**	**–**	**–**	**69**
RW Gardiner	**814**	**–**	**–**	**–**	**–**	**814**
KM Forbay*	**379**	**–**	**–**	**–**	**–**	**379**
H Ntene*	**364**	**–**	**–**	**–**	**–**	**364**
	3 034	**–**	**–**	**–**	**–**	**3 034**
Total	**3 034**	**5 033**	**19 932**	**1 649**	**1 129**	**30 777**

** appointed 1 November 2017*
 # resigned 24 November 2017
~ resigned 22 November 2017

	Directors' fees R'000	Salaries R'000	Incentive bonuses R'000	Retirement and medical R'000	Other benefits R'000	Total emoluments R'000
2017						
Executive						
MS Wylie	–	1 318	5 479	485	277	7 559
EL Nel	–	1 855	7 470	550	291	10 166
CV Henwood	–	1 747	7 348	522	434	10 051
	–	4 920	20 297	1 557	1 002	27 776
Non-executive						
SN Maziya	488	–	–	–	–	488
NS Mjoli-Mncube	286	–	–	–	–	286
NA Matyumza	744	–	–	–	–	744
JM Ngobeni	391	–	–	–	–	391
RW Gardiner	557	–	–	–	–	557
N Damasane	430	–	–	–	–	430
	2 896	–	–	–	–	2 896
Total	2 896	4 920	20 297	1 557	1 002	30 672

23.4 Directors' shareholding

The interests of directors and those of their families in the share capital of the company are as follows:

	2018			2017		
Number of ordinary shares ('000)	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total
MS Wylie#	–	**276**	**276**	–	317	317
EL Nel	**291**	**1**	**292**	261	–	261
CV Henwood	**66**	–	**66**	36	–	36
NS Maziya^	–	**237**	**237**	–	233	233
NS Mjoli-Mncube^	–	–	–	132	233	365
JM Ngobeni^	–	–	–	132	233	365
	357	**514**	**871**	561	1 016	1 577

 # The indirect shares are held by family trusts in which the director has no beneficial interest.
^ Indirect shares disclosed in the above table represent allocated shares in respect of the empowerment initiative of the group and do not represent the number of shares likely to vest upon fulfilment of the vesting conditions. The number of WBHO shares that will ultimately vest is dependent on the market value of the shares on the vesting date, based on a pre-determined threshold. Using the share price at 30 June 2018, the director would receive no shares in terms of the formula.

23. RELATED PARTY TRANSACTIONS (CONTINUED)

Long-term incentive scheme ('000)	2018 Share appreciation rights	2018 Performance shares	2018 Total	2017 Share appreciation rights	2017 Performance shares	2017 Total
EL Nel	58	66	124	38	66	104
CV Henwood	53	60	113	35	60	95
	111	126	237	73	126	199

	Salaries R'000	Incentive bonuses R'000	Retirement and medical R'000	Other benefits R'000	Total emoluments R'000
23.5 Prescribed officers					
2018					
PJ Foley	5 626	7 000	1 604	137	14 367
TR Armstrong*	1 057	–	355	294	1 706
SN Gumede	1 527	2 200	319	227	4 273
S Vally-Kara	1 123	900	276	189	2 488
RM Smith	1 713	6 700	508	401	9 322
EA Mashishi	1 480	3 500	466	255	5 701
	12 526	20 300	3 528	1 503	37 857
2017					
PJ Foley	1 747	7 000	521	326	9 594
TR Armstrong	1 414	4 750	428	250	6 842
S Vally-Kara	1 051	900	245	144	2 340
RM Smith	1 599	6 500	474	322	8 895
EA Mashishi	1 378	4 500	433	264	6 575
	7 189	23 650	2 101	1 306	34 246

** TR Armstrong retired in the current year.*

23.6 Prescribed officers' shareholding

The interests of prescribed officers and those of their families in the share capital of the company are as follows:

Number of ordinary shares ('000)	2018 Direct	2018 Indirect	2018 Total	2017 Direct	2017 Indirect	2017 Total
PJ Foley	76	–	76	78	–	78
TR Armstrong	–	–	–	14	415	429
S Vally-Kara	8	–	8	–	–	–
RM Smith	47	–	47	18	–	18
EA Mashishi^	–	118	118	–	116	116
	131	118	249	110	531	641

^ Indirect shares disclosed in the above table represent allocated shares in respect of the empowerment initiative of the group and do not represent the number of shares likely to vest upon fulfilment of the vesting conditions. The number of WBHO shares that will ultimately vest is dependent on the market value of the shares on the vesting date, based on a pre-determined threshold. Using the share price at 30 June 2018, the prescribed officer would not receive any of the 100 000 allocated shares in terms of the formula. He would however, receive 17 935 shares purchased with the dividends received to date net of tax.

RM Smith and EA Mashishi have 0% (2017: 1,8%) and 33% (2017: 33%) interest in Edwin Construction (Pty) Ltd respectively.

Long-term incentive scheme ('000)	2018 Share appreciation rights	2018 Performance shares	2018 Total	2017 Share appreciation rights	2017 Performance shares	2017 Total
PJ Foley	53	60	113	35	60	95
S Vally-Kara	14	16	30	9	16	25
RM Smith	53	60	113	35	60	95
EA Mashishi	33	37	70	21	36	57
	153	173	326	100	172	272

The long-term incentives are part of the WBHO Share Plan, details of which are disclosed in note 26.

There were no other transactions with directors or prescribed officers or entities in which directors or prescribed officers have a material interest. There have been no changes to directors' shareholdings between the reporting date and the date of this report.

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Overview

The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group.

The group has exposure to the following risks through its use of financial instruments:
- credit risk
- market risk
- liquidity risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk and the group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors have overall responsibility for the establishment and oversight of the group's risk management framework and set group policies and guidelines.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The treasury function monitors and controls these risks on a day-to-day basis. The risk committee meets on a regular basis to review the group's management and implementation of risk strategies. The group's internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the group audit committee.

The group's strategy with regards to the management of these risks remains the same as in prior periods and there have been no changes to the risk profile of the group.

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

R'000	Total carrying amount	Financial liabilities held at amortised cost	Loans and receivables at amortised cost
Financial instruments by category			
2018			
Loans advanced to equity accounted investments	**18 080**	**–**	**18 080**
Long-term receivables	**373 136**	**–**	**373 136**
Amounts due by customers	**1 816 792**	**–**	**1 816 792**
Trade and other receivables	**5 705 697**	**–**	**5 705 697**
Long-term liabilities	**(169 718)**	**(169 718)**	**–**
Excess billings over work done	**(2 093 158)**	**(2 093 158)**	**–**
Trade and other payables	**(8 018 265)**	**(8 018 265)**	**–**
Cash and cash equivalents	**5 992 461**	**–**	**5 992 461**
	3 625 025	**(10 281 141)**	**13 906 166**
2017			
Loans advanced to equity accounted investments	196 059	–	196 059
Long-term receivables	446 924	–	446 924
Amounts due by customers	758 001	–	758 001
Trade and other receivables	5 227 496	–	5 227 496
Long-term liabilities	(192 637)	(192 637)	–
Excess billings over work done	(1 673 161)	(1 673 161)	–
Trade and other payables	(6 601 658)	(6 601 658)	–
Cash and cash equivalents	5 545 583	–	5 545 583
	3 706 607	(8 467 456)	12 174 063

24.1 Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the group's long-term receivables, trade and other receivables and cash and cash equivalents maintained with financial institutions.

Long-term receivables

The group is exposed to credit risk through loans advanced to certain entities and employees. The group mitigates these risks firstly through the careful selection of entities to whom advances are made by the risk management committee and secondly by obtaining sufficient security in order to be able to extinguish the debt in the event of default. Where loans are unsecured the group owns an equity interest in the entity and is able to influence the decision making of such entities. Loans to employees are predominantly for shares sold in terms of the share schemes and the shares themselves are held as security for the loans advanced.

Trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

Construction contracts

Where the group is exposed to credit risk through construction contracts, in most instances, the group either negotiates or tenders for the contracts to which it became a party. As a result the group is able to evaluate prospective clients prior to the commencement of any project. Additionally, for all contracts other than those concluded with government departments, the group insists on receipt of a payment guarantee equal to the value of the contract sum. Any relaxation of this policy must be approved by the risk management committee. Where no guarantee has been obtained the group holds a lien over the work-in-progress.

Allowances for credit losses

The group establishes an allowance for credit losses that represents its estimate of anticipated losses in respect of trade and other receivables. The main component of this allowance relates to individually significant exposures where the nature of customers, overdue accounts and collateral held are taken into account.

Cash and cash equivalents

The group limits its exposure to credit risk by only investing in liquid securities and only with reputable financial institutions and funds. Cash and cash equivalents are held with financial institutions and funds which are rated between AA and BBB- based on Fitch ratings.

The group's exposure to credit risk together with an analysis of amounts past due is disclosed below.

Payment past due analysis and allowance for credit losses:

R'000	Carrying amount	Not past due	Payment past due 1-30 days	Payment past due 31-120 days	Payment past due > 120 days	All payments past due >120 days: Provision for impairment
2018						
Trade and other receivables	**5 705 697**	**5 416 334**	**127 406**	**81 923**	**285 210**	**(205 176)**
2017						
Trade and other receivables	5 227 496	4 848 124	208 094	116 056	267 706	(212 484)

All other financial assets are not past due.

Reconciliation of allowance for credit losses:

	2018 R'000	2017 R'000
Trade and other receivables		
Balance at beginning of the year	**212 484**	171 029
Credit losses (reversed)/recognised	**(17 283)**	40 263
Amounts written off	**9 975**	1 192
Balance at the end of the year	**205 176**	212 484

Amounts outstanding for greater than 30 days, which have not been impaired, are considered fully collectable based on historic payment behaviour and extensive analysis of the individual circumstances in respect of each amount.

The allowance for credit losses is used to recognise the anticipated impairment losses within the group. When management is satisfied that no recovery of the amount is possible, the amount considered irrecoverable is written off directly to profit or loss.

24.2 Market risk (Currency risk)

Transactions in a foreign currency settled in that foreign currency

Transactions with certain of the group's operations occur in various foreign currencies and consequently are exposed to exchange rate fluctuations that have an impact on cash flows and financing activities. These transactions are entered into in the respective functional currencies of the individual operations and the group mitigates this risk by settling the transactions with cash balances maintained in the various currencies utilised.

Transactions in a foreign currency settled in South African Rands

Some operations are exposed to foreign currency risk in connection with contracted payments in currencies not in their individual functional currencies. The group manages this risk through the selective use of forward exchange contracts and cross currency swaps. Forward exchange contracts are used primarily to reduce foreign currency exposure relating to imports into South Africa. Where funds are repatriated back to South Africa, forward exchange contracts are used to mitigate the risk of foreign currency fluctuations.

The groups' exposure to significant foreign denominated monetary assets and liabilities is as follows:

	2018				2017		
'000	**US Dollar**	**Australian Dollar**	**Botswana Pula**	**UK Pound Sterling**	US Dollar	Australian Dollar	Botswana Pula
Trade and other receivables	**7 788**	**239 992**	**74 156**	**33 233**	24 086	259 805	31 438
Cash and cash equivalents	**58 406**	**271 838**	**223 395**	**44 429**	61 223	230 157	228 365
Trade and other payables	**(17 418)**	**(517 001)**	**(116 883)**	**(33 979)**	(13 496)	(437 076)	(97 057)
	48 776	**(5 171)**	**180 668**	**43 683**	71 813	52 886	162 746
Closing rate	**13,72**	**10,16**	**1,32**	**18,12**	13,00	9,99	1,27
Average rate	**12,83**	**9,95**	**1,28**	**17,26**	13,64	10,28	1,28

Total cash and cash equivalents held by foreign subsidiaries is R4,7 billion (2017: R3,4 billion).

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

24.2 Market risk (Currency risk) (continued)

Sensitivity analysis

A 10% strengthening of the Rand against the following currencies at 30 June would affect, profit or loss in respect of the translation of the balances of the following monetary items by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and is applied against the gross statement of financial position exposure and forward exchange contracts at reporting date.

	2018				2017		
'000	US Dollar	Australian Dollar	Botswana Pula	UK Pound Sterling	US Dollar	Australian Dollar	Botswana Pula
Trade and other receivables	779	23 999	7 416	3 323	2 409	25 981	3 144
Cash and cash equivalents	5 841	27 184	22 340	4 443	6 122	23 016	22 836
Trade and other payables	(1 742)	(51 700)	(11 688)	(3 398)	(1 350)	(43 708)	(9 706)
Total	4 878	(517)	18 068	4 368	7 181	5 289	16 274

A 10% weakening of the Rand against the above currencies at 30 June would have had the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

24.3 Market risk (Interest rate risk)

The group has adopted a policy where exposure to interest rate risk is on a floating rate basis linked to market rates on interest-bearing bank deposits, borrowings and loans advanced.

At the reporting date the interest rate profile of the group's financial instruments was:

		Interest bearing		
R'000	Carrying amount	Variable rate	Fixed rate	Interest free
2018				
Loans to equity accounted investments	18 080	–	7 363	10 717
Long-term receivables	373 136	320 447	32 761	19 928
Trade and other receivables	5 705 697	42 089	–	5 663 608
Long-term liabilities	(169 718)	(169 718)	–	–
Trade and other payables	(8 018 265)	(134 640)	–	(7 883 625)
Cash and cash equivalents	5 992 461	5 992 461	–	–
	3 901 391	6 050 639	40 124	(2 139 384)
2017				
Loans to equity accounted investments	196 059	–	160 600	35 459
Long-term receivables	446 626	382 029	–	64 597
Trade and other receivables	5 227 496	17 866	263	5 209 367
Long-term liabilities	(192 637)	(47 498)	–	(145 139)
Trade and other payables	(6 601 658)	(72 762)	–	(6 528 896)
Cash and cash equivalents	5 545 583	5 545 583	–	–
	4 621 469	5 825 218	160 863	(1 364 612)

Sensitivity analysis

An increase of 75 basis points in interest rates at the reporting date would have increased or decreased profit for the following year by the amounts shown below. This analysis assumes that all other variables remain constant and is based on closing balances compounded monthly.

	2018 R'000	2017 R'000
Long-term receivables	2 403	2 865
Trade and other receivables	316	134
Cash and cash equivalents	44 943	41 592
Long-term liabilities	(1 273)	(356)
Trade and other payables	(1 010)	(546)
	45 379	43 689

A 75 basis points decrease in interest rates at 30 June would have had the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

24.4 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Cash flow forecasting within the group typically ensures that it has sufficient cash available, as well as lines of credit, to meet expected operational expenses including the servicing of financial obligations. The potential impacts of extreme circumstances that cannot reasonably be predicted such as major catastrophes like property damage, business interruption, public liability and political riot are covered by local and group short-term insurance.

The following are the remaining contractual maturities of the group's financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments:

R'000	< 1 years	2 – 5 years	> 5 years
Liabilities measured at amortised cost			
2018			
Finance leases	86 171	50 227	–
Settlement agreement liability	21 250	85 000	85 000
Bank loans	27 220	13 489	–
Other financial liabilities	19 869	–	–
	154 510	148 716	85 000
2017			
Finance leases	72 762	49 483	–
Settlement agreement liability	21 250	85 000	106 250
Other financial liabilities	–	17 778	–
	94 012	152 261	106 250

The present value of these instruments is R297 million (2017: R274 million).

All other non-derivative liabilities measured at amortised cost are to be settled within 12 months.

The group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets, as well as from current cash reserves (note 28.3) currently held at the various financial institutions.

The group does not at this point require or have any other structured financing facilities in place, apart from asset specific finance agreements (note 9).

25. CAPITAL MANAGEMENT

To provide returns for shareholders and benefits for other stakeholders and to maintain optimal structure to reduce the cost of capital, the group policy maintains an adequate capital base.

Capital comprises shareholders' equity, including capital and reserves. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The level of dividends paid by the group is determined with reference to the liquidity and solvency of the group as well as consideration of budgets and forecasts.

The group follows a conservative approach to its statement of financial position assuming low levels of debt and maintaining substantial cash balances. Given the cyclical and often unpredictable nature of the construction environment, we believe this approach to be appropriate in providing flexibility to the group during difficult times and in protecting shareholder value.

	2018	2017
Debt/equity ratio (%)	2,9	2,0

This measure has been revised and recalculated to be total capitalised interest-bearing liabilities as a percentage of average shareholders' interest.

26. EMPLOYEE BENEFITS

26.1 Equity compensation benefits

The WBHO Share Plan

Performance Shares (PS)

Performance shares will be awarded annually to participants for no consideration. Vesting will commence on the 3rd anniversary of the award to the extent that the company has met the specified performance criteria. Being a full value share element without a strike price, the number of shares that vest will depend on the performance of the group over the three year vesting period.

Share Appreciation Rights (SAR)

Annual allocations determined by the Remuneration Committee are made to participants based on the fair market value of the shares on the allocation date. Rights will be available for settlement subject to the achievement of the performance criteria on the vesting date i.e. in equal thirds on the 3rd, 4th and 5th anniversaries, but need not be exercised until the 7th anniversary. On settlement, the value accruing to the participants will be the full appreciation of the share price over the vesting period.

The performance target threshold is the average growth in adjusted headline earnings per share (HEPS) compared to the average CPI plus 3%. The average calculation is be determined annually in three-year cycles.

At 30 June, the criteria had not been met as the threshold had not been achieved.

Performance criteria	Weight	Threshold	Target vesting	Stretch
Return on capital employed (ROCE)	50%	14%	16%	20%
Adjusted ROCE (Offer 2016)	50%	14%	19%	23%
Relative total shareholder return (TSR)	50%	7th position	5th position	2nd position

Actual performance against the criteria at 30 June 2018:

	Offer 2014 Performance shares	Offer 2015 Performance shares	Offer 2016 Performance shares	Offer 2017 Performance shares
Return on capital employed	21,0%	22,6%	22,3%	19,8%
Relative total shareholder return	2nd	1st	5th	5th

In March 2018, the 128 000 performance shares awarded in relation to Offer 2014 reached the vesting date. Based on the performance against the criteria disclosed in the table above, 384 000 shares vested.

	Number of conditional awards '000	Issue date	Issue price (cents)	Exercise price (cents)	Vesting period	Share-based payment expense	Future expense to be recognised
Performance shares							
2014 (vested 16/3/2018)	128	16/03/2015	10 795	–	3 years	7 019	–
2015	194	7/12/2015	11 175	–	3 years	11 856	4 940
2016	120	7/12/2016	14 747	–	3 years	7 303	10 346
2017	130	7/12/2017	14 676	–	3 years	2 932	12 148
Share appreciation rights							
2014	137	16/03/2015	10 795	11 540	3 – 5 years	–	–
2016	120	7/12/2016	14 747	14 747	3 – 5 years	–	–
2017	136	7/12/2017	14 676	14 676	3 – 5 years	1 027	5 734
Total						30 137	33 168

In calculating the share-based payment expense, valuations were performed using the Binomial model. The probability of achieving the TSR performance condition has been measured by a Monte Carlo simulation.

The following assumptions were made in arriving at the share-based payment expense:

	PS	SARS
Volatility (%) (Volatility has been calculated using the historical WBHO share prices over the vesting periods)	n/a	22,1 – 24,9
Risk-free rate (%)	n/a	7,0 – 7,4
Dividend yield (%)	2,3 – 2,7	2,3 – 2,5
Attrition rate (%)	5,0	5,0

26.2 The WBHO Management Trust

The trust is a structured entity through which shares are sold to employees with the aim of retaining existing talent within the group. The trust issues these shares via either a loan or as options to qualifying employees. The share options are equity-settled and are valued using the Binomial model. The following estimates and assumptions were used in the calculation of the share-based payment expense:

	Share options 2014	Share options 2016
Grant date share price	115,0	145,0
Exercise price (R')	83,1	110,4
Volatility (%) (Volatility has been calculated using the historical WBHO share prices over the vesting periods)	23,4	25,0
Risk-free rate (%)	7,5	8,5
Dividend yield (%)	2,5	2,5
Attrition rate (%)	5,0	5,0

26.3 Akani Investment Holdings (Pty) Ltd and the Broad-Based Employee Share Incentive Trust (BBE Trust)

The company and trust are structured entities created to give effect to the group's Black Economic Empowerment initiative, aimed at sourcing strategic black partners and rewarding employees who have been in the service of the group for more than five years.

The Akani scheme has a share price growth hurdle in addition to 10 and 5 year lock in periods for black partners and employees respectively.

The hurdle rate is defined as being the nominal annual growth rate compounded annually. For the partners the rate is 8.33% and for the employees it is as agreed on by the Board at the time of each allocation of shares.

Over the lock-in periods the shares attract dividends. In respect of directors, one third of the dividend is paid out in cash and two-thirds are utilised to purchase WBHO shares. In respect of employees, the full dividend is utilised to purchase WBHO shares.

In calculating the share-based payments expense applicable to the black partners and the BBE Trust it is necessary to estimate the number of shares that may vest at the end of the lock-up and allocation periods respectively. The following assumptions and judgements were used in arriving at the share-based payment expense:

	BBE Trust	Black partners
Hurdle rate (%)	Variable	8,3
Weighted average expected volatility (%)	24,0	24,0
Weighted average dividend yield (%)	2,7	2,7
Weighted average risk-free interest rate (%)	8,8	8,8
Vesting period (years)	5,0	10,0

The table below provides details of the long-term incentives awarded to employees other than directors and prescribed officers.

	WBHO Management Trust	Black Partners	Employees
Total shares/options allocated ('000)	1 130	830	1 818
Allocations/issues in the current year ('000)	–	–	414
Dividend shares purchased ('000)	n/a	14	42
Vested in the current year ('000)	55	–	(724)
Dividends shares transferred	–	–	(3 494)
Shares available for future allocations ('000)	2 137	–	912
Share-based payment expense recognised (R'000)	14 462	–	19 160
Future Share-based payment expense (R'000)	49 384	–	51 434

26.4 Probuild Constructions (Aust.) Pty Ltd and WBHO Infrastructure Pty Ltd share incentive schemes

Shares are acquired by management for full market value at the time of issue and as a result, no share-based payment expense is recognised. Employee loans are raised against any consideration outstanding.

27. SEGMENT ANALYSIS

Operating segments reflect the management structure of the group and are identified both geographically and by the key markets which they serve.

The operating segments are regularly reviewed by the group's chief operating decision makers, defined as the executive committee, in order to allocate resources and assess the performance of the segments.

Following the consolidation of the Byrne Group Ltd at 30 June 2018, a new segment for the United Kingdom has been identified. The group now has six reportable operating segments, five of which contributed revenue in the current year. The activities associated with each segment are noted below:

Building and civil engineering
Construction of retail shopping centres, commercial buildings, hotels, hospitals and residential apartments mostly for the private sector.
Construction civil engineering related infrastructure for the mining, industrial, energy and oil and gas sectors.

Roads and earthworks
Activities include infrastructure and water and gas pipelines and other large infrastructure projects.

Australia
Construction of retail, residential and commercial buildings for the private building sector.
Various engineering disciplines, servicing the road and mining sectors and telecommunications.

United Kingdom
Construction of retail, residential and commercial buildings for the private building sector.
Building refurbishments and fit-out projects.

Property developments
Acquisition of land or the rights to land and the development of schemes with a view to build on or sell.

Construction materials
Sales and manufacture of long-steel products.

None of the operating segments are aggregated and there are no additional segments to report separately.

Non-current assets by geographic segment are shown net of deferred tax.

	Building and civil engineering R'000	Roads and earthworks R'000	Australia R'000	United Kingdom R'000	Property developments R'000	Construction materials R'000	Total R'000
Operating segments							
2018							
Revenue	7 302 475	5 282 155	21 941 438	–	1 778	842 034	35 369 880
Inter-segment revenue	–	–	–	–	–	(341 405)	(341 405)
Revenue–external customers	7 302 475	5 282 155	21 941 438	–	1 778	500 629	35 028 475
Operating profit before non-trading items	332 184	370 858	277 906	57 209	1 970	5 270	1 045 397
Items regularly reported to the Executive committee:							
Loss on disposal of equity accounted investment	–	–	–	(57 544)	–	–	(57 544)
Gain on bargain purchase of subsidiary	–	–	–	101 675	–	–	101 675
Depreciation	45 675	135 264	51 528	–	–	7 743	240 210
Capital expenditure	76 301	187 483	48 826	–	–	3 357	315 967

	Building and civil engineering R'000	Roads and earthworks R'000	Australia R'000	United Kingdom R'000	Property developments R'000	Construction materials R'000	Total R'000
2017							
Revenue	8 135 777	4 589 881	18 599 977	–	2 301	892 940	32 220 876
Inter-segment revenue	–	–	–	–	–	(314 216)	(314 216)
Revenue–external customers	8 135 777	4 589 881	18 599 977	–	2 301	578 724	31 906 660
Operating profit before non-trading items	384 943	341 737	258 986	–	(1 472)	2 103	986 297
Items regularly reported to the Executive committee:							
Depreciation	43 498	98 261	60 055	–	–	9 608	211 422
Capital expenditure	66 741	178 322	53 020	–	–	11 004	309 087

	2018 R'000	2017 R'000
Geographical segments		
Revenue		
South Africa	**10 649 599**	11 453 907
Rest of Africa	**2 437 438**	1 852 776
Australia	**21 941 438**	18 599 977
	35 028 475	31 906 660
Operating profit		
South Africa	**524 653**	475 720
Rest of Africa	**185 629**	251 591
Australia	**277 906**	258 986
United Kingdom	**57 209**	–
Operating profit before non-trading items	**1 045 397**	986 297
Non-current assets		
South Africa	**1 797 922**	1 642 474
Rest of Africa	**368 597**	466 851
Australia	**1 145 074**	943 845
United Kingdom	**220 791**	202 962
	3 532 384	3 256 132

	2018 R'000	2017 R'000
28. CASH FLOW INFORMATION		
28.1 Cash generated from operations		
Operating profit before non-trading items:		
From continuing operations	**1 045 397**	986 297
From discontinued operations	**–**	(69)
Settlement agreement expense	**(21 250)**	(42 500)
Cash portion of equity-accounted investment	**–**	31 601
Operating profit before non-trading items	**1 024 147**	975 329
Adjusted for non-cash items:		
Depreciation	**240 210**	211 422
Movement in provisions	**(118 988)**	(88 003)
Profit from disposal of property, plant and equipment	**(18 996)**	(14 345)
Operating income before working capital changes	**1 126 373**	1 084 403
Working capital changes:		
Increase in inventories	**(727)**	(20 967)
Increase in excess billings over work done	**(1 058 792)**	(248 684)
Increase/(decrease) in contracts-in-progress	**419 997**	(228 141)
Decrease/(increase) in trade and other receivables	**55 723**	(745 039)
Increase in trade and other payables	**846 957**	1 275 056
Cash generated from operations	**1 389 531**	1 116 628
28.2 Taxation paid		
Asset outstanding at beginning of the year	**123 235**	243 581
Current tax expense	**(385 142)**	(349 488)
Subsidiary acquired/(derecognised)	**4 442**	(22 997)
Asset outstanding at end of year	**(105 169)**	(123 235)
Net taxation paid	**(362 634)**	(252 139)
28.3 Cash and cash equivalents		
Cash and cash equivalents	**5 992 461**	5 545 583
Restricted cash balances of R93,4 million (2017: R41,2 million) relate to monies held in trust on behalf of subcontractor retentions in Australia.		
28.4 Interest-bearing debt		
Liability outstanding at beginning of the year	**120 261**	104 365
Additions	**77 693**	88 686
Subsidiary acquired/(derecognised)	**40 709**	(12 543)
Foreign currency effect	**1 609**	7 362
Liability outstanding at end of year	**(177 107)**	(120 261)
Net instalments paid	**63 165**	67 609

29. ACQUISITION OR DISPOSAL OF NON-CONTROLLING INTERESTS

Entity	Date acquired/ disposed of	Transaction	Interest acquired/ disposed of %	Effective interest held after transaction %	Consideration paid/received R'000
2018					
iKusasa Rail (Pty) Ltd	1-Jul-17	Share sale	5.00	85.00	3 488
Probuild Constructions (Aust) Pty Ltd	24-Jul-17	Share buy-back	1.68	82.04	32 039
WBHO Australia Pty Ltd	24-Nov-17	Share aquisition	0.76	82.80	16 501
Probuild Constructions (Aust) Pty Ltd	9-Feb-18	Share buy-back	1.33	84.13	32 135
Probuild Constructions (Aust) Pty Ltd	1-June-18	Share buy-back	0.50	84.63	10 909
Probuild Constructions (Aust) Pty Ltd	29-June-18	Share buy-back	0.34	84.97	7 665
WBHO Infrastructure Pty Ltd	30-June-18	Share issue	6.38	90.10	25 915
Net cash flow on changes in shareholding					93 148
Aggregate amounts recognised in equity					60 080

30. BUSINESS COMBINATIONS

30.1 Byrne Group Limited

Following the initial acquisition of a 40% interest in the Byrne Group (Byrne) in 2017, WBHO UK Limited (WBHO UK) increased its shareholding from 40% to 80% on 18 June 2018.

The Byrne Group consists of the Byrne Bros. who specialise in concrete sub and superstructure package while new build refurbishment and fit-out projects are delivered through Ellmer Construction.

The original valuation performed for the company at the acquisition date on 22 June 2017 included a forecast amount for earnings before interest, tax and depreciation (EBITDA) in respect of the 2018 financial year. The share purchase agreement allowed for the original valuation to be amended to include the actual EBITDA achieved for FY18. In the event that the actual EBITDA was lower than the forecast EBITDA, the shareholders had a pre-emptive right to recapitalise the business such that the original valuation was maintained. If the shareholders elected not to do so, WBHO UK would receive additional shares in the company. The total adjusted interest acquired after the issue of additional shares would be equivalent to the proportion of the group's original investment of £12 million to the total value of the amended valuation.

Due to the extent of the losses incurred in the current financial year the original shareholders elected not to recapitalise the business with the result that on 18 June 2018 the group's interest in the company increased from 40% to 80% for no further consideration.

The investment was accounted for as an associate up until the date of the change in shareholding. In terms of IFRS 3 Business combinations, when control is achieved in stages, the group's investment is disposed of as follows:

	R'000
Fair value of the business at 30 June 2018	276 838
40% of fair value (deemed consideration)	110 735
Carrying amount of investment at 30 June 2018	(168 279)
Loss on deemed disposal	**(57 544)**

The group's 80% interest is subsequently acquired in terms of the provisions of IFRS 3:
All identifiable assets and liabilities are recognised at fair value after a detailed review including identifying any possible intangible assets. No further intangible assets were identified. The acquisition resulted in a gain on bargain purchase due to the losses made in

the current year.

30. BUSINESS COMBINATIONS (CONTINUED)

30.1 Byrne Group Limited (continued)

The following audited information summarises the fair value of identifiable assets and liabilities assumed on the acquisition date:

	R'000
Assets	
Property, plant and equipment	220 791
Deferred tax	30 055
Amounts due by customers	85 245
Contract debtors	397 797
Contract debtor retentions	181 273
Other current assets	70 894
Cash and cash equivalents	83 756
Total	1 069 811
Liabilities	
Non-current liabilities	13 488
Excess billings over work done	41 494
Trade and other payables	226 738
Subcontractor creditors and retentions	178 749
Contract accruals	141 074
Other current liabilities	191 430
Total	792 973
Fair value of net identifiable assets	276 838
Proportionate share of non-controlling interests recognised	(55 368)
Group's share of net identifiable assets acquired	221 470
Fair value of previously held interest (deemed consideration)	110 735
Preference shares acquired	9 060
Group's share of net identifiable assets acquired	(221 470)
Gain on bargain purchase	**(101 675)**

Revenue and losses have not been included in the results of the group for the period from the acquisition date to the reporting date as the amounts are immaterial and it is impracticable to accurately calculate due to the measurement method of construction accounting.

The amounts below illustrate the impact on the group's results had the acquisition been effective at 1 July 2017.

Revenue	2 393 891
Loss after tax	(117 060)

30.2 iKusasa Rail (SA) (Pty) Ltd

In the prior year, the acquisition of iKusasa Rail was disclosed as provisional. The acquisition has been finalised and there are no changes to report.

31. EVENTS AFTER THE REPORTING DATE

31.1 Russells Limited and Russell Homes Limited

On 18 July 2018, WBHO UK Limited concluded an agreement in which it acquired a controlling 60% interest in Russells Limited and a 31.7% equity-accounted interest in Russell Homes Limited for a consideration of £32, 8 million (R572 million) and £3,3 million (R56,4 million) respectively.

Following stagnant growth within local markets over recent years, WBHO has been seeking growth opportunities in new markets in order to further diversify its earnings platform. The construction market in the United Kingdom was identified as offering the most potential at acceptable levels of risk. The acquisition of the Russells businesses is an excellent strategic fit for the group's UK operations and will add additional substance to WBHO's presence in the UK market. The culture and values of both the business and the management team, which are based on teamwork, integrity and loyalty, are strongly aligned with those of WBHO.

Russells Limited is a main contracting business located in Manchester in the United Kingdom (UK) and provides design, installation and project management capabilities across all main sectors. Russells was founded in 1997 and has grown from a small regional contractor into one of North West England's largest and most successful construction business with a strong and reputable brand.

Russells Limited has demonstrated strong, yet controlled and sustainable growth over recent years, establishing itself as one of the pre-eminent contractors in the region. The Manchester and North West construction markets currently offer a healthy project pipeline and the business has a strong secured order book for the 2019 financial year.

Russell Homes Limited specialises in land acquisition and planning applications in respect of in-house and developer-led residential schemes and is experienced in delivering a full spectrum of builds, from cost-effective social housing to executive homes and luxurious bespoke builds.

Russell Homes Limited offers WBHO entry into the UK residential property market. The business has a number of schemes in various stages from planning permission to build-out with good potential for future growth in the region.

The following information summarises the fair value of identifiable assets and liabilities of Russells Limited assumed on the acquisition date:

	R'000
Assets	
Property, plant and equipment	26 121
Intangible assets	2 437
Amounts due by customers	122 847
Trade and other receivables	297 409
Loan to Russell Homes	148 280
Cash and cash equivalents	139 508
Total	736 602
Liabilities	
Non-current liabilities	26 112
Deferred taxation	1 116
Trade and other payables	204 832
Accruals	171 183
Other current liabilities	32 388
Total	435 631
Fair value of net identifiable assets	300 971
Proportionate share of non-controlling interests recognised	(120 388)
Fair value of net identifiable assets acquired	180 583
Cash consideration	571 670
Fair value of net identifiable assets acquired	(180 583)
Goodwill recognised on acquisition	**391 087**

An assessment to identify potential intangible assets within the business has yet to be performed as the acquisition was finalised shortly after year end. Therefore the amount recognised as goodwill is provisional.

The provisional goodwill arising on the acquisition of this business is not expected to be deductible for tax purposes.

The amounts below illustrate the impact on the group's results had the acquisition been effective from 1 July 2017.

Revenue	1 308 318
Profit after tax	128 303

31.2 3Q Mahuma Concrete (Pty) Ltd

The amount of R40 million held in escrow pending the lapsing of the warranty period and disclosed in note 5 was received in July 2018.

The board is not aware of any other matter or circumstance arising since the reporting date not otherwise dealt with in the consolidated annual financial statements, which significantly affects the financial position of the group as at 30 June 2018 or the results of its operations or cash flows for the year then ended.

ANNEXURE 1
INVESTMENTS IN SUBSIDIARIES
for the year ended 30 June 2018

	Country of Incorporation	Issued capital	Effective holding 2018 %	2017 %
Held directly				
WBHO Construction (Pty) Ltd	South Africa	R900,000	**100**	100
WBHO Industrial Holdings (Pty) Ltd	South Africa	R1	**100**	100
Structured entities				
WBHO Management Trust	South Africa		**–**	–
WBHO Share Trust	South Africa		**–**	–
WBHO Broad-based Employee Share Incentive Trust	South Africa		**–**	–
Akani Investment Holdings (Pty) Ltd	South Africa	R35,460	**47**	32
Held indirectly				
Roadspan Surfaces (Pty) Ltd	South Africa	R10 000	**100**	100
Capital Africa Steel (Pty) Ltd	South Africa	R235 861	**100**	100
Tekfalt Binders (Pty) Ltd	South Africa	R100	**60**	60
WBHO Construction Sierra Leone Limited	Sierra Leone	US$23,000	**100**	100
WBHO Guinea (SA) Limited	Guinea	Fr100,000,000	**100**	100
WBHO Mozambique Projectos Limitada	Mozambique	MZN10,000,000	**100**	100
WBHO Namibia (Pty) Ltd	Namibia	N$1	**100**	100
WBHO Construction Zambia Limited	Zambia	ZMW10,000	**100**	100
Kalcon (Pty) Ltd	Botswana	P2	**100**	100
WBHO Ghana (Pty) Ltd	Ghana	$500,000	**100**	100
WBHO Australia Pty Ltd	Australia	AUS$46,348,945	**100**	100
WBHO Infrastructure Pty Ltd	Australia	AUS$22 113 309	**90,1**	95,1
Monaco Hickey Pty Ltd	Australia	AUS$6 000 000	**69,7**	68,0
Probuild Constructions (Aust) Pty Ltd	Australia	AUS$48 760 955	**85,0**	80,4
WBHO UK Limited	England	GBP 100	**100**	100
Byrne Group Limited	England	GBP 2,137,400	**80**	40

Investments in insignificant subsidiaries are not disclosed.

ANNEXURE 2
INTERESTS IN JOINT OPERATIONS
for the year ended 30 June 2018

All joint operations listed below are engaged in construction activities.

Investments in significant non-statutory entities	Country of operation	2018 %	2017 %
Kusile Civils Joint Venture	South Africa	**25,0**	25,0
WBHO/Phayindani Joint Venture	South Africa	**59,0**	59,0
WBHO/Prokhaya JV	South Africa	**80,0**	80,0
WBHO/Tiber 144 Oxford St Joint Venture	South Africa	**50,0**	–
Gateway Joint Venture	South Africa	**70,0**	–
Suncoast Joint Venture	South Africa	**80,0**	–
Umhlanga Arch Joint Venture	South Africa	**90,0**	–
WBHO/Cebekhulu Civils Joint Venture	South Africa	**70,0**	–
WBHO/Tiber Discovery Joint Venture	South Africa	**50,0**	50,0
WBHO/CCC Joint Venture	Botswana	**50,0**	50,0
Orapa FRD Joint Venture	Botswana	**70,0**	–
WBHO/MBS Joint Venture	Ghana	**60,0**	60,0
WBHO/SNCL Joint Venture	Australia	**50,0**	–
WBHO/SRG Joint Venture	Australia	**50,0**	–
WBHO/Mcilwain Joint Venture	Australia	**50,0**	50,0
WBHO/MT Gellibrand Joint Venture	Australia	**50,0**	50,0

ANNEXURE 3
SHAREHOLDERS' ANALYSIS
for the year ended 30 June 2018

Shareholder spread	No of Shareholdings	%	No of Shares	%
1 – 1 000 shares	2 291	69,68	576 972	0,96
1 001 – 10 000 shares	580	17,64	2 029 445	3,39
10 001 – 100 000 shares	320	9,73	10 775 906	17,99
100 001 – 1 000 000 shares	87	2,65	23 557 128	39,33
1 000 001 shares and over	10	0,30	22 951 063	38,32
Totals	**3 288**	**100,00**	**59 890 514**	**100,00**
Distribution of shareholders				
Banks/brokers	101	3,07	13 807 403	23,05
Close corporations	15	0,46	13 287	0,02
Empowerment vehicles	4	0,12	3 546 014	5,92
Endowment funds	22	0,67	185 510	0,31
Individuals	2 240	68,13	3 996 834	5,69
Insurance companies	47	1,43	2 034 117	3,40
Investment companies	7	0,21	527 822	0,88
Medical schemes	15	0,46	151 279	0,25
Mutual funds	182	5,54	15 031 175	25,10
Other corporations	20	0,61	8 551	0,01
Private companies	57	1,73	362 131	0,60
Public companies	1	0,03	100	0,00
Retirement funds	246	7,48	15 201 577	25,38
Share trusts	3	0,09	3 299 521	5,51
Trusts	328	9,98	1 725 193	2,88
Totals	**3 288**	**100,00**	**59 890 514**	**100,00**
Public/non-public shareholders				
Non-public shareholders	**28**	**0,85**	**16 137 621**	**26,95**
Directors and associates	11	0,33	1 119 694	1,87
Strategic holders holding more than 10%	10	0,30	8 290 327	13,84
Empowerment vehicles	4	0,12	3 428 079	5,72
WBHO share and management trusts	3	0,09	3 299 521	5,51
Public shareholders	**3 260**	**99,15**	**43 752 893**	**73,05**
Totals	**3 288**	**100,00**	**59 890 514**	**100,00**
Beneficial shareholders holding 3% or more				
Government Employees Pension Fund			8 290 327	13,84
Allan Gray (Pty) Ltd			5 991 093	10,00
Akani Investment Holdings (Pty) Ltd			3 428 079	5,72
WBHO Management Trust			3 299 521	5,51
Dimensional fund advisors			1 963 104	3,28
Totals			**22 972 124**	**38,35**
Geographical breakdown				
South Africa	3 137	95,41	45 390 932	75,79
United States of America and Canada	30	0,91	8 636 258	14,42
United Kingdom	44	1,34	2 489 851	4,16
Rest of Europe	21	0,64	1 804 136	3,01
Rest of the world	56	1,70	1 569 337	2,62
Totals	**3 288**	**100,00**	**59 890 514**	**100,00**

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